

CHAPTER 1

Building the Anatomy for High Performance

Because of its ability to withstand attack by improvised explosive devices (IEDs, including homemade bombs), the mine-resistant, ambush-protected vehicle (MRAP) has become a critical asset in protecting our warfighters across the globe. Demand for MRAP vehicles increased virtually overnight, from about 200 vehicles for the U.S. Marine Corps in late 2006 to more than 15,000 vehicles for the combined services by early 2007. In response to growing public concern about the adequacy of U.S. warfighters' field resources and protection, the U.S. Congress mandated delivery to Iraq of 1,500 MRAP vehicles by December 31, 2007.

Achieving this mandate required a rapid acceleration in production from 10 vehicles per *month* to 50 vehicles per *day*. The Navy and Marines were faced with a seemingly impossible challenge: increase output by a factor of 150, as quickly as possible. Building more facilities was out of the question because it would take too long. Simply throwing more and more bodies at the problem wouldn't generate the results needed (at one point the final assembly plant did reach maximum staffing and operated 24/7 but still fell far short of the 50-vehicle-per-day goal).

The leaders of the effort realized they needed a new approach that would generate greater productivity *within* the resource and time constraints they faced. There were three main components to the path they followed:

- **Adopting practices for achieving *Operational Excellence*.** These included continuous process improvement (CPI) methods that eliminate waste and improved quality throughout a process (key to increasing productivity 150 times without requiring 150 times more

resources). Most importantly, the leaders approached the challenge with an **enterprise view** of the production processes, meaning they looked at how to make all the pieces of the puzzle work together most effectively, end to end.

- **Driving a rapid response (*agility*).** The leadership committed its own workforces and budgets appropriately. Recognizing the congressionally mandated timeline, the leaders brought in outside experts who guided decision making and drove innovation while internal resources were being brought up to speed.
- **Shifting the *culture*.** This will create a learning environment in which workers were encouraged and supported in their efforts to obtain and apply new skills and tools for attaining Operational Excellence and agility.

Together, these three components—building Operational Excellence, developing agility, and creating a supportive culture and workforce—set the foundation for increasing output and quality while reducing the amount of resources and cost needed. These components give an organization the right **anatomy for achieving high performance**: the capability to continually improve productivity and to deliver more mission for the cost.

Targeted improvements in the MRAP assembly operation were launched in August 2007. Production had reached 10 vehicles per week by that time, thanks to a combination of increasing the number of workers (= higher budget) and some initial Operational Excellence improvements. Unfortunately, production was still far below the target.

Only by adding in the other two components of Performance anatomy—agility and culture—did MRAP production reach its 50-vehicle-per-day goal just four months later, in December 2007. (Published accounts cite 2008 production figures that occasionally rose even higher, to 70 vehicles per day.)

This book looks at the three components of a Performance anatomy from a leadership perspective, examining key leverage points in each area. To lay the foundation, here is a quick overview of each component.

Component 1: Operational Excellence

It is likely that you have heard the term Operational Excellence before, perhaps framed as the ultimate goal of adopting a particular continuous improvement methodology. Some related terms you may be familiar with are process improvement, Lean Six Sigma (LSS), Lean Transformation, and business reengineering.

We use the term Operational Excellence in its broadest sense to mean **maximizing outcomes for the cost**. That definition describes a comparison that is not yet widely recognized in the public sector: *that the value delivered by an organization will always be judged against the cost to deliver it*. Operational Excellence means you can continue to deliver more and more value for less and less cost.

The comparison between value and cost is important for every organization and is becoming increasingly important in the public sector. Managers and leaders are under constant pressure to decide where and how to best allocate shrinking or limited resources. In government organizations, the investment decisions are often complicated by regulatory requirements that mandate how portions of the funding must be allocated. This further pressures the organization to create favorable outcomes within prescribed funding limits.

More or better services does not have to mean higher cost

In the past, the mind-set of most organizations (whether public or private sector) has been that they would be happy to offer more or better services *if only they could get more budget*. Conversely, if their budgets are cut, they would be forced to cut the quality or quantity of services.

Use of Operational Excellence (OpEx) nullifies that equation. Organizations that have implemented OpEx methods have seen that they can drive costs down *without affecting service levels*.

The Ohio Shared Services group described in the prologue, for example, is able to provide all the administrative services formerly provided by separate (and redundant) functions while dropping costs as much as 67% in some areas (see p. 3). You'll find other examples throughout this book.

Key attributes of organizations that achieve Operational Excellence include:

- **They understand and communicate what is important.** They have a clear sense of mission, have identified their customers (the people and groups who use their services or products), and have expended the effort to deeply understand what those customers value most.
- **They are constantly evaluating their own performance.** They have identified metrics linked to strategic and operational goals and monitor the metrics regularly to evaluate progress and gaps.
- **They link improvement efforts to strategic priorities.** Improvement efforts at every level are linked to cascaded priorities; each effort drives the execution of agreed-upon strategic priorities.

Working toward Operational Excellence has many beneficial side effects. Think about the training that runners do to lower their time in a 5K race (a desired outcome). They need to make a number of “operational improvements”: develop more efficient strides, control their breathing, and develop better running technique. As they make these improvements, they see additional benefits, such as better muscle tone, fat loss, decrease in resting heart rate, shorter recovery periods, and so on. Those benefits come along with achieving their key outcome, building speed for the 5K.

In the same way, High Performance government organizations gain from Operational Excellence in secondary ways. Besides the direct benefit of delivering on current outcomes with improved efficiency and effectiveness, they display execution excellence across other aspects of the enterprise (see Table A).

Table A: Benefits of Operational Excellence

	Effectiveness	Efficiency
Primary Benefits	Improved quality Improved speed	Improved process speed Decreased operating costs
Secondary Benefits	Increased customer satisfaction Enhanced customer-centricity Enhanced/improved features Reduced complexity Improved reliability Increased flexibility Improved sustainability	Improved productivity Increased throughput Improved process cycle efficiency Improved decision-making productivity Improved asset management Decreased risks/improved certainty of outcome

For example, suppose a public safety organization wants to reduce crime levels—an outcome. It conducts a survey to find out what citizens value most, which turns out to be a quick response when they report incidents. After identifying a range of possible actions that would contribute to faster responses (a citizen-oriented outcome), the organization makes operational improvements that consistently decrease response time. That effort leads to greater citizen satisfaction, a side benefit of a chain that started with a strategic focus on an important citizen-oriented outcome. This cascading of priorities is vital to the success of any organization as it plans investments and channels resources to achieve its desired outcomes.

Part I provides detail on shaping an effective Operational Excellence effort.

Component 2: Agility

For all the known challenges that public sector organizations face, there are many more that we can't anticipate. Two years before the Navy was required to start producing 50 MRAPs a day, few people, if any, recognized the need for a vehicle resistant to IEDs. Two weeks before the collapse of the banking industry, the U.S. secretary of the treasury had no idea that his office would soon be in charge of \$700 billion in bank bailout funds.

Citizens are expecting higher performance and demanding more from government despite a relatively fixed investment. As the world grows more complex and intertwined, the pressure to be agile—to respond quickly to new and evolving demands and needs in innovative ways—grows every day. Challenges can occur without warning; yet we can be sure that something is likely to happen. Agility allows an organization to adapt, change, and innovate quickly.

In the past, agility in the public sector was largely associated with those few agencies or departments that respond to emergencies: the Federal Emergency Management Agency (FEMA), fire and police departments, rapid deployment units in the military, and others. But more and more, public sector leaders are seeing that the future will require *every* organization to be more agile than it is today, in one or both of these dimensions:

- **Short-term agility:** the ability to respond within days or weeks to a sudden change

- **Long-term agility:** the ability to anticipate and respond to longer-term changes

Public sector organizations that master both short-term and long-term agility will be sources of strength and national or regional competitive advantage for their populations. The highest-performing government organizations possess the ability to both respond rapidly in the short run and to look out over the far horizon and make changes before the next challenges reach them.

The U.S. Army is a great example of an organization that has mastered agility in equipping soldiers. After the deployments in Iraq and Afghanistan, Army soldiers and leaders quickly identified modifications and improvements to their equipping sets (the term used for the suites of assets required by a combat unit, including tanks, guns, spare parts, etc.). Rapid changes in battlefield conditions meant that they needed to be able to change the combination of assets in each equipping set with lightning speed.

However, traditional operations were more focused on the long term and not well suited to the rapidly changing short-term needs of soldiers in the battlefield. In quick response, the Army created the Rapid Equipping Force (REF) to work with soldiers and leaders in combat situations. A separate organization with its own funding and processes, the REF can provide exactly the right equipment to meet critical needs at the right time. It addresses problems much faster than anyone previously imagined possible.

The kinds of changes in structure, resourcing, and processes needed to make the REF successful challenged the conventional system and assumptions. As such, it created an opportunity for the Army to redesign its acquisition processes. The organization is converting what started as an asset for short-term agility into an asset for long-term agility that will benefit the Army for years to come.

Part II describes what agility means in the public sector and outlines what it takes to create an agile organization.

Component 3: Workforce and Culture

At the foundation of the performance anatomy of any organization is its workforce: the people, their culture, their capabilities, and their attitudes.

Lasting change in any organization begins at the top, with leadership. Many public sector leaders are in a quandary, trying to keep one foot in today so they can continue to meet their basic mission, while placing the other foot out into tomorrow so they can be prepared for whatever comes next. They must balance the discipline to drive today's mission in a reduced-cost environment with an innovation-friendly perspective for understanding tomorrow's challenges and opportunities.

The challenges don't stop there. Leadership also has to create an environment where the workforce can thrive, both today and in the future. All employees need the opportunity to develop new skills and competencies and to become more connected with their customers. There must be systems for maintaining High Performance.

A big step toward creating a future-ready workforce and a new culture focused on priorities and customers is changing how you measure performance of both processes and people. Sound targets and associated metrics provide for more open communication, the basis for evaluating how the organization is doing and what it can do better. A workforce responds to performance metrics and targets that are aligned to strategic goals, and monitored and rewarded by leadership. People will respond positively when they understand how their individual contributions affect the greater outcomes.

Part III presents a discussion of workforce and culture.

Finding the Leverage Points

Rather than addressing the full scope of High Performance, this book focuses on helping you answer every leader's first question: *where do we start?* Parts I, II, and III focus on the high-leverage points in each component of a Performance anatomy: Operational Excellence, agility, and work-

force and culture. Part IV addresses the overarching task of tying all the pieces together. (The answer is simpler than you might think: you can get the shift started in the right direction by using strategic planning as the critical lever for all three ingredients.)

The need to build a robust anatomy for higher performance has never been greater. Everyone knows just how high the stakes are these days for government at all levels. Budgets across the board are being pinched. Priorities are shifting constantly with changes in public sentiment crises at home and abroad. *Not* changing, given the reality of the New Normal, is not an option.

In the prologue, we promised that creating a High Performance organization will help you reduce costs by at least 10–20% while improving quality and speed at the same time. Achieving that promise will be easier than you might think, as demonstrated by the many forward-thinking public sector organizations we highlight in the following chapters and the practical, pragmatic methods described throughout this book.