

From Chaos to Clarity

Real Solutions for Common Pain Points
In Government Financial Management – An Embassy Perspective.

AGA Spring Conference Presentation



★ ★ ★ UNITED STATES *of* AMERICA ★ ★ ★

Global & Country Context

Budget cuts – 22% of Working Capital Fund – Regional Bureau

- Entire MGT Platform depends on Working Capital Fund.
- Impacts on Procurement, HR, Finance, IT, Medical Services, Facilities etc.
- Largest impact on Locally Employed Staff.

Country Context

Staffing

- 150+ US Direct Hires, 300+ LE Staff and some Eligible Family Member employees.
- Governed by local labor law and U.S labor laws.
- LE Staff primarily Third Country Nationals, neither American nor Kuwaiti.

Global & Country Context (cont.)

X Year Funds – Carryover from current year to next year

- Major expenses: Salaries, Training, etc.
- Budget cut impacts carry over balances – Resulting in lesser funds in the next year.

Available Options

- ✓ Implement Reduction in Force (RIF) for Locally Employed Staff.
- ✓ Reduce other operational services to manage the 22% cut.

Country Context

Salary and Benefits

- Local Staff paid as per Local Compensation Plan (LCP).
- >86% overall budgets attributed to Salaries and Benefits.
- Americans are paid by Foreign Service or GS Schedule

The Data Communication Problem

❖ Do we have an existing Data Communication Problem?

- Communication from HQ – Nil
- Request for Post's feedback – Nil
- Post was briefly notified about the budget cuts without any prior notice
- Post was informed about the budget cut news and expected to explore solutions to maintain continuity of operations

❖ What most did most Posts around the world do?

- Involve their Section Heads and Front Office in brainstorming sessions
- Every pay period, MGT was reviewing Status of Funds and identifying viable options to promote cost cutting initiatives
- Discretionary spending was immediately placed on the backseat
- Travel and Training was reduced to critical/mandatory cases; Virtual and distance learning trainings were recommended

❖ What was our Post's response?

- Posts adopted effective communication practices for internal customers
- MGT Notices, Cost Saving & Strategic Acquisition Team Meetings, Town Halls were conducted.
- Maintained a calm and effective working atmosphere in the midst of an unknown future and further HQ instructions.
- Discussions with Local Staff committee; how and when to put out the message.
- Effectively stage managed the situation while simultaneously handling expectations

Taking the “fork”

➤ Reduction in Force

- Slower short-term savings due to severance, legal costs, and transition expenses
- Aimed mainly for long term payroll reductions
- High emotional impact (fear, uncertainty, survivor’s guilt etc.)
- Risk of increased attrition among top performers
- Immediate chaos due to loss of knowledge, employee work overload and workflow redesign
- Legal Impact: Wrongful termination claims, discrimination concerns etc.

➤ Cost Cutting

- Often faster initial savings
- Moderate emotional impact depending on measures
- Can still erode staff engagement if prolonged
- “Death by a thousand cuts”: Tools taken away, travel & training denied etc.
- Legal Impact: Generally lower risk unless it affects contracts or regulated areas
- Advantage: Jobs are saved for the duration of the costs saved

The Efficiency Opportunity

Reduction in Force

<u>Short Term Efficiency</u>	<u>Long Term Efficiency</u>
Knowledge Gaps	Well designed RIF increase efficiency
Tacit Knowledge Loss	Removes redundant roles
Workflow disruptions	Aligns workforce to strategy
Role Confusion	Less Bureaucracy
Time to train new staff	Quicker decision-making

Cost Cutting Measures

<u>Short Term Efficiency</u>	<u>Long Term Efficiency</u>
No knowledge gap issues	Underinvestment in tools, training & innovation
No Tacit Knowledge Loss	“Doing more with less” is unsustainable
Eliminates wastage	Resource constraint leads to capacity reduction
High value work prioritization	Keeps talent intact
Minimal Disruption	Lack of innovation

The “fork” we took

- ✓ Selected the option to cut costs.
- ✓ Encouraged active staff participation and feedback, out of the box ideas & innovative ideas.
- ✓ Regularly communicating/meeting with staff explaining reasons for policy or process changes.
- ✓ Tracking the progress – worksheet, open on a Team channel, available to all.
- ✓ Inter-agency communication and monthly meeting with American and LES.
- ✓ Line by line expenditure verification and validation.
 - Can we avoid it?
 - If not, can we reduce it?
- ✓ Identifying Champions in each Section.
- ✓ Weekly get-together sessions to brainstorm new ideas and quantify achievements.

The principles of doing the “fork”

- ✓ **People First.**
- ✓ **360 Feedback and High Value Conversations.**
- ✓ **Risk Assessment.**
- ✓ **Change Management.**
- ✓ **Build Institutional Knowledge.**
- ✓ **Celebrate small Wins.**

Results

- Close to a million-dollar savings in one year out of 14 million dollars - Most of these are recurring
 - Large vendor discounts - \$100K
 - Benefits recalibration -\$400K
 - Landscaping Innovation - \$200K
 - Technology Schemes & Strategies - \$300K
- Communicate these savings to staff to sustain overall savings
- Maintain a healthy carry over balance for the next batch of USDH arriving Post this summer



Questions?