

# Strategic cutback management

Respond and restore. Together.

Helping states and localities minimize hardship for residents during the crisis, while maximizing the chances for economic and civic well-being when it subsides.

The economic fallout from COVID-19 means states and localities are struggling with soaring costs of coping with the pandemic as tax revenues plummet. Jurisdictions and agencies across the country are already cutting spending and services. The most successful public leaders, though, will see the crisis, including the tough budget decisions it imposes, as a chance to lay the groundwork for a healthier and stronger society and a more effective government.

To achieve that, they'll need to use what we at Grant Thornton call strategic cutback management. The near-term goal is to minimize hardship for residents during the crisis, protect the vulnerable, and maintain people's faith in their government. Longer-term, the goal is to maximize the chances for economic and civic well-being when the coronavirus pandemic subsides.

## Key steps in strategic cutback management

To implement strategic cutback management, leaders should take the following seven steps, many of which can be implemented simultaneously. Grant Thornton can help implement those steps in ways that are customized, practical, and impactful.

- 1. Rapidly update your organization's strategy.** Grant Thornton can help your jurisdiction describe a longer-term, positive vision of what the jurisdiction or agency aims to do with more limited resources. It is something that both staff and stakeholders can rally around. Without an updated strategy, leaders are much more likely to be reactive rather than taking the proactive steps needed to meet the crisis and come out of it stronger.



**2. Create an accurate program inventory.** Getting a clear sense of what programs exist helps clarify where funds are being spent and where duplication exists. Consolidating or eliminating that duplication can produce important, relatively quick savings. For example, Grant Thornton helped the budget office of a large state (just prior to the pandemic) develop a program inventory to identify areas of overlap and consolidation. The resulting analysis led to more than 30 proposals by the state's budget office, with potential savings of over \$40 million.

**3. Use evidence to guide budget and management decisions.** We can help your jurisdiction find and use credible research and data to identify which existing programs have the highest return on investment, which aren't supported by evidence, and if any, more effective alternatives exist. That information can help leaders prioritize what spending to maintain (or even increase) and what to cut to maximize return on investment for residents..

**4. Measure performance.** During a time of retrenchment, it is especially important to track which programs and offices are performing well and which are seeing performance deteriorate. Grant Thornton can help jurisdictions select a useful set of performance metrics to help leaders recognize and reward teams that are succeeding despite the cutbacks and identify which teams need additional assistance to get back on track. We can also help you use those metrics to increase transparency by developing public dashboards that track key program indicators and progress toward jurisdictional goals.

**5. Implement operational improvements.** Refining the way priority services are delivered can boost efficiency and strengthen outcomes and customer service, often quickly and cheaply. To do that, Grant Thornton can support your jurisdiction in using "lean" practices developed for manufacturing, along with rapid experimentation and insights from behavioral economics. As an example that combines the latter two, a state labor department could quickly test different website messages encouraging people to obtain assistance faster by filing for unemployment insurance benefits online. The messages could draw on different behavioral insights, such as the fact that people tend to prefer avoiding losses (such as a delay in benefits) to acquiring equivalent gains (obtaining benefits faster).

**6. Encourage and support innovation.** crisis is an opportunity—even one that's forced upon us—to find ways to do things better. Successful leaders will articulate the need to come out of the crisis stronger, not just claw back to the former status quo. To do that, Grant Thornton can help leaders develop ways to tap the community's and public employees' ideas for improvement. Those ideas should include ways to cut waste and boost efficiency, but they could also focus on how to catalyze progress around the jurisdiction's or agency's goals, such as increasing economic mobility, expanding affordable housing, or boosting health outcomes.

**7. Develop a communications strategy.** To build public support for tough decisions and maintain trust in government, Grant Thornton can help leaders communicate the steps that government is taking to make wise spending and management decisions in a cutback environment. We can also help develop an internal communications strategy to maintain and strengthen employee morale by helping employees see the importance of their work and how it fits into the jurisdiction's larger vision.

The keys to successful leadership in a cutback environment are, in fact, similar to those in a time of growth—having a clear strategy, using evidence, tracking performance and so on. The difference is that in times of belt tightening, these leadership tasks are more complicated—and much more important. Grant Thornton has the expertise and experience with all the components of strategic cutback management to enable you to create a customized and successful approach.

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