The PERFORMANCE Manager

Proven Strategies for Turning Information into Higher Business Performance

FOR GOVERNMENT

by Roland Mosimann, Patrick Mosimann, Dr. Richard Connelly, Meg Dussault and Terence Atkinson

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Produced in Canada
January 2009

Performance Management for Government

This book provides a practical guide on how performance management best practices are applied to government organizations. It establishes a performance management framework that spans three levels of government:

- Federal/central.
- State/provincial.
- Local/county/municipal.

Given that "government" includes agencies as diverse as primary and secondary schools, police, defense, social services, health care and others, we have maintained a focus on core processes that apply across all agencies, rather than drilling into the specific mission objectives of any given agency or department.

Government has, for some time, been looking to the private sector for best practices in managing government as a business. Businesses have several more years of experience in developing and deploying performance management systems than government organizations. With considerable investments over the last few years in enterprise resource planning (ERP) systems and data warehousing, government organizations are now in a position to leverage performance management for considerable impact on mission success and financial results.

Unlike their counterparts in commercial organizations, government executives must continually prioritize program spending that balances social outcomes and political realities. Their decisions balance near-term fiscal prudence against longer term social goals. With the right information, an executive team is better able to explain the drivers, opportunities and threats when balancing short- and long-term financial decisions. This capability demonstrates compliance with the financial integrity and performance accountability directives issued from the highest levels of government.

Performance management is not a technology. It is a management practice that is supported by technology. In our experience working with some of the most progressive government organizations, we have found the required technology is well established. The challenge, then, is how to articulate their requirements and apply the technology to their program mandates and internal controls.

Program leaders in government organizations around the world are most successful when they develop consensus on basic questions:

- What are we trying to accomplish?
- What are the primary drivers of the agency's or department's mission?
- How do we articulate and measure success?
- With specific insights provided from our data and through the technology, how do we add value to management decisions for improving the performance of people and processes across the organization?

While many government organizations have come to embrace a results-oriented philosophy, they need to develop a performance management system to make it truly successful. There are leaders at every level of government who have been applying a consistent set of design principles to interconnect performance management information across their agencies. They share a dedication to getting the right information to the right people in the organization to strengthen performance, decision-making and risk controls.

The performance management framework in this book summarizes their performance management design principles. This helps IT leaders expedite review of the core data structures that can extend the benefits of information alignment. The greatest benefits will accrue to those who can translate these best practice designs into requirements that reflect the local or agency culture.

To put long-term performance management and development plans into a productivity improvement context, we recommend adopting a role-based perspective to establish targets for satisfying user requirements, reducing the cycle times for completing transactions and reducing the frequency or severity of risk events.

Who Should Read This Book?

The Performance Manager for Government is a primer for organizations that are making investments in performance management technology. Whether performance management is a new initiative or a journey already under way, this book is a yardstick for measuring ultimate progress in achieving specific goals in effective government. The primary readers are performance managers who are turning executive vision into reality.

In our experience, the most effective performance managers are typically mid-level or senior IT professionals who combine technology experience with a deep understanding of the organization's mission and operational processes. However, success is unlikely without an executive champion who contributes vision, leadership and political courage.

Performance management programs also need the direct participation of Finance, since financial reporting and budget accountability are at the core of most management decisions. For those familiar with the Balanced Scorecard, the financial perspective is the upper quadrant. However, in government, the upper quadrant is typically the customer or citizen perspective. Notwithstanding, the book continuously uses a financial lens to evaluate trade-offs and management choices. This is deliberate, since Finance manages the organizational purse and exercises the most control across the organization. It does not, however, diminish the ultimate goal of any government agency, which is to improve the welfare of its citizens.

At the executive level, most organizations have a conceptual understanding of performance management, but little practical knowledge of how to drive it across their organization. This book aspires to close that gap by sharing the experiences of our most advanced performance management customers. It represents the best practices we have seen among government customers, which demonstrate clearly that performance management is a journey, not a destination.

What Should You Do Next?

Performance management is well entrenched as a buzzword, but relatively few organizations have really achieved it. If you are reading this book, you are probably further along the path than most, but want to socialize the concept more broadly across the organization.

Here are some of the best practices we have found among our most successful customers:

- Find an executive champion. If your champion is not in Finance, you also need to cultivate a strong advocate in Finance as well. And give a copy of this book to your champion.
- On a small scale, build incrementally and enlist others across the organization in the performance management culture.
- Identify an initial project where you can be successful, that is important enough to be visible in the organization, but not necessarily mission-critical. The more users who need the information, the better the chances for viral success.
- Stay out of the weeds. When it comes to tracking performance metrics, avoid the tendency to track far too many metrics than are needed.
- Don't over-think the project to the point where it does not get off the ground. Get something up and running, and then tweak it later.
- A comprehensive performance management project is a multiyear project. Keep an overall project timeline that delivers incremental value at regular intervals.

To fully leverage its potential, performance management needs to be an enterprise-wide effort. If performance management is a "siloed" vision, relegated to a narrow range of processes, it will fall short of the organizational impact you are looking for. To succeed, you need a plan and executive leadership that shows strategic value.

This book articulates some core value themes to enhance ongoing initiatives and to help establish new initiatives in different functional areas across your agency. It should give you insights into the information gaps between where you are and where you need to be to achieve agency mandates. Its goal is to expand the dialog on performance management for government—among your peers, other agencies and the growing body of performance management experts and practitioners.

INTRODUCTION

The Performance Manager continues an exploration that began more than ten years ago with the publication of *The Multidimensional Manager*. Both books examine the partnership between decision-makers worldwide and the people who provide them with better information to drive better decisions.

More than a decade ago, the focus was on understanding an exciting new transformational trend—organizations were becoming more *customer-* and *profit-centric*. What drove that trend? They were relying more and more on information assets such as business intelligence.

Today, that focus has become even sharper and more important. Global competition and interconnected global supply chains have further intensified downward pressures on cost. Technology and the Internet have transformed the knowledge economy from the equivalent of a specialty store into a 24/7/365 big-box retailer. Vast amounts of content are accessible anytime, anywhere.

Today, both public- and private-sector managers are expected to have a depth of insight into their customers' needs unheard of ten years ago. The pace of rapid change does not allow for many second chances.

To better support the decision-maker/technology professional partnership, *The Multidimensional Manager* introduced *24 Ways*, a set of business intelligence solutions used by innovative organizations to drive greater profitability. These solutions were organized by function and reflected the insight that the most valuable information in decision-making is concentrated in a relatively small number of information "sweet spots," nodes in an organization's information flow.

The book also introduced two further insights. First, the emergence of a new breed of manager—*the multidimensional manager*, who could effectively navigate and process these information sweet spots and thus make better, faster decisions. Second, the maturity of the enabling technology—business intelligence.

The book launched a fascinating dialogue. Demand led to the printing of more than 400,000 copies. People used it to help understand and communicate the promise of business intelligence. The pages often dog-eared and annotated, it became a field manual for IT teams tasked with developing solutions for their organizations. Cognos® (which commissioned the book and is now part of IBM), BI International (which co-authored it and developed the *24 Ways*), and the company PMSI (which

partnered closely with both) maintained a dialogue with hundreds of decision-makers over the years, collecting and synthesizing the many common experiences and refining them into a body of best practices and solution maps.

Ten years on, *The Performance Manager* revisits this dialogue and the underlying assumptions and observations made in the first book. We share our conclusions about what has changed and what has been learned by successful managers in their attempts to drive better performance with better information. *The Performance Manager* is not a sequel; though related, it stands on its own. We hope it will launch a new dialogue among those ambitious and forward-looking managers who view information not as a crutch, but as a way to both drill down into detail and search outward into opportunity.

The Changing Value of Information

McKinsey Quarterly research since 1997[1] has followed an interesting trend that relates directly to the dialogue we started a decade ago. Based on this research, McKinsey distinguishes among three primary forms of work activity:

1. **Transformational work –** Extracting raw materials and/or converting them into finished goods.
2. **Transactional work –** Interactions that unfold in a rules-based manner and can be scripted or automated.
3. **Tacit work –** More complex interactions requiring a higher level of judgment involving ambiguity and drawing on tacit or experiential knowledge.

In relation to the U.S. labor market, McKinsey drew several conclusions. First, tacit work has increased the most since 1998. It now accounts for 70 percent of all new jobs, and represents more than 40 percent of total employment. The percentage in service industries is even higher—for example, it's nearly 60 percent in the securities industry.

Second, over the same period, investment in technology has not kept pace with this shift in work. Technology spending on transactional work was more than six times greater than spending on tacit work. This reflects the past decade's efforts in re-engineering, process automation and outsourcing. It makes sense: linear, rules-based transactional processing is the easiest to improve.

[1] Bradford C. Johnson, James M. Manyika and Lareina A. Yee: "The next revolution in interactions," *McKinsey Quarterly* (2005, Number 4), and "Competitive advantage from better interactions," *McKinsey Quarterly* (2006, Number 2).

But McKinsey's third finding is the most important: competitive advantage is harder to sustain when it is based on gains in productivity and cost efficiency in transaction work. McKinsey's research found that industries with high proportions of tacit work also have 50 percent greater variability in performance than those industries in which work is more transaction-based. In other words, the gap between the leaders and laggards was greatest where tacit work was a larger proportion of total work.

This fascinating research confirms what most of us have known intuitively for some time. Our jobs have become more and more information-intensive—less linear and more interactive, less rules-based and more collaborative—and at the same time we are expected to do more in less time. While technology has helped in part, it hasn't achieved its full potential.

The Performance Manager can help this happen. It offers insights and lessons learned on leveraging your information assets better in support of your most valuable human capital assets: the growing number of high-value decision-makers. Given the right information-enabling technology and leadership, these decision-makers can become performance managers. Such managers deliver sustainable competitive advantage by growing revenue faster, reducing operational expenses further, and leveraging long-term assets better. The organizations whose experiences we share in this book have validated this promise with hard-earned victories in the trenches.

Enabling Decision Areas that Drive Performance

This book synthesizes countless, varied experiences to construct a framework and approach that others can use. The information sweet spot was the cornerstone concept of *The Multidimensional Manager*. Sweet spots, business intelligence and multidimensional managers were the keys to the book's profitability promise.

These three insights are still fundamental to the promise of *The Performance Manager* and the need to leverage information assets to make high-value decisions that:

- Enable faster revenue growth.
- Further reduce operational expenses.
- Maximize long-term asset returns.

➔ and therefore deliver sustainable competitive advantage.

If anything, these three insights are even more critical to success today.

Insight 1 revisited: *The information sweet spot ➔ More "sweet" required today*

In 1996, we wrote that "the most valuable information for corporate decision-making is concentrated in a relatively small number of *sweet spots* of information that flow through a corporation." The driving logic was the relative cost of acquisition and delivery of information versus the value and importance of that information. While this cost/benefit consideration is still valid, four factors require today's decision-making information to be defined, refined and repackaged in even more detail than ten years ago:

1. ***More:*** There is simply much more information available today. The term "data warehouse" is no accident. Organizations collect massive amounts of transaction data from their financial, supply chain management, human resources and customer relationship management systems. Early on, often the problem was finding the data to feed reports and analytics. Today, data overload is the greater challenge.

2. ***Faster:*** Information flow has become faster and more pervasive. The Internet, wireless voice and data, global markets, and regulatory reporting requirements have all contributed to a 24/7/365 working environment. Managers are always connected. Time for analysis, action and reaction is short, especially in the face of customer demands and competitive pressures.

3. ***Integrated:*** Work has become more interactive and collaborative, requiring more sharing of information. This means integrating information across both strategic and operational perspectives as well as across different functional and even external sources.

4. ***Enrichment:*** Effective decision-making information requires more context, rules and judgments to enrich and refine the raw transaction data. Categorizations and associations of this data create valuable insights for decision-makers.

Insight 2 revisited: ***Managers think multidimensionally ➔ Managers perform within iterative and collaborative decision-making cycles***

Ten years ago, many multidimensional managers tended to be "power users" who were both willing and able to navigate through a variety of information to find the answers they needed. These users were adept at slicing and dicing *when*, *who*, *what* and *where* to better understand results.

The ease of ad hoc discovery was incredibly powerful to managers previously starved for information and, more important, answers. This power of discovery is still highly relevant today, but the need for decision-making information has evolved: analysis by *some* isn't enough—what is required is interaction and collaboration by *all*. As the research by McKinsey shows, more and more tacit work is required to drive innovation and competitiveness. Today's performance managers include more executives, professionals, administrators and external users, and are no longer mainly analysts.

Iterative and collaborative decision-making cycles result from more two-way interaction in common decision steps: setting goals and targets, measuring results and monitoring outcomes, analyzing reasons and causes, and re-adjusting future goals and targets. These two-way interactions can be framed in terms of different *decision roles* with different *work responsibilities* and *accountabilities* for a given set of decisions. These job attributes situate performance managers in a decision-making cycle that cuts across departmental silos and processes. This cycle clarifies their involvement in the information workflow, helping define the information they exchange with others in driving common performance goals. A decision role can be derived from a person's work function (such as Marketing, Sales, Purchasing, etc.) and/or their job type (such as executive, manager, professional, analyst, etc.).

Work responsibilities can be divided into three basic levels of involvement:

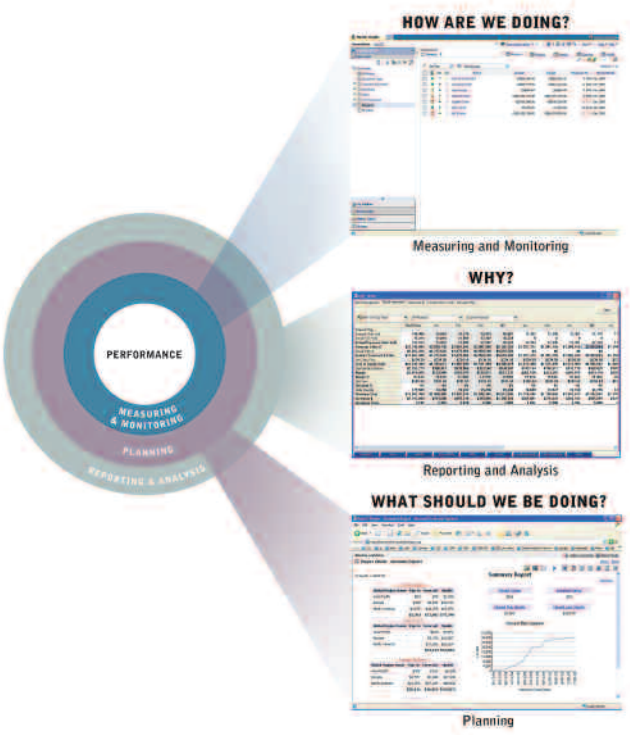
1. ***Primary:*** Decisions at this level are required to perform particular transactions or activities and are made often. Typically, this employee is directly involved, often in the transaction itself, and his/her activity directly affects output and/or cost, including for planning and control purposes. He/she has access to information because it is part of the job requirement.
2. ***Contributory:*** Information supports decisions made with indirect responsibility. Decisions are more ad hoc and may add value to a transaction or activity. The employee at this level may have to resolve a problem or, for example, adjust a production schedule based on sales forecasts.
3. ***Status:*** Information supports executive or advisory decisions. These people receive status updates on what is going on. Sometimes they manage by exception and get updates only when events fall outside acceptable ranges.

These different levels mean that securing sweeter information sweet spots is not enough. Information must be tailored to a person's decision role, work responsibility and accountability for a given set of decisions. In the past, many business intelligence efforts stumbled precisely because of a one-size-fits-all approach to user adoption. Information must be packaged according to use and user role.

Insight 3 revisited: ***The reporting paradigm for managers has changed ➔ Performance managers need integrated decision-making functionality in varied user modes***

Business intelligence was an emerging technology in the mid 1990s. Today's business intelligence has matured to fit the notion of performance management. To fully support sweeter information sweet spots and collaboration within decision-making cycles, you need a range of integrated functionality. For performance managers with varied roles and responsibilities and those making decisions based on back-and-forth collaboration, functionality can't be narrowed to just one kind, such as scorecards for executives, business intelligence for business analysts or forecasting for financial analysts. In practice, performance managers need a range of functionality to match the range of collaboration and interaction their job requires.

Every decision-making cycle depends on finding the answers to three core questions: *How are we doing? Why? What should we be doing?* Scorecards and dashboards monitor metrics to find answers to *How are we doing?* Reporting and analysis provides the ability to look at historic data and understand trends, to look at anomalies and understand *Why?* Planning and forecasting help you establish a reliable view of the future and answer *What should we be doing?* Integrating these capabilities allows you to respond to changes happening in your organization.



To ensure consistency in answering these fundamental performance questions, you must integrate functionality not just within each one, but across them all. Knowing what happened without finding out why is of little use. Knowing why something happened but being unable to plan and make the necessary changes is also of limited value. Furthermore, this integrated functionality must be seamless across the full network of performance managers, whether within a department or across several. In this sense, the new paradigm today is the platform. Just as the questions are

connected, the answers must be based on a common understanding of metrics, data dimensions and data definitions, as well as a shared view of the organization. Drawing answers from disconnected sources obscures the organization's performance and hampers decision-making. Real value means providing a seamless way for decision-makers to move among these fundamental questions. The integrated technology platform is vital to connect people throughout the system to shared information. Its core attributes include the ability to:

- Integrate data from a variety of data sources.
- Supply consistent information across the enterprise by deploying a single query engine.
- Restrict information to the right people.
- Package and define the information in understandable terms.

You must also be able to present the information in a variety of user modes. Today many decisions are made outside the traditional office environment. The system must support the shifting behaviors of the business consumer. Decision-makers must be able to:

- Use the Internet to access information.
- Use text searches to find key information sweet spots.
- Create the information they need by using self-service options.
- Set up automatic delivery of previously defined snippets of information.
- Have guided access to the information they need so they can manage by exception.

The *24 Ways* Revisited: *Decision Areas that Drive Performance*

Perhaps the single most powerful idea in *The Multidimensional Manager* was the *24 Ways*. Organized by functional department, these proven information sweet spots became a simple road map for countless companies to deploy business intelligence. This system was easy to communicate, notably to a business audience, and showed how operational results ultimately flowed back to the financial statements. Through hundreds of workshops and projects that followed the release of *The Multidimensional Manager*, BI International and PMSI became informal clearinghouses for ideas and feedback on the *24 Ways*. This was most notable in the BI University program, developed and launched by BI International and then acquired and operated by Cognos (which has subsequently been acquired by IBM).

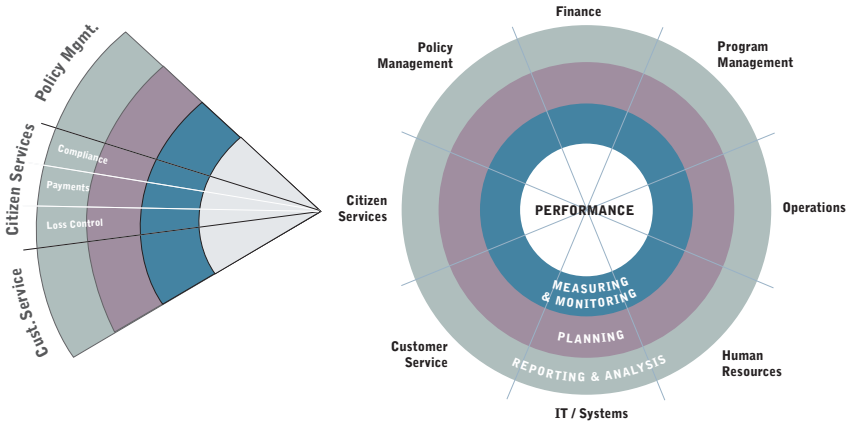
Starting in 2000, BI International and PMSI synthesized these experiences into a new, more refined and flexible framework to address the revisions to each of the insights noted above. Known as the DecisionSpeed® framework, it enables faster business intelligence *designs*, *deployments* and ultimately *decisions*.

Expanded to include roughly twice as many sweeter information sweet spots as the *24 Ways*, these decision areas are common to most organizations. The framework is highly flexible, and circumstances will dictate how to best design and develop specific information sweet spots. You may require more detailed variations, in particular, other decision areas to meet specific needs. But the logic of each decision area is the same: to provide a simple, easy-to-understand way to drive performance—and also to measure, monitor and analyze it, report on it, and plan for it.

The specific industry or sector is also a key factor in the number and definition of decision areas. For this book, we focused on the public sector.[4] While other industries may present a different set of specific decision areas, the fundamentals in this book apply across most organizations.

Decision areas are organized by the nine major functions that drive different slices of performance. Though this is similar to the *24 Ways* functional map, there are some significant differences. Human Resources and IT now each has its own focus, for example.

These nine functions provide the core structure of the book. Starting with Finance, each chapter introduces some key challenges and opportunities that most organizations face today. A recurring theme is that of striking the right balance among competing priorities. How to weigh different options, how to rapidly make adjustments—these are often more difficult decisions than coming up with the options in the first place. The decision areas for a particular function represent the information sweet spots best suited to it, for the balancing act required to meet challenges and exploit opportunities. In this book we have focused on some 46 decision areas, ranging from three to seven per function.



[4] Various industry-specific models of the framework are available in separate publications.

We introduce each decision area briefly, giving an illustration of the core content of the corresponding information sweet spot. These are organized into two types of measures: goals and metrics, and a hierarchical set of dimensions. While performance can be measured both ways, metrics typically offer additional detail for understanding *what* drives goal performance, especially when further described by dimensional context. A map of *which* performance managers are likely to use this decision area is included, showing relevant *decision roles* and *work responsibilities*.

The DecisionSpeed® framework is more than a list of sweeter information sweet spots. As the bull's-eye graphic implies, decision areas and functions are slices of a broader, integrated framework for performance management across the company. You can build the framework from the bottom up, with each decision area and function standing on its own.

GOALS	METRICS	DIMENSIONS
Net Contribution	Income Target - Actual Operating Expense Target - Actual Management Expense Target - Actual GL Account Risk Rating	Reporting Period Year Quarter Month Organization Division Department Org. Code G/L Financial Accounts – Income Statement Class Group Account Financial Account Risk Rating (ICFR) Risk Rating Services Service Type Service Plan/Actual Scenario Scenario

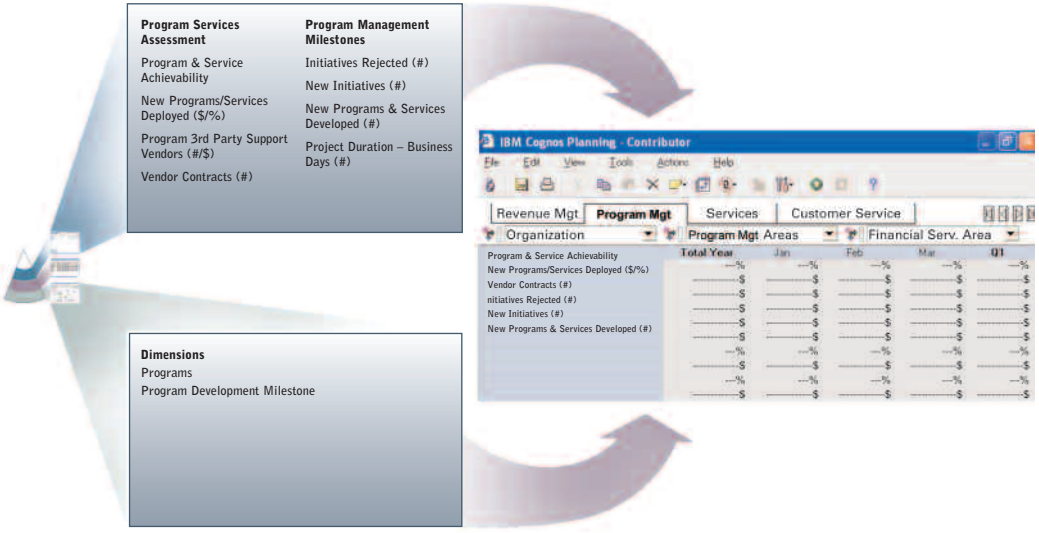
FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Managers	•		
	Professionals	•		
Human Resources				
	Executives		•	
	Analysts		•	
Services				
	Executives		•	
Program Management				
	Executives		•	
IT/Systems				
	Executives		•	
Operations/Production				
	Executives		•	
Procurement				
	Executives		•	
Tax				
	Professionals		•	
General Management				
	Executives			•

Over the past ten years, we have learned that you need a practical, step-by-step approach to performance management. Overly grand, top-down enterprise designs tend to fail, or don't live up to their full promise, due to the major technical and cultural challenges involved. This framework is designed for just such an incremental approach. You can select the one or two functional chapters

that apply, much like a reference guide. Decision areas empower individual performance managers to achieve immediate goals in their areas of responsibility. As you combine these goals across decision areas, you create a scorecard for that function. Then, as you realize performance success, you can build upon it to solve the greater challenge posed by cross-functional collaboration around shared strategies and goals.

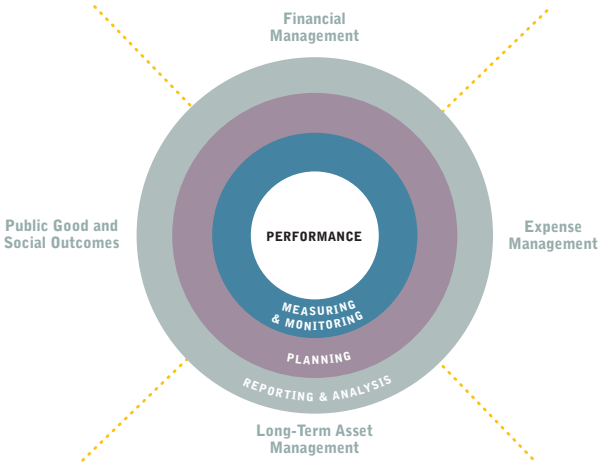
A key factor that makes this step-by-step approach work within a broader organizational perspective is the direct tieback to the financials included in the design. While each decision area can provide integrated decision-making functionality around its own set of issues, it also provides answers that impact financial results. Goals and metrics in non-financial decision areas, such as Operations or Human Resources, provide answers to financial statement numbers in the income statement, balance sheet and cash flow, and help set future plans for growing revenue faster, reducing operational expenses further, and leveraging long-term assets better.

At the end of each chapter, we illustrate how each function can monitor its performance and contribute plans for future financial targets. Key goals and metrics for the function are shown for two decision areas outlined in the chapter. The planning process links them with the relevant dimensions, ensuring that resources are allocated and expectations set against financial and operational goals. In this way, the planning process ties back from decision-making processes through the organization to the financials.



The Executive Management chapter outlines how different decision areas across multiple functions combine to drive shared strategic goals in the areas of financial management, revenue management, expense management and long-term asset management. It also provides the top-down narrative for the overall framework.

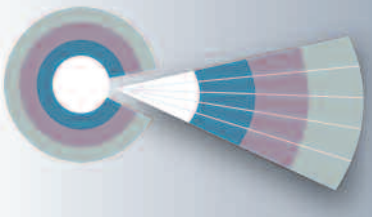
A further objective of the DecisionSpeed® framework is to help define the decision-making process, or tacit work, described in the introduction. You can think of decision areas as a layer of information sweet spots that sit above the transaction flow in a related but non-linear fashion. As described in the Executive Management chapter, performance decisions often must combine input from across multiple processes, and do so in an iterative and non-linear fashion, in contrast to core transaction processes.



Here the framework is anchored in three back-to-basics concepts:

1. How does this tie back to the financials? (the *so what* question)
2. How does this tie back to organizational functions and roles? (the *who is accountable* question)
3. How does this fit with organizational processes? (the *where*, *when* and *how* questions)

Our jobs have become less linear and more interactive, requiring iteration and collaborative decision-making. This requires the kind of information that drives high-performance decisions. This information is aggregated, integrated and enriched across processes in a consistent way. It is grouped and categorized into information sweet spots designed to drive performance decisions.
This is the information framework outlined in this book.



Trusted Advisor or Compliance Enforcer?

"Can anybody remember when the times were not hard and money not scarce?"
Ralph Waldo Emerson

Of all the various roles Finance can play in government, the two most necessary to balance are complying with legal, tax and regulatory requirements and dispensing sound advice on the efficient allocation of capital and resources. In the first, Finance must focus on policy standards and governance requirements. In the second, it leverages its extensive expertise in understanding what resources are required to generate the income or funding needed to fulfill its legislative mandates. It is uniquely positioned to play this second role because, while most governmental organizations push as far as they can in a single goal-oriented direction, Finance must evaluate contrasting economic realities to manage operations in a world of rising demand for government services and limited resources.

How Finance strikes this balance (and many others) to a large measure determines the success or failure of the operational mission. *Is your budget a tool to control costs, or to improve the efficiency/effectiveness of government allocation of resources through enlightened analysis?* Depending on economic circumstances, and where various public needs and services fall in political life cycles, one choice is better than the other.

Finance is the central nervous system of most organizations, and government is no different. Government decisions that use a structured finance-based approach to evaluate the soundness and integrity of operational propositions will inherently be more effective. Information feeds this process, and Finance has more information than most departments. As it fills its role of balancing—aligning processes and controls while advising on future directions—Finance faces a number of barriers when it comes to information and how to use it.

Barrier 1: ***Lack of information needed to regulate what has happened and shape what will happen***

In today's complex world, Finance needs better information—richer, more accurate and timely—about past and present processes and events to meet its surplus requirements and regulatory compliance responsibilities, such as the Federal Managers Financial Integrity Act (FMFIA) in the U.S.

Did the right employee or department approve a particular services request (operational risk)? Did the appropriate government evaluation approval process and risk assessment take place before funding a new policy initiative (financial risk)? Do authorized suppliers have sufficient resources and credentials to fulfill contract obligations (operational risk)? For some government organizations, the information demands of compliance and control have forged better relationships between Finance and IT. They have led to changes in information gathering and collaboration methods, such as converting disconnected spreadsheets into a collaborative, dynamic performance management solution, for example, to analyze and drill down into risk control detection and prevention details.

But while Finance works to manage these issues, it must also ensure the information investment helps drive its other key responsibility: helping guide decisions that make a difference for achieving mission results and financial accountability.

A well informed executive team and heads of workforce functions all look to Finance to help the total organization plan its future with confidence, not simply manage compliance and controls. Finance must pay attention to the drivers that comprise official results, using value-added analysis to extrapolate the impact of these drivers on tomorrow's results—and anticipate them when necessary.

Valuing, monitoring and making decisions about intangible assets exemplifies the interconnection and sophistication of the information Finance requires. Regarding the management of human capital, for example, Human Resources and Finance must work together to understand and anticipate future mission requirements and the organizational resources that will be required to achieve that mission, and aligning the organization to assure that its mission will be achieved. This includes identifying skill requirements and skill gaps, understanding the value-creating roles of individuals to reflect their worth, and managing their growth, rewards and expenses.

Without information sweet spots that show both the status of control and compliance and the impact of drivers on future mission fulfillment opportunities, Finance can't strike the necessary balance.

> ***"Following a budget planning meeting, in only two hours we were able to develop three or four different roll-ups and scenarios for review by the board the next morning. A month ago, with all of the downloads from various data sources into Excel, not to mention the hoop games required to deliver different views of the budget, this would have been physically impossible."***
>
> Judith M. Marte, Chief Budget Officer, Miami-Dade County Public Schools

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Barrier 2: ***The relevance, visibility and credibility of what you measure and analyze is designed for accounting rather than management***

Finance collects, monitors and reports information with distinct legal, tax and organizational requirements to fulfill its fiduciary role. But Finance also needs an integrated view of these and other information silos to fulfill its role of advisor. This role requires not simply reporting the numbers, but adding value to those numbers.

For example, executives must understand the costs related to various activities and services. For government, this typically means tying spending to program outcomes to understand what kind of return—e.g., improved social outcomes—the agency is getting from its investments. Government finance needs to shift its perspective from merely tracking and managing line-item costs to measuring the performance of a budget against the desired program outcomes. Finance must, therefore, categorize relevant financial line items across a wide range of detailed general ledger accounts to assure there is an integrated overview of financial accountability. This is essential to serve executives who lack a comprehensive understanding of revenue sources, legislative funding and expenses growth to make effective decisions.

Many senior budget owners believe their greatest sin is to overspend their budget. In comparison, there is relatively small accountability for failing to obtain appropriate results with the budget that is spent. This is clearly a cultural issue that is fairly prevalent in government, resulting in a performance culture that is diligent about spending budgets to the last penny, but does not aspire to track the performance outcomes as vigorously.

Barrier 3: Finance must balance short term and long term, detailed focus and the big picture

Finance balances different and contradictory requirements. It must deliver on political leaders' near-term expectations for every new administration, while it must also lay out a vision and long-term strategy. For government, outcomes can only be measured in many years, rather than quarters or fiscal years as in commercial organizations. Government can (and does) cut costs to meet near-term directives, but at what point does this affect long-term mission results? This is THE fundamental challenge government executives continually face—balancing near-term fiscal prudence against longer term goals, and prioritizing program spending while balancing social outcomes and political expediency. With the right information, a well-informed government executive team is better able to explain the drivers, opportunities and threats when balancing short- and long-term financial decisions.

Executives and financial analysts typically define performance in terms of value creation. This makes metrics such as economic value added (EVA) an important foundation for long-term planning. However, these distilled financial measures can only tell part of the story. Much of the role of government is to deliver social outcomes rather than value creation. EVA is clearly relevant for longer term projects, such as implementing a new Health and Human Services Entitlement System, where phases of completion can be distinct and the value to that point is measured. However, for

much of government finance, which also encompasses multiperiod program spending, more detailed measures must be added that capture risk ratios, asset quality, operating efficiency, market changes and operational targets. In this way, Finance demonstrates its real value in government: performance that continuously balances long- and short-term vision.

Barrier 4: ***Finance must find the path between top-down vision and bottom-up circumstances***

To what extent should goals be set top-down versus bottom-up? *If the executive team mandates accelerated targets, does this translate into sensible targets at the lower levels of the organization? Does it require a financial target contribution to be balanced with operational projections?*

Top-down financial goals must be adjusted to bottom-up performance risk realities. Finance must accommodate political vision and expediency while crafting performance targets that organizational units can achieve, generating measurable results while avoiding mistakes typically due to insufficient financial oversight. This requires a fairly deep level of sophistication in analysis, planning and metrics up and down the organization, which most organizations have yet to develop.

Financial responsibility definition constitutes a performance barrier, particularly as it illustrates the importance of engaging frontline managers in financial reporting, planning and budgeting. For many government managers, however, the budget process is a black-hole exercise, with the resulting budget they get back bearing little resemblance to the budget request they submitted. The need to adjust to changing external conditions and reallocating resources requires that decision makers have timely and relevant information supported by a budget planning process that is flexible and collaborative. Frontline managers must assume some budgetary responsibility and feed back changes from various budget centers as market conditions evolve. Such a decentralized model engages the whole organization rather than relying on a centralized function to generate and administer bureaucratic information.

Besides freeing up Finance for value-added decision support, rather than just validating the numbers, bottom-up participation generates financial plans that overcome hurdles of relevance, visibility and credibility. Individuals who engage in the process take responsibility for delivering on expectations, especially when they "own" the numbers. This helps expose drivers of success and failure that are otherwise lost in a larger cost calculation or financial "bucket"—for both the frontline government manager and Finance.

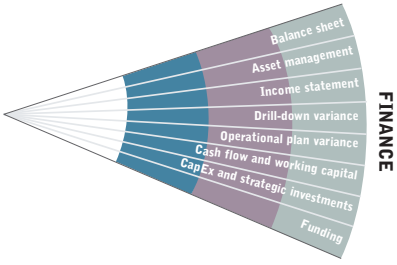
Balancing Short Term and Long Term, Past and Future, Compliance and Advisor

The information Finance uses to report what has happened and shape what will happen is critical to the rest of the organization. Dynamic tools that allow Finance to balance compliance and performance, accounting and organization structures, short term and long term, top-down vision and bottom-up reality, are more important than ever. Information sweet spots can support Finance's responsibilities and decision areas.

A Balanced Financial Experience

Finance decision areas include:

- **Balance sheet ➔** How do we balance and structure the financial funding options, resources and risks within government accounting standards?
- **Asset management ➔** How do we drill down to operational details to identify the untapped potential within them?
- **Income statement ➔** How did the government executive management team score? Where was performance strong or weak in relation to goals and financial risks?
- **Drill-down variance ➔** What is causing changes in financial performance?
- **Operational plan variance ➔** How do we best support, coordinate and manage the delivery of meaningful plans?
- **Cash flow and working capital ➔** How do we monitor cash use effectively?
- **Capital expenditure (CapEx) and strategic investments ➔** What are investment priorities and why?
- **Funding ➔** How can we efficiently manage cash, investment income requirements and cost of capital decisions for funding requirements?



Balance Sheet

The ratios generated from the balance sheet are frequently top of mind with Finance executives, who not only seek to balance the financial structure of assets and liabilities, but increasingly also to manage asset/liability risks. These activities are associated with managing risk profiles for different financial cycles and, since capital and risk are connected, the balance sheet and the associated capital adequacy standards are a key concern for long-term strategic plans. Demonstrating there are effective Internal Controls for Financial Reporting (ICFR) is now an accounting standard in countries that require risk assessment audit assertions to accompany the annual statements of results.

With increased statutory oversight and the need to profile the risks associated with reserves and capital allocations, government accountability focus on the balance sheet has increased dramatically. The ability to leverage commitments both on and off balance sheet in a volatile market environment with the associated risks directly impacts the ability to calculate financial surplus.

GOALS	METRICS	DIMENSIONS
Return on Assets Return on Surplus	Opening Balance ($) Average Balance ($) Ending Balance ($) Debt ($) Surplus ($) Fixed Assets ($) Fixed Assets/Assets (%) Liabilities ($) Liabilities-to-Surplus (%)	Reporting Period Year Quarter Month G/L Financial Accounts – Bal Sheet Lines Class Sub-class Account G/L Account Risk Rating (ICFR) Risk Rating Organization Division Department Org. Code Plan/Actual Scenario Scenario

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Program Management				
	Executives		•	
Services				
	Executives		•	
General Management				
	Executives			•
Legal				
	Executives			•
Risk Management				
	Executives			•

Asset Management

Drill-down from the balance sheet into multiple asset types improves asset-related decision making. This analysis covers workforce, facilities, materials, procurement contracts and all items related to return on asset (ROA) evaluation. Government operational asset management reports include program planning and control activities for preventative, predictive, routine and unplanned maintenance. Together these programs contribute to goals for reducing costs and increasing asset up-time. Asset management information connects finance to operational realities. The ability to make these links reduces administrative time and increases labor productivity.

GOALS	METRICS	DIMENSIONS
Asset Productivity Asset Up-Time	Asset down-time Asset maintenance events Asset revenue Asset expense Asset depreciation	Reporting Period Year Quarter Month Organization Division Department Org. Code G/L Financial Accounts Bal Sheet Lines Class Sub-class Account Asset Types Asset Type Asset Materials Material Type Material Vendor Types Vendor Types Vendors Contracts Contract Types Contracts

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Operations/Production				
	Executives			•
	Managers		•	
	Analysts		•	
Human Resources				
	Executives		•	
	Managers		•	
Procurement				
	Managers		•	
	Professionals		•	
Legal				
	Executives			•
	Professionals		•	
Program Management				
	Executives		•	
Services				
	Executives		•	
General Management				
	Executives			•

Income Statement

This decision area represents the bottom line in financial evaluation of results. It is the cumulative score achieved by everyone in the organization for a set period. Everyone needs to understand his or her individual contribution and performance measured against expectations from citizens, administrators and regulators. You must understand where variances above budget occur, so you can correct the course. If costs are increasing too quickly, you risk damaging future solvency unless you control them, adjust revenue or develop additional funding. Adjustments such as these take time, and the sooner you take action, the sooner you improve financial stability. The ability of Finance to quickly identify, analyze and communicate important variances has survival implications. How quickly the government organization resolves a new situation is determined by how quickly it discovers budget variances and confirms accountability for financial reporting process controls.

GOALS	METRICS	DIMENSIONS
Net Contribution	Income Target - Actual Operating Expense Target - Actual Management Expense Target - Actual GL Account Risk Rating	Reporting Period Year Quarter Month Organization Division Department Org. Code G/L Financial Accounts – Income Statement Class Group Account Financial Account Risk Rating (ICFR) Risk Rating Services Service Type Service Plan/Actual Scenario Scenario

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Managers	•		
	Professionals	•		
Human Resources	Executives		•	
	Analysts		•	
Services	Executives		•	
Program Management	Executives		•	
IT/Systems	Executives		•	
Operations/Production	Executives		•	
Procurement	Executives		•	
Tax	Professionals		•	
General Management	Executives			•

Drill-Down Variance

Once you identify a difference between actual and plan, you need to drill down into the details to understand what caused it. *If the expense ratio increases by five percent between two time periods, was the cause greater transaction volume, lower revenue or a change in the mix? Did other government organizations have the same increase? Alternatively, have internal changes impacted costs or possibly the process used to allocate departmental costs? What are the drivers of these allocations, and are they directly attributable to the activity?*

Finance needs to understand the *why* behind changes. Explaining what drove changes in revenues, expenses and resources provides a more complete picture to help guide the organization's ongoing mission.

GOALS	METRICS	DIMENSIONS
Income Change (%) Expense Change (%)	Income Net Balance ($) Expense Net Balance ($) GL Account Risk Rating	Reporting Period Year Quarter Month Organization Division Department Org. Code G/L Financial Accounts Class Group Account Accounting Method GAAP/Cash Method Services Service Type Service Plan/Actual Scenario Scenario G/L Account Risk Rating (ICFR) Risk Rating

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Customer Service	Executives			•
	Analysts		•	
Program Management	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Procurement	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
General Management	Executives			•
Risk Management	Executives			•
IT/Systems	Executives			•
Human Resources	Executives			•

Operational Plan Variance

Once Finance understands what caused performance variances, it can lead discussions about future operating plans. The ability to advise and push back on management plans is important. Knowing the *why* behind variances from plan helps organizations reevaluate and improve the next plan. Without this information, plans lose their purpose and become academic exercises to please senior management. Ideally, Finance offers input and feedback that other areas can use for guidance. At the same time, these other areas provide frontline information to Finance that helps improve the plan. Such cross-functional and coordinated effort lets you test the roadworthiness of existing operational plans.

GOALS	METRICS	DIMENSIONS
Expense Ratio	Actual vs. Plan ($/%)	Reporting Period
Operating Cost Variance ($/%)	Plan / Forecast ($)	Year
Overhead Cost Variance ($/%)	Department Costs ($/%)	Quarter
	Salary Costs ($/%)	Month
	Employees (#)	Organization
	Direct Expenses	Division
	Other Expenses ($/%)	Department
	Overhead Costs ($/%)	Organization Code
	Income per Employee	G/L Financial Accounts
	Claims filed per Employee	Class
		Group
		Account
		Services
		Services Type
		Service

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Customer Service				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Operations / Production				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Analysts		•	
Human Resources,				
	Executives			•
	Analysts		•	
General Management				
	Executives			•
IT/Systems				
	Executives			•

Cash Flow and Working Capital

Effective cash management is a standard of professional performance. The management of cash balances is also associated with reserve management and the objective to minimize cash holdings. When cash balances increase significantly, finance managers need to evaluate if this is a short- or long-term occurrence and consider the appropriate action. Equally, a cash shortage will require contingency plans that affect operational decisions. This daily financial control activity extends to a cash management role. *Do cash positions reconcile? If not, why not?* Without the systems and information to manage these positions effectively, there are likely to be missed opportunities to achieve mission objectives.

GOALS	METRICS	DIMENSIONS
Net Cash Flow ($/%) Working Capital Ratio (%) A/R Days (#) A/P Days (#)	A/P ($) A/P to Revenue (%) A/R ($) A/R to Revenue (%) Revenue ($) Funding Income ($) Paid Claims ($) Operating Expense ($)	G/L Sources of Funds G/L Uses of Funds Financial Accounts - C/F Lines Class Sub-class Account Reporting Period Year Quarter Month Organization Division Department Organization Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Services				
	Executives			•
	Managers	•		
	Analysts		•	
Procurement				
	Executives	•		
	Managers	•		
	Analysts	•		
Regulatory/Legal				
	Executives			•
	Analysts		•	
IT/Systems				
	Executives			•
	Analysts		•	
Operations/Production				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
General Management				
	Executives			•
Risk Management				
	Executives			•

CapEx and Strategic Investments

Since capital expenditure (CapEx) has an impact on performance, government organizations must evaluate and monitor investment decisions carefully. Investments can range from minor to strategically significant; from a new computer to a new government program. Finance must ensure that CapEx and investment requests don't simply become wish lists. Finance must establish the basis for prioritizing and justifying capital expenditure. This means coordinating with different functional areas. For example, Finance must understand the impact of both yes and no before agreeing to new funding sources. *Will the organization be exposed to penalties or censure if funding is delayed? Will this action improve service standards or highlight data integrity problems? Will expense productivity efficiencies be made over the longer term?*

GOALS	METRICS	DIMENSIONS
Investment ($) NPV ($) ROI (%)	Income Growth (%) Assets ($) Breakeven Months (#) Capital Employed Change ($/%) Fixed Assets ($) IRR (%) Payback Months (#)	G/L Financial Accounts Class Sub-class Account Accounting Method Accounting Method Reporting Period Year Quarter Month Organization Division Department Organization Code Plan/Actual Scenario Scenario Potential Projects R&D Project Type Project Projects Project/Program Type

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Legal/Regulatory	Executives			•
	Professionals	•		
Program Management	Executives			•
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
General Management	Executives			•

Understanding upside and downside impacts from potential investments is part of the evaluation process. Finance arbitrates such decisions, and requires detailed financial scenarios that forecast investment ROI and payback.

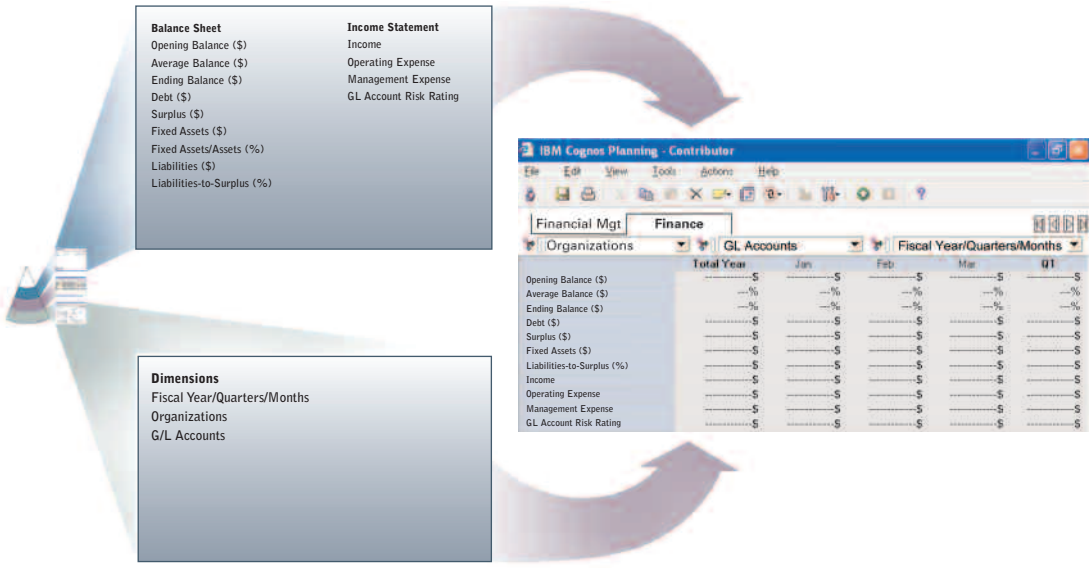
Funding

The Funding decision area moves beyond managing tactical cash balances into the broader area of matching financial plans and operational capacity with statutory responsibilities. Increasingly tailored solutions are available for finance executives to match government program fulfillment responsibilities with financial account controls and operational resource allocation tracking.

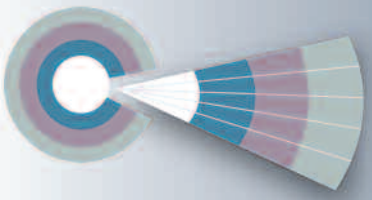
Effectively managing these asset/liability and liquidity options is a balancing act, and fine-tuning can make a difference. But without the appropriate system and information support, there will be lost opportunities in terms of defining the gaps between legal mandates and the operational capacity of finite resources.

GOALS	METRICS	DIMENSIONS
Program Funding (%) Investment Income ($/%) Investment Yield (%) Borrowing Cost ($/%) Net Liquidity ($) Municipal Bond Rating	Interest Rates Funding Requirements ($) Funding Income ($) Grant Income ($) Operating Income ($) Investment Income ($) Securities (#/$) Investment Risk Rating (Avg.) Investments - Market Value ($) Investments - Collateral Value ($) Investment Gains ($) Investment Losses ($) Accrued Interest ($)	Reporting Period - Year - Quarter - Month Grants - Grant Type - Grant Programs - Program Portfolios - Portfolio Valuation Buckets/Maturity Time Periods - Securities Price Aging Periods Security Types - Security Type - Security ID Depositories - Depository Custodians - Custodian / Security Account Cash Accounts - Bank / Account Types / Accounts Investment Managers - Inv Manager G/L Financial Accounts - Financial Statements - Class - Sub-class - Account Accounting Method - Accounting Method

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Legal				
	Executives			•
	Professionals	•		
Program Management				
	Executives			•
	Analysts		•	
Risk Management				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Analysts		•	
General Management				
	Executives			•



The Income Statement and Balance Sheet decision areas illustrate how the Finance function can monitor its performance, allocate resources and set plans for future financial and operational targets.



Managing Risk Is a Public Trust

"To trust everybody is as disastrous as to distrust everybody."
Hesiodus, ca 700BC, Greek epic poet

Laws and regulations require government to establish policy standards and practices to serve and protect citizens. Just what is Policy Management in a government context? Consider that all government agencies were created to fulfill a mission—which is typically accomplished through program delivery. Like most organizations, government agencies typically have too many competing priorities and not enough resources to accomplish them all.

Risk management comes into play here, as executives strive to balance funding priorities against not meeting program goals, and the impact that would have on social welfare. *How can scarce resources be applied for the highest social benefit?* What is the social benefit of 16 more teachers versus 16 more police officers? This is obviously an extreme example, but more subtle priorities need to be balanced continuously by government managers.

Policy Management in government is about identifying potential hazards and guiding effective action across multiple services or entities. In fact, as illustrated above, in order for a government organization to achieve its mission, it must manage potential risks with the goal of taking effective action to limit avoidable losses. This requires effectively balancing positive social outcomes through investment against negative outcomes from under-investing or not investing. The skills that government organizations use to balance alternative risk management strategies and corresponding programs will determine its ability to retain citizens' trust in the value of policies and programs.

In a world where globalization, economic volatility and structural change are increasing, government organizations need to manage policies and public services better and with greater transparency. The regulations and procedures established by government organizations are the standards that citizens and institutions rely on for fair and equitable results. Citizens expect their governments to practice good governance and facilitate effective coordination across government services in day-to-day operations and in times of crisis. Policy Management excellence enables citizens to evaluate which government organizations coordinate resources effectively and respond most effectively to their needs.

At a fundamental level, government needs to demonstrate effective planning and control for the inventory of policies and regulations impacting its mission. This requires developing and demonstrating that there are active risk management analysis processes in place for assessing potential hazards to the public's welfare. Programs must make it clear that there are sufficient oversight capabilities to detect or prevent actual losses. Contingency plans must outline that resources are positioned to take corrective action for predictable problems and potential catastrophes. Today there is great debate around unifying the regulatory parameters that monitor risk and support stability. Given the various risk parameters, the key is to identify specific risk indicators for where and how a government organization proactively manages its associated assets—physical, financial and human—to the benefit of all parties and related government programs and effectively serve the public good in the face of competing priorities.

Risk management strategies for loss control are a top concern for the leaders of public and private organizations. However, while risk management is an accepted priority, it also represents an unenviable task that can be very political, depending upon the culture and the magnitude of potential risks. The challenge is implementing an integrated, fact-based approach that can be ingrained seamlessly into operational practices. Without a coordinated policy management strategy, governments will continue to struggle with costly, unsatisfactory policy iterations before risk-handling procedures and controls are efficiently aligned to stabilize productive relationships among competing parties.

Government organizations need to tackle three important barriers to ensure a successful, integrated policy management process.

Barrier 1: ***Lack of consistent measurement methodology***

Policy impact measurement is complex, and no methodology will accurately capture the full picture for forecasting and monitoring results. Any risk evaluation process will, by definition, be imprecise. Government organizations need to remain open to new "learnings" as economic, demographic, market, climatic or other conditions change. Over time and through experience, organizations will gradually hone in on methods that better identify risk sharing patterns and adapt loss control and response procedures accordingly.

However, the issue of policy impact measurement is further complicated by the lack of consistency across various institutional approaches for reporting problem events and recording resolution activities. This has a direct impact on financial risk quantification and resource allocation decisions. For example, accounting methods may differ among federal, state and local agencies; a problem that is recognized in one institution may be rejected in another. It may fall below their threshold demanding action, either because of measurement variances—they don't measure the same things in the same way—or because the thresholds themselves are different. The more detailed and extensive the underlying loss control documentation, the more a government organization can devise granular risk management strategies based on informed insights into external forces and market segmentation.

Another measurement challenge flows from the above example. By standardizing the risk evaluation process at a high government authority level within an organization, the organization may lose its flexibility and the ability of frontline "troops" to identify opportunities for taking direct action. The danger in "hard-coding" risk management standardization is that it reduces the options down to a common denominator that will not apply to every program or service subsegment, despite the need to be able to evaluate risk at a fairly granular activity level.

Barrier 2: ***Hidden information gaps hinder the quantification of risk***

Three generic risk mitigation approaches exist:

1. Risks can be eliminated or avoided—e.g., policy and procedure process changes.
2. Risks can be transferred to other entities—e.g., regulatory responsibility re-assignment.
3. Risks can be actively managed.

To the extent that an institution has a good understanding of its policy risks and exposures—where, what and how much—it can be proactive in its policy and program management strategies. Clearly, to appropriately manage risk, you must firstly be aware of it, and then understand the context within which the risk is being evaluated. However, such transparency is not easy to come by without investing in systems, analytical tools and modeling techniques that can be applied at the risk event level.

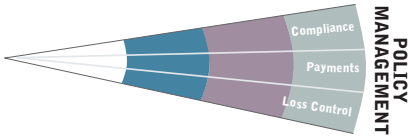
Frequently risk prevention measures are brought in after the event, in a reactive fashion. *To what extent is the policy or program manager fully aware of the existing risks, as well as the potential courses of action? Are government units still making decisions without coordinating and communicating exposures?* Such information gaps represent unknown risk exposures, and the government agency is not even in the position to decide how to mitigate these risks.

As risk events and program inter-relationships become more intertwined to address new problems, the challenge is to enhance and keep up with the necessary program monitoring information flow. Without serious management attention, investment and effective execution, success is likely to remain elusive. This leads naturally to the next barrier:

Barrier 3: ***Integrated risk procedures are not "owned" by specific functional roles and embedded in the organization***

Active policy management is also about ensuring that the full organization identifies with and takes ownership of its own risk mitigation responsibilities. Policy Management professionals cannot sit in an organizational silo and be disconnected from risk management decisions across the agency. Pushing risk awareness and loss control procedures down into various functional roles will help establish a coordinated and proactive approach to government risk management. In fact, different functional roles are directly associated with certain types of risk, including operational risk. The greater their ability to communicate risk concerns, identify risk patterns and support the development of appropriate risk controls, the more effective risk management capabilities will be for profitable long-term citizen relationships. An effective risk management process that is embedded in the organization and well executed will deliver measurable results and mission recognition.

Policy Management practices in government translate organizational oversight responsibilities into many types of risk management implementation areas, such as environmental risk, operational risk, human capital risk and financial risk. For the purpose of simplicity, this discussion will focus on three policy management decision areas that operate in tandem:



- **Compliance** ➔ Monitoring the details of implementation standards for laws, policies and risk events.
- **Payments** ➔ Managing the benefits and loss reimbursements for claims against government programs.
- **Loss control** ➔ Managing the activities that reduce the frequency and severity of losses.

Compliance

Compliance is the focal point for maintaining the policy documentation that specifies standards for government requirements, loss events, limits and exclusions for specific laws and regulations. Risk monitoring activities are defined to delineate methods and procedures for fulfilling legal contractual responsibilities and achieving program goals. Compliance threshold levels are set to mark the boundaries for audits and potential violations for noncompliance reviews.

GOALS	METRICS	DIMENSIONS
Compliance Audit Activity Index Compliance Score	Regulations (#) Controls (#) Exceptions (#) Regulatory Audits (#) Audit Costs ($) Issues (#) Violations (#) Penalties (#) Penalties ($) Fines (#) Fines ($) Settlements (#) Settlement ($)	Reporting Period Year Quarter Month Organization Org. Code Regulation Regulation Type Regulation Examiner Examiner Compliance Audits Audit Type Audit Name Compliance Locations Territories Geo Codes Risk Events Risk Types Risk Events Risk Frequency Frequency Risk Severity Severity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Regulatory/Compliance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Legal	Executives			•
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Services	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Risk Management	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Program Management	Executives		•	
	Managers		•	
	Professionals		•	
General Management	Executives			•
Finance	Executives			•

Compliance activities documentation enables government organizations to establish baselines for planning and controlling resource levels for mission requirements. Identifying automated vs. manual control activities provides the basis for estimating the capacity levels for implementing specific policies and regulations. When potential risk events are associated with specific control activities, organization leaders have the core information in place to evaluate the impact that resource gaps have on mission fulfillment and contingency readiness.

Most government agencies are faced with innumerable laws, acts and grant fulfillment reporting responsibilities. Merely keeping up-to-date on the reporting can be a significant challenge. On the downside, failure to comply can mean significant financial penalties. Also, failure to be able to report comprehensively can mean that a government agency is missing an opportunity for funding if certain goals are accomplished. It is not unusual for money to be made available through grants that are contingent on certain performance goals. If the agency cannot keep track of how it is performing, these can be missed opportunities.

Payments

Payments in the form of entitlements are for many citizens the public face of government. Many government agencies have responsibilities for processing entitlements, validating eligibility and settling claims for damages that are covered under the law. It is the operational hub for managing loss expenses and generating analysis for evaluating payment trends. Payments reporting controls are the backbone of detecting fraud and assuring that there is accurate information in place to adjudicate citizen disputes.

A key challenge here is that, frequently, data for evaluating claims or for identifying fraud can be distributed across multiple disparate systems. The time lags between when one system is updated, and another system is synchronized can be many months. The time gap in between can represent an opportunity for fraud, where an enlightened fraudster can triage this gap to their advantage. This takes us back to the risk management discussion above, and the need to close the gap through a performance management system that is able to synchronize disparate data and related processes.

GOALS	METRICS	DIMENSIONS
Program Recipient Growth (%)	Program Payment Recipients (#)	Reporting Period Year Quarter Month
Payments Timeliness (%)	Payment Value ($)	Entitlement Programs Program Types Program Types Programs
Avg. Payment Processing Backlog (#)	Payment Volume (#)	Claims Claim Types Claim Case Number
Payments Cycle Time Change (%)	Claim Cases (#)	Claim Location Claim Location Claim Geo code
Payments Activity Index	Claims Pending (#/$)	Adjudicator Claim Adjudicator
Claims Activity Index	Investigation Time	Documentation Documentation Types Documentation
Claims Activity Growth (%)	Settlement Time	Time to Investigation Time to Investigation
	Litigation Activity (#/$)	Litigation Litigation Types Legal Cases
	Repair/Rehabilitation Activities (#/$)	Claim Service Providers Claim Service Types Claim Service Claim Service Providers
	Claims Paid (#)	Time to Settlement Time to Settlement
	Incurred Claims ($)	Claim Status Claim Activity Status
	Claims Paid %	
	Subrogration ($)	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Legal	Executives			•
	Professionals		•	
Services	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Finance	Executives			•
	Managers		•	
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	
General Management	Executives			•

The payments organization must coordinate a network of relationships among other government agencies and external suppliers to assure policy-related work is performed in a timely and professional manner to fulfill contractual standards. Payment expenses are classified by service provider types to develop benchmark metrics that can be used reliably to plan and control government program-fulfillment activities. Cases in litigation are aged to reconcile settlement value and timing estimates with government accounting requirements recording payments and adjusting reserves.

Loss Control

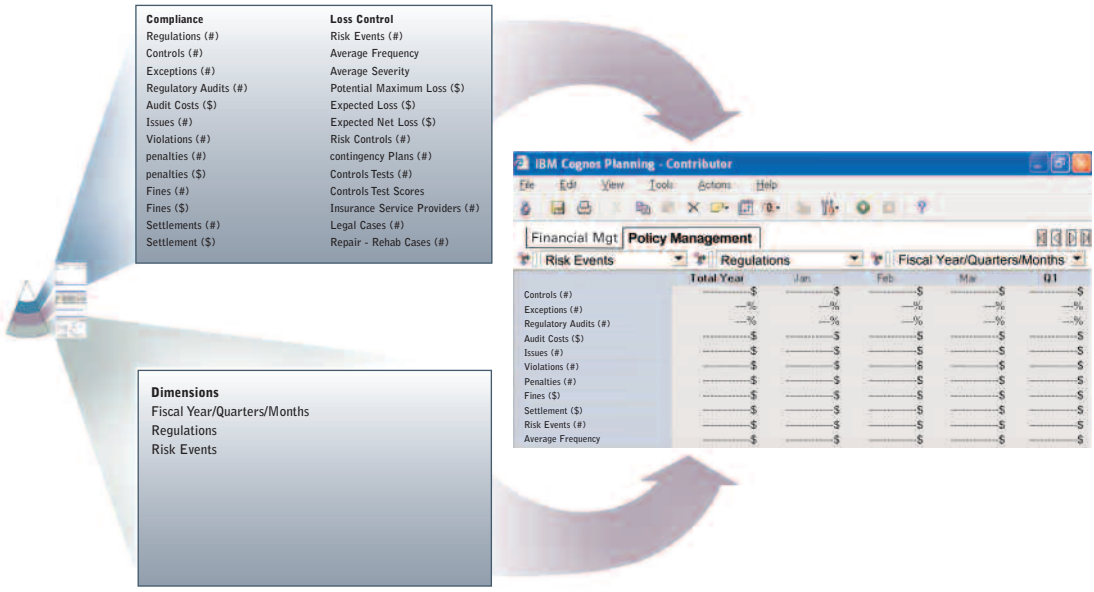
Effective loss control is the key to achieving risk management success. Expense impact analysis is the most revealing indicator for assessing how well specific detective and preventative controls have reduced payment disputes and net losses. The best success is achieved when the internal controls process in place maintains the documentation needed for implementing contingency plans that take short-term and long-term action to identify and proactively mitigate damages.

GOALS	METRICS	DIMENSIONS	
Risk Controls Assessment Score	Risk Events (#)	Government Programs Program Types Programs	Regulation Type Reg Standard
Contingency Readiness Index	Average Frequency		Control Activities Processes Control Activities
	Average Severity	Organization Organization	
	Potential Maximum Loss ($)	Risk Location Geo Code	Documentation Documentation
	Expected Loss ($)	Risk Events Risk Types Risk Events	Contingency Tests Test Types Contingency Tests
	Expected Net Loss ($)	Risk Frequency Frequency	
	Risk Controls (#)	Risk Severity Severity	
	Contingency Plans (#)	Regulatory Standards	
	Controls Tests (#)		
	Controls Test Scores		
	Insurance Service Providers (#)		
	Legal Cases (#)		
	Repair - Rehab Cases (#)		

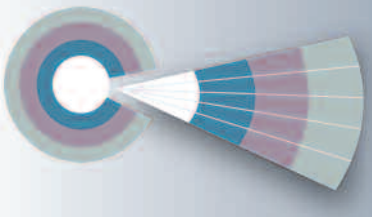
FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Risk Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Legal	Executives			•
	Professionals	•		
Program Management	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Services	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Operations/Production	Executives			•
	Managers		•	
	Professionals		•	
Customer Service	Executives		•	
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Audit	Executives			•
Finance	Executives			•
General Management	Executives			•

The key issue is not simply to identify risk exposures, but to define the cycles and processes where potential damages are monitored to develop approaches or strategies to address them. One common valuation methodology is to review potential maximum losses in relation to the actual frequency and severity of specific events. Analytics are used to develop "value at risk" estimates which look at the likelihood of a program asset value's decreasing over a period of time. Others include shortfall probability, downside risk (semi-variance) and volatility. Government executives need to be aware of the inherent strengths, weaknesses and sensitivities associated with each method.

Whatever the method, government managers need to have access to better information that equips them to identify and mitigate risk. Only by clearly understanding the potential losses associated with noncompliance events can government organizations implement effective policy risk management strategies.



The Compliance and Loss Control decision areas illustrate how the Policy Management function in government can monitor risk exposure, allocate resources and set plans for future requirements to manage multiple risk types that cascade across the organization.



Developing the Right Program, the Right Way, at the Right Time to Balance Cost and Risk

> *"Innovation is not the product of logical thought, although the result is tied to logical structure."*
>
> Albert Einstein

The oversight, funding and administration of many government activities is typically segmented and managed through programs. A program can be a vehicle for regulating laws, distributing entitlements, delivering services or overseeing large, ongoing projects.

A typical government agency will have many different programs, depending on mission and mandate. These programs are effectively competing for a limited pool of resources. At the agency level, management decisions about distributing resources to support new and existing programs is driven by a combination of factors, including political expediency, the importance of the program in the overall agency program mix and the ongoing ability of the program to deliver results.

At its core, Program Management is a management function focused on fulfilling specific social goals with cost-effective value. In government, these are frequently social goals designed to improve the quality of life for citizens in one way or another.

As resource levels tighten and the demand for services and entitlement programs continues to grow, decisions about the ongoing support, development and funding of programs has become increasingly tied to the quantification of real results or outcomes. This has taken on a new urgency in many governments, where legislation mandating the measurement and publication of program effectiveness (actual outcomes against target goals) has come into play.

The continued success of any program depends on developing innovations that keep the program relevant and vital through continuously changing conditions. Government Program Management can be a challenging proposition due to a great many stakeholders, each with vested interests and varying agendas. What's more, these stakeholders frequently are not served by the same agency or government sector. For example, fisheries management needs to balance the need to ensure a sustainable resource with the goals of increasing tourism, maintaining income levels for professional fishermen and managing a host of environmental issues.

In the Policy Management chapter, we discussed risk management as a critical activity for government decision making. In the fisheries example, Executive Management needs to make resource decisions that balance the risk—*What happens if we don't fully fund a wetlands renewal program?*—against the returns from funding an alternative program, such as rebuilding salmon rivers.

The agency responsible for fisheries would likely have competing fisheries management programs, and may have oversight for wildlife management as well. So we can see the agency budget pie can easily be sliced many times. In the same way that competing agendas impact goals and resource decisions for any given program, it is not difficult to imagine, even in the relatively simple fisheries example, how multiple programs impact a given target or population.

In such cases, rather than looking at fully funding each of the programs independently, it makes sense to understand the relevant impacts of each program on the desired agency outcomes and to allocate resources based on what will achieve the best results. For example, if there are five different programs that are targeting a crab fishery, rather than giving each program a dollar, a better overall result could probably be achieved by allocating $5 by $2, $1.20, $0.93, $0.50 and $0.37.

At the same time, from the overall agency perspective, it would be very good to understand, for each $1 spent, the corresponding impact by program or some other relevant slice. This conversation would be especially important at a regional level, when a local representative is planning to speak with her constituents and would like to articulate very clearly how much is being spent in the region and what results are being achieved. Elected representatives invariably need to report to constituents what benefits they are receiving from this representation.

Agencies that can articulate clearly their spending outcomes (risk against reward) are able to lobby much more effectively for increased budgets or new program funding. This clearly occurs at the agency level, where an agency is part of a larger department, or where appropriations decisions are made at the political level, be it through Congress, Parliament or some other level of government. Experience has shown that agencies that rely on performance management for fact-based decision-making are more likely to maintain or increase budgets. This underscores the basic principle that proven performance and accountability are objectives of government, both at the bureaucratic and the political levels.

The coordination of program management and public services analysis is the life's blood of future success. Any program or service change requires a hard assessment from different functional perspectives of public requirements, risks, regulations, financial assumptions and exposures. Launching a program with new or modified services is a high-risk activity that involves well-thought-through internal technology and external implementation plans. Success is never guaranteed.

Equally rare is a program or service offering that fundamentally changes the value proposition within communities. Such new innovations require deep financial commitment. When success does occur, Program Management needs to understand why and whether that success can be systematically replicated. Government programs are not isolated islands. They live in a portfolio of services where momentum for positive change can be transferred—if the critical success factors are identified and communicated clearly.

Program Management and government services alignment must find the right balance among population coverage, pricing and related loss control services to complete the delivery cycle. While working closely with public groups, Program Management must clearly understand citizen requirements across the total relationship and define the program coverage or service that delivers key benefits. An additional challenge is to align resources to balance the risks and rewards across the entire portfolio of programs and agency administers.

Economic, demographic and social cycles set the context for the role of innovation in Program Management. In high-priority areas, changes in market segments, services, coverage adaptation and distribution fulfillment will drive analysis on the need for significant investments. In low-priority areas with moderate change and slow growth, Program Management will be less focused on innovation and more on optimizing service offerings. Nevertheless, new developments can lower risks and sustain financial integrity in all programs. Improvements are likely to be incremental, but can differentiate government organizations as leaders.

By the same token, agencies with a relatively static portfolio of slow-changing programs can benefit greatly from continuous innovation. Going back to the fisheries example above, one of the greatest potential innovations lies in an agency's ability to track the outcome of $1 invested across programs and regions in very specific projects. With this level of transparency and insight, management can guide investments across the agencies that optimize the overall portfolio.

Program Management and services alignment are a combination of opportunity identification, evaluation and new services implementation. A pipeline of incremental but innovative changes will help determine future financial performance and ability to identify organic growth opportunities.

Three significant barriers prevent government from realizing program innovation.

Barrier 1: ***Lack of information to determine strategy requirements***

Evaluating the impact of program and service changes is difficult without access to several sources of information, both internal and external. The insights from these multiple sources need to be integrated into a comprehensive framework that offers granular clarity and risk control assurance. Program Management takes the "benefits of change" discussion further into services and compliance specifics.

For example, what services can be designed for citizens in a given age profile, say, above 65, that reduces stress and promotes well-being? For those who feel the pinch of financial pressures when life expenses exceed earnings, government can offer creative solutions that reward community service with discounted benefits in public programs. However, program innovation requires leadership. The odds are stacked against continual success, and expectations need to be managed carefully.

Measuring financial performance with transparent integrity is vital, but interpreting success too rigidly may lead government program managers to miss innovation opportunities. It is better to define and measure drivers and development milestones that affect the pipeline of new initiatives. Similar to a portfolio investment strategy, these metrics allow for more opportunities (and therefore more failures), but let you know when to "fail fast" to satisfy the overarching goals of program success.

Only a few program initiatives make it through to unqualified "success." *What resources need to be invested in a given initiative? What human capital skills are required? Does the initiative impact internal processes and require infrastructure changes?* These costs will need to be evaluated and often incurred before there is any assurance that success targets will be achieved. The tolerance for calculated financial failure regarding new initiatives will vary by institution. Certain initiatives will be seen as more strategic and critical, while others will not be as important. A portfolio approach to new initiatives helps prioritize resource requirements, expectations and risk tolerances.

Program Management needs input from Finance, Operations and Customer Service into service trends as well as insight into citizen segment behavior. Equally, the development process needs to work with Legal and Compliance with regards to shaping the offering. Financial engineering and solutions that leverage cash flow or external specialist providers are increasingly critical to innovation success. Strategic considerations will have an impact, for example, on leveraging the distribution network to focus more on new service opportunities through specialists in parallel channels. Only by integrating all these inputs and information sweet spots can you achieve a well developed new initiative.

Barrier 2: ***New program and service initiatives lack the integrated process information needed to develop targeted, comprehensive program offerings***

Government Program Management alignment decisions affect and rely on coordination across the major function and departments of the organization. Without appropriate visibility, departmental barriers may get in the way and stymie the Program Management alignment process. By monitoring the appropriate performance drivers, combined with appropriate incentives, you can improve the Program Management process from idea generation to alignment on priorities to engaging Finance, so the value of new initiatives is understood and forecast.

Barrier 3: ***Inability to define, measure and analyze the drivers of success***

New initiatives depend on timely action, but are hampered and even blocked by the lack of clarity and calculated assurance that any resource investment will lead to a sufficient benefit. *What are the drivers of success? Have they been measured, evaluated and communicated effectively?*

In our experience, innovation success depends on understanding key drivers and critical success factors. Frequently, management is at risk when the key drivers are not articulated or they are seen as the wrong levers yielding poor results. As the key drivers become fully understood, performance metrics can be put in place throughout the agency that effectively align individual accountability with the agency strategy.

Risk management analysis is part of the development process. Past failures are not necessarily negative; they may actually assist the development process. Failures can become stepping stones toward success. The key is to understand what drives program portfolio success and failure. When new initiatives reach a certain milestone, the department may consider testing the program proposition. The feedback you require will determine the means you select: selective citizen input, larger external research or a limited territorial launch.

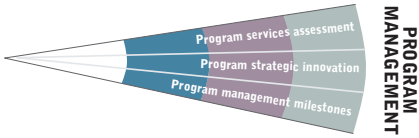
No amount of testing guarantees success. Making the “go or no go” decision requires information sweet spots to allow the organization to decide whether it needs more resources to improve the new offering, or if the cost of delay—either in lost revenue or lost risk management advantages—means the program initiative must launch now.

From a Gamble to Controlled Program Management

Program Management combines many cross-functional requirements, balances risk, learns from failures and then both adjusts and develops new program and service initiatives in a timely and effective manner. Accurate information is a key enabler of this process.

The Program Management process combines three key decision areas with associated information sweet spots:

- **Program services assessment** ➔ What is our value proposition, and does our service portfolio meet citizen, market and regulatory compliance requirements?
- **Program strategic innovation** ➔ Which strategic mandates and service gaps are addressable with the available resources, and what are the associated risks?
- **Program management milestones** ➔ How do we manage priorities, goals and timing and monitor risks as they change?



Program Services Assessment

There is an ebb and flow to any programs and services in terms of their relevance, responsiveness and financial performance. Program Management must manage this life cycle by adapting and innovating the program and service proposition where possible. The first key step in this process is to understand what political, market and regulatory factors are driving the program management cycle.

The spectrum and variables are typically broad and cross-functional. Consider the following local government experience:

In mid-2008, many U.S. municipalities were struggling with a housing market that had receded after years of aggressive growth. During the economic growth years, populations swelled and tax revenues grew as property tax valuations rose, effectively funding more and better government services. However, as the housing market declined, local governments began experiencing a gap between their ability to deliver the expected level and quality of services, and their ability to afford it. Cities and towns began feeling the fallout across many departments.

Real property values were falling, residential house construction permits were declining, and foreclosures were on the rise. Current and projected property tax revenues were negatively impacted, since property tax is tied to property value, occupancy and an expanding population base.

GOALS	METRICS	DIMENSIONS
New Program & Service Opportunity ($)	Program & Service Achievability	Reporting Period Year Quarter Month
Program & Service Risk Score (#)	New Programs/Services deployed ($/%)	Programs Program Type Program
Critical Success Factors Achieved (#)	New Program/Service suggestions (#)	Critical Success Factors Critical Success Factor
Program Efficiency Index (#)	Est. Development Cost ($)	Risk Locations Territories Geo Codes
Full Time Eqivalent Staff Reassignments (#)	Income Gain estimate ($)	Regulatory Standards Regulation Type Reg Standard
	Incurred Claims estimate ($)	Insurance Hazards Hazards
	FTE Staff reassignment estimate (#)	Government Market Segments Market Segment Micro-Segment
	Expense impact estimate ($)	
	Program Transaction Volume (#)	
	Project Duration – Plan (Business Days)	
	Project Resource Days – Plan (Business Days)	
	Project Cost – Plan $	
	Tested Programs (#)	
	Program 3rd Party Support Vendors (#/$)	
	Vendor Contracts (#)	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	
Legal	Executives			•
	Professionals		•	
Regulatory/Compliance	Executives			•
	Analysts		•	
Procurement	Executives			•
	Analysts		•	
General Management	Executives			•

With the rise in foreclosures, local municipalities faced an eroding tax base. Overall economic activity was also falling, as households with declining personal income reduced spending. This negatively impacted government tax revenue. Because any city's plan for services is based on its expectation of revenue, its ability to deliver services at current and planned levels was challenged.

Many foreclosed properties were abandoned, since the market for these houses effectively collapsed. Banks or mortgage holders walked away from the properties, leaving them vulnerable to vandalism and criminal activity, forcing the city to increase police presence—another burden on the city budget. Some cities sought to maintain the properties and make them look "lived in" to preserve their value—cutting the grass, repairing broken windows and the like. This represented an immediate and ongoing cost to the city. To deal with mortgage holders who abandoned properties and recoup the cost to maintain them, cities also faced litigation costs.

As people lost their homes, the additional stress on their lives placed further demands on child welfare services, low-cost housing and other city services. Public schools also felt the impact of families in distress, including a higher incidence of unruly conduct, more unexcused absences and drug abuse, straining school budgets to deal with the problems.

The challenge to a local government facing this scenario is to understand the impacts across all its services and departments and, going back to the risk management discussion, balance investment risks optimizing the overall outcome. The income and service delivery assessment serves as a gap analysis to understand and align revenue with expenses, and the urgent need to develop alternative strategies to boost funding—e.g., unpopular tax increases or bond issues—or cut back services. In some cases, as in police costs, spending might not be totally discretionary.

Clearly, the ability to peer into what the future is likely to bring and, through rigorous scenario planning, to develop appropriate strategies will help a municipality weather the storm.

Program Strategic Innovation

This decision area takes potential opportunities identified by the Program Services Assessment and examines the practicalities in more depth. It answers questions about the costs, resources and benefits of implementing new initiatives and innovations. It also offers more clarity in terms of benefits, strategic fit, how achievable these initiatives are given available resources and the risk of failure.

Innovation runs the gamut from incremental improvements to a significant strategic shift. For example, in public safety organizations such as police and fire, people are clearly one of the highest cost items, representing upwards of 85% of the total budget. This cost includes overtime, which for some municipalities can run into the millions of dollars. A significant amount of police overtime can accrue due to court dates not aligning with duty schedules—for example, a police officer must be in court after duty or on a day off, typically at triple pay or some multiple of their salary base. With this insight, by coordinating police duty schedules with court schedules, it has been possible to save literally millions of dollars in overtime spending, at virtually no cost to do so.

GOALS	METRICS	DIMENSIONS
New Program & Service Developments (#) New Program & Service Income ($/%) New Program & Service Cost ($/%)	Program - Service Achievability Score Implementation Cost ($) New Program - Service Income Potential ($) Potential / Actual Revenue ($/%) Implementation Time (#) Program & Service Risk Score (#)	Reporting Period Year Quarter Month Government Market Segment Market Segment Micro-Segment Programs - Services Program Type Program Line Coverage - Service Services Channel Partners Services Channel Type Services Partner Services Organization Services Region Services Territory Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	

Whatever the innovation, you must measure the time-to-market, implementation difficulty, external factors, technical improvements and financial scenarios. These metrics also help you prioritize risks and opportunities. For example, by classifying the initiatives into short-term and long-term priorities, or by measuring the difficulty of implementation, you limit the attention on impractical blue-sky projects that distract attention from what's needed in the short term.

As a decision area, strategic innovation recommends which opportunities are right for citizens by aligning with other departments, particularly Finance, Policy Compliance and Customer Service.

Program Management Milestones

This decision area is used to manage the innovation process. It establishes milestones, manages and adjusts priorities and timing, and monitors risks as they change. Government organizations may take a cue from the manufacturing sector, where many companies use Stage-Gate® or phase-gate processes involving five stages for development: preliminary assessment, definition (market), development (product/cost), validation and implementation. Typically, a very low percentage of preliminary ideas pass through the final gate.

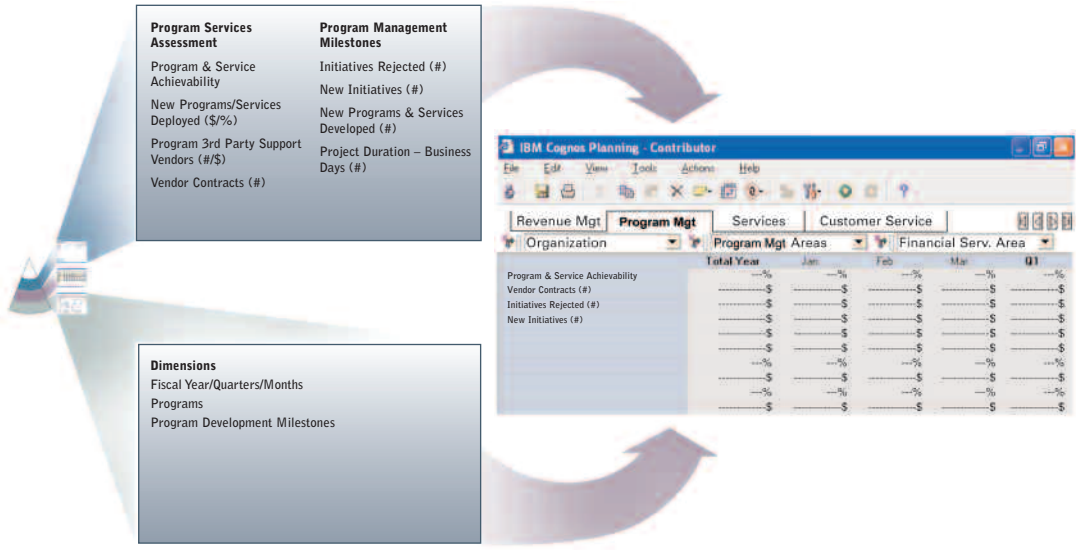
Less formal processes still require that you answer questions such as: *What new program development ideas do we have? What is the scale of the identified opportunity? Do we have the skills in-house? What are the risks? Is the opportunity aligned with our strategic priorities? What are the likely benefits?*

In government, measuring performance milestones is critical. In fact, using assessments such as earned value measurement (EVM), which quantifies the value derived by investments in a large project at discrete intervals, is mandated by law for certain programs and projects. *Given a number of preliminary initiatives, how many milestones are passed before rejection or implementation?* Logging and evaluating the reasons for success or failure through these milestones will help you improve your innovation process.

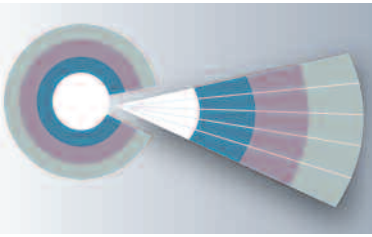
GOALS	METRICS	DIMENSIONS
Program & Service Development Cost ($) Program & Service Development Lead Time (#) Project Completion by Milestone (#/%)	Initiatives Rejected (#) New Initiatives (#) New Program & Service Launch Failures (#) New Program & Services Developed (#) Modified Program & Services (#) Project Duration – Business Days (#) Project Duration – Variance (%) Rejection Causes (#) Market Tests (#)	Reporting Period Quarter Month Forecast Scenario (Plan/Actual/Forecast) Scenario Program Development Milestone Program Activity Milestone Programs Program Line Program Project/Program Types Program / Project Type Project Project Start Date Year Quarter Month Project Start Date Project Management Project Team Project Manager Project Member Project Completion Date Year Quarter Month Project Finish Date

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Services	Executives			•
	Analysts		•	
Loss Control	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Finance	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Regulatory/Legal	Executives		•	
General Management	Executives			•

Regular planning and gap analysis reviews anchor the innovation process with government priorities. Without this focus and monitoring, the process may be sidelined by day-to-day concerns. It is critically important to ensure the success of all phases, from design to implementation and full implementation. Information that focuses and fine tunes each stage and provides incentives is imperative to ensuring successful innovations.



The Program Services Assessment and Program Management Milestones decision areas illustrate how the Program Management function can monitor its performance, allocate resources and set plans for future financial and operational targets.



The Cornerstone of Effective Government

"Things may come to those who wait, but only things left by those who hustle."
Abraham Lincoln

Not Enough Time, Not Fast Enough

Citizens are increasingly educated, competent and connected to technology. And their expectations for good government have increased, in terms of more and better services. Rising expectations are typically not met with rising budget increases, leading to potential gaps between a citizen's expectations and government's ability to deliver services that satisfy expectations.

Government has multiple missions, but clearly improving the quality of its citizens' lives is at or near the top of the list. To fulfill government's citizen-centric mission, Citizen Services must be able to react, adjust and satisfy demands. Qualifying citizen needs and developing effective solutions are prerequisites for leadership. New demands have made services planning and coverage far more complex, requiring a wider range of knowledge, techniques and insights. And citizens expect fast response.

This is the key challenge facing all government departments and agencies: how to balance the need for faster response while gaining the right information to qualify risk profiles and deliver the right services.

The ability to match services to needs efficiently and the insight needed to direct resources to the highest priorities are critical factors driving success. Both depend on a timely, two-way flow of information. Accurate and speedy information exchanged through the best channels can help improve results and reduce costs. Information flowing through Citizen Services organizations can affect every other department and agency. For example, better forecasting based on accurate demographic, econometric and financial data will drive better resource allocation and transaction processing capabilities to reflect citizen needs more accurately. The slower the two-way flow of information, the less responsive the organization. Consider the real estate property values example in

the Program Management chapter. There is clearly a need for better visibility into the cross-agency impacts and a trustworthy view of the future to understand gaps and work to close them in a timely manner.

This viewpoint brings together the three core insights in this book (see Introduction). Citizen Services must have clear accountability for financial results (delivering quality, highly valued services at a reasonable cost) and quality measurement (having an information infrastructure in place that captures critical performance data). This requires information sweet spots that connect central office and field decision-making capabilities. A Citizen Services function with the right information at the right time is formidable.

Unfortunately, many Citizen Services organizations do not optimize citizen connect time and speed of execution due to three barriers.

Barrier 1: ***You don't set services targets and allocate effort based on maximizing overall contribution***

How you measure performance drives how Citizen Services allocates its time. If you define targets in terms of potential contribution, Citizen Services professionals will invest time where it reduces risks and maximizes benefits. If focusing on citizen relationship risks isn't a new thought, and it's not difficult to see the benefits, why is it still rare in terms of implementation?

There are several reasons. In many cases, integrated information across organizations is not available, is available but in disparate systems or is too sensitive to make broadly available. Determining how to allocate resources and costs is typically complex or politically charged. And frequently, the organizational focus is on short-term results without perspective on long-term contributions. This is particularly acute in the public sector, where changes of administration can result in significant changes in the government's core agenda. Although the vast majority of government programs persist irrespective of the incumbent administration, shifts in priorities can clearly have broad impacts. Also, as mentioned earlier, multiple programs can target the same constituency differently, so it is difficult to measure the overall impact on citizen welfare, or which program (and investment) is having the greatest impact.

The social value of services is not static: it changes over time. A good government services manager can positively effect change. This change requires understanding:

- Relative weighting of various opportunities based on the "cost" of expected effort and the expected outcomes.
- The benefits of offering efficient "straight-through" services that reduce complex activities.
- Longer term cross-organization planning as opposed to single services planning.
- A multi-tiered portfolio approach to connecting services delivery opportunities.
- Continuous focus on quality and risk controls.

Without an understanding of these sweet spots, your time may be poorly invested. Or worse, you won't know if it is or isn't.

Barrier 2: ***There is no two-way clearinghouse for the right information at the right time***

IT departments are precisely benchmarked and highly subject to internal scrutiny. These departments expect reliable relationships, where vendors are advisors and valued solutions experts. Citizen Services, too, is becoming increasingly about information rather than just satisfying administrative relationships.

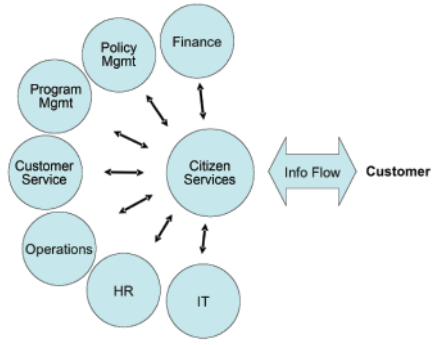
However, turning government professionals into experts on every service topic is not the answer. Blending "team services" with the right combination of personnel is essential when required. There is simply too much information required to process, distill and communicate for managers to be fully expert on every possible risk scenario. Instead, Citizen Services needs to be efficient clearinghouses of the right information at the right time.

What's missing in most organizations is an effective flow of "smart facts" between the citizens and their government. Smart facts are focused information packages about citizens' needs and challenges, government service advantages and important interaction points between both entities. And the onus rests largely with the government to assure that the lines of communication are clear.

The two-way nature of this information is critical. The entire organization needs citizen insights into what works, what doesn't and what is of greatest importance. Without this, your response to important concerns is impeded, and you won't understand the citizen perspective, which is necessary for sustainable relationships. Smart facts let government service organizations:

- Build on success stories and best practices.
- Link service delivery values to what the customer requires.
- Proactively deal with issues between citizens and government, such as service delays, and stay on top of the relationship.

Services managers (broadly including all functions who have face-to-face relationships with citizens)—your front line with citizens—are at a disadvantage when trying to build reliable relationships and loyalty if you do not provide them with these smart facts in a timely fashion.



Citizen Services: two-way clearinghouse of smart, fast facts

Barrier 3: ***You don't measure the underlying drivers of services effectiveness***

What type of input drives the results, as measured by service success? This is rarely evaluated or understood, and yet it is one of the most critical areas for government to master. This varies considerably by region, level of government and type of service.

In some cases, such as social services, there are extensive metrics that must be captured by law, but frequently these represent the raw data to track social welfare issues, not necessarily tying social spending to specific outcomes. In regions where health care is a public service, health authorities have implied or explicit social contracts to deliver specific service levels, such as wait times. Such data is tracked and reported on ruthlessly. Similarly, for regions that have invested in 311 calling systems for government services, the more progressive localities have also invested in performance management environments that allow them to track calls, response times and times to resolution across all calls, across types of calls or into single incidents.

A management problem in the public sector is the lack of a standard benchmark for what constitutes "good performance." Performance targets tend to be set based on what is reasonable, rather than what is achievable or what has been achieved by other similar agencies or in other jurisdictions.

There are clearly missed opportunities that come from not tracking what expectations were set around service delivery tactics, not monitoring what actually happens and not striving for continuous improvement. Despite significant investments in automation and customer (citizen) relationship management systems, government organizations miss this opportunity when they see setting targets as a complicated planning exercise or when it conflicts with an organization's bias to rely more on intuition.

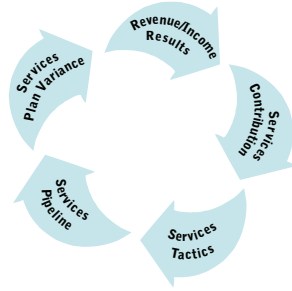
This is changing out of necessity and maturity. Political leadership is increasingly demanding that government agencies strive toward specific performance targets and justify ongoing investments in programs that produce results. In addition, despite lagging the commercial sector in ERP system and back-office infrastructure investments, much of the information backbone is now in place, so the data issues will be less onerous. To leverage these IT investments fully, a performance management layer can deliver to executives and decision makers the kind of information they require.

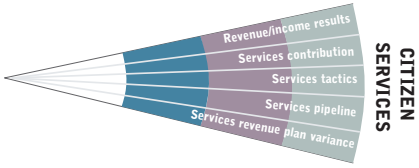
The choice doesn't have to be "either/or." Experience and intuition can guide the initial tactical choices and outcome expectations—but monitoring these outcomes lets you make informed decisions to improve your results. Your goal is to increase services productivity and adjust tactics when something doesn't work. Without set expectations and a means to monitor the underlying drivers of services effectiveness, you will likely suffer both higher costs and missed targets.

Continuous Accelerated Realignment

The five decision areas described below can improve the speed of services execution and enable a more effective use of time. They rely on the two-way flow of vital information between citizens and government. This sharing of information can accelerate the speed of adjustments and realignments of strategy and tactics. Decision areas in Citizen Services management:

- **Revenue/income results ➔** What is driving services revenue and income performance?
- **Services contribution ➔** What is driving services net contribution performance?
- **Services tactics ➔** What is driving Citizen Services "connections" effectiveness?
- **Services pipeline ➔** What is driving the revenue pipeline?
- **Services revenue plan variance ➔** What is driving the revenue plan?





The order of these decision areas reflects a logical flow of analysis and action. They start with understanding where Citizen Services are achieving results, first in terms of overall revenue performance and then in terms of net income or contribution to mission fulfillment. This is followed by drilling deeper into how the services organizations are using time and to what effect. Finally, the insights gained are applied to revising the planning and forecasting process. In this way, Citizen Services can drive a continuous and accelerated re-examination and realignment of the organization. This cycle is anchored by the organization's strategic objectives and incorporates frontline realities for an accurate view of relationship performance.

Revenue/Income Results

Revenue/income results are one of the most basic and important information sweet spots. They are one of the two foundations of Citizen Services management, the other being planning. They provide a consistent overview of new and recurring revenue across the five basic components of analysis—product, customer, territory, channel and time.

GOALS	METRICS	DIMENSIONS
Income Growth (%)	Service Activities (#) Service Quality Audit Score Services Revenue - Income ($) Grant - Income ($)	Reporting Period Year Quarter Month Government Services Service Type Service Citizens Citizen Types Citizen Service Delivery Locations Territories Geo Codes Government Programs Program Type Program Services Organizations Services Region Services Territory Org. Code Services Representatives Services Representative Services Delivery Partners Services Partner Type Services Partner

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Services				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Program Management				
	Executives		•	
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Customer Service				
	Executives		•	
	Analysts		•	
General Management				
	Executives			•

For government entities, "revenue" represents all the forms of income and funding the entity receives—tax revenue, license revenue, grants, etc. Government revenues are, of course, dependent on income levels, spending patterns, property values, employment levels, demographics, econometrics and a host of other issues.

There are also significant compliance issues related to managing funding streams, with different "colors" of money that can only be used in certain ways, grants that must be spent on specific programs (e.g., renewing low-cost housing) and tax revenue that is tied to the service (e.g., road toll revenue that may only be spent on road construction and maintenance). For example, in K-12 education, funding levels may be based on number of students, property taxes or programs such as special education. There are state funds available for busing and perhaps fuel surcharges, federal funding for school lunch programs and others. It would be impossible to overstate the linkage between revenue and cost. As demographic trends are shifting, with less students enrolling in many school districts, funding levels are dropping off, requiring school districts to make continuous adjustments to teacher levels, class sizes, school utilization and so on.

Accurate understanding of these components suggests why results diverge from expectations. *How are demographic shifts impacting funding streams? How are the impacts being felt across regions, whether urban or rural? What is the impact on tax projections given declining real estate values? Is this consistent across all services, channels, territories and customers?*

Revenue/income results should not be confined to managerial levels, but should be shared at various levels of the organization. You can empower the frontline with appropriately packaged analytic information, adapted for individual representatives with specific services in specific territories.

Beyond immediate operational analysis, revenue analysis lets you recognize broader performance patterns to see if strategies and management objectives are on track and still making sense. With a consistent flow of information over time, you can make more strategic comparisons, interpretations and adjustments.

For example, if incomes are flat in sparsely populated rural areas, you need to know: *Is this a tactical problem or a strategic one—i.e., should this lead to a full re-evaluation of the market segment or the service? How will changes in federal program funding impact various household income levels in market segments in our region, such as changes in biofuel subsidies in farm communities growing corn or soy beans? Are significant investments necessary to revive or stabilize this segment? Has the service proposition changed due to demographic or economic factors? Are there subsidy programs that can be utilized to supplement farm incomes?* These questions and others are part of an accurate assessment of revenue/income results.

Revenue/income results information also connects level of responsibility, strategic decision-making and operational activities. If you identify a funding weakness in a segment of the market, the agency has a number of time-related options to deal with it. An increase in cost in a service area without an equivalent increase in the subsidy or grant—such as a drastic increase in fuel costs without an increase in school grants for busing costs—in the short term may cause funding damage in other programs that can lead to long-term difficulties. The short-term solution might be more aggressive monitoring and possibly scenario planning for the delivery of funded services that are at risk. Longer term it may call for realigning service deliveries, or perhaps dropping the service and giving back the grant.

Given the impact of this change on services budget decisions, management may choose to look at the overall program and service proposition to shift resources. This may require long-term cross-functional strategic decisions involving Program Management, Operations, Customer Service and Finance. Revenue/income results are one of the main contributors of information for this decision. The speed and accuracy with which this information is provided is critical. More of this dynamic will be covered in the Executive Management chapter.

Services Contribution

The key to this decision area is recognizing which market segments and services incur the greatest expense in relation to critical success factors. A basic contribution assessment is possible using an "income less direct costs and incurred claims" formula for services and risk events. Once this is calculated, you can develop more complex views by allocating direct costs using certain drivers to determine effort or activity plus related costs. This may highlight inconsistencies in internal transfer pricing and lead to a reassessment of net contribution for various services. Using a phased approach when moving to a more direct measure of income enables learning by successive iterations, with the benefit of gaining wins and proof of value before tackling more complex cost allocations and associated drivers. The services function must adopt the contribution goals and work with the rest of the organization on achieving them.

GOALS	METRICS	DIMENSIONS
Net Contribution Net Contribution Growth (%)	Service Activities (#) Direct Cost ($) Allocated Cost $ Claims Paid ($) Loss Adjustment Expense ($)	Reporting Period Year Quarter Month Government Services Service Type Service Citizens Citizen Service Locations Territories Geo Codes Government Programs Program Type Program Services Organization Services Region Services Territory Org. Code Services Representatives Services Representative Services Delivery Partners Services Partner Type Services Partner

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Services	Executives	•		
	Analysts	•		
Program Management	Executives			•
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Customer Service	Analysts		•	
Audit	Analysts		•	
Human Resources	Analysts		•	
Procurement	Analysts		•	
General Management	Executives			•

Understanding citizen relationship services cycles is vital to a government organization's charter. It focuses the organization on the value of long-term benefits. Services contribution is a powerful tool that is used at senior levels of program management, risk management and finance. The sensitivity of this information dictates that it cannot be widely distributed, but by indexing some of this information, you ensure Citizen Services understands its priorities and is ready to put that knowledge into action.

Services Tactics

This decision area evaluates the services process to determine which activities and mechanics are most effective. The key is to understand what resources, activities and technology tools you need to achieve targets for specific channels and accounts. This decision area continually monitors and reviews the *what* (resources) versus the *how* (mechanics).

The *what* includes understanding the following: *Who will use or is entitled to use or draw on the service? How many participants are required to make the program viable? How do you reach them to let them know about the service? How much time is spent with existing relationships versus time with new relationships? What is the proportion of direct effort to indirect effort?* You require insight into all these areas to optimize time and resources.

GOALS	METRICS	DIMENSIONS
Services Calls (#) Customer Gains ($/%) Commission ($/%)	Potential Customers (#) Qualified Prospects (#) Active Customers (#) Service Cancellations (#) Lost Service Customer Count (#) New Service Customer Count (#) New/Lost Customer Ratio (%) Services Cost $	Government Services Service Type Service Citizens Citizen Service Delivery Methods Channel Service Delivery Method Services Channel Partners Services Channel Type Services Partner Service Locations Territories Geo Codes Reporting Period Year Quarter Month Week Services Organization Services Region Services Territory Org. Code Service Representative Service Representative Services Time Priority Rating Priority Rating

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Services	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Program Management	Executives			•
	Managers		•	
	Analysts		•	
Legal	Executives			•
	Professionals		•	
Risk Management	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Managers		•	
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Audit	Executives			•

The how includes understanding how the cost and time spent on service relationship activities—outreach and promotion of the service to citizens, live meetings, brochures, direct mail and calls that will raise awareness and encourage participation among the citizens who are targeted by the service.

By combining these two viewpoints, Citizen Services is able to guide greater effectiveness by matching prospects to the most effective channels and contact points for citizen connections and ongoing fulfillment. You need a structured and coordinated understanding of tactics to manage your service efforts effectively. This information must be accessible by frontline professionals to direct their efforts and help them learn from the success of others. In today's climate, service process information is also audited to evaluate compliance with mandates and related regulations.

Services Pipeline

This is more than a revenue forecast; it is an opportunity to see into your organization's future and change it. The income pipeline is critical as an early warning system of future opportunities, growth and problem areas. And, importantly, by understanding the various income sources and how they will be impacted by things such as property values or demographics, you can derive metrics that let you qualify new performance standards, manage growth and continue to deliver services that benefit the citizens in your community. Your pipeline intelligence can become even more sophisticated by looking at details such as cases for new versus repeat "customers," regional variances, service groups, market segments and more.

GOALS	METRICS	DIMENSIONS
New Citizens Services Volume Growth (%) Citizen Services Renewal Volume ($/%)	Services Applications (#) Eligible submissions(#/%) New Services (#) Renewed Services (#) Services cost ($) Cost per service ($)	Government Services Service Type Service Citizen Customers Customer Type Citizen Service Locations Territories Geo Codes Service Delivery Methods Channel Service Delivery Method Services Channel Partners Services Channel Type Services Partner Services Market Segments Market Segment Micro-Segment Services Organization Services Region Services Territory Org. Code Reporting Period Year Quarter Month Week

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Services				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Program Management				
	Executives			•
	Managers		•	
	Analysts		•	
Operations/Production				
	Executives			•
	Managers		•	
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Customer Service				
	Executives			•

Each metric suggests useful questions that can lead to positive functional change: *Why do only 20 percent of initial inquiries lead to service application requests? How does this compare with past experience? What would it take to increase this ratio to 50 percent? Why are "qualified" applications lost, possibly for a given segment?* The services income pipeline should tie into operations, typically to future resource and processing requirements. The more predictive and accurate the revenue plan is in terms of product or service needs, the more efficiently operations can manage its transaction processes and staffing and stop expensive, reactive resource allocations due to short-term bottlenecks.

Services Revenue Plan Variance

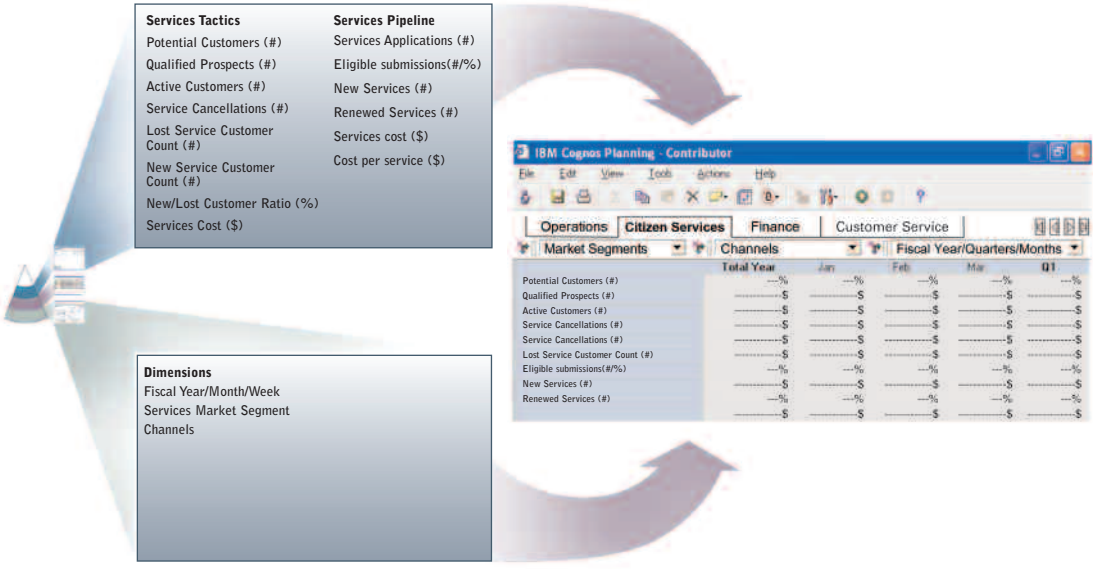
Revenue/income planning is a control mechanism, tightly linked to the budgeting and planning process. It is also a way to manage change and understand the ebb and flow of activity. Unfortunately, the control side tends to dominate. A top-down budgeting process, where management objectives must be achieved at all costs, emphasizes planning over the actual situation. This leads to identifying and plugging revenue gaps with short-term revenue solutions, usually at the expense of long-term quality—milking the future to get results today. More useful revenue income plans work from the bottom up.

Alignment and accountability must be meaningful. In a meaningful revenue plan, every department that affects the citizen provides feedback on revenue objectives, target constituencies, channels and service offerings. Iterations of this process may be needed to fit with top-down objectives, but it allows individuals across the organization to own their numbers and be fully accountable.

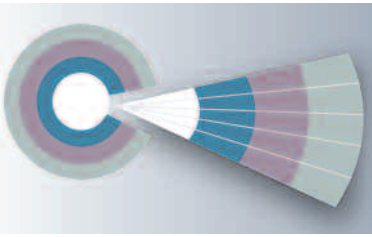
GOALS	METRICS	DIMENSIONS
Results Plan ($/%) Results Variance ($/%)	Active Service Activities (#) New Service Activities (#) Service Activity Income ($)	Reporting Period Year Quarter Month Forecast Scenario (Plan/Actual/Forecast) Scenario Services Market Segments Market Segment Micro-Segment Government Services Service Type Service Service Locations Territories Geo Codes Services Channel Partners Services Channel Type Services Partner Services Organizations Services Region Services Territory Organization Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Services				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Customer Service				
	Executives			•
	Analysts		•	
Operations/Production				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
General Management				
	Executives			•

When the entire organization is engaged in monitoring under- or over-performance, frontline levels of the organization can answer questions regarding the *where* and *why* of existing revenue targets. The services function responsible for a missed target can explain the *why* and suggest ways to correct the gap. Today's tools enable that essential granular knowledge to be included and rolled up into meaningful plans. Variance analysis helps reinforce citizen focus and strengthen service delivery standards.



The Services Tactics and Services Pipeline decision areas illustrate how the Citizen Services can monitor its performance, allocate resources and set plans for future financial and operational targets.



The Barometer of the Services Value Proposition

> *"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."*
> Sam Walton

In government, the citizen is the customer. Unlike most commercial companies, government is effectively a monopoly. "Customer retention" is not really a relevant concept, given that citizens must go to the government for most of the services required. Clearly, that does not mean government can deliver services however it cares to.

The rewards of a good customer service experience are straightforward: a satisfied citizen is more likely to support policies and programs. There are related benefits:

- An agency focused on customer satisfaction can increase efficient transaction volumes and lower costs.
- A satisfied customer is a sign of effective services.
- A satisfied customer can help confirm value propositions and reward politicians by word-of-mouth referrals.
- Customers are an obvious source of insight to generate feedback on service standards.

For every unhappy citizen you hear from, there are countless more that are silent. Negative word of mouth can damage years of good political reputation. The risks of poor customer service can be insidious because they are less visible. Poor customer service can be indicative of poor morale, which can damage productivity and effectiveness. Ultimately, unhappy customers can impact the credibility of the agency and put program funding at risk.

Customer Service is both an advocate for citizens within the government agency and an advocate for the agency with citizens. It generates unique insight into the customer experience, providing an outside view on the value proposition and the service experience.

Forward-thinking organizations have been able to use new technologies to streamline citizen access and service response times. Customer relationship management (CRM) systems were developed to exclusively focus on the interactions an organization has with its customers and constituency. However, historically, many government agencies pay little more than lip service to managing and improving customer relationships. Citizens have been tolerant out of necessity since, despite experiencing poor service, there are few or no alternatives. As customer access technology improves, Customer Service will assume a more important role in improving response times and satisfying citizens' needs.

Many agencies still view Customer Service as a necessary expense, as opposed to a critical barometer of sustainable value creation. Three significant barriers must be overcome to change this view.

Barrier 1: ***Insufficient visibility into the risks to customer loyalty uncovered by Customer Service***

Customer service can be thankless and hectic. Picture a room full of customer service representatives juggling calls from frustrated citizens. In a volume-driven environment, it is difficult to determine the context and pattern of the calls received. Some agencies have made major investments in CRM solutions, specifically in call center software.

While these technologies make call centers more efficient, they generate vast amounts of transaction detail that obscure meaningful patterns and root causes. Finding patterns in problems such as service delays, information requests, complaints and claims can lead to proactive solutions. Categorizing the types of complaints by type and seriousness of error, response time and resolution time can reduce service costs and identify the causes of dissatisfaction. Informed government organizations can address problems at the source and understand the pattern and context of the calls they receive.

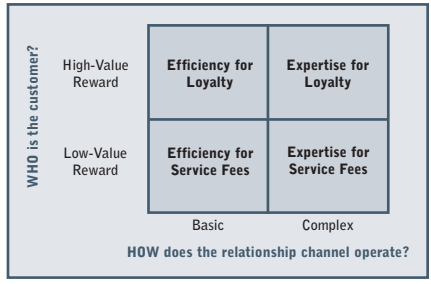
Even when you can't eliminate the root cause, better categorization of issues can speed up the time to resolve problems. Timely responsiveness can salvage many frustrated customer relationships. As one executive of a major airline said: "Customers don't expect you to be perfect. They do expect you to fix things when they go wrong." In government agencies, this requires that problems and their causes be grouped and studied so that effective action can be taken.

Barrier 2: ***Poor awareness of the benefits of a good customer experience, especially when grouped by who and how***

While it's not difficult to calculate how much you can save by reducing customer service, it's much harder to predict the cost of lower service levels. In particular, you need to understand how customer service levels affect your key and most important or vulnerable constituencies. If you don't, you may understate—or overstate—the risk. Overstating the risk leads to an inefficient allocation of resources, which reinforces the view that Customer Service is an expense. Understating the risk can be even worse, leading to the loss of your most valuable relationships—the ones your program was developed to help—and the impact of negative word of mouth on your agency or the government generally.

Good customer service departments take into account the absolute and relative needs of customer segments and prioritize efforts for specific services. The key is to segment Customer Service risk issues that matter most to your mission and regulatory requirements.

Once government understands which risk issues are most important, they must gain insight into how the relationship works. In complex interactions, the relationship depends on expertise. This is a clear market differentiator. If the interaction is more basic, for example, event reporting services, then the day-to-day efficiency of the relationship becomes more important for both parties.



Segmenting customer relationship channel interactions helps to clearly define the relative value of great service. When you include the relative threat of the risk issue, you have a useful framework to maximize the rewards of service for you and the citizen. Whatever metrics you choose, you must align them with what the customer perceives as important. *Does the citizen value convenience? Is personalized service more important than automation? What are acceptable response times? Are you reaching all of the constituencies that your program is funded to help?* Understanding the relative importance of such criteria will make customer service monitoring more relevant to service standards improvements.

Barrier 3: ***The absence of a customer advocate and direct accountability***

Ideally, your entire organization has common customer service performance goals. You should back up this alignment with accountability, especially when the different drivers of those goals span different functions. Without accountability, you have a barrier to achieving better customer service.

Overcoming this barrier requires clear, credible and aligned customer service metrics—and the political will and organizational culture to rely on them for tough decisions. *Do you incur higher costs in the short term to secure long-term citizen loyalty?* Only government organizations that understand the risks and rewards of customer service can make informed decisions on such questions.

Customer Service has a key role in generating and sharing this information. Beyond being the handling agent, it can become an effective citizen advocate to other departments and an expert on customer performance metrics and their drivers. It has to understand the problems and the operational solutions. Most important, Customer Service staff must effectively communicate these metrics to the rest of the organization so that other departments can resolve the root causes of customer experience issues.

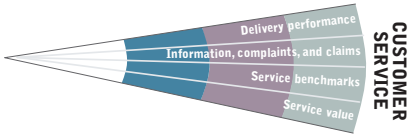
This works both ways. Not only must Customer Service bring in other functions to resolve problems, it should offer useful information in return. For example, trends in the type of complaints or problems can suggest process improvements and operational efficiencies in the back office. Forewarning the distribution network about service issues will allow them to craft an approach, message and appropriate assistance. Cooperation like this demonstrates the responsiveness of the organization and can salvage troubled relationships.

Excellence in Customer Experience

The four decision areas described below equip Customer Service with the critical risk and reward information they need to be more effective customer advocates, bringing excellence to the customer experience.

Decision areas in Customer Service:

- **Delivery performance** ➔ What is driving delivery performance?
- **Information, complaints and claims** ➔ What is driving responsiveness?
- **Service benchmarks** ➔ What is driving service levels?
- **Service value** ➔ What is driving the service cost and benefit?



The sequence of these decision areas provides a logical flow of analysis and action, starting with understanding the primary drivers of citizen risk. First and foremost, is customer service performance acceptable and competitive? Customers do not easily forget failures in this area; such mistakes, therefore, carry significant risk. Citizens are not expecting complications or excuses for poor service delivery, for example, a lost application or account transaction errors. Beyond the fundamental service responses with the customer, there are many additional issues that citizens expect to have resolved quickly. These include simple requests for information, complaints and major claims on errors.

The next two decision areas shift the focus to the benefits of focusing on key relationships. You start by benchmarking your organization against internal and external standards. *What criteria are you measured against, and how good are your performance comparisons?* The last decision area brings everything together into a relative cost/benefit analysis of each major customer segment relationship. *Are you reaping the rewards of Customer Service, what are they, and how much has it cost?*

Delivery Performance

One of the biggest obligations for government is to deliver services on a timely basis. "Timely" is a relative benchmark linked to local or regional standards, changing customer expectations as well as citizens' alternatives. In an environment where convenience dominates behavior, the quest to be timely is a never-ending challenge. This is why it is vital to identify *what*, *where* and *why* internal processes are failing or underperforming in their timeliness. Reducing time-related bottlenecks is critical. Monitoring performance also provides services' channels with information to pre-empt potential issues before interacting with citizens.

Unfulfilled expectations regarding service delivery can also be important for reconciliation purposes when checking on citizens' transaction status. This decision area can also uncover root causes of back-office problems and systems-related issues. Tracking timeliness by service type, system application access and customer segment will highlight potential deficiencies in key hand-off steps within the internal process. With better information, you can categorize different levels of timeliness and compare them to different customer delivery performance thresholds for a more detailed view of risk and recommended action.

GOALS	METRICS	DIMENSIONS
Average Response Time (#) Average Fulfillment Time (#) Response on Target (%) Fulfillment on Target (%) System Downtime (%)	New Account Set-Up (#) Account Changes (#) System Problems (#) Average Time to Service Response System Downtime Events (#) System Downtime (#)	Government Services Service Type Service Citizen Customers Segment Category Customer Name Transaction Accounts Transaction Type Customer System Transaction Account Service Delivery Methods Delivery Type Delivery Method Systems Application System Service Delivery Problems Problem Severity Delivery Problem System Downtime Downtime Time of Day Services Channel Partners Services Channel Type Services Partner Reporting Periods Year Quarter Month Day

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
IT/Systems				
	Executives			•
	Analysts		•	
	Managers	•		
Operations/Production				
	Executives			•
	Managers	•		
	Analysts		•	
	Professionals	•		
Services				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Program Management				
	Executives			•
	Analysts		•	

Information, Complaints and Claims

Every complaint is a proactive statement that you are not meeting your constituents' expectations. It is an opportunity to listen to your citizens, whether it's a simple request for information, a complaint about performance or even a financial claim on a service error. Experience shows that each call can be the tip of an iceberg—the one frustrated person who calls may represent many more who don't bother. By tracking and categorizing these calls, you can gauge the severity of various operational risks and prevent them in the future.

There are three dimensions to monitoring the citizen's voice: frequency, coverage across service areas and type of issue. Simply counting complaints will not adequately reflect the nature or risk of a problem. For example, you may receive many complaints about paperwork and problem resolution, but if there are persistent issues related to entitlement qualifications or program compliance, there may be some structural issues related to the program that need to be reviewed. Poor service can exacerbate the real issues that may be plaguing the program.

GOALS	METRICS	DIMENSIONS
Query - Avg. Investigation Time Open Inquiries ($/#) Resolved Inquiries ($/#)	Query Amount ($/#) Fines (#) Errors (#) Error Rate Index Investigations (#) Investigations - Closed Investigations - Open Complaint Count (#)	Queries Query Type Query Identification ID Query Status Query Status Query Aging Query Aging Government Service Segment Market Service Segment Billing Customer Segment Category Customer Name Services Channel Partners Services Channel Type Services Partner Services Organizations Services Region Services Territory Organization Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Risk Management	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Operations/Production	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Services	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Legal	Executives			•
	Professionals		•	
Program Management	Executives			•
	Analysts		•	

Service Benchmarks

Service benchmarks help evaluate how your service quality stacks up against internal and external standards. They not only measure response times, but also service expectation gaps affecting customer satisfaction. Understanding the link between service benchmarks and performance is a key goal. For example, we may find that excessive policy changes are impacting citizens' behavior and willingness to comply. An overly complex and burdensome process for policy applications may discourage the use of new services. A simplification and re-engineering of the internal review processes may end up having the double benefit of market share gains and cost savings.

Internal metrics may include number of applications, wait time, process time, successful/rejected applications, number of service calls, types of customer interactions and customer correspondence. External performance metrics may include problem resolution times, customer satisfaction surveys, response time and claims. Using standard industry criteria allows managers to compare external information from third-party assessments with internally driven customer surveys. Gaps in external information can uncover risks not picked up by internal monitoring. Such information can also identify the need for better external communications.

GOALS	METRICS	DIMENSIONS
Average Service Time (#)	Service Calls	Government Area Segments Government Segment
Service Quality Standard (%)	Service Reconciliation - Average Time	Programs Program Type Program Line
Customer Satisfaction Score	Reporting Information Accuracy (%)	Citizen Customers Citizen Type Customer Name
Service Support Score	Reporting Information Timeliness (%)	Workflow Support Areas Service Support Activity
	Rework (%)	Service Benchmarking Issues Service Category Service Issue
	Outstanding Service Issues (#)	Services Channel Partners Services Channel Type Services Partner
	Lost Customer Count (#)	
	Wait Time (#)	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Services	Executives			•
	Analysts		•	
Procurement	Executives			•
	Analysts		•	
Program Management	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Finance	Executives			•

Combined with skilled analysis, service benchmarks can be used to adjust the product and customer proposition. You can summarize customer benchmarks by region, office and customer segment and thereby offer a high-level overview or drill down into Customer Service performance issues.

Service Value

This decision area combines costs and benefits to evaluate the value of the service. This does not necessarily mean a "financial" value, but could reflect the social outcomes referred to continuously throughout this book. For example, an employment office that focuses on retraining may consider the service value to be the number of people who have been trained and placed in new positions after six months. It segments citizens by who they are and performance by how the agency provides the service.

Quantifying customer service risk issues and the efforts required to resolve them provide the cost overview. Some issues can be financially quantified, such as the number of calls received, cost per call and dollar value of errors processed. Others, such as poor response times or complaints, can be categorized through a service level index.

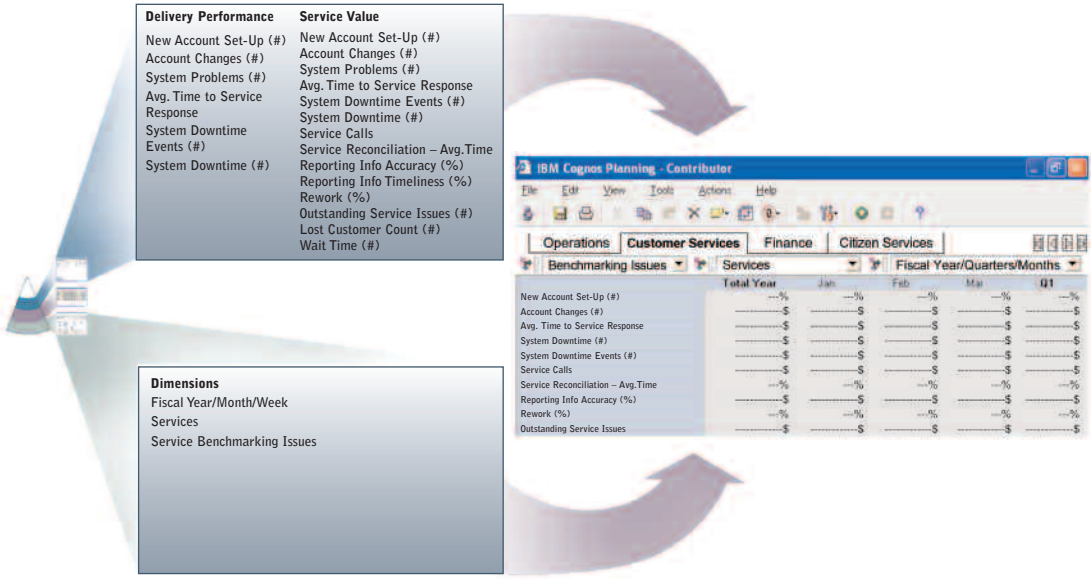
When determining cost, it is also important to understand how the relationship operates. *Does the citizen communicate with you through efficient electronic means and direct access to internal support systems, or use less efficient means such as phone or fax?* Customer conversations that can be captured as data (i.e., electronically) tend to indicate more efficient relationships and readily enable quantification for performance comparisons. You can define subcategories of complexity based on customer and transaction knowledge: for instance, by tagging relationships based on how many separate steps and hand-offs are required to complete the transaction.

At the same time, you need to categorize the benefits, for example, using a lifetime services count metric or strategic value index based on expected revenue.

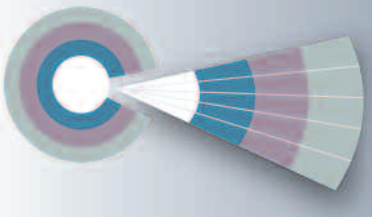
When Customer Service can analyze value and cost, it can avoid trading one for the other by setting more accurate priorities for use of resources. Poor service performance in simple channels implies that Customer Service should invest more in process automation and improved efficiency. Performance issues in complex channels point to increasing investment in skills, expertise and decision-making support when analysis shows that the investment is worth it.

GOALS	METRICS	DIMENSIONS	
Service Cost (%)	Service Support Score	Citizen Customers Industry Group Industry Category Customer Name	Government Market Segment Market Segment Micro-Segment
Service Effectiveness Index	Service Efficiency Standard (%)	Customer Locations Region State/Province County Postal Code/Zip Code	Program Program Type Program Line
	Service Charge ($)	Reporting Period Year Quarter Month	Services Channel Partners Services Channel Type Services Partner
	Outstanding Service Issues (#)		Services Organization Services Region Services Territory Org. Code
	Customers (#)		
	Lost Customer Count (#)		
	Complaint Count (#)		
	Claims ($)		

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Services	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Operations/Production	Executives			•
	Analysts		•	
Program Management	Executives			•
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Legal	Executives			•



The Delivery Performance and Service Value decision areas illustrate how the Customer Service function can monitor its performance, allocate resources and set plans for future financial and operational targets.



Winning through Greater Efficiency

"A man who does not think and plan long ahead will find trouble right at his door."
Confucius

Operations is the administrative heart of government, providing the transaction monitoring and processing infrastructure that ensures timely and effective service administration. It is the engine driving back-office work by updating citizen information, fulfilling production requirements, setting up billing accounts, reconciling payments, executing changes, tackling execution anomalies and dealing with peaks and valleys of demand. That engine depends on input from the frontline functions of the organization—Program Management, Citizen Services, Customer Service and Finance.

In broad terms, government's operations challenge is setting up secure, efficient and effective access points for citizens and designated agents that cut across workflows with multiple communication channels and operational standards. The common operational requirement is efficient execution balanced against required performance standards.

Government has had to look for internal solutions to improve operational efficiency. The greatest operational challenge is maintaining service levels in the face of budget cuts. Over the last several years, government has invested heavily in renewing "back office" systems. In the past, it was not unusual for IT investment decisions to vary across agencies within the government, resulting in islands of disparate systems. Even within a single agency, it may not be possible to obtain a single view of all financial information. Without a consolidated, consistent view of critical information, it is virtually impossible to effectively manage performance.

For many government organizations, this renewal has largely meant obtaining a more consistent "enterprise-wide" view of critical information. Thus, they are mandating single core applications, such as one financial system, one HR system and certain core operational systems that are common across agencies. Because of the challenge of migrating such systems, legacy applications typically remain in place for many years and are integrated into a new application.

It is interesting to note that, in order to integrate data from disparate systems, it is not necessary that the systems themselves be fully interoperable. Information across disparate systems can be integrated using performance management solutions by managing the metadata consistently and using that metadata layer to present a common, consistent, integrated view of that data.

Three critical barriers prevent Operations from working these margins to deliver the best possible performance.

Barrier 1: ***The operational back end can't see where it's going without the frontline's vision***

Operations depends on accurate and constantly updated information on what is required by citizens. If you don't have accurate information about the transaction demand (both volume and variety) in your pipeline, you stand to lose operational efficiency. With better information pulled from all the relevant services channels, such as via Web services, kiosks or walk-in government offices, you can better plan for changes in demand. System cut-off times for transaction processing can be better accommodated and extra capacity can be scheduled. You can better match capacity with citizen demand and limit the exposure to high incremental costs additions.

> *"We have 10 different departments that report to School Operations. The flexibility of being able to see any combination of information across these multiple areas whenever I need to is unprecedented. I can really see where we're making progress and where we need to make adjustments."*
>
> Kamela Patton, Assistant Superintendent, School Operations, Miami-Dade Public Schools

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Barrier 2: ***Process bottlenecks and downtime***

Operations continuously competes against time. *Can this process be faster as it achieves zero-defect standards? Can workflow processes be re-engineered and simplified to gain time?* The more steps between start and finish, the more bottlenecks and downtime risk may be hidden in them. The time to complete a series of process tasks is inflated by waiting periods. In some situations, actual process time can be as low as five to ten percent of the total time from start to finish. When only one-tenth of the time used is productive, reducing such waste is a worthy prize. You must identify and eliminate predictable process time-wasters. While many solutions may be internal—such as Internet communications, changes in service application procedures and forms or upgrades to IT infrastructure—you may decide the organization is better served by outsourcing to third-party administrative specialists with technical and scale advantages.

Information sweet spots help generate continuous intelligence loops on the real cost of bottlenecks and downtime, showing you the benefits of increased automation or specialization.

Barrier 3: ***In a fast-paced, increasingly specialized economy, cost averages disguise cost reality***

With the pressure to adapt to new and changing customer/citizen requirements and offer specialist solutions, the Operations workflow is regularly affected. It is no longer sufficient to use broad standard cost allocations when the activity drivers differ significantly. That approach may disguise significant variances in actual process performance costs. Citizen segments or products and services that appear to be standard may not be, in fact.

By breaking down work processes into discrete activities and measuring them with accurate activity indicators, you can achieve real-time costing. Activity-based costing (ABC) has been increasingly finding its way into government agencies, as they try to better understand how much it is costing to deliver services and programs and how to make more effective use of their budgets and people resources. ABC analysis makes it easier to implement Straight-Through-Efficient-Processing (STEP) procedures that reduce processing costs.

For example, a public safety agency has broken down its case investigation process into ten discrete phases. By accumulating performance data on each of those phases, the agency is able to understand how much time each phase should take, the cost of each phase and the cost of the total process. As it accumulates more data, it is better able to answer: *What is reasonable performance for each task, and what can be improved?* As a result, this agency was able to resolve a case in half the time.

Similarly, a federal agency has mapped out most of its core processes into discrete tasks, which are tracked through an ABC system. With this detailed information, the agency is able to effectively track the flow of money through the agency and to say what outcomes $1 invested will yield or has yielded. Similarly, it can to understand the aggregate agency budget's impact across all its programs, how different programs are affecting the same constituency and how reallocating resources can improve the overall efficiency of its budget. For most government agencies, this level of insight is exactly what they are trying to achieve. This level of control has the added benefit of enabling the agency to lobby successfully for budget increases, because it is able to clearly demonstrate the expected benefits for its target constituencies.

The best activity indicators will vary with the situation. Some will be based on labor time used to process a given activity. Others may directly measure the nature of the citizen interaction used, for example, electronic, fax or telephone, used for a given transaction request or the number of problem resolutions required for a given segment or service type. The more detailed this activity breakdown, the more accurate your understanding of actual costs. Understanding and analyzing the information sweet spots lets Operations identify process patterns and suggest cost savings.

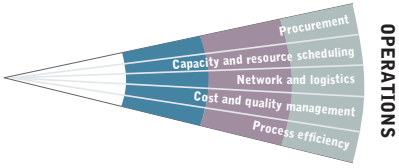
Based on more granular costing information, the unit can better understand the segment and decide how to position its proposition. "Important" services may still require loss-generating activities due to their risk requirements. The key is being sure of the drivers of cost and that the underlying cost-allocation methodology is sound. Using a broad-based cost transfer and allocation methodology will

never highlight specific cost realities. Information sweet spots that let you understand what drives the larger cost categories will have an immediate and sizable impact on managing actual costs.

Delivering on the Promise Made to Citizens

For Operations to win at the margins, every day and every process step, it must balance the need to reduce costs while staying agile enough to respond to new services delivery demands. Operations has the responsibility to lead five core areas of government decision-making:

- **Procurement ➔** Ensuring timely and cost-effective input of supply chain resources.
- **Capacity and resource scheduling ➔** Generating timely output in the face of uncertain demand, complicated processes and variances in input.
- **Network and logistics ➔** Achieving efficient logistics and secure network execution.
- **Cost and quality management ➔** Balancing the need to reduce costs with the equal requirement to deliver quality output.
- **Process efficiency ➔** Designing a process to monitor and analyze performance benchmarks to find opportunities for greater efficiency.



Procurement

The procurement decision area manages both input costs and supply requirements. Effectively managing them can bring savings directly to the bottom line. In addition to cost, the procurement personnel must ensure inputs arrive in a timely and effective manner. For example, an upgrade of the data service infrastructure within the distribution network could cause unacceptable disruption if not planned carefully with the supplier and ensuring associated performance guarantees. Managers must balance cost savings with the performance standards while maintaining the focus on customer satisfaction.

There is also a balancing act in responding to short- and long-term situations. For example, is the procurement need related to a short-term or long-term service level agreement (SLA) contract? Long-term decisions will tie the supplier directly to the government, and its performance will become an extension of government performance. As such, they require a different degree of diligence in the supplier assessment and selection process.

How do you balance the savings and/or better quality or performance from exclusive supplier agreements against the risk of creating unacceptable dependencies? These decisions require information on specifications, procurement tenders, price quotations and vendor performance assessments. You cannot make the necessary procurement trade-offs without access to information sweet spots. The better you understand the trade-offs, the more finely tuned your ability to win at the margins.

GOALS	METRICS	DIMENSIONS
Supplier Timeliness (%) Purchase Price/Unit ($) Supplier Performance Rating	Purchase Order Cost ($) Purchase Orders (#) Supplier Credit Rating (#) Contingency Tests (#) Supplier Discount ($) Supplier Discount (%) Contract Remaining (#) List Price/Unit ($) Supplier Testing Score (#)	Reporting Period Year Quarter Month Week Suppliers Supplier Type Supplier Supplier Services Services Type Supplier Service Vendor Diversity Minority Status Categories Contingency Tests Contingency Type Contingency Test

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Procurement				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Analysts	•		
Customer Service				
	Managers		•	
	Analysts		•	
IT/Systems				
	Executives			•
	Analysts		•	
	Professionals		•	
Operations / Production				
	Executives			•
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
Legal				
	Executives			•
	Professionals		•	
Program Management				
	Executives			•
	Analysts		•	

Capacity and Resource Scheduling

By ensuring an efficient and timely delivery process, this decision area is the backbone of operational performance.

Capacity management depends on scheduling and fulfilling effectively the demand expectations of Program Management and Citizen Services. Ideally, you know the transaction demands well in advance to be able to plan capacity needs and fulfill process cycle standards in licensing, policy administration, billing, money transfers, etc. This minimizes bottlenecks, errors and process re-runs. Changing a schedule, especially for an urgent requirement, means rearranging existing process schedules, resulting in extra system time, over-time and lost transaction capacity. *The bottom line:* It reduces your ability to win through efficient operations management.

As with any chain of interconnected links, changes in demand affect your process requirements. The domino effect of changes spreads across the whole Operations workflow, creating a series of costly capacity management responses. To counter this, you must communicate new information seamlessly, so that Operations can adjust its schedule and resource needs in the most effective manner. You must also communicate potential delays to Customer Service for resolution. Closely monitoring this ebb and flow of changing circumstances through production information sweet spots lets Operations maximize its capacity and resource scheduling.

GOALS	METRICS	DIMENSIONS
Capacity Utilization (%) Systems Up Time (%) Transaction Volume Change (%)	Policies (#) Transactions (#) Transaction Value ($) Transactions per Employee (#) Cost per Transaction ($) Transaction Activity Growth (%) Customer Transaction Accounts (#) Avg. Transactions per Business Day New Accounts (#) Closed Accounts (#) Funds Transfers (#) Payments (#) Capacity Hours (#) Backlog Hours (#) Quality Score (#) Error Rate (%) Accuracy (%)	Reporting Period Year Quarter Month Week Day Customers Customer Billing Account System Transaction Account Transactions Transaction Types Transaction Messages Message Types Message Counterparties Counterparty Types Counterparty Systems Application System

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
IT/Systems				
	Executives			•
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives		•	
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Services				
	Executives			•
	Managers		•	
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	

Network and Logistics

This decision area looks into operational support and infrastructure requirements. It also includes the management of local process performance standards, and the cost and timeliness of execution and delivery. Examples could include data security logistics, network systems, electronic billing or telecommunications needs, all to ensure that the support functions offer an efficient, convenient and relationship-supportive service. The operations management will also scrutinize whether you can reduce costs, improve execution standards and, ideally, exceed customer service expectations. The network infrastructure and logistics to deliver a given service is intricate and costly. Managing third-party providers to fulfill specialist support requirements also involves effective project management skills. Strategic third-party support can be an advantage either in cost or performance.

While outsourcing makes sense on many levels, it does mean you lose direct control and have to accept the risks that come with loss of control. Managing such risks requires negotiating and monitoring agreements with clear terms and performance guidelines.

GOALS	METRICS	DIMENSIONS
Infrastructure Score (#) Transaction Account Growth (%) Transaction Timeliness (%) Efficiency Ratio (#)	Policies (#) Transactions (#) Transaction Value ($)	Processing Date Year Quarter Month Week Day Hour Citizen Customers Customer Citizen Billing Account System Transaction Account Transactions Transaction Types Transaction Messages Message Types Message Counterparties Counterparty Types Counterparty Systems Application System Authorized System Uses Systems Account Permissions

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
IT/Systems				
	Executives			•
	Managers	•		
	Analysts		•	
	Professionals	•		
Customer Service				
	Executives		•	
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Procurement				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Managers		•	
Program Management				
	Executives			•

Cost and Quality Management

In cost and quality management, you balance cost savings in one area against potential threats of reduced performance standards, increased errors, reconciliation monitoring, customer complaints, etc. A new, lower cost call center may be attractive, but the impact on problem resolutions and citizen satisfaction may be unacceptable. *What is best for the mission?*

You need to understand cost variances and their impacts. By contrasting cost differences, you can benchmark performance, identify patterns and understand the root causes of cost differences. You also need to understand and analyze the value and cost of preventative measures that ensure quality performance such as training, appraising work flow bottlenecks and resource improvement. The more you examine measurable work activities and the more detailed your breakdown of costs, the more detailed your understanding will be of the root causes of variances in those costs. Measuring and monitoring must be integrated with quality expectations to understand the effect of changes.

GOALS	METRICS	DIMENSIONS
Operational Failure Cost ($) QC Reject Rate (%)	Transactions Per employee (#) Customers per employee (#) Defects (#) Quality Score (#) Error Rate (%) QC Cost ($) QC Defects Fixed (#) QC Units Sampled (#)	Processing Date Year Quarter Month Week Day Hour Citizen Customers Customer Citizen Billing Account System Transaction Account Transactions Transaction Types Transaction Systems Application System

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Managers	•		
	Analysts	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Program Management				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
IT/Systems				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Customer Service				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Analysts		•	

Process Efficiency

Process efficiency management looks at ways to improve operational and work process activities. This means looking for performance outliers and understanding why they occur. There are three areas where well designed comparative performance metrics can make the difference between a leader and a follower:

- Internal operational processes.
- External developments and trends.
- Competitive benchmarking.

GOALS	METRICS	DIMENSIONS
Operational Failures (#) Operational Process Cost ($) Process Value-Add ($)	Capacity Utilization (%) Systems Up Time (%) Transaction Volume (#) Process Steps (#) System Downtime Cost ($) System Failures (#) Transactions per Employee (#) Cost per Transaction ($)	Reporting Period Year Quarter Month Control Activities Cycles Processes Control Activities Documentation Documentation Contingency Tests Test Types Contingency Test Systems Application System

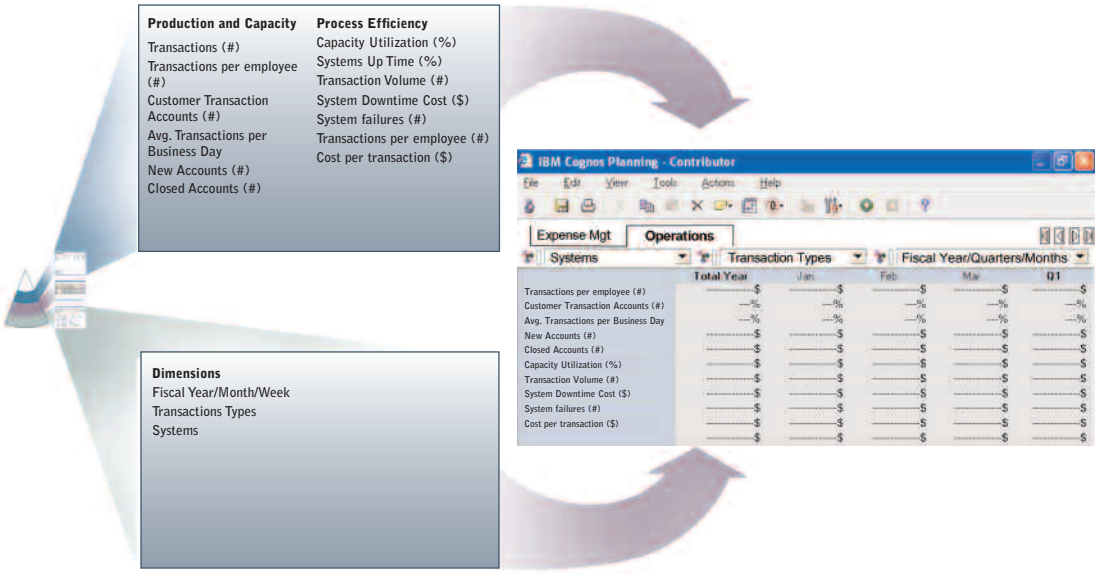
FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Customer Service				
	Analysts		•	
Services				
	Analysts		•	

Your internal operational processes are most familiar to you and the easiest to analyze. For example, if "cost per transaction" is a benchmark, then an unusual increase in this index may indicate two things. Either short-term transaction costs have increased or transaction volume has decreased. You must determine whether the efficiency has gone down or if associated revenues have slumped. Another possible benchmark is "number of applications per service type." If this metric is decreasing, it can indicate that the service is less competitive and/or that it is attracting less qualified citizens who are failing acceptance criteria—but it may also indicate that you need to re-engineer the application process to make it quicker and more convenient for the service.

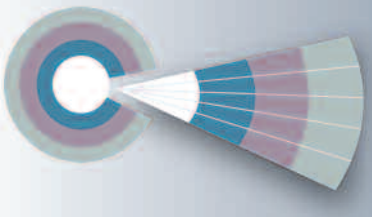
Taking advantage of external developments and trends requires looking outside your organization. *Which processes are core to the mission and need to be executed internally? Which processes make sense to outsource? Are there new IT systems, hardware and third-party providers that can introduce dramatic efficiencies?*

For government, it is increasingly apparent there are few programs and activities that cannot be executed by a third party. It is not unusual for entire programs to be outsourced. However, management of that process clearly requires an information infrastructure that tracks performance (typically through the SLA) and assures that quality remains high.

Failing to follow up on these external efficiency developments may jeopardize the program or even the agency mission. Beyond this focus, many leading agencies extend their monitoring activities to comparable operations. Simple comparative benchmarks such as income per employee, cost per employee, cost per transaction/account and others will help identify performance differences. With these identified, you can determine the actions you need to take.



The Process Efficiency and Production and Capacity decision areas illustrate how the Operations function can monitor its performance, allocate resources and set plans for future financial and operational targets.



Management or Administration of Human Capital?

> *"Did you realize that approximately 42 percent of the average company's intellectual capital exists only within its employees' heads?"*
> Thomas Brailsford

Your people interact with citizens to serve and protect their needs. They introduce the small and significant innovations that move your agency forward. They set the strategic direction for your organization and then put those strategies into operation. Human capital is your most valuable asset.

It is also typically *undervalued*.

Helping the organization effectively utilize its human capital is the strategic role of Human Resources (HR). HR must demonstrate positive ROI from human capital investments. HR guides the alignment of employee roles, job functions, talent and individual performance with results and goals. It finds, engages, assesses, develops and retains the talent that drives the organization. It manages administrative requirements such as payroll, benefits, the recruitment process, policy standards and holiday and sick leave tracking. Human Resources also acts on behalf of employees and in this respect is the conscience of the organization.

Four critical barriers prevent Human Resources from fulfilling its strategic role and hamper it tactically.

Barrier 1: ***Lack of information in defining and selling the role and business value of Human Resources***

Senior management expects every unit to generate reports and analyses that measure performance against plan. Human Resources is no different. Research among commercial organizations suggests that better human capital practices lead to higher financial returns and have a direct impact on corporate valuation.

This is no different in government, although the metrics for success are not financial valuations. According to the U.S. Office of Personnel Management (OPM), agencies that use OPM's Human Capital Program products and services tend to demonstrate better results in the human capital area of the Executive Branch Management Scorecard, they tend to have a higher percentage of satisfied employees as indicated by results of the agency Federal Human Capital Survey (FHCS), and they tend to show better program outcomes, as indicated by PAR (Program Assessment Review) and PART (Program Assessment Rating Tool) results.

While managing administrative requirements is essential, there are other critical strategic aspects of managing human capital. Fulfilling them requires that Human Resources understands the strategic objectives of the agency, translates them into job skill requirements and individual capabilities and designs an appropriate performance tracking process. Human Resources should first assign a value to each human capital asset and, by communicating this value, underline the importance of managing its performance.

Base salary expenses +
Recruiting expenses +
Transfer expenses +
Training expenses +
Bonus and/or incentive expenses =

Human capital asset investment

Tracking these factors allows Human Resources to better manage human capital assets by asking the following questions: *What is the quality and value of the employee/employer relationship? What are the training and development needs in this specific case? How should we provide incentives and motivation for employees?* Answers may come from reports on staff turnover, high-performer retention rates, headcount growth, role definitions, job productivity and individual performance monitoring.

Assessing comparative productivity ratios such as revenue to headcount also helps manage resource requirements, both short-term and long-term. These information sweet spots demonstrate the asset's strategic value to the organization. Lack of such information impairs the ability of Human Resources to fulfill its strategic role.

Barrier 2: ***Lack of visible and consistent Human Resources practices***

The credibility and value of Human Resources is often compromised by a lack of consistency in decisions and by insufficient information. This allows an "informal network" to bias the selection and promotion of employees. As a strategic partner in the organization, Human Resources should understand and define the factors defining success for employees. *Does the government organization*

depend on customer service? On innovation? On automation? Based on this understanding, Human Resources can institute practices that guide employees toward consistent and measurable milestones, creating a structured process.

Implementing visible and consistent practices requires quality information. You will not achieve the consistency you need if policy documents, performance reviews, career objectives and compensation assessments are not combined and positioned within a larger structure. Consistency requires a well defined and structured process shared across the organization.

You also need a clearly defined process for collecting Human Resources information. *How should this data be stored and retrieved? Can this mostly qualitative information be analyzed usefully and synthesized into a metrics framework?* With such a synthesis, Human Resources gains the ability to compare and contrast different performance drivers. Identifying, managing and retaining talented individuals is a key competitive requirement and consistent information and management practices allow you to achieve this.

> ***"Right now, I can tell you how last fiscal year closed and the number of actual positions we had hired. I can tell you what our tentative budget was for this fiscal year, what our final budget is and what our tentative budget is for next year. And I can tell you that by location, by program, by function, everything. Without this information, we would be unable to make the kind of performance gains we have in the school district."***
>
> Judith M. Marte, Chief Budget Officer, Miami-Dade County Public Schools

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Barrier 3: ***Human Resources has a natural ally in IT, but is not fully leveraging this asset***

Both Human Resources and IT strive to position themselves within an organization as driving value instead of expense. They can be seen as two sides of the same coin.

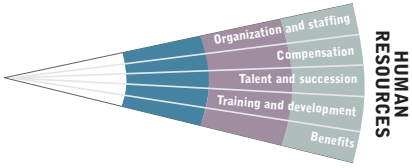
Human Resources is responsible for job design and ensuring that the right skills and competencies are developed or acquired to fill these jobs. In turn, performance in these jobs is defined and measured against goals and objectives. In this sense, Human Resources information needs to mirror the performance to be monitored, analyzed and planned for in a given job. IT must understand a user's responsibilities in order to include that user in planning where functionality is deployed. Both Human Resources and IT must understand how software tools and skills drive greater productivity.

As performance management information becomes more consistent and reliable, it will also enhance the performance and compensation process for which Human Resources is responsible.

Earning a Place at the Executive Table

Human Resources decision areas:

- **Organization and staffing ➔** What job functions, positions, roles and capabilities are required to drive the business forward?
- **Compensation ➔** How should we reward our employees to retain and motivate them for full performance?
- **Talent and succession ➔** What are the talent and succession gaps we must address to ensure sustained performance?
- **Training and development ➔** What training and development do we need to maximize employee performance; is there a clear payback?
- **Benefits ➔** How do we manage costs and incentives?



Organization and Staffing

In a human capital discussion, first define the organization's requirements. *What are the job functions, positions, roles and capabilities required to move forward?* The organization chart becomes a road map highlighting staffing needs and the necessary hierarchy. From this road map, Human Resources further refines the role, position and skill requirements needed to accurately evaluate candidates and current employees.

Organization and staffing analysis is a core Human Resources role. Typically, companies align staffing reports with information about position planning, staffing mix and staffing transaction activities (new hires, transfers, retirements, terminations, etc.). Analyzing this data helps the organization monitor policy standards and legal requirements. Human Resources must track issues such as employee overtime, absenteeism, pay/tax and termination/retirement to ensure they are managed correctly for compliance reporting.

In addition, when senior management discusses strategy and corporate goals, there are typically accompanying reports that show headcount by division/department, turnover rates, loss trends and high-level project status. These reports help ensure resources are aligned with the global priorities of the organization.

GOALS	METRICS	DIMENSIONS
Avg. Tenure (#) Employee Turnover (%) New Employee Turnover (%) Headcount (#) / Plan (%) Avg. Time to Fill Positions Supervisory Ratio	Absenteeism Days (#) Applications per Vacancy (#) Avg. Age (#) New Hires (#) Authorized Position Count (#) Open Position Count (#) Rejected Job Offers (#) Retirements (#) Sick Leave Days (#) Terminations (#) Transfers (#) Work Function Count (#) Work Time Actual Hrs. (#) Staffing Changes Count (#) Grievances (#)	Employee Decision Roles/ Work Function Work Function Functional Position Employees Full-Time/Part-Time Employee Name Diversity Gender National Origin Reporting Period Year Quarter Month Job Grade Level Job Level Job Name Job Types EEO Job Type Job Organized Labor Status Union Status Union Representation Work Shift Work Shift Organization Division Department Org. Code Plan/Actual Scenario Scenario

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Customer Service				
	Executives			•
Program Management				
	Executives			•
Services				
	Executives			•
Operations/Production				
	Executives			•
Procurement				
	Executives			•
IT/Systems				
	Executives			•
Risk Management				
	Executives			•
General Management				
	Executives			•

Compensation

Compensation review examines salary costs—existing and planned—across the workforce, as well as how these costs are reflected at all levels. This decision area defines how you need to reward your employees to retain them and motivate them for the best possible performance. Profiles on base pay, merit increases, promotions and incentives help you decide the total compensation strategy and individual employee compensation.

With this complexity comes the need for systematic methods for identifying and analyzing pay increases, bonuses and incentive awards. Many organizations now require that performance reviews are ongoing; tracking the review process is therefore a requirement. Plans and reports on the coverage, completeness and timeliness of the review process confirm your progress against rewards management, career planning and development targets.

Clearly one of the most effective means to improve personal performance and accountability is to tie compensation to performance. In many governments, pay for performance is becoming a hot topic as they look for ways to motivate existing employees and attract new workers into public service. Pay for performance is gaining traction increasingly at executive management levels and to some extent in middle management.

GOALS	METRICS	DIMENSIONS
Position Description Org Coverage (%) Average Compensation Increase ($) Average Compensation Increase (%) Compensation Cost ($/%) Overtime/Total Payroll (%)	Actual Salary/Salary Range Mid-Point Average Base Compensation Increase ($) Overtime ($) Bonus and Incentive Costs ($) Compensation Increases (#) Compensation Reviews (#) Employee Promotions (#) Employees (#) Base Salary ($) Performance Rating (#)	Compensation Program Program Type Program Diversity Diversity Class Employee Employees Full-Time/Part-Time Employee Name Reporting Period Year Quarter Month Job Grade Level Job Level Job Name Job Types Job Type Job O/T Eligibility Status Exempt/Non-Exempt Organized Labor Status Union Status Union Representation Organization Division Department Org. Code Work Function Work Function

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Managers		•	
	Analysts	•		
	Professionals		•	
Audit	Executives			•
	Managers	•		
	Professionals	•		
Tax	Professionals	•		
Customer Service	Executives		•	
Program Management	Executives		•	
Services	Executives		•	
Risk Management	Executives		•	
Procurement	Executives		•	
Operations/Production	Executives		•	
IT/Systems	Executives		•	
General Management	Executives			•

So far, the pay-for-performance schemes we have seen rely heavily on a qualitative assessment of results, although the expected results are becoming increasingly specific, such as specific improvements in program performance. As much as possible, agencies are seeking to track and quantify performance against specific targets based on actual data.

This underscores three challenges for government:

1. Desired performance is frequently politically charged and subjective, rather than objective and fact-based. Funding and management decisions are frequently heavily influenced by political expediency, rather than objective decisions quantified by data. From a CIO's perspective, assuring data is timely, accurate and complete fulfills an important part of the process, with the actual decision-makers taking such data as one of many inputs.

2. A desired result may be difficult to articulate as a metric or difficult to influence. For example, crime reduction is clearly an objective of police services. But what is the correct measure, and what tools do you have to reduce it? If a police service receives budget for 15 new officers, reported crime might increase, because the police are now better able to intercede in crime that is occurring already, but were previously not staffed do so.

3. It is difficult to determine the cause and effect of many social outcomes, which can be complicated social issues and can take years to see change. For example, a program which seeks to lower teen smoking rates may take several years to actually see a meaningful change in behavior.

Talent and Succession

An organization's talent and succession review lets management see how current and planned skills and technical qualifications meet today's and tomorrow's requirements. Human Resources must understand both the skill gaps and talent risks within the organization and plan accordingly. Talent reviews let Human Resources assess recruiting, staff transfer and succession planning needs. Other data such as turnover analysis, average tenure and time in position also help define succession plans.

This underscores one of the most pressing management issues facing government today—how to deal with an aging workforce. A significant percentage of the workforce is eligible for retirement within the next few years. This means the organization must understand where the talent gaps are and will be, put in place an appropriate succession plan for critical positions and assure the remaining employees receive the appropriate training and experience. In this way, vacated positions can be filled without upsetting the organization or the continuity of the mission.

GOALS	METRICS	DIMENSIONS
Competency Evaluation Coverage (%) Performance Appraisal Coverage (%) Position Qualifications Gaps (#/%) Job Succession Gaps (#/%) Employee Climate Index (#) Human Capital Scorecard Index (#)	Avg. Tenure (years) Avg. Age Retirements (#) Terminations (#) Avg. Performance Rating Avg. Skill/Experience Rating (Current) Avg. Skill/Experience Rating (Target) Skills Rating Gap (%) Skills Rating Index (#) Succession Reviews (#)	Performance Goals Goal Type Performance Goal Core Competency Skill Type Skill Employees Full-Time/Part-Time Employee Name Reporting Period Year Quarter Month Job Grade Level Job Level Job Name Job Types Job Type Job Organization Division Department Org. Code Work Function Work Function Tenure Range Tenure Range Age Range Age Range

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service	Executives			•
	Managers		•	
Program Management	Executives			•
	Managers		•	
Services	Executives			•
	Managers		•	
Risk Management	Executives			•
	Managers		•	
Procurement	Executives			•
	Managers		•	
Operations/Production	Executives			•
	Managers		•	
Finance	Executives			•
	Managers		•	
IT/Systems	Executives			•
	Managers		•	

Training and Development

The mission and the ways of doing the "business" of government are evolving. Technology, more information, increasing complexity and changing social/demographic trends are all influencing the role government is playing in society. The agency needs to fully understand its mission requirements in the next three, five or ten years and align the people resources to assure appropriate continuity.

Once an organization has defined the required skill sets—matching position descriptions with skills requirements and matching current employees against them—the next logical decision area is determining the training and development needs of those employees. The HR challenge is that there is, today, some degree of misalignment in the current skill sets and the skills required going forward. This decision area lets you review employee competencies and understand the value of improving them. *How much development time and training cost is being invested, and is there visible evidence of the benefit?* With training and development analysis, Human Resources gains a systematic picture of all training investment.

GOALS	METRICS	DIMENSIONS
Skills Rating Gap (%) Training Cost/Payroll (%) Training & Development Activity Training Cost/ Operating Expense (%)	Training and Development Cost ($) Employees (#) Skills Rating Index (#) Training and Development Cost Change (%) Training Days (#) Training Events Completed (#) Training Events Planned (#)	Employee Decision Role Work Function Decision Role Employees Full-Time/Part-Time Employee Name Reporting Period Year Quarter Month Job Grade Level Job Level Job Name Job Types Job Type Job Organization Division Department Organization Code Plan/Actual Scenario Scenario Training Course Type Course Work Function Work Function

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service	Executives			•
	Managers		•	
Program Management	Executives			•
	Managers		•	
Services	Executives			•
	Managers		•	
Risk Management	Executives			•
	Managers		•	
Procurement	Executives			•
	Managers		•	
Operations/Production	Executives			•
	Managers		•	
Finance	Executives			•
	Managers		•	
IT/Systems	Executives			•
	Managers		•	

Benefits

The benefits decision area lets you manage the costs of healthcare programs, savings and pension plans and other similar initiatives. It compares the organization's benefits with those of the competition. Benchmarking benefits helps determine whether you are aligned with the marketplace. In addition, because the public scrutinizes benefits costs for fairness, understanding this area helps demonstrate your management acumen. Employee census data for employee benefits and workers' compensation insurance coverage analysis are a critical benchmark in measuring core cost changes in human capital management decisions.

GOALS	METRICS	DIMENSIONS
Benefit Cost Increase (%)	Average Age	Benefits Program Program Type Program
Benefit Costs ($)	Average Length of Service	Claim Type Type Identification #
Benefit Costs/Payroll (%)	Average Benefits per Employee ($)	Employees Full-Time/Part-Time Employee Name
Health and Safety Goal	Benefit Market Comparison Index (#)	Work Function Work Function Occupation Code
Retirement eligibility (%)	Benefits Coverages Approved (#)	Tenure Range Tenure Range
	Benefits Claimed (#)	Age Range Age Range
	Benefits Claimed ($)	Reporting Period Year Quarter Month
	Benefits Paid ($)	Insurance Carrier Distributor/Carrier Type Carrier
	Payroll ($)	Insurance Coverage Type Coverage
	Qualified Benefits Cost ($)	Job Grade Level Job Level Job Name
	Employee enrollments (#)	Loss Control Status Program Program Test Date
	Health and Safety Program Rating	Benefits Communication Status Benefits Communication Program Latest Communication Date
	Accidents (#)	Organization Division Department Organization Code

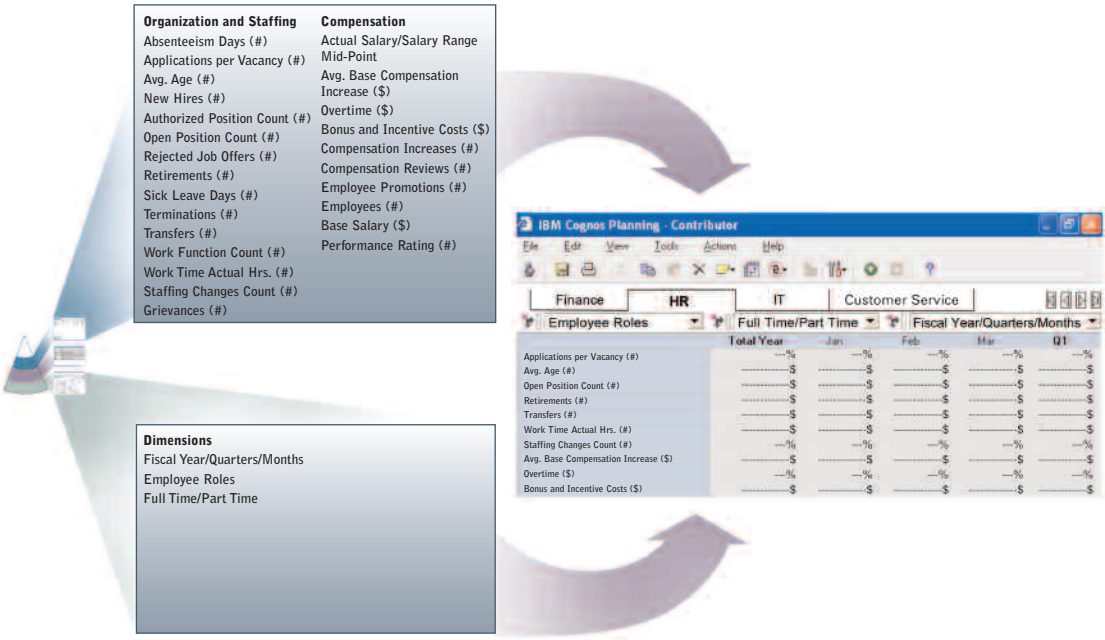
FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Finance	Executives			•
	Managers		•	
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	
Tax	Professionals		•	
Legal	Executives			•
	Professionals		•	
General Management	Professionals			•

Barrier 4: ***Collective bargaining agreements can constrain government's ability to make decisions***

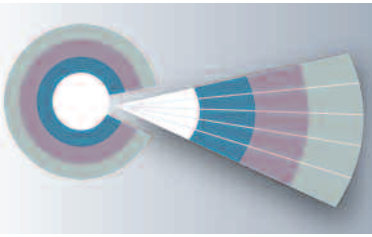
Government is certainly not unique in needing to work with unions and collective bargaining agreements. However, unlike a commercial organization, the government has fewer options. It cannot cut back, outsource or off-shore production. For government, if there are also rising costs that impact its ability to deliver services, it has limited flexibility to increase revenue or income. Programs and services would need to be cut.

As an example, rising fuel prices are having a profound impact on any government agency that has a fleet of vehicles—coast guard, defense, police, school buses, public transportation and so on. Collective bargaining agreements may require that a government agency maintains a certain level of employment, compensation or job security. With that restriction and an inability to increase the income side of the equation, funds have to be reallocated from somewhere else, typically another program or service that must be downsized or cut altogether. This situation clearly impacts the "public good." And the right decision might have been to cut back on the services that were consuming the fuel in the first place.

In another example, due to collective bargaining agreements, government may not be able to explicitly tie pay to individual performance or even to collect data that relates individual performance to specific outcomes. Further, government may not even be able to recognize differences in personal performance and compensate with a bonus scheme, due to a rigid pay and promotion structure that is based more on years of service than on ability to do the job.



The Organization and Staffing and Compensation decision areas illustrate how the Human Resources function can monitor its performance, allocate resources and set plans for future financial and operational targets.



A Pathfinder to Better Performance

> *"Our Age of Anxiety is, in great part, the result of trying to do today's jobs with yesterday's tools."*
> Marshall McLuhan

IT can be to government what high-tech firms have been to the economy—a catalyst for change that efficiently links key information to secure access points and an engine driving rapid growth. Of course, the opposite is also true: IT failures can seriously harm government effectiveness.

Why? Technology and information have become so important to how government operates that even small changes can dramatically affect many areas. This reality is reflected in the amount of IT assets accumulated over years due to large IT budgets, often second only to payroll in size. *How many of these assets are still underleveraged, for whatever reason? What impact on results would an across-the-board 10 percent increase in return on assets (ROA) have?*

Clearly, the stakes are high. And yet, IT is often seen as a simple support function or an expense ripe for outsourcing. It is rarely seen as an enabler or creative pathfinder for government.

IT's daily pressures often derive from thankless, sometimes no-win tasks, such as ensuring core service levels of uptime, data quality, security and compliance. Beyond these basic operations—"keeping the lights on"—IT must also respond to the never-ending and always changing needs of citizens. The challenge of managing their expectations is intensified by the pressure to reduce costs, do more with less and even outsource major capabilities.

Organizations often cite poor alignment of IT with other functions as the key challenge. IT, however, can be the pathfinder that helps agencies and municipalities discover a new way to drive value and maximize results. Unfortunately, the opportunity for IT to demonstrate this is often blocked by three common barriers.

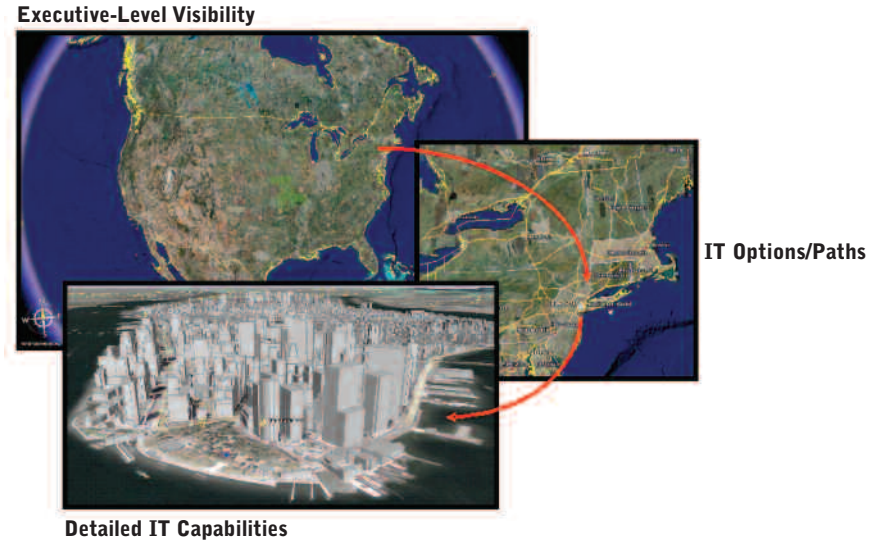
Barrier 1: Effective alignment cannot succeed without a common language and unifying map

IT must be well aligned with the organizational mission. Much has been written about processes for achieving greater alignment in IT decisions. These include:

- Securing senior executive sponsorship.
- Implementing gating procedures and ROI justifications for project approvals.
- Establishing steering committees and business partnering roles and responsibilities.

However, for any of these processes to be successful, IT and the organization as a whole need to share a common language and unifying map.

This is really about building a relevant context for what IT can do. The language and map must reflect a fundamental understanding of what issues matter to success. Then you can form a credible view on how IT capabilities can help. The map must show how IT capabilities fit among the organization's other functions, processes, decisions and, most important, goals. It must show who benefits from these capabilities. And it must be able to communicate the strengths and weaknesses of these IT capabilities across a range of infrastructure, applications and information, as well as how to manage them. Think of it as a Google™ Earth tool for IT. Zoom in on objectives and evaluate different technical options based on an understanding of detailed capabilities.



The common language and unifying map should include the fundamental anchors of metadata, such as customer, program and location, along with standard rules. Finally, it must also clarify and explain IT terminology. Nontechnical audiences should be able to understand the impact of IT in laymen's terms and answer some fundamental questions, including:

- Where are we today, where do we want to be, and how can we get there?
- What processes and strategic goals are being negatively affected?
- How could IT drive better performance? Which users stand to benefit?
- How well do multiple, discrete IT assets combine to fulfill complex performance requirements?
- What information do we need to drive better decision-making capabilities, in terms of content (measures and dimensions), rules (metadata) and use (functionality)?
- What financial and human resources do we require to fulfill your goals?
- How should costs be aggregated and allocated to reflect actual use?
- What are the cost/benefit trade-offs between alternative technical options?

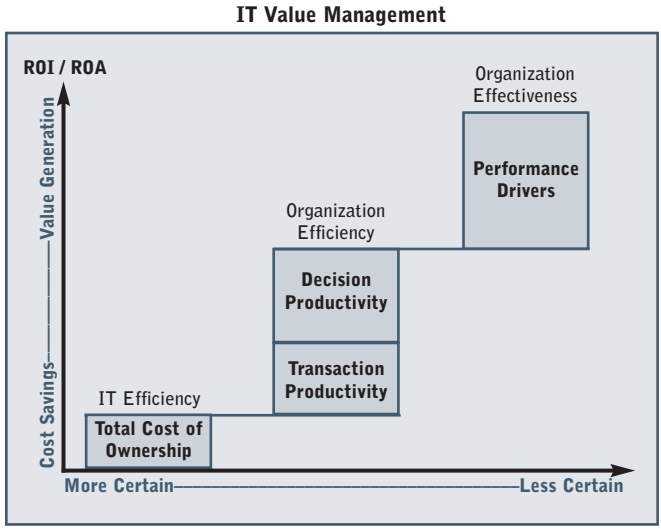
Barrier 2: The difficulty of developing more credible, closed-loop measurements of IT's value

It is standard practice within most IT departments to evaluate the return on investment for projects and initiatives and measure the cost/benefit of various IT capabilities. The challenge comes in developing a value measurement system that:

- Is credible with Finance and users alike.
- Provides insight into cause and effect drivers.
- Goes beyond point measurement to reflect the entire organization.
- Is consistent across projects, departments and units.
- Provides a closed loop so that results can be compared to the plan and lessons learned.

Fundamentally, IT creates value by improving operational efficiency and/or effectiveness, but defining what this actually means isn't straightforward. One approach is to use the simple notion of input/output changes. Greater efficiency means reducing input cost—the effort or time required to achieve a given level of output. Greater effectiveness means achieving better-quality or higher-value output for the same level of input. A further guideline for defining useful metrics is to divide them into three distinct categories:

- **IT efficiency ➔** Direct total cost of ownership (TCO) savings in use of IT resources.
- **Organization efficiency ➔** Productivity savings in terms of business users' time to perform both transaction and decision-making work.
- **Organization effectiveness ➔** Improved business performance from faster and more informed decision-making.



These three categories include measures ranging from cost savings (efficiency) to value generation (effectiveness), as well as from more to less certainty in the numbers. This is the dilemma and the challenge for IT: the greatest opportunity for ROI and ROA is also the least verifiable and therefore the least credible.

Hard numbers around IT efficiency, such as cost savings and cost avoidance, are easier to measure and are often the only ones Finance sees as credible. Organizations document such costs or they occur upfront and therefore involve fewer future projections. Pursuing TCO is a well established discipline. It captures hidden costs such as implementation, change orders, maintenance, training and user support. TCO also evaluates common drivers of IT inefficiency such as lack of standardization and consolidation.

Determining the value of efficiency in user productivity improvements is somewhat harder. However, there are established processes. Historically, IT's primary focus has been on improving efficiency through automation. Cost savings in core transaction processes justified much of the countless dollars spent on technology over the last decade. The heavy investment required to implement enterprise resource planning (ERP) systems, for example, was usually justified based on the ROI of process improvement that reduced cost per transaction.

However, measuring value merely in terms of IT efficiency from cost savings, or efficiency from improved transaction productivity, understates the total value. Many government agencies have yet to achieve the major cost savings available from consolidations, platform standardization and transaction process improvements that have been achieved by commercial organizations. As more of these modern systems and integration projects come online and the cost savings are achieved, the bigger opportunity for realizing value is in improving the efficiency and effectiveness of decision-making that will come from more complete and timely access to information.

As noted in the introduction, analysis from McKinsey shows that the proportion of more complex decision-based (tacit) work has increased relative to transaction-based work. It now represents more than 50 percent of the workload in many industries.

Unfortunately, decision-based work is much harder to measure and therefore to determine how to improve. It is information-intensive, interactive, frequently subjective and often iterative. IT must evaluate the value of improving efficiency and effectiveness around decision-making work. The critical asset—and therefore the element to measure—is information. IT delivers value through quality of information. You measure that quality in terms of relevance, accuracy, timeliness, usability and consistency. The higher the quality of information, measured across all of these factors, the better the potential for decision-making. This leads to greater user productivity and the ability to achieve performance goals.

Some metrics on decision productivity come from monitoring the use of a reporting, scorecarding or overall performance management system. *How many people use it? How often do they use it? When do they use it? How often are reports updated? How many new reports do users create? Who are these power users?* IT can also track user feedback about information quality through self assessments and qualitative ratings.

Metrics quantifying effectiveness are in some ways more straightforward, although not necessarily as certain or verifiable. These are based on the performance metrics for the decision area you are improving. As demonstrated throughout this book, decision areas are defined by drivers and outcomes that reflect the cause-and-effect relationships among organizational issues. This metric hierarchy provides the logic for ROI/ROA calculations and for monitoring success over time.

Barrier 3: Lack of good decision-making information for managing IT

IT often lacks its own decision-making information. Beyond the need for metrics noted above, IT needs a context for making a wide range of decisions, as well as for filtering the volume of data it generates. There are two types of IT information sources that are often not fully integrated or harnessed.

The first comes from applications that serve IT processes. Use of information from systems management tools has become quite common, notably to manage security and compliance issues. For example, for commercial organizations, compliance with General IT and Application Controls regulations involves reviewing access rights, incident logs, change and release management data and other information generated by IT applications. This information is useful for making decisions beyond compliance.

The second source comes from having more consistent information about the IT management process itself. In the private sector, Sarbanes-Oxley legislation has been a catalyst for the widespread adoption of best practices in IT, with many of these initiatives finding their way into government IT organizations. These practices include:

- Frameworks such as Control Objectives for Information and related Technology (COBIT®) from the IT Governance Institute and the Information Technology Infrastructure Library (ITIL) framework.
- Methodologies such as the software development life cycle (SDLC).
- Organizations such as the Project Management Institute (PMI).

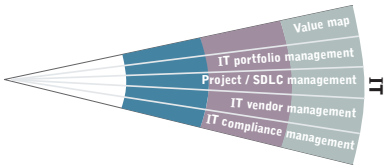
Greater acceptance and use of these best practices provides more information about IT and the processes, organizations and users that IT supports.

The Business of IT

The five decision areas described in this chapter provide IT with insights and facts to help drive overall value. The sequence of these decision areas provides a logical and iterative flow of analysis and action. The start and end point—IT with a clear view of where and how it is driving value—sets the basis for priorities and plans to close gaps. You require a detailed understanding of the effectiveness of IT assets, both individually and combined, to see how to make them more effective. In order to optimize your current assets or add new ones, you must monitor the projects closely and manage vendors. Finally, you need visibility over the many "moving parts" to ensure you comply with public mandates to mitigate risks.

Decision areas on IT:

- **Value map** ➔ Where and how does IT drive business value?
- **IT portfolio management** ➔ How are IT assets optimized for greatest ROA?
- **Project/SDLC management** ➔ Are projects on time, on budget, on target?
- **IT vendor management** ➔ Are vendor service levels and costs managed optimally?
- **IT compliance management** ➔ Are IT risks and controls managed appropriately?



Value Map

The value map provides a high-level view of IT's effect, both currently and potentially. This information sweet spot combines common language with value measurement in a single unifying map for use throughout the organization. Of the five decision areas, this is the most important for driving better alignment between IT and the other functions. It helps define the demand for IT and the ways IT can assist. Organizations use the value map at different levels and stages of IT processes. These include defining IT strategy, setting priorities, approving projects and investments, defining requirements, monitoring user acceptance and validating success.

The value map provides a consistent understanding of the organization and an overall understanding of IT in terms of organizational entities, transaction processes, systems, people and their overall relationship to financial accounts. The value map provides context and measures gaps in current or projected IT capabilities.

This helps clarify the *where/who/how/what/when* questions:

- *Where* are better IT capabilities needed in terms of organizational units, functions and processes?
- *Who* are the users and stakeholders of better IT capabilities?
- *How* will better IT capabilities drive value (and have they done so in the past)?
- *What* are the requirements for developing better IT capabilities?
- *When* must better IT capabilities be available?

This decision area lets you compare strengths and weaknesses in IT capabilities across different departments, processes and functions. Then you can relate any gaps back to the drivers of performance. *Information quality is a leading indicator of value—is IT delivering the right information at the right time to the right decision-makers?* You can evaluate gaps in information quality using a number of qualitative factors. These include relevance, accuracy, timeliness, availability, reliability, breadth of functionality and consistency. These factors can be used to clarify cost/benefit options and let you prioritize potential improvements.

> ***"With a performance management system, it is very very easy for people to get their own reports, anywhere in the country, without having to put in requests. This has relieved a huge burden on the IT staff."***
>
> Judith M. Marte, Chief Budget Officer, Miami-Dade County Public Schools

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VALUE MAP

GOALS	METRICS	DIMENSIONS
Business Priority Score Business Value ($) Information Quality Index IT Capability Index IT Costs ($)	BI Users (#) Business Effectiveness Index Business Efficiency Index Employees (#) Information Accuracy Rating Information Availability Rating Information Consistency Rating Information Relevance Rating Information Timeliness Rating Information Functionality Rating IT Project Costs ($) IT Projects (#)	Current/Target Scenario Scenario Decision Processes Business Function Decision Area Employee Decision Role Work Function Decision Role Reporting Period Year Quarter Month Information Supply Chain Information Supply Chain Information Stage IT Improvement Priority IT Improvement Priority Rating IT Project Status IT Project Status IT Projects IT Project Type IT Project Key Business Information Business Subject Area Metadata Model Organization Division Department Organization Code Strategy Focus Strategic Area Strategy Transaction Processes Process Sub-Process Activity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Operations/Production				
	Executives			•
	Analysts		•	
Human Resources				
	Executives			•
	Analysts		•	
Risk Management				
	Executives			•
	Analysts		•	
Audit				
	Executives			•
Regulatory				
	Executives			•
General Management				
	Executives			•

IT Portfolio Management

This is the supply side of the IT value equation, while the value map decision area is the demand side. Portfolio management offers details of and insights into the organization's IT assets, how well these support the organization and opportunities to improve IT ROA spending by:

- Expanding the portfolio by acquiring new IT assets.
- Investing more in existing IT assets to generate greater value from them.
- Retiring obsolete or inefficient IT assets.
- Implementing controls to mitigate risk related to IT assets.

While there are many potential categories and attributes of IT assets, the three core ones are infrastructure, applications and information. Using this decision area, IT can analyze the inventory of physical IT assets (hardware, software, data sources and applications), their properties (such as vendor and direct cost) and their core capabilities (such as flexibility, scalability, reliability, compatibility and availability).

GOALS	METRICS	DIMENSIONS
IT Capability Index IT Costs ($) IT Efficiency Index	BI Users (#) Employees (#) IT Asset Availability Rating IT Asset Compatibility Rating IT Asset Flexibility Rating IT Asset Reliability Rating IT Asset Scalability Rating IT Direct Costs ($) IT Indirect Costs ($) IT Project Costs ($) IT Projects (#)	Application Software Application Type Software Data Sources Data Source Type Data Source Decision Processes Business Function Decision Area Discretionary Budget Reporting Period Year Quarter Month Goals/Metrics Hierarchy Goal Type Goals Metrics Information Supply Chain Information Stage Infrastructure Environment IT Technical Layer IT Asset Type IT Asset IT Efficiency Opportunity IT Savings Magnitude IT Savings Type IT Improvement Priority IT Improvement Priority Rating IT Project Status IT Projects IT Project Type IT Project Key Business Information Business Subject Area Metadata Model Organization Division Department Organization Code Transaction Processes Process Sub-Process Activity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Managers	•		
	Analysts	•		
Customer Service, Risk Management, Services and Procurement				
	Executives			•
	Analysts		•	
Operations/Production				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Human Resources				
	Executives			•
	Analysts		•	
Audit				
	Executives			•
	Analysts		•	
General Management				
	Executives			•

Improving IT efficiency, however, is not enough. Most organizations have tied 70 percent of their IT budget to nondiscretionary items. You can't cut these "keeping the lights on" costs easily. You can gain additional and invaluable insight in this decision area by comparing how diverse IT assets work together to support specific areas. Think of these IT assets as belonging to an information supply chain that acquires, manages and delivers access to information for end users. Thinking in terms of shared and integrated supply chains delivering information and functionality makes it easier to explain how improvements to incomplete, complex or obsolete IT assets represent greater effectiveness and value to the organization. IT should set standards and document the core metadata for the organization. Consistent metadata and rules are critical for information to become a trusted sweet spot in decision making processes.

Project/SDLC Management

This decision area is one of two that make up IT's operational bread and butter. Value is generated from IT assets by implementing new software and infrastructure or developing new applications. With IT's discretionary budget for new projects limited to about one-third or less of the total IT budget, resources are scarce and expectations high. This makes good information even more critical. Most IT departments have hundreds of separate projects that are interrelated, overlapping or at various stages of completion. This decision area tracks the status of major projects against common project management milestones such as scope, requirements analysis, design specifications, development, testing, implementation and production. Monitoring on-time, on-budget, on-quality project indicators is critical to managing scope, unplanned changes and necessary adjustments. This information, which may need to be aggregated from several sources, also improves alignment around project priorities and helps flag duplication in purpose or scope.

GOALS	METRICS	DIMENSIONS
IT Project Completion (%) IT Project Lead Time (#) IT Project ROI (%)	External Resource Days (EFT) Internal Resource Days (EFT) Initiatives Rejected (#) IT Project Cost ($) IT Project Value ($) New Initiatives (#) Project Duration (#) – Business Days Project Duration (%) – Variance Rejection Causes (#) Total Resource Days (EFT)	Business Scope Reporting Period Year Quarter Month Forecast Scenario (Plan/Actual/Forecast) Scenario Investment Range ($) IT Projects IT Project Type IT Project IT Project Status IT Project Complexity IT Project Milestones IT Project Risk Level Project Start Date Year Quarter Month Contract End Date Project Management Project Team Project Sponsor Project Manager Project Member Project Completion Date Year Quarter Month Project Finish Date Related Projects Organization Division Department Organization Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Finance				
	Executives			•
	Analysts		•	
Customer Service				
	Executives			•
Services				
	Executives			•
Risk Management				
	Executives			•
Procurement				
	Executives			•
Operations/Production				
	Executives			•
Program Management				
	Executives			•
Human Resources				
	Executives			•
General Management				
	Executives			•

Contextual dimensions provide greater comparability across different projects. This allows for learning and sharing best practices between "apples and oranges" by pooling common information about different projects. These dimensions can include:

- Investment amount (< $50K, < $100K, < $500K, > $1M, etc.).
- Complexity (features, information, architecture).
- Dynamic versus static.
- Scope (point solution, departmental or agency).
- Critical skills required.
- Risk level (likelihood and impact assessments).

A key benefit of this information is that you gain insights even from failed projects. By seeing what worked and what didn't across many different projects and by ensuring a full life-cycle perspective on development projects, you can avoid future mistakes and resource misallocations. This information sweet spot helps manage expectations across the team, sponsors and stakeholders. With it, IT management can avoid project cost overruns, missed deadlines and sub-par quality deliverables. Beyond avoiding the adverse financial implications of failed projects, it also helps IT avoid the potentially serious impact on the organization's reputation and credibility.

IT Vendor Management

This decision area represents the other operational information sweet spot for IT. In government agencies, IT spending on external vendors is significant in terms of dollars spent and strategic in terms of systems built and supported. IT needs a consolidated view of how much it is spending on IT assets, with whom and the return they are getting. The loss of services and hardware delivered and supported by third parties is long—from PCs and PDAs to routers and telecom services, from software licenses to system integrator services. Analyzing this information sweet spot helps identify what to consolidate and/or standardize to reduce costs and complexity. It also reveals where you can pool requirements to gain purchasing power or generate higher service levels. When this information is fragmented across the organization, it is difficult to spot duplication of contracts and agreements. Simple comparisons of vendor costs by function and user can help uncover potential excesses. Knowing that other vendors have provided similar products or services also helps IT foster healthy competition and price/quality comparisons.

GOALS	METRICS	DIMENSIONS
IT Contract Cost ($) IT Project Completion (%) IT Project Lead Time (#) IT Vendor On-Time (%) SLA Performance (%)	Credit Rating (#) Employees (#) IT Asset Availability Rating IT Asset Compatibility Rating IT Asset Flexibility Rating IT Asset Reliability Rating IT Asset Scalability Rating IT Direct Costs ($) IT Indirect Costs ($) IT Project Costs ($) IT Projects (#) IT Vendor Hourly Rate ($) Quality Rating (#)	Application Software Application Type Software Data Sources Data Source Type Data Source Reporting Period Year Quarter Month Infrastructure Environment IT Technical Layer IT Asset Type IT Asset IT Contract End Date Year Quarter Month Contract End Date IT Contract Start Date Year Quarter Month Contract Start Date IT Vendor Status IT Vendor IT Vendor Type IT Vendor Organization Division Department Organization Code Transaction Processes Process Sub-Process Activity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Analysts		•	
	Professionals	•		
Finance	Executives			•
	Analysts	•		
Procurement	Executives			•
	Managers	•		
	Analysts		•	
	Professionals	•		
Customer Service	Analysts		•	
Services	Analysts		•	
Risk Management	Analysts		•	
Operations/Production	Analysts		•	
Program Management	Analysts		•	
Human Resources	Analysts		•	
General Management	Executives			•

This decision area is also important in managing service levels tied to major outsourcing contracts, a fixture for many IT functions. All service-level agreements have trade-offs between quality, time and cost. For large, complex, multiyear projects, earned value calculations help to assure that the project is on track and incremental value is being delivered, helping to avoid a surprise at the eleventh hour that the project is half completed and requires a radical injection of funds to keep the project going to completion.

Measuring quality, especially in the more complex Tier 3 contracts that manage and enhance applications, can be a challenge. For example, where Tier 1 agreements may measure service availability, numbers of incidents and resolution response times, Tier 3 agreements need to address access to and use of information from applications and how easy and quick it is to make changes. Even knowing when contracts are up for renewal, as well as when you are triggering penalty or incentive clauses, can lead to cost savings or improved service levels.

IT Compliance Management

IT compliance management is increasingly a point of focus for government agencies. This decision area consolidates information from different compliance initiatives. As noted in Barrier 3, various frameworks and IT best practices such as COBIT and ITIL require general and application-specific IT controls. This decision area requires three common sources of information.

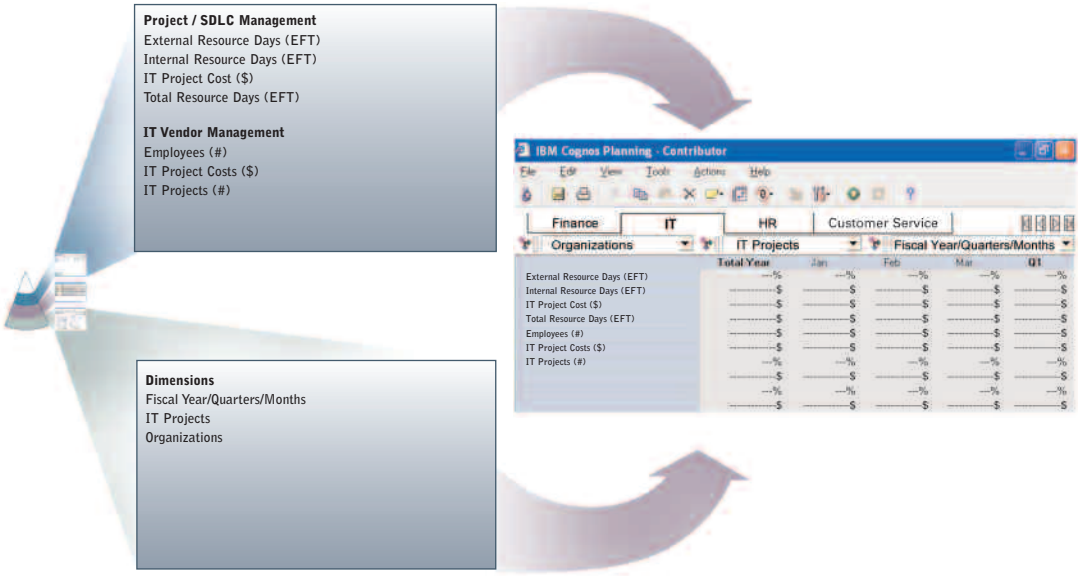
The first is from compliance program management software. Similar to the project/SDLC management decision area, this allows IT to ensure that compliance tasks take place and are meeting program milestones.

The second source of information comes from the controls themselves. There are 34 IT processes across four domains used in COBIT. A subset of these controls is required for regulatory compliance, notably around security and access controls, change and release management and incident and problem management. In most cases, these controls involve reviewing large volumes of data and flagging exceptions to established procedures.

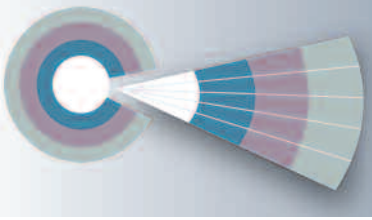
GOALS	METRICS	DIMENSIONS
Compliance Completion (%)	Control Effectiveness Rating	Application Software Application Type Software
Compliance Costs ($)	Controls (#)	Assertions
Material Deficiencies (#)	Exceptions (#)	Control Frequency
Regulatory Compliance (%)	External Audit Fees ($)	Control Method
Risk Level Index	Internal Audit Costs ($)	Control Objective
	Issues (#)	Control Owners Function Position Control Owner
	Items Overdue (#)	Control Type
	Outsourced Internal Audit Costs ($)	Documentation Status
	Regulatory Audits	Entity
	Risk Impact Rating	Financial Account Financial Statement Type Financial Statement Line Financial Account
	Risk Likelihood Rating	Reporting Period Year Quarter Month
	Sample Size (#)	In Scope
	Significant Deficiencies (#)	Infrastructure Environment IT Technical Layer IT Asset Type IT Asset
	Tests (#)	IT Control Processes (COBIT) Control Type (App/Gen) IT Domain IT Process IT Control
		Key Control
		Remediation Status
		Risks Risk Category Risk Type Risk
		Test Status Test Status
		Transaction Processes Process Sub-Process Activity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Regulatory/Compliance	Executives			•
	Managers	•		
	Analysts	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Finance	Executives			•
	Analysts		•	
	Professionals		•	
Risk Management	Executives	•		
	Managers	•		
	Analysts	•		
Legal	Executives			•
	Professionals		•	
Customer Service, General Management, Services, Procurement, Operations/Production, Program Management and Human Resources	Executive			•

The third source is metadata itself. Today, many organizations still have mostly manual internal controls. Approximately two-thirds or more are "detective" controls, versus the more reliable "preventive" ones. Detective controls involve reviewing transaction records in both detailed and summary form. For example, reviewing an accounts receivable trial balance is a detective control. In order for greater reliance to be placed on these controls, there must be a clear audit trail linking the source of information with the definitions and rules that apply. Being able to monitor and analyze which metadata governs which reports and who has access to it creates a more reliable control environment. It also supports the enforcement of existing data architecture standards.



The Project / SDLC Management and IT Vendor Management decision areas illustrate how the IT function can monitor its performance, allocate resources and set plans for future financial and operational targets.



Chief Balancing Officers

> *"Checking the results of a decision against expectations shows executives what their strengths are, where they need to improve and where they lack knowledge or information."*
>
> Peter Drucker

Executive Management bears the ultimate responsibility for the success or failure of government operations. Yet the government senior management team must work largely by indirect means: setting goals and communicating strategy, strengthening the organizational culture, recruiting talent and building teams, and determining how to allocate funding and resources.

The team faces complexity, uncertainty, time pressures and constraints in its efforts to lead the organization and set and deliver on performance expectations. Today, these traditional challenges occur in the context of unprecedented levels of legislative and citizen scrutiny. Executive Management must find the proper equilibrium among these pressures, striking the right balance at the top and causing this influence to pervade the organization.

In the wake of various U.S. government Integrity Act standards and catastrophe planning initiatives worldwide, governance, risk management and compliance standards are major focal points for Executive Management. Governance starts with performance. It reflects the highest-level balancing act for management: *Are we performing policy mandates and satisfying citizens' expectations?* Risk starts with the flip side of performance: *Are we successfully assuming and managing the right risks to sustain this performance?* Compliance sets the rules by which we must play: *Are we fulfilling regulatory and statutory requirements?* Executive Management must understand and balance these forces to ensure long-term success with the public, legislators, employees and the law.

Performance management has to be recognized as a top priority. In the U.S., for example, the President's Executive Order 13450 directs all U.S. federal agencies to appoint Performance Improvement Officers and follow proscribed standards for planning, controlling and certifying management results.

Driving your organization's performance is an exercise in balancing:

- Strategic goals and operational objectives.
- Financial performance and operational drivers.
- Short-term and long-term pressures.
- Top-down and bottom-up perspectives.

There are many management approaches borrowed from the business world that help unlock the right formula: Total Quality Management, Balanced Scorecard, Six Sigma, home-grown variations of these and more. Such approaches provide focus, context and alignment for decisions. They all require the development of a performance management system. This system turns your management philosophy into executable actions for decision-makers at the top and throughout the organization. Among the many methodologies and frameworks for defining a performance management system, three basic concepts are universal:

1. How does this action tie back to the financials? (the *so what?* question)
2. How does this action tie back to organizational functions and roles? (the *who is accountable?* question)
3. How does this fit with the business process? (the *where?*, *when?*, and *how?* questions)

While many government organizations embrace a business philosophy, most lack the performance management system necessary to make it truly successful. Four common barriers prevent Executive Management from striking the right balance in achieving performance, managing risk and ensuring compliance.

Barrier 1: ***Poor vertical visibility of performance drivers***

Executive Management requires a simple vertical hierarchy to connect goals and objectives to underlying functions, processes and decision areas—including a clear tie back to the financials. This hierarchy is central to a performance management system. With it, Executive Management can understand what has happened, guide today's actions and plan future performance. However, despite extensive work in this area (Six Sigma, Balanced Scorecard, Total Quality Management, etc.), organizations still struggle with successfully implementing a performance management system. Why? It is difficult to translate the top-to-bottom conceptual logic—goals and objectives, leading and lagging indicators, financial and operational considerations, cause and effect—into practical, measurable areas for which people can feel accountable. The many interrelated factors become too complex to implement or manage.

As this illustration shows, a pyramidal hierarchy ensures a clear, logical path to follow from strategic goals at the highest level to operational objectives at the functional level and then down to specific decision areas within those functions. This reduces the number of goals at the top while building detail at appropriate levels of the organization. This creates a basis for delegating accountability.

The pyramid structure requires a consistency and logic that governs cause-and-effect assumptions. Metadata underpin this consistency, which requires defining appropriate rules and controlling changes through them.

Barrier 2: ***Unclear ownership of performance goals and accountability for them at the front line***

Executive Management is accountable for everything, but directly controls nothing. Executives rely on many individuals to strike the right balance and make the right decisions. Micro-managing is maligned for good reasons: it is not feasible for an executive to be everywhere, doing everything; it weakens everyone under the executive; and it distracts the executive from strategy into tactical execution.

Successful leadership thrives in an environment where there is clear ownership of and accountability for results up and down the organization, rather than merely expected tasks and duties. Ownership requires clearly assigned roles in making decisions that drive performance goals and objectives. Accountability requires measuring the value of actions and outcomes. Using the pyramid structure, you can overlay the goal hierarchy with primary and contributory roles in decision-making according to work functions and decision areas. People in primary roles confirm the accuracy of the core metrics in the decision making process.

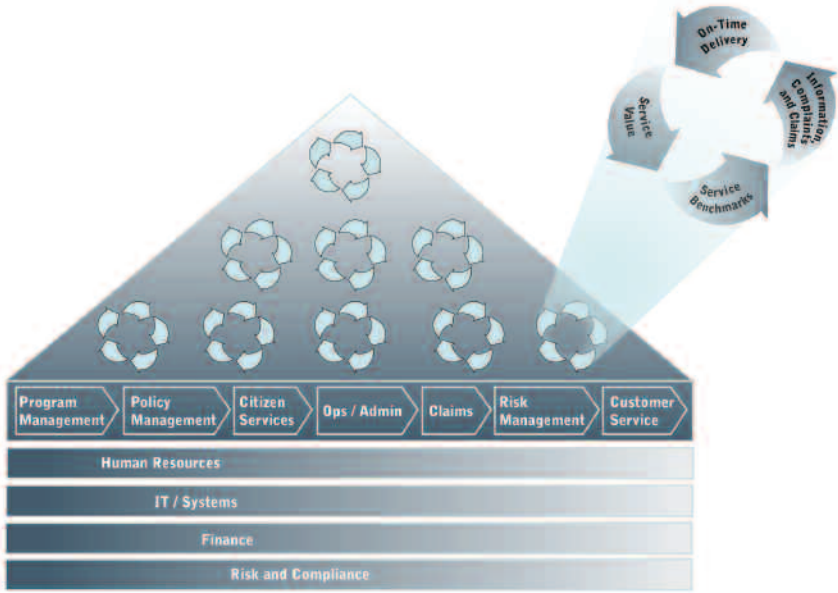
You can assign accountability for these decision areas through the planning process. When you ask people to contribute a target number or set an acceptable threshold for a goal or measure, you have shared ownership of the outcome and helped link the person back to the financial results.

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Regulatory/Compliance				
	Executives			•
	Managers	•		
	Analysts	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Finance				
	Executives			•
	Analysts		•	
	Professionals		•	

Barrier 3: ***Poor horizontal visibility of cross-functional alignment and coordination***

A true performance management system spans more than one function or department. It sits above the process flow in a related but nonlinear fashion. Many performance decisions draw upon different elements across process flows in an iterative way.

Even if your performance management system adequately captures vertical cause-and-effect relationships, it may still lack visibility across different functions that share common goals or objectives. This visibility is necessary for striking the right balance throughout the organization.

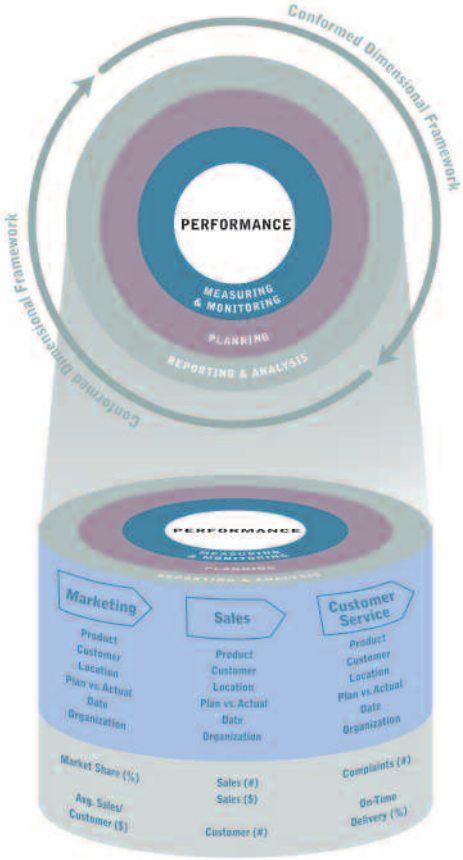


Decision areas overlay the familiar view of core processes and underlying support processes. Each functional set of decision areas provides an iterative feedback loop. Cross-functional sets combine to address additional performance goals and objectives.

Cross-functional or "horizontal" visibility lets decision-makers across various organizational processes collaborate and execute strategy. It also lets Executive Management weigh in on the difficult choices that cannot be resolved at lower functional levels. Delays in cross-functional handoffs and misalignments among departments negatively affect your overall performance.

The performance management system must include two capabilities. First, it must show how everything fits together in terms of process. Second, it must include a consistent definition of and context for performance drivers across functions that share common goals or objectives. In metadata terms, horizontal consistency means defining common dimensions shared across functional decision-making processes. For example, it is critical to define and track government services, citizen constituencies and locations—the anchors of the organization—consistently across processes.

Horizontal Coordination: Conformed Dimensionality Across the Value Chain



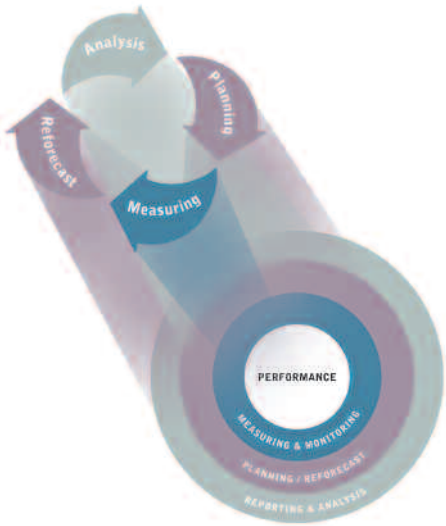
Barrier 4: ***Current executive information capabilities do not support the nonlinear and iterative nature of decision-making/management processes***

For most employees, decision-making work has increased relative to transaction work, but this situation is not reflected in the information we receive to do our jobs. This problem is most acute in the management process itself. Decision-making should flow top-down and bottom-up in an iterative closed loop. Various decisions in different functions need to be grouped and understood together when they affect the same goals. There are also different decision-making cycles and requirements for long-term strategic goals than for short-term monthly and quarterly operations.

These metrics constantly evolve because **1**) they often need tweaking (typically realized by using them), and **2**) people's behavior eventually adapts to what is being measured. There is a natural tendency for people to learn over time how to "work the system," which obscures its original intent. This requires agile, adaptive and controlled metadata functionality of rules, definitions and audit trails.

A multiyear strategic management planning process starts by reassessing assumptions and conventional wisdom based on rigorous **analysis**. You must validate or readjust what is important, which should therefore be **measured** and translated into operational **plans** that can be delegated down through the organization. Decision flow then switches to monthly or quarterly monitoring of performance with fast, drill-down analysis and reporting on the underlying causes of results. When these causes have been understood by each of the contributing decision-makers, you can reforecast adjustments to operational and financial plans.

The bottom line: *You need performance management information at each of these steps to support your decision-makers effectively*.



Strategic management cycle:

- **Analysis** ➔ Where do we want to be? (vision and goals)
- **Measures** ➔ What's important? (priorities)
- **Planning** ➔ How do we get there? (objectives and targets)

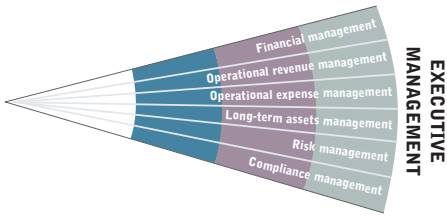
Operational management cycle:

- **Monitoring** ➔ How are we doing?
- **Analysis and reporting** ➔ Why?
- **Planning** ➔ What should we be doing?

Decision Areas

The six decision areas listed below support the core governance, risk and compliance balancing act of Executive Management. They include four performance management decision areas and one decision area each for risk and compliance management.

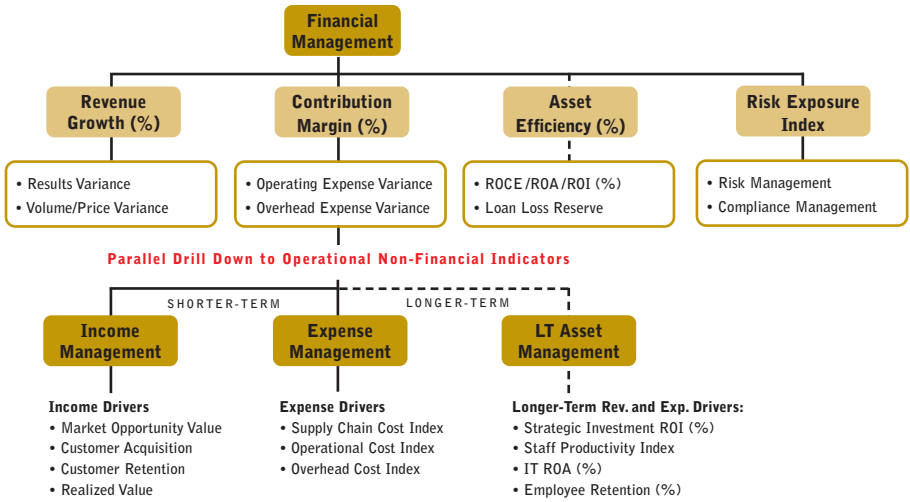
- **Performance ➔**
  Financial management ➔ Are we performing to stakeholder expectations?
  Operational revenue management ➔ Are we driving revenue growth effectively?
  Operational expense management ➔ Are we managing operational expenses effectively?
  Long-term assets management ➔ Are we managing long-term assets effectively to increase future revenue and expense management capabilities?
- **Risk management ➔** Are we managing the risks of sustaining this performance?
- **Compliance management ➔** Are we complying with regulatory requirements?



The four decision areas for performance management are further designed to support several interrelated balancing acts: between leading and lagging indicators, between income and expense trade-offs, between short-term and long-term resource allocations, and between top-down and bottom-up management processes. Specifically, each of these decision areas has two integrated levels: an overview "dashboard" level and a more detailed operational level.

The latter is an intermediate level that points to other underlying decision areas that contain even more detail, as in the pyramid structure outlined on page 119. It allows Executive Management to gain a comprehensive view of organizational performance and to zero in on additional detail for greater insight when necessary, then reset targets and plans accordingly. In each case, the set of goals in the overview level dashboard is purposely limited to one illustrative goal per theme, with additional goals and metrics made available at the next drill-down level. Each government organization will have its own variations on these goals and may determine that more than one indicator should be added at the dashboard level.

Inspired by the Balanced Scorecard framework, the four performance management decision areas provide clear, parallel paths to drill down from goals into their underlying operational drivers. The citizen-focused perspective is adapted to include information and metrics from decision areas that drive income or funding. The internal process perspective is adapted to focus on operational expense drivers.



The learning and growth perspective also reflects investment and leverage from long-term assets such as human capital and IT assets. The financial management perspective is where we analyze and monitor directly quantifiable financial indicators, but the three other performance management decision areas provide parallel nonfinancial paths to drill down to operational drivers. The functions and decision areas described in the rest of this book form a bottom-up framework for designing effective and interconnected information sweet spots of scorecards and dashboards, analytical and reports and budgets and plans. Each decision area in this chapter shows a path or starting point for linking the other decision areas together in a top-down logic and, by doing so, establishing cross-functional teams to drive shared goals and objectives. This chapter also highlights the balancing act and trade-offs that Executive Management must make.

Financial Management

The financial scorecard is a well-developed executive information sweet spot. Its bottom-line results are tied to pay classifications and overall risk factors, to align performance expectations with executive team motivation. The three basic performance measures illustrated here are critical to any government organization. Funding growth and operating margin are linked to the statement of income and asset efficiency is linked to the balance sheet. The fourth is a high-level risk measure.

Funding growth is a key component of value recognition. If costs stay flat, funding increases will directly affect value creation, Citizens and legislators watch the operating margin and the associated percentage of operating margin to funding ratios. More sophisticated performance measures include return on capital employed (ROCE) and return on assets (ROA). Risk exposure is the flip side of this coin, tracking various categories of risks and mitigating factors that could affect the organization's ability to meet its performance goals.

These measures more closely align with the legislators' perspective, since they give an indication of the risks/rewards generated by a given capital or asset base. Since the capital tied up in the organization has a certain opportunity cost for government oversight, unless performance is sufficiently high, funding and appropriations may not be sustainable.

Funding & Revenue Growth (%)
Is funding or revenue growing for executing mission fulfillment? How fast? How does this compare with projections? Executive Management reviews the income statement and the income plan variance to find out how the government organization performs against plan and drills down to find the drivers of any income variances. Program sources or variances tell Executive Management what other decision areas should be examined. For example, if funding is increasing, then Executive Management should review the regulatory mandates profile to confirm there is effective program upside planning. If funding is decreasing, then specific service-delivery standards need to be reviewed.

Operating Margin (%)
The operating margin is a vital internal performance benchmark. When matched to organizations with comparable mandates, it provides a performance comparison for tax payers and legislators. If operating margins are weakening, Executive Management will examine the income statement to determine why. Other margin indicators will help identify what type of income sources or expenses are changing. Operational plan variance may suggest that operating expenses are significantly higher than plan and the drill-down variance into the chart of accounts that apply to specific departments can help determine the cause.

Asset Efficiency (%)
Assessing the organization's performance through asset efficiency evaluation or similar measures gives Executive Management benchmarks to evaluate governance effectiveness. If the asset efficiency index is not aligned with comparable government organizations, Executive Management can look at

causes in the balance sheet or income statement. The strategic investments decision areas may highlight when a major strategic decision or government program has impacted the asset base.

Alternatively, by looking more closely at the management of assets and liabilities, Executive Management may decide that more effort should placed on asset management activities to improve overall efficiency and economic benchmarks. The funding gaps decision area can give Executive Management confidence that cash and other forms of liquidity are effectively matched to program mission targets.

Risk Exposure Index

Executive Management needs a clear understanding of exposure changes in the government organization's major categories of risk. Its ability to communicate these risks while instilling confidence in the public and regulators that it is managing them appropriately is critical. While risk management performance is what satisfies regulators or legislators oversight, citizens expect that controls for these risks are solidly managed. Risk exposure is a derived metric that shows residual risk after inherent risk has been mitigated.

Executive Management can review changes in exposure and evaluate the potential impact on resource allocation across the operation. Drilling down into the risk management decision area gives Executive Management additional insight into inherent risk (such as loss events, loss amounts or risk assessments) and into the methods of responding to risk (such as avoidance, acceptance and transfer).

"We have a number of metrics (data cubes) that help us track profit and loss margins, student and staff details, activity-based costing and asset management. The flexibility of our system has allowed users to drill down from a 'big picture' overview provided by our dashboard. This allows us to make decisions on everything from opening up a new offshore campus to minute details like the individual cost of teaching a class of ten students in a particular subject."

Chris Grange, Vice President, Administration, University of Wollongong

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Likewise, review of compliance management shows the effectiveness of internal controls and the status of current compliance programs and audit activity. Managing compliance is clearly driven by the organization's reputation for diligence, hence the need for Executive Management to be informed and involved. Audit performance is first reported to audit oversight committees, whose members are now directly accountable for financial misstatements and inaccuracies. Internal controls documentation extends to external relationship coordination as well. Oversight groups must be assured that governance and audit procedures are defined and tested to assure performance management transparency

Financial Management

Revenue Growth (%)

Income Statement
Goals
- Income Actual vs. Plan Variance ($/%)
- New Income Actual vs. Plan Variance ($/%)
- Net Income ($)

Drill-Down Variance
Goals
- Net Income/Contribution Change ($/%)
- Income Change ($/%)

Results Plan Variance
Goals
- Results Variance ($/%)
- Results Plan ($/%)

Contributor Margin (%)

Income Statement
Goals
- Services Income ($/%)
- Funding Income (%)
- Net Incurred Losses ($/%)
- Loss Adjustment Expense ($/%)
- Management (Gen&Admin) Expense ($/%)

Drill-Down Variance
Goals
- Program/Service Expense Variance ($/%)

Operational Plan Variance
Goals
- Expense Ratio
- Operating Expense Variance $/%
- Operating Efficiency (% of assets)

Asset Efficiency (%) Surplus / ROA

Income Statement
Goals
- Actual vs. Plan Variance ($/%)
- Net Income ($)
- Net income / Net Contribution ($/%)

Balance Sheet
Goals
- Income: Surplus
- Loss Reserves:Surplus
- Return on Assets

CapEx and Strategic Investments
Goals
- Investment ($)
- NPV ($)
- ROI (%)

Cash Balances
Goals
- Liquidity Ratio
- Volatile Liability Dependency
- Cash & Securities/Assets
- GL $ Reconciliation (%)

Treasury
Goals
- Interest Sensitivity Ratio (%) (Assets/Liabilities)
- Dollar Gap Ratio (%) (Interest Sensitivity)

Risk Exposure Index

Risk Management (internal)
Goals
- Loss Incidents (#)
- Loss Value ($)
- Risk Level Index
- Risk Management Audit Score

Compliance Management
Goals
- Compliance Completion (%)
- Compliance Costs ($)
- Material Deficiencies (#)
- Materiality Rating
- Regulatory Compliance (%)
- Risk Level Index

Claims
Goals
- Claims Pending (#/$)
- Average Settlement Time
- Case Reserve ($/%)
- IBNR ($/%)

Loss Control
Goals
- Risk Exposure Count ($)
- Maximum Potential Loss ($/%)
- Loss Controls (#)
- Loss Controls Assessment Score
- Loss Adjustment Expense ($/%)
- Expected Net Loss ($/%)

IT Compliance Mgmt.
Goals
- Compliance Completion (%)
- Compliance Costs ($)
- Material Deficiencies (#)
- Regulatory Compliance (%)
- Risk Level Index

CITIZEN SERVICES | FINANCE | EXEC. MANAGEMENT

Operational Revenue Management

Income/funding performance is a key driver of mission planning success. Executive Management must focus on managing revenue or income goals and directing the organization and its resources to the most important sources of funding. This requires cross-functional cooperation that looks to future factors that affect organization growth or contraction. The strategic plan for growth involves looking at all policy management, citizen services and program development operations and the organization's ability to serve more citizens or programs in order to generate new income, and compares this to ongoing performance commitments.

Market Services Value ($)

While you may structure your organization along functional services lines, demand cuts across policy and program management operations. By clustering the decision areas associated with citizen services, you allow more complete and aligned decision-making. This important performance driver allows you to develop an overarching index or series of indicators to describe performance. If needed, Executive Management can drill down further into specific decision areas and the related goals and metrics. If Citizen Services value tracks below an acceptable level, Executive Management may look for better service delivery methods.

For example, consider the foreclosure risk many cities are facing. Let's suppose there are demands among citizens, politicians and advocacy groups that various levels of government step in with mortgage relief programs. This demand segment is clearly significant and may be the tip of deeper economic problems that require additional social services support. However, the government may have poor market service experience. A market assessment indicates a low level of government operations readiness, suggesting it would be better to respond by working with knowledgeable, third-party service agents. A service assessment has evaluated the costs necessary to service this demand segment. Available feedback gives some confidence that these new service strategies will hit the mark. Executive Management can now assimilate this information and decide the best way forward through the relevant service delivery channels.

Citizen Services Growth (%)

As discussed in the Citizen Services chapter, services are fundamentally bound to revenue and income projections. Government has a limited ability to influence its revenue. And where a government is bound to balance its books every year, it must operate a highly fluid cost structure.

Revenue management must be concerned with the methods for services growth management. This means becoming well versed in income projections and models and the expectations for the future revenue pipeline and demand-service activities. If you have weak market intelligence, surveying citizen service calls may be a solution. The servicing growth percentage lets Executive Management monitor this key performance area. Executive Management must closely scrutinize program services innovation to see if new services are fully funded by delivering their projected revenue levels and generating required funding (e.g., grants and federal program dollars).

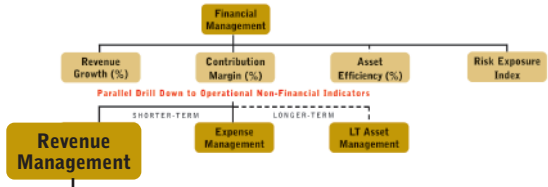
Executive Management must be particularly attentive to early performance indicators. If projected revenues and funding are not delivered, you must quickly find out why and communicate this to all relevant levels in the organization. Results plan variance analysis becomes an essential information sweet spot for determining the why and where of problems, allowing for a decision regarding the what. You must explain these findings well enough that there is confidence in the proposed measures and also be detailed enough to allow lower levels of the organization to execute effectively.

Citizen Services Utilization (%)
Growing revenue or funding is not enough if income leaks away due to poor services utilization performance. If the retention index is low, Executive Management must focus on the operational and performance issues that directly affect services erosion. Early indicators of potential problems are likely to come from inadequate administrative delivery performance and from complaints and claims. Monitoring these early indicators informs the team and helps ensure accountability from those responsible. Service benchmarks also offer insights into customer service problems that need to be managed. These benchmarks may also indicate the relative service performance differences between agencies, highlighting disadvantages that could lead to citizen dissatisfaction and further erosion.

Despite positive numbers in these early-warning measures, the revenue results decision area may indicate poor results, with decreasing income and funding from existing relationships. The solution may be rebalancing service delivery tactics. Perhaps greater emphasis on improving transaction information is needed to better clarify service requirements and fulfillment methods.

Realized Value ($)
Realized value provides an overview of the effort going into managing revenue and funding growth and its effect on operating margins. The citizen services value contribution decision area is an important sweet spot for Executive Management. You must review and pursue different strategies if they are important to the organization. A program review may indicate that the program is under-funded and not delivering the results projected. Reducing services for a large but underserved segment would be a bad decision, due to political fallout or the risk that it would accelerate a negative spiral. Reviewing the service cost of the service value metric could highlight too much spending on service support. In that case, you might introduce a service change to re-engineer the realized value targets and results.

Executive Management may also examine service costs and benefits to determine realized value performance thresholds. You may look at options to correct the underperformance of certain service offerings. These could include discontinuing the service, or changing tactics. Assessing charges for certain niche segments may offer an option in the short term to counteract losses somewhere else. Compensating for losses by increasing value elsewhere is a common decision area in the Executive Management balancing act.



Market Demand ($)

Market Opportunities
Goals
- Citizen Services Share (%)
- Services Growth Rate (%)

Market/Citizen Feedback
Goals
- Suggestion Cost ($)
- Suggestion Value-Added Score (#)
- Customer Satisfaction Score (#)

Program & Service Assessment
Goals
- Program & Service Opportunity ($)
- Funding Gap ($)
- Program & Service Risk Score (#)

Services Growth (%)

Demand Generation
Goals
- Service Communication Campaigns
- Citizen Inquiries #
- Qualified Inquiries #
- Eligible Submissions #

Sales Tactics
Goals
- Applications (#)
- Services Calls (#)
- Renewal Count (#)
- Lost Citizen Service Count (#)
- New Citizen Service Count (#)
- Citizen Service Gains ($/%)

Services Pipeline
Goals
- Services Application – Success Ratio
- New Services Income Growth ($/%)
- Service Income Growth ($/%)
- Service Renewals ($/%)
- Services Income Net Growth ($/%)
- Average Expense per Citizen ($)
- Average Expense per Service ($)

Strategic/Program Innovation
Goals
- New Program & Service Developments (#)
- New Program & Service Income ($/%)
- New Program & Service Cost ($/%)

Results Plan Variance
Goals
- Results Plan ($/%)
- Results Variance ($/%)

Customer Retention (%)

Delivery Performance
Goals
- Average Fulfillment Time (#)
- Fulfillment on Target (%)
- System Downtime (#)

Information, Complaints and Claims
Goals
- Open Claims ($/#)
- Paid Claims ($/#)

Revenue Results
Goals
- Income Growth (%)
- Income ($)
- New Program/Services ($/%)

Service Benchmarks
Goals
- Average Service Time (#)
- Customer Satisfaction Score
- Service Support Score

Sales Tactics
Goals
- Service Calls (#)
- Applications (#)
- Citizen Gains ($/%)

Realized Value ($)

Pricing
Goals
- Service Coverage Pricing Review (#)
- Services Pricing Review (#)
- Average Service Price Rating Change (%)

Sales Tactics
Goals
- Applications (#)
- Service Calls (#)
- Citizen Service Gains ($/%)

Citizen/Program Contribution
Goals
- Average Customer Income ($)
- Average Customer Margin ($/%)
- Net Income ($/%)

Service Value
Goals
- Service Cost (%)
- Service Effectiveness Index

Compliance
Goals
- Citizen Risks Exposure Score
- Operational Risk Exposure Score
- Audit Issues (#)

Loss Control
Goals
- Loss Controls
- contingency Plans
- Controls Stress Test Scores

POLICY MGMT | CITIZEN SERVICES | PROGRAM MGMT | CUSTOMER SERVICE | EXEC. MANAGEMENT

Operational Expense Management

Once citizens are drawing on entitlements or committed to using government services, there is limited scope for operating and delivery errors. Information that helps Executive Management identify operating anomalies and act quickly can make the difference between success and failure. By grouping relevant functional decision areas together, the information sweet spots can be aligned with typical performance concerns. These challenges need to be approached cross-functionally and cannot be solved in isolated silos.

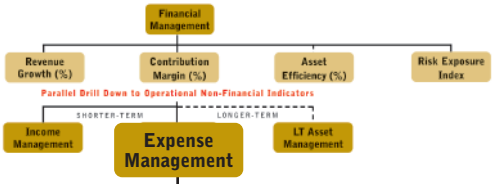
Government performance is a process that starts with inputs and ends with outputs. In between, you must manage value-added activities for efficiencies and costs. On the input side, this starts with "supply chain" efficiency, followed by the internal operating processes needed to deliver a service. You manage these internal operating processes by monitoring operating costs, reflecting the key driver in achieving sustainable financial targets. Organizations carry a number of support functions broadly classified as overhead. You must manage these overhead costs to ensure that, for example, departmental headcounts do not grow out of control and that your various support activities deliver real value.

When you have a finished service expense management profile, you must distribute and deliver output, bringing the cycle back to efficiency across the total network.

Supplier and Distribution Chain Cost Index

This index highlights the balancing act for management between external resources input and output. The unpredictable is the norm. Transaction volume spikes, citizen complaints, operational failures and third-party support failures mean that this month's service and resource requirements are not the same as last month's. The revenue/funding plan variance metric reflects future income expectations; if it indicates an unexpected increase in new citizen accounts, claims and customer support, Network and Logistics must respond to assure adequate capacity. If distribution chain resources are not allocated and aligned with citizen expectations, the expected level of service may be disappointing and become a problem that Executive Management must address. By looking at, for example, possible incentives for addressing short-term delivery concerns, there is minimal long-term negative impact on citizens. This applies most acutely to claims and support services that affect service response timelines.

The ability to see across supplier and distribution chain indicators helps Executive Management understand the overall situation. Planning must take into account handling catastrophic events as well as standard operational cycles. Poor delivery can highlight a problem that may also be reflected in poor process performance. The surge in transactions may create an increase in operating failures that Executive Management must decide either is temporary or requires an increase in capacity. Information, complaints and claims may indicate risk and exposure with certain customers. Temporary process bottlenecks can be solved by looking at delivery performance. Increasing back-office capacity with additional short-term resources may delay investment, but will probably require a reassessment whether the existing infrastructure is sufficient. This ability to see information supply



Supply Chain Cost Index

Procurement
Goals
- Supplier Testing Score
- Supplier Timeliness (%)
- Purchase Price/Unit ($)
- Supplier Performance Rating

Network and Logistics
Goals
- Transaction Timeliness (%)
- Efficiency Ratio (#)
- Customer Growth (%)
- Infrastructure Score (#)

Delivery Performance
Goals
- Average Fulfillment Time (#)
- Fulfillment on Target (%)
- System Downtime (#)

Information, Complaints and Claims
Goals
- Open inquiries ($/#)
- Resolved inquiries ($/#)
- Lost Citizen Count (#)

Results Plan Variance
Goals
- Results Variance ($/%)
- Results Plan ($/%)

Process Efficiency
Goals
- Operational Failures (#)
- Process Cost ($)
- Process Value-Add ($)

Operational Cost Index

Production and Capacity
Goals
- Capacity Utilization (%)
- Systems Up-Time (%)
- Transaction Volume (#)

Cost and Quality Management
Goals
- Transaction Reconciliation ($/%)
- Cost per Transaction ($)

Program Development Milestones
Goals
- Program & Service Development Cost ($)
- Program & Service Development Lead Time (#)
- Project Completion by Milestone (#/%)

Operational Plan Variance
Goals
- Operating Expense Variance ($/%)
- Overhead Efficiency (% of Assets)
- Cost/Income Ratio (%)

Information, Complaints and Claims
Goals
- Open Inquiries ($/#)
- Resolved Inquiries ($/#)

Project / SDLC Management
Goals
- IT Project Completion (%)
- IT Project Lead Time (#)
- IT Project ROI (%)

IT Vendor Management
Goals
- IT Contract Cost ($)
- IT Project Completion (%)
- IT Project Lead Time (#)
- IT Vendor On-Time (%)
- SLA Performance (%)

Operational Risk
Goals
- Operational Risk Rating (#)
- Controls Performance Rating (#)
- Contingency Testing Score (#)

Management Cost Index

Income Statement
Goals
- Actual vs. Plan Variance ($/%)
- Income ($)
- Net Income/Profit ($/%)

Organization and Staffing
Goals
- Average Tenure (#)
- Employee Turnover (%)
- Headcount (#) / Plan (%)

Cost and Quality Management
Goals
- Transaction Reconciliation ($/%)
- Cost per Transaction ($)

Operational Plan Variance
Goals
- Operating Expense Variance ($/%)
- Overhead Efficiency (% of Assets)
- Cost/Income Ratio (%)

Benefits
Goals
- Benefit Cost Increase (%)
- Benefit Costs ($)
- Benefit Costs/Payroll (%)

OPERATIONS | CUSTOMER SERVICE | IT | PROGRAM MANAGEMENT
HUMAN RESOURCES | CITIZEN SERVICES | FINANCE | EXEC. MANAGEMENT

and distribution chains from end to end and to derive information from different decision areas is essential to good leadership. When Executive Management understands the various tolerances and risks, it can confidently make an informed decision. Information gaps are not acceptable reasons for failure.

Operational Cost Index
Executive Management uses operational cost to monitor the operation's backbone and the related cost implications of inefficiencies and bottlenecks. For example, if you approve a new transaction system, how can you manage and monitor its implementation effectively? In the project management/software development life cycle (SDLC) decision area, a clear plan will outline the scope of work and time needed to implement the new system. Executive Management must watch cost and time overruns and perceived risks. You can use the service vendor management decision area and its indicators of past vendor performance to mitigate risks and make better forecasts.

If the policy application process is difficult—causing system rejections, delivery delays and an increase in complaints and claims—Executive Management can look at capacity management. With the information from this sweet spot, it can assess the implications of using overtime to push applications through. You can gauge cost implications from the operational efficiency and quality management decision areas. The increase in operating costs will affect the operational plan variance. Executive Management will use this information to communicate the discrepancy from plan and focus on solving this problem. The above example illustrates the importance of managing the unforeseen by using fact-based indicators. Every organization has to be ready for the unexpected. Government organizations that manage these situations as they occur gain a significant advantage.

Overhead Cost Index
Monitoring support functions with the overhead cost index ensures the balance between cost and value makes sense. If this area underperforms, you can analyze the organization and staffing decision areas to look at headcounts or the income statement to review more detailed functional costs. Management analyzes ratios to understand the cost changes and the relative importance of various support functions or departments. For example, percentage of back-office costs to assets and percentage of branch headcount to total headcount will tell you whether these resources are changing in proportion to the organization. Increasing revenue unaccompanied by an increase in Customer Services headcount could affect future customer relationships and account loyalty.

The results plan variance gives Executive Management a key indicator to determine future resource requirements and support costs. If you expect strong income growth, then this insight can be used to look at the operational plan variance. Senior management can take a more active role in deciding if future income and funding growth requires broad resource upgrades in the support functions. You can integrate the associated increase or decrease in costs into the planning process. Fast, proactive decision-making increases responsive capabilities across the organization.

Long-Term Asset Management

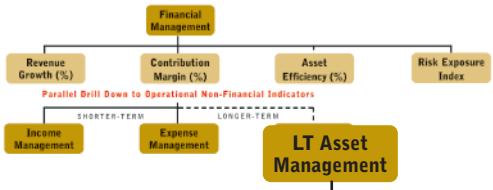
Long-term investment and asset decisions represent Executive Management's opportunity to influence the future direction and success of the organization. This is where the right investment choice can fundamentally redefine both the revenue opportunities and cost efficiencies of an organization. Unfortunately these important decisions are both costly and risky. Senior management has to decide carefully which investment options have priority. The uncertainties involved in these long-term investment decisions are difficult to balance against a backdrop of short-term performance pressures. Failure is not a palatable option. What are long-term assets? From a balance sheet perspective, what asset/liability mix is required, for what risk exposure and at what expected level of performance?

From an executive perspective they also must include intangible assets such as human capital and IT capability and infrastructure. Designing key measures that offer a holistic perspective on these investments (tangible and intangible) allows Executive Management to monitor the long-term health of the organization.

Strategic Investment ROI (%)
The strategic investment ROI percentage tracks strategic projects. This sweet spot lets Executive Management learn from the past and adapt those experiences to future decision-making. Strategic investment decisions, for example, a technology upgrade, require input from a number of decision areas. The customer service decision area may have identified a high-priority crisis response requirement. You may build a case for a technology-based solution if existing options for the organization are limited and program performance analysis shows poor citizen service results. The case for innovation strengthens if your existing service is under-performing and there is little prospect of generating satisfactory response rates. If the market assessment decision area has identified potential solutions that satisfy due diligence tests, you then require financial evaluations. Through the CapEx and strategic investments decision areas, Executive Management can review scenarios with associated ROI assumptions. If these conform to the investment evaluation process, then Executive Management must consider whether the balance sheet is strong enough to absorb the project.

The above example reflects the type of information sweet spots that Executive Management requires in order to make strategic investment decisions. By making strategic investments a dedicated sweet spot, it can monitor investment results and the rationale for specific decisions. With Executive Management well informed by past investment reviews of the key factors that influence success or failure, you reduce the risks for the future.

Staff Productivity Index
Human capital is a key asset of any organization and Executive Management must track this asset's productivity. A basic assessment uses headcount and assets managed per employee by department, but there are many added levels of sophistication in this tracking. Understanding the context for changes in staff productivity requires Executive Management to seek information from a number of decision areas.



Strategic Investment ROI (%)

CapEx and Strategic Investments
Goals
- Investment ($)
- NPV ($)
- ROI (%)

Balance Sheet
Goals
- Return on Assets

Market Service Opportunities
Goals
- Citizen Share (%)
- Market Growth Rate (%)

Program & Service Assessment
Goals
- Product & Service Opportunity ($)
- Market Gap ($)
- Product & Service Risk Score (#)

Strategic/Product Innovation
Goals
- New Product & Service Developments (#)
- New Product & Service Income ($ /%)
- New Product & Service Cost ($/%)

Staff Productivity Index

Organization and Staffing
Goals
- Average Tenure (#)
- Employee Turnover (%)
- Headcount (#) / Plan (%)

Results Plan Variance
Goals
- Results Variance ($/%)
- Results Plan ($/%)

Business Value Map
Goals
- Business Priority Score
- Business Value ($)
- Information Quality Index
- IT Capability Index
- IT Costs ($)

Compensation
Goals
- Average Compensation Increase ($)
- Average Compensation Increase (%)
- Compensation Cost ($)

Operational Plan Variance
Goals
- Operating Expense variance ($/%)
- Operating Efficiency (% of Assets)
- Cost / Income Ratio (%)

Training and Development
Goals
- Skills Rating Gap (%)
- Training and Development Cost ($)
- Training and Development Activity

IT ROA (%)

Business Value Map
Goals
- Business Priority Score
- Business Value ($)
- Information Quality Index
- IT Capability Index
- IT Costs ($)

IT Portfolio Management
Goals
- IT Capability Index
- IT Costs ($)
- IT Efficiency Index

Project / SDLC Management
Goals
- IT Project Completion (%)
- IT Project Lead Time (#)
- IT Project ROI (%)

IT Vendor Management
Goals
- IT Contract Cost ($)
- IT Project Completion (%)
- IT Project Lead Time (#)
- IT Vendor On-Time (%)
- SLA Performance (%)

Results Plan Variance
Goals
- Results Variance ($/%)
- Results Plan ($/%)

Employee Retention (%)

Talent and Succession
Goals
- Employee Satisfaction Index (#)
- Succession Gaps (#)
- Talent Gaps (#)

Organization and Staffing
Goals
- Average Tenure (#)
- Employee Turnover (%)
- Headcount (#) / Plan (%)

Benefits
Goals
- Benefit Cost Increase (%)
- Benefit Costs ($)
- Benefit Costs/Payroll (%)

Compensation
Goals
- Averages Compensation Increase ($)
- Average Compensation Increase (%)
- Compensation Cost ($)

Training and Development
Goals
- Skills Rating Gap (%)
- Training and Development Cost ($)
- Training and Development Activity

Income Statement
Goals
- Actual vs. Plan Variance ($/%)
- Income ($)
- Net Income/Profit ($/%)

MARKETING | IT | HUMAN RESOURCES
CITIZEN SERVICES | FINANCE

If this indicator increases, implying improved staff productivity, Executive Management should look at how to sustain it. The results plan variance decision area may show an increase in income or assets versus expectations and organization and staffing information will help Executive Management see if and where additional staff were employed. If overall headcount has not increased and an assessment of the compensation decision area indicates stable staff expenses, you know your staff is more productive. The value map may confirm that a recent project implementation has had a direct and positive impact on staff productivity. You may have seen an associated increase in training and development expenditures due to the new project, but the result directly improves the staff productivity index. With these figures, Executive Management can push for a review of plans and have other functions record the impact in operational plan variance.

IT ROA (%)
Sudden technology shifts can upend the organizational model, so Executive Management must know where and how IT assets are driving value across different organization units, services and functions. Comparing the upward or downward trend in IT ROA with current financial and operational results lets you see potential weaknesses in IT strategy. Likewise, comparisons with staff productivity and strategic investment percentages highlight the level of alignment with long-term goals. If IT ROA is declining in a high-performing area of the organization, a drill-down on the value map may indicate what specific drivers of performance are at risk, such as revenue growth or profit margins. Understanding who is affected leads to a more productive and proactive approach.

Employee Retention (%)
Retaining employees saves money on recruitment and startup costs; keeping the right employees builds one of your most important assets. The talent and succession review decision area provides additional information for Executive Management, making it aware that new people and talent are necessary to improve the capability of the government organization. Designing a blend of internal career advancement and strategic recruiting of new talent is an Executive Management priority.

If the employee retention percentage is a concern, you may examine compensation and benefits information, looking at government pay grade comparisons. Overall staff cost-to-income ratios provide high-level benchmarks for senior management to compare against recruiting sources. Do you increase staff costs through position upgrading, with the associated effect on the income statement, to reverse a weak employee retention index? Perhaps low employee morale is the cause. If so, improving compensation may not actually change employee retention. In this case, it may be more productive to invest in employee team-building or other employee development programs. Training and development information may help to set an appropriate strategy.

Risk Management[1]

Recent regulatory trends such as the U.S. Sarbanes-Oxley Act (SOX) and the U.S. Federal Managers Financial Integrity Act have heightened the importance of better risk management. So have trends like globalization, integrated financial markets, the knowledge economy and political uncertainty. The resulting environment and constant rapid change have created countless potential threats to organizational performance. Today, more than ever, how well government entities take and manage risks affects their cost of capital. The financial strength of the U.S. municipal bond market depends on confidence that cities can mitigate all risks and not default on their financial obligations.

This decision area provides a consolidated view of several categories and hierarchies of risk, such as financial and operational risk. In addition to these organizations must monitor environmental and natural risks that impact disaster recovery and continuity. Having a single, integrated universe of identified risks that cuts across common organizational units, functions and processes enables more coordinated and cost-effective risk responses.

The trend toward an integrated view of risk has gained ground, in particular due to the U.S. Federal Manager's Financial Integrity Act and its commercial counterpart, SOX. Many organizational and operational risk frameworks are available, including the so-called COSO II, which identifies four high-level objectives that frame risk management components, as shown in this exhibit from their Enterprise Risk Management–Integrated Framework, published in 2004 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The cube visual reinforces the multidimensional nature of risk management and compliance.

Ideally, this decision area combines both qualitative and quantitative information. Qualitative risk ratings and assessments are more reliable and verifiable when they are underpinned by numbers that measure risk incidents, events and loss amounts. Setting accepted risk thresholds, modeling expected outcomes and monitoring actual results ensures finer insights and tweaking for managing risk.

- The four objectives—strategic, operations, reporting and compliance—are represented by the vertical columns.
- The eight components are represented by horizontal rows.
- The entity and its organizational units are depicted by the third dimension of the matrix.

As a subject, risk management warrants a book of its own. Accordingly, this decision area is only meant to provide an overview of what could easily be several more detailed information sweet spots. Also, although it is represented here as a drill down within Executive Management, many organizations have a separate risk management function.

[1] As a subject, risk management warrants a book of its own. Accordingly, this decision area is only meant to provide an overview of what could easily be several more detailed information sweet spots. Also, although it is represented here as a drill down within Executive Management, many companies have a separate risk management function.

For many risks, specific internal controls are in place to mitigate risks. This decision area helps to flag the controls that are most effective and reduce inherent risk to a more acceptable exposure of residual risk.

Risk management is more than tracking obscure or unlikely threats. When risks are tracked against a common map of the organization, it is easier to establish the relationship between performance and risk, like flip sides of the same coin. Insuring common operational risks, notably in Human Resources and Finance, is another area of overlap. For example, the escalating costs of employee benefits and uncertainty in workers' compensation claims are forcing companies to negotiate more self-insurance offerings from their insurance carriers, requiring close analysis and monitoring of reserves-to-losses trends. Likewise, determining the right price for insured cash flow programs requires similar analysis of bad debt reserves.

GOALS	METRICS	DIMENSIONS	
Loss Incidents (#)	Claim Payments ($)	Control Objectives	Risk
Loss Value ($)	Claim Payments (#)	Control Objective	Risk Category
Risk Level Index	Claims Aging (#)	Risk Locations	Risk Type
Risk Management Audit Score	Control Effectiveness Rating	Region	Risk
	Country Risk Rating	State/Province	Strategy Focus
	Environmental Risk Rating	County	Strategic Area
	Est. Loss Incidents (#)	GeoCode	Strategy
	Est. Loss Value ($)	Reporting Period	Transaction Processes
	Intrinsic Risk Rating	Year	Process
	Occupational Risk Rating	Quarter	Sub-Process
	Operational Risk Rating	Month	Activity
	Residual Risk Rating	Information Supply Chain	Organization
	Risk Impact Rating	Information Stage	Division
	Risk Likelihood Rating	Government Program	Department
	Write-off Amount ($)	Program Type	Organization Code
		Program	
		Risk Response	
		Response Type	
		Response	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Risk Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives	•		
	Managers	•		
	Professionals	•		
Finance	Executives			•
	Managers		•	
	Analysts		•	
Legal	Executives			•
	Professionals		•	
Human Resources	Executives			•
	Analysts		•	
Program Management	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
Procurement	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Customer Service	Executives			•
General Management	Executives			•

Compliance Management

Managing compliance responsibilities effectively within the government organization is a sign of distinction for overall risk management credibility. The frameworks that guide compliance are often based on a risk perspective anchored in assessments that suggest which organization areas require audits.

Ideally, compliance management provides an integrated view of obligations across the entire regulatory universe. Most organizations face numerous overlapping statutory and regulatory requirements. Knowing where and how to leverage the same controls for multiple reporting requirements can save you considerable effort in compliance.

As in IT compliance management, this decision area can draw on more than one data source. The first is compliance program management solutions, such as the U.S. Federal Managers Financial Integrity Act, that manage projects and programs to ensure compliance. The second source is a new category of tools, often referred to as continuous controls monitoring software that generate real-time or near real-time information about transactions and flag any

GOALS	METRICS	DIMENSIONS
Compliance Completion (%) Compliance Costs ($) Material Deficiencies (#) Materiality Rating Regulatory Compliance (%) Risk Level Index	Controls (#) Exceptions (#) External Audit Fees ($) Internal Audit Costs ($) Issues (#) Items Overdue (#) Outsourced Internal Audit Costs ($) Qualitative Materiality Rating Quantitative Materiality (%) Reg. Audits Risk Impact Rating Risk Likelihood Rating Sample Size (#) Significant Deficiencies (#) Tests (#)	Application Software Application Type Software Assertions Control Frequency Control Method Control Objective Control Objective Control Owners Function Position Control Owner Control Type Documentation Status Entity Financial Account Financial Statement Type Financial Statement Line Financial Account Reporting Period Year Quarter Month In Scope Key Control Regulators Regulator Type Regulator Reg. Standard Remediation Status Risks Risk Category Risk Type Risk Test Status Transaction Processes Process Sub-Process Activity

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Audit				
	Executives	•		
	Managers	•		
	Professionals	•		
Risk Management				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives		•	
	Managers		•	
	Analysts		•	
	Professionals		•	
Regulatory/Legal				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
General Management, Human Resources, IT/Systems, Customer Service, Program Management, Services, Procurement, Operations/Production and Loss Control				
	Executives			•

exceptions to expected outcomes, as defined by internal controls. For example, inconsistent accounts payable patterns in terms of purchase order numbers or amounts that are just below authorized levels might indicate fraud.

Finally, compliance management can also draw information from solutions that automate manual spreadsheet-based processes, including reports that are used to perform detective or monitoring control activity. The most common and costly, from a compliance perspective, are manual financial reporting and close processes, in particular for consolidation and adjustments.

As compliance can span several regulatory areas, this decision area is only meant to provide an overview of what could easily be several more detailed information sweet spots. Also, although it is represented here as a drill down within Executive Management, many organizations have a separate internal audit function.

SUMMARY

We reviewed thousands of performance management initiatives in writing this book. Organizations successfully engaging with performance management were able to align resources, opportunities and execution to gain a sustainable competitive advantage.

Alignment requires a unifying map and a common language. That is what the framework in this book is about. This shared framework supports and strengthens the management/IT partnership, and the partnership between decision-makers in different decision areas across different functions. It offers a single viewpoint on customers and suppliers, products and services, and the performance results. It ensures people in one division are looking at the same information as people in another.

Three fundamental requirements enable this alignment and successful performance management:

Information Sweet Spots
The issue is not getting more data—people are drowning in data. The issue is getting the right information. The key is to design, group and enrich data into information sweet spots. Information sweet spots help managers make the best revenue growth decisions, the best expense management decisions, the best financial management decisions and the best decisions for long-term asset management.

Managers Perform Within Collaborative Decision-Making Cycles
Decision-makers need to achieve their objectives in the context of the organization's objectives. Information and strategy must be communicated in multiple directions, not just one way. Information sweet spots link executive management and line management. They connect decision-makers throughout the organization and let them understand, manage and improve the organization.

Integrated Decision-Making Functionality in Different User Modes
Each decision is a process rather than an event. Once you see *what* has happened, you may need to analyze it to understand *why* it happened. You must put the occurrence in context to see trends common to other departments, geographies, offerings and, most important, objectives. From there, you can see the way forward and plan the future of the organization.

The Performance Manager

Decision-makers need integrated information at their fingertips to focus on winning, rather than the distraction of gathering information. This requires a system to deliver performance management information whenever and wherever they require it.

Knowing what's happened and why it happened, aligning this knowledge with objectives and articulating a plan to establish a forward view—these are the skills of a performance manager. This book provides a framework to design information sweet spots that will drive your performance. We hope you will use these concepts to surpass the results achieved by performance management initiatives from around the world.

The right information at the right time can make all managers better. More importantly, it can make good managers great. Letting people realize this untapped potential is why we wrote this book. We hope your personal and public successes drive our next edition.

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About Business Intelligence International

BI International is a global expert in providing the frameworks, structures and analytics that allow organizations to properly manage risk and performance.

Since 1995, with *The Multidimensional Manager* and subsequent DecisionSpeed® framework, BI International has pioneered core principles for aligning information requirements with roles, decision-making processes and cascaded goals to drive performance. In 2004, BI International also launched its Aline™ platform for on-demand governance, risk and compliance. These software as a service (SaaS) solutions seek to "right size" Fortune 1000 capabilities so they become affordable for small and medium-sized companies.

For more than 10 years, BI International has led the development of key business intelligence solutions for organizations both large and small across the financial services, manufacturing, government, pharmaceutical, and other industries. Beyond its direct customers, BI International has influenced thousands of organizations worldwide through its thought leadership, frameworks, workshops and design tools. For more information, visit the BI International Web site at **www.aline4value.com**.

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About PMSI

PMSI provides practical and commercial solutions to drive performance with data-driven decision-making using a combination of business consulting skills, data integration and analytical capability.

The design of a successful performance management solution requires the expert understanding of the business decisions and drivers across various responsibilities and functions. PMSI acts as a bridge between the insights needed within a business and the potential IT capability and delivery. The focus is to fully leverage the innovative use of technology and create highly repeatable, business-led solutions while reducing cost of delivery.

PMSI's experience ranges across industry sectors and markets; this cumulative business knowledge and flexibility of solution and approach is of particular value to its clients. For more information, visit the PMSI website at **www.pmsi-consulting.com**.

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Meg started her marketing career in 1990, beginning with campaign management for the national telecommunications carrier of Canada as deregulation was changing the market. She then moved to market development for Internet retail and chip-embedded smart cards before moving to product marketing with Cognos (now part of IBM).

Since joining the company, Meg has worked extensively with executives and decision-makers in the Global 3500 to define and prioritize performance management solutions. This work was leveraged to help shape the vision of IBM Cognos performance management solutions and to communicate the message to key influencers.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: **www.ibm.com/cognos**

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Acknowledgments

The authors would like to acknowledge the many outstanding companies and individuals who have contributed to the publication of *The Performance Manager* and agreed to share their experience publicly:

Judith M. Marta, Chief Budget Officer, Miami-Dade Public Schools

Kamela Patton, assistant Superintendent, School Operations, Miami-Dade Public Schools

Chris Grange, Vice President, Administration, University of Wollongong

From within our own respective organizations, we want to thank the many individuals who have supported the authors, provided thought leadership and "real world" input for the development of the framework and the writing of the book.

From Cognos (now part of IBM), we want to thank Dave Laverty and the management team: Jane Baird, Doug Barton, Drew Clarke, Sue Gold, Chris Kaderli, Dave Marmer, Leah MacMillan, Mychelle Mollot, as well as Forrest Palmer, Rich Lanahan, Rob Rose, Thanhia Sanchez, David Pratt, Tom Manley, Kathryn Hughes, Dr. Greg Richards, Peter Griffiths, Robert Helal, Tom Fazal, Farhana Alarakhiya, Rob Dolan, and Eric Yau.

From BI International, Dominic Varillo, Richard Binswanger, Yasuhiro Kanno and Rich Fox.

From PMSI, Steve Whant, Nicolas Meyer, David Crout, Jeremy Holmes, Nikolay Ulmasou, Martin Perrson, and Andrew McKee.

We also want to recognize Rob Ashe for the thinking and work he has done to create and evangelize performance management as a business imperative.

Finally, we would like to thank Dr. Richard Connelly and Robin McNeill. They are responsible for the genesis of the principles in this book and have supported and coached us through its writing.

The PERFORMANCE Manager

Proven Strategies for Turning Information into Higher Business Performance for Government

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Printed in Canada (07/09)

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