PROGRAM MANAGEMENT

Developing the Right Program, the Right Way, at the Right Time to Balance Cost and Risk

> *"Innovation is not the product of logical thought, although the result is tied to logical structure."*
> Albert Einstein

The oversight, funding and administration of many government activities is typically segmented and managed through programs. A program can be a vehicle for regulating laws, distributing entitlements, delivering services or overseeing large, ongoing projects.

A typical government agency will have many different programs, depending on mission and mandate. These programs are effectively competing for a limited pool of resources. At the agency level, management decisions about distributing resources to support new and existing programs is driven by a combination of factors, including political expediency, the importance of the program in the overall agency program mix and the ongoing ability of the program to deliver results.

At its core, Program Management is a management function focused on fulfilling specific social goals with cost-effective value. In government, these are frequently social goals designed to improve the quality of life for citizens in one way or another.

As resource levels tighten and the demand for services and entitlement programs continues to grow, decisions about the ongoing support, development and funding of programs has become increasingly tied to the quantification of real results or outcomes. This has taken on a new urgency in many governments, where legislation mandating the measurement and publication of program effectiveness (actual outcomes against target goals) has come into play.

The continued success of any program depends on developing innovations that keep the program relevant and vital through continuously changing conditions. Government Program Management can be a challenging proposition due to a great many stakeholders, each with vested interests and varying agendas. What's more, these stakeholders frequently are not served by the same agency or government sector. For example, fisheries management needs to balance the need to ensure a sustainable resource with the goals of increasing tourism, maintaining income levels for professional fishermen and managing a host of environmental issues.

In the Policy Management chapter, we discussed risk management as a critical activity for government decision making. In the fisheries example, Executive Management needs to make resource decisions that balance the risk—*What happens if we don't fully fund a wetlands renewal program?*—against the returns from funding an alternative program, such as rebuilding salmon rivers.

The agency responsible for fisheries would likely have competing fisheries management programs, and may have oversight for wildlife management as well. So we can see the agency budget pie can easily be sliced many times. In the same way that competing agendas impact goals and resource decisions for any given program, it is not difficult to imagine, even in the relatively simple fisheries example, how multiple programs impact a given target or population.

In such cases, rather than looking at fully funding each of the programs independently, it makes sense to understand the relevant impacts of each program on the desired agency outcomes and to allocate resources based on what will achieve the best results. For example, if there are five different programs that are targeting a crab fishery, rather than giving each program a dollar, a better overall result could probably be achieved by allocating $5 by $2, $1.20, $0.93, $0.50 and $0.37.

At the same time, from the overall agency perspective, it would be very good to understand, for each $1 spent, the corresponding impact by program or some other relevant slice. This conversation would be especially important at a regional level, when a local representative is planning to speak with her constituents and would like to articulate very clearly how much is being spent in the region and what results are being achieved. Elected representatives invariably need to report to constituents what benefits they are receiving from this representation.

Agencies that can articulate clearly their spending outcomes (risk against reward) are able to lobby much more effectively for increased budgets or new program funding. This clearly occurs at the agency level, where an agency is part of a larger department, or where appropriations decisions are made at the political level, be it through Congress, Parliament or some other level of government. Experience has shown that agencies that rely on performance management for fact-based decision-making are more likely to maintain or increase budgets. This underscores the basic principle that proven performance and accountability are objectives of government, both at the bureaucratic and the political levels.

The coordination of program management and public services analysis is the life's blood of future success. Any program or service change requires a hard assessment from different functional perspectives of public requirements, risks, regulations, financial assumptions and exposures. Launching a program with new or modified services is a high-risk activity that involves well-thought-through internal technology and external implementation plans. Success is never guaranteed.

Equally rare is a program or service offering that fundamentally changes the value proposition within communities. Such new innovations require deep financial commitment. When success does occur, Program Management needs to understand why and whether that success can be systematically replicated. Government programs are not isolated islands. They live in a portfolio of services where momentum for positive change can be transferred—if the critical success factors are identified and communicated clearly.

Program Management and government services alignment must find the right balance among population coverage, pricing and related loss control services to complete the delivery cycle. While working closely with public groups, Program Management must clearly understand citizen requirements across the total relationship and define the program coverage or service that delivers key benefits. An additional challenge is to align resources to balance the risks and rewards across the entire portfolio of programs and agency administers.

Economic, demographic and social cycles set the context for the role of innovation in Program Management. In high-priority areas, changes in market segments, services, coverage adaptation and distribution fulfillment will drive analysis on the need for significant investments. In low-priority areas with moderate change and slow growth, Program Management will be less focused on innovation and more on optimizing service offerings. Nevertheless, new developments can lower risks and sustain financial integrity in all programs. Improvements are likely to be incremental, but can differentiate government organizations as leaders.

By the same token, agencies with a relatively static portfolio of slow-changing programs can benefit greatly from continuous innovation. Going back to the fisheries example above, one of the greatest potential innovations lies in an agency's ability to track the outcome of $1 invested across programs and regions in very specific projects. With this level of transparency and insight, management can guide investments across the agencies that optimize the overall portfolio.

Program Management and services alignment are a combination of opportunity identification, evaluation and new services implementation. A pipeline of incremental but innovative changes will help determine future financial performance and ability to identify organic growth opportunities.

Three significant barriers prevent government from realizing program innovation.

Barrier 1: ***Lack of information to determine strategy requirements***

Evaluating the impact of program and service changes is difficult without access to several sources of information, both internal and external. The insights from these multiple sources need to be integrated into a comprehensive framework that offers granular clarity and risk control assurance. Program Management takes the "benefits of change" discussion further into services and compliance specifics.

For example, what services can be designed for citizens in a given age profile, say, above 65, that reduces stress and promotes well-being? For those who feel the pinch of financial pressures when life expenses exceed earnings, government can offer creative solutions that reward community service with discounted benefits in public programs. However, program innovation requires leadership. The odds are stacked against continual success, and expectations need to be managed carefully.

Measuring financial performance with transparent integrity is vital, but interpreting success too rigidly may lead government program managers to miss innovation opportunities. It is better to define and measure drivers and development milestones that affect the pipeline of new initiatives. Similar to a portfolio investment strategy, these metrics allow for more opportunities (and therefore more failures), but let you know when to "fail fast" to satisfy the overarching goals of program success.

Only a few program initiatives make it through to unqualified "success." *What resources need to be invested in a given initiative? What human capital skills are required? Does the initiative impact internal processes and require infrastructure changes?* These costs will need to be evaluated and often incurred before there is any assurance that success targets will be achieved. The tolerance for calculated financial failure regarding new initiatives will vary by institution. Certain initiatives will be seen as more strategic and critical, while others will not be as important. A portfolio approach to new initiatives helps prioritize resource requirements, expectations and risk tolerances.

Program Management needs input from Finance, Operations and Customer Service into service trends as well as insight into citizen segment behavior. Equally, the development process needs to work with Legal and Compliance with regards to shaping the offering. Financial engineering and solutions that leverage cash flow or external specialist providers are increasingly critical to innovation success. Strategic considerations will have an impact, for example, on leveraging the distribution network to focus more on new service opportunities through specialists in parallel channels. Only by integrating all these inputs and information sweet spots can you achieve a well developed new initiative.

Barrier 2: ***New program and service initiatives lack the integrated process information needed to develop targeted, comprehensive program offerings***

Government Program Management alignment decisions affect and rely on coordination across the major function and departments of the organization. Without appropriate visibility, departmental barriers may get in the way and stymie the Program Management alignment process. By monitoring the appropriate performance drivers, combined with appropriate incentives, you can improve the Program Management process from idea generation to alignment on priorities to engaging Finance, so the value of new initiatives is understood and forecast.

Barrier 3: ***Inability to define, measure and analyze the drivers of success***

New initiatives depend on timely action, but are hampered and even blocked by the lack of clarity and calculated assurance that any resource investment will lead to a sufficient benefit. *What are the drivers of success? Have they been measured, evaluated and communicated effectively?*

In our experience, innovation success depends on understanding key drivers and critical success factors. Frequently, management is at risk when the key drivers are not articulated or they are seen as the wrong levers yielding poor results. As the key drivers become fully understood, performance metrics can be put in place throughout the agency that effectively align individual accountability with the agency strategy.

Risk management analysis is part of the development process. Past failures are not necessarily negative; they may actually assist the development process. Failures can become stepping stones toward success. The key is to understand what drives program portfolio success and failure. When new initiatives reach a certain milestone, the department may consider testing the program proposition. The feedback you require will determine the means you select: selective citizen input, larger external research or a limited territorial launch.

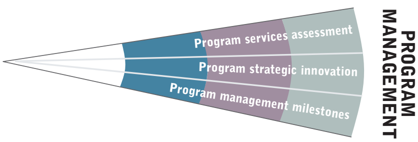
No amount of testing guarantees success. Making the “go or no go” decision requires information sweet spots to allow the organization to decide whether it needs more resources to improve the new offering, or if the cost of delay—either in lost revenue or lost risk management advantages—means the program initiative must launch now.

From a Gamble to Controlled Program Management

Program Management combines many cross-functional requirements, balances risk, learns from failures and then both adjusts and develops new program and service initiatives in a timely and effective manner. Accurate information is a key enabler of this process.

The Program Management process combines three key decision areas with associated information sweet spots:

- **Program services assessment ➔** What is our value proposition, and does our service portfolio meet citizen, market and regulatory compliance requirements?
- **Program strategic innovation ➔** Which strategic mandates and service gaps are addressable with the available resources, and what are the associated risks?
- **Program management milestones ➔** How do we manage priorities, goals and timing and monitor risks as they change?



Program Services Assessment

There is an ebb and flow to any programs and services in terms of their relevance, responsiveness and financial performance. Program Management must manage this life cycle by adapting and innovating the program and service proposition where possible. The first key step in this process is to understand what political, market and regulatory factors are driving the program management cycle.

The spectrum and variables are typically broad and cross-functional. Consider the following local government experience:

In mid-2008, many U.S. municipalities were struggling with a housing market that had receded after years of aggressive growth. During the economic growth years, populations swelled and tax revenues grew as property tax valuations rose, effectively funding more and better government services. However, as the housing market declined, local governments began experiencing a gap between their ability to deliver the expected level and quality of services, and their ability to afford it. Cities and towns began feeling the fallout across many departments.

Real property values were falling, residential house construction permits were declining, and foreclosures were on the rise. Current and projected property tax revenues were negatively impacted, since property tax is tied to property value, occupancy and an expanding population base.

GOALS	METRICS	DIMENSIONS
New Program & Service Opportunity ($) Program & Service Risk Score (#) Critical Success Factors Achieved (#) Program Efficiency Index (#) Full Time Eqivalent Staff Reassignments (#)	Program & Service Achievability New Programs/Services deployed ($/%) New Program/Service suggestions (#) Est. Development Cost ($) Income Gain estimate ($) Incurred Claims estimate ($) FTE Staff reassignment estimate (#) Expense impact estimate ($) Program Transaction Volume (#) Project Duration – Plan (Business Days) Project Resource Days – Plan (Business Days) Project Cost – Plan $ Tested Programs (#) Program 3rd Party Support Vendors (#/$) Vendor Contracts (#)	Reporting Period Year Quarter Month Programs Program Type Program Critical Success Factors Critical Success Factor Risk Locations Territories Geo Codes Regulatory Standards Regulation Type Reg Standard Insurance Hazards Hazards Government Market Segments Market Segment Micro-Segment

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance	Executives			•
	Analysts		•	
Services	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Risk Management	Executives			•
	Analysts		•	
Legal	Executives			•
	Professionals		•	
Regulatory/Compliance	Executives			•
	Analysts		•	
Procurement	Executives			•
	Analysts		•	
General Management	Executives			•

With the rise in foreclosures, local municipalities faced an eroding tax base. Overall economic activity was also falling, as households with declining personal income reduced spending. This negatively impacted government tax revenue. Because any city's plan for services is based on its expectation of revenue, its ability to deliver services at current and planned levels was challenged.

Many foreclosed properties were abandoned, since the market for these houses effectively collapsed. Banks or mortgage holders walked away from the properties, leaving them vulnerable to vandalism and criminal activity, forcing the city to increase police presence—another burden on the city budget. Some cities sought to maintain the properties and make them look "lived in" to preserve their value—cutting the grass, repairing broken windows and the like. This represented an immediate and ongoing cost to the city. To deal with mortgage holders who abandoned properties and recoup the cost to maintain them, cities also faced litigation costs.

As people lost their homes, the additional stress on their lives placed further demands on child welfare services, low-cost housing and other city services. Public schools also felt the impact of families in distress, including a higher incidence of unruly conduct, more unexcused absences and drug abuse, straining school budgets to deal with the problems.

The challenge to a local government facing this scenario is to understand the impacts across all its services and departments and, going back to the risk management discussion, balance investment risks optimizing the overall outcome. The income and service delivery assessment serves as a gap analysis to understand and align revenue with expenses, and the urgent need to develop alternative strategies to boost funding—e.g., unpopular tax increases or bond issues—or cut back services. In some cases, as in police costs, spending might not be totally discretionary.

Clearly, the ability to peer into what the future is likely to bring and, through rigorous scenario planning, to develop appropriate strategies will help a municipality weather the storm.

Program Strategic Innovation

This decision area takes potential opportunities identified by the Program Services Assessment and examines the practicalities in more depth. It answers questions about the costs, resources and benefits of implementing new initiatives and innovations. It also offers more clarity in terms of benefits, strategic fit, how achievable these initiatives are given available resources and the risk of failure.

Innovation runs the gamut from incremental improvements to a significant strategic shift. For example, in public safety organizations such as police and fire, people are clearly one of the highest cost items, representing upwards of 85% of the total budget. This cost includes overtime, which for some municipalities can run into the millions of dollars. A significant amount of police overtime can accrue due to court dates not aligning with duty schedules—for example, a police officer must be in court after duty or on a day off, typically at triple pay or some multiple of their salary base. With this insight, by coordinating police duty schedules with court schedules, it has been possible to save literally millions of dollars in overtime spending, at virtually no cost to do so.

GOALS	METRICS	DIMENSIONS
New Program & Service Developments (#) New Program & Service Income ($/%) New Program & Service Cost ($/%)	Program - Service Achievability Score Implementation Cost ($) New Program - Service Income Potential ($) Potential / Actual Revenue ($/%) Implementation Time (#) Program & Service Risk Score (#)	Reporting Period Year Quarter Month Government Market Segment Market Segment Micro-Segment Programs - Services Program Type Program Line Coverage - Service Services Channel Partners Services Channel Type Services Partner Services Organization Services Region Services Territory Org. Code

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

Whatever the innovation, you must measure the time-to-market, implementation difficulty, external factors, technical improvements and financial scenarios. These metrics also help you prioritize risks and opportunities. For example, by classifying the initiatives into short-term and long-term priorities, or by measuring the difficulty of implementation, you limit the attention on impractical blue-sky projects that distract attention from what's needed in the short term.

As a decision area, strategic innovation recommends which opportunities are right for citizens by aligning with other departments, particularly Finance, Policy Compliance and Customer Service.

Program Management Milestones

This decision area is used to manage the innovation process. It establishes milestones, manages and adjusts priorities and timing, and monitors risks as they change. Government organizations may take a cue from the manufacturing sector, where many companies use Stage-Gate® or phase-gate processes involving five stages for development: preliminary assessment, definition (market), development (product/cost), validation and implementation. Typically, a very low percentage of preliminary ideas pass through the final gate.

Less formal processes still require that you answer questions such as: *What new program development ideas do we have? What is the scale of the identified opportunity? Do we have the skills in-house? What are the risks? Is the opportunity aligned with our strategic priorities? What are the likely benefits?*

In government, measuring performance milestones is critical. In fact, using assessments such as earned value measurement (EVM), which quantifies the value derived by investments in a large project at discrete intervals, is mandated by law for certain programs and projects. *Given a number of preliminary initiatives, how many milestones are passed before rejection or implementation?* Logging and evaluating the reasons for success or failure through these milestones will help you improve your innovation process.

GOALS	METRICS	DIMENSIONS	
Program & Service Development Cost ($) Program & Service Development Lead Time (#) Project Completion by Milestone (#/%)	Initiatives Rejected (#) New Initiatives (#) New Program & Service Launch Failures (#) New Program & Services Developed (#) Modified Program & Services (#) Project Duration – Business Days (#) Project Duration – Variance (%) Rejection Causes (#) Market Tests (#)	Reporting Period Quarter Month Forecast Scenario (Plan/Actual/Forecast) Scenario Program Development Milestone Program Activity Milestone Programs Program Line Program	Project/Program Types Program / Project Type Project Project Start Date Year Quarter Month Project Start Date Project Management Project Team Project Manager Project Member Project Completion Date Year Quarter Month Project Finish Date

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Program Management	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Services	Executives			•
	Analysts		•	
Loss Control	Executives			•
	Analysts		•	
Customer Service	Executives			•
	Analysts		•	
Finance	Analysts		•	
IT/Systems	Executives			•
	Analysts		•	
Operations/Production	Executives			•
	Analysts		•	
Regulatory/Legal	Executives		•	
General Management	Executives			•

Regular planning and gap analysis reviews anchor the innovation process with government priorities. Without this focus and monitoring, the process may be sidelined by day-to-day concerns. It is critically important to ensure the success of all phases, from design to implementation and full implementation. Information that focuses and fine tunes each stage and provides incentives is imperative to ensuring successful innovations.

Program Services Assessment

Program & Service Achievability

New Programs/Services Deployed ($/%)

Program 3rd Party Support Vendors (#/$)

Vendor Contracts (#)

Program Management Milestones

Initiatives Rejected (#)

New Initiatives (#)

New Programs & Services Developed (#)

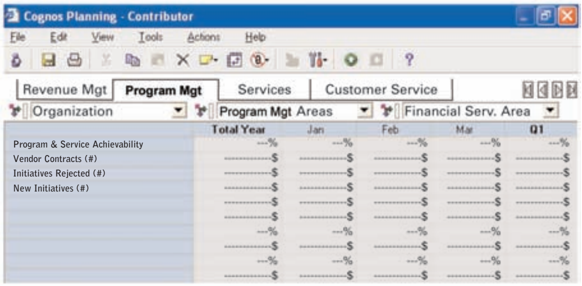
Project Duration – Business Days (#)

Dimensions

Fiscal Year/Quarters/Months

Programs

Program Development Milestones



The Program Services Assessment and Program Management Milestones decision areas illustrate how the Program Management function can monitor its performance, allocate resources and set plans for future financial and operational targets.