

How Do Successful Government Agencies Meet Today's Performance Expectations?



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A WHITE PAPER BY
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Introduction

Federal leaders are under more pressure than ever before to reduce costs, justify budget requests and spend plans, and demonstrate achievement of performance goals. The ballooning federal deficit and an intense emphasis on transparency, accountability, and measurable outcomes requires leaders to ensure their programs are high-performing – and can be proven to Congress, the President, and the public.

The Office of Management and Budget's guidance for the American Recovery and Reinvestment Act (ARRA)

includes specific objectives that will shape federal agency performance expectations long after ARRA funds are disbursed: "the public benefits of these funds must be reported clearly, accurately, and in a timely manner" and "program goals are achieved, including specific program outcomes." Once these expectations of measuring, reporting, and achieving outcomes are set, there will be no going back.

Unfortunately, many federal agencies will be challenged to effectively meet these expectations.

According to a recent survey:

- ◆ 70% of federal agency managers believe performance measures are not well-defined within their agencies
- ◆ 54% believe their agencies do not adequately measure performance
- ◆ 52% rate their agency's performance management systems as "mediocre, somewhat poor, or very poor"
- ◆ 68% believe performance management is not a top priority for their agency's program managers
- ◆ Only 52% say performance management is a top priority for their agency's leaders

Source: Government Business Council, 2008

To meet these challenges, federal leaders should make a clear-eyed assessment, asking themselves some important performance management questions:

- ◆ Is our entire organization concurrently focused on and aligned to our mission?
- ◆ Do our day-to-day operations directly align to our future vision and to our strategy designed to achieve that vision?
- ◆ Is our entire organization consistently using performance measures at multiple levels that align and "roll up" to overall strategic measures?
- ◆ Do those measures make a difference in how we manage – how we execute our mission, build toward our vision, and improve our performance?
- ◆ Do our measures enable us to provide proof of progress, outcomes, and superior performance?
- ◆ And, last but not least, do our measures meet federal performance reporting requirements?

These questions are essential to integrate performance management fundamentals with today's stringent reporting requirements. The game has changed, and simply layering in another set of performance measures and reporting tools won't lead to improved performance. In fact, there are already plenty of measures and tools in place, including:

- ◆ 1993 Government Performance and Results Act (GPRA)
- ◆ Program Assessment Rating Tool (PART)
- ◆ Government Accountability Office audits
- ◆ Federal Enterprise Architecture Performance Reference Model
- ◆ Office of Management and Budget guidance for the American Recovery and Reinvestment Act

So, why not just use these various tools already in place? The

problem with this approach is that the current "federal performance reporting infrastructure" is not necessarily helping agencies realize a holistic alignment of strategy, measures, and processes to sustain world-class execution, otherwise known as Enterprise Performance Management (EPM). These tools and measures could support EPM if they legitimately helped connect the agency's pre-defined strategic objectives to daily activities, and if they provided a gauge to assess performance improvement and progress towards strategic objectives. This application is achieved not by automatic compliance with the reporting requirements, but through a deliberate tailoring and integration effort.

Another problem is the unhealthy reactionary pattern these reporting imperatives can create. Leaders assign

talented resources to respond to the latest information requests from OMB or Congress, with considerable energy spent on collecting specific data and developing compliance reports and briefings. Over time, the organization comes to view performance reporting as a reactive compliance exercise and a distraction from the day-to-day decision-making required to keep things running. Even worse, the organization may begin to view implementation of strategic initiatives as a distraction from meeting the latest reporting requirements!

There are federal organizations that are measured as "high performers" in all components of the federal performance infrastructure and are, in fact, successful in implementing strategic initiatives year over year. These organizations have aligned strategy, performance measures,

“The goal is not just good management or solid operations, but generating good results for the American people. Through this performance lens, government operations become a way to drive better results, not an end in and of itself.”

– Peter R. Orszag
OMB Director

and day-to-day operations. Their leaders and employees view strategic initiatives as an integral part of ongoing operations and can measure progress and improvement at any time. Leaders and employees in these high-performing organizations:

- ◆ Have a clear understanding of their strategy and how it supports their mission and builds the capabilities necessary to achieve their future vision
- ◆ Know what their priorities are and how to stay focused on those priorities (and how and when to say “no”)
- ◆ Understand how the strategy integrates with their day-to-day operations and connects to the budget
- ◆ Collect, analyze, and understand performance measures that support the strategy and day-to-day operations and meet federal reporting requirements

These high-performers can regularly produce and cite the agency’s performance measures at multiple levels that align and “roll up” to measures cited in the overall strategic plan. These measures are designed to meet federal performance requirements and provide proof of high performance. Enterprise Performance Management is grounded in these organizations as a way to drive superior execution.

Success Factors for Creating and Sustaining a High-Performing Organization

- ◆ Leaders understand the agency’s mission, vision, and strategy, and communicate them in a cohesive, consistent manner.
- ◆ Employees understand their contributions to strategy execution.
- ◆ Core processes for executing the agency mission are clearly defined, and improvements are focused on these core processes.
- ◆ Leaders employ a focused set of metrics to drive performance on strategic objectives.

Are the reporting requirements you face today improving your effectiveness at meeting your strategic objectives, or simply adding more administrative overload?

Proven High Performance – U.S. Army Armament Research, Development, and Engineering Center (ARDEC)

Winner of the Malcolm Baldrige National Quality Award

The U.S. Army Armament Research, Development, and Engineering Center (ARDEC) is the Army's principal researcher, developer and sustainer of current and future armament and munitions systems. ARDEC's overall mission is to improve already fielded items, develop new ones, maintain a strong armament technology base in government, industry and academia, and provide technical support to the soldier in the field. In this way, the Center achieves its vision of "Innovative Armaments Solutions for Today and Tomorrow." ARDEC is an organization whose entire fabric is committed to providing its ultimate customer, the warfighter, the most effective products found anywhere in the world.

In 2007, ARDEC became the first federal organization to win the Baldrige Award, the nation's highest honor for organizational innovation and performance excellence. ARDEC's management approach integrates key elements of Enterprise Performance Management:

- ◆ Strategy Maps clearly articulate ARDEC's strategy in terms of objectives, strategic initiatives, and metrics.
- ◆ A Balanced Scorecard aligns metrics and reporting to the organization's objectives for:
 - improving performance
 - fulfilling its mission
 - building capabilities to realize its vision
- ◆ Strategy and metrics are cascaded across the organization, with maps and scorecards for programs and functions aligned to the enterprise strategy. Cascading enables an aligned strategic focus, reinforces a culture of performance, and enables employees to see the link between what they do and the organization's objectives and goals.
- ◆ Critical processes to deliver ARDEC's mission are clearly understood across the organization, process improvement efforts focus on those processes, and process measures are integrated into management scorecards.

Source: National Institute of Standards and Technology, Baldrige National Quality Program



Understanding Enterprise Performance Management

Enterprise Performance Management (EPM) is a framework and collection of activities designed to help agencies:

- ◆ Clearly define strategy and align the organization to implement that strategy
- ◆ Manage the measures that make a difference in implementing overall strategy and improving performance
- ◆ Improve core processes that are critical to delivering the organization's mission

EPM is not something that is done to an agency. Rather, it is a discipline that is developed within the entire organization to help leaders and employees sustain focus on mission and vision through leadership transitions, budget uncertainty, changing environments, and unforeseen events. EPM enables a resilient response to change, and effective communication of performance to key stakeholders.

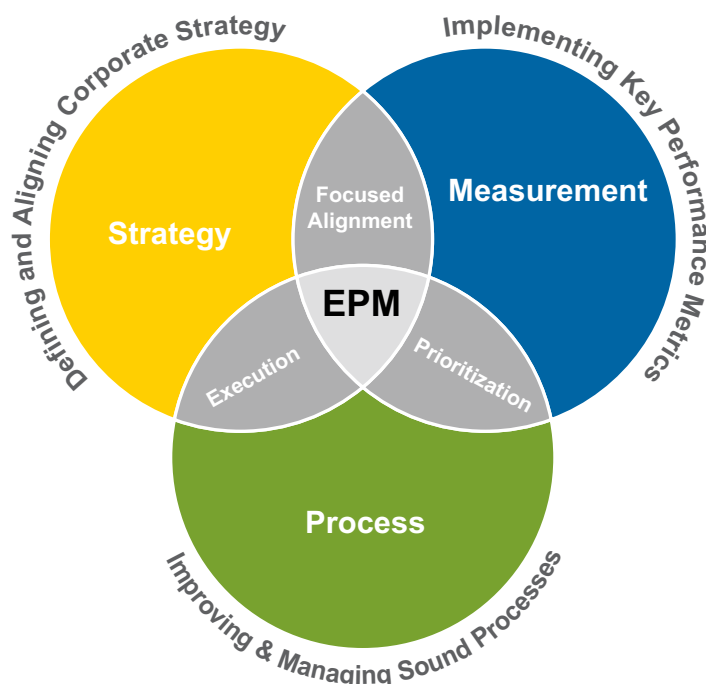
EPM aligns strategy to process via integrated measurement. The performance measures included in the EPM framework provide both a wide-angle lens to view progress of major elements of

strategy implementation (direction, measures, and processes) and zoom in on barriers to implementation (broken processes, lack of focus, shortage of resources, etc.). The EPM framework includes three views as shown below: the Strategy View, the Measurement View, and the Process View. Each view in the EPM framework has a critical role in the management of the organization. Employing one view without the others will limit the organization's ability to execute even

the most well-defined strategies and initiatives.

EPM provides the tools that focus leadership at all levels on the day-to-day processes and factors that drive execution throughout the organization. Each view within the EPM framework is highly connected to the other views, yet each view has its own distinct role in supporting the mission, building capabilities to achieve the vision, executing the strategy, and reporting on outcomes.

THE ENTERPRISE PERFORMANCE MANAGEMENT FRAMEWORK



FEDERAL AGENCY SUCCESSFULLY RESPONDS TO ADDITIONAL REPORTING PRESSURE UNDER ARRA

ARRA's emphasis on reporting program outcomes will challenge many federal agencies' ability to measure the success of their programs. Plenty of measures and reports are in place, but too often they focus on activities rather than outcomes. Many agencies will have to develop new measurement processes to actually capture outcome measures – and some will have to spend time defining and clarifying the relevant outcome measures for their activities.

One federal program focusing on global security is already well-positioned to meet the ARRA reporting challenge, because they apply EPM concepts of integrating strategy, processes, and measures. The scorecards they use to track progress in strategy execution include a mix of activity and outcome measures. They are very explicit in defining outcome goals (citizens served, dollars saved, benefits realized, etc.), and their activity measures include leading indicators to track progress in delivering those outcomes. Each leader's progress-reporting documents include outcome measures at the top, and thus outcome goals and results are addressed in regular performance reviews.

As a result of these measurement practices, the leadership team now focuses more on the work that actually delivers the results, and less on the effort to measure and report results. Reporting is not an administrative burden or mandated distraction, but rather is an integrated element of ongoing management processes.

THE STRATEGY VIEW, which is the responsibility of the leadership team, focuses the ongoing effort to articulate mission, vision, and strategy and align the organization to them. This view includes strategy maps at multiple levels and is created through two processes:

- ◆ The definition process frames the strategy by developing a top-level strategy map to identify the strategic objectives that critical contributors can comprehend and connect to.
- ◆ The alignment process cascades the strategic objectives into the objectives of the most critical day-to-day operational processes using strategy maps at the department, office, division, and branch levels.



THE MEASUREMENT VIEW

connects strategic management to operational processes and resources. This view includes two types of measures:

- ◆ Strategic measures “look up” to reflect the organization’s performance at meeting strategic objectives. The measures are often a combination of leading and lagging indicators that are managed through a Balanced Scorecard in conjunction with the strategy map.
- ◆ Process measures “look into” the organization and reflect the performance of day-to-day operational processes essential to the tactical implementation of the strategy. The ability to properly measure these processes is directly dependent upon the agency’s ability to clearly manage the processes.



FISCAL CRISIS FORCES FEDERAL AGENCY TO QUICKLY RESPOND TO NEW BUDGET REQUIREMENTS

A federal agency with a critical security mission had grown rapidly with little budget pressure. The agency’s leaders were accustomed to regular approvals for growth investments in headcount and technology. However, this environment changed dramatically with the recent fiscal crisis, and new spending approval requirements were implemented across the agency. The new requirements mandated that spending requests be closely connected with strategic initiatives at the branch and agency levels, and spending requests had to address specific metrics. Key branches in the agency had to respond quickly or lose funding.

Fortunately, the organization was applying Enterprise Performance Management practices. Branch level strategy maps already in place clearly summarized key objectives and supporting initiatives. Each objective had defined outcome metrics. The branch level objectives were already aligned to overall agency priorities and metrics. Relevant financial information was readily accessible and clearly connected to the initiatives.

Agency leadership was able to communicate quickly the strategic initiatives driving their budget requests, and demonstrate alignment to key priorities and metrics. They secured the funding they needed to execute their current mission while building capabilities for the future.

CORE PROCESS IMPROVEMENTS ENABLE AGENCY-WIDE TRANSFORMATION

The transformation program for a major federal agency was challenged to roll out a complex portfolio of projects in support of a new strategic vision. The vision required multiple technology and process changes that touched every part of the organization. Risk of failure was high, as missteps in communication or the execution of the first pilot programs would reinforce the natural organizational resistance to change.

The transformation program team addressed the challenge by applying EPM practices to manage the transformation effort. They aligned multiple transformation initiatives against desired vision outcomes to make sure they were cohesive and coordinated, and then looked carefully at the processes required to execute the focused set of initiatives. This helped the team identify three critical process improvement areas: stakeholder relationship management, communications and training processes, and new systems piloting processes.

Focusing attention on these processes enabled the team to implement specific actions to improve them. The team assessed and analyzed transformation stakeholders and developed an engagement strategy for internal and external stakeholders at all levels. They developed a process for gathering and tracking the impact of business requirement changes on communications and training, and they strengthened the communications, training, and measurement approaches to support the launch of new systems. Results of this focus on strategic processes include stronger stakeholder support, successful systems pilots, and significant progress toward overall transformation.

THE PROCESS VIEW is where the “rubber meets the road.” The organization must effectively define, manage, and improve those processes that most directly deliver its strategy; otherwise it will fall short in executing its mission and have very little chance of building the capabilities to achieve its vision. There are three primary components in this view:

- ◆ Process definition is the critical first step in understanding the processes that drive the organization’s mission and the desired outputs that support delivery of the mission and achievement of the vision. The result of a process definition is an initial collection of process maps that align to strategic objectives defined in the Strategy View and the measures defined in the Measurement View.
- ◆ Process management takes process definition one step further by monitoring the outputs of the organization’s core services to ensure that they continue to align to strategic objectives and meet the thresholds defined in the Measurement View.
- ◆ Process improvement is the proactive task of monitoring key processes and their outcomes, and developing ways to enhance their future performance. Process improvement tools such as Six Sigma or Lean can be applied, and many of these tools are highly effective for improving process performance.

Where to start?

Realizing the benefits of EPM in your organization starts at the top – with senior leadership committing to a sustained effort to align strategy, measures, and process. The way forward includes:

- ◆ Clearly defining mission, vision, and strategy
- ◆ Setting overall strategic objectives and high level outcome measures
- ◆ Cascading mission, vision, and strategy through the organization, and aligning department, office,

division, and branch objectives and measures with the overall goals

- ◆ Identifying strategically critical processes, and implementing appropriate process improvement and management practices
- ◆ Connecting strategic performance measures with appropriate federal reporting requirements
- ◆ Identifying the key stakeholders who must understand your strategy, performance, and outcomes, and executing a communication plan to engage them

Federal organizations that pursue this path and sustain Enterprise Performance Management over time are able to weave execution disciplines into the very fabric of their strategic and operational activities. The result is an ingrained performance competency that enables the organization to deliver its mission through changes in environment, economy, legislation, and administration.





“The goal is to give all Americans a voice in their government and ensure that they know exactly how we’re spending their money – and can hold us accountable for the results.”

– President Barack Obama

BUILDING A STRONG WORKFORCE FOUNDATION IN A NEW STAND-UP

The Human Capital branch of a new program faced all the challenges of a federal stand-up effort – including the need to significantly grow the workforce in a short time frame. Just meeting day-to-day operational requirements was difficult enough, and the branch struggled to balance short-term execution with planning for the future.

Branch leadership knew they needed to start building new strategic capabilities or they would be unable to support the transformational goals of the program. They began the process with a fundamental element of Enterprise Performance Management: defining and aligning strategy. Branch leadership developed a strategy map to define their vision for building full-service human capital capabilities in the organization. While stretching everyone’s thinking to consider the more strategic capabilities they needed to build, they involved different functional leaders in

developing the strategy to make sure short-term execution requirements were addressed. The map included specific objectives and metrics for both execution and transformation priorities, all of which were aligned explicitly with overall program goals.

The strategy map approach enabled the Human Capital branch leaders to communicate their objectives throughout the program and its parent agency, as well as to obtain funding for capability-building initiatives and day-to-day operating requirements. The branch is thus developing beyond basic administrative functions to provide truly strategic support in workforce planning, competency management, and career development. Defining and aligning their Human Capital strategy with overall program strategy has given them a strong foundation on which to grow and develop their organization.

The Benefits of EPM

EPM integrates strategy, measurement, and process views to deliver results – and provides the means for proving those results. This directly aligns with today’s challenges that federal organizations are facing – including answering the call to be more transparent in proving success. Specific EPM benefits to federal organizations include:

- ◆ Clearly defined performance measures that meet requirements for accountability, transparency, and outcomes
- ◆ The ability to support budget requests and spend plans with understandable and compelling connections of

strategies, specific initiatives, and outcomes

- ◆ The means to achieve performance goals by aligning the organization to cohesive strategies and measures
- ◆ The ability to demonstrate achievement of performance goals to Congress, the President, and the public

Organizations that invest in the time, resources, and leadership to apply Enterprise Performance Management practices will build their ability to sustain high performance and strengthen organization resilience. When EPM is sustained long enough, the ability to manage change simply becomes “the way we do business.”



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Contributions

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About North Highland

North Highland is a global management and technology consulting firm that achieves exceptional results with the largest organizations in the world, using a very different approach – we employ only experienced consultants, we live and work where our clients do, and we guarantee our work. With offices across the U.S., and an additional 1,000 international professionals, North Highland is helping business, government and non-profit clients define strategies, streamline operations, empower people, integrate suppliers, leverage technology and maximize customer interaction. North Highland is committed to proving to clients every day why they should always expect more from us.

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