

TRANSITIONS IN GOVERNANCE 2008



The Transparency and Accountability
Project for the Next Administration



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IBM Center for
**The Business
of Government**

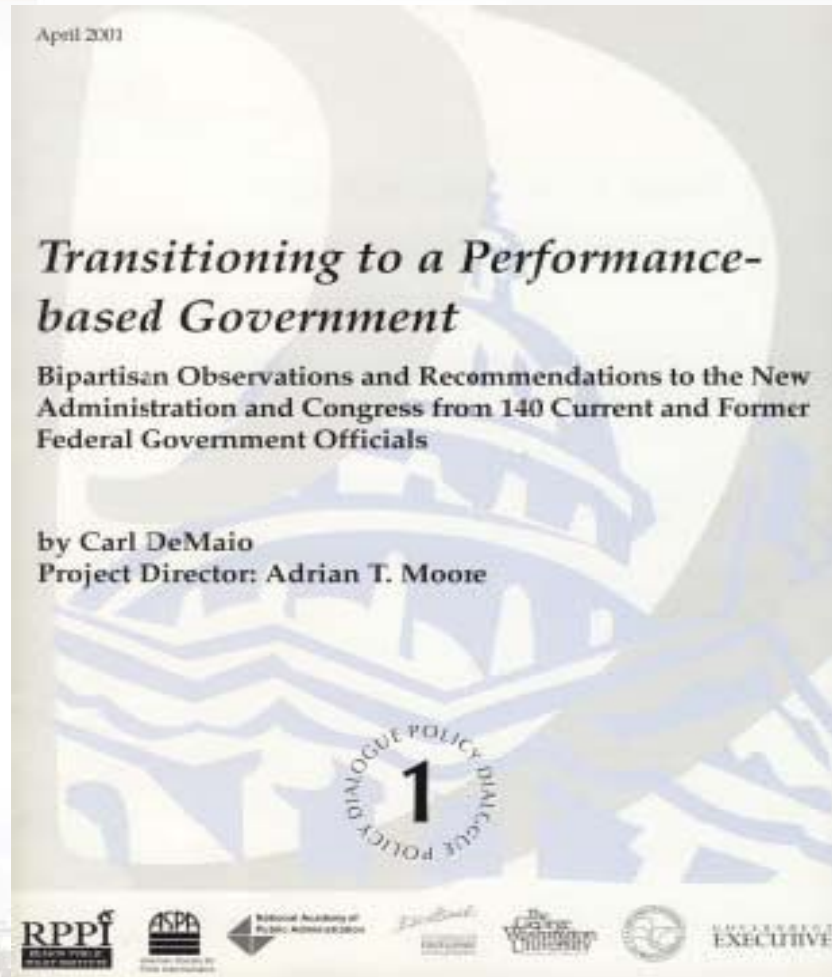


The Performance Institute





**Building on a history
of Non-Partisan
Management Policy**





Influencing Policy

- In 2008, the two major Presidential campaigns will include government performance management as part of their platforms.
- These policies will have been influenced by their exposure and involvement with The Transition in Governance Project.



Measuring Success

- The Extent to Which Management Issues are Addressed in Both The Election Cycle and During the Next Administration.





Scope

- A Survey of Federal Executives
- An Independent Web Site and Blog
- A leading group of Opinion Leaders Participating in Dialogue Sessions
- A Major Report with our Recommendations

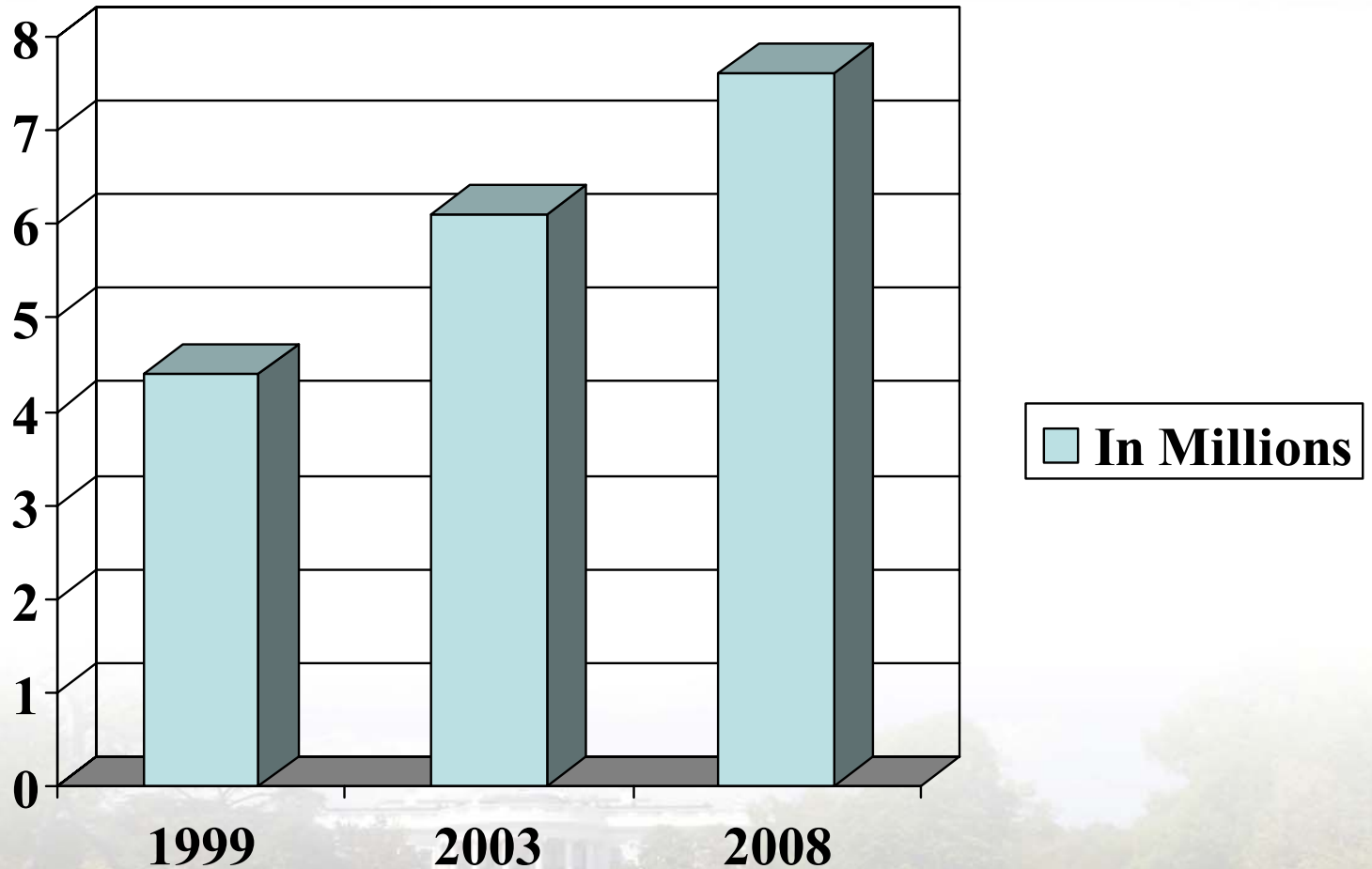


Seven Key Issue Areas

1. Program Performance and Results
2. Financial Management and Integrity
3. Federal Workforce and Human Capital
4. Sourcing, Acquisition and Partnerships
5. Electronic Government
6. Governance
7. Networks and Partnerships



Federal Contractors



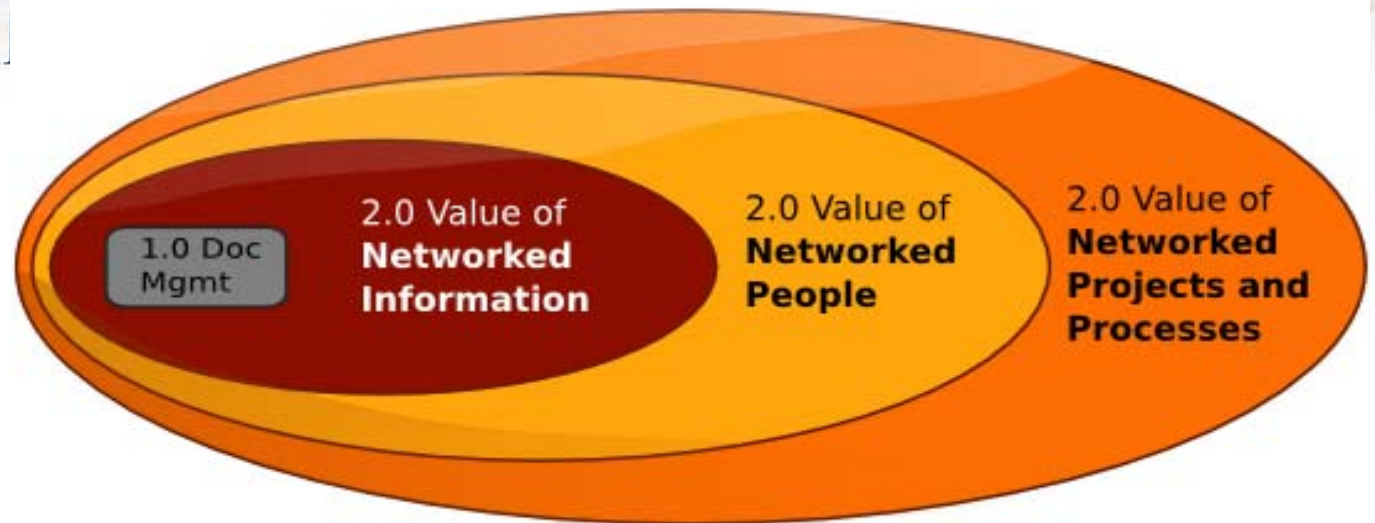


Beyond Accountability:

The next Administration and
Performance Management



Understanding Complexity



- The outcomes for any particular action depend *on what other decision makers do*. Decisions by any one person often have to take into account the preferences, identities, and likely actions of others.
- These externalities can make business intelligence misleading.



How Do We Evaluate Performance Management?

- Past decisions are viewed as rational if the outcome was good.
- If performance management is always ex post and subjective, honest evaluation of intelligence becomes difficult.





Symbol or Substance?

- *The Good*: Gathering information and making decisions are now signals and symbols of competence. They are used to prove the worth of the manager and the program.
- *The Not-so-Good*: Decision makers gather information and do not use it; ask for more and ignore it; make decisions first and look for relevant information afterward, and gather and process information that has little or no direct relevance to decisions.



The Right Decision *for* *Who?*

- Measures owned by departments separates actions and outcomes from full scrutiny by all interested parties.
- Also decisions favorable to groups may not be favorable to the organization as a whole, and vice versa.





The Knowledge – Data Gap

1. Lessons are learned inadequately,
2. Memories are recalled incompletely,
3. The futures is predicted inaccurately,
4. Data rarely overcomes preconceived notions.





When The Data isn't enough

Possible Solutions:

- Rich histories
- Multiple observers and multiple interpretations
- Hypothetical histories





A Data Driven Culture Embraces Experimentation

Think of:

- Trial programs, pilot studies, and small experiments, and about the inferences that can be drawn from them.
- Does the Government embrace experimentation?





ONS IN
ANCE

The Three Ways to Get Fired at Harrah's

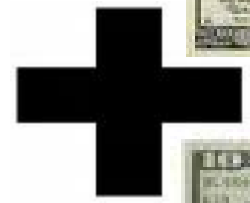
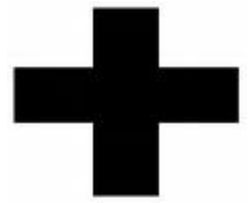
**“Steal,
harass women,
or institute a program
without first running an
experiment.”**





TRANSITIONS IN
GOVERNANCE
2008

Intuitive Decision Making vs. Data



OR





Capital One

A Learning Organization

- An average of 300 data “experiments” per day
- Increased Retention by 87%
- Lowered the cost of a new account by 83%
- Stock price outpaced S & P by a factor of ten

Testing

Learning



Acting



A New Breed of Proactive Measures

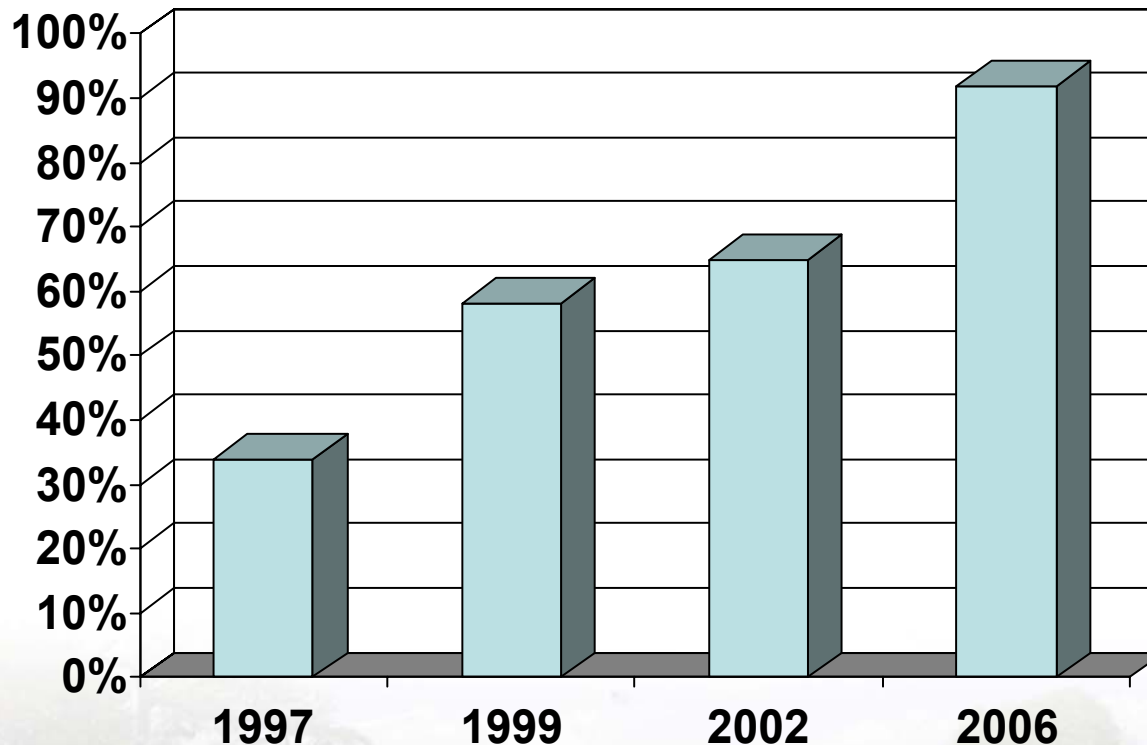
- “Revenue Opportunity” =
Actual \$ / Optimal \$



- “One Yield” =
Automating Revenue Management
- A New Analytical Staff
for all divisions



Analytical Expertise: How do we get there?



371 Large and Medium Sized Companies
Jeanne G. Harris Institute



Sustained Advantage: How?

- Hard to Duplicate: Its not about the data
- Unique: Why are analytics used?
- No Boundaries: Crossing internal boxes
- De-averaging: Breaking apart the numbers
- Renewable: Analytics work well for continuous improvement



TRANSITIONS IN GOVERNANCE 2008

Value Creation Index (Low & Kalafut)

- Management / Leadership
- Strategy Execution
- Communication
- Transparency
- Organization
- Technology and Processes
- Human Capital
- Workplace Organization and Culture
- Innovation
- Intellectual Capital
- Adaptability
- Reputation

“Unless you are able to unlock the mystery of creating value from intangibles, your business is dead”

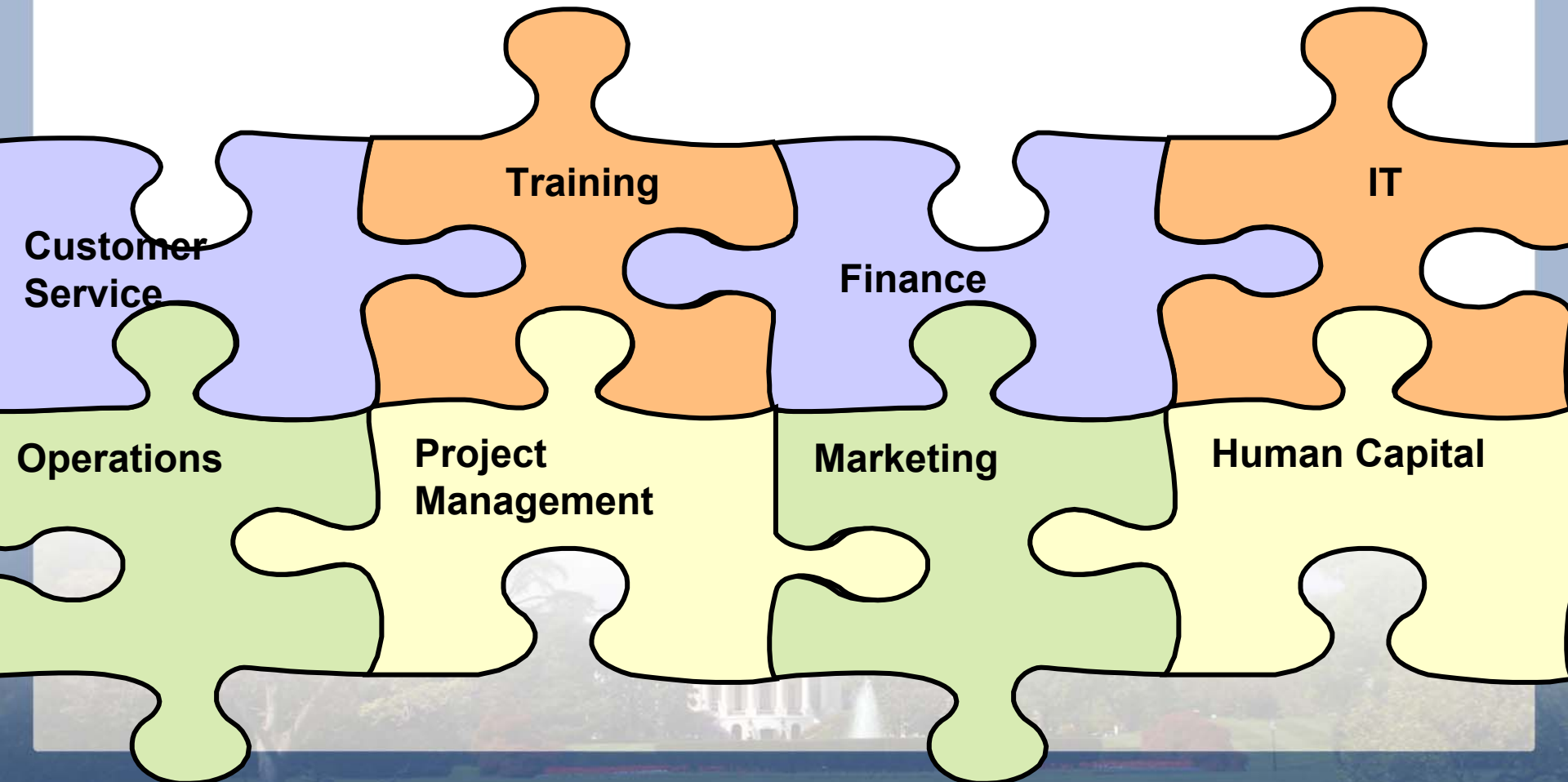
– Karl-Erik Sveiby



**Why Human Capital Metrics
have become so important**

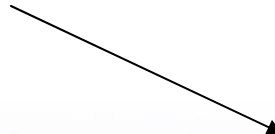
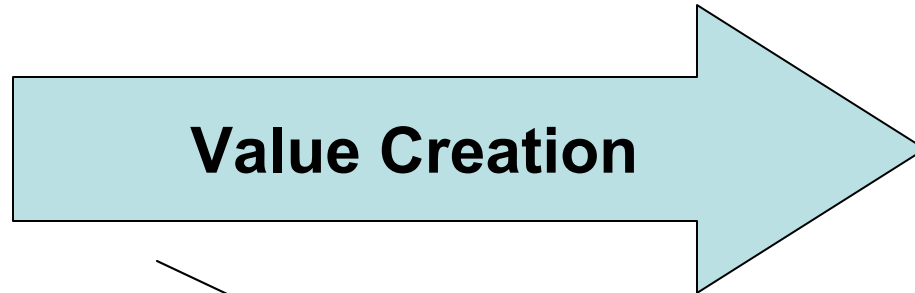
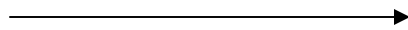


Lack of alignment among
'measurement systems'





Value Drivers



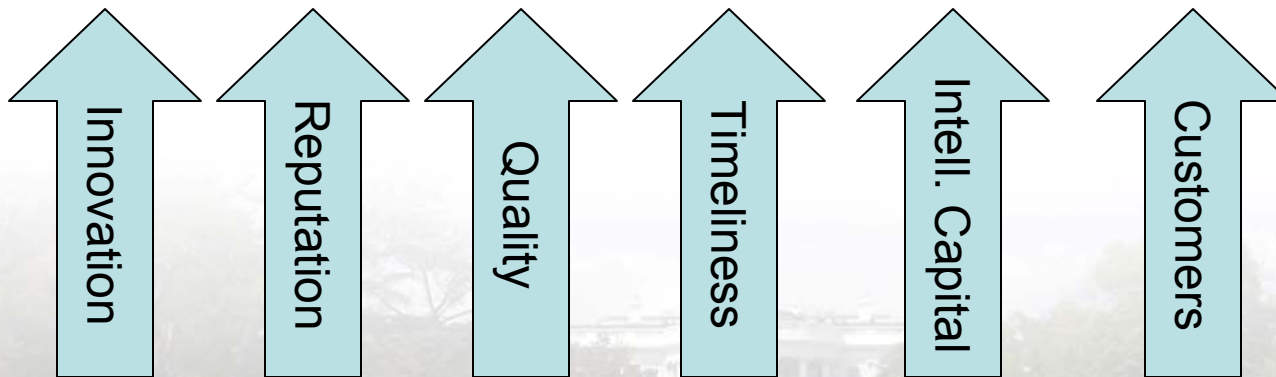
Value Loss

Measurement must reflect how value is created and destroyed in the organization

Revenue
Profit
Cash Flow
Mission
Accomplished



- How well do you understand their value drivers?
- Do you even know what they are?





Measurement Maturity Index

- In order to have a good idea of your organization's measurement progress the index will give a score up to a maximum of 300 in 4 key areas.
- Continue to assess your organizations over time to understand their progress and help them understand where to focus.



Four Maturity Themes

1. Interaction

- ✓ Discussion, Feedback, Pilots, Learning,
- ✓ Actionable

2. Integration

- ✓ Cross-Functional Understanding,
- ✓ Casual Relationships Explored



Four Maturity Themes

3. Focus

- ✓ Results-focus, Critical and Strategic
- ✓ The routine measures are eliminated for the high-leverage

4. Context

- ✓ Widely Used, Valued, Trusted
- ✓ No Fear, Positive and Motivating



↑ 300 Score

Level Three

Transformational Performance Management			
Transforming	Positive Context		Collaborative

Level Two

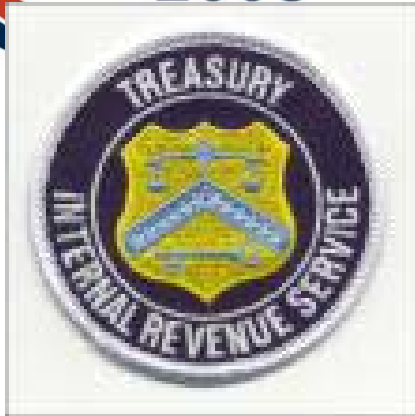
Basic Performance Management			
Systemic	Negative/ Neutral Context		Programmatic Specialized

Level One

Ad Hoc



Data for “winning” in Government



The Tax Gap Analysis

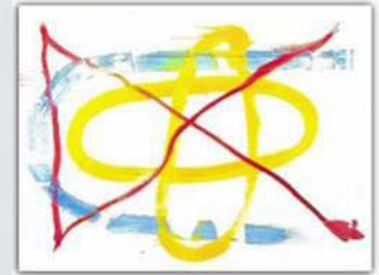


**Electronic Medical Records and
Analysis: Predictive modeling,
Evidence Based medicine and
Automated Treatment**

**“The Best Medical Care in the US -
Business week”**

Clarifying Cause and Effect

- We've come a long way in showing how we did.
- Now, which activities have the greatest impact?
- In almost every industry; earnings per share accounts for less than 30% of corporate value. Where is government's value?



Identifying Characteristics of Effective Performance Management Systems

A Survey by The Performance Institute

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8 Critical Success Factors for Effective Performance Management Systems

1. Defining and Aligning to Enterprise Strategy
2. Developing Meaningful Performance Measures
3. Increasing Data Availability
4. Maximizing Data Integrity
5. Enhancing Performance Reporting
6. Improving Evaluation and Analysis
7. Achieving Performance Integration
8. Driving Decision-Making

#1 Defining and Aligning to Enterprise Strategy

- 1.1 Has clearly defined its mission, vision and values
- 1.2 Has specific strategies in place to achieve organizational results (based on a SWOT or other strategic landscape analysis)
- 1.3 All structures (divisions, support functions) are fully aligned with enterprise-wide strategies
- 1.4 A formal strategic plan is clearly communicated to all employees at all levels of the organization

Survey Questions: 1, 2, 3, 4

#2 *Developing Meaningful Performance Measures*

- 2.1 Reliable measurement and reporting on **Outcomes**
- 2.2 Reliable measurement and reporting on **Strategies**
- 2.3 Organizational process metrics (Quality, Cycle Time, Efficiency)
- 2.4 Goals and measures enjoy support and buy-in from internal and external stakeholders

#3 *Increasing Data Availability*

- 3.1 Data sources are identified and readily accessible
- 3.2 Data burden is worth the information gleaned

#4 *Maximizing Data Integrity*

- 4.1 Data is collected, managed, and analyzed in a uniform and consistent manner
- 4.2 Data is validated or verified through sampling or independent means

#5 *Enhancing Performance Reporting*

- 5.1 Internal reporting produces information for frontline managers and senior decision-makers on a “real time” basis.
- 5.2 Has a reporting system that produces comprehensive performance reports that include measures, analysis, trends, suggestions for improvement

PI Management Survey Questions: 13, 14

#6 *Improving Evaluation and Analysis*

- 6.1 For process measures, benchmarks and service levels are evaluated (1-2 year cycles)
- 6.2 For outcome and strategy measures, program performance is evaluated for “cause-effect” (2-5 year cycles)

PI Management Survey Questions: 15, 16

#7 Achieving Performance Integration

- 7.1 INTERNAL Integration: Support services' contributions (HR, IT, Finance, etc.) to program performance is documented and managed
- 7.2 EXTERNAL Integration: Performance contributions of multiple contributors in same measurement area are tracked and compared

PI Management Survey Questions: 17

#8 *Driving Decision-Making*

- 8.1 Budgets and investments are made based on clear contributions to performance
- 8.2 Supply chain partners are held accountable for products and services
- 8.3 Employee bonuses and pay increases are linked to individual performance evaluations.

Top Five/Bottom Five by “**EXECUTION**”

TOP FIVE INITIATIVES

1. Publishing a strategic plan (1.4)
2. Has specific strategies in place to achieve organizational results (1.2)
3. Organizational process metrics (2.3)
4. Evaluation of process measures, benchmarks (6.1)
5. Budgets & investments are made based on contributions to performance (8.1)

BOTTOM FIVE INITIATIVES

1. All structures are fully aligned with enterprise-wide strategies (1.3)
2. Reliable measurement and reporting on strategies (2.2)
3. Internal integration of support service alignment to performance (7.1)
4. Data is collected, managed, and analyzed in a uniform manner (4.1)
5. Goals and measures enjoy support from internal/external stakeholders (2.4)

Top Five/Bottom Five by **“IMPACT”**

TOP FIVE INITIATIVES

1. All structures are fully aligned with enterprise-wide strategies (1.3)
2. Reliable measurement and reporting on strategies (2.2)
3. Employee bonuses and pay increases are linked to individual performance (8.3)
4. Budgets & investments are made based on contributions to performance (8.1)
5. Internal reporting produces real-time data for decision-making (5.1)

BOTTOM FIVE INITIATIVES

1. Has clearly defined its mission, vision and values (1.1)
2. Data burden is worth the information gleaned (3.2)
3. Publishing a Strategic Plan (1.4)
4. Comprehensive performance reports (5.1)
5. Data is validated through sampling or independent means (4.2)