

■ High-performance government

A value model for the public sector

By Vivienne Jupp and Mark P. Younger

New research has produced frameworks that for the first time define what value means in the public sector and identify the particular high-performance capabilities that can enable government agencies to create the greatest value.

Recent news notwithstanding, voter discontent did not begin and end with the gubernatorial recall election in California. It has been, in fact, a growing trend in many parts of the world, including Latin America, Japan and Europe. The common thread: increased expectations by citizens for accountability on the part of elected officials and for government services that make a positive difference in their lives—all while paying the lowest possible taxes, of course.

Faced with the simultaneous demand to provide better services but to do so at lower cost, many governments are responding admirably, working to create a higher level of performance at public-sector agencies. In most instances, however, this is easier said than done.

What does it mean to be a high-performance organization in the public sector? What kinds of capabilities are required to deliver the greatest value in the services provided to citizens? Understanding what high performance means and how high-performance organizations are created is difficult enough in the private sector; it is even more vexing when one turns to governments and their agencies. To date, no consistent standard of value has emerged to serve as a reliable guide for governments on their high-performance journey. After all, it's difficult to create an itinerary for a journey if you can't be certain what the destination is.

The motivational aspect of the journey to high performance is also different in government. The lag time between performance and performance assessment (in the form of elections) is something not found in the private sector. Absent the forces of competition that compel ever higher levels of individual and orga-

nizational performance in the private sector, governments may feel less day-to-day pressure to produce value for their citizens.

In the past few years, in an effort to better understand this complex topic, Accenture has conducted the Government Executive Leadership Series, a research program into effectiveness and value creation in government. The program has produced a number of compelling reports about value, technology, outsourcing and the application of customer relationship management principles in the public sector.

This research has produced a set of frameworks and case examples that define—we believe for the first time—two vital aspects of government.

- What value means in the public sector.
- The particular high-performance capabilities that lead to the greatest value for a particular type of government agency.

If you look closely at recent efforts by governments to make quantitative assessments of their performance, the complexity of defining value in the public sector becomes clear. Some of the metrics are inputs (the number of police officers employed); others are outputs (for example, the number of people arrested for committing crimes). The measures that are generally missing are those focused on outcomes (for example, the effect on crime rates produced by providing law enforcement with new resources) that citizens can look at and say, “Yes, I can see the value being delivered for the investment.”

However, metrics that focus on outcomes often exclude the equally critical dimension of cost-effectiveness.

For example, an agency that focuses solely on outcomes risks investing money past the point of diminishing returns, which usually means that additional value is no longer being created and that the money is better off going somewhere else. When, for example, does one reach the point where the effect of additional police officers on the crime rate becomes negligible?

Although the matter of value in the private sector is by no means simple, there are at least generally accepted ways of measuring it, such as shareholder value analysis. No such measure has existed, however, to guide government managers. The reason is fairly clear: In the private sector, shareholder value is consistently measured in the same financial terms, regardless of the industry. But “citizen value” is going to vary depending on the service being delivered. Welfare caseworkers and sanitation engineers, for example, can both deliver value, but the specific measure of that value to the community is hardly the same.

The Accenture Public Sector Value Model (see sidebar, page 18) adapts the principles of commercial shareholder value analysis to a government context, enabling governments at all levels to assess how effectively their resources generate meaningful value for the average citizen. The model considers not just outcomes but also cost-effectiveness—the two major dimensions of value. It does this by identifying a set of citizen-focused outcomes against which cost-effective delivery is measured. It aims to help agencies strike the right balance between pressure to raise their outcomes or performance levels and pressure to reduce costs.

Conflicting pressures

For example, the Arizona Department of Revenue has been using

the Accenture Public Sector Value Model in a project to reconsider its value proposition. Like most government agencies, the department must constantly deal with often conflicting pressures from stakeholders: pressures to raise revenue, reduce costs and increase the quality of services to citizens. Working with revenue experts and with agency employees, a project team identified four key outcomes that would provide a more balanced and comprehensive measure of the agency’s ability to generate value for the state: increase compliance rates; maximize tax revenue; simplify taxpayer interactions with the agency; and generate customer satisfaction.

Politically neutral

Although the department is still in the middle of its analysis and planning based on application of the Accenture Public Sector Value Model, it is already thinking of public-sector value creation in new ways. According to Elliott Hibbs, director of the Arizona Department of Revenue, one primary benefit of the model is that it provides governments and agencies with a consistent basis for measuring value from one administration to the next. In other words, the model is politically neutral.

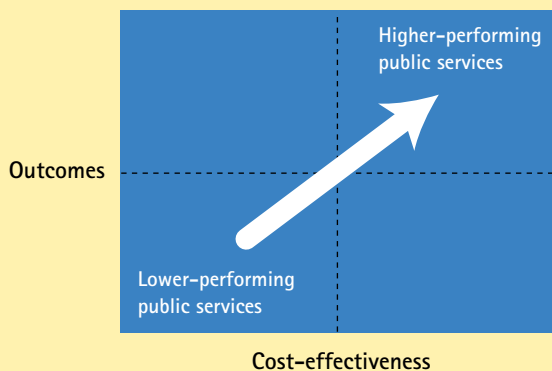
The model also protects against overemphasizing one metric at the expense of a more holistic approach. As Hibbs notes, “Previous administrations had done great work increasing customer service levels and satisfaction. But an unintended consequence of that emphasis was that voluntary compliance rates had dipped, with a negative effect on overall tax revenue. The more comprehensive approach to public-sector value, as applied to my department, is the most exciting thing I’ve seen in my 20 years of service in terms of balancing

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The Accenture Public Sector Value Model

To date, a basic tool has been missing from the management arsenal of the typical government agency: a consistent standard for performance measurement that would allow officials to assess how effectively resources are generating real value. The Accenture Public Sector Value Model addresses this fundamental challenge by adapting the principles of commercial shareholder value analysis to a public-sector context from the perspective of the primary stakeholders of all governments—their citizens.

How does it work? At its simplest, the Accenture Public Sector Value Model considers two levers of "citizen value": outcomes and cost-effectiveness. By increasing one or the other, governments can be understood to be creating value. By increasing one at the expense of the other, governments can be understood to be making a trade-off between their two fundamental means of creating value. A decrease in both levers represents a clear reduction in public-sector value.



The graph shown here represents the interaction of these two levers. The underlying hypothesis illustrated is that greater value is created through generating improved outcomes in a more cost-effective way. "Outcomes" are a weighted basket of social achievements. "Cost-effectiveness" is defined as annual expenditure minus capital expenditure, plus capital charge.

For a team conducting this kind of analysis for a particular government agency, it is important to achieve consensus on key outcomes, based on the agency's reason for being as well as on citizens' expectations as the agency delivers services. The weight given each outcome is also important, because it helps set priorities for apportioning fixed or limited resources. Cost-effectiveness is also analyzed.

One of the critical benefits of the Accenture Public Sector Value Model is that it provides a baseline for comparison over time for a particular government agency or against

similar agencies. Agencies can isolate individual outcomes and determine which factors are the most meaningful for driving overall value. The Accenture Public Sector Value Model sets the stage for a more holistic way of setting future strategy, as well as for identifying existing activities that are unlikely to create value.

The Accenture Public Sector Value Model looks at relative change. It cannot indicate whether an agency is performing well or badly, but it can show whether an agency is doing better or worse than the year before. And it can indicate which actions were taken to cause those improvements and help pinpoint problems. Other kinds of traditional performance measures are still required to determine whether the organization is being well run.

It's the holistic picture of value that has been most appealing to the Arizona Department of Revenue, currently piloting the Accenture Public Sector Value Model (see story). Although the results of the program are still being analyzed, it already has caused the department to look at its activities and outcomes in a new way.

Traditional indicators of public-sector value can be misleading. For example, an agency's budget may be flat and its headcount may be reduced, but do these efficiencies in fact hide a decrease in value from a citizen's point of view? By generating consensus about the outcomes to be delivered by an agency, the Accenture Public Sector Value Model gives government leaders a more realistic picture of value creation. The picture may be sobering but, again, the model's ultimate value is not as a snapshot of current performance but as a signpost along the journey to high performance.

accountability and agency performance to deliver value to citizens.”

If the Accenture Public Sector Value Model helps governments set their value destination, what capabilities make it more likely for governments to reach that destination? Our research, as well as our experiences with governments at all levels around the world, has led us to a number of hypotheses about the capabilities that underpin high performance in government, some of which we have found in the private sector as well (see “Redefining high performance,” *Outlook*, Vol. XV, No. 3, October 2003). Although more work remains to be done to test these hypotheses, we are confident that the following areas deserve the most attention.

1. High-performance organizations in government are relentlessly outcome- and value-focused.

This is the first premise of our Public Sector Value Model, and one without which governments are unlikely to improve performance levels. High-performance organizations in government are not misled by measures that are means rather than ends. Spending on government programs (means) must be balanced against the value as perceived by citizens (ends).

2. High-performance organizations in government are highly efficient.

This means that the high-performance organization is continually rethinking the processes of government to find ways to improve the efficiency of how public services are delivered and maintained.

For example, the Generalitat de Catalunya, the regional government of the Catalonia region in Spain, used process redesign and leading-edge technology to overcome a number

of existing inefficiencies caused by manual processes and the inconsistent integration of services. Today, thanks to a new Internet portal, the region’s citizens and businesses can access government services conveniently. The new integrated system not only eliminates the redundancies and inaccuracies of paperwork but also is less expensive—call-center agents, civil servants and citizens all use the same portal to access services specific to their needs. The portal also lets the different Catalonia government agencies share information easily, so they can collaborate and gain improved insights into the needs of the citizens and businesses they serve.

3. High-performance organizations in government are exceptionally aware of changes in their environments, and able to translate insight into action.

These agencies are able to see government and technology trends and quickly translate them into even higher-value outcomes for their citizens. In many cases, this capability depends on recognizing the potential of new technologies to transform the delivery of government service.

For example, the Australian Taxation Office is implementing an Internet portal for business-to-government and government-to-government users. A new public register now holds key identification information that 2.5 million Australian businesses previously were required to provide every time they dealt with a new government department. In the future, government agencies will be able to refer to the register instead of requiring businesses to provide documents to prove their identity or other high-level registration information. In Ireland, similar online technologies—including digital certificates and electronic signatures—are enabling the office

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of the Revenue Commissioners to transform the tax payment process for its citizens.

4. High-performance organizations in government are highly focused on their core capabilities, and adopt outsourcing strategies to improve efficiencies in noncore activities.

An additional implication of the Accenture Public Sector Value Model is that it can focus government agencies on the capabilities they need to deliver value. For capabilities less directly linked to those outcomes, high-performance agencies are often more willing to use partnerships, alliances and outsourcing strategies.

Accenture research involving governments at the national, state,

provincial and municipal levels points strongly to outsourcing as a growing trend. However, our most recent research suggests that outsourcing in the public sector is often limited to tactical or short-term responses to immediate needs. A few forward-thinking governments, however, are using outsourcing as a means to transform the way they deliver service to constituents.

Take the Florida State Technology Office. It has formed a unique public/private partnership with more than 30 information technology and technology consulting companies to create the MyFlorida Alliance. This new initiative will reduce the cost of government, provide new and higher-quality

Creating and measuring value: New York's 311 initiative

New York City's new 311 Citizen Service Center is an excellent example of how a number of high-performance capabilities work together to deliver value to citizens (see story).

New York's all-purpose call center—accessible through the simple-to-remember 311 phone number—quickly directs callers to the information or resources they need, at any time of the day or night. Part of Mayor Michael Bloomberg's commitment to "open government," the 311 service offers the city's 8 million residents live interaction with their municipal government and the promise of faster resolution of issues affecting public services. This complex initiative, the largest 311 implementation in the United States, was realized in only seven months.

What does the Accenture Public Sector Value Model tell us about the value-creating potential of New York's 311 service? How does it measure up to the general demand to balance value creation and cost-effectiveness?

That New York's 311 center has created new kinds of value for residents would be hard to dispute. The city has always been highly committed to the delivery of a wide variety of services to its citizens—its Y2K planning identified more than 900 different nonemergency services. But from the citizen's perspective, finding the right agency to deal with particular needs had become challenging. With 14 pages of entries in the New York City telephone

book, residents were often confused about where to turn for the help they needed. By providing a single point of contact, 311 removes the traditional government bureaucracy and inefficiency, unleashing the potential value that had always been residing in the city's services.

And thanks to the consolidation of call centers alone (from 11 of the city's 40 existing agencies to 1), the city now delivers its services at a higher level of efficiency than ever before, 24/7. According to Gino Menchini, chief information officer of New York City, the 311 program also enables government commissioners to make better management decisions and to allocate city resources more efficiently, which translates into cost savings.

In the end, the performance measurement capabilities of the new system will be especially compelling. With the call center feeding inputs into a centralized database, the city now has a picture of its performance that it had never had before. Take the problem of potholes, for example—the bane of all cities in cold-weather climates. Eventually, the city will be able to put all its data on pothole problems, coming in from 311 calls, onto a map. This will allow the city to quickly decide where the high-priority problems are, and then dispatch crews to repair them.

In the end, New York City got more than just a way to deliver services more efficiently; it got the means to transform government.

technology-based services at a lower cost to the state, and increase business opportunities that will benefit citizens and state employees.

5. High-performance organizations in government are highly agile.

Our ongoing research continues to find a number of roadblocks on the journey to high performance in the public sector—including governance mechanisms unable to overcome well-entrenched bureaucracies and funding practices that encourage a silo mentality. The US government has proposed overcoming these barriers by creating an e-government fund to support inter-agency projects that improve citizen access to federal services. Information and communications technologies also can be instrumental in breaking down silos and securing cross-agency cooperation.

6. High-performance organizations in government are committed to the growth and development of their employees.

Private businesses have only recently identified one of their critical problems in delivering high levels of customer service: Unhappy workers are unlikely to produce happy customers. The situation is the same for government employees. To address this issue, the state of Arizona, for example, administers an annual satisfaction survey for government employees, which asks them about a number of areas, including job satisfaction, performance feedback and recognition.

7. High-performance organizations in government are headed by courageous leaders.

Although governments are generally not fueled by the energy of competition, that deficiency can be more than made up for by the energy of leadership. A bold vision and relent-

less drive are motivating factors in the public sector just as much as in the private sector.

As with Accenture's research into high performance in the private sector, our knowledge of what high performance means in the public sector will increase in the coming months. In the end, the limitations placed on governments—rooted precisely in the noncompetitive nature of government—create extremely fertile ground for testing ideas.

The drive to achieve high performance in the delivery of government services is fueled by many dedicated public servants. They know that government touches the lives of people in ways that even the largest and most successful businesses in the world cannot. For many, the potential to affect the well-being of citizens constitutes an enormous motivation to understand and deliver on the promise of high performance. ■

About the authors

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