



PUBLIC SECTOR SERVICES

New State Agencies: A Transformation Playbook

Introduction





State and constituent needs and priorities change over time, compelling state leaders to adjust programs and service delivery. **One of the most transformative decisions state leaders can make is to create a new state agency, designed to improve the quality, impact, accountability and value of specific services, and optimize the state's role in service delivery.** In several states, that commitment to major transformation is playing out now with the introduction of departments focused on early learning and childcare. For example, Oregon recently launched the Department of Early Learning & Care (DELIC), bringing programs from different state agencies into one agency dedicated to early care and education policy and programs. The launch of DELIC enabled Oregon to unify and strengthen their early learning system to be more responsive to the needs of children, families and providers.

Alvarez & Marsal worked closely with Oregon on a phased transformation approach tailored to their needs. Our transformation work with Oregon and other states has informed this playbook which is intended to help state leaders accelerate their efforts to align programs and service delivery to better serve constituents.

We've said we're going to build this. Now what?

Four Phases for Building an Agency

The playbook that follows begins after legislative approval – after lawmakers, the governor's office, agency leaders, partners and constituents have weighed in on a governance change. In other words, "We've said we're going to build this. Now what?" Next is the detailed work, outlined in four phases below: (1) Assess & Align, (2) Design, (3) Plan & Budget and (4) Build, Launch & Stabilize.

Phase	Description
 Assess & Align	Understand the current state of program operations, including staffing, systems, rules and policies that will become part of the new agency and establish the cross-agency collaboration needed to design and support agency launch.
 Design	Establish the agency's mission, vision and values, operating model and service strategy and organization design and start to outline future state processes, roles, systems and data needs.
 Plan & Budget	Develop a roadmap reflecting the work required to launch the agency and migrate staff and functions. Define one-time costs and the future operating budget.
 Build, Launch & Stabilize	Implement project strategies, orchestrate work, manage risk, prepare staff and partners. Measure and communicate impacts and outcomes.



Assess & Align

A new agency will likely leverage several existing functions or programs pulled from other agencies or centralized state services. The Assess & Align phase is about understanding the current state, identifying decisions and preparing decision-makers who need to participate in agency design. Executive teams capture details and identify issues at this stage, providing the proper diligence to inform the new agency launch.

- I. Analyze Policy or Legislation** – Determine and clarify any goals, objectives, required timelines and structures defined in enabling legislation. Analyze rule sets to identify what will need to change to establish authority for the new agency to operate and deliver services effectively.
- II. Analyze Programs and Functions to be Migrated to the New Agency** – Document details on operations, rules, systems, data, staff headcount and roles and responsibilities, contracts and agreements. Collect input and feedback from staff and partners and identify risks and issues that will need to be addressed. Identify opportunities for improvement.
- III. Establish Baseline Performance** – Review key performance indicators (KPIs) and map current state experience for constituents, grantees and other partners.
- IV. Establish Cross-Agency Collaboration** – Define governance structure and identify decisions that must be made collaboratively to determine details of program and people movement. Align strategies and tactics to minimize disruption of services through launch. Agree on high-level assumptions about how and when functions will move.

LESSONS IN ACTION

Upfront and ongoing collaboration amongst impacted agencies lays the groundwork for success

The creation of a new agency has a ripple effect across multiple agencies. Success requires many teams, who may have differing priorities, levels of experience and availability of resources, to work together. Strong partnership between agencies increases the likelihood that constituents won't experience disruption during and directly following the new agency launch, and if done well, seeds collaboration that can transform future service delivery. There should be a level of trust between leaders who will pick up the phone, talk and keep work running smoothly as issues inevitably arise. Clarity on who gets to make decisions is essential, given that many will want to be at the table. State leaders should remember that for a new agency to take over program responsibilities, another agency must give them up – and effort is required to do either. Clear and frequent cross-agency communication will help align these parallel efforts.

Keep the constituent and partner experience front and center

Assuming the agency exists to deliver services, it is important to take stock of how and how well those services are being delivered at every touchpoint. Framing the current state assessment around the customer journey can help establish clear priorities, ensuring that the assessment stays focused on activities of value. Focusing on the customer journey also helps leadership to organize customer inputs and provides helpful context to communicate learnings.





Design

In the Design phase, teams leverage the learnings and decisions from the previous phase to establish the future state of the new agency, including mission and vision, operating model and organization design. Here, co-creation, transparency and communication start to take a bigger role in aligning and exciting partners for what's ahead. Maintaining transparency and creating opportunities for co-creation will help agency leadership build trust and adjust design to better serve staff and partners.

I. Establish Mission, Vision and Values –

Facilitate interested parties in drafting and editing core statements that convey the agency's purpose and guide the 'why' and 'how' of its daily operations.

II. Define the Operating Model – Document the functions that the agency will perform and what it will rely on others to provide. Identify new functions, capabilities and capacity that need to be built. Identify important intersections and dependencies with other agencies or partners.

III. Define the Organizational Structure

– Develop an organizational design with teams and roles aligned to the functions of the operating model and the mission of the agency. Define the scope of team responsibilities.

IV. Instrument for Continuous Improvement

– Establish KPIs for the new operating model, defining data and reporting requirements that will help teams manage continuous improvement.

V. Assess Readiness and Prepare Change Management – Identify key internal and external partners and assess impacts of the new operating model and organization design on each group. Use to inform the change management and communications strategy.

LESSONS IN ACTION

Make room for co-creation

A co-creation approach with external partners requires an upfront investment of time and resources, but it leads to a better design and also creates buy-in by bringing external partners along, so they understand what is happening and when. Since benefit programs administered by the state often sit in the middle of a network, new agency leaders should assume the network also needs time to prepare for change. It's helpful to identify partners and analyze how different groups will be impacted – including partners that may be managed by other agencies. Change management efforts should start early, focusing on elements such as multichannel communication, surveys and listening sessions.

Design for efficiency and scalability, in addition to quality

The design and launch of a new agency is a rare opportunity to take a step back and look at where there could be opportunity to streamline or offload functions in order to gain efficiency and position for scale. The technology and tools for accessing data from different sources continue to get better, and there may be opportunity to implement new functions so that they can be shared across teams in the new agency. Alternatively, the new agency could tap into functions that are already done well in other parts of the state, such as eligibility determination, grants management and customer service. In all cases, it's important for new agency leaders to weigh quality and control in addition to efficiency and scale in these operating model decisions.

Establish launch vs. post-launch expectations

An early, major decision is to signal what the agency aims to achieve at launch. One option is "Lift and Shift" – taking existing services and moving or recombining them into the new operating model and organization design. Another is "Optimize and Onboard," an approach to tightly couple launch and optimization, working through the details of optimal future state processes and roles/responsibilities and making cross-cutting changes on the path to launch. Or leaders may decide on something in between, based on risk tolerance and available time, capacity and budget. Setting expectations up front will help streamline the work and align expectations for the team and partners alike.



Plan & Budget

Success greatly depends on the ability to properly scope, sequence and govern complex and interdependent bodies of work; forecast one-time and ongoing operational costs; and intentionally plan for the supports that staff, partners and families will need as they encounter the changes that will be created by a new agency launch.

I. Define the Project Portfolio and Roadmap

- Define and prioritize projects and resources, sequencing to address interdependencies and mitigate risk. Create simple high-level views of the project portfolio and critical milestones to communicate the big picture.

II. Outline Project Management Office Framework

- Develop a right-sized project governance framework, process and tool set to enable consistency, efficiency and transparency. Allow for flexibility, with just enough structure to empower teams and effectively manage risk.

III. Create Operating and Implementation Budgets

- Create scenario-based models of the operating budget and one-time costs reflective of the designed organization structure and implementation resource plan.

IV. Craft Legislative Reports – Develop compelling, detailed legislative reports to communicate progress, request resources and position the agency for success.

V. Focus on Organizational Change Management

- Prioritize a strategy and plan to support staff and partners through change, building consensus around the mission, vision and values, and drive adoption of new ways of working.

LESSONS IN ACTION

Create momentum through variable resource planning

Define and execute a prioritized hiring plan early to efficiently build capacity. Leverage your internal and external networks to identify and attract talent. Don't expect to successfully launch the new agency leveraging existing staff in parallel with their day jobs. Expand capacity through consulting partner(s) to gain and sustain momentum until skilled staff can be hired and onboarded, or until after launch activities subside into "steady state."

Retain talent to gain and sustain momentum

The successful migration of functions and programs to the new agency depends on the retention of staff with institutional knowledge. Identify at-risk personnel and make retention a critical component of an effective change management strategy. In addition to inspiring staff with a vision for the future, mitigate the risk of burn-out by deprioritizing non-essential activity and strategically engaging key staff as leads or subject-matter experts, allowing consulting partners to manage projects and do tactical work.

Fill leadership gaps as best as you can

The new agency may require new leaders to be hired, which takes time. In the meantime, design and build work must continue. It's important for someone at a senior level to step in and provide direction to keep momentum. Balancing the need to make decisions now versus leaving options open for the future leadership is an art, not a science. When it relates to staff and their roles in the new organization, err on the side of making and sharing design decisions early to give staff time to process and ask questions.





Build, Launch & Stabilize

As a broad spectrum of project work gets underway – from back office administrative set up and internal staff migration to external branding and interagency agreements – leadership and project management should be tightly coupled to manage risks and clear the path to launch. As the launch date gets closer, confirm go-live support and define and communicate minimum viable operations.

- I. Mobilize the PMO & Project Delivery** – Source and onboard skilled resources to implement projects. Orchestrate work and enable information flow required to effectively make decisions and manage risk and dependencies across a broad range of projects.
- II. Execute to State Requirements** – Uncover and break down the work required within state systems, including the ability to draw down and disburse funds. Often, requirements and instructions reside in a number of different places. Conduct exploratory work required to confirm state requirements and adequately set up and configure the entity, treasury, financial and human capital management systems.
- III. Define Minimum Viable Operations** – As launch approaches, re-prioritize work by defining the essential resourcing, capabilities, infrastructure and supports that must be in place on Day 1 to enable critical operations and continuity of services to employees, community partners, providers, grantees and constituents.
- IV. Monitor Readiness & Communicate** – Enable staff and external and internal partner readiness through timely updates and be ready at any time to answer questions, share successes and assuage anxiety.
- V. Run Test Plans and Command Center** – Be ready to test multiple elements of the new agency, particularly any new IT infrastructure, replacement systems, state-systems (financial and HR systems), cross-agency systems access, data migration and constituent interfaces. For the launch itself, establish a “Command Center” process to escalate and triage issues and manage resolution.
- VI. Stabilize** – Put non-essential changes on hold to allow the new agency time to stabilize. Check in with teams and systems and review constituent contact points to identify new issues or desired changes that will become part of a new agency roadmap.

LESSONS IN ACTION

Communicate with intention

As projects are completed and new processes, tools and roles are introduced or adapted, people may begin to feel “out of the loop.” Consider multiple means of information sharing, including existing all-staff and group meetings; deploying a change-champions network to provide grassroots support to front-line staff; and developing and distributing a weekly newsletter with bite-sized pieces of information and shout-outs to staff for their efforts and successes.

Monitor technology projects closely, including finance and HR systems readiness

While the project portfolio may need to adjust, there are going to be a few pieces with less flexibility, including legacy technologies and state-wide systems such as finance and HR. These projects should be scoped realistically and monitored closely, especially if they involve dependencies on resources in other agencies (with other priorities) or data migration. Map and test data migration to confirm that key records are accurate.

Transition back to a marathon

The weeks leading to launch will feel like a sprint and teams will tire out, just as a new set of expectations sweep in. All the fixes that got triaged or wish list items that were deprioritized will re-emerge. New agency leaders should allot some period for recovery, but in parallel should build a new, longer-term roadmap to help align teams that are still learning to work together. These new plans will help the broader network, including legislators, advocates and providers, reset with the agency on the work going forward.



Conclusion

The effort to create a new agency requires many teams to mobilize in unfamiliar ways. While every state context is different, there is a common approach and methodology to successfully move from current state to future vision. The State Agency Transformation Playbook can serve as a guide to empower state leaders to make transformational change and accelerate improvement to program and service delivery.

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