

SUPPORTING HIGH PERFORMANCE GOVERNMENT

Leading Large Scale Change

September 22, 2004

Introducing Innovation: Sources of New Thinking

Panelists:

Thomas R Frieden Commissioner, New York City Department of Health and Mental Hygiene

Joel I. Klein Chancellor, New York City Department of Education

Katherine N. Lapp Executive Director, Metropolitan Transportation Authority

Gino P. Menchini Commissioner, New York City Department of Information Technology and Telecommunications

Moderator:

Diana Fortuna President of the Citizens Budget Commission

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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 September 22 held at the Woolworth Building, focused on “Introducing Innovation: Sources of New Thinking”. In this session, attended by senior managers working in 22 city agencies, participants discussed the challenges of creating a new organizational agenda and embedding those new ideas within the organization while managing the process and people involved in this type of change.

Diana Fortuna, President of the Citizens Budget Commission, moderated the September 22nd session. Ms. Fortuna has had extensive experience in budget and policy analysis at all levels of government prior to and while serving on the Citizens Budget Commission. The four discussants for the session were Thomas R Frieden (Commissioner, Department of Health and Mental Hygiene), Joel I. Klein (Chancellor, Department of Education), Katherine N. Lapp (Executive Director, Metropolitan Transportation Authority), and Gino P. Menchini (Commissioner, Department of Information Technology and Telecommunications).

The following summarizes some of the central ideas and observations offered by the lead discussants and during an audience-wide conversation.

Key Observation: Crisis can be an Enabler for Innovation

When Katherine Lapp arrived as Executive Director of the Metropolitan Transit Authority (MTA), she was immediately aware that she was about to lead an agency that was experiencing multiple challenges. She had inherited public criticism about the transparency of the MTA and the way in which the agency made information publicly

available. The MTA's internal budget processes contributed to these criticisms. The financial reports generated by different agencies within the authority were not always clear even to financial experts on the MTA's 23-person board. After her first months at the MTA she realized that she could use these public challenges as an opportunity to try and solve the agency's problems, which she understood also meant changing the culture of the agency.

Joel Klein, Chancellor of the Department of Education, also used crisis as a means for introducing major innovative changes into the educational system in New York City. However, in this case, the crisis was intentionally underlined by Mayor Bloomberg. Chancellor Klein believes that Mayor Bloomberg's insistence on framing the education system as broken, provided him with the necessary impetus for introducing innovation to bring about massive reform. Chancellor Klein said, "This particular innovation started as something political that ended up becoming a large-scale overhaul of the educational system." In essence, the Mayor's ultimate goal was to reform the city's educational system but in order to do so he needed to generate political momentum as leverage for substantive change. Chancellor Klein also noted that, "The Department (of Education) could not have made these changes if it were not prepared to make a case to the city. We had to bring in fresh leadership, a new curriculum, and reorganize the school districts. If all we were doing was tinkering at the edges, we were sure not to get the kind of results that we wanted to get." The Chancellor highlighted the importance of matching the extensiveness of the innovation to the complexity of the system; larger, more complicated systems often require more elaborate changes.

Use of crisis to leverage innovation is discussed extensively in management and public administration literature. These articles acknowledge that crisis can be a powerful agent for introducing and rapidly adopting innovation. However, they warn that crisis is problematic because it is often transient and can create dysfunctional working conditions. Innovation that is adopted during a time of crisis can be just as quickly abandoned when that crisis is over, or when a different crisis takes precedence. Therefore, recent literature has attempted to introduce several alternative approaches for the introduction and adoption of innovation. Current management literature emphasizes the importance of creating an organizational culture which fosters and sustains innovation. This briefing suggests that these are not alternative options; crises can introduce changes which can further encourage a culture that appreciates and sustains change.

For an example of how organizations deal with crisis and use it as a lever for change in addition to creating a culture that fosters innovation see:

Light P. (2004) *Surviving Innovation: Preferred states of being for creating innovating organizations in the non-profit sector and government*, New York University, New York.

Two excellent examples of work that emphasize an innovative organizational culture are:

Abramson MA, Littman ID eds. (2002) *Innovation*. Lanham, Maryland:Rowman and Littlefield Publishers Inc.

Borins S. (2001) The challenge of innovating in government. *Innovations in Management Series*. The PricewaterhouseCoopers Endowment for the Business of Government.

Key Observation: Articulating a Shift in Agency Mission Supports Innovation

For both Thomas Frieden, Commissioner of the Department of Health and Mental Hygiene and Gino Menchini, Commissioner of the Department of Information Technology and Telecommunications, a redefinition of agency purpose supported the introduction of innovation. Commissioner Frieden inherited an ongoing merger of the Department of Health with the Department of Mental Hygiene which broadened the agency's overall mission and promoted new connections between these functions. In addition, the Department of Health and Mental Hygiene (DOHMH) redefined its role as the face of disease changed in New York. Currently, more than 70% of deaths are a result of non-communicable diseases, while the old model of Departments of Public Health has focused on infectious diseases. Commissioner Frieden noted that a redefinition of the agency's focus and mission was essential if the agency was going to continue to be able to serve its purpose of promoting the physical health and mental well-being of the public. In this case, innovation has been driven by new data suggesting the need for different programs.

As Commissioner of the Department of Information Technology and Telecommunications (DoITT), Mr. Menchini was charged with revamping the way technology supports the goals of government agencies in particular to allow government to be more accessible to the citizens. For Commissioner Menchini, while not a public crisis this shift in agency focus was a significant internal management challenge because the Mayor expected major achievements in one year. As Commissioner Menchini said, "It was clear that we had to begin to leverage technology to accomplish what the city needed to accomplish. We could see it evolving as a tool for change and for the organizational restructuring that this change could bring. We also changed our role to become a much more public serving agency. Our key project was to restructure how we use our people interface. 311 moved rapidly to the top and helped change the perception of New York government and services to New Yorkers. The website we created was the first vehicle that enabled someone to actually look up a service and find the city department that covered that service." The radical shift of mission for DoITT transformed the agency into customer service agency that was designed to assist New Yorkers and be very interactive. In addition, by becoming a customer service agency, DoITT could collect information that would allow other city agencies to become more customer centered.

Key Observation: Innovation is Spurred by Best Practices That Can Be Found Locally or Globally

For both DoITT and DOHMH, adapting best practice and learning from national and international institutions was critical in informing the direction of each department.

Both Commissioner Frieden and Commissioner Menchini capitalized on technologies and management approaches that had been successful in other organizations in other states or in the private sector in trying to change the roles of their respective agencies. For example, DoITT chose to use off the shelf software for their phone systems instead of developing a whole new product, saving the agency both time and money. The software was flexible enough to respond to changing demands as 311 changed. Commissioner

Frieden also adapted programs and approaches that had been successful in other jurisdictions and countries. For example, smoking cessation programs that had been successful in other states with tobacco control programs such as California and Massachusetts offered practical models. He also noted that he was able to follow the smoking habits of participants in smoking cessation programs using a simple tracking mechanism adapted from a global tuberculosis program.

Key Observation: Innovative Ideas are Initiated both from the Top-Down and the Bottom-Up

The introduction of innovation is multifaceted, not just a simple “top-down” or “bottom-up” process. Innovative ideas and practices are generated at all levels of an organization. Front line innovation tends to focus on specific work processes, whereas innovation on the part of senior management tends to highlight big picture policies and organizational redefinition. The conversation in this briefing reflects a more complex understanding of how innovation happens than what is reflected in the dominant literature.

A majority of the innovations described during this session were initiated and subsequently implemented top-down. Mayor Bloomberg has played a critical role in encouraging his Commissioners to be proactive in addressing their agency’s management challenges. The Mayor has created a climate that encourages “big picture” thinking. This has encouraged senior managers to create innovative solutions to the problems facing their respective agencies. In addition to this session’s lead discussants, other commissioners at the breakfast, including Patricia Lancaster, Commissioner of the Department of Buildings, echoed similar sentiments.

On the other hand, Commissioner Frieden described a more complex process in which innovation was an amalgamation of both initiatives from senior managers and line workers. He observed that, “I think it is a combination of the two. One is big picture policy stuff. In the case of tobacco control and second hand smoke, it was clear that support from the top was crucial to getting the green light to go ahead with our legislation and smoking cessation programs. The Mayor told all commissioners, ‘it’s your agency, don’t screw it up.’ However, when you are trying to introduce innovation, it is also important to get buy-in from the front lines as well as ideas. You are never going to be successful unless you are constantly listening to those on the front line.” Commissioner Frieden described an example of front line innovation in restaurant inspection spurred by a team of inspectors. Inspectors designed an application for hand held computers so that they can now provide immediate reports to the restaurant owners. The owners no longer need to wait for a report and can make the necessary changes immediately. This innovation has been extremely important to the department because it saves inspectors time and saves the department money, even though it is largely out of the public eye.

This conversation suggests that innovative ideas for dealing with work processes are often generated by front line employees, while ideas that are focused on policy tend to come from senior leadership. If an innovation comes from line workers that have the potential to affect either policy or general agency procedures, it needs to garner the

support of top leadership to succeed. The introduction of the Comstat system to track crime statistics citywide was cited as another example of “bottom-up” innovation that garnered senior-level support and became a core part of the operations of the criminal justice system in New York. Ms. Lapp (who was Criminal Justice Coordinator in the Giuliani administration) attributed the development of Comstat to an officer in a local police precinct who tracked detailed information about crime on a map using pins. This was an important managerial process that gave him insight into patterns of crime that informed police work in his precinct. He convinced Commissioner Bratton of its importance and this approach was adopted by the police department citywide. The system, even in its paper and pins infancy allowed the NYPD to track crime statistics weekly and even daily. As the system was computerized, statistics were generated more rapidly. The six-month wait for crime statistics of the 1980’s and 1990’s had been eliminated.

The dominant literature including authors such as Sanford Borins, Paul Light, T. Davenport, L Prusak and H Wilson suggests that innovation does not come from the top of an organization but rather from the front lines. In fact, in his 2001 article, Sanford Borins has an entire chapter devoted to “debunking the myth that innovation comes from the top of the organization.” In the conceptual framework of these authors, top leadership may set the direction for the agency, but they leave the introduction and invention of innovation in the hands of front line staff. One author, Peter Harkness in his article “The Impulse to Innovate” suggests that both approaches to innovation are valid, and that it is up to the organization to choose which method is most appropriate for that particular organization. For literature on top-down vs. bottom up innovation see:

Borins S. (2000) What border? Public management innovation in the United States and Canada. *Journal of Policy Analysis and Management*, 19:1 pp46-74.

Borins S. (2001) The challenge of innovating in government. *Innovations in Management Series*. The PricewaterhouseCoopers Endowment for The Business of Government.

Davenport T, Prusak L, Wilson HJ. (2003). Who’s bringing you hot ideas and how are you responding? *Harvard Business Review*, 81:2 pp58-64.

Light P. (2004) *Surviving Innovation: Preferred states of being for creating innovating organizations in the non-profit sector and government*. New York University, New York.

Harkness PA. (1992) The impulse to innovate. *Governing Magazine* <http://www.governing.com/archive/1992/oct/intro.txt>. Accessed August 21, 2004

Key Observation: Effective Innovation Design Needs both Internal and External Experts

Generally, effective innovation requires a balance of outside experts and internal agency contributors. Chancellor Klein discussed his plan for bringing new life to the education system. “Because I knew that the school system needed massive change, I raised 5 million dollars to do a careful thoughtful plan. I brought in academic experts, community representatives, talked to other school system administrators and formed working committees on organizational structure and curriculum.” Later on, the Chancellor expanded on his earlier statement. “I used a private sector approach considerably. People from the outside can bring a different perspective. If you think you need a profound cultural change it is unlikely this is going to come homegrown. However, if you try to use all internal staff to facilitate change or use all external consultants to facilitate change, you end up with either too much transformational thinking or too much status quo thinking. You need a blend of the new and the old.”

Executive Director Lapp had a similar experience while trying to change the culture of the MTA. In her case, outside experts were not only valuable sources of new thinking they lent credibility to the desired changes and validated the direction Ms. Lapp was taking. She recruited a CFO from the private sector identifying someone with outstanding fiscal credentials who could revamp the budget to align with the structural changes taking place within the organization. She recruited a group of experts with public reputations as effective public managers to review the MTA fiscal process. In an exchange between Diana Fortuna, whom Ms. Lapp had recruited as one such expert, Ms. Lapp explained that she weighed the potential risks of publicly exposing agency vulnerabilities and decided that the credibility she gained by using outside experts was more significant than the apparent risk. Her main purpose was to improve the public standing of the MTA and to reinforce her leadership to the 62,000 employees of the MTA.

During the implementation of a new telecommunications system at DoITT, Commissioner Menchini brought together a team of people from both government and the private sector. The private sector could provide insight on how to manage customer service while managers in other government services were consulted to examine how they dealt with customers. He wanted to benchmark the city’s new system against private sector best practice in order to establish a standard of excellence. He also sought to ensure that the operations of DoITT matched the culture and new mission.

A series of articles examine the strategic question of how to access external agents to facilitate agency innovation. These articles highlight the importance of identifying potential external agents who can facilitate innovation, and offer insight about mechanisms which allow such external agents to assist with innovation. Stephan Page's article highlights interagency collaboration as another tools for integrating external agents as boosters of innovation.

Eadie DC. (1993) Putting a powerful tool to practical use: The application of strategic planning in the public sector. *Public Administration Review*, 43:5 pp447-453.

Nutt P. (1986) Tactics of implementation. *Academy of Management Journal*, 29:2 pp230-261.

Page S. (2003) Entrepreneurial strategies for managing interagency collaboration. *Journal of Public Administration Research and Theory*, 13:3 pp311-340.

Key Observation: Public Accountability Spurs Innovation

Public management articles suggest that one reason for innovation failure in the public sector is that this environment is particularly risk averse. Failures of innovation tend to be very visible. In the private sector, although failure is just as frequent, it is more often valued as a stepping-stone to the next innovative idea. In addition, in the private sector, monetary and personnel resources are often devoted to innovation. The public sector presents a stark contrast which leaves little room for failure or error.

Commissioners observed that not only has the Mayor indicated his support for effective innovation as well as agency heads generally, he has also positioned himself as a buffer between the agency heads and the public, which diminishes some of the risk associated with public sector innovation. As Commissioner Menchini said, "If you are going to be in a leadership role, you have to be in the front. The Mayor did that with schools and with 311. By being in front and holding yourself accountable and setting time frames, you make a very bold statement. You put yourself and top leadership at risk." The likelihood that experimental innovation can take place increases when senior managers have a buffer (which in this case is Mayor Bloomberg) that gives them some shelter from assuming the total risks of introducing an innovation.

Risk taking in the public sector is discussed in a variety of ways in the articles below, from changing the internal agency perception of risk to changing how the public views the risk of an innovation. One article suggests involving the public so that they are also, in a way, held accountable for innovations for which they have granted approval.

Some selected works are:

Pascale R, Millemann M, Gioja L. (1997) Changing the way we change. *Harvard Business Review*, 75:6 pp127-139.

Sutton RI. (2002) Building companies where innovation is a way of life. In R.I. Sutton, *Weird Ideas that Work*: 177-199. New York: The Free Press.

Light P. (2004) *Surviving Innovation: Preferred states of being for creating innovating organizations in the non-profit sector and government*. New York University, New York.

Executive Director Lapp echoed Commissioner Menchini's observation of the importance of being visible as the risk taking leader; "I put myself in the hot seat and said that I was going to be responsible for what happens. The next thing I had to do was to identify people in the organization that wanted to show (the public) that the MTA did a great service. Those people rose to the top and took the risk of figuring out how we were going to make the changes that I wanted to make." She further observed that if leaders are willing to be in the "hot seat" and accountable for the success or failure of innovative programs, then it may encourage front line and middle level workers to step up to the challenge, modeling courageous actors.

Key Observation: Innovation Depends on Addressing Resistance to Change

The topic of resistance to change was brought up briefly during this session. Chancellor Klein addressed resistance from agency staff. He noted, "I picked three to four basic principles of change. These were the most important factors to change, and the ones that would have the most impact. In doing so, I encountered resistance because people are used to doing things a certain way and they have certain expectations. It's unsettling when someone comes in and says it is a whole new ballgame." He underlined the importance of diagnosing resistance, which can often be subtle, in order to address it properly. He suggested that finding ways to reconnect employees to their basic motivation for work helps to increase optimism and lower resistance to change. He observed that many government agencies have great people working for them, but that leaders need to rekindle what "brought the people there, which are often an idea that they can do boundless good for people who need them."

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Commissioner Menchini connected risk and scope of change with resistance. He suggested that employee resistance can be reduced by funding projects in “smaller bites”. If projects start on a small scale there is less risk involved if the projects are not successful. People are more willing to try new things if the risk is small. This is especially relevant for DoITT where many of the projects require investment in technology, which can be expensive. “Some projects will work, others won’t and it’s good that a lot of money wasn’t wasted by making an enormous investment in the beginning.”

All four panelists agreed that a few quick wins at the beginning of any innovation implementation are important to help create a positive environment and to continue to propel “the winds of change.” In addition, they recommended making “wins” public as a way of rewarding individuals or groups within the agency that have embraced innovations. Sometimes public recognition should single out those employees on whose ongoing work the innovation relies. For example, the Mayor has held several picnics and holiday celebrations to recognize and reward 311 operators, the people that are on the phones with the public every day. Commissioner Menchini said, “Highlighting the importance of what they do is one way to change culture and overcome resistance to change.”

This conversation also addressed resistance from outside stakeholders. All participants acknowledged that it is important to identify key stakeholders when designing and implementing an innovation in order to determine the resistance to the innovation, and to diagnose and prevent resistance before it impedes the progress of the innovation. In some cases, especially when the general public is a key stakeholder, this may mean increasing the transparency of the organization and the innovations their tax dollars are supporting.

There are many articles that provide managers with practical advice about how to overcome resistance to innovation. For example:

Van de Ven AH. (1986) Central problems in the management of innovation. *Management Science*, 32:5 pp590-607.

Kotter JP, Schlesinger LA. (1979). Choosing strategies for change. *Harvard Business review*, 57:2 pp106-114.

Key Observation: Data and Technology Can Stimulate Innovation

Data and technology both generate and facilitate the introduction of innovation. Data helps to provide evidence to support policy and legislative initiatives and also helps to monitor program effectiveness. An important element in changing the DOHMH culture has been to integrate data in establishing priorities and budget setting. Commissioner

Frieden observed, “The idea and use of data is very fundamental to the field of public health and epidemiology. We use data to improve performance of our programs and of our organization. It is challenging because results of data analysis may have implications that are enormous in terms of stopping programs that have existed for decades or starting new programs.” The Commissioner observed that data has been critical to help persuade the Mayor and the City Council that New York needed second hand smoke and anti-tobacco regulation. The Department evaluates tobacco control programs by tracking prevalence of smoking in the city helping to sustain this new program, even against some public resistance. Technology has also enabled all employees of DOHMH literally to be on the same page, by providing everyone with access to a uniform intranet site that contains tools employees need to do their jobs.

Defining outputs as measures of agency success was discussed as the Department of Education’s practice. Chancellor Klein noted, “Many government agencies like to look at inputs but are not serious about outputs, and until they become attuned to outputs, they will not be serious about performance.” These measures of success would hold those responsible for making the new reforms a success, and hopefully have an ultimate impact by improving education for children.

Commissioner Menchini acknowledged that the right technology can be key to innovation; however the respective investment needed may be daunting. When asked how he could make a technology project work, Commissioner Menchini replied, “It means making a bit of a leap of faith by changing how you view the return on investment on many of these projects. We need to begin to implement what will be costly but very transformational approaches to implementing technology in the entire public sector.”

Panelists agreed on the importance of demonstrated success to sustain innovation and to affirm to the public that their tax dollars are being spent effectively. Evidence of success is critical and the evidence can be found in data that measures outputs.

Finally, all of the panelists warned that lack of sophisticated technology should not be used as a barrier to gathering data and as a way to evade accountability. Executive Director Lapp said that she held people accountable for providing data which they can accomplish with paper and pencils and crunching numbers. Commissioner Frieden’s adapted a paper-based tuberculosis control tracking system to track outcomes for smoking cessation programs. He noted, “It is a simple tracking system and it works.” Panelists noted that technology should improve data collection and distribution, but it should not impede either of these processes.

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