

# **Systems Thinking and Public Management**

## **Managing Rapid Growth in the Governor's Office of Regulatory Assistance \*\***

### **Governor's Office of Regulatory Assistance is a Successful Gubernatorial Initiative**

Madeleine Talbot was elected Governor of the State of Goodwill on a platform that stressed economic development and new job creation. An important plank of her electoral platform emphasized fostering small business development by "cutting the red tape" of government regulation. To follow through on her campaign promises, Talbot has established the Governor's Office of Regulatory Assistance (GORA). GORA's mission is to assist entrepreneurs who wish to start new business ventures in the state by giving them full and complete information on government regulations and assisting them in dealing with state, local, and federal regulatory bodies. For example, GORA gives out information on how to incorporate, file employee taxes, get local building permits and zoning approvals, fill out and comply with federal corporate tax requirements, and so on. To a large degree, GORA's mission is to be a "one stop shopping" place where information about government regulations can be gathered quickly and easily. Occasionally, staff at GORA will become involved in technical assistance, helping entrepreneurs work out a local siting arrangement or helping a larger industry deal with complex environmental regulations.

GORA launched its programs with a small staff (initially only 7 technical support staff) on a pilot basis in the mid-state region. The creation of GORA was a high visibility event accompanied by considerable coverage in the press and followed up by public service news spots on local radio and television announcing the new "red tape busters" services being offered by the new administration. A toll-free 800 line was established to handle initial contacts with citizens. Early on, GORA's staff experienced a number of high visibility success stories that were reported on in the press. The agency quickly developed a reputation in the mid-state region of being highly competent and of getting its job done well.

### **Rapid Growth in Program is Causing Internal Management Problems**

GORA's administrator, Eliot Benchman, is now considering expanding the pilot program from its limited scope in the mid-state region to a state-wide program. However, Benchman is concerned about what will be entailed in a program of state-wide scale. Statistics available from the Secretary of State indicate that up to 400,000 new business enterprises of one sort or another are started each year in the State of Goodwill. Most of these center around the metropolitan hub of Gotham City and its suburbs, an area not covered by the small initial pilot.

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\*\* As discussed in the case, GORA is a hypothetical and composite agency that provides both for the dissemination of information about government regulations as well as provides technical support for economic development projects. In New York State, these functions are handled in separate agencies. For purposes of simplicity in the case, GORA does not become involved in regulatory reform, a common function to be associated with an agency such as GORA.

In addition, while the launch of GORA has been an unmitigated success to the external world, the public success of the program has not looked so effortless from within the new agency. Indeed the first year has been nothing short of chaotic and key staff have felt lucky that some major mistakes have not yet been made to tarnish the agency's very strong external reputation. When the agency opened its doors one year ago after an initial burst of publicity, it was handling about 250 citizen transactions per month. Six months into its operations, GORA was handling 500 transactions per month. At the end of its first year, this number has jumped to 1000 transactions per month--all of this growth being the product of the agency's terrific public success.

However, the burgeoning expansion in workload has caused severe growth pains within the organization. After only several months of operation, workload became intense enough that Benchman sought and received authorization for overtime for the seven staff who were involved in direct service to the public. Staff seemed to appreciate the overtime pay and with their pride in their work things seemed to be under control for a while.

However, as work load continued to grow, it became clear that even with extensive overtime existing staff could not handle the volume of work. Six months into GORA's existence, Benchman got special authorization to expand the initial staff serving the public from 7 to 10 positions. Even with the best of cooperation from budget and civil service it has taken Benchman nearly four months to get these new people on board--delays in the system seem unavoidable. In addition, once the new staff were hired, Benchman lacked the capacity to train them and bring them up to speed. He was caught in a tough bind: the new staff lacked the necessary skills and training to be truly effective in their jobs and the experienced staff were simply too swamped with work to spend enough time to adequately train the new staff. In fact, it seemed as if the chaos associated with adding new staff was actually decreasing rather than increasing overall productivity in the office.

In addition, trained and skilled staff were still working long hours with little time to take a break, often with mandatory overtime. The most experienced staff were beginning to experience a form of worker burnout and two of the best staff had already resigned due to the prolonged period of pressure within the agency. Benchman knew that he could not afford to have his most experienced staff quit while it was so hard to bring new staff on board and train them. He feared getting into a cycle of low morale and high staff turn-over characteristic of so many other state agencies that he had known in the past. This would be especially problematic if the program were to continue to grow at its present rate as it expanded to a statewide scope.

### **Benchman's Preliminary Analysis and Next Year's Budget Request**

The budget for GORA's second year of operations is due soon and Benchman is undertaking an analysis of his operations to understand better how to address some of his internal program management concerns. Table 1 below contains Benchman's preliminary analysis of how workload breaks down within GORA. The figures in Table 1 are based on an annual

workload of 12,000 transactions per year or an annualization of the 1,000 transactions per month that the agency is experiencing at the end of its first year.

**Table 1:** Analysis of Annual Staff Hours and Full Time Equivalent Employees Necessary to Handle 12,000 Citizen Transactions per Year within GORA

Type of Transaction	Staff Hour Transactions	Percent of All Contact	Annual Volume	Annual Staff Hours	FTE Staff
<b>Standard Info Packet</b>	<b>0.5</b>	<b>60%</b>	<b>7200</b>	<b>3600</b>	<b>1.9</b>
<b>Tailored Information Packet</b>	<b>1</b>	<b>20%</b>	<b>2400</b>	<b>2400</b>	<b>1.3</b>
<b>Limited Technical Assistance</b>	<b>8</b>	<b>19%</b>	<b>2280</b>	<b>18240</b>	<b>9.7</b>
<b>Extended Technical Assistance</b>	<b>24</b>	<b>1%</b>	<b>120</b>	<b>2880</b>	<b>1.5</b>
<b>TOTAL</b>	<b>NA</b>	<b>100%</b>	<b>12000</b>	<b>27120</b>	<b>14.4</b>

Assumed Annual Transaction Volume  
 Staff Needed Per 1,000 Annual Transactions

12000
1.21

As shown in Table 1, GORA undertakes four distinct types of customer-oriented transactions. The bulk of its business (60% of its business) consists of sending out standard and pre-packaged packets of information to citizens who are starting a new business. For example, the new business start kit would contain information on incorporating or forming a partnership, how to get a tax ID number, how to file income taxes for employees, and so on. To determine which packet a citizen needs and to get it out in the mail takes about one half hour of staff time. Benchman estimates that it would take the agency about 3600 hours of staff time per year or about 1.9 FTE staff to perform this function at a base rate of 12,000 transaction per year.

Tailored information packets are the second type of business, making up about 20% of GORA's business. These are similar to the first, except that the staff will pull together a special package of information to meet the particular needs of a given caller (for example, a citizen who wants to start a barber shop that also sells potted plants might not have all the necessary information in a single pre-packaged packet!). Each tailored information packet takes about 1 hour of staff time. As shown in Table 1, putting together 2400 tailored information packets per year would take 2400 hours of staff time or about 1.3 Full Time Equivalent (FTE) staff assuming 7.5 work hours per day and 250 working days per year.

In addition to providing information packets, GORA provides some technical assistance to citizens who intend to start businesses in the State of Goodwill. This constitutes about 20% of the total volume of transactions. The majority of the technical assistance projects involve limited staff involvement taking on average 8 hours of staff time. About 1% of the total transactions

consist of extended technical assistance and take about three full days of staff time. As shown in Table 1, for a base annual volume of 12,000 transactions, there are about 120 extended technical assistance transactions using staff hours at a rate of 2880 hours per year or the efforts of approximately 1.5 FTE staff.

In sum, Benchman estimates that a transaction volume of 12,000 per year would need 14.5 FTE staff to adequately handle load. Using this ratio to form a rule of thumb, he estimates that each additional 1,000 transactions would require an additional 1.21 FTE staff. Benchman is willing to assume that the ratio of types of projects will remain fairly constant as volume expands (unless he does something to change the agency's mission).

This analysis clearly demonstrates to Benchman the nature of the management problems he has been facing and will be facing in the future. During the early months of GORA's existence, he was facing 250 transactions per month, or an annual rate of 3,000 transactions per year. At this volume, his analysis showed that he needed 3.6 FTE staff, well within the 7 staff he started with. By mid-year, volume had doubled to 500 transactions per month (6,000 annualized transactions per year) requiring roughly 7.3 FTE staff. By mid year, he was already starting to strain at his staff capacity. As shown in Table 1, by the end of the year, he would need a FTE staff of 14.5 to handle the annualized transaction volume and even if he didn't have the burnout and staff turnover problems his new authorization of 10 staff was already inadequate.

Benchman realized that he had to carefully think through this problem before he made his budget request for the new year. If done right, the new budget could provide him with a long run solution to his internal management problems. If not done right, he believed that his agency could remain swamped and even get worse in the upcoming year. The bright beginning that he had could quickly become tarnished. Benchman has set aside two full days in order to more clearly think through his options.

## **Study Questions**

1. How should Benchman formulate his budget request for next year? He has strong support for his program, so this year he could probably ask for a large increase in funding. But how should he plan to maintain the necessary balance between staffing levels and transaction volume? How can he possibly forecast transaction volume and hence the needed staffing level? This is an important issue for Benchman because a failure to get it right this year will in all likelihood lead him into a position where he could not support another budget increase next year. Can systems thinking tools help Benchman with his dilemma? If so how?

2. Regardless of the outcome of the budget request, Benchman has to figure out the internal turmoil that is starting to beset his workforce. What suggestions can you make to Benchman for dealing with the burnout, excessive turnover, and low productivity that he is beginning to experience in new staff? Again, can systems thinking tools help Benchman with this issue as well? If so, how?