

# **Chapter Nine**

## Create a New Value-Oriented Operating Model for Government

By Charles L. Prow

## Create a New Value-Oriented Operating Model for Government

Perhaps the most prominent reason why past efforts to reform government operations have not yielded a higher-performing, lower-cost government is because we have not clearly established a measure for higher value outcomes of government. Commercial enterprises measure outcomes on clear, unequivocal terms such as return on invested capital or earnings before the deduction of interest, tax, and amortization, but there is a lack of agreement on how to define and measure government mission value, outcomes, and performance.

Productivity is one measure of performance. In 2009, McKinsey and Company released a report that examined public and private-sector productivity growth.<sup>1</sup> The report showed that the U.S. private sector's average annual productivity growth rate was 1.64 percent. In contrast, there was no measure of the public-sector productivity growth rate, in part because of the challenge in quantifying outputs, outcomes, and mission value. However, if we assume public-sector productivity growth to be flat or even negative, as the McKinsey report suggests, in economic terms the value gap between the public and private-sector productivity improvement could be measured in the hundreds of billions over a decade.

How do we create a level of clarity in government performance to drive and measure meaningful and systematic improvement? First, we must look at department and agency missions and ensure those missions are relevant today and in the future. Then, we must define activities that are not mission-critical and discuss ending those activities with stakeholders. Imagine if our government decided to stop doing the things that are irrelevant to our 21st-century lives.

Regardless of one's view as to the essential mission of government, mission effectiveness can be measured in terms of its value to taxpayers and citizens. And value, in turn, can be defined in terms of quality, service, cost, and time. As each department or agency clearly articulates and defines the outcomes it produces, mission effectiveness can then be defined in terms of value by applying a simple, measurable method such as the mission value equation.<sup>2</sup>

$$\frac{\text{Mission Value}}{\text{Value}} = \frac{\text{Quality} \times \text{Service}}{\text{Cost} \times \text{Time}}$$

This formula was derived from *The Three-Legged Stool* by Roland S. Boreham, Jr., and can be adapted from the private sector to government. Each of these elements could be further defined in terms of mission value for government programs:

- **Quality** can be measured by more accurate refunds and payments, getting the right commodity to the right place at the right time, improving

error rates for claims or grants, or intercepting criminals before they create damage.

- **Service** can be measured by customer surveys that rate organizations by how well they anticipate customer questions, provide service channels that are convenient and accessible, organize service around the customer, and integrate their customer transactions over time.
- **Cost** could mean cost per transaction, cost per citizen, or reduced operations and maintenance (O & M) costs.
- **Time** can be measured by shorter elapsed or active time processing applications, claims, or grants; or by a decrease in wait time.

Real mission value is created by improving quality and services provided while reducing cost and time. Government leaders face tremendous fiscal and mission challenges. The new normal will require these leaders to “do more with less.” The private sector can serve as a point of comparison as it has refined its business and operating models and undertaken a series of strategies, using technology-enabled productivity solutions, to reduce costs and increase competitiveness.

Once government leaders clearly define the mission and anticipated outcomes of departments and agencies—and effectively apply the mission value equation—the end result should be an increase in productivity and mission effectiveness. This chapter will explore how four government organizations are grappling with the challenge to “do more with less” and how they have adopted the new value-oriented operating model to achieve improved mission effectiveness.

## U.S. Postal Service Adapts to Its Changing Environment to Achieve Improved Mission Value

The U.S. Postal Service (USPS) has spent more than a decade intensely focused on the challenge of transforming its core business model to achieve greater mission effectiveness while contending with adverse market conditions. It serves 151 million delivery points and collects, sorts, transports, and delivers more than 168 billion pieces of mail each year.<sup>3</sup> But revenues are declining precipitously because of a fundamental market transition away from paper-based mail and toward digital communications, especially with respect to first-class transaction mail like bills. The pressure to improve performance (i.e. to increase quality and improve service while cutting costs and improving efficiency) has become intense. And the USPS has responded to the challenge.

As the strength of USPS's business model has eroded amid increased pressure for improved performance, the mission has remained unchanged and has even expanded. USPS is charged by law with providing universal

service, that is, to serve all communities in the United States and to bind the nation together with its postal correspondence. Each year the cost of universal service increases. New delivery points are added to the previous year's requirements. And with these extensions to the network, the costs per unit of labor (which represents 80% of postal costs) have continued to increase.

In the face of these challenges, USPS has taken numerous steps to transform its core revenue and cost structure. The *quality* of its services is reflected in its customer satisfaction scores, which have reached all-time highs during this period of cost-cutting.<sup>4</sup> The service delivery performance is measured through third-party evaluation, which also tracks mail flows. Performance has actually increased from the low nineties to meeting and exceeding a 96-percent on-time performance goal for single pieces of first-class mail.<sup>5</sup>

Productivity has improved by 10 percent.<sup>6</sup> To improve its *service*, for example, USPS has worked to restructure and establish simplified operating processes, trained six sigma black belts, and continued to invest in process redesign and automation. At the core of its transformation proposals has been the development of a national network realignment plan resulting in a proposal to reduce costs and right-size its mail processing infrastructure in order to operate the processing network with dramatically greater efficiency. The goal is to expand the processing window at these plants from four to 20 hours per day while halving the number of facilities required.

To improve service to all communities, USPS has invested in significant technology deployments at its retail units. During the past decade, USPS has deployed 2,500 automated postage centers where customers are able to serve themselves, thereby improving the productivity of retail units.<sup>7</sup>

In recent years, the continued transition to electronic bill paying and other factors have further challenged USPS's traditional business model and contributed to its financial pressures. What has often been lost in the popular discussion are the service improvement and cost reductions already accomplished by USPS—a decade of investment in improving mission value.

## **Department of Veterans Affairs Adopts Technology Tools to Improve Claims Processing for Veterans Exposed to Agent Orange**

Many government organizations are faced with common operational challenges that are characterized by:

- High levels of dependence on a large government workforce to deliver services
- Significant staff productivity constraints caused by bottlenecks resulting from manual processes or siloed information technology (IT) systems
- Inconsistent and limited measurement and management of operational performance and results

The consequence of these challenges is that government agencies operating with thousands of employees across numerous regional offices struggle in the face of a continually growing backlog of work, requests to improve service responsiveness, and the demand for consistent delivery of high-quality results. The traditional tools used to address these challenges, such as workforce growth and process re-engineering, are becoming less viable in today's budget-constrained environment and have resulted in limited productivity improvements.

The Veterans Benefits Administration (VBA) at the Department of Veterans Affairs (VA) faces many of these challenges in its role of managing eligibility and benefits for veterans. The VBA supports a wide variety of benefits programs, ranging from education to disability benefits. One area of benefits that has recently received particular attention is compensation for Vietnam war veterans exposed to Agent Orange. The backlog of claims for disability benefits had reached the tens of thousands by the summer of 2010 and delays of a year or longer to process claims were not uncommon.<sup>8</sup> The VA recognized the need to reduce the backlog in effort to expedite the processing of benefits for veterans. However, the backlog of claims was compounded when VA approved the presumptive claims processing linked to Agent Orange exposure, including claims related to leukemia, Parkinson's disease, and ischemic heart disease. The presumptive approach meant that a veteran need only provide medical evidence of their condition and their service in Vietnam for their disability to be presumed a result of Agent Orange exposure.

VA created and implemented its Agent Orange Fast Track Case Processing System to improve customer service to veterans, reduce completion time for Agent Orange-related disability claims, and assist VBA veteran service representatives with claims processing. The initiative includes a 24/7 web portal allowing veterans to submit an online disability claim, together with the capture and automation of rules used to validate benefits eligibility and the creation of work flows used to assign the processing of claims, thus improving *service*. Because the claims are electronic, they can be routed for processing at any of the VA's 58 regional offices and are no longer limited by the availability of paper documents, thus improving accuracy and *quality*. Fast Track has allowed the VA to realize significant *cost* savings in the millions of dollars through the efficient processing of over 40,000 Agent Orange-related claims.<sup>9</sup> In addition, veterans have benefited from the faster claims processing that has cut in half the average claim processing *time* from 220 to 118 days.<sup>10</sup> The VA extended its focus on operational performance even further by acquiring Fast Track as a "software as a service" solution that provides services on demand to the VA without the demands of managing the application.

Fast Track has benefited the VA by providing its leaders insight into the operational metrics related to claims processing. The VA now has the ability to track many performance metrics that describe how long it takes for a claim to be processed in Fast Track. The VA receives a weekly report highlighting

the number of claims completed, as well as claims processing performance at individual regional offices. These metrics provide visibility into best practices that can drive better quality and service at the VA. They can also be used to identify which claims may cause processing delays, so that the VA could target these claims for special handling in order to improve operational performance. This approach complements the skills of the VA's professional staff and minimizes the bottlenecks they face in meeting their mission to provide faster, higher quality services at a reduced cost.

## **Federal Emergency Management Agency Uses Technology to Provide Effective and Rapid Responses to Disasters<sup>11</sup>**

Emergency management is a dynamic environment where a difficult balance between service, quality, cost, and speed must be maintained. To keep pace with rapidly emerging needs, the Federal Emergency Management Agency (FEMA) has previously needed to sacrifice some organization-wide consistency and rigor in applications development to implement quick, ad-hoc measures to support mission needs in the aftermath of disasters. Over time, this has resulted in interoperability and information-sharing challenges that add complexity and cost to sustaining and updating its IT systems. This challenge was further complicated by FEMA's having to rely on a myriad of contractors to develop and sustain its many software applications. This made program oversight and issue prioritization more complex than necessary.

In 2008, FEMA embarked on a series of IT modernization investments to provide timely delivery of flexible and robust IT solutions. By consolidating numerous contracts into a few major programs, FEMA was able to establish rigorous governance and processes consistent with the Department of Homeland Security's (DHS) Systems Engineering Lifecycle, increase cyber security efforts, and streamline the chief information officer's oversight by enhancing transparency. As a consequence, FEMA now has:

- Improved enterprise-wide processes for IT development, integration, and sustainment that enhance security, increase *quality* and reusability, reduce *time-to-deployment*, and lower *cost*
- Fewer emergency software patches due to more stable and reliable applications that better meet mission user needs (improved *service*)
- Enhanced visibility for detailed cost and schedule tracking to implement corrective changes as needed
- Data-driven reporting capability and oversight with clear and established paths to escalate risks and issues
- Greater integration across mission support areas, increasing dexterity and security to meet both daily application uses and urgent disaster needs that arise

- A comprehensive view of its IT application portfolio, looking across the previously stovepiped systems to identify where system improvements are needed
- Decreased delays due to unexpected schedule conflict for scarce resources as the schedule dependencies across applications are managed
- More flexibility to shift resources between applications to quickly resolve critical situations, thus minimizing impact to mission operations

## **The Office of the Secretary of Defense Uses Analytics to Make Better Decisions and Drive Mission Value<sup>12</sup>**

In late 2006, the intensity of the war in Iraq, combined with the tremendous complexity of the sectarian insurgency, created what seemed to be an insatiable need for intelligence. Rather than spread resources over many different intelligence capabilities, the Office of the Secretary of Defense sought to understand the relative value of the capabilities available to achieving the major missions in Iraq.

Stopping high-value individuals (HVI), defined as those who were leading, financing, and conducting the insurgency in Iraq, was an essential mission in the Iraq war strategy. U.S. special operations forces (SOF) had the responsibility of dismantling these HVI networks that were systematically murdering large numbers of Iraqi civilians, killing U.S. forces, and turning Iraq's neighborhoods into ghost towns. These SOF soldiers were expert in raiding an objective, capturing an outlaw, and seizing valuable information while not unnecessarily hurting anyone or damaging anything in the process. While these raids were extremely dangerous and required tremendous expertise, the primary challenge in this HVI campaign was finding the few thousand evildoers among millions of civilians, and tracking them until a capture operation could be conducted.

The Office of the Secretary of Defense, along with the Joint Staff, commissioned a project to assess over 4,000 SOF raids and the associated intelligence information. This assessment used advanced analytics, operating on large volumes of data, to quantify the value of information that led to a successful raid. This essentially improved the *quality* of information available for decision-making on a real-time basis, which decreased *time* necessary to make informed decisions. The analytics produced some surprising conclusions based on hard data. For example, everyone expected that full motion video (FMV) was an essential source of intelligence for the actual assault phase of a raid. No one expected—yet the data conclusively demonstrated—that FMV, even with its narrow “soda straw” field of view, was also a dominant contributor to finding evildoers in the network. Conversely, some capabilities that were assumed to have high mission value before the assessment, such

as motion imaging radar sensors, were proven to have very little value to the HVI campaign.

While the complete findings of this assessment are classified, the Office of the Secretary of Defense was able to recommend investments in a select few intelligence capabilities to the secretary. Frustrations with the speed of the Department's response to these investment decisions led to the creation of a special task force to expedite the deployment of intelligence capabilities to General Petraeus and forces on the ground in Iraq. SOF operations increased in number and effectiveness (or *service*), and the SOF commander credited much of the success of the HVI campaign to the increase in select intelligence capabilities. The analytic capabilities used to assess value in the HVI campaign were applied to other mission areas, informing the task force's funding of a range of quick reaction capabilities to close critical intelligence gaps and improve operational performance.

## Conclusion

Regardless of a government agency's mission, size, or complexity, it is possible to meet the demands to do more with less without compromising mission effectiveness.

Improved performance of government positively affects national competitiveness. This will require a change to the historical orientation of government from the traditional, serial-stovepipe, bureaucratic processes to an integrated, collaborative, outcome-based, and more effective government that adopts this new value-oriented operating model as part of measuring mission performance.

Government organizations must continue to aggressively leverage private-public partnerships and commercial best practices to achieve mission requirements with fewer resources and at a lower cost structure. In the following chapters, we will discuss how the government can save an estimated \$1 trillion by adopting commercially proven and realistic business strategies to maximize operational productivity, while enhancing services to citizens and laying a foundation for future innovation and growth.<sup>13</sup> By doing so, government will both improve its mission effectiveness and outcomes and ultimately enhance our national competitiveness.

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## Notes

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