In the United States, fiscal pressures are forcing the new administration in Washington to make dramatic changes to how government organizations operate at all levels. Similarly, governments in Europe and Asia are also stepping up and looking at what changes need to be made to their own domestic policies, to best ensure economic recovery and continued prosperity.

In this whitepaper we outline some key principles that will help government organizations face these new realities. We look at the effects of the economy on government, the constantly changing government landscape, and why more than ever governments need to adopt solid Performance Management programs to increase accountability and performance improvements, in order to create the results needed for sustainable recovery.

Last year, Actuate and the Advanced Performance Institute (API) conducted the world’s largest survey on government and public-sector performance, in which we identified best-practice principles of performance improvement. These 10 principles are still as important as ever; however, the environment has changed dramatically over the past 12 months and priorities have shifted. Our aim in this whitepaper is to provide a new list of updated principles that capture the changes that took place over the past year, to enable government and public-sector organizations to tackle the challenges ahead.
New Directions for Government: Five Principles for Sustainable Recovery

The following five principles take into consideration the new priorities of government and public-sector organizations, as they move forward in this new economic climate.

**More Strategic Clarity**

As the credit crunch takes hold in countries across the globe, governments are introducing massive rescue packages and increased spending to boost weak sectors such as construction and the automobile industry. But today’s spending will have resource implications, with an increased government debt burden that will mean future constrictions in public funding. As a consequence, organizations need to be clearer than ever regarding their remits and priorities. Many government organizations around the world will have to expect budget cuts over the next years to recover some of the current overspend. Reduced budgets will mean less in the way of resources on which to operate, in turn forcing organizations to be absolutely clear about:

- Their core responsibilities and intended outcomes;
- Their priorities in terms of internal processes and core activities;
- The key enablers, such as resources and competencies, required to drive performance.

Fewer resources also mean that organizations will need to focus on what matters the most, to deliver the intended outcomes. In order to achieve strategic clarity, it is crucial to understand the cause-and-effect relationships between overall aim, outcomes, outputs and enablers. Many organizations now create so-called strategy maps or value creation maps to identify and communicate their strategic objectives and priorities. That means putting their plan into a one-page document, depicting what outcomes and outputs they intend to achieve, and by which means they intend to deliver them. The questions they would consider include:

- Why do we exist as an agency? Who are our key stakeholders and what do they expect from us? What outcomes and outputs do we intend to achieve?
- In order to deliver our outcomes and outputs, what do we have to be really good at? What are the vital few internal processes (usually between two and five) that we have to excel at?
- What are the underpinning enablers that will allow us to execute our internal processes and deliver our outputs and outcomes? What are the key drivers of our success (e.g. people with the right competencies, relationships with key partners, information and IT infrastructure, leadership and governance, organizational culture, corporate reputation and image, etc.)?

Producing a so-called ‘Plan on a Page’ is a powerful tool to help organizations clarify what matters most. The two major benefits of strategic maps are that they (1) ensure a strategy is integrated and consistent, and (2) enable powerful and easy communication of that strategy. Only if the overriding strategy is clear will everyone be able to work in the same direction, allowing organizations to focus their limited resources on things that will deliver the intended outcomes.

**More Partnerships and Synergies**

Over the past years, many governments have realized that closer collaboration between public bodies could generate significant cost savings and create more citizen- or customer-centric services. Different initiatives by government bodies have attempted to create closer collaborations between public organizations. In countries like New Zealand, the United Kingdom and Scotland, for example, governments have put legislations in place to ensure government organizations such as councils, health departments, emergency services, development agencies, etc., develop joint strategies and agree on joint priorities to deliver better services to their local communities. In the future there will be an even greater expectation on government to create partnerships between the different public organizations at all levels, in order to generate efficient savings through synergies and at the same time deliver better services through a more cohesive service delivery.
Many of the early attempts to create joint strategy documents (such as Local Area Agreements or Single Outcome Agreements) are no more than a collection of everybody’s individual objectives all dumped into one lengthy document. But strategic clarity is needed for partnerships in the same way that it’s required within a single organization. The recommendation here is to also make use of strategy-mapping tools to create joint plans with identified aims, outcomes, outputs, and enablers when creating local partnership strategies.

**More Intelligent Indicators**

There are generally two main reasons why government organizations collect data:

- To transparently demonstrate that public money was spent responsibly and that the agency has complied with regulation;
- To gain insights that are used internally to inform better decision-making, leading to performance improvements.

The first is about public accountability – focused on external reporting – while the second is about performance improvement, focused internally. What our research has shown is that organizations often confuse these two and end up only collecting performance indicators for external compliance. This problem has been largely caused by governments that impose a massively long list of performance indicators and targets onto organizations, overburdening them by forcing them to collect externally-imposed compliance indicators and leaving them with little time and limited resources to develop meaningful internal targets.

Governments have started to acknowledge this and some have changed to simpler frameworks, asking public bodies to only specify the key outcomes they intend to deliver, while providing organizations with more scope to develop their own controls to manage that delivery. Basically, many are now moving away from an input and output control to an outcome control. This is fine for external accountability; however, many organizations forget that they still need individualized internal management information to ensure that they are best managing their performance enablers. Important in determining this management information are Key Performance Questions (KQPs), in which management teams clearly articulate their information needs before they can collect the most appropriate data that will help them find answers. This ensures that government organizations make the most of the new autonomy to create meaningful local sets of indicators.

**More Integration and Alignment**

Another important trend that can be observed currently is the merging of fields – including Performance Management, Planning and Budgeting, Risk Management, Performance Measurement, Business Intelligence, Analytics and Knowledge Management – creating a more integrated approach to management as a whole, and leading to new takes on Performance Management itself. New terminology has emerged as a result, including Corporate Performance Management (CPM), Strategic Performance Management (SPM), and Enterprise Performance Management (EPM).

In order to gain maximum benefits from their Performance Management initiatives, government organizations need to ensure that they align and integrate processes (including financial planning and budgeting; project and program management; people management and rewards; performance reporting; risk management; as well as business intelligence and analytics). State-of-the-art software systems can help with this, by creating an integrated solution to deliver total performance insight through Performance Management, performance measurement and business intelligence. These systems allow budgets and forecasts to be created and updated on the fly, based on a continuous inflow of both financial and non-financial data. Because such a system allows business units to feed in much of that raw data and market intelligence directly, it makes operations managers part of the planning-and-forecasting process. Integration enables an organization to leverage trend data and target settings to help cross-functional teams align agencies and improve collaboration.
More Serious Appointments

It is now generally agreed that in order to make Performance Management work, it needs a dedicated team of people to facilitate it. In order to embed the processes into the organization and ensure that the right measures are collected, analyzed and reported, time and resources are required, both of which tend to be in short supply in any organization. In the 2008 study we reported that while most government and public-sector organizations already have dedicated people in place to do this (such as a ‘director of performance,’ ‘performance officer,’ or ‘performance analyst’), the vast majority felt that their responsibilities were too narrow – often focused on data collection and external reporting – and that they lacked skills in analytics to turn their performance data into real insight. What is required to move forward is a team of highly skilled individuals who can act as performance advisors and who have the necessary skills to challenge the organizations on performance with a focus on performance improvements.

Over the past 12 months many changes have taken place and many organizations have demonstrated that they are serious about Performance Management by creating teams and appointing people with the right skills. For example, U.S. President Barack Obama has, for the first time, created a White House role of Chief Performance Officer. The position, which Obama has described as one of the most important in his Administration, is aimed at identifying areas for performance improvement and efficiency gains. Other organizations have also up-skilled their in-house team from data collectors and performance reporters to internal performance analysts who spot trends, identify areas for improvements and generally challenge the organization to improve.

It’s clear that 2009 will be an important year for government agencies around the world. Solid Performance Management practices have become a critical aspect of government, as evident with the new appointment in Washington. In this whitepaper we outlined some key principles that will help organizations face these new realities. The effects of the economy and the constantly changing landscape mean that more than ever governments need to adopt solid Performance Management programs, to increase accountability and performance improvements, and to create the results needed for sustainable recovery. The key building blocks to achieve this are clear strategies for organizations and partnerships in form of strategy maps, better performance information guided by clearly articulated information needs, closer alignment between performance management and other key management processes, and the creation and up-skilling of a dedicated team to implement and manage the process.

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