



Making government better— and keeping it that way

Our research into a number of US federal agencies shows that despite considerable obstacles, public-sector organizations can dramatically improve performance.

**Nick Lovegrove,
Garrett Ulosevich,
and Blair Warner**

Agencies of the US federal government have for some time now been under pressure to become materially more effective and efficient. The pressure has only increased with the economic crisis and the growing tide of concern about the federal budget deficit and the US debt burden.

Most people are skeptical of the federal government's ability to achieve major performance breakthroughs. They point to the obstacles: an entrenched workforce, with some employees who lack both the necessary skill and will; the electoral cycle, which constrains ambitious programs; the budget process, which embeds an incremental approach to change; and an array of stakeholders—Congress, industry groups, the media—with different priorities.

Despite these obstacles, however, we have seen several examples of agency leaders undertaking major change programs that resulted in notable performance improvement. Their achievements are rarely celebrated—it is government shortfalls, not successes, that tend to make the news—and consequently, the narrative of public-sector reform remains somewhat uninspiring.

We recently worked with the Center for American Progress to find out what works in government. We identified a set of US federal departments or agencies that could tell compelling stories of recent performance improvement, and we sought to understand what they had done and how. To structure our observations, we used a framework



that has emerged from McKinsey's research into performance transformation in the public, private, and social sectors worldwide. The framework suggests that successful transformations have five phases (exhibit).

1. **Aspire: Define where the organization wants to be**

Effective leaders aim high: we found that 44 percent of change programs that set demanding targets were very successful or extremely successful, compared with 35 percent of those with incremental targets. Successful change programs address both short-term performance and an organization's long-term health. Too intense a focus on short-term performance is like a runner sprinting at the beginning of a marathon: impressive immediate results are achieved by sacrificing the future to the present.

In the public sector, most leaders—knowing that stated targets easily become externally monitored commitments—choose to set modest goals. But this cautious approach carries the risk that one will aim low and achieve lower. What do those who aim high, focusing on both performance and health, do?

Use events as a call to action

Asked to name the greatest threat a statesman faced, British Prime Minister Harold Macmillan responded, "Events, dear boy, events." Indeed, events can destabilize and even derail governments. But they can also spur improvement.

The financial crisis spurred several regulators to seek broad improvements in their organizations' performance and health. The Commodity Futures Trading Commission, the Securities and Exchange Commission (SEC), and the Federal Deposit Insurance Corporation are all undertaking substantial efforts to improve their understanding of, and response to, risk; the SEC, for example, established a division devoted to risk, strategy, and financial innovation in 2009. In the same way, the Gulf of Mexico oil spill gave the Department of the Interior the impetus to reshape and improve the Minerals Management Service (now called the Bureau of Ocean Energy Management, Regulation, and Enforcement).

Government leaders can use less dramatic events—the issue of a new report from the Government

Exhibit

Successful transformations happen in five phases.

1 Aspire	2 Assess	3 Architect	4 Act	5 Advance
Define where the organization wants to be	Understand where the organization is today	Design the change journey	Manage the change journey	Sustain the change
<ul style="list-style-type: none"> • Use events as a call to action • Link the aspiration for change to the mission through a compelling "change story" 	<ul style="list-style-type: none"> • Get to know the career staff • Set a performance baseline • Prepare to build on existing pockets of success 	<ul style="list-style-type: none"> • Plan initiatives to deliver in the short, medium, and long term • Include initiatives focused on shifting mind-sets and behaviors 	<ul style="list-style-type: none"> • Involve the right people • Structure the effort sequentially • Monitor progress 	<ul style="list-style-type: none"> • Develop leaders for the long term • Build broad-based capabilities for change • Create external pressure so the change will stick



Accountability Office, a visible failure, or negative press coverage—as a fulcrum for change. Events such as these alter the balance between the desire for major organizational change and the risk aversion that routinely impedes it.

Develop a compelling ‘change story’

In the aspiration phase, the key objective is to secure buy-in. For that, an organization needs a good story. A compelling narrative is clearly more energizing than a recitation of facts. In many business settings, the change story gets short shrift because it entails emotional more than rational engagement, and is therefore outside the comfort zone of many business leaders.

Government agencies have a clear advantage here: because their mission is to serve the public, they can much more easily craft an emotionally compelling narrative than can players in the private sector. Our organizational research in the public sector consistently shows a robust commitment to the mission as a primary force for change. Leadership must accordingly connect the change program to the agency’s mission.

The Centers for Disease Control and Prevention (CDC), an agency of the US Department of Health and Human Services (HHS), tied a recent change program that required a more collaborative, agency-wide approach to a narrative about a set of “winnable battles”—specific public-health priority areas in which the CDC can significantly improve outcomes (such as reducing new HIV infections and tobacco use). The change story outlined the role of the CDC and the impact on health associated with both success and failure, clarifying to all stakeholders the link between the CDC’s mission and the organizational changes.

Needless to say, some ways of disseminating a change story are more powerful than others. The leaders of a large financial agency communicated the change story for a new strategic plan via videos that captured customers’ concerns about the agency. The videos left no question in viewers’ minds that the agency needed an overhaul. Some agencies invest less time and thought in crafting and communicating their story, to the detriment of the change effort. “Change by memo,” as we have heard it called, is to be avoided.

2. Assess: Understand where the organization is today

Our research has shown that change programs are seven times more likely to succeed when the organization begins with a thorough assessment of current performance and fundamental strengths and weaknesses. But election cycles pressure many leaders to begin the change effort before they have had ample time to assess the situation. Those that do take time for such an assessment often find substantial gaps in the data they need to make crucial decisions.

The speed at which the organization arrives at a good solution and the probability of successful implementation both increase with a well-crafted assessment. Leaders who pay scant attention to the assessment phase are making a shortsighted choice. At minimum, government leaders should take three steps.

Get to know the career staff

Successful political leaders take the time to get to know the career staff, which allows them to identify high performers they can appoint to critical roles in the change effort, enhances the likelihood of broad buy-in, and communicates that the organization's human history and its employees' opinions are important.

Members of the new leadership team at the US Department of Education spent their first weeks in office walking the halls and speaking to all department staff. They also created a Web portal to which staff could submit suggestions. These efforts helped leaders hear people's concerns and determine where there was passion for change in the organization. They also laid the groundwork for an environment of trust and collegiality that would prove necessary to the work ahead.

Set a performance baseline

“Baselining” refers to establishing consensus about the situation as it stands at the beginning of the change program. Baselining can be painful—most organizations resist taking a hard look at themselves—but it builds insight from data rather than anecdote and kick-starts the fact-based conversations that are the hallmark of high-performing public agencies. A baselining effort should include gathering facts on the performance of key agency functions (for example, average time to process a grant application) and developing an understanding of the organization's fundamental health, as suggested by its history in innovation and ongoing improvement.

Baselining often reveals why previous change programs have succeeded or faltered. It also frequently makes clear that the performance of divisions or offices in a large agency varies widely, and thus drives the organization to hold itself to the standards of its stronger offices.

Baselining will prove important farther down the road, when the organization seeks to demonstrate success to employees and stakeholders. On the basis of a baselining exercise, the HHS Atlanta Human Resources Field Office was able to demonstrate during a pilot that a 160-day hiring timeline could be compressed to 36 days.

Prepare to build on existing pockets of success

Baselining also allows leaders to document areas of success and characterize the change effort as building on the organization's strengths, rather than fixing problems. Prior to implementation of the Army Force Generation Model, an effort initiated in 2003 to improve unit readiness and flexibility, the Army conducted an assessment in which more than 215 senior commanders, general officers, and staff from 33 states and territories met to discuss how the Army could leverage its strengths.

Similarly, the leadership and transformation team of one large federal agency identified best practices among its small, midsize, and large field offices. Based on its findings, the agency designed and built new organizational structures and processes. Many offices saw practices propagated that they could recognize as their own, which made them significantly more receptive to all the changes.

The idea of establishing different practices for offices of different size (or for different parts of the organization) may seem obvious. But in fact, enthusiastic head offices often try to apply the same approach everywhere when they find that it has clearly worked well in one area.

3. Architect: Design the change journey

Rolling out change requires a carefully sequenced action plan that delivers impact throughout the journey and at its end. It is otherwise difficult to build buy-in. Change efforts must include initiatives explicitly focused on changing the way people think, which drives the way they behave.

[Plan initiatives to deliver in the short, medium, and long term](#)

A large-scale change program often consists of many initiatives and involves thousands of employees. Momentum is therefore important. Some initiatives must deliver impact in the short term; the credibility won allows time for others to bear fruit.

One law-enforcement agency created an overarching blueprint for a large change program, outlining the various initiatives and accountabilities, as well as the pace of change. The plan included a few measures (for example, a change in policy to enhance information sharing) that yielded immediate results and that were highly visible to a large number of staff. The plan also included intermediate metrics for longer-

term initiatives, ensuring that program leaders could track progress, maintain momentum, and address issues quickly.

[Include initiatives focused on shifting mind-sets and behaviors](#)

Intermediate measures are particularly important for initiatives focused on changing the way people think, because such initiatives take time to come to fruition. A focus on mind-sets is even more critical in the public sector than in the private sector because fully rolling out a change effort may take longer than current leaders' terms of office. The career staff, which will be responsible for seeing the change effort to conclusion, must be persuaded to adopt the necessary changes in thinking. Unfortunately, mind-set change is one of the most overlooked elements among government agencies seeking to achieve transformation.

Several government organizations have used a "pulse survey"—a short e-mail survey that provides trend data on how well initiatives are working—to get monthly or quarterly data on employees' mind-sets and behaviors. Such data can form the basis for adjustments between more elaborate but less frequent staff surveys.

Changing mind-sets—and, consequently, behaviors—requires a multipronged approach: leaders must explain why the changes are important, role model the desired behaviors, build skills among employees so that they can perform the new functions asked of them, and ensure that performance plans, incentives, and other formal systems and mechanisms take into account the demands of the new processes or programs. Given the effort required, it is critical to prioritize the cultural changes needed to deliver the new mission, policy changes, or performance improvements.



4. Act: Manage the change journey

This phase may seem fairly straightforward once the previous phase is completed. In truth, however, every phase of a transformation is replete with pitfalls, none more so than the transition from plan to action. Here the crucial elements are getting the staffing and structure right and monitoring progress energetically.

Involve the right people

As noted earlier, a conscientious assessment phase allows agency leaders to identify their strongest people. Some of these people should be assigned to the “act” phase full-time, whether they join a program-management office or become directly responsible for implementing the most critical changes. If well-respected people take the lead, their colleagues will follow.

But how can agency leadership engage high performers? Leaders must make it clear that, in addition to being profoundly important to the agency’s mission, success in the change effort will bring concrete benefits—for example, advancement, financial reward, significant learning opportunities, or senior exposure. Where advancement is not in the cards, leaders must guarantee high performers a job to return to. If the people

who stick their necks out at the beginning of a change program get their heads chopped off, no further change will materialize.

To draw managers into the restructuring of the Federal Trade Commission’s Bureau of Consumer Protection, the organization made it possible for participants to develop expertise in cutting-edge legal issues; they could then share this expertise within their own divisions. At the CDC, program managers who participated in a change effort naturally got more exposure to the agency’s director. The increased visibility often led to their programs receiving additional congressional funding.

Structure the effort in waves

Most agencies do not have the capacity to roll out all the changes in all parts of a large organization at once. They thus do so in waves—that is, one set of initiatives or locations (or both) at a time. An effective rollout model for large, geographically dispersed federal agencies is some version of “train the trainer”: the team that designed the changes conducts the first wave, often with the support of consulting or training staff. Selected participants in the second wave watch the first wave in action so that they may train

their wave-two team members. A few participants from wave three watch wave two in action, then serve as trainers for wave three, and so on.

There is often some attenuation as waves of learners and teachers become increasingly distant from the program's origins. The earliest waves should therefore start very strongly. To do so, they should be given the maximum resources possible.

Monitor progress

Agencies cannot afford to wait long to find out how the change effort is going. Performance management is crucial. Every office must come face-to-face with the agency head to answer a common set of questions: have you made the agreed-upon structural changes? How many site visits have you conducted? Have you filed the required reports? Over the course of transformation programs, what has historically been a routine administrative exchange between headquarters and the field becomes a high-intensity interaction between the agency's most senior figure and division or office leaders.

To make performance management work, a single person within the agency should be responsible for each outcome identified in the "architect" phase. Headquarters should provide people with the opportunity not merely to report but to raise issues in a timely fashion. For example, when the Social Security Administration (SSA) set a goal of moving to electronic disability claims processing within 36 months, it created a formal governance body that received standard reporting and updates on progress against the timeline. The SSA also held a biannual forum for deputies to present the progress of their change efforts.

5. Advance: Sustain the change

In sustaining the impact of a change effort, patience adds more than impatience subtracts. An

effort conducted by an impatient leader will last a new appointee's tenure—but leaders who take the time to build a cadre of "change agents" and develop broad-based capabilities throughout the organization can embed change that will long outlast their tenure.

Develop change leaders for the long term

Leadership development as a means to advance the organization begins with leaders as individuals—that is, leaders must clarify and deepen their personal vision and embrace a sense of accountability so that they can model the change they want to see. This is best achieved through a "field and forum" approach that combines the pursuit of new initiatives in the field with self-reflection in periodic forums. The process should be designed to help leaders create networks across organizational boundaries. Methods include establishing mini-boards of six to eight leaders who meet regularly to give one another support and advice, and creating coaching assignments in which senior leaders mentor rising leaders outside their areas.

The SSA, for example, has a series of leadership-development programs, each of which tries to build core skills such as leading change, negotiating, and becoming more results oriented. Each program lasts 18 to 24 months and incorporates a series of 4- to 6-month rotational assignments, executive interviews, and "shadow" programs (in which junior staffers learn by observing senior leaders as they perform their day-to-day duties).

Build broad-based capabilities for change

Successful leaders recognize that a change program provides an unparalleled opportunity to build the skills required for continuous improvement. Failure to build these skills will limit the power of the change that is achieved.

The SSA’s move to electronic claims processing, for example, built capabilities—and trust—between the technology group and business units because staff jointly created timelines and action plans. SSA staff also sharpened their skills in communications and project management. As a result, subsequent efforts to roll out new technology have been considerably easier to execute. Automation has become the expectation in routine business processes, creating constant pressure to reevaluate and improve.

Similarly, the Navy’s Sea Power 21 transformation effort in 2002 focused on greater coordination among personnel processes (recruiting, training, and assigning) and acquisition processes (such as buying ships and aircraft). Building cross-functional capabilities was critical given the Navy’s need to constantly adapt in addressing developing regional challenges and transnational threats. The effort became a template for ongoing improvements in the Navy’s day-to-day operations. The ultimate goal is to evolve from an organization that undertakes transformations, freezes, and then undertakes new ones, to an organization that continuously adapts to a changing environment.

Create external pressure so the change will stick
New brooms sweep clean. How does one avoid change for change’s sake at the hands of the next political appointee? Change becomes “sticky” when its originators win the support of external stakeholders who will be around when those who initiated the transformation have left office.

We have already mentioned ways in which agencies win the support of internal players; the same techniques can apply to external stakeholders.

The Substance Abuse and Mental Health Services Administration, an HHS agency, has a data-collection and analytical tool with which program officers can track and assess how their grantees are performing in real time. The tool’s success reflects the process of its creation: grantees and project managers were heavily involved and provided feedback throughout the development process. Grantees now find the system reflects their interests and needs—and they are therefore powerfully motivated to discourage unnecessary overhaul.

At the simplest level, when external stakeholders are involved in providing significant resources for a program they have come to believe in, they will go far to inhibit anyone who wants to overturn the program.



There are clear patterns of success in the transformation of large, complex organizations, and these patterns apply as much to the federal government as elsewhere. The barriers are significant, but the government itself offers many examples of transformational leadership that have materially enhanced the performance of major departments and agencies. These provide a de facto blueprint for effective transformation that any government leader can apply with confidence. ○