



# Making It Work in Government

Perspectives on transforming performance in the public sector

July 2010

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Many of the specific examples of government practices mentioned in this issue emerged as a result of research conducted in partnership with the Center for American Progress. We'd like to thank the participating Departments and agencies for sharing their stories with us over the past four months and allowing us to highlight their efforts in this issue.

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# Achieving sustainable transformation in the federal government

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## Introduction

You are responsible for running a major federal department or agency, excited about the opportunity to improve the lives of your fellow citizens. You know that the agency has significantly underperformed in delivering on its mission and you want to help get it back on track. You anticipate that a major change program will be needed to transform the performance and capability of your organization.

But before you even start the effort, it seems that you will need to downgrade your expectations. Everybody keeps telling you that significantly improving the performance of any part of the federal government is, well, almost impossible. Just to be helpful, they go on to explain just how weak your position actually is.

Think, for instance, of the workforce you'll be leading, most of them members of the career civil service who have seen well-intentioned change initiatives come and go. Then there's the political cycle – the schedule of elections means that at best you have a short window of opportunity to enact controversial programs. And the budget process comes burdened with legacy programs, organizational specifications, and commitments (funded or otherwise), along with close scrutiny from industry groups, Congress, and other stakeholders with intense, entrenched interests.

The private sector doesn't seem to face the same issues. There, a leader is supposed to grab the reins of power, shake up the status quo, and change things for the better – to nurture innovation and to drive enhanced performance. Extensive research helps private sector leaders decide how to achieve lasting organizational change and sustained performance improvement. For publicly-traded companies, feedback from the stock market gives a daily indication of what observers think of your performance.

In recent years, for instance, McKinsey has conducted three worldwide surveys of performance improvement programs across multiple industries and sectors. They provide robust quantitative data on which methods most correlate with successful change programs. What that research shows above all is that engaging with employees is critical for making change efforts successful. You are hoping that the same might be true in the public sector.

Fortunately, the prospects for meaningful change and sustainable performance improvement – call it transformation or continuous improvement – in the federal government are not as bleak as the naysayers indicate. Recently, McKinsey initiated a major research program in collaboration with the Washington-based Center for American Progress to understand “what works” in federal departments and agencies. Our aim was to identify government organizations that are reaching for a performance breakthrough – and then making the breakthrough stick.

This article outlines the initial findings from our research. Our research reinforces that the critical drivers for organizational change, and our knowledge of change management, are largely applicable to the public sector. The findings about organizational change fall into five headings. We call them the “Five Frames”<sup>1</sup> – specifically: 1) aspire ; 2) assess; 3) architect; 4) act; and 5) advance (Exhibit 1).

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<sup>1</sup> See also *McKinsey Quarterly* Transformational Change survey, January 2010.

Exhibit 1: The five frames

Transformation stages				
<b>1. Aspire</b> <i>Where do we want to be?</i> <ul style="list-style-type: none"> <li>▪ Use events as a call to action</li> <li>▪ Link aspirations to the mission</li> </ul>	<b>2. Assess</b> <i>Where are we today?</i> <ul style="list-style-type: none"> <li>▪ Get familiar with your people</li> <li>▪ Set a performance baseline</li> <li>▪ Build on existing pockets of success</li> </ul>	<b>3. Architect</b> <i>What do we need to do?</i> <ul style="list-style-type: none"> <li>▪ Plan initiatives to deliver in the short, medium, and long-term</li> <li>▪ Focus initiatives on making a few central shifts in mindsets</li> </ul>	<b>4. Act</b> <i>How should we manage the journey?</i> <ul style="list-style-type: none"> <li>▪ Routinely set expectations and monitor progress</li> <li>▪ Create external pressure so the change will stick</li> </ul>	<b>5. Advance</b> <i>How do we sustain and improve?</i> <ul style="list-style-type: none"> <li>▪ Identify and incentivize change leadership</li> <li>▪ Build broad based change capabilities</li> </ul>

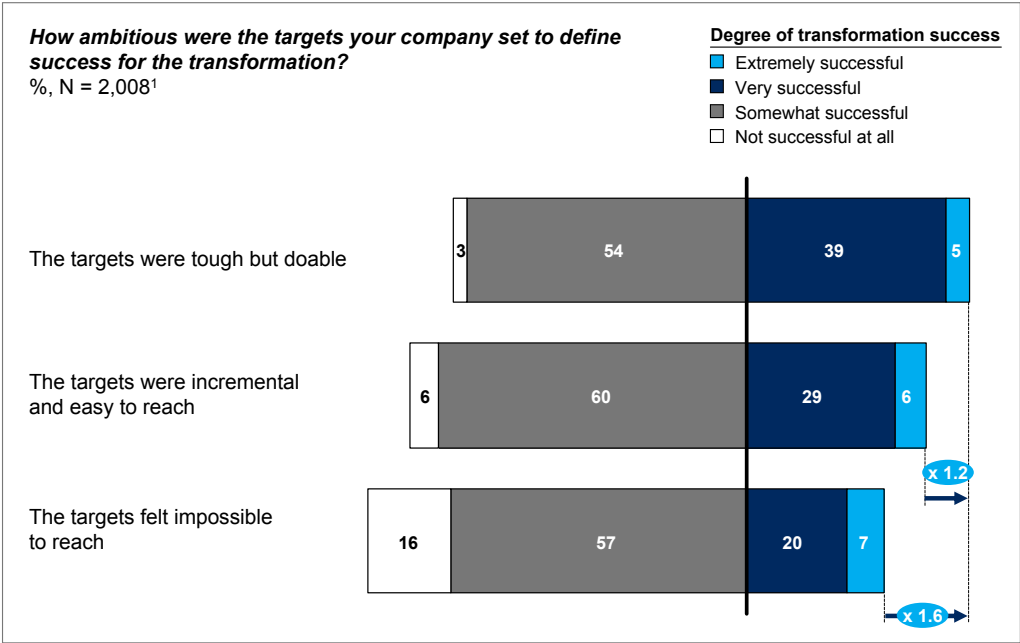
Our research in the federal government has uncovered examples of each frame being applied individually – and we even found agencies that are applying all five frames in a holistic and integrated way. That said, the research constantly reminded us of the particular challenges facing government leaders and consequently how necessary it is to adapt and innovate based on the context of the public sector. Many agencies struggle to manage large-scale change programs and turn success in discrete pockets into improvements throughout the organization. Nevertheless, there are indicators that the recommended tactics can be applied successfully in the public sector context. Here we share important insights and real examples on how government leaders can achieve successful step changes in government performance.

## 1. ASPIRE

### Set lofty goals for policy, performance, and health

Our research shows that successful change leaders aim high. They convey a clear and inspiring vision of the future, and they set stretching goals for their organizations. Our global research found that 44 percent of change programs that set stretching targets were very or extremely successful in improving performance, compared to 35 percent of those with only modest incremental targets (Exhibit 2). We similarly found that successful change programs address

Exhibit 2: Setting aspirational targets



1 Unweighted data  
Note 1: Due to rounding, totals might not add exactly to 100%  
Note 2: Data weighted by proportion of world GDP, following McKinsey Quarterly weighting standards  
SOURCE: McKinsey Quarterly Transformational Change survey, January 2010

both the short-term performance and the long-term health and strength of the organization – doing one without the other is a recipe for mediocre results.

In the public sector, by contrast, we have all too often seen what might be characterized as “aim low, achieve lower,” particularly when it comes to organizational performance and overall health for the long term. While they might establish ambitious policy agendas or goals, leaders often do not set specific goals that relate to improving performance and underlying organizational capabilities. Alternatively, they set only modest but seemingly achievable goals in these areas.

Oftentimes, leaders in the public sector go on to express frustration that they are unable to achieve their policy goals because they lack important internal capabilities, such as strategic planning, data analytics, or effective management. The lack of focus on organizational capabilities then makes it harder to achieve program targets year after year.

But it doesn’t have to be that way. Some agency leaders have aimed high and achieved higher, achieving quite dramatic performance and organizational health improvements. Where that is the case, they have typically applied approaches that would seem natural in the private sector, but they have adapted them to the realities of the federal government.

### Use events as a call to action

Former British Prime Minister Harold MacMillan said that the biggest challenge to effective government is “events, dear boy, events.” But while unforeseen events can derail and even destabilize governments, they can also provide the urgency and impetus to motivate broad changes in organizational performance that otherwise would not have happened.

Today’s news provides a classic example. The Gulf of Mexico oil spill has created a moment of opportunity for the Department of the Interior to fundamentally reshape and improve the former Mineral Management Service. The financial crisis has spurred, in addition to sweeping policy changes, several financial regulators to aspire to broad improvements in the performance of their organizations, and the underlying organizational capabilities to achieve them. These events fundamentally shift the balance between the aspiration for, and the risk-aversion to, major organizational change. Public sector leaders need to be prepared to ensure “no crisis goes to waste.”

The most famous, and most tragic, example of recent times was the 9/11 terrorist attack – an event that revealed gaps in the U.S. intelligence and security system. Spurred by the 9/11 Commission’s report, Congress and multiple agencies made a number of central policy shifts. Some also took the opportunity to address more fundamental performance and health challenges within their organizations. In particular, the FBI focused on its internal programs directed toward identifying gaps in its intelligence, collecting intelligence to fill those gaps, and disseminating information both internally and externally. The Bureau initiated a truly transformational program with the objective of becoming an intelligence-led, threat-based organization.<sup>2</sup> The transformation not only included addressing new intelligence capabilities demanded for its evolved mission, but supported substantial enhancements of its core management capabilities (e.g., performance management, strategic planning) that improved its traditional investigative mission.

Dan Goldin, the Administrator of NASA, also faced a traumatic event in August 1993 with the loss of the Mars Observer spacecraft, 3 days before it was due to go into orbit. Goldin used the energy released by that event to initiate a fundamental reorganization of his agency – reorienting key programs and replacing specific managers. He used the event to spurn preemptive cuts and force prioritization. The events provided the drive to address much-needed performance and organizational improvements that left the agency better positioned going forward.<sup>3</sup>

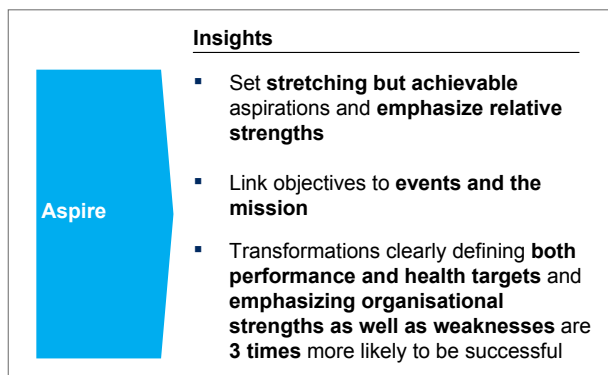
### Link aspirations to the mission

Federal agencies have one major advantage over the private sector – their primary mission is to serve the public. That can be a compelling motivation for employees and other stakeholders to embrace change. In the private sector, less than 14 percent of change programs use an emotionally compelling narrative (even though those that do are often more successful). In government, the inherent drive to achieve socially beneficial outcomes enables agencies to tie

<sup>2</sup> Jan W. Rivkin et al., “Federal Bureau of Investigation, 2009,” Harvard Business School, May 19, 2010, p. 2.

<sup>3</sup> IBM Business of Government, Lambright Report, 2001.





performance objectives to the mission. Our organizational research across the public sector consistently shows a robust “commitment to the mission” that motivates positive actions.

For instance, the Centers for Disease Control and Prevention (CDC), an agency within the U.S. Department of Health and Human Services (HHS), tied its recent organizational change program in to a series of public health initiatives, linking reform to impacting

specific disease risks. The change program did not just define these objectives in abstract terms. It specified a set of “winnable battles,” which required a collaborative, agency-wide approach. The inherently mission-driven staff could see in quite tangible ways how achievement of the mission depended upon changes in the organization’s structure and processes – and they could track performance against stretching targets.

## 2. ASSESS

### Understand your organization – including its strengths and underlying mindsets

Our global research shows that change programs are seven times more likely to succeed when the organization undertakes a thorough upfront assessment of its current performance and its fundamental strengths and weaknesses to set a “baseline” for future improvement. To make real and sustainable change, leaders dig deep into their organization’s performance and health. They assess the root causes of underperformance, including specific practices, processes, and mindsets that may be systemic barriers to progress. And they identify those practices that show encouraging signs of progress so they can be further spread throughout the organization.

Federal government leaders may find this discovery process more difficult. Often in government, leaders feel pressure to begin the change effort as soon as possible, given their typically short terms of office. There can be substantial gaps in data that would help leaders identify critical performance issues and set as their starting point. Moreover, long-tenured employees may have experienced multiple, potentially conflicting change efforts, creating hesitation to embrace another major change. As a result, political leaders often drive through policy initiatives from the top, without investing the time to fully understand the current state of the agency.

At the same time, a thorough assessment is particularly important in government. Getting grounded in the organizational history – ranging from performance data to the barriers that were encountered in past change efforts – positions new leaders to identify issues and fully capitalize on the inherent capabilities of their organizations. In particular, leaders benefit from the

institutional awareness and persuasive power of their top performers, who may have spent their entire career seeing the good, the bad, and the ugly within the agency. Leaders can also build on areas of success within the organization, demonstrating appreciation for the work that is already underway. We have seen that taking these steps will accelerate the overall change effort and ultimately make it more likely to succeed.

### Get familiar with your people

Successful leaders take the time to get to know the career staff to better understand what is taking place in the agency today and to open lines of communication. Taking this time also helps leaders identify the high performers who may end up in critical roles as the change effort takes shape. This makes getting the buy-in and support of the agency's staff much easier, and sends a message that the organizational history and opinions of the employees are important.

For instance, the new leadership team at the U.S. Department of Education spent the first weeks in office walking the halls and speaking with department staff. This created an environment of trust and collegiality from the start. The department also created a Web portal where staff could submit suggestions. These efforts increased employee engagement and helped leaders hear suggestions from deep within the organization and learn about where they had passion for change.

### Set a performance baseline

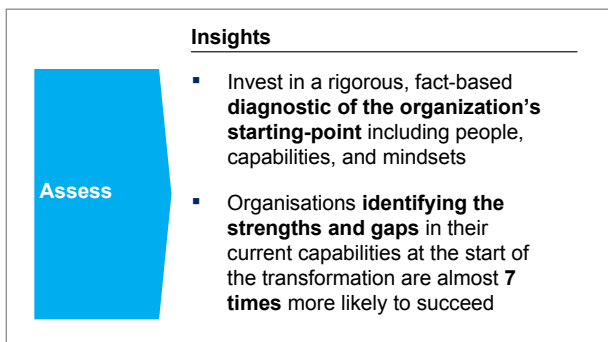
A quantitative baseline of performance data can help new leaders get their bearings. Baselineing helps agency leadership and staff face the facts of where they are, build insight from data rather than anecdote, and kick-start the fact-based conversations that are a consistent hallmark of high-performing public agencies.

Baselineing also proves powerful in demonstrating success to employees and stakeholders. The Department of Housing and Urban Development (HUD), for example, by first conducting a baselineing exercise, could show that a 115-day hiring timeline had been reduced to less than 80 days through its reform efforts. The baselineing process can lead to surprises; it often shows new political leadership areas of strength that they did not expect. For career staff with long memories, it forces everyone to agree to a common set of facts about where the agency stands today relative to where it wants to be.

On a qualitative level, career employees in agencies have a great deal of institutional history that can be invaluable in guiding leaders through the maze of opportunities and obstacles. It is critical to fully understand how things really work. After multiple attempts, the Social Security Administration (SSA) began its successful journey to electronic disability claim processing by involving thousands of staff members in an extensive value stream mapping exercise. This ensured that changes were built on a solid foundation and understanding of current processes and potential challenges. It also created immediate engagement in the change process at all levels, increasing buy-in and credibility that the change effort was going to take root.

### Build on existing pockets of success

A baseline also helps leaders understand the current processes and initiatives. This makes it easier to identify pockets of preexisting success. Where operations are succeeding, the baselining exercise helps leaders investigate and document the reasons for success. This demonstrates



appreciation for the organization's current strengths and talent, providing a foundation for the transformation that is positive and empowering to career staff. Effective leaders frame the change effort as building on those strengths, as opposed to simply fixing problems.

In the FBI, the core leadership team visited field offices and identified best practices among them, acknowledging the particular needs of small, medium,

and large offices. They then built the new intelligence structures and processes based on what they found.<sup>4</sup> As a result, when implementing the new structures, many offices could identify concepts they had developed in the new model, and were therefore more likely to accept the changes.

## 3. ARCHITECT

### ...and don't forget mindsets and behaviors in your plan

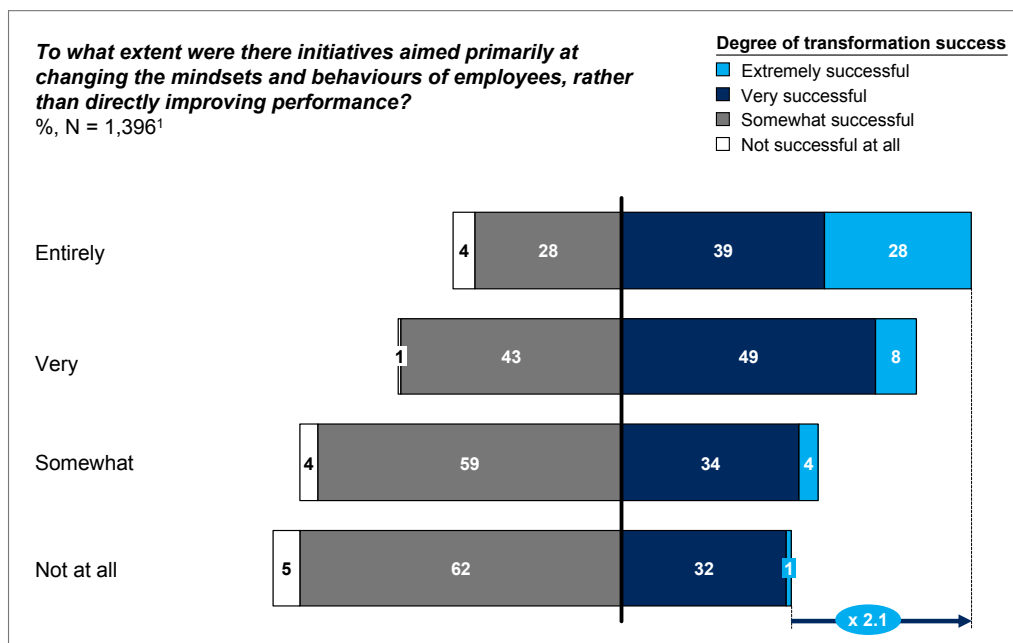
Rolling out a set of changes requires thorough planning and organization. Change efforts should be broken down into themes, each supported by specific initiatives. Most executives are amply aware that they need to develop a prioritized set of initiatives – like new IT systems or new programs – to drive performance improvement. Initiatives should deliver the needed tools, training, and communications to make the changes stick.

But in addition, successful change leaders support strategic and operational shifts with significant changes in behavior. It is typically not enough to design new “products” and processes; there must be a corresponding focus on underlying mindsets and behaviors. That often requires a specific focus on achieving such changes – through fostering understanding and conviction, ensuring role-modeling, and building the skills and capabilities required for change – in addition to changes in the formal systems. Our research demonstrates that including specific initiatives targeted toward changes in mindsets and behaviors more than doubles the likelihood of success of change programs (Exhibit 3).

In the public sector, this focus on mindsets is even more critical, but is often overlooked. Changes in mindsets and behaviors endure and become institutionalized – even across administrations. Rolling out the full set of initiatives necessary to complete a change effort may take longer than

<sup>4</sup> Rivkin, op.cit., p. 3.

### Exhibit 3: Initiatives targeting mindsets and behaviors



<sup>1</sup> Unweighted data

Note 1: Due to rounding, totals might not add exactly to 100%

Note 2: Data weighted by proportion of world GDP, following McKinsey Quarterly weighting standards

SOURCE: McKinsey Quarterly Transformational Change survey, January 2010

current leaders will be in office. The career staff will be the ones to see the change effort to conclusion. If they don't adopt the new mindsets needed to support the more tactical policy or performance improvements, they are much less likely to see the vision through to the end.

#### Plan initiatives to deliver in the short, medium, and long term

A successful change program requires multiple initiatives, often involving thousands of employees across the nation. Initiatives should be designed to deliver impact in the short term, building credibility and demonstrating progress, while others may require more time to come to completion.

The FBI created an overarching blueprint, outlining the various initiatives, the accountabilities, and the pace of change. Waves began by rolling out the changes to each field office, followed by making the changes within headquarters. The plan included targets to track intermediate progress, even though the fundamental changes in mindsets related to intelligence would take longer to fully embed.<sup>5</sup> These intermediate initiatives ensured that the change program maintained momentum and that issues could be escalated quickly.

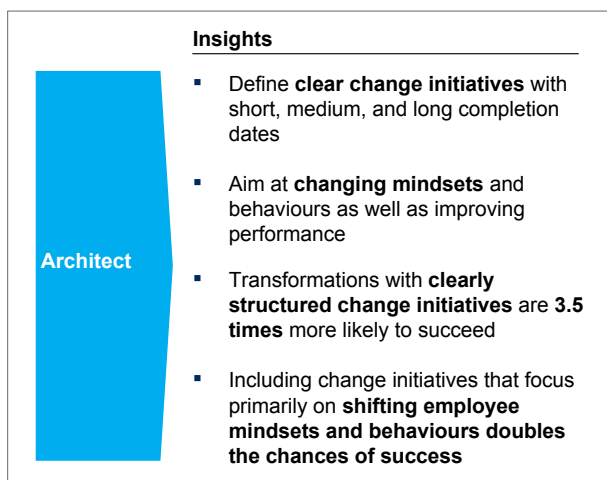
<sup>5</sup> Rivkin, op.cit., p. 4.

Intermediate measures are particularly important for shifts in mindsets or capability-building goals. For longer-term changes, include concrete health-related initiatives that are achievable within the political time horizon (i.e., 18 to 24 months), even though the full shifts may take longer to achieve. For example, the U.S. Department of Education aimed to build management capabilities; to do so, it required managers to have development plans including training and development activities for improving the identified competencies each year. These concrete activities can be tracked and achieved within a short timeframe, while the underlying capabilities may take longer to develop.

### Focus initiatives on making a few central shifts in mindsets

Changing underlying mindsets and behaviors requires a multi-pronged approach. Leaders must explain why the changes are important. They must role-model the new behaviors they want to see. They have to train employees how to do new functions and use new tools. They must make sure performance plans incorporate the demands of the new processes or programs. Given the effort required to truly change underlying beliefs and behaviors, it is critical to prioritize the needed cultural changes necessary to deliver the new mission, policy changes, or performance improvements.

One approach to role-modeling and building understanding about the changes is through interactive sessions such as town halls and workshops. Efforts like this are particularly effective when staff can engage in the process and identify how their role will change. For example, the SSA transition to electronic disability claim processing included regular forums for staff to share ideas and a multi-channel internal communications approach.



Training is another way to build understanding and make sure staff will be able to live up to new expectations. At the FBI, a new intelligence mindset was central to the success of the overarching change program. This focus on intelligence was the focus of formal training provided to agents, supervisors, and executives in all 56 field offices. In support of the training sessions, it was also discussed at town halls and built into policy guides and other formal processes. Leadership linked new organizational structures to a new way of thinking about the FBI as

a national security organization, where operations feed information into the intelligence process and the intelligence process informs operations.<sup>6</sup>

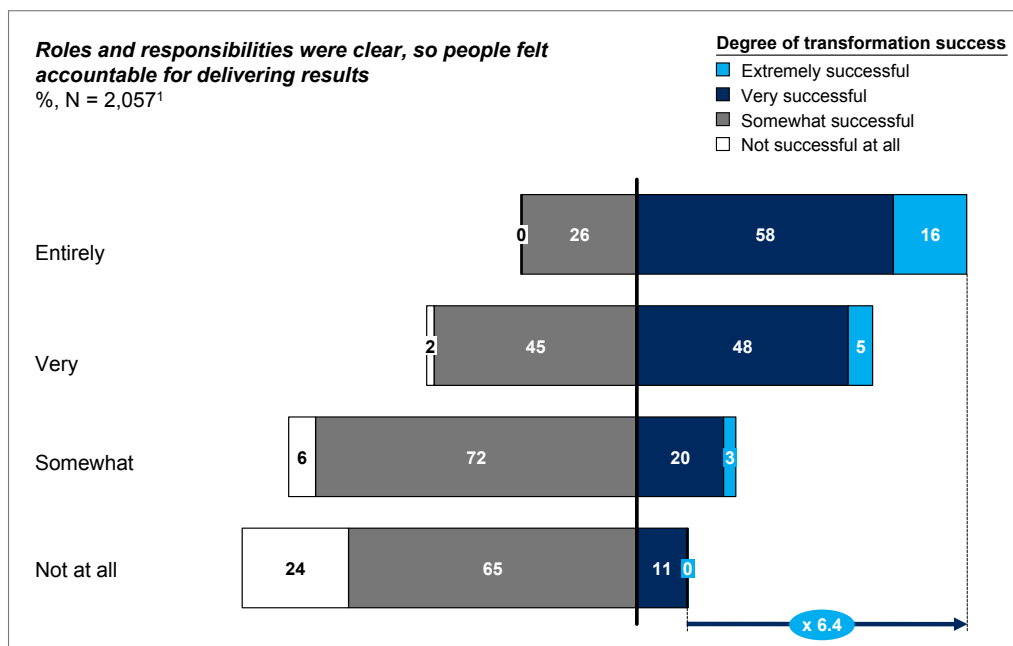
<sup>6</sup> Rivkin, op.cit., p. 4.

## 4. ACT

### Create accountability inside and outside the organization

Delivering on the architecture of initiatives to drive improvement requires a plan for managing the change journey. This demands clear accountabilities and mechanics for maintaining accountability and performance tracking that will be sustained throughout the effort. Our research shows that change programs with clear roles and responsibilities are six times more likely to succeed (Exhibit 4).

**Exhibit 4: Assigning clear accountabilities**



<sup>1</sup> Unweighted data

Note 1: Due to rounding, totals might not add exactly to 100%

Note 2: Data weighted by proportion of world GDP, following McKinsey Quarterly weighting standards

SOURCE: McKinsey Quarterly Transformational Change survey, January 2010

In the federal government, it is common to see uncertainty and ambiguity about who is responsible for what initiative. For example, reducing homelessness cuts across multiple programs and divisions at HUD alone – and also involves many other federal, not to mention state and local, actors. Moreover, true change takes time. The short tenure of many political leaders could lead to the accountable parties changing multiple times over the course of a change program.

### Routinely set expectations and monitor progress

Make a single point of contact within the agency responsible for each outcome and rigorously track progress through the formal reporting channels. Ensure that internal leaders know what they are responsible for delivering, and provide opportunities for them to report their progress and raise issues. For example, the SSA performed standard reporting to governance bodies and held a biannual forum for deputies to present the progress of the effort.

While a single point of accountability is ideal, it is often the case that responsibility has to be shared with other divisions or agencies. This can be managed by assigning a single unit to take the lead on a given initiative, specifying the supporting units involved and including them in any report-outs on that initiative.

Consider the approach of the Bureau of Consumer Protection at the Federal Trade Commission (FTC). In response to a growing and likely long-term focus on consumer privacy, the Bureau created a new permanent division to focus on privacy issues. But not all organizational changes were as permanent. To respond to emerging advertising and marketing activities utilizing new technologies, which crossed organizational lines, the Bureau created a special task force that drew staff members from all parts of the Bureau to learn more about these activities and develop recommendations for further action. Similarly, to respond to the need for more financial fraud enforcement in the midst of the financial crisis, the Bureau facilitated formation of multi-division projects, called “sweeps.” These sweeps coordinated the targeting, development, and filing of multiple similar financial fraud law enforcement actions by the FTC and its federal and state law enforcement partners. As the FTC examples demonstrate, the model of accountability can vary; what’s critical is that accountability is clear.

Next, make accountability real by clarifying expectations, creating incentives, and generating transparency to allow for joint problem-solving. Every public sector transformation that we have observed involved the creation or use of performance management, often as a guiding light of change. While it can be difficult to create such a system to support the change program, once these systems are in place, they commonly evolve from tracking the change program to providing transparency into ongoing operations.

At the FBI, Strategy Performance Sessions used both metrics and simple qualitative questions to drive change and make individuals responsible. The Director himself led these sessions – all of them early in the change process – to create the energy required. These sessions involved both field leadership and programmatic leadership at headquarters. The sessions also provided an opportunity for the Director to model the new intelligence mindset.<sup>7</sup>

At the U.S. Patent and Trademark Office (USPTO), senior leaders set an ambitious target of bringing patent application examination time to final conclusion within 20 months by 2015 with an initial patentability decision completed within 10 months by 2014. To address the current, large backlog in patent applications, USPTO’s leaders focused on enhancing the performance culture

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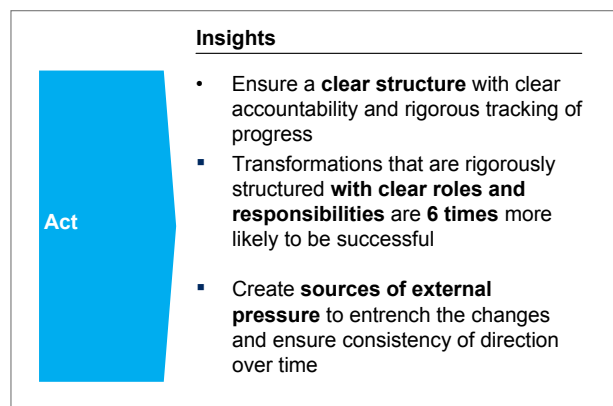
7 Rivkin, op. cit., p. 8.

at the agency. Performance metrics cascade from the agency's strategic plan to individual performance plans. Moreover, the agency utilizes a data system that automatically populates dashboards and scorecards with pertinent, real-time information. As a result, accountabilities are clear down to the individual level; each employee now has an up-to-date snapshot of how he or she is performing against individual targets. This visibility on an individual level has put USPTO on the path to achieving its processing targets by 2015.

### Create external pressure so the change will stick

Change programs can outlast the individual leaders who first envisioned them. That's the nature of governmental leadership in the United States; a new administration often wants to change agency heads to put its own stamp on the direction of agencies, especially when a new party occupies the White House. Changes becomes stickier when its originators win the support of internal and external stakeholders who can cement the direction of change and ensure the achievement of long-term outcome measures. We've already mentioned ways in which agencies win the support of internal audiences with long tenure in executing agency programs. The same thought process applies to external stakeholders. This creates external accountability for success that may sustain the change effort even in the face of political uncertainty and revolving leadership.

The Substance Abuse and Mental Health Services Administration (SAMHSA) within HHS provides a data collection and analytical tool with which program officers can track and assess how their grantees are performing in real time and initiate mid-course corrections with underperforming grantees. The program's success reflects how it was created. Grantees and project managers provided feedback throughout the development process and became invested in the system's success. Thanks to their input during the development, grantees find the system reflects their interests and needs and enables them to track their performance. Grantee adoption of the tool makes it more likely to stick.



At the FBI, leadership collaborates with the Office of the Director of National Intelligence (ODNI) in so much as its intelligence processes and staff positions impact the intelligence community. ODNI develops a budget for the FBI, which impacts the resources available to fund new intelligence activities.<sup>8</sup> Tying the budget to the change effort helps cement those roles and create incentives for the changes to persist, even after the FBI Director's tenure ends in 2011.

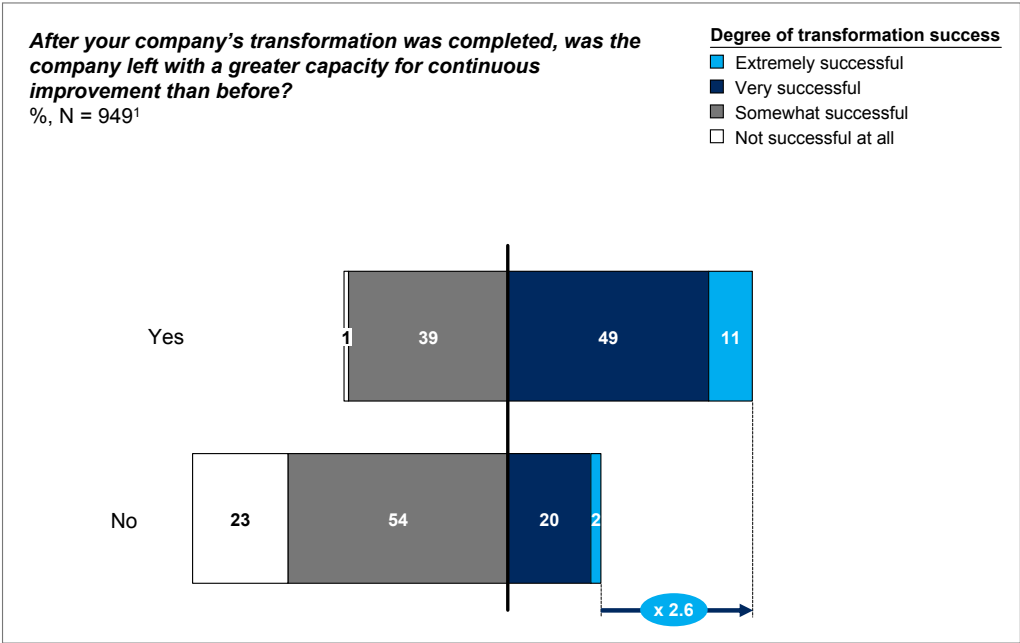
<sup>8</sup> See, e.g. [http://www.fbi.gov/hq/nsb/nsb\\_faq.htm#auth](http://www.fbi.gov/hq/nsb/nsb_faq.htm#auth); [http://www.justice.gov/jmd/2009summary/html/107\\_fbi.htm](http://www.justice.gov/jmd/2009summary/html/107_fbi.htm).



5. ADVANCE  
...the organization into the future

Successful transformations forge the leaders needed to ensure a continuous improvement approach in the future. The change program itself provides an opportunity to grow and develop leadership and management capabilities such as project planning, status reporting, coalition building, conflict resolution, and executive presentation skills. The program also often provides an opportunity to connect with staff throughout the organization, building a network that long outlives the specific change initiative. As such, the change program as an institution can successfully implement the immediate changes as well as build leaders and develop a culture of continuous improvement (Exhibit 5).

Exhibit 5: Transformation to continuous improvement



<sup>1</sup> Unweighted data  
Note 1: Due to rounding, totals might not add exactly to 100%  
Note 2: Data weighted by proportion of world GDP, following McKinsey Quarterly weighting standards  
SOURCE: McKinsey Quarterly Transformational Change survey, January 2010

In the federal government, it is sometimes difficult to identify future leaders who should be involved in the change program or who would benefit most from additional capability-building. This difficulty reflects the reality that political appointees may not know the key career staff, and performance evaluations may not spotlight the top performers. As a result, incoming leaders

## A Case Study from the Social Security Administration

SSA had been attempting to move to electronic processing since the 1980s. Early on, the available technology simply could not process the amount of data that was required. In the 1990s, as they waited for technology to improve, SSA started moving toward greater automation of processing, entering claims electronically to avoid paper from the outset. At the turn of the century, the time was ripe for a dramatic change. As a result of the effort, SSA has improved consistency, shortened processing times, and increased the quality of reviews.

**Aspire.** In 2001, the new Commissioner set electronic disability claim processing as her first priority. She set a timeline of 36 months to achieve it, re-prioritizing other projects to free the needed resources to take on the challenge. Given past challenges at moving to electronic processing, it was critical to prove commitment to the effort from the start.

**Assess.** The Commissioner engaged with stakeholder groups from the outset, including states, unions, and management. The leadership team had to understand past efforts and the potential barriers to success this time.

**Architect.** Thousands of people were involved in initiatives related to moving to electronic processing. For example, staff performed value stream mapping of the claims process, detailing all key assumptions. The program also included communications initiatives, including holding forums to share ideas and engage the staff personally.

**Act.** To track the progress of the effort over time, there was a formal governance body created. This group received routine updates on progress against the timeline. Twice per year, deputies presented the progress of the effort to a broader forum.

**Advance.** The change process built relationships and capabilities within SSA. Trust was built between the technology group, SSA business units, and external partners such as states. As a result, subsequent efforts to roll out new technology have been easier. SSA staff also developed improved communications across the agency and project management skills. Automation is the norm in routine business processes, creating continuous pressure to reevaluate processes and improve them.

with an eye on the calendar try to push through change programs from the top without engaging internal leaders.

However, we often see the value of patience and an appreciation of generally longer tenures in the career civil service. Leaders who enhance capabilities in this area can reap benefits for decades to come, as well as ensure that their changes remain embedded within the organization.

### Identify and incentivize change leadership

While getting up-to-speed on the organization, keep in mind how you can recruit individuals to serve as internal change leaders. At the FTC, some up-and-comers emerged as task forces and projects were created to focus on the financial crisis and new technologies in the marketplace. Such efforts commonly provide individuals with significant opportunities for professional development. For example, the response to the financial crisis in the form of sweeps provided participating attorneys with additional feedback from management and exposure to the rest of the Bureau. As noted by FTC Bureau of Consumer Protection Deputy Director Chuck Harwood, “New challenges create new opportunities for people to prove themselves and excel. If you want people to succeed, you need to make sure they have visibility. Participating in the new initiatives we launched provided just that.”

Some professionals may be wary about taking part in a new effort. Career employees in particular may be skeptical that the change program will stick, and they see risk in embracing the change effort and leaving behind their standard duties. In light of this, effective leaders must create a safe space for taking risks and trying new things related to the change program – and then convince cautious, traditional employees to jump in and contribute their knowledge and ideas to the program. Demonstrate that participation has an upside and limit the downside risk. This can be accomplished by creating incentives for top performers to be involved in the transformation, such as linking involvement with career-advancing opportunities. Top performers can also model behavior that draws observers in from the sidelines, on to the playing field.

“New challenges create new opportunities for people to prove themselves and excel. If you want people to succeed, you need to make sure they have visibility. Participating in the new initiatives we launched provided just that.”

Incentives beyond dedication to mission also get people involved. To draw managers into the cross-divisional projects within the FTC Bureau of Consumer Protection, participants could effectively become the Bureau experts on cutting-edge legal issues, which they could then share with their own divisions. At the CDC, Congressional funding often correlated to programs’ visibility; strong participation in the new Quarterly Performance Reviews with the Director has proven to be a successful way to receive this sort of beneficial visibility. Personal and program advancement is a helpful way to enlist talent into the change effort.

### Build broad-based change capabilities

Successful change leaders recognize that an organizational change program provides an unparalleled opportunity for building a fundamentally better organization. They use the change program to reassess legacy processes and programs and instill in staff a mindset of striving for continuous improvement.

The effort to move to electronic processing within the SSA built trust between the technology group and business units because of concerted efforts to develop joint timelines and plans of action. This has supported subsequent efforts to roll out new technology. Overall, there is better

communications across the agency and better project management. Automation is now expected in routine business processes, creating constant pressure to reevaluate and improve procedures.



Similarly, the U.S. Navy's Sea Power 21 transformation effort focused on greater coordination with personnel processes (recruiting, training, and assigning) and acquisition processes (buying ships, aircraft, etc.). The result: a more seamless implementation that makes the Navy better able to adapt to

future threats.<sup>9</sup> An effective transformation program creates people and practices that position the organization to continuously reassess its performance and make ongoing improvements. Over time, a discrete transformation may not be necessary; rather, the organization will have the capability to continuously adapt and evolve going forward.



McKinsey's global research has shown that there are clear patterns of success in the transformation of large, complex organizations. Some have assumed that few of these lessons can be applied with confidence in the federal government because the barriers to effective change are so significant. But as this article has illustrated, the federal government has 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 could and should apply with confidence.

<sup>9</sup> See <http://www.navy.mil/navydata/cno/proceedings.html>.





# Shall we talk?

Improving organizational performance through performance dialogues

Toby Gibbs  
Elizabeth Irons



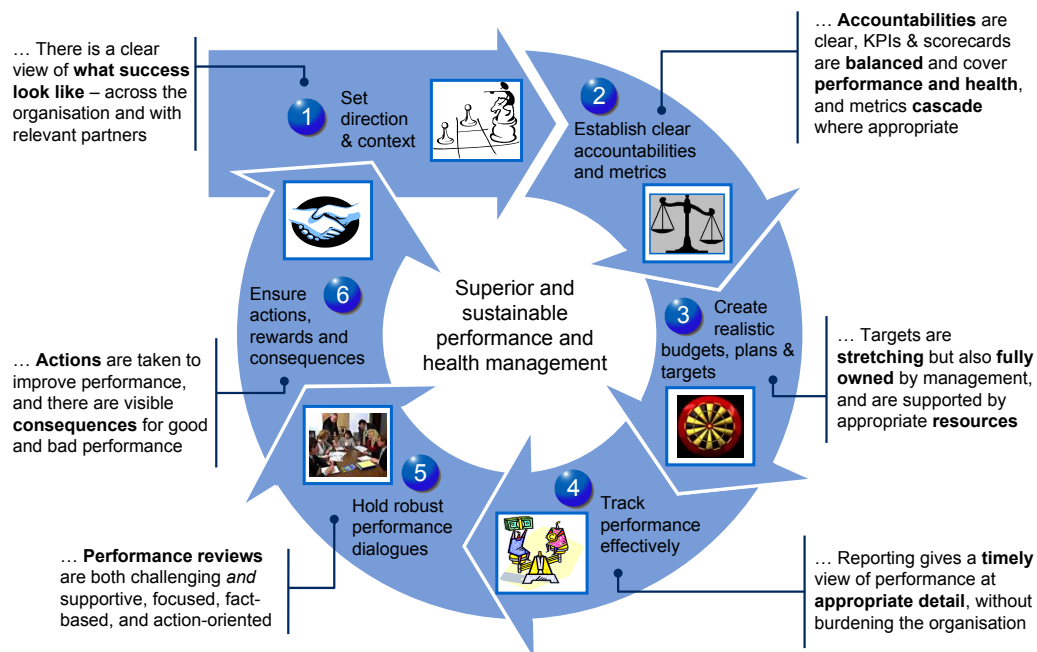
## Introduction

The question of how to drive effective and efficient performance in government is receiving increasing attention around the world today. Government expenditure constraints, public expectations and legal requirements for more transparency, and a demand for clearer accountability from officials has led over recent years to public commitments from senior leaders to improving government performance in North America, the UK, Europe and beyond.

For most great organizations, the lynchpin of high performance and continuous improvement is a comprehensive performance management system (Exhibit 1). GE, for example, has been well-known for its challenging targets, set top-down based on strategy; its hard-edged performance dialogues each quarter; forced ranking based on performance and values; and clear consequences and rewards based on delivery.

Exhibit 1: Six elements of comprehensive performance management

### Best-in-class performance management systems demonstrate strength at each element



The public sector faces unique challenges in putting in place this kind of system. Whereas for-profit companies can track universally-accepted metrics such as bottom line impact, revenues, or shareholder value, public sector metrics are often based on harder-to-define – and measure – social outcomes. Companies in competitive marketplaces operate within clear ownership

boundaries; many public sector organizations, on the other hand, share responsibility with other institutions in complex delivery systems, resulting in multiple, cross-organizational accountabilities. To facilitate performance reporting, the private sector has historically invested more resources in sophisticated information management systems, whereas public sector organizations can find themselves working with insufficient, untimely or overwhelming data. Finally, executives in the private sector typically have more leeway than public sector leaders in making performance-based human resource decisions (such as hiring, firing or reassignment), which contributes to an ethos of performance, accountability and consequences.

Despite these challenges, however, our research has uncovered examples of strong performance management within government that have resulted in substantial performance improvements. Consider the UK's Public Service Agreements and the work of Tony Blair's Prime Minister's Delivery Unit, which has shown how a formal system of targets can help drive changes in performance – as well as demonstrated the importance of ensuring the right incentives are in place and the right balance struck between central oversight and local autonomy and innovation. The effort instituted key elements of performance management: clear outcome targets with specific accountabilities to departments and individuals; a robust focus on regular tracking of priority metrics; and, the alignment of different stakeholders to improve performance on cross-cutting topics (e.g., on street crime, where robberies dropped by 56 percent in three years). Similarly, some U.S. government organizations and municipal governments—like Baltimore with CitiStat, which helped the city save more than \$13 million in its first year of implementation and decreased absenteeism by up to 50 percent in some agencies within three years<sup>1</sup>—have developed vibrant performance management systems. Organizations that make a priority of performance management have seen dramatic improvements in their performance, enhancing their ability to deliver their public service objectives. *It can be hard to manage performance in the public sector – but it is possible, and worth it.*

## Performance dialogues - a good place to start

Putting in place a comprehensive performance management system with effective depth in each of the required elements described in Exhibit 1 is a significant undertaking for any organization, requiring meaningful investments of time and resources. Organizations with limited organizational capacity can improve their performance management by focusing on one or two discrete areas at a time – for example, by taking a new value-based approach to targets (see “Putting value back in value-based management” from the June 2009 issue of *McKinsey on Government*), or by creating more direct links between organizational and individual performance management systems.

In our experience with governments around the world, we have found that focusing on high-quality performance dialogues – fact-based, action-oriented, constructive and challenging conversations that target specific priority topics to drive performance right away – is an excellent starting point for change.

<sup>1</sup> Perez, Teresita and Reece Rushing, *The CitiStat Model: How Data-Driven Government Can Increase Efficiency and Effectiveness*. Center for American Progress. April 23, 2007



In this article, the performance dialogues we refer to are regular, structured, face-to-face meetings between managers and their direct reports, in which they use key performance data to review each group or unit’s performance; identify best practices and/or understand the root causes of performance gaps; and collectively agree on prioritized action plans, the progress of which will be reviewed in the next discussion. They have a clear lead but are inclusive, with all present expected to actively participate. At their best, they are collaborative but challenging problem-solving discussions targeting the key drivers of performance, held frequently enough to catch issues early, but not so frequent that no new information is shared. At senior levels, this may mean formal quarterly sessions running 60-90 minutes; at the front line, they may happen every day for just a few minutes.

Leaders have often told us that in order to feel comfortable having these dialogues, they need the other elements of the system to be in place (accountabilities, targets, reporting etc.) – and so they hold off. Experience suggests otherwise. Once an organization has clearly defined the core elements of its performance, dialogues can be

highly effective – a tremendous first step toward improving performance and a way of laying the groundwork for the other elements of performance management.

**Exhibit 2: Qualities of good performance dialogues**

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- F** – fact-based
  - A** – action-oriented
  - C** – constructive and challenging
  - T** – targeted
- 

Starting with dialogues has a number of benefits. It drives a focus on action rather than bureaucracy and can lead to early performance improvements. Dialogues can generate a “pull” for improving other areas, for example, clarifying accountabilities, creating more aspirational targets, or upgrading reporting. For a major European defense organization, effective performance dialogues created a demand at the top for new transparency and insight on logistic performance. Done well, dialogues create positive momentum around a new way of working which cascades down through the organization, with a “virtuous effect” on other parts of the organization. For example, effective performance dialogues about human capital management in one US federal agency have triggered similar approaches to performance management in other units. And they are a quick and relatively low-cost way to get started towards improving performance, since they do not necessarily depend on investments in new technology systems or time-intensive preparation.

High-quality dialogues are not a substitute for upgrading all six of the elements of the performance management system. You cannot deliver on your performance potential without all of the elements in Exhibit 1: clear metrics and accountabilities linked to the organization’s mission and strategy; aspirational targets; efficient tracking mechanisms; and consequences linked to results. But dialogues are a great place to begin building – a tool for rapid, visible, low-cost impact, and a foundation for future improvements. In an era where every dollar must count,

Dialogues are a great place to begin building – a tool for rapid, visible, low-cost impact, and a foundation for future improvements.

forward-looking agencies are using such dialogues to up their game and drive performance. The rest of this article focuses on how to take the critical first steps towards implementing these dialogues to drive performance.

### Practical approaches to making it happen

Once you decide to upgrade performance dialogues, the task can be daunting. Many government organizations struggle to obtain the data necessary to have a fact-based conversation. Some have plenty of data but find it hard to derive meaningful insights from it. Others have insightful, fact-based conversations, but these do not lead to action or improved performance.

These are all common situations within public sector organizations. We describe below some approaches that have worked well for each of those situations. These recommendations focus on starting at the top – with senior-level performance dialogues that concentrate on an organization's top performance priorities. If senior dialogues are set up well, they should cascade down through the organization, with the same principles and factors for success for dialogues at each level.

#### Recommendation #1: Recognize your data limitations – but don't be paralyzed by them

Great performance dialogues focus on insights and implications based on clear, credible data, understood by all participants, that has been shared beforehand. In many public sector organizations, however, distributed workforces and disconnected IT systems make collection and analysis of data difficult. Often, agencies have insufficient data to drive real insight or disparate sources of data. This can result in debates over definitions or validity of data rather than discussion of underlying performance issues. Great performance dialogues demand facts – so what can be done in these “data-free zones”?

Most often, we've found that a lot of data is floating around – the challenge is identifying and bringing the data together. Spend some time up front determining which data are most critical to drive great discussions and agree on how that data can be captured over time to inform high-quality discussions in both the near and longer term, all the while guarding against a self-perpetuating cycle of data collection for data's sake.

**Don't be afraid to get going with representative data**, such as qualitative data or practical “proxies.” This can be particularly helpful for long-term outcomes, which leaders need to monitor frequently enough to indicate the effects of current efforts and implications of potential decisions that won't have concrete results data for years. For example, the Centers for Disease Control and Prevention (CDC), an agency of the U.S. Department of Health and Human Services (HHS), uses proxy one-year and four-year measures to establish progress toward achieving its target long-term outcomes, allowing leadership to chart progress continuously, though the underlying impact on public health may be many years or even decades away. Agencies can supplement

this data with targeted complementary analysis (e.g., root cause analysis of issues) and objective observations from top leadership and subject matter experts where appropriate.

**Be creative in capturing data.** Leverage existing data collection processes wherever possible (e.g., surveys, processes to meet reporting or compliance requirements), both inside and outside the organization. One European defense organization mapped the data available across many IT systems and designed a simple technical solution to skim off and collate the data when required. Where you cannot avoid manual data entry, seek creative ways to lessen the organizational burden, such as by collecting samples rather than comprehensive data sets, or varying the frequency of collection. Over time, seek institutional solutions to data challenges. For example, the U.S. Department of Education centralized responsibility for acquiring long-term data on program efficacy and impact, thereby reducing the data collection duties of individual units. Doing so means half of the key outcome/operating metrics can be auto-populated with centrally kept data.

**Understand what data drives insightful conversations, and get that data over time – de-emphasize or stop pursuing the rest.** During these conversations, note the data and information that is most helpful in driving high-quality discussion. Balance the insight you need with practicality, being clear to aim for the minimum amount – and precision – of data required for your specific purposes: performance dialogues (e.g., for problem-solving and course-correction) vs. day-to-day management (e.g., for tactical decision-making and quality assurance) or publication to stakeholders or the public. At the U.S. Department of Education, for example, metrics are capped at 10 for each program office with six standard, cross-office metrics and four office-specific metrics. The Department can now compare individual units based on the six standard metrics for all program offices, including peer review survey results from across the Department, and quantitative indicators of the Department's performance management process execution (e.g. timeliness of completion of required plans, midpoint reviews, and final ratings; training of employees).

Most organizations report considerably more data than is actually required. Once it becomes clear which insights are required to drive an informed conversation, the available data can be revisited and analyzed and critical insights gathered. In this process, much of the current data set may be identified as not required, and should be dropped. On the flip side, some organizations continue to focus on sub-optimal measures over time when improvements are possible. Plan ahead. Rather than discarding objectively excellent measures that are currently infeasible, keep them in mind as systems and reporting are upgraded in the years ahead. Every so often (e.g., on an annual basis) conduct a review of the reporting and metrics. Where data has consistently not been used, consider removing it; and enhance or add key metrics as data becomes available.

### **Recommendation #2: Move from *information* to *insight* by focusing on selected critical issues and preparing thoughtfully**

In the best performance dialogues, the discussion's purpose and agenda are explicit, and the majority of time is spent in two-way dialogue about current performance and how to improve it. Reporting is based on the information needed to drive effective discussion, not just what information is available. The dialogues focus on the most important issues, rather than

trying to cover too much ground in insufficient – or often worse, excessive – detail. In many situations, however, although data is available, it does not inform insightful discussions let alone management decisions or course corrections. This can be because the data is left unanalyzed, is not compiled in a user-friendly, prioritized manner, or isn't discussed in a systematic way.

**Target the biggest issues to discuss during dialogues.** Organizations often fall into the trap of “boilerplate” status reporting of performance in one direction (e.g., from each process or division owner to the executive in charge). This can be time-intensive, barring questions or two-way discussion of consequential matters. To avoid this trap, make simple status reporting a “pre-read” requirement. At the top leadership level, topics to discuss should be explicitly agreed upon before the meeting – ideally between senior and reporting executives. Supplementary analysis on those topics – in some cases even just a page or two – and a view in advance on what is best to discuss in the dialogue can dramatically improve the quality of conversation. These topics may vary from session to session, and over time should include a mix of positive examples of success, from which the organization can learn and perpetuate best practices; examples of challenges or underperformance, on which the group can engage in problem-solving to resolve; and some broader situational or context-based topics through which the group can identify potential risks and opportunities. We recognize that this kind of preparation will require an investment of time from skilled resources, but invariably find that it gives a good return.

**Use simple templates to encourage focused and concise reporting,** forcing people to focus on the highest impact pieces of data/information, ideally with visual graphics that help participants understand data over time. For example, a major UK government department reduced reporting for quarterly performance dialogues from 100-page data packs down to a single one-page “scorecard” supplemented by short (3-5 page) briefs on agreed agenda areas. This dramatically improved the quality of dialogues among senior leaders, with greater insight, collaborative problem-solving and a greater focus on action and improvement.

The U.S. Patent and Trademark Office (USPTO) uses a simple format for its high-level dashboard (“Level 1”) that includes no more than 13 metrics. The executive dashboard is one page with data that is presented in a simple, user-friendly manner. The format also includes “Level 2” metrics providing more detailed metrics and program-level information. This template allows the USPTO to offer a streamlined view to stakeholders while still including the necessary details for constructive problem solving.

At the Federal Trade Commission (FTC), as a part of their budget execution reviews, reports are prepared on each program and major activity. These reports include data on actual results as compared to plans for both budget and performance. This information is consolidated into a summary report for the Chairman, flagging program activities and relevant budgetary data as red/yellow/green and providing historical trend data. By presenting performance and budget execution data together, senior leaders are able to make more informed budgetary and programmatic decisions.

### Recommendation #3: Leaders – don't leave the room without setting clear expectations and getting commitment to action

Performance dialogues are only as useful as the actions – and performance improvements – that flow from them. The best discussions go into depth on specific issues, collectively design solutions or approaches, and then assign clear, time-bound actions to accountable parties, ensuring that they have the support (e.g., resources, skills, and capacity) to be successful. But there is of course an *art* beyond the *science* of these dialogues: they are a critical focal point for leaders to engage with their reports, clarify expectations, build commitment and hold people to account, and set the tone for owning and delivering performance improvements. Leadership builds on all of the managerial practices described in this article and catalyzes the elusive and much discussed “performance culture.” It is primarily up to the leaders to turn dialogues from ineffectual conversations into a core interaction at the heart of running the organization.

#### Use the dialogue to set expectations and tighten

**accountabilities.** Many public sector entities are burdened with unclear accountabilities – in particular a lack of clear expectations and responsibilities for individual units or employees – due in part to the intrinsic collaborative nature of government work across agencies and other organizations. This means that it is even more critical in the public sector context for leaders to use the performance dialogues to clarify and reinforce expectations for performance, assign individual accountability for specific actions, and ensure commitment from others to deliver. Accomplishing this can be as simple as one leader pledging his commitment to help another leader; often, organizations may find written support for this pledge – and clarity on the specific dates, tasks, and expected results that both parties have agreed to – a helpful supporting document to eliminate the possibility of confusion on either side.

It is primarily up to the leaders to turn dialogues into a core interaction at the heart of running the organization.

**Include cross-cutting teams in the dialogue for complex initiatives.** For complex initiatives within a single public sector entity, identifying a single executive or senior manager as the primary performance owner and formally designating the other parties accountable to support them is absolutely vital. For example, assigning a lead unit and specifying supporting units to each objective can help surface critical dependencies and increase the likelihood that as problems arise, all critical parties will be aware – and represented – in the problem-solving sessions to address them. In such cases, clear expectations should be combined with constructive support to stretch the performance owners while ensuring that they have everything they need to be successful. Something as simple as creating a shared workspace for these kinds of cross-cutting teams can be a critical factor in their success. Despite, or perhaps because of, the importance of creating a collaborative work environment in these cases, it is perhaps even more important that leaders never equivocate about the assigned ownership of the situation.

A similar approach can be helpful across multiple organizations. When the UK's PMDU focused on street crime, it brought together all of the relevant parties into a board chaired by the Prime Minister. This authority set up a classic performance dialogue with clear expectations (success

had been promised to Parliament), a rigorous focus on improvement, and clear actions for each participant. In less high-profile situations, the UK has created boards to drive cross-government topics (e.g., Obesity and Social Exclusion) with cross-departmental performance dialogues seen as a core part of their success.

With leadership at the heart of converting insight into action, pro-active follow-up is critical. This means ensuring that leaders are well briefed about progress on previously agreed actions, allowing them to reinforce expectations, offer support, and apply challenge where actions to improve performance are not being delivered successfully.



Getting performance management right can dramatically improve the ability of an organization to drive performance and deliver its objectives. The theory of good performance management is relatively simple. However, developing good practices and cascading those throughout the organization is difficult. Few organizations have mastered it, particularly in the public sector with its unique complexities. Governments, agencies and departments have, however, demonstrated the power of performance management and how to achieve success with it. By focusing leadership commitment on performance dialogues and building a system around those – the managerial practices and the leadership focus – any organization can begin its journey towards higher performance.





# Riding the hiring wave

Capturing the unprecedented opportunity in  
public sector talent management

Mark Berenson  
Matthew Smith



## Current opportunity

The U.S. federal government currently 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 individuals – one-third of the current workforce, which will be a roughly balanced mix between replacement hiring and filling new positions. This will create an opportunity not only to bring in fresh talent, but to potentially work with and develop these employees in fundamentally different ways.

Two major drivers explain this increased demand for workers: mass retirements of baby boomers and an expanded role for the government.

- **Retirement.** By 2014, almost 40 percent of the federal workforce will be over the age of 50, with the largest percentage increase across age brackets in the 55 and older group. The aging of the current federal workforce is leading to an unprecedented wave of retirements. One particularly extreme example of this is the FAA's Air Traffic Controller corps. A large share of this workforce became air traffic controllers in the early 1980s after mass firings resulting from an employee strike, and many members of this group are now approaching retirement. Between 2010 and 2017, the FAA is planning to hire 17,000 new air traffic controllers – a number greater than the entire size of the current workforce. While the shrunken value of retirement accounts has caused many workers to delay retirement, the demographics suggest the inevitable turnover of a large portion of the current federal workforce.
- **Expanded role for government.** Healthcare reform, financial reform, the American Reinvestment and Recovery Act, and other measures have all created additional job requirements for the federal government. Agencies need more staff, and the jobs themselves are becoming more challenging with increasing impact on key sectors of the economy. As the government has assumed more roles in the economy, the nature of positions, especially managerial jobs, has changed. More and more, the government is truly looking for leaders to develop and implement critical programs, not administrators to simply conduct and oversee the process.

The historic need to hire new government workers is occurring in parallel with trends in what individuals want from their jobs – public or private sector. Fortunately, these trends are encouraging people's interest in working for the public sector. The professional aspirations of the Millennial Generation (those born between 1982 and 1995) are well-aligned with the core value proposition of the civil service, including a desire to both serve the greater good and achieve job stability. Recent economic conditions, notable for widespread layoffs and long job searches, have intensified the appeal of stable employment. Also, the general social desires of the Millennial Generation influence their career aspirations. A 2008 survey of undergraduates found that the top industry where graduates wanted to start their career was in "government/public service," and 5 of the top 15 organizations identified as the

More and more, the government is truly looking for leaders to develop and implement critical programs, not administrators to simply conduct and oversee the process.

“ideal employer” were federal government institutions, including the State Department (No. 5), Peace Corps (No. 8) and NASA (No. 9).

At the same time, this new generation of talent demands more from employers than just a steady paycheck. Millennials put interesting content, recognition of performance, work/life balance, and development opportunities at the top of their list of job expectations, all ranking above job security and income level. As a result, the federal government has an opportunity to tap into this large pool of workers – if it can deliver a compelling value proposition through a talent management system that meets the needs of the emerging workforce.

### From a focus on hiring to an integrated talent management approach

The Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) have recognized the critical need for smart federal hiring. In June 2009, they launched an effort to encourage all departments and agencies to focus on hiring and recruiting. Agencies have been asked to:

- Map their current hiring processes
- Simplify and use plain language in job announcements
- Improve applicant notification, and
- Engage hiring managers in all stages of the hiring process.

The government risks squandering its improved recruiting effort if the rest of the talent management process fails to reach the same standard.

These are all highly beneficial activities – and they all support the critical and massive recruiting on which the government needs to deliver. Agencies have responded to this focus on recruiting, often going beyond the OPM/OMB mandate to drive innovation in their recruiting and hiring practices. For example, U.S. Department of Health and Human Services Atlanta Human Resources Field Office, in partnership with the Centers for Disease Control and Prevention (CDC), successfully developed, piloted, and implemented an Accelerated Hiring Process that reduced the hiring timeline from 160 days to an average of 36 days. A key aspect of the process is a mandatory pre-hiring consultation between HR specialists and

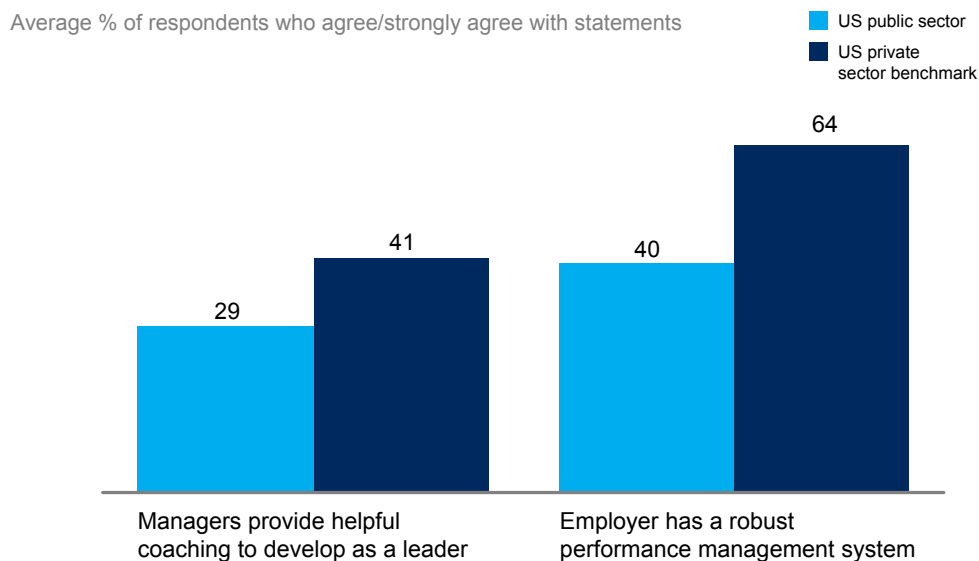
hiring managers. In these meetings, the HR specialists discuss current and future hiring needs, specific qualifications or skills needed, hiring options, and candidate assessment mechanisms. Together, the HR Specialists and hiring managers agree on a hiring timeline. A contract of services is produced that outlines both HR and customer obligations and expectations. These consultations facilitate streamlined hiring and rapid decision-making, and have led to improvements in the quality and relevance of the candidates recruited.

While such efforts are helpful, they primarily focus on bringing in a sufficient number of appropriately skilled new employees – and this is just the first step of a holistic talent management program. Right now, the government risks squandering its improved recruiting effort if the rest of the talent management process fails to reach the same standard. In this scenario, the government would hire the employees it wants, but then fail to retain or develop them.

A recent McKinsey survey, using the Organizational Health Index (see sidebar), validates these concerns. The survey found that government practices related to talent development and employee engagement significantly lagged benchmarks from the private sector (while government performed better than the private sector on elements related to motivation and direction). For example, only 29 percent of government respondents felt that public sector managers provide helpful coaching to develop senior management capabilities (compared with 41 percent in the private sector), and only 40 percent of government respondents felt that the government has a robust performance management system (compared with 64 percent in the private sector)(Exhibit 1).

Changes in the workforce make concerns about retention even more alarming. While the overall workforce is increasingly mobile, the Millennial Generation is especially fluid. Further complicating this retention challenge are the high expectations – often expressed as a sense of “entitlement” – that Millennials have for their work environment. The government – along with all employers – needs to immediately make sure that all of their talent processes are “good enough” so as not to drive

#### Exhibit 1: The Federal Government has opportunities to improve its talent management practices



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

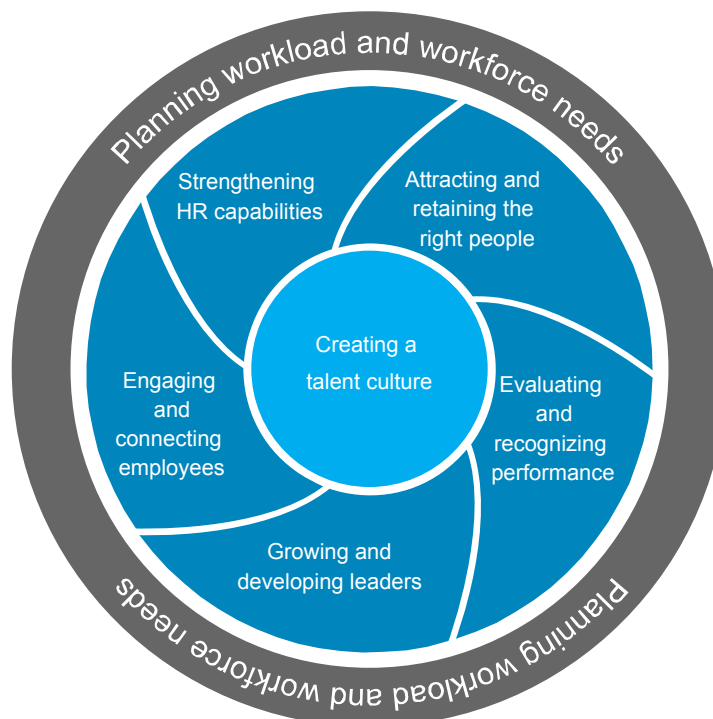
away its newly hired employees. Once the overall job market becomes more fluid, employees will respond to the experience they have had and anticipate having going forward; employees need to understand and be excited by advancement opportunities within the organization.

From a more strategic perspective, developing a world-class talent management system – as the government should be aspiring to do – requires an integrated approach.

Having an effective recruiting process or development system is a good start, but best practice talent management systems focus on the entire spectrum of activities and competencies, not just one or two areas. In this way, the information and processes from one part of the talent management system can inform and enhance the other parts. For example, a candidate profile developed during the recruiting process should become part of an individual's development program. Those profiles will differ according to the nature of the position – mid-career hires need significantly different development programs than individuals fresh out of graduate school.

Given this need to broaden the focus beyond recruitment and hiring processes, McKinsey has developed an integrated framework for talent management, customized for public sector considerations (Exhibit 2). This outlines a complete talent management process, and includes the critical enablers to drive the overall system.

**Exhibit 2: An integrated approach to public sector talent management**



This integrated view of talent management will help federal agencies build out all of the components they need to find, hire, develop, and retain the new professionals they need in the coming wave of public-agency turnover.

### Four priorities for government leaders

The recent OPM and OMB efforts are helping agencies think through how to attract the right people as well as plan workloads and workforce needs. Other areas also need attention, and we have identified four areas that should be part of a holistic talent management improvement program:

1. **Evaluating and recognizing performance** through meaningful and differentiated performance management, with real consequences (both positive and negative) for individuals
2. **Growing and developing leaders**, including creating development/career paths that reflect a range of employee needs/experiences and are not one-size-fits-all
3. **Engaging and connecting employees** to improve productivity
4. **Strengthening HR capabilities**, in particular having the right leadership team in place to drive the agency's talent agenda.

The final component in McKinsey's talent management framework – creating a talent culture – should not be the current focus of improvements in the government's talent management effort. Rather, this is the output and natural capstone of the full set of elements within an integrated talent management system.

### Evaluating and recognizing performance

Too often, the performance management system becomes a perfunctory process as opposed to an effective tool. Typical stories include organizations where 99 percent of employees meet expectations (although conversations with managers reveal a very different picture), or units and divisions where annual awards are passed around based on “whose turn it is” and not merit. Such processes seriously weaken what can be a powerful tool, and also create lethargic, clock-watching employees who lack incentives to do anything more than the minimum required of them.

Managers play a critical role in improving performance management. While it may be easier to give an underperforming employee a “meets expectations” rating and move on, that does the organization no good – nor is it what managers are paid to do. By definition, managers need to actually manage their employees, and recognize that while it may take time and effort, there can be consequences for the employee from underperformance (ranging from loss of grade to termination). Equally important, senior managers and agency leaders must not accept poor-performing managers any more than managers should accept poor performance from their employees. In fact, senior managers need to model the desired behavior to create a culture of meaningful performance management.

## Tools to diagnose current talent management systems

### McKinsey Organizational Health Index

McKinsey's *Organizational Health Index* (OHI) is a proprietary employee survey tool used to assess an organization against the elements that drive organizational health, and therefore long-term performance. The OHI has been used with over 400 organizations across the private, public, and nonprofit sectors. The OHI survey tool helps organizations to benchmark against average and high-performing organizations, and prioritize needed interventions to drive lasting change.

The recent McKinsey publication *Driving Federal Performance* reported results from a government-wide sample OHI survey, providing the first-ever quantitative benchmarks on government management performance relative to the private sector. The database from this effort can be used to benchmark the performance of a specific department or agency against government-wide performance.

### Talent Diagnostic

McKinsey has developed a proprietary *Talent Diagnostic* that draws on the Firm's expertise and insights in talent management. The Talent Diagnostic is composed of quantitative and qualitative tools that help diagnose the health of an organization's talent system:

- A Talent System Assessment Tool (TSAT) to facilitate a quick qualitative review of the organization's practices across each element of the integrated talent system
- A proprietary Analytical Framework of 20+ key analyses to quantitatively assess and benchmark the organization's talent management outcomes. Example measures of the analytic framework include time to hire, attrition rates, and leadership bench strength

McKinsey's Talent Diagnostic can help assess where a public sector organization's talent system stands compared to other public and private sector organizations and identify the most pressing areas for improvement.

## Talent diagnostic analytical framework

Linking business strategy to talent needs	<ul style="list-style-type: none"> <li>▪ <b>Workforce planning system</b> that provides a forward looking perspective on talent needs given business strategy</li> <li>▪ <b>Optimal resource allocation</b> of today's capabilities</li> </ul>
Attracting and retaining the right people	<ul style="list-style-type: none"> <li>▪ <b>Employee value proposition (EVP)</b> tailored to what key populations want</li> <li>▪ <b>Effective messaging</b> to deliver and communicate the EVP</li> <li>▪ <b>Retention</b> of key populations</li> <li>▪ Building <b>social connections</b> across the organization</li> </ul>
Recruiting, hiring, and onboarding	<ul style="list-style-type: none"> <li>▪ <b>Sourcing</b> from high quality talent pools</li> <li>▪ <b>Selecting</b> the right mix of skills, attitudes and behaviors</li> <li>▪ Effective and efficient <b>hiring process</b> that delivers a good <b>candidate experience</b></li> <li>▪ Quick and effective <b>onboarding</b> of new employees</li> </ul>
Motivating, recognizing, and rewarding performance	<ul style="list-style-type: none"> <li>▪ <b>Performance measures</b> that are linked to value creation</li> <li>▪ <b>Targets</b> that are tuned to motivate higher levels of performance</li> <li>▪ <b>Differentiated ratings, rewards, and consequences</b></li> <li>▪ <b>Evaluation process</b> that maintains integrity and fosters healthy performance dialog</li> </ul>
Growing leaders	<ul style="list-style-type: none"> <li>▪ <b>Identification of leaders</b></li> <li>▪ <b>Deployment of leaders</b> in the interest of company needs and individual growth</li> <li>▪ <b>Formal programs and mentoring</b> to guide and develop leaders</li> </ul>
Developing the organization	<ul style="list-style-type: none"> <li>▪ Understanding <b>job capability requirements</b></li> <li>▪ Training mechanisms that <b>provide skills and knowledge in a timely manner</b></li> <li>▪ <b>Roles and job design</b> aligned to meet business objectives</li> </ul>
Creating a talent culture	<ul style="list-style-type: none"> <li>▪ <b>Leader and manager involvement</b> in talent development</li> <li>▪ <b>Individual initiative taking</b> to plan and grow</li> </ul>

SOURCE: McKinsey Talent &amp; Leadership Diagnostic

Beyond people, however, agencies can put into place the right systems to support a robust performance management system. In doing so, agencies should aim for a good and achievable system rather than the Platonic ideal of a great system. While an ideal system both rewards good performers and has consequences for underperformers, agencies can start with a system that simply rewards good performers. These are typically much easier to implement.

### Development and career paths

Career paths – which outline how an employee can develop over time – can be effective and powerful tools for all critical positions. These paths include the training and experience that employees should have at each step of their development. Such paths clearly outline for employees what the promotion process looks like – the sort of clarity that employees desire. A variety of career paths also carries appeal for employees, far more so than a one-size-fits-all template. Variety, offered without heavy-handed nudges down the “right” path, allows core employees to develop and advance in grade by becoming managers or subject-matter experts. Another benefit of such an approach is that it signals to new hires that they can anticipate variety

Senior managers and agency leaders must not accept poor-performing managers any more than managers should accept poor performance from their employees.

in their assignments and experiences while remaining at the same organization.

The CDC's use of "Individual Learning Accounts" shows one innovative approach. CDC employees earn \$1,000 each year in credits that can be used toward training programs, up to a maximum "account balance" of \$3,000. Employees can spend these credits on training and development opportunities that meet their specific needs, but first they must complete an Individual Development Plan to ensure they are aligned with their supervisors on the capabilities and skill sets they need for their career development.

### Employee engagement

An employee's engagement with his or her work and the organization is one critical driver of employee satisfaction. Our research into employee engagement has revealed that higher levels of employee engagement advance the productivity and performance of public sector institutions, with higher effectiveness, flexibility, responsiveness, and efficiency. Unfortunately, our research has also revealed that far fewer employees in the federal government report being highly engaged. This suggests that better engagement creates a significant opportunity to improve performance and drive results.

One of the critical levers that the federal government should use to enhance engagement is to connect all employees, at every level, to an agency's critical mission. After all, the public service mission attracted many workers to the government in the first place. Couching the work to be done in terms of the underlying mission helps all employees – from the senior leaders to the most junior staff – see how their own work impacts the public.

The U.S. Department of Education offers another model for employee engagement. It has worked hard to bridge what can be a significant divide between political leadership and career employees. In his first week on the job, Secretary Arne Duncan visited every floor at headquarters to meet employees and signaled how he would be operating the Department. Senior political leadership has also included career employees in critical meetings and solicited their input prior to the launch of major initiatives.

### HR leadership

The fourth critical element is getting the right leadership team to drive the agency's HR agenda. In this aspect of talent management, HR operates as a business partner to core operations. Such a relationship requires appropriate actions from both the HR staff and core operations. HR must take on the mindset of the operating side of the agency – HR operations cannot drive operating decisions, but rather the influence must be the other way around. Core operations must recognize and accept the role of HR as a partner, and from a leadership standpoint must view talent management as a core part of what they do (and what they spend their time on), and not just as HR's responsibility.



HR leadership can engage the agency or department through workshops or off-sites that address a particular talent management problem. HR-core collaborations create alignment and mutual understanding of the roles both sides play. At the U.S. Department of Housing and Urban Development (HUD), the effort to reduce hiring times began with a joint effort between HUD's Federal Housing Administration (FHA) and HR. The 115-day average hiring time was reframed as a problem of the entire agency, not just of HR. A joint taskforce redesigned the hiring process by discovering opportunities to work together more effectively and reduce overall hiring times. Similarly, at HHS's Atlanta Human Resources Field Office, HR specialists, hiring officials, and subject matter experts used on an off-site workshop to jointly standardize 80 percent of the position descriptions in the various occupations and grades. This was one of the factors that greatly increased hiring speed.

Operational performance review processes can also improve coordination and partnership between operating leaders and HR leaders. For example, at the U.S. Department of Education, Human Capital leaders now play a prominent role in the Organizational Assessment sessions, where they get input from line managers on current performance and provide immediate feedback on implications for hiring needs. By integrating Human Capital into these processes, the organization can more rapidly respond to workforce needs, and Human Capital leaders can provide more strategic support to the core operating functions.



By looking beyond recruiting to embrace holistic talent management, federal government agencies will be well-positioned for the current workforce transition. Rather than simply replacing departing workers, they can thoughtfully source and groom the next generation of leaders. Such an integrated strategy helps drive a world-class program and ensures that new employees' experiences with the organization meet their expectations.



# Accomplishing step change in managing IT mega projects for success

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## Introduction

It is a well-publicized “truism” that public sector agencies suffer from high rates of failure among their largest IT efforts. Federal CIOs self-report that 30 percent to 40 percent of the \$40 billion annual investment in large-scale IT projects is in trouble.<sup>1</sup> This is staggering: between \$12 billion to \$16 billion in taxpayer money is committed to distressed IT projects each year. Adding insult to injury, federal agencies suffer public rebuke for the poor stewardship of taxpayer dollars from all directions: Inspectors General, Office of Management and Budget, Government Accountability Office, independent watchdog groups, the press, and the public at large.

Far less recognized are the steps public sector agencies are taking to improve their capability and success rates for these large-scale or “mega” IT projects. Across government, agencies are increasing their ability to predictably deliver mega projects. For the most advanced of these organizations, the on-time, on-budget success of a massive program is no longer considered a stroke of good fortune but rather the result of a professionally planned, scoped, and managed project.

An eagerness to learn about these transformative efforts prompted McKinsey to launch a joint research effort with the Center for American Progress. The principal objective: to understand, codify, and share distinctive project management practices across government. This paper reports the interim research findings and considers the common challenges and best practices of IT mega project management in the public sector.

Through our research, we discovered a number of innovative approaches agencies have taken to combat five pervasive challenges.

Systemic, government-wide challenges:

1. **High-cost federal IT acquisition and appropriations process**
2. **Wide variance in employee capabilities**

Agency- or project-specific challenges:

3. **Exponential complexity inherent in mega projects**
4. **Overreliance and ineffective partnership with third-party IT vendors** (a corollary to variance in employee capabilities)
5. **Limited transparency into the true underlying project performance** and therefore an inability to take action until a material negative impact has been sustained

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<sup>1</sup> Based on the IT Dashboard ratings between February-July 2010 and those projects with status reported as “needs attention” or “significant concerns”

## 1. High-cost federal IT acquisition and appropriations process

### The challenge

The federal IT acquisition and appropriations process creates incentives to enlarge projects to adjust for the high upfront acquisition cost. Specifically, the acquisition “tax” is driven by:

- **Long cycle budgeting, which requires program managers to guess project costs multiple years out.** This leaves many projects with significantly under- or overstated cost baselines. Underfunded projects are setups for failure. Overfunded projects often face unnecessary complexity due to the “side projects” the agency launches with excess funding.
- **Inability to rebalance funding across portfolio of projects.** CIOs and IT portfolio managers find their hands tied once projects are approved for funding. They have little wiggle room to proactively rebalance funds allocation based on project performance and new information. In other words, they have limited ability to incorporate experience-based improvements midstream.
- **Multiple, siloed funding sources** exacerbate the acquisition “tax” issue by requiring multilayered funding approval processes with a complicated set of stakeholders. The perverse incentive is to ask for more, one time, particularly in light of the inability to manage resources across projects.

Although many of these challenges cannot be fixed without oversight reform, some Agencies have found creative ways to mitigate the potentially negative effects.

### Examples of agency excellence

#### ▪ Medium-sized public sector agency

**Extremely lean acquisition process.** At least one agency found IT acquisition success by dramatically simplifying and accelerating vendor selection and contracting for their mega IT project. The revised acquisition process used a combination of front-loading and strict process management to go from the initial Request for Information to a signed fixed-price contract in *less than half the time* it took comparable acquisition efforts. All stages of the process were meticulously planned so that all parties understood their roles and responsibilities in advance. Other timesavers: parallel operations (e.g., bid evaluations, negotiations for different parts of the contract), keeping decision-makers on “standby” to avoid decision bottlenecks, and thoughtful administrative support to avoid confusion and rework (e.g., meeting minutes recorded and reviewed, central issue logs). Not only did this agency’s no-waste acquisition process conclude on time, more importantly, it resulted in a successful vendor partnership. Project scope is under control, the project is within budget, and all milestones have been met as planned.

## ■ Large federal agency

**Cost Estimation Program Office.** To minimize the negative effects of over- and underbudgeting, one federal agency developed an internal cost-estimation capability that leverages robust and rigorous analytical models to forecast program costs. The organization, comprising dedicated cost modelers and estimators, has spent considerable time configuring a commercial software estimating package that takes into account government-specific nuances (e.g., additional security requirements). This cost-estimating organization helps programs understand and predict full program costs well in advance of project delivery.

## 2. Variance in employee capabilities

### The challenge

Project delivery capabilities vary widely across and within government agencies. Moreover, some of the most critical skills to project success are those with the greatest variability: technical solution expertise; vendor management (not simply contract management); budget estimation; and project and performance management. These capability challenges are exacerbated in the government when: 1) the compensation differential between the private and public sectors for technology skills is wide; 2) public sector recruiting and hiring processes are often too cumbersome for high-talent candidates to endure; and 3) government and labor union policies greatly restrict the government's ability to offload underperforming staff.

### Examples of agency excellence

## ■ U.S. Social Security Administration (SSA)

**Mentorship, training, and succession planning.** The SSA emphasizes the career development of junior project managers. This focus contributed to the creation of "PRIDE," a Web-based guide that delivers project lifecycle models, work product templates and procedures, policies and directives, and management resources to project managers and teams. What is most impressive about PRIDE is that project managers *actually use it* and find it helpful.

SSA's emphasis on people development shows itself in other ways, for example:

- A true commitment to succession planning
- Collaboration between project managers across different projects
- Emphasis on mentoring junior project managers (viewing such interchanges as "part of the senior project manager's role")

SSA's capability-building efforts have paid off. The agency has the talent and the capability to manage in-house many of its largest and most complex efforts (e.g., Ready Retirement, Health Information Technology). Vendor resources provide specialty skill-sets and add flex capacity to government teams, but SSA conducts critical stewardship and project management.

### ■ U.S. Department of Education (DOE)

**“Multi-person” project manager role.** Mega IT project managers require a unique set of capabilities, including 10 to 15 years of experience in project management, strong professional credentials, and a personal track record of multiple, successful implementations. Agencies struggle to find these capabilities in a single project manager. The DOE addresses this challenge by using multiple individuals to complement the project manager. For example, to ensure a full set of skills and experiences were available on the U.S. Department of Education’s G5 project, the CIO, Director of Information Systems, and lead vendor manager all supported the lead project manager on the effort.

## 3. Exponential complexity of mega projects

### The challenge

Large projects are complex by design, and this complexity makes it exponentially harder to execute such projects successfully. As the case example shows (Exhibit 1), large programs create two primary types of complexity:

- **Stakeholder complexity** develops from large programs having multiple stakeholders, with different objectives. This leads to significant pressure to reshape the project’s original goals to meet stakeholders’ demands, creating “scope creep” as an ever-expanding set of needs is addressed.

### Exhibit 1: Case Example

Stakeholder complexity = exponential interface complexity = Program overruns

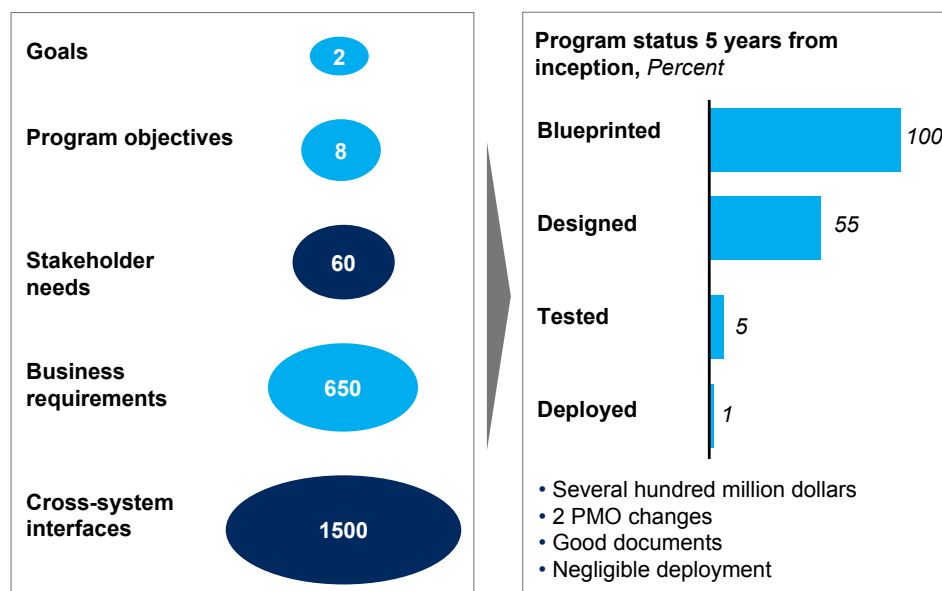
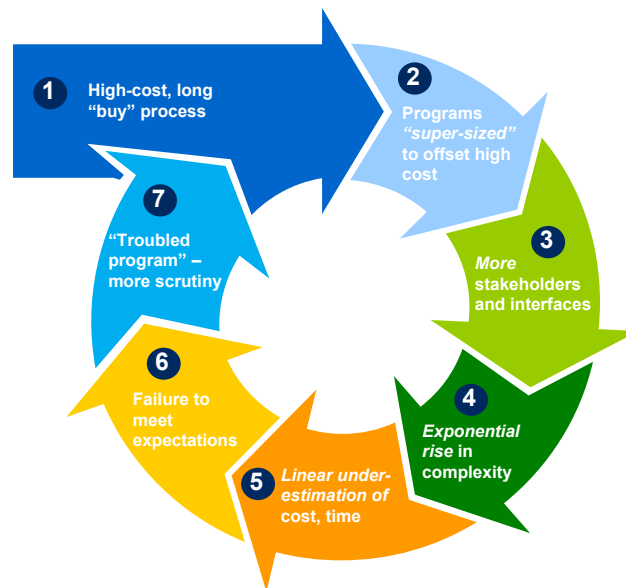


Exhibit 2: The Deadly Do-Loop of Federal IT Program Acquisition and Oversight



- **System interface complexity** (i.e., the number of touch points between new or modified systems) is a natural outcome of project size and scope. Large, multiphase IT systems require extensive interface—both permanent and temporary—development. Each interface generates another set of stakeholders whose participation becomes critical for project success. This creates an ever-increasing, interlinked spiral of challenges that stretches the abilities of project leaders.

In our research, we found that the challenges highlighted (Exhibit 1), coupled with the high-cost federal IT acquisition process, creates a “deadly do-loop” of program overruns and increased scrutiny (Exhibit 2). To offset the cost and time of federal IT acquisition, program managers increase project scope to maximize the benefit of the one-time acquisition process. The result is greater project complexity and all of the accompanying challenges.

Rotational leadership in many public sector agencies further exacerbates the pernicious impact of complexity. Project durations frequently far exceed the tenure of project sponsors and other key leaders, often driven by elections and new administrations. This causes frequent solution strategy changes and a “principal-agent” problem wherein the objectives of the leaders are shorter in duration than the project goals.

## Examples of agency excellence

### ■ Medium-sized government agency

**Independent review of project objectives and scope.** When one government agency solicited an independent review of one of its largest IT modernization efforts, what administrators found was typical of many large-scale IT projects. What began as a clear and critical set of objectives (to modernize expensive and risky legacy systems) had morphed into a broader set of objectives, including the modernization of front-end user systems. Interestingly, *all* of the new objectives were valuable and worthwhile, and each could be justified by a clear cost-benefit. However, the addition of new objectives had caused complexity and timelines to grow, making it much harder to achieve the core objectives. The agency descope and resequenced the project to clearly delineate between core objectives, which could be addressed in a 2- to 3-year timeframe, and secondary objectives, which could be addressed after core functionality.

### ■ Office of Management and Budget (OMB)

**Tech stat review process.** The new federal CIO recently launched a series of mega project reviews to scrutinize the performance and health of federal IT spend. The reviews are bringing increasing transparency into which programs should:

1. Continue with modest improvements
2. Restructure significantly to deliver required value; and
3. Stop—because the project lacks a viable path to impact.

## 4. Overreliance and ineffective partnership with third-party vendors

### The challenge

Agencies with a talent gap in one or more key project management areas often end up over-relying on third-party vendors to deliver and manage mega projects.

While agencies and vendors have a natural principal-agent problem (i.e., agencies want problems solved; vendors want problems to last long enough to identify the next problem they can tackle), this incentive issue can typically be managed through thoughtful contracting and vendor management. But when agencies either rely on third-party vendors to oversee complete delivery or their internal capabilities to do so are not great, the strength of incentives often overcomes any checks and balances in even the most well-intended contracts.

We believe agencies must invest over time to build a high-quality internal delivery capability to reduce this overreliance on contractors. This capability requires both the time to build capabilities and a strategic view of what skills must be retained and developed in-house to support project



procurement and delivery (e.g., senior project managers, deep architecture skills, vendor management skills as opposed to simple procurement).

In addition to the longer-term investment in capability-building, agencies are finding near-term fixes to work more effectively with their lead systems integrators and other IT vendors.

### Examples of agency excellence

#### ■ U.S. Department of Education (DOE)

**Neutral third-party as a vendor-agency bridge.** One approach to managing vendors is to engage a neutral entity to provide objective oversight over vendor and agency activities. The DOE has used this approach with some success. The department explicitly allocates funding within the project budget for IV&V (independent verification and validation) contracts with neutral third-parties. This increases the project team's and vendor's focus on the quality of deliverables. Like a mediator in a legal mediation, an independent voice can help bridge disagreements between the agency and vendor by bringing facts to bear and providing neutral perspectives free of adverse incentives.

#### ■ Centers for Disease Control and Prevention (CDC)

- **Consistent, long-standing relationships.** The CDC, and agency within the U.S. Department of Health and Human Services, adopts a different approach to managing its vendor relationships. Vendors at the CDC are explicitly involved early in the project lifecycle, embracing the vision with CDC leaders. The leaders have painstakingly built a culture of collaboration and shared values. This is complemented by a data-driven approach to performance measurement and by transparent dialogue with vendor leadership on key issues.
- **Bringing the best agency talent to the game.** The art of vendor management lies in having the best internal resources on the team. The CDC staffs its best technical and managerial resources on projects and ensures that the agency is in charge of the project. It also focuses a high level of management attention on actively managing the project team, including vendors. The CDC has also built a strong contracts management group that is technically knowledgeable, understands CDC business processes, and has strong relations with the line managers.

#### ■ Medium-sized federal agency

**Not being afraid to replace the vendor.** One federal agency found out the hard way what happens when a vendor is given too much control and has all the wrong incentives. Knowing it was almost certain to win all follow-on work, the vendor bloated future task order time and cost estimates. Without the technical or programmatic expertise to check vendor estimates, the agency was essentially beholden to the vendor. That all changed when a

new administration came in and reevaluated this mega project. After discovering the vendor incentives and behavior, the new administration terminated the vendor relationship. This was a difficult decision that temporarily slowed project progress. The agency understood, however, that its recourse of last resort needed to be a viable option, not just an empty threat, if the agency was ever going to take vendor management seriously.

## 5. Limited transparency into true project performance

### The challenge

Our research indicates that the size and complexity of mega projects frequently mask true (and disappointing) performance. By the time issues are known and understood, even extraordinary measures fail to achieve results reflecting initial expectations. This problem has its root in several independent but compounding issues, including:

- **Insufficient rigor in project reviews.** Project reviews frequently lack the rigor to gauge performance in clear and quantifiable fashion. And, most important, “early warning” systems are rarely in place to gauge specific risks (e.g., complexity, stakeholder turnover, number of change orders) that must be actively managed. Moreover, when warning systems are in place, the wrong metrics are tracked, and the wrong conclusions are drawn from these metrics.
- **“Outsource” mindset pervades agency IT projects.** As noted, a frequent absence of critical skill-sets leaves agencies at the mercy of contractors to accurately report status and, in the case of multiple parties, accurately assess and manage performance risk across vendors.
- **Insufficient adoption of a consistent methodology.** Federal agency projects frequently lack a consistent methodology to guide the project. This sometimes results from the involvement of competing vendors. In such an environment, even the ability to describe or document risk can become confused by the need for interpretation and coordination of different parties’ approaches and terminology.
- **Inadequate emphasis on testing rigor, especially system performance testing in a realistic environment.** Testing system performance before go-live is a key area of weakness with federal IT projects. Testing is performed in a simulated environment that does not reflect full production reality (e.g., actual frontline desktops, parallel load from multiple applications). This causes projects to fail close to the finish line, resulting in significant rework and/or huge write-offs.

### Examples of agency excellence

- **Centers for Disease Control and Prevention (CDC)**
  - **Rigorous tracking of outcome metrics.** Carefully designing a performance dashboard with the right set of metrics is key to any early warning system. The CDC tracks a comprehensive set of outcome metrics across categories such as cost efficiency,

staffing efficiency, service quality, and service provisioning. These metrics are tracked weekly, monthly, quarterly, and annually to identify performance issues before they become a serious problem. An annual customer satisfaction survey administered by a third-party supplements these metrics. The survey helps senior managers get a 360-degree view of the IT project team's performance. The survey helps identify key areas of potential performance degradation that the project team then addresses.

- **Disciplined performance review process.** In addition to using the right set of metrics, an early warning system requires a disciplined process. The CDC again stands out as an agency that has established and follows a disciplined project performance review process. All critical projects go through a weekly IT Director's update in which key project parameters (e.g., deadline slippages, risk mitigation statistics) are reviewed. The IT Director can then identify a handful of projects that will be more closely managed until potential issues are resolved.

#### ■ **U.S. Social Security Administration (SSA)**

**Communications, communications, communications.** At the SSA, project managers are taught the power of communications. Project performance reviews, risk tracking and mitigation, issue problem-solving, and status updates are a critical part of daily project management. While the power of regular communications in mega projects is well understood, few agencies put enough emphasis on keeping stakeholders and project team members informed. There is almost no risk of "over communicating," although there is risk of spending so much time in meetings, completing status reports, etc., that no actual work gets done. SSA's solution: ensure meetings have clear objectives, agendas, and resulting action items. This is simple stuff, but incredibly powerful when done rigorously and thoughtfully.



U.S. federal agencies have a real opportunity to improve performance of IT projects. Despite real structural challenges, a few agencies have been able to deliver excellent results—successes that often go unnoticed by the public. This white paper attempts to convey what agencies can learn from one another and how best practices can increase the success rate of their IT mega projects. The challenge for technology leaders is to identify those approaches that are most applicable to their environment and then to scale them with sufficient speed to have near-term impact. In parallel, we believe the system-wide structural challenges can be overcome with thoughtful policy reform, creativity in developing new approaches, and perseverance. We look forward to the day when success stories across government are expected of all large-scale IT projects.

