Winning through Greater Efficiency

"A man who does not think and plan long ahead will find trouble right at his door."
Confucius

Operations is the administrative heart of government, providing the transaction monitoring and processing infrastructure that ensures timely and effective service administration. It is the engine driving back-office work by updating citizen information, fulfilling production requirements, setting up billing accounts, reconciling payments, executing changes, tackling execution anomalies and dealing with peaks and valleys of demand. That engine depends on input from the frontline functions of the organization—Program Management, Citizen Services, Customer Service and Finance.

In broad terms, government's operations challenge is setting up secure, efficient and effective access points for citizens and designated agents that cut across workflows with multiple communication channels and operational standards. The common operational requirement is efficient execution balanced against required performance standards.

Government has had to look for internal solutions to improve operational efficiency. The greatest operational challenge is maintaining service levels in the face of budget cuts. Over the last several years, government has invested heavily in renewing "back office" systems. In the past, it was not unusual for IT investment decisions to vary across agencies within the government, resulting in islands of disparate systems. Even within a single agency, it may not be possible to obtain a single view of all financial information. Without a consolidated, consistent view of critical information, it is virtually impossible to effectively manage performance.

For many government organizations, this renewal has largely meant obtaining a more consistent "enterprise-wide" view of critical information. Thus, they are mandating single core applications, such as one financial system, one HR system and certain core operational systems that are common across agencies. Because of the challenge of migrating such systems, legacy applications typically remain in place for many years and are integrated into a new application.

It is interesting to note that, in order to integrate data from disparate systems, it is not necessary that the systems themselves be fully interoperable. Information across disparate systems can be integrated using performance management solutions by managing the metadata consistently and using that metadata layer to present a common, consistent, integrated view of that data.

Three critical barriers prevent Operations from working these margins to deliver the best possible performance.

Barrier 1: *The operational back end can't see where it's going without the frontline's vision*

Operations depends on accurate and constantly updated information on what is required by citizens. If you don't have accurate information about the transaction demand (both volume and variety) in your pipeline, you stand to lose operational efficiency. With better information pulled from all the relevant services channels, such as via Web services, kiosks or walk-in government offices, you can better plan for changes in demand. System cut-off times for transaction processing can be better accommodated and extra capacity can be scheduled. You can better match capacity with citizen demand and limit the exposure to high incremental costs additions.

"We have 10 different departments that report to School Operations. The flexibility of being able to see any combination of information across these multiple areas whenever I need to is unprecedented. I can really see where we're making progress and where we need to make adjustments."

Kamela Patton, Assistant Superintendent, School Operations, Miami-Dade Public Schools

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Barrier 2: *Process bottlenecks and downtime*

Operations continuously competes against time. *Can this process be faster as it achieves zero-defect standards? Can workflow processes be re-engineered and simplified to gain time?* The more steps between start and finish, the more bottlenecks and downtime risk may be hidden in them. The time to complete a series of process tasks is inflated by waiting periods. In some situations, actual process time can be as low as five to ten percent of the total time from start to finish. When only one-tenth of the time used is productive, reducing such waste is a worthy prize. You must identify and eliminate predictable process time-wasters. While many solutions may be internal—such as Internet communications, changes in service application procedures and forms or upgrades to IT infrastructure—you may decide the organization is better served by outsourcing to third-party administrative specialists with technical and scale advantages.

Information sweet spots help generate continuous intelligence loops on the real cost of bottlenecks and downtime, showing you the benefits of increased automation or specialization.

Barrier 3: *In a fast-paced, increasingly specialized economy, cost averages disguise cost reality*

With the pressure to adapt to new and changing customer/citizen requirements and offer specialist solutions, the Operations workflow is regularly affected. It is no longer sufficient to use broad standard cost allocations when the activity drivers differ significantly. That approach may disguise significant variances in actual process performance costs. Citizen segments or products and services that appear to be standard may not be, in fact.

By breaking down work processes into discrete activities and measuring them with accurate activity indicators, you can achieve real-time costing. Activity-based costing (ABC) has been increasingly finding its way into government agencies, as they try to better understand how much it is costing to deliver services and programs and how to make more effective use of their budgets and people resources. ABC analysis makes it easier to implement Straight-Through-Efficient-Processing (STEP) procedures that reduce processing costs.

For example, a public safety agency has broken down its case investigation process into ten discrete phases. By accumulating performance data on each of those phases, the agency is able to understand how much time each phase should take, the cost of each phase and the cost of the total process. As it accumulates more data, it is better able to answer: *What is reasonable performance for each task, and what can be improved?* As a result, this agency was able to resolve a case in half the time.

Similarly, a federal agency has mapped out most of its core processes into discrete tasks, which are tracked through an ABC system. With this detailed information, the agency is able to effectively track the flow of money through the agency and to say what outcomes $1 invested will yield or has yielded. Similarly, it can to understand the aggregate agency budget's impact across all its programs, how different programs are affecting the same constituency and how reallocating resources can improve the overall efficiency of its budget. For most government agencies, this level of insight is exactly what they are trying to achieve. This level of control has the added benefit of enabling the agency to lobby successfully for budget increases, because it is able to clearly demonstrate the expected benefits for its target constituencies.

The best activity indicators will vary with the situation. Some will be based on labor time used to process a given activity. Others may directly measure the nature of the citizen interaction used, for example, electronic, fax or telephone, used for a given transaction request or the number of problem resolutions required for a given segment or service type. The more detailed this activity breakdown, the more accurate your understanding of actual costs. Understanding and analyzing the information sweet spots lets Operations identify process patterns and suggest cost savings.

Based on more granular costing information, the unit can better understand the segment and decide how to position its proposition. "Important" services may still require loss-generating activities due to their risk requirements. The key is being sure of the drivers of cost and that the underlying cost-allocation methodology is sound. Using a broad-based cost transfer and allocation methodology will

never highlight specific cost realities. Information sweet spots that let you understand what drives the larger cost categories will have an immediate and sizable impact on managing actual costs.

Delivering on the Promise Made to Citizens

For Operations to win at the margins, every day and every process step, it must balance the need to reduce costs while staying agile enough to respond to new services delivery demands. Operations has the responsibility to lead five core areas of government decision-making:

- **Procurement** ➔ Ensuring timely and cost-effective input of supply chain resources.

- **Capacity and resource scheduling** ➔ Generating timely output in the face of uncertain demand, complicated processes and variances in input.

- **Network and logistics** ➔ Achieving efficient logistics and secure network execution.

- **Cost and quality management** ➔ Balancing the need to reduce costs with the equal requirement to deliver quality output.

- **Process efficiency** ➔ Designing a process to monitor and analyze performance benchmarks to find opportunities for greater efficiency.
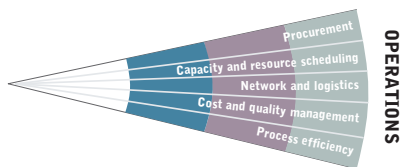
Procurement

The procurement decision area manages both input costs and supply requirements. Effectively managing them can bring savings directly to the bottom line. In addition to cost, the procurement personnel must ensure inputs arrive in a timely and effective manner. For example, an upgrade of the data service infrastructure within the distribution network could cause unacceptable disruption if not planned carefully with the supplier and ensuring associated performance guarantees. Managers must balance cost savings with the performance standards while maintaining the focus on customer satisfaction.

There is also a balancing act in responding to short- and long-term situations. For example, is the procurement need related to a short-term or long-term service level agreement (SLA) contract? Long-term decisions will tie the supplier directly to the government, and its performance will become an extension of government performance. As such, they require a different degree of diligence in the supplier assessment and selection process.

How do you balance the savings and/or better quality or performance from exclusive supplier agreements against the risk of creating unacceptable dependencies? These decisions require information on specifications, procurement tenders, price quotations and vendor performance assessments. You cannot make the necessary procurement trade-offs without access to information sweet spots. The better you understand the trade-offs, the more finely tuned your ability to win at the margins.

GOALS	METRICS	DIMENSIONS	
Supplier Timeliness (%)	Purchase Order Cost ($)	Reporting Period	Vendor Diversity
Purchase Price/Unit ($)	Purchase Orders (#)	Year	Minority Status
Supplier Performance Rating	Supplier Credit Rating (#)	Quarter	Categories
	Contingency Tests (#)	Month	Contingency Tests
	Supplier Discount ($)	Week	Contingency Type
	Supplier Discount (%)	Suppliers	Contingency Test
	Contract Remaining (#)	Supplier Type	
	List Price/Unit ($)	Supplier	
	Supplier Testing Score (#)	Supplier Services	
		Services Type	
		Supplier	
		Service	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Procurement				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Analysts	•		
Customer Service				
	Managers		•	
	Analysts		•	
IT/Systems				
	Executives			•
	Analysts		•	
	Professionals		•	
Operations / Production				
	Executives			•
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
Legal				
	Executives			•
	Professionals		•	
Program Management				
	Executives			•
	Analysts		•	

Capacity and Resource Scheduling

By ensuring an efficient and timely delivery process, this decision area is the backbone of operational performance.

Capacity management depends on scheduling and fulfilling effectively the demand expectations of Program Management and Citizen Services. Ideally, you know the transaction demands well in advance to be able to plan capacity needs and fulfill process cycle standards in licensing, policy administration, billing, money transfers, etc. This minimizes bottlenecks, errors and process re-runs. Changing a schedule, especially for an urgent requirement, means rearranging existing process schedules, resulting in extra system time, over-time and lost transaction capacity. *The bottom line:* It reduces your ability to win through efficient operations management.

As with any chain of interconnected links, changes in demand affect your process requirements. The domino effect of changes spreads across the whole Operations workflow, creating a series of costly capacity management responses. To counter this, you must communicate new information seamlessly, so that Operations can adjust its schedule and resource needs in the most effective manner. You must also communicate potential delays to Customer Service for resolution. Closely monitoring this ebb and flow of changing circumstances through production information sweet spots lets Operations maximize its capacity and resource scheduling.

GOALS	METRICS	DIMENSIONS

Capacity Utilization (%)
Systems Up Time (%)
Transaction Volume Change (%)
	Policies (#)
	Transactions (#)
	Transaction Value ($)
	Transactions per Employee (#)
	Cost per Transaction ($)
	Transaction Activity Growth (%)
	Customer Transaction Accounts (#)
	Avg. Transactions per Business Day
	New Accounts (#)
	Closed Accounts (#)
	Funds Transfers (#)
	Payments (#)
	Capacity Hours (#)
	Backlog Hours (#)
	Quality Score (#)
	Error Rate (%)
	Accuracy (%)
		Reporting Period
		  Year
		  Quarter
		  Month
		  Week
		  Day
		Customers
		  Customer Billing Account
		  System Transaction Account
		Transactions
		  Transaction Types
		  Transaction
		Messages
		  Message Types
		  Message
		Counterparties
		  Counterparty Types
		  Counterparty
		Systems
		  Application
		  System

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
IT/Systems				
	Executives			•
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives		•	
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Services				
	Executives			•
	Managers		•	
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	

Network and Logistics

This decision area looks into operational support and infrastructure requirements. It also includes the management of local process performance standards, and the cost and timeliness of execution and delivery. Examples could include data security logistics, network systems, electronic billing or telecommunications needs, all to ensure that the support functions offer an efficient, convenient and relationship-supportive service. The operations management will also scrutinize whether you can reduce costs, improve execution standards and, ideally, exceed customer service expectations. The network infrastructure and logistics to deliver a given service is intricate and costly. Managing third-party providers to fulfill specialist support requirements also involves effective project management skills. Strategic third-party support can be an advantage either in cost or performance.

While outsourcing makes sense on many levels, it does mean you lose direct control and have to accept the risks that come with loss of control. Managing such risks requires negotiating and monitoring agreements with clear terms and performance guidelines.

GOALS	METRICS	DIMENSIONS
Infrastructure Score (#)	Policies (#)	Processing Date
Transaction Account Growth (%)	Transactions (#)	Year
	Transaction Value ($)	Quarter
Transaction Timeliness (%)		Month
Efficiency Ratio (#)		Week
		Day
		Hour
		Citizen Customers
		Customer Citizen Billing Account
		System Transaction Account
		Transactions
		Transaction Types
		Transaction
		Messages
		Message Types
		Message
		Counterparties
		Counterparty Types
		Counterparty
		Systems
		Application
		System
		Authorized System Uses
		Systems Account Permissions

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
IT/Systems				
	Executives			•
	Managers	•		
	Analysts		•	
	Professionals	•		
Customer Service				
	Executives		•	
	Managers		•	
	Analysts		•	
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Procurement				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Managers		•	
Program Management				
	Executives			•

Cost and Quality Management

In cost and quality management, you balance cost savings in one area against potential threats of reduced performance standards, increased errors, reconciliation monitoring, customer complaints, etc. A new, lower cost call center may be attractive, but the impact on problem resolutions and citizen satisfaction may be unacceptable. *What is best for the mission?*

You need to understand cost variances and their impacts. By contrasting cost differences, you can benchmark performance, identify patterns and understand the root causes of cost differences. You also need to understand and analyze the value and cost of preventative measures that ensure quality performance such as training, appraising work flow bottlenecks and resource improvement. The more you examine measurable work activities and the more detailed your breakdown of costs, the more detailed your understanding will be of the root causes of variances in those costs. Measuring and monitoring must be integrated with quality expectations to understand the effect of changes.

GOALS	METRICS	DIMENSIONS
Operational Failure Cost ($)	Transactions Per employee (#)	Processing Date
QC Reject Rate (%)	Customers per employee (#)	Year
	Defects (#)	Quarter
	Quality Score (#)	Month
	Error Rate (%)	Week
	QC Cost ($)	Day
	QC Defects Fixed (#)	Hour
	QC Units Sampled (#)	Citizen Customers
		Customer Citizen Billing Account
		System Transaction Account
		Transactions
		Transaction Types
		Transaction
		Systems
		Application
		System

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Managers	•		
	Analysts	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Program Management				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
IT/Systems				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Customer Service				
	Executives			•
	Analysts		•	
Services				
	Executives			•
	Analysts		•	

Process Efficiency

Process efficiency management looks at ways to improve operational and work process activities. This means looking for performance outliers and understanding why they occur. There are three areas where well designed comparative performance metrics can make the difference between a leader and a follower:

- Internal operational processes.
- External developments and trends.
- Competitive benchmarking.

Your internal operational processes are most familiar to you and the easiest to analyze. For example, if "cost per transaction" is a benchmark, then an unusual increase in this index may indicate two things. Either short-term transaction costs have increased or transaction volume has decreased. You must determine whether the efficiency has gone down or if associated revenues have slumped. Another possible benchmark is "number of applications per service type." If this metric is decreasing, it can indicate that the service is less competitive and/or that it is attracting less qualified citizens who are failing acceptance criteria—but it may also indicate that you need to re-engineer the application process to make it quicker and more convenient for the service.
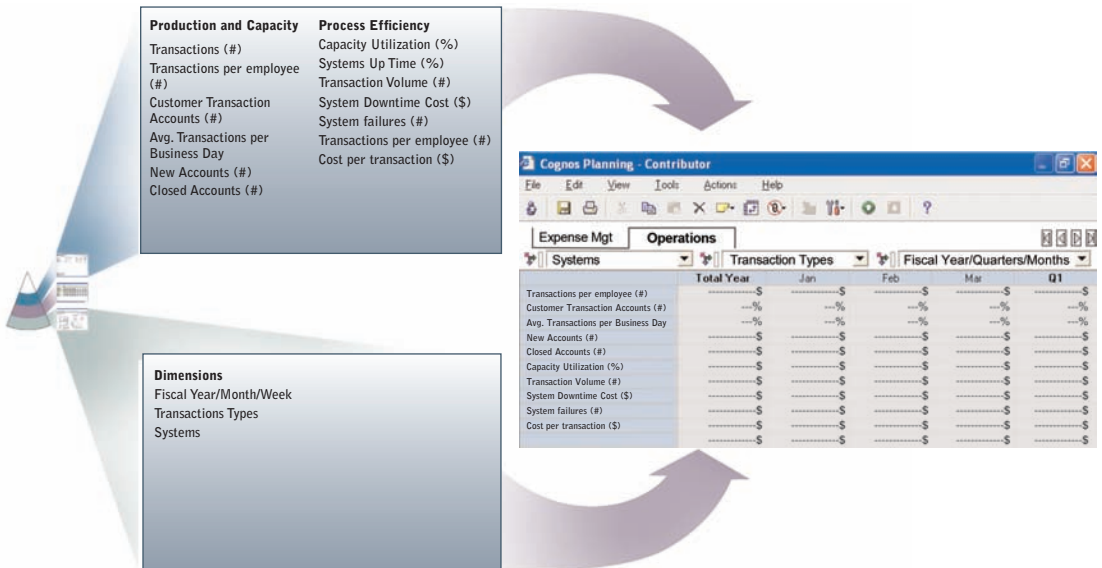
GOALS	METRICS	DIMENSIONS
Operational Failures (#)	Capacity Utilization (%)	Reporting Period
Operational Process Cost ($)	Systems Up Time (%)	Year
Process Value-Add ($)	Transaction Volume (#)	Quarter
	Process Steps (#)	Month
	System Downtime Cost ($)	Control Activities
	System Failures (#)	Cycles
	Transactions per Employee (#)	Processes
	Cost per Transaction ($)	Control Activities
		Documentation
		Documentation
		Contingency Tests
		Test Types
		Contingency Test
		Systems
		Application
		System

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Operations/Production				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
IT/Systems				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Analysts		•	
Procurement				
	Executives			•
	Analysts		•	
Program Management				
	Executives			•
	Analysts		•	
Customer Service				
	Analysts		•	
Services				
	Analysts		•	

Taking advantage of external developments and trends requires looking outside your organization. *Which processes are core to the mission and need to be executed internally? Which processes make sense to outsource? Are there new IT systems, hardware and third-party providers that can introduce dramatic efficiencies?*

For government, it is increasingly apparent there are few programs and activities that cannot be executed by a third party. It is not unusual for entire programs to be outsourced. However, management of that process clearly requires an information infrastructure that tracks performance (typically through the SLA) and assures that quality remains high.

Failing to follow up on these external efficiency developments may jeopardize the program or even the agency mission. Beyond this focus, many leading agencies extend their monitoring activities to comparable operations. Simple comparative benchmarks such as income per employee, cost per employee, cost per transaction/account and others will help identify performance differences. With these identified, you can determine the actions you need to take.

Production and Capacity
Transactions (#)
Transactions per employee (#)
Customer Transaction Accounts (#)
Avg. Transactions per Business Day
New Accounts (#)
Closed Accounts (#)

Process Efficiency
Capacity Utilization (%)
Systems Up Time (%)
Transaction Volume (#)
System Downtime Cost ($)
System failures (#)
Transactions per employee (#)
Cost per transaction ($)

Dimensions
Fiscal Year/Month/Week
Transactions Types
Systems

The Process Efficiency and Production and Capacity decision areas illustrate how the Operations function can monitor its performance, allocate resources and set plans for future financial and operational targets.