CONFIDENTIAL

Achieving the OSPI's Priorities

WASHINGTON OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Initial findings

May 9, 2001

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The OSPI engaged McKinsey & Company to consider several core questions.

MCKINSEY'S INVOLVEMENT

Objective

Help OSPI develop a program for achieving its strategic vision

Core Questions

- Does the OSPI have an articulated vision and clear set of priorities? Is there alignment against those priorities?
- What, if any, are the barriers to effectively realizing the OSPI's collective strategic vision?
- What are the organizational requirements and tactical initiatives necessary for implementation of the strategic vision?

McKinsey's work with the OSPI involved a multi-step research and problem solving effort.

APPROACH TO PROBLEM SOLVING

	Conduct interviews with cabinet and key stakeholders	Develop perspective on OSPI's key challenges / needs	Synthesize / present findings	Cabinet meeting – Facilitate development of strategic program
Timing	April 4-5	April 6-18	April 19 – May 15	May 15
Key actions	• Conduct interviews with OSPI cabinet members and stakeholders	• Synthesize interview findings • Interview experts from McKinsey Nonprofit Practice, Education Sub-sector • Evaluate OSPI based on the 7-S Framework • Define key barriers to implementing OSPI's priorities	• Communicate key findings from the internal and external interviews to Terry • Present high-level recommendations and initiatives to drive OSPI's strategic priorities	• Facilitate retreat with cabinet members to develop strategic change program • Identify key initiatives, responsibilities, timing, and milestones related to change program

McKinsey interviewed many members of the OSPI cabinet/staff as well as other stakeholders.

INTERVIEWS CONDUCTED

OSPI Employees	External Stakeholders
• Mike Bigelow	• Chuck Collins
• Larry Davis	• Bill Freund
• Clare Donahue	• Gary Livingston
• Sheila Emery	• Terry Munther
• Andy Griffin	
• Greg Hall	
• Mary Alice Heuschel	
• Bill Jordan	
• Ken Kanikeberg	
• Tom Kelly	
• Cheryl Mayo	
• Jocelyn McCabe	
• Shirley McCune	
• Jennifer Priddy	
• BJ Wise	
• Joan Yoshitomi	

We have three overall observations based on our initial set of interviews.

OVERALL OBSERVATIONS

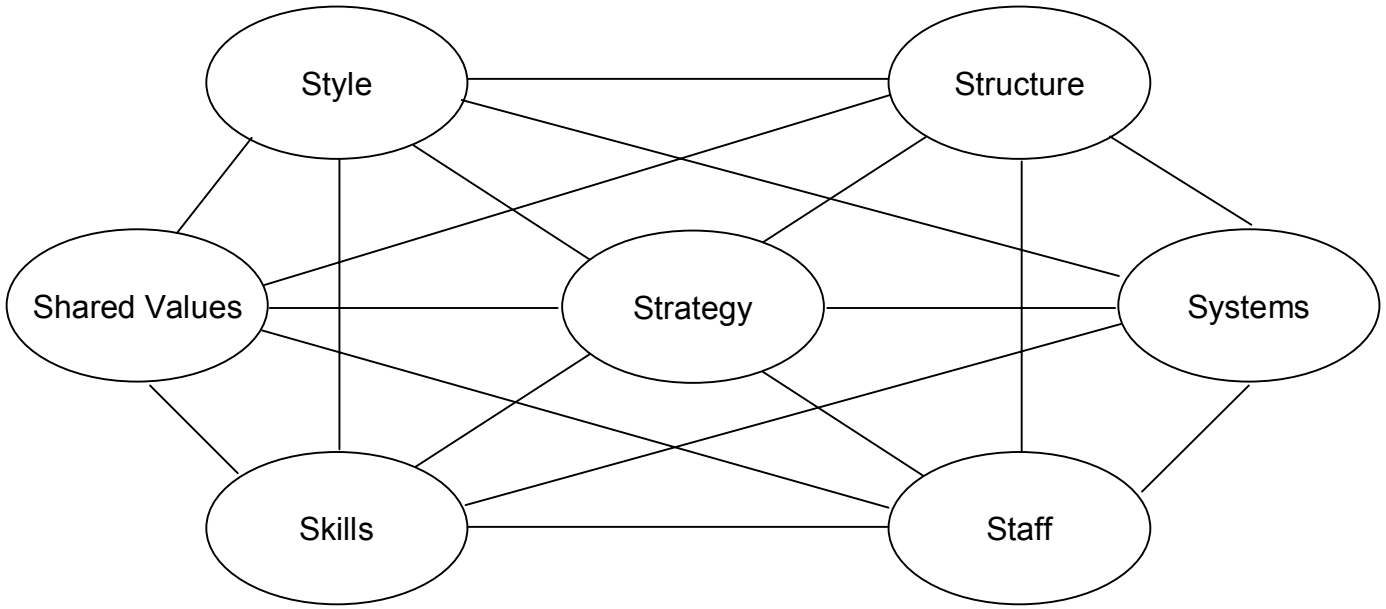
- We confirmed your initial hypothesis regarding the need to develop a program (including initiatives, goals, milestones and deliverables) to implement your strategic priorities and drive a high impact educational reform agenda for the State of Washington

- However, we determined that there are serious organizational and managerial challenges that must be addressed before progress can be made in driving OSPI's strategic priorities

- Consequently, we recommend a three-step process going forward:
  - Address organizational and managerial challenges and barriers which will prevent execution of your strategic change program
  - Define OSPI's strategic priorities and educational reform agenda
  - Develop and execute an implementation plan focused on these strategic priorities in collaboration with key members of OSPI's cabinet

OSPI must align its core strategy with its cultural values, style, and skills as well as its organizational structure, systems and staff.

THE 7-S FRAMEWORK



Source: Robert Waterman Jr., "The Seven Elements of Strategic Fit," *The Journal of Business Strategy*, Winter, 1982

Based on a limited set of (primarily internal) interviews, we have identified the following organizational strengths. OSPI must leverage these strengths toward achieving the agency's goals.

OSPI STRENGTHS

	Strengths	Quotes
Strategy	• Strong buy-in to the seven priorities by cabinet members (all cabinet members voiced support)	• "90% of the cabinet is bought in. How can they not be?"
Structure	• OSPI well-oriented for management of program funds and achievement of some regulatory functions (e.g., dispersal of funds to districts)	• "We do a good job of managing over 125 revenue sources, meeting specific requirements for many of them" • "Using the various funding in creative ways is a consistent challenge"
Systems	• Strong external communications and engagement with stakeholders • External perception that agency's systems are well run	• "There's strong support in the field for the work we're doing. I think a lot of that is the result of the work Terry and some of the others do in cultivating support out there" • "I think the touch points with the school districts function pretty well"
Staff	• Perception that staff is both talented and committed to education • Strong educational experience at the top of the organization	• "People here are all motivated by a desire to help kids. And we'll put up with almost anything in order to make a difference" • "We've got some really talented people working here"

Source: Interviews, McKinsey analysis

OSPI STRENGTHS (continued)

	Strengths	Quotes
Shared Values	• Employees generally motivated by desire to help children and improve education • Strong "buy-in" amongst cabinet members and external stakeholders for the OSPI's priorities	• "People here believe in the agency's priorities. We are all committed to improving education in this state" • "How can you not buy into our priorities? They are all about helping our kids get a better education"
Skills	• Strong program management skills • Strong skills in external relations (i.e., interaction with school districts) • Strong knowledge of education	• "At the end of the day, we're accountable for spending the money from our programs in a way that is consistent with what it's meant for. We do that well" • "Terry is so good in the field when she is visiting school districts. She is an amazing asset" • "Most of the staff came out of a classroom environment"
Style	• Current administration's focus on community outreach has been well-received	• "Part of our mission is to be 'respected leaders and trusted partners,' and that's what Terry is for us. I buy into Terry and into this agency" • "[Terry] knows how to influence people very well. She can relate and communicate with all people"

Source: Interviews, McKinsey analysis

It is clear that there are also a handful of barriers to achieving the agency's priorities. There appears to be limited levity, integration and alignment around OSPI's strategic focus and are several strategic barriers impeding the agency's progress.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: STRATEGY

Barriers	Quotes
No clear strategy for education reform going forward	• "There's not really a plan in place for how to get from where we are today to where we need to go on education reform. There needs to be a plan for developing real accountability."
Employees (including cabinet members) are uncertain of the organization's priorities, the projects involved, and how they can get involved	• "We really need to understand the priorities. We need to understand what projects are involved and what programs would be included" • "Each individual is doing his own thing because many of us don't totally understand the vision. Not everyone knows that they're supposed to be involved in any of these particular priorities"
Perception that OSPI has multiple (and unrelated) missions (e.g., regulation, educational policy, education reform)	• "70% of what we do is our state-mandated regulatory functions. The other 30% seems to be these goals or strategies. They're not really related" • "There's a disconnect between our regulatory activities and our strategic goals. We don't really share a vision so much as we have two separate visions"

Source: Interviews, McKinsey analysis

The OSPI's program-focused structure does not drive collaboration, effectiveness, or efficient decision-making.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: STRUCTURE

Barriers	Quotes
Organizational silos impede collaboration	• "People don't see themselves as working on these priorities so much as managing a program. Our organizational structure doesn't put the people or the resources together in that way" • "For many people, their primarily loyalty is to their funding source – not the agency" • "Funding comes down these stove pipes so we live in these stove pipes"
Significant staff, functional, and programmatic overlap	• " I would estimate that 10-20% of the organization's energy is redundant" • "There's little cross-pollination and collaboration. There's a lot of fragmentation. You often have two groups of people working on the same thing"
Unclear lines of authority and a lack of accountability and impedes efficiency, and morale	• " We're fearful of clear lines of authority. Some people aren't even clear about who they report to" • "This culture has a reluctance to address accountability and decision-making issues. We over-manage in certain places and don't manage in others"
Cabinet size discourages true deliberation and decision making	• "Cabinet meetings are deadly and a waste of time • "We don't function as a cabinet. We don't advise or work on policy decisions" • "I never thought I'd crave parliamentary procedure. Things just drift"

Source: Interviews, McKinsey analysis

The OSPI must address weaknesses in its strategic planning, performance management, budgeting and information systems if it is to implement its strategic priorities.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: SYSTEMS

Barriers	Quotes
Poor **strategic planning systems** hinder implementation of strategic initiatives (e.g., no clear goals, deliverables, benchmarks)	• "We have no planning functions. It's like we're loading a shotgun, firing, and then finding the target. We've got no organized plan" • "We need to adopt the principle that 'we will set goals and milestones, and will measure our success"
Weak **performance management and professional development systems**, including infrequent (or no) employee evaluation and inadequate orientation and training	• "I have never been evaluated here" • "Evaluations are not done in a timely manner" • "It's really 'sink or swim' here. I still have no job description. I never had an orientation. I don't know where to focus. I'm totally in reactive mode"
Budgeting and internal accounting systems lack clarity and integration (i.e., units unsure about budget size, accounting rules)	• "On any given day, I don't know how much my budget is" • "My budget was taken away . . . I had no input" • There is limited integration of systems . . . it is very confusing
Inadequate **information systems** hamper ability to support key agency functions	• "We don't have any information repository. Every time someone needs information, they have to track it down themselves. And the next guy needs to reinvent the wheel"

Source: Interviews, McKinsey analysis

Despite the strong commitment within the agency to helping children, the OSPI's failure to adopt a shared set of operating principles and a sense of excitement about its strategic priorities has impeded progress.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: SHARED VALUES

Barriers	Quotes
OSPI has not been able to capitalize on employees' deep commitment to helping kids	• "I was excited to [work here] because I felt I was making a difference in the lives of kids. But I just can't say that's true anymore" • "There are so many people here who are smart and want to change our educational system, but they just don't know how"
Lack of shared values around healthy and productive operating principles	• "We need operating principles. Thing like settling things at the lowest level rather than having someone go over your head. Things like, 'I won't talk about you until I talk to you.' Things like having each person accountable for and evaluated on all of these priorities" • "We're not good at things like conflict resolution or respecting the chain of command"

Source: Interviews, McKinsey analysis

Although there is a strong desire amongst the OSPI staff to improve the state's educational system, there are a handful of staff and skill related barriers including high turnover and insufficient management experience.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: STAFF & SKILLS

Barriers	Quotes
Very high turnover (~30%) characterized by low morale and frustration	• Several references to "the revolving door" • "All of this turnover – especially of managers – is hugely disruptive to the people below them"
Perception of inadequate resource/staff allocation	• "Federal programs have too many staff, while state have too few" • "There's way too much support staff"
Perception that some managers lack sufficient management experience and/or skills	• "Many of the folks who are in managerial positions are not experienced managers" • "Some of these folks come from the classroom. They're not managers. And we don't train them to do their jobs better"

Source: Interviews, McKinsey analysis

While the compartmentalization of the OSPI's structure impedes collaboration and cross-functional initiatives, the organization's style exacerbates these problems.

BARRIERS TO ACHIEVING THE OSPI'S GOALS: STYLE

Barriers	Quotes
Agency's tone is not "team" oriented or collaborative	• "We have people talking about some cabinet members to other cabinet members. It's pretty dysfunctional" • "Everyone has their little fiefdom and people hesitate to work in teams" • "We need a formalized team structure where there's a payoff for cabinet members to show some initiative"
Employees (including managers) do not feel empowered to make decisions and/or show initiative	• "People are paralyzed. No one will act without Terry's approval. People just don't feel empowered" • "It's gotten so that you need to get the 'yea' or 'nay' from Terry" • "Some people are confident and will go off in an unfocused way, doing whatever they want. Others won't do anything without Terry's OK"

Source: Interviews, McKinsey analysis

We recommend three "first-order" steps to improve OSPI's progress toward its strategic goals.

FIRST-ORDER RECOMMENDATIONS

- Refine internal management team and processes
  - Reduce cabinet size, establish a smaller group (e.g., executive committee) for decision-making
  - Appoint a chief of staff / COO to focus on internal management issues
  - Adopt clear operating principles and hold management team accountable

- Translate OSPI's strategic priorities into initiatives, goals, objectives, milestones, and accountability mechanisms
  - Clarify role of agency with regard to "triple mission" (e.g., regulatory function, educational policy implementation and educational reform)
  - Develop clear tactical plans for driving priorities (including specific goals, deliverables, staffing, milestones, and benchmarks)
  - Develop robust performance management system to monitor progress

- Organize to achieve strategic priorities
  - Appoint a project manager to drive education reform agenda
  - Develop cross-functional task forces to drive agency priorities (where appropriate)
  - Eliminate programmatic and staffing redundancies
  - Evaluate progress and hold staff accountable
  - Improve performance management, budgeting, accounting, and information systems
  - P&G model?

There are a handful of additional questions that may impact the aforementioned recommendations.

OPEN ISSUES

- To what extent should the “three missions” within the organization (e.g., regulatory function, education policy implementation, education reform) be integrated vs. pursued independently.
  - Where is there a need for collaboration? Independence?

- How can OSPI become more client focused?
  - How can the OSPI best serve both kids and school districts?
  - How can we gain alignment internally regarding the importance of both clients?

- How can OSPI drive Washington’s educational reform agenda?
  - How can our educational reform agenda best be accomplished given current constraints?
  - What partnerships are critical to driving reform?

OSPI employees and stakeholders consider Terry Bergeson to be a visionary and committed leader, an effective communicator, and a strong politician. These qualities enhance Terry's ability to lead OSPI and achieve the agency's goals.

VISIONARY LEADERSHIP

Themes	Quotes
• Passionate leader	• "Part of our mission is to be 'respected leaders and trusted partners,' and that's what Terry is for us. I buy into Terry" • "It's inspiring to work for someone who has literally dedicated her life to children" • "I admire her passion and priorities" • "She is the leading voice for education reform in this state"
• Inspiring and influential communicator	• "Terry is very good in the field when she is visiting school districts. She is an amazing asset" • "She knows how to influence people so well. She can relate and communicate with all people" • "Working with the public is Terry's strongest skill set"
• Strong politician	• "She knows her core constituencies. She knows how to get people on board" • "I wouldn't be surprised if she's a front-runner for governor. People consider her a strong leader in this state."
• Hard-working and committed	• "She works 24/7. She lives and sleeps her job" • "She clearly cares about kids. Educational reform is her passion"

Source: Interviews

However, given the centrality of Terry's role, failure to address these leadership and management challenges will render efforts to initiate and develop a strategic program ineffective.

MANAGEMENT CHALLENGES

Themes	Quotes
• Unfocused	• "She sees herself as the spokesperson for education, but she doesn't see herself as the manager of the agency" • "Terry does not know what it means to be CEO. She is most often the priority changer" • "Terry needs to do a better job of clearly stating her vision. If there were greater specificity, perhaps [cabinet members] would be willing to just take the plunge"
• Micromanagerial	• "There's always a hesitation to hit that 'Send' button without Terry's OK" • "People are paralyzed. No one will act without Terry's approval. People just don't feel empowered." • "No one else will make a decision around here because they've learned better. The managers here are shell-shocked. There have been too many times when they've made decisions and been overruled" • "Terry goes around her managers. It hurts trust, and it's causing people to leave"
• Reactive / easily distracted	• "She needs to be more proactive. She's got to set the agenda." • "Terry is very seat of the pants. She changes her mind a lot. You definitely want to be the last person to talk with her" • "She'll call people in the middle of the night" • "We have priorities, but they switch too quickly"
• Overly loyal / accessible	• "She refuses to hold her friends accountable. Her allegiance to them is stronger than her allegiance to the OSPI" • "Terry's weakness is that everybody has access. She needs more filters to help her manage her time and schedule"

Source: Interviews