McKinsey on Government

Change under pressure

Introduction

All over the world, governments are facing enormous fiscal challenges—and embarking upon a crash program of doing more with less. This edition of *McKinsey on Government* focuses on how governments can change under pressure while also meeting Hemingway's call for "grace under pressure." Change of this scale and significance is hard, but it can be done professionally, humanely, and well.

In the first article, "Making government better—and keeping it that way," we discuss how US federal departments and agencies have transformed their organizations. Informed by recent research we conducted with the Center for American Progress (CAP), the article explores the ways in which change is possible despite the constraints typical in the public arena. At the heart of the article is a "five frames" model, the efficacy of which we have witnessed in both the public and private sectors. Organizations aiming to initiate and sustain major change must aspire, assess, architect, act, and advance. We illustrate this thesis with a series of examples from across the federal government.

In "'A duty to modernize': Reforming the French civil service," we look at one of the more ambitious government-reform programs currently under way. François-Daniel Migeon is responsible for coordinating the Révision générale des politiques publiques (RGPP), the French state's massive effort to achieve structural reductions in the country's public expenditures. In this interview, he reflects on the progress of the RGPP, which encompasses more than 450 initiatives in all 18 government ministries—and the challenge of relentlessly traveling the road to reform, obstacles notwithstanding.

"Toward a more efficient public sector" then takes on the critical need to reduce the cost of government. Cross-government efficiency

programs are now a feature of the landscape in many countries—notably Canada, France, Greece, Spain, and the United Kingdom. Efficiency savings alone may be insufficient to solve the deficit challenges, but they will be crucial nevertheless. We highlight four actions for government leaders who choose to pursue a sustainable approach to efficiency-led transformation, drawing on experience from both the private sector and governments worldwide.

The next article, "Doing more with less: A government roundtable," offers excerpts from a 2010 CAP conference panel in which four high-ranking US government officials—from the Departments of Commerce, Education, Health and Human Services, and Housing and Urban Development—shared how their organizations have been able to modernize government operations despite tight budgets. As the officials note, it is all too easy for ambitious reform goals to be sidelined because of changing political priorities, the difficulty of measuring success, risk aversion, and other factors.

"Deliverology: From idea to implementation" sets out the key elements of an approach to managing change that was developed and refined in the UK prime minister's office. Deliverology, which seeks to ensure that top-level policies are successfully translated into ongoing grassroots activities, has now been applied in a number of countries around the world.

Any program to improve government performance requires strong management of talented people. In this regard, an opportunity presents itself to make a virtue of necessity: in the next few years, the US federal government will be hiring about 600,000 people—one-third of its current workforce. In "Beyond hiring: An integrated approach to talent management," we discuss how US agencies

can better evaluate and recognize performance, develop leaders, engage employees, and strengthen HR capabilities—and, by doing these four things right, create a talent culture.

We close this edition with a recommendation to public organizations to use "performance dialogues"—regular, structured, face-to-face conversations between managers and their direct reports about performance—to catalyze change. Most organizations recognize the value of these kinds of conversations but rarely view dialogues as a starting point for improving overall performance. In "Shall we talk? Getting the most out of performance dialogues," we explain why we believe these conversations should come first. As long as they are fact based, action oriented, targeted, constructive, and challenging, dialogues can be a powerful first step toward (to borrow a resonant phrase) change one can believe in.

We hope you enjoy this sixth edition of *McKinsey on Government*. We welcome your thoughts and reactions at McKinsey_on_Government@ McKinsey.com.

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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

Neil Webb

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

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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**
• Use events as a call to action • Link the aspiration for change to the mission through a compelling "change story"	• Get to know the career staff • Set a performance baseline • Prepare to build on existing pockets of success	• Plan initiatives to deliver in the short, medium, and long term • Include initiatives focused on shifting mind-sets and behaviors	• Involve the right people • Structure the effort sequentially • Monitor progress	• 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 trans-formation 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 incor-porates 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.

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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. ○

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'A duty to modernize':
Reforming the French civil service

François-Daniel Migeon, a change leader who has worked in both the public and private sectors, heads the agency charged with modernizing France's public services. In this interview, he reflects on the challenges, rewards, and realities of large-scale government reform.

Karim Tadjeddine

Shortly after taking office in 2007, France's President Nicolas Sarkozy and Prime Minister François Fillon launched a reform program— the Révision générale des politiques publiques (RGPP)—to achieve structural reductions in the country's public expenditures and, in Fillon's words, to "do better with less." The ambitious program has other goals as well: to modernize government, improve services for citizens and companies, ensure greater recognition for the work of civil servants, and promote a "culture of results."

The RGPP has launched more than 450 initiatives in all 18 government ministries. Among these initiatives are structural reforms (including mergers of France's tax and collections agencies),

changes in governance models (such as the implementation of a performance-based funding system for universities), service improvements (for example, acceleration of the naturalization process), and improvements in support functions such as IT and human resources.

It has not been an easy road, but the government remains committed to the RGPP. The task of coordinating and supporting all RGPP initiatives falls to an interministerial body, the Direction générale de la modernisation de l'État (DGME), led by former consultant François-Daniel Migeon.

A graduate of the École Polytechnique—the foremost French engineering school—and a

Kate Miller

member of France's Corps of Bridges and Roads, Migeon was at McKinsey from 1999 to 2004 and then again from 2006 to 2007. He also has experience in the public sector, most recently serving as adviser to the French minister of economy and finance on the modernization of governance.

In September 2010, Migeon spoke with McKinsey's Karim Tadjeddine in Paris. Excerpts of the conversation follow.

McKinsey on Government: For the first time in decades, France has embarked on a wide-ranging reform program. Recent reform programs all focused on relatively narrow areas and were nowhere near as ambitious as the RGPP. What do you think makes such a large-scale transformation effort possible this time?

François-Daniel Migeon: The reach of this reform program is indeed second to none. All 2.5 million civil servants are involved in this modernization plan. It has already delivered more than €7 billion in savings, and a new set of reforms—announced in June 2010—should yield an additional €10 billion by 2013.

Two factors have made the launch of such a major endeavor possible. First, it is grounded in the commitment of the highest level of government. This program was part of President Sarkozy's campaign platform, which means it had compelling support from the public. The second factor is widespread acceptance from public-sector workers—both because of the civil service's image deficit (which was revealed by a number of surveys in 2007) and also because with the economic downturn, the entire nation felt it had to mobilize. Civil servants understand that in order to truly serve, their duty now is to modernize.

McKinsey on Government: The RGPP touches all areas of the administration. All-encompassing reform seems both complex and risky. What were the reasons for choosing that route?

François-Daniel Migeon: Actually, I would say that the decision to get everything moving at once is one of the key success factors of our approach. It symbolizes a quest for fairness—we are asking all public-sector workers to play their part. This is not to say we are asking all of them to make the same effort: the field of higher education and research, for example, was treated as a national priority, so we didn't place the same economic constraints on this sector as we did elsewhere. But overall, every sector contributes to the transformation effort.

Another reason it's useful to get everything moving at once is that reform begets reform. It creates momentum, which allows us to commit significant resources to support and drive further change. So, in terms of management, this global scope is a factor of complexity—but in terms of ambition and political support, it really is an enabler of success.

As far as what elements made it possible, the key factor is the vision conveyed by all these transformations. There are now 450 reform initiatives, which could end up sounding like a laundry list. But when we launch each reform, we never lose sight of the vision that we're building: the vision of an agile administration, resolutely oriented toward the citizen, putting its resources into core services rather than support functions and creating a better working environment for civil servants. This vision runs like a thread through all these measures. Having formulated and defined these measures, we can get to work on concrete topics. And we can do so quickly, without having an ideological debate about the vision.

McKinsey on Government: *Tell us about the role of the DGME.*

François-Daniel Migeon: The DGME is all about catalyzing transformation. We often refer to ourselves as the "task force" of the reform. We are there to ensure that results are achieved faster and to guarantee the effective transformation of administrative departments and services.

But transformation begins at home, and the transformation of the DGME itself involved both root and branch. To start with, our staff turnover is about 30 percent a year, so over three years you can imagine how many people have changed in the department. Since the launch of the RGPP, we have renewed our entire staff. We migrated our skills from what might be called a "classic" civil-service model toward a model with a far greater balance between public- and private-sector skills. We lowered the average employee age a little, and we reinforced skills in change design and management. The DGME today draws on the various backgrounds of its 130 members, all of whom have expertise in conducting or supporting transformation projects.

McKinsey on Government: *You have said that you want to "inoculate the gene of the user into the administration's DNA." What do you mean by that, and how do you intend to go about doing it?*

François-Daniel Migeon: The idea is very simple: we have to put the citizen at the heart of the administration, or else the administration will look for objectives of its own. The imperative for the DGME is to remind everyone that it's all about better serving the citizen.

A meaningful metric for this philosophy is the recent publication of a quality-of-service barometer. We selected about 15 indicators based

on citizens' primary expectations—expectations that we identified through satisfaction surveys, demand analyses, and studies of administrative complexity. For each of the 15 indicators, we make a commitment to support the relevant ministries in improving their performance.

One example: waiting times in accident and emergency (A&E), which for 83 percent of French citizens is an indicator of central importance. We worked in a number of hospitals to reduce A&E waiting times, and after experimentation, we observed an average time reduction of 28 percent.

Another example: again based on citizens' expectations, we identified what we call "life events"—for instance, getting married, having a child, hiring an employee, or losing an official document—that concern citizens, companies, and public organizations. We assessed the complexity level and frequency of each life event to determine priorities for action, and then we conducted diagnostic studies to identify ways of simplifying procedures. We committed to a program that, by 2012, has to come up with 100 simplification measures, and to date we have defined 30. One example is enrolling in the electoral list online, a service for which there is significant demand in France. The same goes for compulsory registration of all citizens at age 16. The 16-year-old demographic group said to us, "We ought to be able to do that on the Internet." Well, now they can.

We also focused on what we call "demonstrators"— high-visibility transformations that show impact quickly. In the area of naturalizations, for instance, we had a huge backlog and long delays in the processing of cases. We worked on the regulatory aspects to change the way cases were processed and to eliminate dual processing (cases used to be examined at both

François-Daniel
Migeon

the local and central level); we also helped the frontline staff in every office review their ways of working to speed up processing. After a few months, backlogs were reduced significantly and we were able to redeploy personnel.

Those are a few concrete examples of where citizens' expectations have led to simplification measures. Our principle is this: start from their expectations, devise tangible solutions, and implement them quickly.

McKinsey on Government: You make it sound very easy, but we all know that reform is hard. What are some of the difficulties you've come up against, and how did you overcome them?

François-Daniel Migeon: I would highlight four main roadblocks. First, I didn't expect to encounter inertia of such magnitude—inertia that is due to the scope of the program, the number of workers involved, and the strength of habits anchored for decades or more in the public sector. I've since learned not to underestimate the amount of energy you have to invest just to ignite the change process and set organizations and people in motion.

Second, it was difficult to communicate change in a world where internal communication

channels and change-management practices have historically been rather restricted. In response, we heavily leveraged "champions" who acted as heralds of the transformation. We also undertook relentless efforts to explain and persuade stakeholders of the validity of the program.

A third barrier has been the difficulty of transferring the multidimensional set of transformation skills that reform requires. One cannot imagine conducting a transformation on this scale without having leaders at every stage to take initiative, to take responsibility, to take risks. For this reason, we decided to set up the School for State Modernization, with three campuses. The first campus is targeted at upper management. We hold sessions where managers can share their experiences and talk about the transformative effect that managing change has had on them. We have a second campus for middle management, where we instill a taste for change and impart the basic tools required to enable managers to adopt this mind-set of project thinking and commitment, risk taking, planning, and leading from the front. A third campus has a more operational orientation, where we teach more conventional operational-improvement tools. Our goal is to train about 800 people a year at the school.

The fourth main difficulty is yet to come: we still have some progress to make in reviewing and redesigning public policy, which is the next frontier for the RGPP.

McKinsey on Government: The RGPP aims at moving from a "resource-based" to a "results-based" approach, which entails new systems and processes. Public-sector workers initially greeted these practices with skepticism. How did you manage to assuage their misgivings?

François-Daniel Migeon: The migration from a resource-based to a results-based approach didn't begin in 2007. The LOLF (the Loi organique relative aux lois de finances), which was passed in 2001 and came into effect in 2006, requires public-sector leaders to report on the effectiveness of the use of public funds. So the RGPP started in a context where the language was already in place and mind-sets were already prepared for this results-based logic. The important thing was to put the theory into action, and that is what RGPP has achieved.

How did we do it? Success is the best kind of publicity, so we started by finding departments that were themselves convinced of the potential for improvement, and we worked with them—for example, on optimizing the naturalization process or putting in place a new central purchasing function. In each case, we got the project under way and, building on its initial success, rolled it out across the department.

People now accept that change is the rule. Managers or frontline staff no longer ask, "Should we transform or not?" but rather "How are you going to help us transform?" Currently, we are very much in a guidance and support mode, and people are asking for that support—which is

understandable, as a transformation on this scale is naturally uncomfortable for frontline staff.

McKinsey on Government: Speaking of frontline staff, what role does the transformation of HR play in all the reforms?

François-Daniel Migeon: By 2012, the RGPP plans to reduce by 150,000 the number of civil servants, largely through nonreplacement of one out of every two retirees—a significant level of downsizing. What do we have to do to make it work for the remaining staff? The starting point is to respect the professional loyalty of the frontline staff. You can't ask civil servants to act in a way that negates the fundamental reason they are there: to serve the public. So you must respect that and build on that logic of improving the provision of services.

Once you have that starting point, you need a promise. The promise at the heart of our initiative is one of greater mobility, more career opportunities, and better compensation. Concerning this last point, there is a formal commitment—which has been honored—to plow half of the resulting payroll savings into the compensation system of the civil servants.

Respecting people's loyalties and keeping promises are the two preconditions for such a transformation; the next step is actually doing it. And for that you need legislative and operational tools. The legislative tools were provided by a 2009 law that encourages public-sector mobility by introducing a more flexible grade structure. The operational tools are, for example, the implementation of online interministerial mobility platforms designed to facilitate personnel movements at the local level.

McKinsey on Government: What lessons have you learned so far from the RGPP that might

be of interest to policy makers in other countries? What would you say are the key success factors for a large-scale transformation?

François-Daniel Migeon: The first success factor is, very clearly, commitment at the highest level of government. The second, which to some extent echoes the first, is to invite public scrutiny. You have to be transparent. If you try to keep it all under wraps, then the whole thing is lost. We set up a monitoring mechanism that publishes a quarterly performance dashboard, giving a very visual overview—using traffic-light indicators, a language that everyone understands—of where the reform is making progress and where it is struggling.

The third is to obtain visible results quickly. The reform must make a concrete, tangible difference in terms of improving services—primarily to reassure those involved that we are heading in the right direction, and then, quite simply, so that the public understands and, in turn, follows the movement toward reform.

Those are the three most important success factors. A fourth, no doubt secondary to the others, is to invest the right degree of energy at every level. To transform, you need skills. But the specific skills you need are not always in place; you have to find them.

One of the strengths of the current initiative is our insistence on showing that this is not an exercise in political grandstanding. It was crucial for political decision makers to also make a commitment to monitoring and ensuring the quality of the reform implementation program. To this end, we set up a monitoring committee—jointly chaired by the general secretary of the Elysée and the prime minister's cabinet director—which includes all the ministers in charge of the reform. This committee meets on a quarterly basis to hear progress reports on each reform and make decisions at the right level. This ensures—and signals—that the reforms are and remain a political priority. It is also a way of mobilizing the administration at every level to address the issues that inevitably arise.

McKinsey on Government: On a more personal note, your profile is somewhat unusual in the French public-sector landscape: you have divided your career between the senior civil service and management consulting. How has this helped you in your current role?

François-Daniel Migeon: Quite frankly, I think it's a strength and an advantage. When you want to accelerate change, it's essential that you know where to position the cursor between ambition and realism. Having guided major industrial groups in their transformation processes and also having experienced public administration from the inside, I have a certain freedom of choice when it comes to positioning that cursor. ○
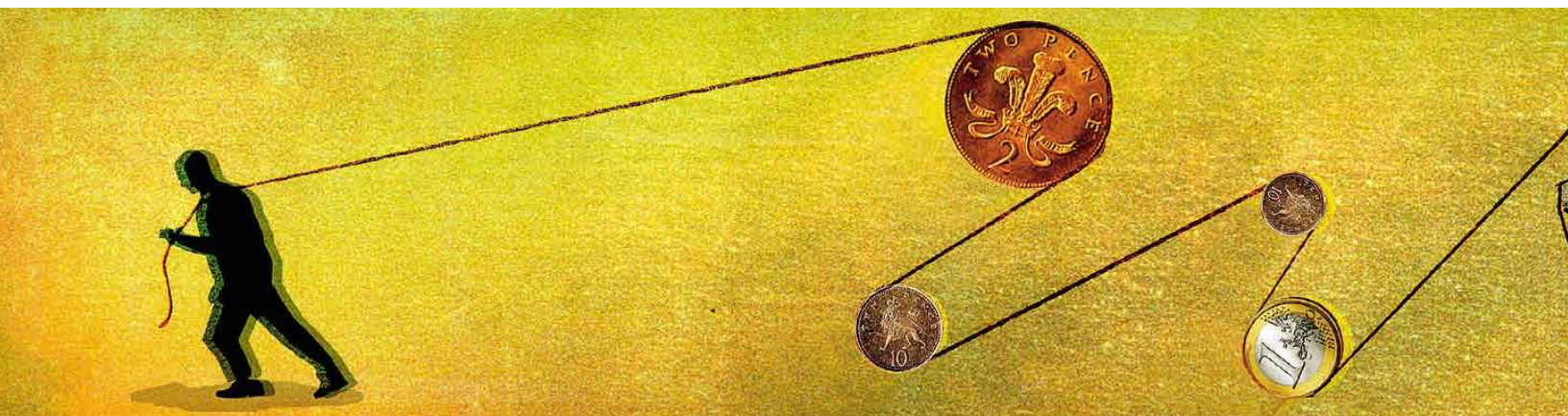
Toward a more efficient public sector

As they undertake efficiency programs, government leaders should take four actions to ensure their efforts are effective and sustainable.

Toby Gibbs,
Alastair Levy, and
Kevin Sneader

Many governments around the world face a once-in-a-generation need to significantly reduce their expenditure. Views differ on the speed with which governments must respond to the economic crisis, but a number of governments have already announced plans to capture savings that are unprecedented in their countries' recent history. In the United Kingdom, government departments have recently been given savings targets of up to 40 percent, with all departments required to reduce headquarters costs by 33 percent. Government-wide efficiency programs are also in place in other countries including Canada, France, Greece, and Spain. Even those governments not currently facing major efficiency drives are increasingly considering how to do more with less.

To be sure, efficiency savings alone are insufficient to solve the deficit challenges, but they will undoubtedly play a critical role. This article highlights four actions for government leaders who choose to pursue a far-reaching and sustainable approach to efficiency-led transformation. It draws on experience from governments worldwide that have undertaken efficiency programs. It also draws on lessons from the private sector, where productivity and associated notions—such as continuous improvement, innovation, and scale—have long been part of the management lexicon.

We recognize that there are important differences between the public and private sectors. Government leaders face challenges—including

Brian Stauffer
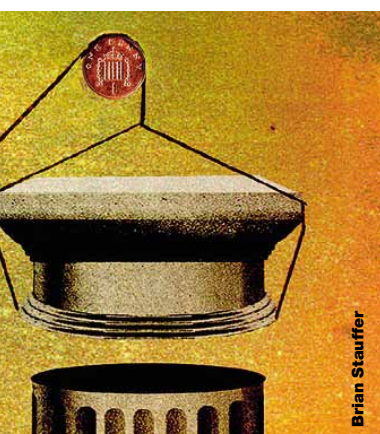
legislative constraints, organizational complexity, and public scrutiny—that are rarely evident to a similar extent in the private sector. As recent public protests in many countries across Europe have indicated, every government efficiency program will almost certainly encounter opposition from the public and other stakeholders. Yet tough times can create the impetus for previously unthinkable transformations in the public sector. In the United States, the New Deal in the 1930s introduced big changes that have stood the test of time: among them, the Social Security Act, the Securities and Exchange Commission, and the Federal Housing Administration. The United Kingdom created the National Health Service (NHS) during the austere years following World War II. It was in the wake of Sweden's economic and banking crisis of the 1990s that the Swedish government created momentum for major reforms in health care, education, and beyond.

To achieve such radical transformations, political leaders and senior officials must create the will and vision for deep-rooted change. Without such a vision, any efficiency program will be regarded as a cost-cutting exercise, rather than as a renewal of public services that can engage employees at all levels of the organization. The German Federal Labor Agency, which in 2003 embarked on a major transformation program in the face of persistently high unemployment, showed how an agency can use a crisis as a catalyst to create something new and better. A new, more focused mission statement was at the heart of the transformation and directly fed into a new set of priorities, focused targets, streamlined corporate functions, and an entirely new organization model, which affected all 90,000 of its employees.

In the face of both enormous efficiency pressures and barriers to change, we believe government

leaders will benefit from considering the following four actions.

1. Work out what really matters— and stop everything else

Delivering major efficiency savings requires rethinking and reprioritizing all areas of activity— and, most important, making active decisions on what to stop doing. A sign of intelligent cost reduction—as opposed to reactive slashing— is that costs are not cut uniformly across the board.

Private-sector companies that respond effectively to financial downturns quickly identify the businesses, products, and capital programs they want to maintain, those they need to rein in or stop, and those in which they want to invest. They proactively prune their portfolio, allowing favored priorities to flourish. In the public sector, a more nuanced approach is needed, since there are many activities that the government must continue because of legislation or for reasons of fairness; governments also lack the flexibility of a business, which can simply decide to stop serving an expensive-to-reach segment of the population. However, these constraints should not prevent a detailed review of expenditure.

The primary aim of Canada's Program Review of 1994–95, a major government transformation effort, was to reduce the country's deficit by reducing expenditure. The Canadian government used six criteria to review each spending program (exhibit). The review led to the elimination of a number of activities (for example, agriculture and transport subsidies) and radical changes in how certain services were delivered (including privatization of air navigation).

In undertaking such a review, leaders should force objectivity, insisting on facts rather than opinions and valuing brutal honesty. To help

Exhibit

Canada's Program Review used six criteria to help reduce expenditure.

1 The public-interest test
Does the program or activity continue to serve a public interest?

2 The role-of-government test
Is there a legitimate and necessary role for government in this program area or activity?

3 The federalism test
Is the current role of the federal government appropriate, or is the program a candidate for realignment with the provinces?

4 The partnership test
What activities or programs should or could be transferred in whole or in part to the private or voluntary sector?

Abandon or transfer

5 The efficiency test
If the program or activity continues, how could efficiency be improved?

6 The affordability test
Is the resultant package of programs and activities affordable in a time of fiscal restraint? If not, what programs or activities should be abandoned?

Source: Jocelyne Bourgon, *Program review: The Government of Canada's experience eliminating the deficit, 1994–1999—A Canadian case study*, The Centre for International Governance Innovation, September 2009

ensure that they understand trade-offs and make the best decisions, they should seek to develop a robust fact base that provides a clear view of the costs—as well as the cost drivers—of each initiative and program. Ideally there should also be a clear understanding of the effectiveness of different interventions. External benchmarks can be helpful in this regard: for example, recent research that lays out the cost and effectiveness of various interventions for reducing greenhouse gas emissions has helped governments prioritize environmental interventions.[1]

Of course, eliminating services or activities is politically sensitive and thus difficult for

governments. It requires close collaboration between political leaders and officials, a clear set of policy priorities and decision criteria, an explicit decision-making process at the ministerial or even national level, and a thoughtful communications plan for the public.

2. Shake up and clarify roles and relationships

A refocused set of activities is likely to require new organizational arrangements—new structures, roles, relationships, and linkages within and among all the organizations involved in policy making, funding, delivering services, or managing performance.

[1] "Pathways to a low-carbon economy: Version 2 of the global greenhouse gas abatement cost curve," January 2009; and "Impact of the financial crisis on carbon economics: Version 2.1 of the global greenhouse gas abatement cost curve," August 2010, McKinsey & Company.

Large-scale organizational changes in government are typically beyond the remit of individual senior leaders. Indeed, in some countries, the organizational landscape is regarded as untouchable and outside the scope of any review. However, explicitly discussing the efficiency benefits of organizational changes, where they are possible, can be enormously valuable. For example, in a local government context this might involve distinguishing between "democratic" units (in which elected members of a local authority make decisions affecting a local area) and "operational" units (in which neighboring authorities may choose to benefit from economies of scale by combining certain back-office functions, such as procurement, or frontline services, such as garbage collection).

A good starting point is to take a clean-sheet approach: with no legacy, what would be the ideal set of organizations to deliver the revised priorities, and how would they work together? Organizational arrangements should then be reviewed at multiple levels:

At the center. Governments and agencies should be thoughtful about the size and role of the center. Global private-sector organizations often have strategic centers that are relatively small: GE's corporate center of about 550 people runs a business with more than 300,000 full-time-equivalent (FTE) employees; Johnson & Johnson has more than 100,000 FTEs, and its center consists of approximately 1,000 people. Such small centers are less common in the public sector, but they are certainly feasible. As part of its recent reform program, for example, the German Federal Labor Agency reduced head count at its headquarters from 1,200 to 400.

The size of the center will depend on its role, and what is right for one country may not be right for another. In the Swedish government's efficiency drive in the 1990s, the center of government set cost-reduction requirements, leaving individual agencies to identify and deliver these reductions. By contrast, France has constructed its reforms as a single integrated program (see "'A duty to modernize': Reforming the French civil service," p. 12). Regardless of the approach, the center of government or of a major agency has a unique role in setting objectives, determining where change should be centralized or devolved, clarifying accountabilities, and identifying the capabilities and incentives needed to make change happen. Activities beyond these are likely to be worth reviewing.

Across areas of public services. Delivery of public services often involves a complex system of multiple organizations including policy makers, regulators, payors, and providers. Adjusting these relationships can be a major driver of efficiency. For example, in an approach that drew on lessons from charter schools in Sweden and the United States as well as independent not-for-profit hospital models in other countries, England's NHS conferred "foundation trust" status to higher-performing hospitals, gave them greater indepen-dence, and increased the participation of staff, patients, and the public in their governance. Since their creation, foundation trusts' financial performance has been significantly better than that of other hospitals. At the same time, a statute established a new independent regulator, Monitor, to assess whether hospitals should be given foundation-trust status, regulate the performance of foundation trusts, and develop their leadership and managerial capabilities.

Among the public, nonprofit, and private sectors. Transferring activities from the public sector to the private or nonprofit sector has been a valuable source of savings in some countries: it was an

Leaders often overlook the "soft" elements—the culture, capabilities, people, and processes—that allow efficiencies to stick and that make the impact sustainable

important part of the New Zealand reforms between 1984 and 1991 and the Canadian Program Review, for example. The current UK government has made it a priority to have more public services (such as support for children with special needs) delivered by nonprofits.

In making any of these types of organizational changes, governments should focus on capturing benefits—be it in the form of reduced overlaps, greater expertise, improved responsiveness, streamlined processes, or better outcomes for citizens. Otherwise the changes will merely shift responsibilities from one entity to another without creating benefits for efficiency or outcomes.

3. Relentlessly drive out costs

Once governments have developed a vision, prioritized activities, and worked out the organizational landscape to deliver them, the focus must turn to driving out costs. Public-sector leaders must take the following steps:

Scour the landscape for the largest opportunities. Many organizations dive into only a few high-value areas (such as increasing the efficiency of existing operational processes) and overlook other opportunities, thus risking leaving substantial savings on the table. Instead, they should take a broad perspective and systematically look at all levers, considering savings potential, feasibility of delivery, and impact on wider policy objectives and economic growth. For example, the 2010 UK Spending Review looked in parallel at tax rates and tax compliance, social-security

benefits, and administrative, program, and capital spending. Taking a broad perspective will help identify new opportunities: for example, few governments today have implemented the private sector's best practices in procurement, despite the fact that procurement typically represents about 30 percent of the expenditure of governments in Organisation for Economic Co-operation and Development countries (excluding transfer payments such as social-security payments).[2]

Seek scale where it matters. To gain economies of scale, public-sector bodies have mandated consolidation and standardization in procurement and IT, established shared-service centers across government departments, and aggregated local services in regional clusters. Some governments have established multiforce police air support bureaus, for instance. Others, such as Denmark and, more recently, the United Kingdom, have centralized significant areas of procurement to achieve major savings. The complexity and size of the public sector mean that significant opportunities remain for improvements of this type, but they are harder to deliver than in many corporate settings. Clear communications about the benefits of the changes—especially to members of the public who may have lost a "local" provider—are crucial to success.

Simplify and streamline where scale does not matter. Governments have become more efficient by applying lean methodologies, though improvement opportunities remain in many areas. Lean techniques have been successfully applied to repeatable processes in areas as diverse as tax

processing, defense logistics, health care, and court services. Applying a lean approach to policy making in a European government led to the development of a new policy-making approach and flexible resourcing model. Importantly, our experience is that efficiency and effectiveness go hand in hand: rather than forcing a trade-off, lean transformations can improve citizen outcomes, customer service, and job satisfaction while reducing costs.[3]

Streamlining can deliver many times the impact if implemented at scale. One way to scale up is to establish a departmental or government-wide academy for building internal capabilities for continuous improvement. The NHS Institute for Innovation and Improvement has taken an alternative approach: its Productive Ward program gives hospital staff the tools they need to apply lean techniques themselves, requiring only limited support from a trained facilitator. To date, the program has led to more time spent on patient care, increased patient satisfaction, and significant efficiency gains in certain processes.

4. Model the leadership style and substance you want—and invest in strengthening the organization for the long term

In our experience, leaders often overlook the "soft" elements—the culture, capabilities, people, and processes—that allow efficiencies to stick and that make the impact sustainable. To avoid an efficiency drive that ultimately results in a weaker, lower-performing organization, leaders must define the culture and values of the future organization and let these inform the aspirations,

themes, and tone of the transformation. They must identify the pivotal roles and crucial people, ensure that high-potential individuals remain committed to the organization during periods of upheaval and uncertainty, and develop a plan for matching the right people to critical roles. They must engage the best team—senior leaders, big thinkers, opinion shapers, and leaders of the future—to take collective ownership of the transformation effort. And they must keep close tabs on the organization's morale: it is not unusual for morale to dip at first, but it should recover quickly—and even rise to a higher level than the starting point.

The way an efficiency program is led is just as important as a program's technical aspects. Therefore, government leaders—politicians and career officials alike—must devote significant amounts of their personal time, as well as their organizational and political capital, to leading change. Efficiency programs present a significant opportunity to invest in the new organization and build the skills of a new cadre of senior leaders and frontline staff, on whom the delivery of future government services will depend.

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The public-expenditure crises facing many countries should serve as a call to action for government leaders. As well as pursuing savings relentlessly, they should build a positive story around efficiency, seek out the next ground-breaking flagship policy, and invest in building the government department or agency of the future. It may be the best chance for a generation. ○

[3] See Maia Hansen and John Stoner, "A leaner public sector," *McKinsey on Government*, Summer 2009.

Doing more with less:
A government roundtable

At an event hosted by the Center for American Progress, four high-ranking officials in the US government shared specific ways their organizations have been able to prioritize scarce resources and deliver better outcomes.

In July 2010, the Center for American Progress (CAP), a public-policy think tank, hosted a conference, "Doing What Works," in Washington, DC. The event was part of a broader CAP project of the same name, with the objective of "advancing smarter government that efficiently allocates scarce resources and achieves greater results for the American people." The conference brought together government leaders to discuss a variety of topics, including restoring trust in government, transforming public-sector performance, and catalyzing change.

One of the sessions was a panel discussion, "Doing more with less: Modernizing government operations." Moderated by McKinsey's Nancy

Killefer, the panelists were Bill Corr, deputy secretary of the US Department of Health and Human Services (HHS); Shaun Donovan, secretary of the US Department of Housing and Urban Development (HUD); Gary Locke, secretary of the US Department of Commerce; and Anthony Miller, deputy secretary of the US Department of Education. What follows is an edited and abridged version of the discussion.

Nancy Killefer: *We're here today to talk about what works in government. Can each of you tell us what has worked in your department? How are you doing more with less? How are you modernizing government operations?*

Dieter Braun

Shaun Donovan: I'll share some strategies that have been critical in our first 18 months at HUD, but I want to start with the idea that strategy matters an enormous amount. We've been through a yearlong strategic-planning process during which we engaged about 1,500 of our employees and partners. It never ceases to amaze me how important it is simply to bring together all your stakeholders and have the conversation about what matters. The prioritization of resources—deciding what to spend money on and, particularly in the difficult times we're facing now, what not to spend money on—can come back to a thoughtful and deep strategic-planning process.

Second, you can't do more with less unless you count what's more and what's less. Even with all the advances we've made in government performance, there are still so many places throughout the federal government where we don't have a good system to track what we're doing. We went through an exercise of setting high-priority performance goals with other agencies, and remarkably, we found that we were spending money on unoccupied housing units in many of our programs. We were paying for housing units, but not necessarily for occupied housing units. And we didn't have a system to count that. Setting up systems allowed us to get better performance out of our programs and not spend money on outcomes we didn't care about.

Third, you have to fund performance management. Often in a legislative process, things that are "unsexy"—like performance-evaluation systems—lose out to programs that are "on the front page." But those programs will be less effective without good systems in place. Our most important initiative on this front is the HUD transformation initiative: we proposed flexibility to set aside up to 1 percent of programmatic funds across our budget for developing systems, building

evaluation and research capacity, and funding technical assistance—things that tend to get shortchanged in the budget.

Finally, we need more of an investment mentality. Where can we invest in programs that will get us savings in other areas? Homelessness is a great example of this. Keeping somebody housed with a small payment—maybe a security deposit or a one-month rent check—has enormous benefits in terms of costs we don't have in emergency rooms, shelters, and so on. Yet too often we have the "wrong pocket" problem—we think of our programs categorically. We don't think across agencies. We need a new math in budgeting to be able to do that, and on homelessness specifically, we've been working closely with HHS, the Department of Education, and the Department of Veterans Affairs (VA) to figure out where we can save money by investing in the right places.

Gary Locke: There'll never be enough money to satisfy everyone's wish list, so we have to prioritize. How do we do a few things really well instead of many things in a mediocre or poor fashion? In the Department of Commerce, we have so many different bureaus. We have bureaus for the weather, patents and trademarks, the census, international trade, scientific research, and so on. We're trying to create priorities for these seemingly disparate bureaus by focusing on major objectives like job creation, the green economy, and protecting intellectual property so that we're all focusing on a common vision.

It comes down to defining success. We need to spend a lot more time determining the appropriate measurements of success. We did that, for instance, with the transition from analog to digital television. Congress gave the Commerce Department an additional $600 million for the transition. We spent a long time asking ourselves how we should

The panelists

Bill Corr is deputy secretary of the US Department of Health and Human Services (HHS). In this role, he is responsible for the operations of the largest civilian department in the US federal government. Most recently executive director of the Campaign for Tobacco-Free Kids, he served for 12 years as counsel to the US House of Representatives' Subcommittee on Health and the Environment. He has also served as HHS chief of staff. His career in the public sector spans more than 20 years.

Shaun Donovan is the secretary of the US Department of Housing and Urban Development. He most recently served as commissioner of the New York City Department of Housing Preservation and Development (HPD), where he created the largest municipal affordable-housing plan in US history. Prior to serving at HPD, he worked in the private sector and was a visiting scholar at New York University. An architect by training, he was HUD's deputy assistant secretary for multifamily housing during the Clinton administration.

measure success. At first, it was, "We're going to pass out coupons for converter boxes in a more efficient, timely fashion." Well, that's process, but does it really measure success? We finally settled on making sure that all of America would be able to receive their normal broadcasting on the date of conversion, which was sometime in June. Then we looked at everything we were doing against those targets, reallocating resources and moving people or programs around. At the end of the day, 99 percent of American households were able to continue receiving their normal broadcast on the date of conversion. And we returned $500 million to the Treasury.

Right now, we're focusing on the Patent and Trademark Office. Today it's almost a three-year wait before you get a yes or no on your patent application. We're on a crash course to completely change the operation—we're empowering employees, we have measurements, we have a definition of success. We want applications decided within 12 months. We've introduced a whole host of measures and we've reallocated people, and we're on track to get that done.

Anthony Miller: I'd like to start by talking about our context: the US Department of Education, in essence, provides only 10 percent of the funding for public education. We play a key role in

Gary Locke is the secretary of the US Department of Commerce, the first Chinese-American to hold this post. As a two-term governor of Washington State, he helped open doors for Washington businesses by leading 10 trade missions to Asia, Mexico, and Europe. His visits to China are credited with helping more than double Washington's exports to China to over $5 billion per year. Prior to his appointment, Locke was a partner at the international law firm Davis Wright Tremaine.

Anthony Miller is deputy secretary of the US Department of Education. Most recently an operating partner at investment firm Silver Lake, he was a McKinsey consultant for 10 years. Miller worked extensively with the Los Angeles Unified School District from 1997 to 2000, developing student-achievement strategies, aligning budgets and operating plans, and designing processes for monitoring district-wide performance. He undertook similar work with the Santa Monica-Malibu Unified School District in 2001.

safeguarding students with disabilities, minority students, the impoverished—making sure they have equal access to a high-quality education. But fundamentally, we need to take a very leveraged, focused approach if we are going to drive the kinds of improvements in our education system that are clearly needed today. The most important elements of our approach are a clear, aligned strategy; a set of performance-management systems and processes; and a focus on our people and our organization.

How do we get strategic alignment? For us, we settled on four key priorities: data systems in education, investments in people, quality

standards and assessments, and a commitment to turn around struggling schools. Instead of each of our program offices deciding on different priorities, we said those four were core and should therefore be embedded in each of our key programs and grant-making operations. So we were able to speak with a clear and compelling voice when we went outside Washington, DC. We set the tone that it's not just about a lot of activity—it really is about focus.

The second piece has been putting in place a performance-management system that reinforces our goals. How do we make sure our five-year strategic plan, the various organizations' plans,

and our budgets all align with our goals? How do you link the different planning processes to one another, and ultimately to your performance appraisal and evaluation systems and your bonus structure?

Last, in thinking about the organization, we introduced decision-making processes that help us get more input from across the organization and tap into the historical expertise that many in the department have. So we were purposeful about setting up new processes that would force more interaction. We wanted to convey less formality. The Department of Education has historically had a very formal, hierarchical culture; we wanted to break down that culture explicitly. Our secretary was saying, "Call me Arne"—very different, right? To create an organizational culture that gets the best of everyone, from the secretary to the security guard at the front desk, you have to open dialogues and create opportunities for lower-risk communication.

Bill Corr: I'll talk about a couple of specific examples to give you a window into how we're modernizing government and doing more with less. One is our new Web site, Healthcare.gov, which was built in 90 days and deployed on July 1, 2010. It's the first Web site to compile a comprehensive inventory of both public and private health-insurance options by zip code. We have an insurance-options finder that asks you a series of simple questions: your age, sex, whether you have preexisting conditions, whether you have children. It considers more than three billion potential personal scenarios to get you the answer about what's available to you in your zip code. It delivers more than 500 pages of content about your rights as a consumer in the insurance marketplace. All of this is delivered in a consumer-oriented, easy-to-

use format. We've gotten very positive responses to it. The typical response we hear is, "This looks nothing like a government Web site," and we consider that a compliment. In October, we will add to this Web site the prices of the insurance policies, which I suspect will wind up in lower prices for health insurance.

Another example is our Community Health Data Initiative. HHS sits on a mountain of data—not just Medicare and Medicaid, but public-health data and the Food and Drug Administration's information about medications—that aren't readily available to the American people. We took our inspiration from the National Oceanic and Atmospheric Administration (NOAA): there are so many ways in which you get weather information, and it's all because NOAA made available, free of charge, all the weather information it collects. We said to ourselves, "We've got more information than NOAA does!" We initially put out on the Internet a starter kit of community-health data—everything from smoking rates to lists of communities that didn't have grocery stores. Then we invited people from the private sector, like Google and Microsoft, to take these data and produce interesting applications. They came back with an amazing array of mechanisms.

We'll soon be launching an HHS health-indicators warehouse. We're going to put more than 2,000 health indicators at the national, state, regional, and county level—including aggregate indicators of public health, disease prevalence, cost, quality, service utilization, and hospital statistics. We're challenging the private sector to produce useful applications, like Weather.com, for the American people. Our goal is to liberate the mountains of data at HHS and empower local citizens to play a more active role in their lives—all without spending any money beyond what it costs us to collect the data.
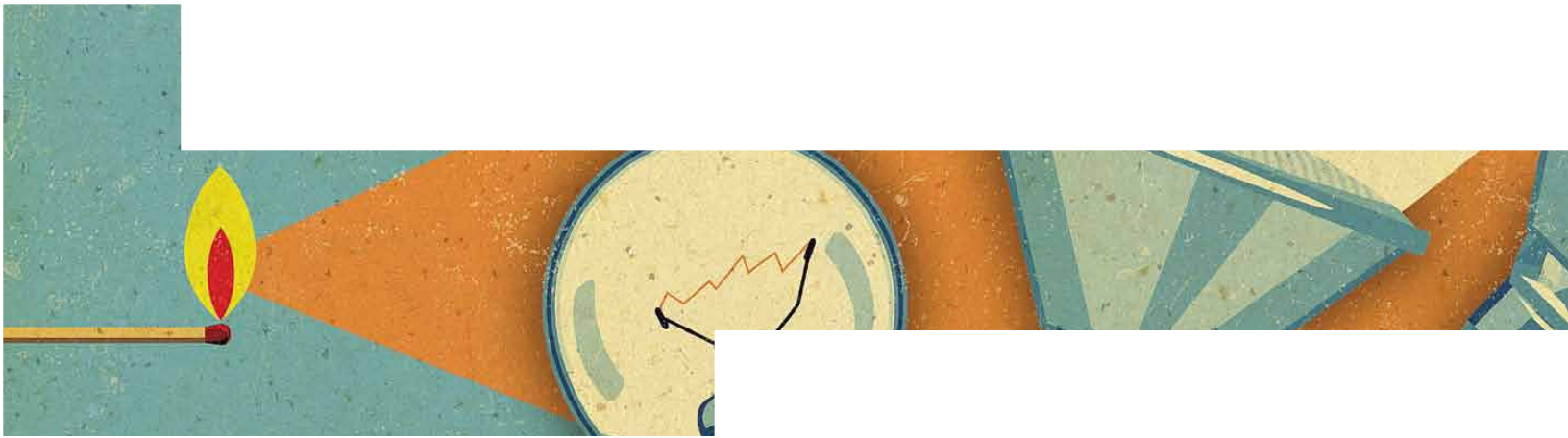
Nancy Killefer: *These are fantastic stories of success—very inspiring—but I suspect none of it was easy. Could you share some of the challenges you faced, the missteps you made, or maybe the surprises you came across?*

Bill Corr: One of the big surprises for me has been the challenge of creating cross-departmental teams. Most health problems can't be solved by one agency. We work on homelessness with HUD. We work on veterans' homelessness with VA. You have issues that cut across three or four departments. But just within our department, it's hard to get everybody on the same page. Some problems span enormous agencies, and they each have many other things to do, so keeping track of these big, cross-cutting issues requires secretarial and deputy-secretarial leadership to keep reminding people that we're not just dealing with this one piece—we're dealing with a larger problem, and we've got to do it as a part of a unified government.

Gary Locke: One of the problems I continue to face is a "we've heard this all before" attitude. We have to make believers out of the career folks, many of whom have incredible talent and commitment. But in some cases, the career people have been stymied or almost beaten down; they feel their ideas and values are not taken seriously. So we have to develop a culture that says to them, "We really want to hear from you, and we want to build upon your expertise." We need to inject a greater sense of pride, enthusiasm, and ownership among the career folks.

We've tried to establish high stretch goals. Attaining even 75 percent of a stretch goal is better than 80 percent attainment of a very low goal. And we need to let them know that if we set a super-high stretch goal, so long as you're working diligently, in good faith, ethically—then it's OK if you don't make that goal. We're going to say, "Great job, great effort," and hope that the pride of the organization will lead them to pick up and start again the very next day.

For top managers, it means that we must have, again, definitions of success and measurements. We have constant performance reviews—weekly or every two weeks—especially on core projects, so that people know we care. We're using the data to make midcourse adjustments and to refine our strategies.

Shaun Donovan: I can think of two big challenges. One is that too often, we focus only on the shiny new toys and not on the core business and legacy of our agencies. The core thing that HUD does is provide rental assistance to the most vulnerable families in America—that's 4.5 million families. We do that through 13 programs with 20,000 partners across the country, all with different rules and regulations. We very rarely think about the whole range of things that we do and how they are integrated. How do we take on the very difficult task of working with Congress to have those legacy programs make sense? There's always somebody who has a stake in that original program. How do we make sense of not just the new things that we want to do but the exist-ing programs? It's a tough challenge that's often overlooked or ignored.

Another challenge is not letting the perfect be the enemy of the good. You have to build momentum— you have to get started, get early wins, try things, and constantly reassess and refine. It's a very difficult balance to strike in the public sector.

I'm constantly reminded that in government we're basically monopolies. It's not like there's another HUD secretary across town whom I can call. In New York City, we set up a peer-to-peer group among five cities with similar housing problems. We met every six months—30 to 40 of us, just key staff, no press, no others—and had a focused discussion. If a city was

particularly good at something, we talked about what it was doing and what its challenges were. It was enormously powerful and useful. You have to intentionally structure time for learning, when you can bring together folks in a safe place to talk about what doesn't work just as much as you talk about what does work.

Anthony Miller: It's hard to stay focused. We actually logged interagency initiatives in a database, and there were 113 initiatives of this administration—obviously of different levels of priority—but it's hard to navigate. We had to systematically assign leads and prioritize. It's incredibly challenging because you have people who say, "I have a good idea," and you want to encourage them to take initiative, and you don't want to be bureaucratic and check in on everything. At the same time, it's so easy to get fragmented.

Another challenge: despite our commitment to be collaborative and to have policy-planning sessions that are inclusive of our career folks—especially our senior-most career folks and their direct reports—when I go two or three layers down in the organization, they say nothing's changed. It's hard to permeate from the top level. As hard as we've been working in the past 18 months to create a collaborative environment, you realize just how far you are from changing the culture.

Nancy Killefer: *We hear a lot about the aging of the federal workforce. How have you thought*

Another challenge is not letting the perfect be the enemy of the good. You have to build momentum—you have to get started, get early wins, try things, and constantly reassess and refine

about building the organizational health of your agency for the long term through its employees in this context?

Gary Locke: One thing I've already touched upon is involving the line staff so that they feel ownership in the agency. In Washington State, we invited members of the press and the private sector to judge our performance-improvement projects, so that we could give them visibility and publicity. Similarly, we want folks in the federal government to feel proud that they work for a government agency. What better way than to have their outstanding work publicized throughout the community?

Another thing: we try to break down the silos. We have a lot of people on loan to other agencies. We call upon people from other bureaus. And when we have projects, we try to involve people from different bureaus so that we're building upon and drawing upon the expertise of everyone else.

Anthony Miller: Culturally, we think the biggest lever is investment in improving the skills of our frontline supervisors and managers. Unfortunately, too many of our employees say the evaluation system is arbitrary and capricious:

"If I ask my manager how I did, it's summed up as 'You did OK.' But if I ask about the three to five specific things I could have done to earn a higher rating, it's hard to say." Our view is that there has been an underinvestment in supervisor and manager training and development. So we're investing in that. Just last week, we had our first management symposium. We had government leaders and some of our deputy-secretary colleagues come in and talk about managing effectively.

One other thing: if I ask enough people in the organization, they'll say, "Yeah, we did something like that once before." How do we catalog it? I'm trying to invest in a little group in one office—part of the performance-management and organizational-transformation team—to catalog not just what we're doing but other things that have been done, so we have a reference and a repository for me and my successor. It saves time, and we can build on lessons learned from the past. o

Deliverology: From idea to implementation

An approach to managing reform initiatives, pioneered in the United Kingdom, has had significant impact in a number of other countries around the globe.
Three critical components of the approach are the formation of a delivery unit, data collection for setting targets and trajectories, and the establishment of routines.

Michael Barber,
Paul Kihn,
and Andy Moffit

Now more than ever, governments are under pressure to deliver results in public services while ensuring that citizens' tax dollars are spent wisely and effectively. Nearly all governments— and individual public agencies—have set ambitious reform goals and developed strategic plans to achieve those goals.

Frequently, however, plans fall by the wayside and reform goals remain unmet, for a variety of reasons: political pressure can cause priorities and resources to shift, success can be difficult to measure, consequences for failed delivery are less obvious than in the private sector, and stakeholder motivations are not always transparent. The challenge for public-sector

organizations is to find ways to define and execute their highest-priority objectives so that they have the greatest possible impact.

Through our work with a number of public-sector leaders, we have developed an approach to managing and monitoring the implementation of activities that have significant impact on outcomes. The approach, which we call Deliverology,[1] leverages and extends the key principles of best-in-class performance management (Exhibit 1). Although we initially developed the approach in our work with the UK government, we have helped other public-sector organizations— including local school districts, regional health-system authorities, and national transportation

[1] The British civil service originally used Deliverology as a light-hearted term of abuse for the process developed by the Prime Minister's Delivery Unit (PMDU). Ultimately, the PMDU adopted the term and gave it a positive definition.

ministries—manage their reform efforts using Deliverology.[2]

This article will address three key components of the approach: establishing a small team focused on performance, gathering performance data to set targets and trajectories, and having routines to drive and ensure a focus on performance. Through each of these components runs a critical thread: relationship building. None of the techniques described here will work to greatest effect without senior leaders first thinking through the way relationships are built—among an organization's top leaders and those responsible for delivery, as well as among the delivery staff and the line staff responsible for implementation.

[2] For a full treatment of Deliverology, see Michael Barber, Paul Kihn, and Andy Moffit, *Deliverology 101: A Field Guide for Educational Leaders*, Thousand Oaks: Corwin Press, 2010.

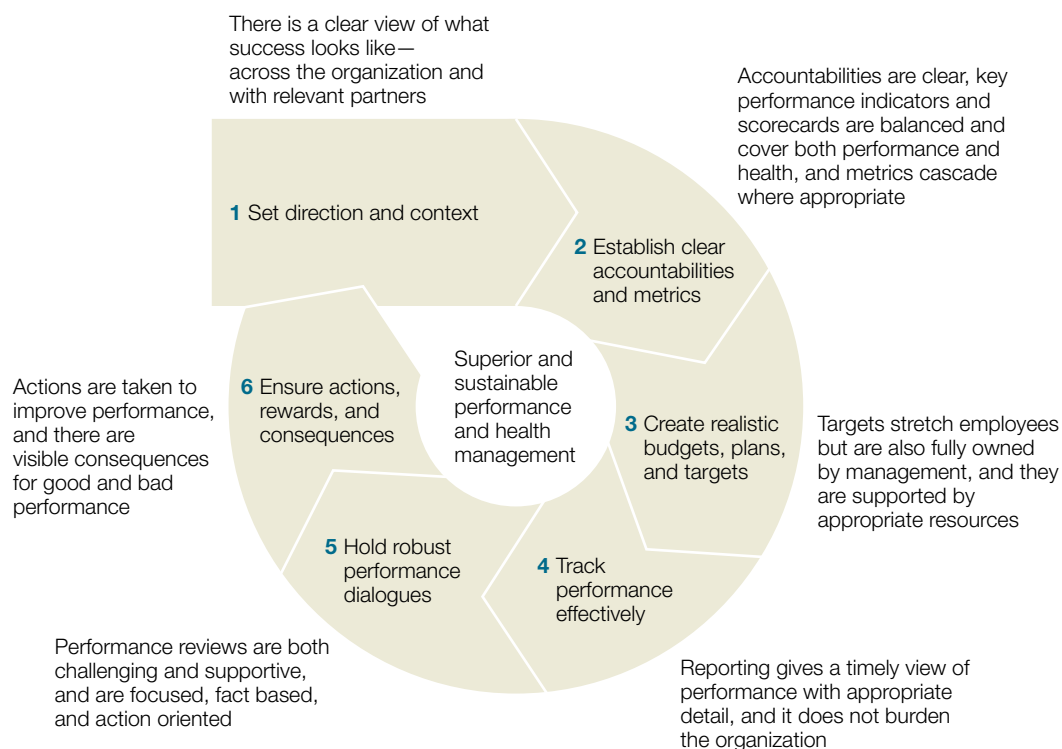### Establishing a small team focused on performance

At the core of Deliverology is the establishment of a delivery unit—a small group of dedicated individuals focused exclusively on achieving impact and improving outcomes. The delivery unit constantly challenges performance and asks difficult questions, taking any excuses off the table. While a delivery unit should acknowledge competing priorities and unexpected situations, it should also consistently push for faster progress, knowing full well that the tendency of any system is toward inertia.

Tony Blair, who established the original Prime Minister's Delivery Unit (PMDU), concluded in his

Kate Miller

Exhibit 1

Deliverology embodies the six elements of best-in-class performance management.

There is a clear view of what success looks like—across the organization and with relevant partners

1 Set direction and context

Accountabilities are clear, key performance indicators and scorecards are balanced and cover both performance and health, and metrics cascade where appropriate

2 Establish clear accountabilities and metrics

Superior and sustainable performance and health management

6 Ensure actions, rewards, and consequences

Actions are taken to improve performance, and there are visible consequences for good and bad performance

3 Create realistic budgets, plans, and targets

Targets stretch employees but are also fully owned by management, and they are supported by appropriate resources

5 Hold robust performance dialogues

4 Track performance effectively

Performance reviews are both challenging and supportive, and are focused, fact based, and action oriented

Reporting gives a timely view of performance with appropriate detail, and it does not burden the organization

recent memoir that the PMDU "was an innovation that was much resisted, but utterly invaluable and proved its worth time and time again."[3]

A delivery unit should not be mistaken for a project-management office, which is typically set up to guide the implementation of a particular project. Rather, a delivery unit should be a permanent structure—an extension of senior leadership. Delivery units share several key organizational-design attributes:

Respected leadership. The unit should designate a full-time (or nearly full-time) delivery leader who reports directly to the leader of the public-sector organization or system. The delivery leader must have the trust of the system leader and the system leader's top team, and the respect of others in the field. As such, it is not uncommon for a delivery leader to have previously served as top policy adviser to the system leader (and thus to have great familiarity with, but also some distance from, field leaders). In a US state education department, for example, a highly respected and innovative academic and senior member of the state superintendent's team was named head of the delivery unit. Rather than exerting its own authority, the delivery unit acts as an amplifier of the system leader's authority, providing a careful balance of support and challenge to those responsible for implementation.

Limited size. The delivery unit should be small to preserve flexibility, allow selectivity in hiring,

and promote a cohesive culture. The PMDU worked with a bureaucracy that provided multiple services to more than 60 million Britons, but it was never larger than about 40 people. Most systems will provide services to a smaller population and will have a much smaller delivery unit. In one US state, the education system's delivery unit consists of a delivery leader and three staff members. A North American regional health authority has only two individuals in its delivery unit.

Top talent. In screening candidates for the delivery staff, leaders should look for five core competencies: problem solving, data analysis, relationship management (sensitivity, empathy, fairness, and humility), feedback and coaching, and a delivery mind-set (a "can do" attitude). As many of these competencies are not among the criteria for traditional public-sector hiring, some delivery units have developed new hiring processes: one unit, for example, now requires candidates to do real-time problem solving as part of their interview. The unit staff should be drawn from among the most talented and qualified people inside or outside the system. Leaders may hesitate to move their most talented employees from line roles to staff roles; we have found that a careful transition—for example, initially splitting an individual's time between a line role and a staff role—can work well in some cases. There can also be significant administrative challenges in developing and posting new job positions in order to hire people externally, but some organizations

[3] Tony Blair, *A Journey: My Political Life*, New York: Knopf, 2010, p. 338.

have overcome these challenges through the budget process or reallocation of roles.

Nonhierarchical relationship with the system.
The delivery unit should reside outside the system's line-management hierarchy. It should not be managed by any of the people or organizations it is trying to influence, nor should it directly manage those people or organizations. This independence will allow the unit to be a "critical friend" that delivers difficult messages, but also sustains trust and credibility with actors in the system. There should be clear lines of communication and relationships between the delivery unit and the departments it oversees. One effective approach is to have a single point of contact, or "account manager," perhaps even one who is embedded in, drawn from, or shared with the department being overseen.

There is often confusion when it comes to the relationship between the delivery unit and a system's finance function (treasury, department of finance, or other such agency). If not managed carefully, the finance function could perceive the delivery unit as an agency competing for turf, a lobbying force for money for favored programs, or—at worst—an irrelevant entity. The PMDU solved this problem by building its system of targets on the Public Service Agreement (PSA) system that the UK Treasury Department had established. In essence, the PMDU adopted a subset of the PSA targets, ensuring that the PMDU's activities were aligned with the finance function's priorities.

Gathering performance data to set targets and trajectories
Deliverology focuses a public-sector system on its most critical outcomes and discourages "firefighting." Among Deliverology's most effective tools are targets—a prioritized set of measurable,

ambitious, and time-bound goals—and trajectories, a projected progression toward these goals that creates a tight link between planned interventions and expected outcomes.

Targets.
While nearly all public-sector organizations set targets, many of these targets are somewhat vague or unmeasurable, or they operate under unclear time horizons. The idea of setting—and publicizing—specific, time-bound targets strikes some leaders as risky, especially in the public sector, where positive public perception is crucial but control over outcomes can be challenging.
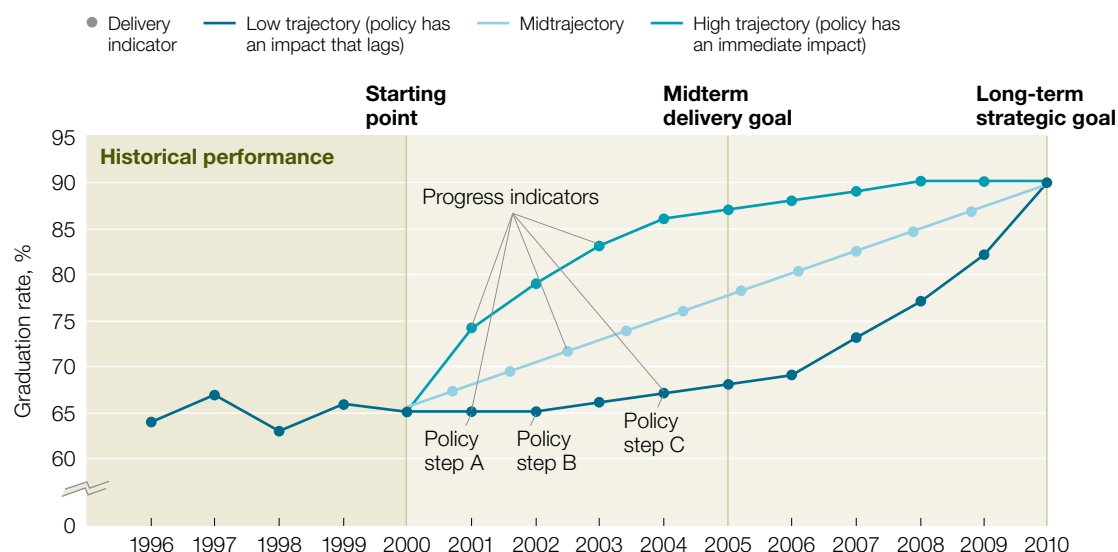
Targets should be both ambitious and realistic. An unambitious target can generate acceptance of incremental rather than transformational change, and an unrealistic one will discourage those responsible for achieving it. A delivery unit can play an important role in setting targets—perhaps brokering negotiations between system leadership and the relevant performance units—but its foremost role in this area is to ensure targets remain prominent for the entire public-sector system.

When the government of a developing country sought to immediately improve its basic infrastructure, the prime minister's aspirations were to provide housing, electricity, and clean water to low-income families in rural areas. The delivery unit worked with the relevant ministries to translate these aspirations into concrete targets: over the next three years, build or restore 50,000 houses for low-income families, provide electricity to an additional 140,000 households, and give an additional 360,000 households access to clean water.

Trajectories.
For every target it sets, the delivery unit should also develop a trajectory: an evidence-

Exhibit 2

Trajectories are a tool for understanding a system's progress toward its target.

- Delivery indicator
- — Low trajectory (policy has an impact that lags)
- — Midtrajectory
- — High trajectory (policy has an immediate impact)

Starting point   **Midterm delivery goal**   **Long-term strategic goal**

Graduation rate, %

Historical performance

Progress indicators

Policy step A   Policy step B   Policy step C

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

based projection of the performance levels the system will achieve as it pursues the target. Trajectories serve as a tool for understanding a system's progress toward its target and allow for meaningful debate as to whether a target is both ambitious and realistic. Presented well, trajectories have a powerful visual impact that can clearly communicate the gap between performance and expectation at any point in time. Exhibit 2 illustrates three possible trajectories of a school system's delivery effort.

Public-sector organizations rarely develop and use trajectories—in part because they can be difficult to establish, as evidence is sometimes unclear or hard to find. In addition, there is often great resistance to continuous performance measurement given the potential for failure. In our experience, two approaches can help ground both the target and the trajectory in available evidence. The first approach, the

use of benchmarks, allows for calibration based on what other systems or groups within those systems have accomplished. A variety of comparisons can be made using benchmarks:

Historical comparisons. How have levels of the target metric moved in the past? (A school system, for example, might observe that graduation rates have been increasing an average of 0.5 percent per year in the past five years.) To what extent can we expect the system or its subgroups to outperform history?

Internal peer comparisons. Within the system, how does performance differ among groups of performance units with similar characteristics (such as teachers or principals in the same school district)? What does the performance of some groups suggest about what others should be able to attain?

External peer comparisons, either domestic or international. How does the system's performance compare, both now and historically, with that of other systems in the country? In other countries? How do performance units in the system compare with their peers in other systems? For example, school systems can be benchmarked on key operational metrics—such as non-instructional or central administrative expenses—or, more commonly, outcome metrics.

A second approach entails the use of interventions. This approach requires having some evidence of the impact of particular interventions (for instance, how performance incentives for teachers help improve student outcomes) and extrapolating the potential impact on the entire system. It is a way of checking whether planned policies or actions are sufficient to hit the targets.

Using routines to ensure a focus on performance

One of the most important contributions that a delivery unit can make is to establish and maintain routines: regularly scheduled and structured opportunities for the system leader, delivery-plan owners, and others to review performance and make decisions. Routines work because they create deadlines, which in turn create a sense of urgency.

Many systems already have annual reviews in place and may question the need for more frequent check-ins. However, the lag between making a decision and seeing results is immense. More frequent routines help the system identify problems earlier and act faster. Three distinct routines—that vary in frequency, audience, format, and the type and depth of the information they provide—have proved effective.

Monthly notes. These notes are the most frequently occurring routine and thus cover less information than the others. Each note consists of a succinct summary of progress, current and emerging delivery issues, and key actions required, followed by an appendix with supporting information. The progress reported in monthly notes can be at the level of leading indicators, as data for the target metric will not always be available. The PMDU prepared a monthly note for each of four departments, which meant the prime minister received a note, on average, once per week. Monthly notes provide a tremendous opportunity for organizations to engage in timely problem solving and course correction. As demonstrated in Exhibit 3 (a sample of a monthly note from a US school system), monthly notes should provide a detailed, "at a glance" snapshot of progress without making judgments on the overall program.

'Stocktakes.' These are quarterly meetings to review and discuss performance for each priority area in depth. Stocktakes are used to demonstrate the system leader's commitment to the delivery agenda, enable the system leader to hold individuals accountable for progress on targets, discuss options and gain agreement on key actions needed, share best practices and support interdepartmental cooperation, celebrate successes, and identify new policy needs. Participants should include the system leader (who should also

One of the most important contributions that a delivery unit can make is to establish and maintain routines

chair the meeting), delivery-unit staff, and leaders from the relevant departments. A few features make stocktakes distinctive. First, they rely heavily on data; trajectories, for example, must be a part of each stocktake discussion. Second, they maintain a focus on a sustained set of priorities. Finally, having the system leader chair each stocktake ensures a high level of visibility and attention.

Delivery reports. These are in-depth assessments provided to the system leader every six months on the status of all of the system's priority areas. Delivery reports allow leaders to compare progress across priorities; identify actions for relevant departments, with dates and named responsibilities; and reassess the allocation of resources and attention based on each priority area's need and distance to targets.

One of the main purposes of a delivery report is to predict the likelihood of delivery for each of the priorities. We have developed a framework for assessing the likelihood of delivery that examines four categories: the degree of the delivery challenge (low, medium, high, or very high); the quality of planning, implementation, and performance management; the capacity to drive progress; and the stage of delivery (on a scale from one to four, where four is the most advanced). This is then combined with recent performance against the trajectory, as well as data on any other relevant leading indicators, to generate an overall judgment on the likelihood of delivery for the priority in question (Exhibit 4). For all four categories and the overall judgment, ratings should be on a four-point scale in order to prevent a regression to the middle and to force a decision about whether a priority is more on track

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Exhibit 3

Monthly notes provide a short-term synopsis on the progress of delivery plans.

Sample monthly note

Overall assessment: Off track	**Next steps**
Update on progress	• The first stocktake will be held March 15.
• To reach an 85% graduation rate at our current cohort size, we would need 39,400 graduates. Currently, we graduate approximately 29,400 students. Therefore, we need 10,000 additional graduates.	• The delivery unit is working with program staff to write delivery plans for program goals, expected by August 18. These will build toward a delivery plan for reaching the 85% goal.
• Baseline growth and existing programs may reduce that gap by 5,350. We have evidence to suggest that this goal is possible.	• The strategy unit is developing a strategy for closing the gap of 4,650 additional students. Specific ideas for accessing those students are being discussed.
• This leaves a remaining gap of 4,650 graduates (see trajectory on following page).	• A completion date for the overall delivery plan will be decided within two weeks.
Issues facing delivery	**Supporting data**
• A strategy for reaching the remaining 4,650 additional graduates has yet to be developed.	• The chart shows our trajectory toward the 85% graduation-rate goal based on our current programs.
• Programs are currently writing—but have not completed—detailed delivery plans for reaching the 4,650 students.	• This is a *preliminary* projection that will evolve as we track progress, test assumptions, and make decisions.
• The quality of data supporting the trajectory is weak for most programs.	• This is our best estimate of what our current programs can accomplish based on good implementation and the data available today.

Exhibit 4

An assessment framework shows barriers to progress and risks to delivery for key priorities.

Example

Judgment	Rating	Rationale summary
Degree of challenge (L/M/H/VH)[1]	H	The challenge is substantial but has been overcome in other regions.
Quality of planning, implementation, and performance management Understanding the challenge Governance; program and project management Managing performance		• Program plans have been developed. • Annual milestones and lead indicators have been set. • Most programs aimed at this target currently have weak evidence of efficacy.
Capacity to drive progress Understanding and structure of the delivery chain Engaging the delivery chain Leadership and culture		• Data are somewhat centralized but access can be a challenge. • Critical people in the delivery chain are overloaded. • Unpredictability of funding makes planning difficult.
Stage of delivery (1/2/3/4)	1	The delivery chain and strategic plans are being formed now.

Recent performance against trajectory and milestones

Likelihood of delivery

▶

- Highly problematic: requires urgent and decisive action
- Mixed: some aspects require substantial attention, but some are good
- Problematic: requires substantial attention, and some aspects need urgent attention
- Good: requires refinement and systematic implementation

[1]Scale: low, medium, high, very high.

or off track. Assessing the current likelihood of delivery, while imprecise, is a critical management prod to ensure that the system accounts for recent developments and charts new strategic paths as needed.

• • •

The tenets of Deliverology can be useful to leaders of public-sector systems committed to results. Such leaders should start by evaluating their past experience in setting goals and implementing new strategies, and they should reflect on the reasons they did not achieve their goals. Following the key steps described here—building a delivery unit to manage the change, setting targets and trajectories, and establishing routines—can help overcome the challenges of past reform efforts. ○

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Beyond hiring: An integrated approach to talent management

The US government must aspire to a world-class talent-management system—one that addresses not just recruiting and hiring but also performance management, leadership development, employee engagement, and HR capability building.

Mark Berenson and Matthew Smith

The US federal government has a unique opportunity to reshape its workforce and collective abilities as it brings in the next generation of civil servants. According to the Partnership for Public Service, by 2012, the federal government will be hiring about 600,000 people—one-third of the current workforce, divided about evenly between hiring replacements and filling new positions. Recognizing this opportunity, the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) in May 2010 announced a major overhaul of the federal hiring process. Agencies have responded favorably, often going beyond the mandate from the OPM and OMB to drive innovation in their recruiting and hiring practices.

Bringing in a sufficient number of appropriately skilled new employees, however, is only the first step in a comprehensive talent-management program. Agencies must take an integrated view of talent management and look beyond recruiting and hiring—otherwise they risk squandering the benefits of their improved hiring efforts. Our recent research has shown that the US government must raise its game in the other elements of talent management. In this article, we explore ways that federal agencies can—or, in some cases, have already begun to—meet this challenge.

Responding to a generational shift
Two trends are driving the increased demand for federal workers: the mass retirement of

Brian Stauffer

baby boomers and the government's expanded role in society. The Partnership for Public Service forecasts that by 2014, almost 40 percent of the federal workforce will be older than 50, with the largest percentage increase since 2004 among people 55 and older. These demographics portend a wave of retirements among a large fraction of the current federal workforce. At the same time, health-care reform, financial reform, and other measures have created additional jobs in the federal government. Agencies need more staff, and the jobs themselves are becoming more challenging, with increasing impact on key sectors of the economy.

Fortunately, the need to hire new government workers is occurring in parallel with an increased interest in public service among the youngest generation of workers. Members of the millennial generation (those born between 1982 and 1995) have begun entering the workforce over the past five years, and their professional aspirations—including a desire to both serve the greater good

[1] Universum Student Survey 2010, Undergraduate Edition.

[2] Ron Alsop, *The Trophy Kids Grow Up: How the Millennial Generation Is Shaking Up the Workplace*, San Francisco: Jossey-Bass, 2008.

[3] Available at www.mckinsey.com.

and achieve job stability—are well aligned with the core value proposition of the civil service. In a 2010 survey of undergraduates, 6 of the top 15 organizations identified as "ideal employers" were federal agencies: the Federal Bureau of Investigation (ranked 3rd), the State Department (6th), the National Aeronautics and Space Administration (7th), the Peace Corps (8th), the National Institutes of Health (13th), and the Central Intelligence Agency (14th).[1]

However, millennials also have high expectations—often expressed as a sense of entitlement—for their work environment,[2] suggesting that government agencies, in rethinking their talent-management approaches, should be as concerned about retention as they are about hiring. Furthermore, the results of a recent McKinsey survey of federal government employees, "Driving federal performance,"[3] shows that government practices related to talent development and employee engagement significantly lag behind private-sector benchmarks (Exhibit 1).

Exhibit 1

The government lags behind the private sector in talent management.

Average % of respondents who agree or strongly agree with each statement

- ■ US public sector
- ■ Private-sector benchmark

Statement	US public sector	Private-sector benchmark
Managers provide helpful coaching to develop as a leader	29	41
Employees receive explanations of what has to be achieved in their jobs	55	68
Employees in your agency know what they are held accountable for	63	75
Employer has a robust performance-management system	40	64
Each area of the agency has explicit targets for operating performance	48	63
Targets are regularly updated to ensure managers and employees are challenged	36	48

Source: 2009 *Government Executive*—McKinsey survey of 500 US federal employees

An integrated approach

The OPM and OMB mandate to drive innovation in recruiting and hiring practices has led to some early success stories, with a number of agencies making dramatic reductions in hiring times. While such efforts are indeed a good start, the government should aspire to a world-class talent-management system that addresses not just recruiting and hiring but the entire spectrum of organizational competencies. Agencies must take an integrated view of talent management (Exhibit 2).

The recent OPM and OMB efforts are helping agencies think through how to plan workload and workforce needs (outer ring) and attract the right people (upper right), the latter of which is

one of the five core components of talent management.[4] However, based on our research, the government must pay more attention to the other four components:

1. Evaluating and recognizing performance through meaningful and differentiated performance management, ensuring that there are real consequences (both positive and negative) for individuals

2. Growing and developing leaders, including creating development and career paths that reflect a range of employee needs and experiences

3. Engaging and connecting employees to improve productivity

[4] See Thomas Dohrmann, Cameron Kennedy, and Deep Shenoy, "Attracting the best," *Transforming Government*, Autumn 2008.

Exhibit 2

Taking an integrated view of talent management is essential.
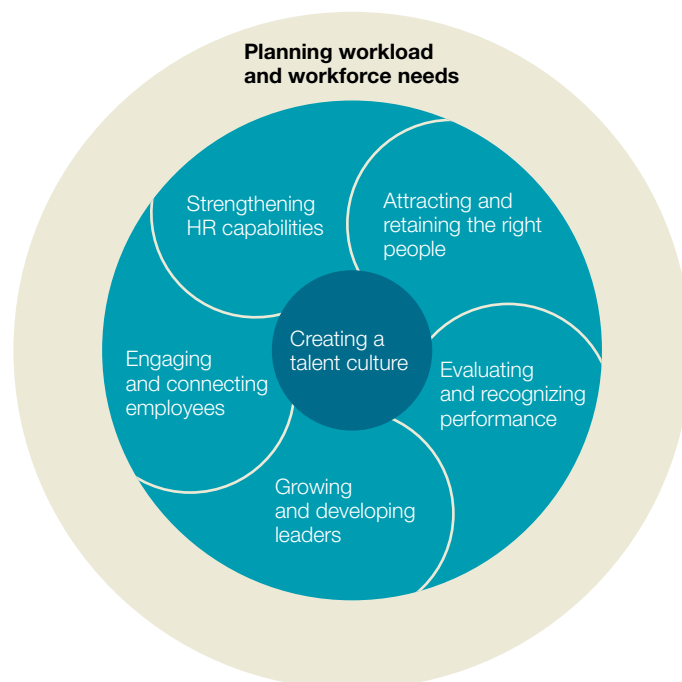
4. Strengthening HR capabilities, in particular having the right leadership team in place to drive the agency's talent agenda

The final element of the talent-management framework—creating a talent culture (center)—should not be a direct focus of improvement initiatives. Rather, it is the output and natural capstone of the full set of elements in an integrated talent-management system.

Evaluating and recognizing performance

Too often, performance management in public-sector organizations is a perfunctory process rather than a tool for improving productivity and effectiveness. Stories abound of organizations in which 99 percent of employees receive a "meets expectations" rating (although conversations with managers reveal a different picture of employee performance), or of divisions where annual awards are passed out based on "whose turn it is" rather than on merit. Such processes give employees little incentive to do anything more than the minimum required of them.

Frontline managers can play a critical role in improving performance management by setting clear and measurable expectations for employees, documenting how well those expectations are met, and following up to address underperformance. The typical employee protections at government agencies require significant documentation over an extended time period before reduction in grade or termination can occur, which means that managers must react to poor performance as soon as it appears.

When empowered by senior leadership, we have seen managers take bold steps to address underperformance, allowing for faster corrective action than is typical in government agencies. At one law-enforcement agency, a manager set detailed performance targets for an employee based on the employee's grade and the position's job description. On a daily basis, the manager pushed the employee to do the level and caliber of work implied by the grade, and each week the manager sat down with the employee to evaluate whether the performance targets had been met. Within a few weeks, the employee recognized that he simply was not capable of doing what was required, and he asked to be reassigned to a more appropriate grade.

Similarly, senior managers and agency leaders must not accept poor performance from frontline managers. Senior staff must model the desired behavior, monitoring and responding to underperformance by frontline managers with the same diligence and speed that they expect frontline managers to apply to their more junior colleagues.

Agencies must also implement the right systems to support robust performance management. An ideal system both rewards good performers and has consequences (for example, not receiving a time-in-grade salary increase) for underperformers. However, recent cases in the public sector have shown that establishing a formal system—such as a pay-for-performance system—that metes out consequences for underperformers can lead to significant legal challenges based on fairness, which can result in the program's termination. A "win or break even" system, in which only a small group of top performers receives recognition, can be quite effective and is more likely to escape such challenges. Many government departments, for example, recognize high-performing employees with awards that include a monetary component, such as tuition reimbursement. In

Agencies must avoid heavy-handed nudges down the "right" career path, as these will foster a consensus belief that senior managers follow only one route to success

implementing such a system, agencies must avoid the pitfall of giving nearly everyone the award and consequently turning the program into an entitlement rather than an incentive. Agencies must set and adhere to limitations on the number of employees who receive the award, and they should establish eligibility and selection criteria. Each manager might, for example, nominate only one or two employees based on specific performance metrics, while another party selects the recipients—an approach we have seen used successfully in the private sector.

Growing and developing leaders

To develop talent, agencies must codify career paths that set out the options for promotion and the training and experience that employees should have at each step of their development. From an entry-level position, an employee should be able to move up to one of several different jobs, in part based on the training he or she chooses to receive. The career path for an analyst, for instance, might lead to a supervisory role or designation as a senior subject-matter expert. Flexible career paths are far more appealing to employees than a one-size-fits-all template.

Of course, the flexible career path set out on paper is only as effective as the agency allows it to be. To maintain employees' trust and follow through on the official endorsement of flexibility, agencies must avoid heavy-handed nudges down the "right" path, as these will foster a consensus belief that senior managers follow only one route to success.

Agencies should also encourage employees to take a more active role in their own professional development. The Centers for Disease Control and Prevention gives top performers "individual learning accounts" with up to $1,000 each year in credits (and a maximum "account balance" of $3,000) that can be used toward a variety of government training programs. Before spending the credits, an employee must complete an individual development plan to ensure that he or she is aligned with supervisors on the capabilities and skill sets needed for career advancement. This program addresses multiple talent-management objectives: it rewards strong performers, nurtures their talent, and gives them some control over their development.

Another US federal agency, in efforts to attract high performers to management roles and develop new leaders, recently introduced two new programs. The first is an online portal featuring articles, training materials, and other professional-development resources specifically targeted at managers. The second is a new role filled by a senior leader from the business side—a "managers' champion"—who meets with managers regularly, brings their concerns to the attention of agency leadership, and looks for new managerial talent.

Agencies should also look to leading private-sector companies for examples of innovative practices in leadership development. General Electric, for one, has a range of leadership-development programs to ensure that leaders receive training customized to their role and aspirations. The company's

"experienced manager course" groups middle managers from around the world into teams of five to solve real business problems customized for team members. Each team develops a solution to its problem and presents it to senior leaders, who provide immediate feedback. This program combines several aspects of effective leadership-development programs: content tailored to each employee's needs, exposure to alternative ways of looking at a problem on a team with colleagues from across the organization, and the opportunity to work on real business issues rather than textbook examples. In addition to applying these principles in their formal training programs, agencies could consider them when staffing internal task forces—for example, by taking individual learning priorities into account when selecting task-force members.

Engaging and connecting employees

Employee engagement—the degree to which employees feel involved with and connected to their work and the broader context of their organization—is a critical driver of performance and employee satisfaction. Our research shows that higher levels of employee engagement, as measured by employee surveys, advance the productivity and performance of public-sector institutions. Unfortunately, our research also shows that when compared with their private-sector peers, far fewer midlevel employees in the federal government report being highly engaged. In particular, there is a significant "engagement gap" between midlevel and senior government employees (Exhibit 3).

Agencies must strive to connect employees at every level—not just senior leaders—to their mission and strategy. The leadership of the Internal Revenue Service (IRS), in developing the agency's most recent five-year strategic plan, sought input from a broad cross-section of agency employees. IRS leaders conducted a survey among more than 4,000 managers to understand
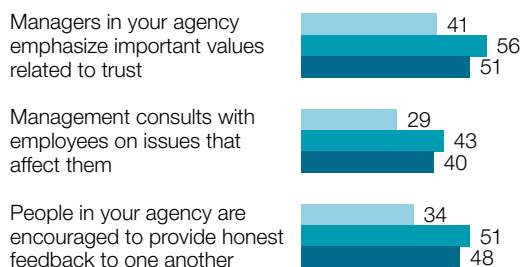

Exhibit 3

A significant 'engagement gap' exists between midlevel and senior government employees.

Index of employee-engagement responses,
% of respondents[1]
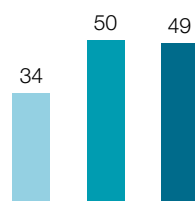
Example questions to assess employee engagement, % of respondents who agree or strongly agree with each statement

- GS 12–15[2]
- SES[3]
- Private sector

Managers in your agency emphasize important values related to trust	41 / 56 / 51	
Management consults with employees on issues that affect them	29 / 43 / 40	
People in your agency are encouraged to provide honest feedback to one another	34 / 51 / 48	

34   50   49

[1] Average % of respondents who agree or strongly agree with a range of statements indicating a high level of employee engagement in their organization.
[2] General Schedule 12–15, pay grades of midlevel managers in the US federal government.
[3] Senior Executive Service, the most senior members of the career civil-service workforce in the US federal government.

Source: 2009 *Government Executive*–McKinsey survey of 500 US federal employees

how they currently spend their time and how they would like to spend their time. The IRS also held more than 40 focus groups—involving approximately 500 employees from across the country and in different pay grades—to get their perspectives on topics such as training and employee recognition. In addition, the agency set up a dedicated e-mail address and intranet site through which employees could comment on new initiatives. While the agency had previously conducted an annual employee survey, these more extensive outreach efforts have yielded qualitative data on what drives employee engagement, helping the IRS develop new ideas and programs to improve the employee experience.

Government organizations must also address the divide between career civil servants and political appointees. The objectives of the two groups can

be different—and even when they are aligned, members of each group often have perceptions that impede effective working relationships. For example, political appointees may regard career civil servants as too comfortable with the status quo, while civil servants may regard political appointees as seeking to make changes simply to achieve short-term political gains. Agencies attempting to bridge this divide, such as the US Department of Education, have begun including career employees in critical meetings to solicit their input prior to the launch of major initiatives, which helps to ensure their support and to create a common understanding from the start.

Strengthening HR capabilities

To strengthen the skills of HR personnel, agencies must establish a business partnership between HR leaders and the leaders of the agency's core operations. In such a partnership, each party must to some extent adopt the other's mind-set: HR leaders must increase their understanding of the agency's operational needs, while leaders of core operations must view talent management as a key element of their role.

The staffing model that agencies choose for their HR organization can help facilitate this partnership. In a model used by the US Intelligence Community (IC), a select number of employees from the operations side—analysts, for example—are seconded to fill HR roles for 6 to 12 months. In a similar model, also used in the IC, HR professionals fill HR leadership positions, but their deputies are mid- to senior-level managers on temporary assignment from the operations side. Many of these deputies report that the skills they learn in HR make them better all-around managers when they return full-time to their permanent roles.

An agency can also create opportunities for HR leadership to engage with the core operations staff through joint task forces and workshops. At the US Department of Housing and Urban Development (HUD), an initiative to reduce hiring times entailed a joint effort between HUD's Federal Housing Administration (FHA) and the HR function. The FHA's 115-day average hiring time was reframed as a problem of the entire agency, not just of HR. A joint task force, working together daily and engaging in workshops with leaders, analyzed the hiring process to find bottlenecks and then designed solutions. Under the new process, hiring managers—not HR—would create the slate of candidates to interview, ensuring that the candidates had the particular skills that the role required and thus reducing the need to create a second slate to make up for deficiencies. Hiring managers also had to meet tighter deadlines for completing the process. As a result, hiring times were reduced to an average of 77 days.

Agencies can also involve HR leaders in operational performance-review processes. At the US Department of Education, senior HR leaders now play a prominent role in organizational-assessment sessions, in which they previously did not participate directly. In these sessions, they receive input from line managers into current performance and provide immediate feedback on implications for hiring needs. They also support the assessments by providing detailed data and reports (for example, regarding open or recently filled positions).

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By looking beyond recruiting and hiring and embracing a comprehensive approach to talent management, federal government agencies can position themselves well for the workforce transition. Rather than simply replacing departing workers, they can thoughtfully source and cultivate the next generation of leaders. ○

Shall we talk? Getting the most out of performance dialogues

Done right, performance dialogues can be a catalyst for overall performance improvement. The most effective dialogues are fact based, lead to action, offer both constructive and challenging feedback, and target the most important issues.

Toby Gibbs and
Elizabeth Irons

Performance dialogues—regular, structured, face-to-face conversations between managers and their direct reports about organizational performance—are one of the most powerful management tools at a leader's disposal. Managers can use these dialogues to review data on an organization's performance and health, identify the root causes of gaps, surface best practices, and agree on prioritized action plans.

Most organizations recognize the value of these conversations—but when they seek to improve overall performance, they very rarely view dialogues as a starting point for change. Leaders in both the public and private sectors have told us that they hold off on

trying to improve the quality of performance dialogues until they have strengthened the other elements of their performance-management system, such as clarifying accountabilities, setting more challenging targets, or upgrading tracking tools. In our experience, however, improving performance dialogues can be an effective first step toward enhancing performance management—and in turn, toward becoming a higher-performing organization.

Using performance dialogues as a starting point has a number of benefits. Dialogues provide a forum for identifying improvement opportunities and spurring quick action, leading to immediate results and building momentum for ongoing

change. Structured dialogues can signal a new way to work, in which creative ideas are valued and accountability is front and center. And they can generate "pull" for improvements to other performance-management elements. In a large European defense organization, for example, effective dialogues created demand at senior levels for more transparency into the organization's logistics support for military operations, which then led to significantly improved performance against specific shared targets. Furthermore, all these benefits come at little material cost: great performance dialogues do not depend on time-intensive preparation or investments in new technology systems.

That said, performance dialogues are not simple to get right. Many government organizations struggle to obtain the data necessary for robust, meaningful conversations. Some have sufficient data but find it difficult to draw out the insights necessary to spur action. Still others let dialogues devolve into routine status reports or have unfocused discussions that ultimately have no impact on performance.

We have found that the most effective performance dialogues have four qualities that

enable them to drive ongoing improvements in organizational performance (Exhibit 1). It takes deliberate and sustained effort to incorporate these qualities into performance dialogues, but the successes of several public-sector bodies prove that it is possible—and worth it.

Making conversations fact based

Complex delivery chains, distributed workforces, and disconnected IT systems make data collection and analysis difficult in many public-sector organizations. In the United States, the number of government-agency data centers increased more than 150 percent between 1998 and 2009.[1] Performance dialogues can thus become forums for debates about data definitions and validity rather than discussions of underlying performance issues.

In our work with various public-sector organizations, we have found that most have access to valuable information but have a hard time capturing and using it. As they seek to make performance dialogues fact based, agencies should keep the following in mind:

Be creative in capturing data. Government agencies can—and should—leverage existing

[1] *FY 2011 President's Budget, Analytical Perspectives, Special Topics, Chapter 19, Information Technology,* available at www.cio.gov.

Exhibit 1

Good performance dialogues share a number of qualities.

Fact based	Dialogues are informed by insights based on credible data understood by all participants
Action oriented	Managers establish clear expectations, develop action plans with individual accountabilities, and ensure commitment to deliver
Constructive and challenging	Managers use dialogues to provide coaching and support, as well as to create tension and pressure to improve performance
Targeted	Dialogues have an explicit purpose and agenda, focusing on the most important issues rather than trying to cover too much ground

At their best, performance dialogues have a clear leader and a manageable number of participants, allowing each person to contribute actively to the discussion

data-collection processes, both inside and outside the organization. For example, most US government organizations already collect data for budgetary purposes, for financial audits, and for compliance with the Government Performance and Results Act. They may find that they can mine these sources for data that would be valuable in performance dialogues. A year after the launch of www.data.gov in the United States, more than 160,000 data sets are already available online for public use.

Agencies should also figure out ways to obtain the data they need from disparate sources. A European defense organization required data across many different IT systems, but a customized IT approach would have taken too long and cost too much. A creative, low-tech solution involving extracting relevant data from legacy systems into a simple off-the-shelf database proved sufficient to provide new insights into logistics performance. Very quickly, these insights informed better performance dialogues with senior military leaders, leading to dramatic improvements in overall logistics performance.

When new data are required and manual collection is unavoidable, agencies can seek creative ways to lessen the organizational burden, such as by collecting samples rather than comprehensive data sets or by varying the frequency of collection. One relatively simple technique for gathering data is the "pulse survey," a short survey instrument (with 20 questions at most) that focuses on a specific set of issues and can be

administered to a rolling sample of the target population—for example, each manager gets surveyed once a year, but only one-twelfth of the total group is surveyed in any given month. Over time, organizations can seek institutional solutions to data challenges. The US Department of Education, for example, has centralized responsibility for acquiring long-term data on program efficacy and impact, thereby reducing the data-collection duties of individual units.

Don't be afraid to start with representative data. If "perfect" metrics are currently infeasible, agency leaders should nonetheless keep them in mind; they may become feasible in the future as systems and reporting tools are upgraded. In the meantime, qualitative proxies can be helpful— particularly if current efforts will not have concrete results for years. The Centers for Disease Control and Prevention (CDC), an agency of the US Department of Health and Human Services, tracks near-term output measures that indicate progress toward achieving its target long-term outcomes. To illustrate: one of the CDC's long-term aims is to reduce lung-cancer death rates, so in the near term, it focuses on increasing the number of states and territories with evidence-based tobacco-control programs. This metric allows CDC leaders to chart progress and take action midcourse, even when the impact on public health may be years or even decades away.

Ensuring that dialogues lead to action

Many public-sector organizations share responsibility with other institutions in complex

delivery systems—resulting in multiple cross-organizational accountabilities and, often, a lack of clear expectations for individual units or employees. One middle manager in the UK public sector went so far as to tell us that in his 30 years in civil service, no one had ever held him truly accountable for his job. It is therefore critical that agency leaders use performance dialogues to clarify and reinforce expectations and assign individual accountability for specific actions.

At their best, performance dialogues have a clear leader and a manageable number of participants, allowing each person to contribute actively to the discussion. The meetings take place frequently enough to catch issues before they become big problems, but not so frequently that participants have no new information to share. At senior levels, the right format for performance dialogues might be formal quarterly sessions running 60 to 90 minutes; at the front line—in operational or customer-focused areas, for example—dialogues may take place every day for just a few minutes.

Use dialogues to set expectations, clarify accountabilities, and gain commitment. In practical terms, this means thinking of performance dialogues as a series of related discussions rather than one-off events and setting and following a regular rhythm and structure. The agenda should include follow-up on promised action items, deliverables, and target outcomes from previous sessions. At the end of each session, participants should summarize (and clarify if necessary) the commitments they have made. Unambiguous meeting notes—explicitly stating the owners, action items, and time frames associated with each commitment—should be circulated within 24 hours of each performance dialogue.

Consequences of actions taken, whether positive or negative, should then be clearly and explicitly linked to the prior commitments and made visible to all involved in the dialogue. Performance dialogues provide an excellent opportunity for public praise and sharing of best practices when things go well. And when results are not entirely positive, the dialogue should serve as a blame-free forum for conducting a constructive postmortem.

For complex initiatives, include cross-cutting teams in the dialogues. For a complex initiative within a single public-sector entity, leaders should identify an executive or senior manager as the primary owner and formally designate the other parties accountable for supporting the initiative. This approach can help surface critical dependencies and increase the likelihood that all relevant parties will be able to hear about and address any problems that arise.
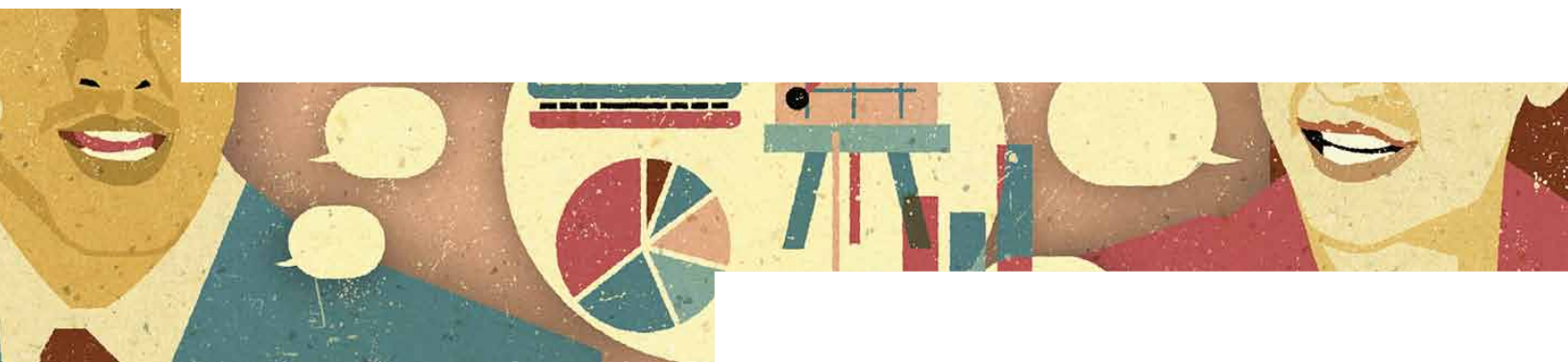
A similar approach can be helpful across multiple organizations. In 2002, for instance, when the UK government focused on battling street crime, the prime minister established and chaired a board that brought together all relevant parties, including the police, the Crown Prosecution Service, the courts, and government departments for education and skills, transport, and culture, media, and sport. Performance dialogues combined wide-ranging involvement with clear expectations for each participant. The impact of the initiative was dramatic and almost instant: street crime fell within two weeks, and by 2005, robberies had dropped by 32 percent. On other cross-government topics—such as obesity and child poverty—the United Kingdom has used "softer" forms of collaboration, including cross-government targets and multidepartment teams.

Stimulating constructive and challenging dialogues

Performance dialogues should provide coaching and support while also creating tension and pressure to drive improved performance. The elusive balance of these elements is set largely by the style of the senior leader in the dialogue. Most leaders are more comfortable in either one element or the other. At one European agency, for example, the senior leader was viewed as a "softie"—teams knew they would not be challenged during dialogues, and consequently the conversations had little impact. At the other extreme, another agency leader demanded so much detail that managers spent more time and energy preparing for dialogues than actually managing the organization's performance. By reflecting explicitly on the balance between being constructive and challenging, and fine-tuning that balance for different people and different situations, leaders can boost the quality of performance dialogues.

Become more constructive. Leaders who want to be more constructive in their performance dialogues should celebrate victories and be generous with praise, emphasizing opportunities and expressing confidence in others. They should explicitly offer support, either as an individual or as a senior-management team. We know one agency head, for example, who ends each dialogue with the question, "What do you need from me to achieve these goals?" Leaders should dedicate time to solving problems together, drawing out the ideas of all in the group and ensuring all viewpoints are heard, thus positioning the challenges as jointly owned. Tone matters a lot—note the difference between "How are *you* going to address the underperformance?" and "How are *we* going to resolve this problem?" Leaders should also elicit regular feedback from dialogue participants to reinforce a trusting, collaborative approach. One senior military leader, whose management style had been aggressive and confrontational, worked hard to learn and practice a new set of constructive coaching abilities, which he later described as critical factors in transforming performance dialogues.

Shall we talk? Getting the most out of performance dialogues

53

Become more challenging. To make performance dialogues more challenging, leaders should proactively shape the agenda rather than waiting for issues to arise. This active stance signals ownership and involvement, and it ensures focus on the highest-priority issues. Leaders should engage in rigorous questioning and drive problem solving, requesting follow-up analysis or briefing sessions to get more details on critical issues. They should also set stretch goals. One agency head driving a transformation agenda trained himself to always ask, "What would it take to do more?" Leaders should emphasize risks and potential roadblocks while expressing confidence that improvements are feasible. They should set explicit personal expectations of teams and individuals involved in the dialogue and consistently reinforce these expectations.

Keeping dialogues targeted

Many organizations fall into the trap of boilerplate status reporting of performance in one direction (for example, from each division leader to the executive in charge). This can take a significant amount of time and still be unproductive. We have too often witnessed performance dialogues that are really serial monologues, in which managers present results in excruciating detail—often with the subtext, "This is why it's not my fault that we missed our numbers."

Another common hindrance to targeted performance dialogues is that the materials prepared for the dialogue contain whatever information happens to be available—rather than just the information needed to drive effective discussion. Few agencies have a culture of consistently reducing data collection. Indeed, many reduce reporting only when it becomes too burdensome and grows into a serious staffing issue.

In the best performance dialogues, the discussion's purpose and agenda are explicit and agreed upon beforehand. Status reports are part of the pre-reading materials—the dialogues themselves focus on the most important issues, rather than trying to cover too much ground in insufficient (or, often worse, excessive) detail. The dialogues do not stray from the agenda items, but leaders ensure that tangential topics that come up are addressed in other forums.

Using a standing structure for dialogues can save time and help participants learn the level of detail expected. We suggest two key actions:

Collect only the data that drive insightful conversations. Government leaders should note which types of data are most helpful in driving high-quality performance dialogues. The US Department of Education, for instance, has set a maximum of 10 metrics for each program office, 6 of which are standardized metrics (for example, one metric is focused on the timeliness of the completion of required plans, another on employee training) that enable straightforward comparisons across offices.

To make performance dialogues more challenging, leaders should proactively shape the agenda rather than waiting for issues to arise

A Chinese municipal government sharpened its focus on core objectives by dramatically reducing the metrics it reviewed during performance dialogues. Targets were reduced from an average of about 20 metrics to only a handful in 3 categories: core functions (maximum of 3 metrics), social impact (1 or 2 metrics), and economic impact (1 metric). Departments could choose to monitor other metrics, but were not evaluated on them.

Leaders should balance insight with pragmatism, always aiming for the minimum amount and precision of data required. It is helpful to take an overarching view of data required for specific purposes—such as performance dialogues, day-to-day management, or publication to stakeholders—and identify areas of overlap. Agencies should have the confidence to stop collecting data that do not contribute to performance insights.

Use simple templates to encourage focused reporting. Templates, ideally with easy-to-understand visual graphics, force dialogue participants to concentrate on the highest-impact data. A large UK government department reduced reporting for quarterly performance dialogues from 100-page documents to a 1-page scorecard supplemented by 3- to 5-page briefs on agreed-upon agenda items (Exhibit 2). The concise reports dramatically improved the quality of dialogues. Similarly, the US Patent and Trademark Office uses a template with a 1-page executive dashboard that includes no more than 13 high-level metrics, followed by a few pages of more detailed program information for constructive problem solving.

Exhibit 2

Simplified reports can significantly improve performance dialogues.

1 Quarterly performance report
A3-size single page

Commentary	Financial performance	People/ organization
		Stakeholders
Delivery vs strategy	Operational performance	A look ahead

- Provides regular summary of business situation for each business unit and function
- Highlights major issues, linkages, and trade-offs
- Includes brief commentary by business area and performance team

2 Papers for agenda items
Short papers (3-5 pages)

Issue 3 (eg, cost reduction)

Issue 2 (eg, major project)

Issue 1 (eg, target for reducing head count)
- Problem definition and context
- Analysis (eg, drivers and root causes)
- Actions under way
- Options (impact, cost, risks, trade-offs)
- Requirements for headquarters/center

- Provides additional detail on key topics; proposes options for resolution
- Includes consistent elements that balance effective analysis with ease of replication
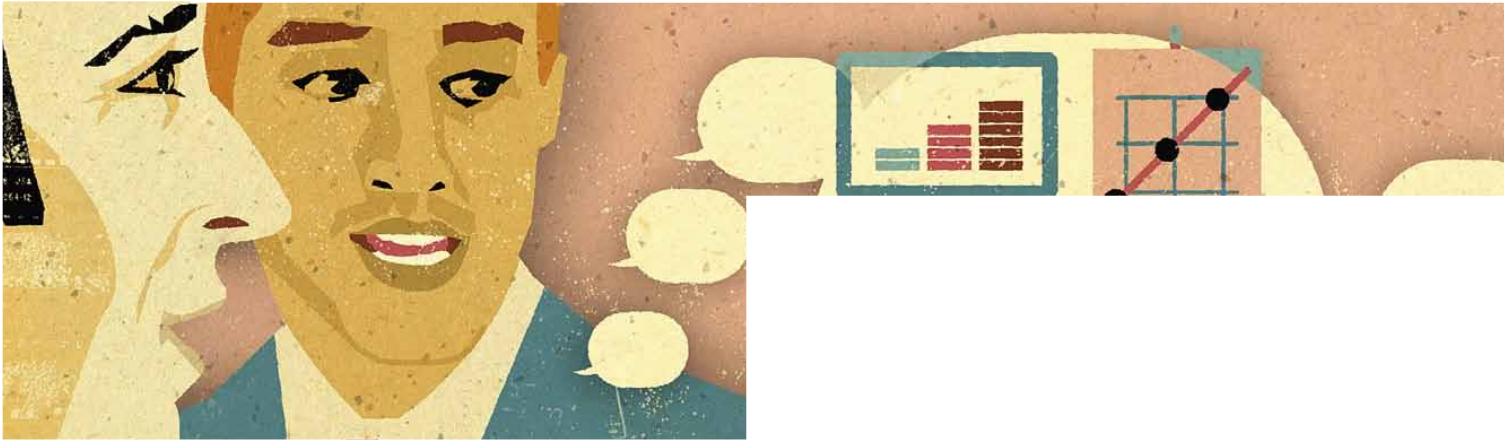
At the Federal Trade Commission (FTC), staff members prepare reports on each program and major activity for quarterly performance dialogues. The reports contain plain-language budget data and program metrics that are used in day-to-day management and align with the organization's strategic plan. The data in these reports are then consolidated into a summary report—which shows each program's status as red, yellow, or green—for the FTC chairman. Because the report contains both budget and performance data, leadership can make more informed budgetary and program-matic decisions and reassign resources as needed.

The theory of good performance management is relatively simple, but developing effective practices and embedding them into an organization is difficult. Performance dialogues can be an excellent starting point for improvement. By initiating high-quality performance dialogues, government leaders can begin their organizations' journeys toward stronger performance management—and better performance—right away. ○

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