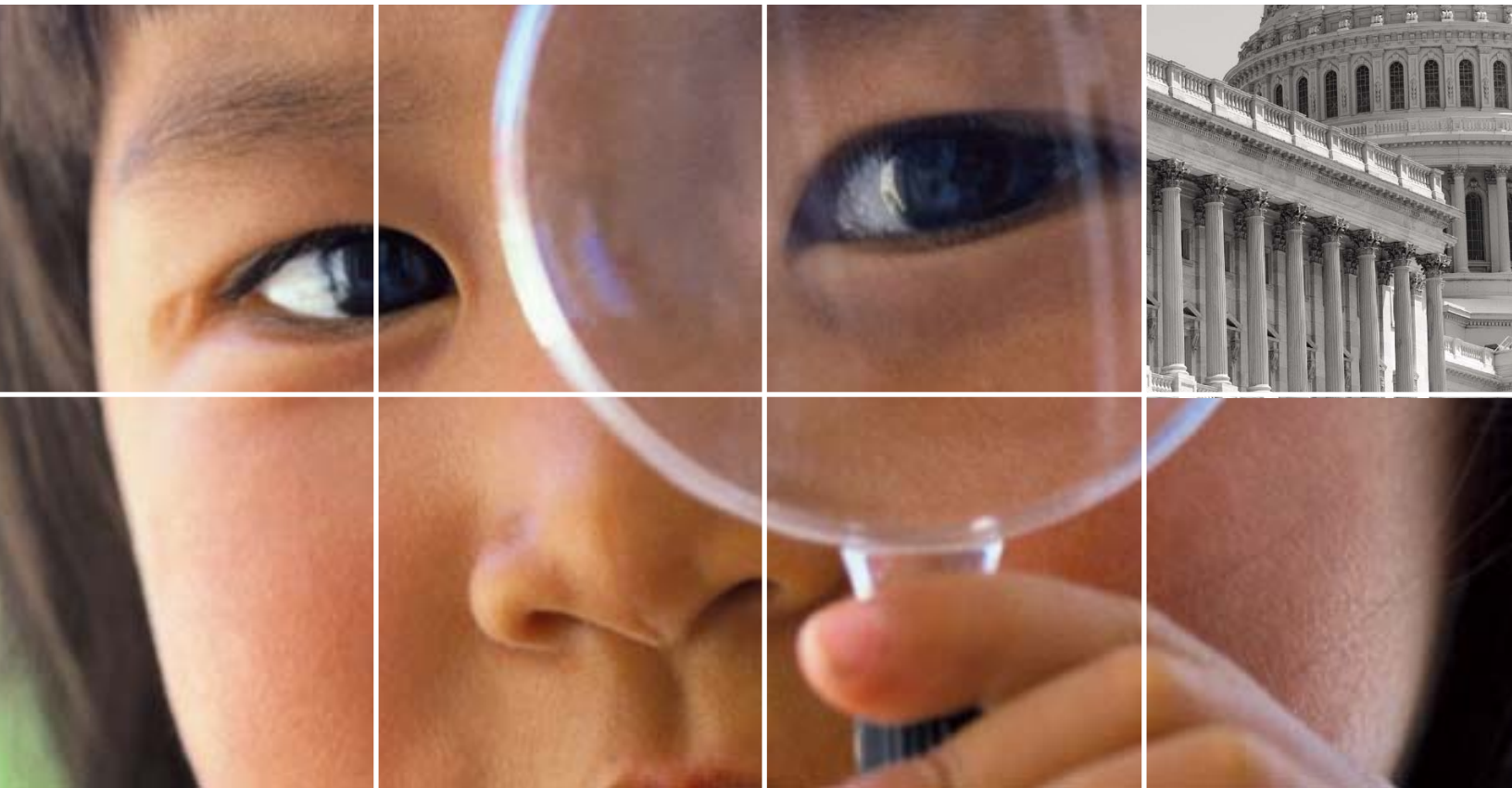


The big lie about transparency

How to implement performance management in government successfully



An IBM Institute for Business Value executive brief

The IBM Institute for Business Value develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This executive brief is based on an in-depth study created by the IBM Institute for Business Value. This research is a part of an ongoing commitment by IBM Business Consulting Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information.

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Introduction

Governments have been implementing performance management since the late 80's. So why should IBM® devote attention to this topic? Isn't there already enough focus on output and performance measurement? Isn't government transparent already, and aren't government products and services already being delivered effectively and efficiently? Well, our recent survey of senior government officials¹ across Europe, points out that this is *not* the case: only 10 percent of performance management and transformation-like programs have been implemented successfully. Everybody talks about the need for the performance of public services to be more transparent, but nobody really likes it....except the public.

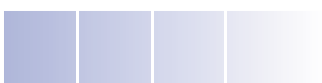
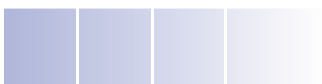
How does performance management relate to public value?

Based on our experience in government consulting, we have discovered a number of major hurdles to overcome, when implementing performance management to increase public value. Public value is defined as: *The value experienced by citizens and other government stakeholders of the public services provided and the degree of efficiency with which the government bodies are managed.* Performance management is seen as a key instrument to help ensure the deliverables of the government bodies are more transparent, to link performance to the (political) goals, and to endorse accountability for desired results and promises.

Why is it so difficult to implement?

Performance management implementation seems often a very hard and painful process. Based on our consulting experience, we have discovered a number of major hurdles to overcome before it begins to pay off, and before clients/citizens experience enhanced public value.

1. Lack of leadership focus or commitment. We found that in many performance management implementations the lack of unanimous commitment from the top leadership team is a key reason for failure. There are a variety of reasons for this. Individuals don't see the value of it; they have other priorities or are convinced that the current situation is satisfactory. Successful implementation of performance management requires outstanding leadership drive. In many organizations (in the private as well as public sector) only 10 percent of the management potential is leadership-based i.e., they identify what is important and what is not, have the ability to be self-energizing and create a shared dream with the rest of the organization.



“If you listen to executives, they’ll tell you that the resource they lack most is time. Every minute is spent grappling with strategic issues, focusing on cost reduction, devising creative approaches to new markets, beating new competitors.

But if you watch them, here’s what you’ll see.

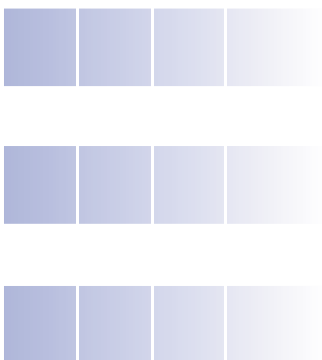
They rush from meeting to meeting, check their e-mail constantly, extinguish fire after fire, and make countless phone calls. In short, you’ll see an astonishing amount of fast-moving activity that allows almost no time for reflection.”

– “Beware the Busy Manager”, Harvard Business Review, 2002. Heike Bruch and Sumantra Ghoshal’s 10-year study of executives in a dozen large companies

2. Lack of focused project management skills. In an environment which is focused on day-to-day business, combined with event driven political “crisis handling,” governments have had difficulty in building and retaining sufficient project and program management skills. A culture based on asking the right questions from the start, making the right analysis (from the “outside in”) and hitting the agreed milestones, is often crucial for driving successful performance management. Training alone is not sufficient, it often requires new ways of working across organizational boundaries, impacting the power balances and use of available skills, and increasing the pressure on meeting milestones.

3. Reward mechanisms have their limits. Rigid labor contracts lead to a lack of (financial) incentives for the civil servants to perform. Variable pay is rarely used to reward high performance, which impacts on the conduct of staff. Very often, reference is made to the social dimension (helping the more needy of our society), but one cannot deny that high and exceptional performance needs to be rewarded by financial incentives to be sustainable.

4. “We’ve done it already.” Huge sums of taxpayer money have been paid to produce management reports, define products and generate the related critical performance indicators, but often, in the end, the customer/citizen does not experience any improvement in the services provided. Many times, the outside world is left out and performance management becomes an internal tactic only. Therefore, staff can resist the measurement of results and think it will go away anyway (as it has before!). Governance structures in the top of governmental organizations (designed to create healthy checks and balances) are sometimes weak, and allow continuation of these aggregate patterns of status quo behavior, and result in “groupthink.”



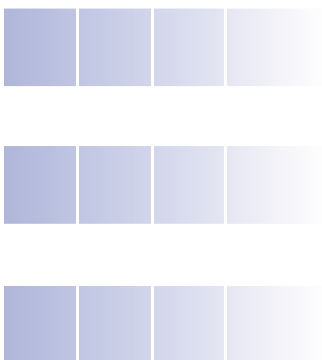
5. Lack of “external pressure” and protection of their own organizational silos. It's easy to see why the focus is often on internal matters and political events. The internal political arena, the lack of pressure from the market (competition) and the lack of comparable services (monopolistic situation) do not sanction a lack of external focus on delivering public value. As long as these factors exist, change will be very difficult. Managers will often strive to retain their control over information, and on preserving or expanding the size of the labor pool under their command. Fundamental changes are needed, hence the need to “break the china”; in order to create enhanced public value throughout the value chain (joined-up government).

6. Afraid to experiment with breakthrough technologies or new “out of the box” approaches. The lack of external pressure (unlike in the private sector) leads to a reduced need to experiment with, and adopt, new technologies. The up side is that others pay for the lessons learned (like the Internet hype, which did not hurt many governments itself). The down side is that innovations are postponed, so the sector needs to make a quantum leap to get to state-of-the-art accepted technologies and more efficient business processes. When the going gets tough, the public sector typically resorts to simply automating existing processes, thereby failing to realize the potential benefits.

7. Lack of authority to drive things to completion. Most governments face the same risks as big private sector conglomerates: The ability to drive change through a complex environment, where responsibilities are divided, processes have to be followed and the empowerment of key staff is limited. The biggest challenge is to be compliant with the governance structure and processes on the one hand, but to create the right context for entrepreneurial and agile performance (and project) management on the other. A cultural belief needs to be developed that identifies external focus on public value creation as one of the key core value for decisions and making things happen. We have a set of recommendations regarding how to create such a high-performance environment.

IBM's view on how to create a high-performance environment

*1. Leadership decisions. Select the **dynamos** for the job.* Change should be driven from the top. The top management team should act as a laser beam of focused energy. The “purposeful” manager will be best suited for leading transformation projects. They are clear about their intentions, have strong willpower, make deliberate choices, have a sense of responsibility for the company and manage time to allow for refueling.²



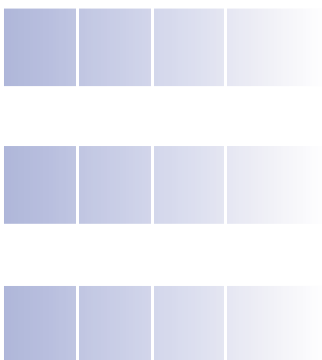
2. Define **public value**. Focus on value instead of low cost. Always start with defining the public value objectives first, from the outside in. Don't under estimate how difficult it can be to make a proper analysis of the problem to be solved. The temptation is often to flee in (known) solutions, and when including third parties in the service/product delivery, procurement departments have a strong bias toward lowest cost rather than best value. In these times, citizens are expecting excellent delivery and quality of the service, at the lowest cost possible.

3. Translate political objectives into pragmatic goals. Political objectives, often set at the beginning of a new legislation period, are more and more formulated in measurable outcomes or desired effects, e.g., reducing red tape by x percent. These outcomes need to be translated into measurable goals, cascaded down from cabinet level, to x-agency level (public value chain) to individual government agencies or third parties (in case of outsourcing or public private partnerships).

4. Performance management can be **fun!** How to use creativity. Analyzing the data, looking for trends and thinking out of the box will open up a whole new range of improvement opportunities that can be creatively used to motivate, empower and challenge your people. Looking backward might be useful to find root causes, but looking forward and using your imagination is the fun part. This is the essence of public value creation: Deciding which instrument, product or service to use to achieve the desired (political) objectives.

5. Make people accountable. To drive results and be committed to deliver on time, within budget and according the plan, you need to have the roles and responsibilities of each player clearly defined. In the end the success of projects – even IT-technical implementations – will depend upon the human/soft factor. Personal, individual and team accountability is therefore a must.

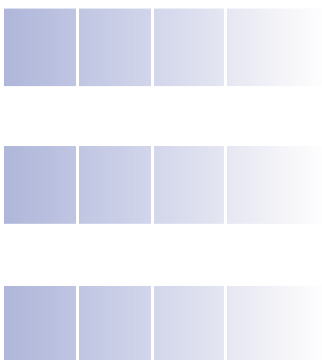
6. Reward good performance. Adjust compensation schemes. In order to sustain high performance, current salary structures need to be revised wisely. Introducing variable pay based upon performance is one of the key elements to align the organization's goals and the individual's performance. Of course, nonfinancial rewards play an important role as well, following Maslow's Hierarchy of Needs: Self realization and personal satisfaction based on public value enhancement.



7. *Use new information technologies as an enabler.* New technologies enable the realization of collaborative networks based on so-called “services-oriented architectures” within very short time frames. Application of new technologies in Healthcare, Border Management, Network-based Defense and Social Security are real game changers. Through these technologies, breakthroughs can be achieved in quality of service, double digit cost reductions, and innovations. New technologies also open knowledge and information repositories, severely reducing the power of the information holders (and consequently, their status within the organization) leaving a “power vacuum.” As a result, the “knowledge is power” mantra will lose its effectiveness and civil servants will be challenged to trust and share their own personal and professional qualities with others, potentially leading to more agile decision-making processes and service delivery.

8. *Communicate! Don't be afraid to shape transparency.* There's nothing wrong with communicating unfavorable results. (Re-) building trust and confidence in government bodies are a key topic these days. Currently, many incidents in the public and private sector are undermining public trust in institutions and corporations. Increased transparency about objectives, projects, and progress will be key in retaining the public trust. Public leadership should demonstrate this increased transparency and “walk the talk.”

9. **You!** *Do you have the courage to look in the mirror? Fear is the enemy of mankind!* Leadership is about being a role model, showing the way and being a good coach of others. There's no such thing as a single successful style. Effective leadership styles depend on the situational context, on the policy lifecycle (from target-setting through to implementation) and other variables. What's most important, however, is making a thorough analysis of the way public value can be created in that specific context. Once decided, be strong, focused and implement. Driving new and innovative solutions through to completion is not easy, you will meet resistance and it can be risky for you, but it will be crucial to achieve the (political) goals set. So, subject yourself to an honest self-assessment to determine whether you're up for the job and eager to succeed in the mission.





About the authors

Sietze Dijkstra is the Public Sector Leader Europe Middle East and Africa for IBM Business Consulting services. Sietze can be reached at sietze.dijkstra@nl.ibm.com.

Marc le Noir leads the European Public Sector Team at the IBM Institute for Business Value. Marc can be reached at marc.le.noir@be.ibm.com.

About IBM Business Consulting Services

With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is the world's largest consulting services organization. IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues and the ability to design, build and run those solutions in a way that delivers bottom-line business value.

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