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The journal of
high-performance business

Government

Unleashing public-service value through innovation

By Greg Parston

There is no lack of innovation in many parts of the public sector. But how often does it create genuine value? The key to success for any agency or program that aims to create public-service value is a clear and understandable method of defining, measuring and improving performance.

In the larger universe of public-service organizations (which includes government agencies, quasi-public entities, not-for-profits and even for-profit companies that offer services traditionally provided by governments), the pressure to deliver value is immediate and acute. Today's public managers are squeezed between budgetary constraints and the constant clamor for efficiency, on the one hand, and, on the other, demands to produce improved social outcomes from generations of stakeholders now conditioned to expect superior customer service in virtually every other aspect of their daily lives.

For those public managers at the organizational helm, the way to resolve this dilemma is by using innovation to unlock value—or, more specifically, to unlock public-service value.

In fact, there is no lack of innovation in many parts of the public sector. But how often does this innovation create genuine value? The key to success for any organization or program that aims to create public-service value is a clear and understandable method of defining, measuring and improving performance.

Focusing on intended results or outcomes puts an organization's mission at the core of

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any such measurement. In essence, such an analytical framework can help public-sector managers answer two fundamental questions: Why (or to what end) does our organization or program exist? And how will we know when we have achieved our objective—creating public-service value through our particular organization or program?¹

To be sure, the notion of value in a public-service or public-sector context can be highly elusive. All definitions of “value” are local—especially from the perspective of stakeholders, many of whom wear several hats: consumer, citizen and taxpayer. Cultural values, social policy and political goals can all complicate efforts to define public-service value, as can the use of some frameworks familiar in the private sector.

Unlike companies in the private sector, however, public-service organizations do not operate with a simple or even a single bottom line. Public services are intended to improve social outcomes, which can be defined simultaneously along several dimensions—dimensions that are not always commensurable (the way that profits and losses are in the private sector) and that may even conflict.

In health care systems, for example, creating public-service value means improving the health of the overall population: preventing illness, treating individuals’ diseases and caring for the chronically or terminally ill—all at the same time. The trade-off between a life saved and a death respectfully managed cannot be accounted for on a balance sheet.

Moreover, what constitutes public-service value changes over time as

a result of shifting circumstances and citizen expectations. For example, basic public safety became even more important to stakeholders of London’s Metropolitan Police Service in the wake of the 9/11 attacks in the United States. As the perceived relative value of other police functions declined by comparison, resource-allocation priorities had to be adjusted. One response could have been the redeployment of officers who would otherwise have focused on crime and terrorism.

Instead, the Police Community Support Officer program was launched in 2002 with the specific goals of putting a new type of officer—not as specialized and less expensive—on the streets, thus freeing regular MPS officers for specific crime-fighting activity. Three years later, MPS Commissioner Sir Ian Blair publicly commended programs like the PCSO for their contribution to both of those goals. In this case, the pressure of circumstance fostered innovation and resulted in a clear focus on an intended outcome.

Outcomes-based metrics

The challenge of objectively measuring public-service value has been as vexing as that of defining it. A number of thoughtful frameworks and metrics have been introduced in the government sector. To date, however, although there seems to be agreement on certain underlying principles—for example, that it is desirable to achieve balance between organizational productivity and spending efficiency—no clear consensus has emerged on how to measure the value actually created.

Accenture’s observations of organizations practicing what we call “high-performance government” suggest that to significantly improve

¹ The Accenture Public Service Value Model is one such framework. For more information on the model, please see http://www.accenture.com/Global/Services/By_Industry/Government/Services/PublicGovernment.htm and http://www.accenture.com/Global/Research_and_Insights/Institute_For_Public_Service_Value/default.htm

performance, the metrics should be based on outcomes rather than on outputs or, more simply, on inputs. Indeed, public managers who clearly and consistently articulate the intended outcomes of their organizations and programs, then measure their progress in achieving those outcomes, will go a long way to improving their performance over time—and achieve high marks for their accountability to their stakeholders in the bargain. This approach to creating public-service value is perhaps the most important innovation of all.

Consider the New York Police Department's highly successful CompStat crime-monitoring system, which has been credited with helping to make spectacular reductions in the city's crime rates, and which has become an important model for crime prevention across the United States. CompStat is built upon outcomes-based metrics. In the past, many public-service managers in search of performance metrics were forced to track either "inputs," such as the number of police deployed, or "outputs," such as the number of suspects arrested.

A critical element of the public-service value of CompStat was that it "changed the conversation" about crime prevention, in the words of someone familiar with the program, combining detailed statistical tracking with nimble resource deployment and modern management practices. The "outcome" was reduced crime, and—equally important—the greatly improved public perception of safety.

In fact, examples of innovation driven by a focus on public value can be found everywhere. NSW Health, one of the world's largest health care providers, serves 6.7 million residents of New South Wales, Australia's most populous state, with a staff of nearly 90,000 and

an annual budget of nearly \$8 billion. As part of its commitment to high performance, NSW Health has focused on improving what it calls the "patient journey." The objective is to deliver care based on patient needs rather than according to organizational structure.

One initiative focuses particular attention on the intricate patient handoffs that occur between admission and discharge, beginning with improved performance at a highly visible entrance point: emergency rooms at public hospitals. NSW Health wanted to measurably reduce "access block"—situations in which admitted patients encounter unnecessarily long waits for appropriate treatment. Under an Access Block Improvement Program, emergency room admission and clinical procedures at nine NSW Health facilities were mapped, redesigned and standardized. As a result, the incidence of access block cases was reduced by between 25 and 35 percent. (For a related article, see "Patient power," *Outlook*, October 2005.)

In a much different area of the public sector, the United Kingdom's Department for Work and Pensions provides financial support and retirement planning to more than 11 million pensioners. The department is currently engaged in a multistage overhaul called Informed Choice, which will help it emerge as a high-performance public-sector enterprise that keeps citizens informed of their rights and eligibilities—a clear public value. As part of the program, a one-stop call center service was implemented so that citizens can get answers to questions about retirement and eligibility in a single telephone call. An online program called Real Time Pensions Forecasting provides access to account information in minutes, replacing a 15-day, paper-based process.

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The Arizona Department of Revenue: Balancing social needs and increased tax revenues

The need to reconcile potentially conflicting social outcomes—a common dilemma in the public sector (see article)—was felt intensely a few years ago by the Arizona Department of Revenue. DOR officials used the Accenture Public Service Value Model to find the right balance between serving the needs of citizens and increasing tax revenues through better compliance monitoring.

At the beginning of 2003, the State of Arizona was facing critical fiscal challenges. While state revenues had fallen short of projections for the third consecutive year, the population continued to boom, increasing the demand for government services. Because Arizona is required by state law to maintain a balanced budget, it could not borrow money to pay for general fund expenses.

Against this backdrop, the state's newly elected governor, Janet Napolitano, was eager to find ways to increase revenues without raising taxes. She also wanted to boost efficiency and eliminate waste, which would help minimize any negative effect that budget reductions would have on essential public services.

DOR Director Elliot Hibbs wanted the department to be part of the solution to the state's fiscal crisis. One obstacle: Because the department had been allocating much of its scarce resources to maintaining high-level taxpayer services, a number of employees had been pulled away from other essential tasks—tax collection, compliance and auditing.

To help the department maximize the value it created for all citizens, Hibbs asked Accenture to apply its Public Service Value analysis to the department's operations. He and his top leaders worked with the Accenture team to create a prioritized list of desired outcomes for the department.

This list was distilled into four crisp and powerful intentions:

- Maximize tax revenues to help close the state's budget gap.
- Maximize compliance rates, with taxpayers filing voluntarily and correctly.

- Minimize the obstacles to citizens paying their taxes and responding if they are audited.
- Maximize responsiveness to taxpayers' questions and problems.

The group then weighted the four intentions on a scale of zero to 100 percent to reflect the DOR's strategic priorities. Next, the Public Service Value team identified metrics for these desired outcomes to be sure they would drive the intended behaviors, that they were accurate indicators of progress in achieving the outcomes and that they were feasible to measure. The result? The four outcomes became the basis for the DOR's strategic plan.

From 2002 to 2005, Hibbs and the DOR worked with the Accenture team to track the department's performance against the key measures in the PSV methodology. The analysis provided compelling evidence to support a balanced strategy of compliance and taxpayer service. Over that period, the DOR created significantly greater value for taxpayers by achieving its desired outcomes while simultaneously decreasing the department's costs per taxpayer. Revenues grew, the DOR became even more responsive to taxpayers' needs and the department maintained efficient operations.

The Arizona DOR leadership team found that the Accenture Public Service Value Model served as an effective communications tool. Discussions based on the model helped officials understand one another's priorities and assumptions about what success meant and how to measure it. This helped forge strong relationships and build consensus among team members.

Hibbs also used the PSV framework and analysis to motivate employees by showing them how their performance helped the department achieve its two goals of delivering superior service efficiently while also increasing tax revenues.

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Customer satisfaction

Our research and observation suggest that while public-service stakeholder groups may be interested in the process of innovation, they are more concerned with the tangible results of the innovation in their lives. These results may be delivered one stakeholder at a time, in the form of discrete “customer satisfaction” episodes (simplified procedures, for example) or, generally, in shared experiences such as decreased infant mortality rates.

Not every opportunity for unlocking public value through innovation has equal odds of success, of course, and there are many conditions that can foster or hamper the beneficial effects of innovation. Our work has shown, however, that there are at least two factors—beyond the prerequisite focus on outcomes—that can significantly

increase the probability of favorable results: senior sponsorship and regulatory frameworks that allow for some operational maneuverability or flexibility.

Strong sponsorship can make a big difference. One reason, for example, that New York City’s 3-1-1 initiative was able to get up and running in nine months—a very short period for a project of this scale—was the management style of Mayor Michael Bloomberg. He provided full and public mayoral support for the initiative and ensured the cross-agency participation that was critical to its success. The well-received outcome is a single, integrated communication channel that manages all of the city’s non-emergency and information requests. To date, the 3-1-1 program has handled more than 44 million calls for the 900-plus non-emergency services provided by the City of New York.

Public-service value in the developing world

Is innovation-driven public-service value a luxury reserved for politically mature and economically developed markets? No and yes. Constituent trust and receptivity can provide an enormous boost to the delivery of public-service value in the developing world. Conversely, one has only to consider the Russian street expression of exasperation—“In a normal country . . .”—to imagine how historical mistrust of public institutions can have a negative impact on the building of public-service value. As for the question of maturity, many rapidly developing countries provide examples of the use of innovation to deliver public value by leapfrogging generations of delivery models.

In Kenya, for example, public-health systems are staggering under the twin onslaughts of the emigration of trained health care professionals to more developed countries, and epidemics of diseases such as HIV/AIDS and malaria. The Kenyan Ministry of Health has set the ambitious goal of bringing 26,000 nurses to diploma-level certification within five years, a goal that would take 100 years using traditional training methods. Rather than invest in prohibitively expensive new bricks-and-mortar training infrastructure, the ministry has chosen to partner with nongovernmental organizations like the African Medical and Research Foundation and the Nursing Council of Kenya, as well as Accenture, to design and pilot an online training curriculum geared to distance-learning needs. The public-service value will be more widespread disease-prevention education, improved health care delivery and lives saved.

When seeking to unlock public-service value, two factors can significantly increase the probability of favorable results: senior sponsorship and operational flexibility.

Sponsorship entails an understanding of acceptable time horizons for the successful delivery of innovation and the acknowledgement that these time frames differ from their rough equivalents in the private sector and vary markedly by circumstance. It is unrealistic to expect public managers to expend precious political or organizational capital on promising innovation that can't be implemented within an acceptable period of time. In public-sector agencies, this is most likely to align with electoral cycles; for not-for-profit and even for-profit service providers, those limits may correspond with the lengths of service contracts.

The second favorable factor we have noted for high-performance public-service organizations is operational flexibility. Typically, government entities operate within fairly tight regulatory, legal and mission-definition frameworks that can constrain the ability of senior managers to drive innovation, to experiment and to learn. And while it's true that many public-service organizations are insulated from the kinds of accountability imposed by private-sector rules of quarterly or yearly financial reporting, and from the pressures of open-market competition, they must contend with a kind of pressure that is every bit as tangible—the force of constituent expectations.

After all, voters and public-service constituencies are conditioned by private-sector developments. When public-service stakeholders are used to innovations such as one-stop call centers and online transactions in their private-sector experiences, for example, the shortcomings of waiting lines and paper-driven procedures in public-sector experiences can only be thrown into unfavorable relief. But tight regulatory and political constraints can hamper public managers' attempts at innovation.

Securing the kind of operational flexibility public-service entities need to be able to innovate can sometimes prove challenging. In 2004, the provincial government of British Columbia proposed outsourcing certain administrative functions for its health care plans to the Canadian subsidiary of a US-owned company. Most public-service unions, fearing potential cross-border patient-information breaches, drove through extraordinarily tough amendments to the province's Freedom of Information and Protection of Privacy Act. Observers noted the possibly chilling effect for public-sector innovators considering similar sourcing solutions. Despite such obstacles, the work was outsourced as planned.

By contrast, the greater the ability of public managers to find room for strategic maneuvering and to do things differently—workforce redesign, “near-sourcing,” outsourcing and partnerships are a few examples—the better the odds that innovation will be conceived and developed, and the more likely that public-service value will be increased.

Improving public service significantly is going to require innovations in the ways that public services are organized, managed and delivered. In the meantime, our experience suggests that high-performance government will best unlock public-service value when expectations are conditioned through clear prescriptions of intended social results, when performance is measured in terms of outcomes and not just outputs, and when the favorable conditions of sponsorship and flexibility are secured in advance.

About the author

Greg Parston is the director of the Accenture Institute for Public Service Value. Dr. Parston has consulted widely, focusing on governance, strategy and change, and has worked as a manager in the public, private and not-for-profit sectors. Based in London, Dr. Parston has served on HM Treasury's Public Sector Productivity Panel since 2000, and he coauthored the panel's reports on motivation and performance and on accountability. He was a member of the Independent Commission on Good Governance in Public Services, the Association of Chief Executives of Voluntary Organisation's commission on the role of the voluntary sector in public services, and the Cabinet Office's advisory group on strengthening leadership in the public sector.

greg.parston@accenture.com

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