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Strengthening Organizational Health and Performance in Government

Accompanying Working Paper #1

Additional Details on Private and Public Sector Approaches to Improving Organizational Health and Performance

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Additional Details on Private and Public Sector Approaches to Improving Organizational Health and Performance

What evidence is available from the systematic study of management practice and organizational change to help inform a new approach to strengthening the capacity of federal agencies, and units within them, to perform – and thereby carry out their many mandated missions?

On the whole, the volume of evidence on the links between performance reforms and program performance is small. It is inherently difficult to link managerial changes and government reforms to overall government-wide performance, partly because this would require a single metric of performance across very different government programs. A meta-analysis of performance management efforts in government found that the use of targeted performance management practices did have a positive effect on program performance (Gerrish 2016). An important caveat was that the size of the effects was not very large, but increased when governments used specific tools like benchmarking. In the field of education, there have also been examples of performance practices improving outcomes (Sun and Henderson 2017).

Another source of insights comes from studies of private companies. Daniel Goleman, Daniel Pink, Jim Collins, and Marcus Buckingham are well-known authors who have written about, and offered prescriptions to improve organizational capabilities, mainly in the private sector. Their prescriptions include increasing employee engagement by focusing on a handful of specific elements, such as providing employees a sense of purpose, giving them more autonomy in doing their work, and allowing them to develop mastery by providing continuous learning opportunities. Their research, briefly summarized below, served as a reference point for some of the findings and recommendations in our review.

An Organization's Performance Is Tied to Employee Engagement

While program performance data are increasingly available, program performance does not increase simply by setting clear objectives or measuring progress. Progress depends also on the capacity of operational units to deliver. Therefore, we need to identify those elements of organizational health or capacity that are keys to improving performance.

There is no common metric to assess the health or performance of operational units in government. Nor should there be, given that government performance ranges from delivering Social Security benefits, to assessing inventions for patents, to delivering food and water in the wake of disasters. However, we believe there are precursors to effective performance in operating units, including:
- the degree of employees' commitment to their mission (which is high on average in the federal government) and
- the degree of employees' engagement in their work (which varies widely across the government). (see U.S. Office of Personnel Management 2017).

An employee engagement index is a common metric in the private sector, and is seen as a strong predictor of organizational capacity. Its link to performance has been validated by Gallup and a

number of other public and private sector studies (Harter et al 2016; U.S. Merit Protection Board 2008, 2009, 2012). According to Gallup's review of more than 300 research studies covering nearly 1.9 million employees of 230 organizations across the world, "The relationship between engagement and performance at the business/work unit level is substantial and highly generalizable across organizations. Employee engagement is related to each of nine different performance outcomes [such as productivity, safety, and quality]." Researchers continue to examine the relationship between engagement and performance, with some recent work, mainly in the private sector, suggesting there is reciprocal interaction, meaning organizational performance as well as culture can also affect employee attitudes and engagement (Ubaka and Altamimi).

Unit-level engagement indicators suggest that using employee survey data, supplemented with other administrative data, can be a way to identify and track organizational capacity. Analysis of such data also may be an effective element of an organization's risk management strategy flagging performance problems before they become systemic or lead to dramatic failure. Moreover, granular data, i.e., information on smaller organizational units, is more actionable by front line managers than other forms of data, and thus more likely to result in meaningful/relevant action.

The federal government has developed an employee engagement index and annually surveys more than 1 million employees across the government. It has valid time-series data on about 28,000 work units (those with 10 or more respondents) that can be used to identify trends and patterns for those units. The Office of Personnel Management (OPM) provides assistance to managers in interpreting their data via UnlockTalent.gov (U.S. OPM n.d.a) so they can compare their work units with others. This transparency has – on its own – created a sense of urgency to act by some managers, but not broadly across the government.

Measuring Employee Engagement Isn't Enough

While both the federal government and private companies measure employee engagement, assessments only tell leaders and managers "what" is going on. Assessment data do not explain "why." So, if leaders want to replicate a success, or turn around a problematic work unit, they have to dig deeper and conduct a diagnosis that will require other sources of data. These deeper diagnoses involve both quantitative and qualitative analyses.

A wide range of models and frameworks are available that show an engaged workforce on the front line delivers better services and results – both within the federal government and outside. These models and frameworks can help inspire a new approach to improving performance in the federal government that will build on the foundation of the existing federal performance management framework.

Models or frameworks for improving organizational health and performance typically have three elements:
- An assessment element that is often quantitative and identifies specific measures of organizational capacity, such as employee engagement.

- A <u>diagnostic</u> element that is oftentimes a mix of quantitative and qualitative components that help interpret "why" an organizational unit scores at a certain level in its assessment.
- An <u>action</u> element that is comprised of strategies and plans to translate the diagnostic elements into changes in capacity and performance.

CEB, now Gartner, noted in the 2013 study *Rethinking the Workforce Survey* that "engagement is necessary but not sufficient" and that "[t]he world's best workforce survey programs capture information about universal and strategy-specific capabilities, and supply the data necessary for talent management and other leadership decisions in the context of the business priorities and strategies unique to their organization."

Based on its observations, the Panel believe there is no silver bullet, no "one size fits all" approach, to improving the organizational health and capacity of federal agencies to perform their missions. Improving organizational health and performance will require different approaches for different agencies and operational units. However, based on a review of research on organizational development approaches used in large public and private sector organizations over many years, we are able to identify common design principles and elements that contribute to sustained increases in performance in large organizations.

Drivers of Employee Engagement

"Employees will be engaged when their work has a meaningful purpose, their jobs include continual learning, and they are respected and recognized for their contributions, views and ideas," says Dr. Michael Maccoby, author of *Strategic Intelligence*. But what are the drivers of employee engagement.

Based on a lifetime of experience in working with large organizations in both the private and public sectors, Maccoby says that surveys of the drivers of employee engagement have been shown to be an effective tool for predicting organizational performance. For example, Gallup has reported significant correlations between their measures of employee engagement and both productivity and profitability of companies. The Federal Employment Viewpoint Survey of 15 items includes some but not all of the 12 items used by Gallup to measure engagement but also some that are not part of the Gallup list. Both surveys are weighted heavily on employee relationships with their supervisors. Items asked include: Do supervisors treat employees with respect? Do they give them work that makes the best use of their abilities? Do they encourage continual learning and development?

The Gallup survey also includes items relating to the mission or purpose of the organization and to relations with co-workers. These are missing from the Federal survey which includes items about attitudes toward senior leaders that are not part of the Gallup survey. Neither survey includes items about satisfaction with compensation and rewards. The Gallup survey does include recognition for doing good work.

Maccoby says that the drivers of employee engagement can be summarized in terms of "5Rs": Reasons, Responsibilities, Relationships, Recognition, Rewards.

- **Reasons** include the employee's identification with purpose of the organization. Do employees feel they making a positive impact, that they are contributing to a worthwhile endeavor?
- **Responsibilities** include the work itself, whether it makes good use of employees' abilities and is consistent with their values.
- **Relationships** include those with supervisors, colleagues, customers and the public. Are supervisors and colleagues supportive? Do supervisors encourage learning? Are they respectful?
- **Recognition** for good work reinforces positive relations with supervisors.
- **Rewards** include opportunities for learning as well as compensation and promotions. Although research indicates that pay is not a driver of engagement, lack of fair compensation causes resentment and undermines engagement.

Gallup reports that the best way to improve employee engagement is to focus on selecting competent supervisors and working to improve their management competence.

What Do We Mean by "Organizational Health?"

Research on private companies (and some government organizations) indicates that the health of an organization is based on its ability "to align around a clear vision, strategy, and culture; to execute with excellence; and to renew the organization's focus over time by responding to market [or other environmental] trends." Consultants for McKinsey & Company have defined organizational health in the private sector as the "capacity to deliver—*over the long term*—superior financial and operating performance)." They emphasize the multi-dimensional character of organizational health; dimensions include leadership, motivation, innovation and learning, and culture and climate (DeSmet, Schaninger, and Smith, 2014).

Interest in organizational health and its improvement is motivated by its hypothesized relationship to sustained improvements in performance. One study defined a 'healthy organization' as one where all processes are performed efficiently (Xanidis and Theocharous, 2014)." As the authors note, a closely related concept is 'organizational capability', defined as the ability of an organization to use resources in an effective way, in order to achieve its goals. Another related concept, usually applied to organizations adapting to a rapidly changing or turbulent environment, is 'organizational resilience.' It encompasses more than employee engagement including responsive client and stakeholder engagement, supportive structures and systems and the skills and knowledge required. However, research demonstrating how changes in organizational health lead to sustained improvements in performance is still quite limited.

To date, the concept of organizational health has not been applied frequently in analyzing public organizations. Unique characteristics of public sector organizations are likely to affect how it can be measured, how it can be improved, and how this improvement affects government's ability to perform. OPM touches on this when it defined "performance culture" as "a system that engages, develops, and inspires a diverse, high-performing workforce," and that this is done in

the context of a set of management strategies, practices, and activities focused on mission objectives. (U.S. OPM n.d.b).

Multiple Assessment and Diagnostic Frameworks Exist

There are multiple assessment and diagnostic frameworks in use to improve organizational health and performance. These have been developed by governments, the private sector, non-profits, and academics. Some are quantitative, some are qualitative, and increasingly there is a blend between the two.

Quantitative Assessment Approaches. In our review, we found that organizations are increasingly taking advantage of an expanding pool of available administrative and other internally-available data to assess their performance and capacity. This trend is more prevalent in the private sector, but is occurring in the public sector as well. We identified four sets of approaches:

- *Use of Employee Surveys.* Gallup conducts a widely used survey of employees in companies across the globe in 43 industries, including government, in 73 countries. The federal government annually conducts its own survey of employees as a result of a 2002 statutory requirement. The Office of Personnel Management (OPM) oversees the preparation, distribution, and analysis of the survey data, and is increasingly providing assistance to agencies that want to act upon their survey results. OPM created an Employee Engagement Index based on a subset of the survey questions (see sidebar). As a result of the high visibility of the survey results, a number of federal agencies have actively sought to improve the engagement of their employees. See Accompanying Working Paper #5 for case examples of how the leadership of the U.S. Department of Agriculture and the Department of Labor's Veterans Employment and Training Service set out to improve their employee engagement levels.

WHAT IS THE FEDERAL EMPLOYEE VIEWPOINT SURVEY?

The Office of Personnel Management (OPM) administers the Federal Employee Viewpoint Survey (FEVS), an annual survey of Federal employees that goes out to more than 1 million employees. The survey produces extensive results that can be examined across time and across organizations and employee groups to assess important aspects of strategic human capital management and can form a basis for developing, implementing and evaluating specific improvement efforts.

Agencies can use their FEVS results for a variety of purposes. Agency leaders, including Chief Operating Officers, Senior Leaders, Performance Improvement Officers, Chief Human Capital Officers, program managers and others, can examine FEVS results to identify performance drivers in need of improvement and to highlight evidence of successful change initiatives and sustained progress. The FEVS data can offer direction and substantiate results, but it must be remembered that they provide a viewpoint and should always be considered in conjunction with related and corroborating information and analytics.

The governmentwide survey is rooted in a 2002 law and expanded in 2004 amendments. The law requires OPM to issue regulations "prescribing survey questions that should appear on all agency surveys…in order to allow a comparison across agencies." The legal requirement for conducting a survey applies to each agency, but OPM conducts a centralized survey governmentwide on their behalf to alleviate the administrative burden.

In 2017, the survey was comprised of 84 questions, of which 45 addressed statutory requirements (this number will be reduced to 16 in subsequent years). There were 486,105 responses to the survey, out of more than 1 million survey recipients, resulting in a 45.5 percent response rate.

The survey reaches as far down as nine layers within large organizations, and generated reportable data on about 28,000 work units (with respondents of 10 or more; data are not reported for smaller units to preserve confidentiality of respondents; otherwise, the responses are rolled up to the next higher organizational unit).

In recent years, employee engagement has received a great deal of emphasis as a construct that is closely tied to an organization's performance capacity. OPM developed an "Employee Engagement Index" based on 15 FEVS items, with three sub-indices: Leaders Lead, Supervisors, and Intrinsic Work Experience. These measures assess drivers of employee engagement and can provide insights about differences across organizational components or demographic groups and can offer direction for where and how to influence those drivers.

OPM supports generalized approaches to helping an organization – at the agency level or the sub-agency level – understand and act on its survey results via a series of tools, including: a FEVS Online Data Analysis tool for HR managers and the UnlockTalent.gov tool for agency managers. Both are password protected sites.

(see Accompanying Working Paper #2 for details)

- *Use of "People Analytics."* An increasing number of private sector companies are actively using data in addition to annual employee surveys to better assess talent needs and opportunities at the unit level, as well as across the enterprise. For example, IBM's internal People Analytics and Cognitive Offerings manager told the panel that much of existing human resource data are "dark data" – data that is scattered throughout the enterprise and not readily visible to line managers from which personalized insights can be derived for improved decision-making. He says managers are more likely to adopt and use data for decision-making when the analytics are integrated into a seamless experience with employees, managers, and executives as users at the center of design. IBM developed a user-centric approach to analyze HR data for its 380,000 employees, drawing from multiple data sources and segmenting the employee population to enable personalized opportunities, such as individualized recommendations on learning and career progression. In addition to survey data, IBM analyzes pay, location, skill levels, organizational performance, use of social media, and the extent of internal connections among staff in order to create a richer picture of both individuals and work units. IBM also found that frequent and targeted "pulse surveys"

are more relevant than company-wide annual surveys (see Accompanying Working Paper #4 for case study).

Similarly, General Electric has used people analytics to manage its rapidly evolving global workforce of 300,000. About half of its employees have been with the company for five years or less, as the company transforms into a state-of-the-art digital industrial organization. For example, it has created a tool for career and succession planning to allow employees to identify potential opportunities even before positions are posted to be filled. The tool can be used by leaders to identify non-obvious candidates for positions so they can be given developmental opportunities and career coaching. And like IBM, its analytic tools will recommend training or education to individuals to help them better perform his or her existing job and to progress. GE is also developing a tool to "pinpoint aspects of its organizational structure that influence its drive to become a faster, nimbler organization with a greater focus on customer outcomes." (Prokesch 2017).

In the federal government, personnel data are also increasingly available for analysis. For example, OPM has developed FedScope (U.S. OPM n.d. c), which is a focal point for statistical information about the federal workforce, gathered from different sources. Like Intel, OPM has developed a dictionary of standard data definitions and provides access to "data cubes" containing statistics about employment, hiring, separations, and diversity.

- *Use of Benchmarking Studies.* Gartner Inc.is a research company that conducts benchmarking studies of private companies in a wide range of areas. In an interview with senior managers, they explained that they do not conduct "end-to-end" analyses of an organization's health or performance but rather focus on specific tactics used in the commercial world that would be transferrable to other companies, such as strategies to mitigate attrition rates or improve employee engagement.

In 2013, the Office of Executive Councils within the U.S. General Services Administration (GSA) undertook a similar benchmarking initiative of selected federal mission support services such as human capital, information technology, real property, etc. It worked with the relevant cross-agency mission-support councils, with strong support from the President's Management Council, to identify key metrics (Kamensky 2016). It then undertook annual data collection efforts and now collects about 40 cost/efficiency metrics, 26 operational quality metrics, and about 26 customer satisfaction metrics (where more than 140,000 managers are asked about their experiences in using mission support services). Field experiments have shown that public managers are more interested in performance data when it has this sort of comparative dimension (Andersen and Moynihan 2016).

The Office of Executive Councils has completed four rounds of data collection and can provide comparative information for dozens of the larger organizational units within departments and agencies. The results are increasingly informing agency management decisions via departmental "FedStat" reviews, and improvement actions are summarized and included, where appropriate, into budget proposals. For example, the Department of Energy used the results from its benchmarking survey to validate the costs of its bureau-level human

resources costs; and this led to their consolidation at the department level, leading to a 26 percent cost reduction (Kamensky 2016).

Enterprise Risk Management (ERM) Assessments. An essential part of ERM is the free flow of information in an organization, up and down the hierarchy and across silos. This was seen in the 2008 Financial Crisis when leaders at successful firms obtained information from one part of the organization that prompted recognition of major emerging risks that sometimes required a protective response from another part of the organization. Thus, in October 2006, months before the Financial Crisis occurred, the mortgage unit of JPMorgan Chase (JPM) reported an unusual level of subprime mortgage delinquencies. Top management investigated, found that JPM's delinquency rate was even below that of competitors (which meant that the problem was likely external rather than internal to the firm), and responded by instructing its investment banking unit to shed its exposure to subprime mortgages. Goldman Sachs took protective measures in response to a similar warning from its mortgage desk in December 2006. The head of the Goldman Sachs mortgage desk explained why he had sent bad news to top management: "Part of my job was to be sure people I reported to knew what they needed to know." (Stanton, 2012).

These positive examples stand in strong contrast to financial institutions that failed in the crisis either with leaders who took risks while ignoring or discouraging warning signs or because of failure of leaders to perceive that major risks in a single part of the company could materialize to cripple or even bring down the whole company. AIG was a firm that failed in the crisis because of risks taken by its London-based subsidiary, AIG Financial Products. AIG's CEO told the Financial Crisis Inquiry Commission that he had not realized the financial exposure that the London office was accruing. He had received regular reports but failed to detect the barriers that impeded the flow of more complete information from the London office.

Government leaders too need to be able to rely on sound information to inform their decisions. The FEVS provides a useful metric to help assess the quality of information flow in a federal agency. FEVS Question 17 asks employees whether they agree with the statement that, "I can disclose a suspected violation of any law, rule or regulation without fear of reprisal." Answers to this question, and changes in the level of positive responses over time, can help signal to agency leaders the extent that they have created an organizational culture that allows information, and especially bad news, to flow to decision makers who need it. By encouraging information flow, ERM can provide more timely information about major risks to decision makers so they can investigate and seek to respond appropriately.

In 2016, the Office of Management and Budget updated its risk guidance to agencies in Circular A-123 by expanding it to include "enterprise risk management." This expansion requires agencies to create "risk profiles" that prioritize various forms of risk to an agency's mission. The guidance includes "human and cultural factors" and is intended to "facilitate continuous improvement of the organization." Some agency risk officers, such as at the Department of Housing and Urban Development, are including these elements in their risk assessments, seeing them as early warning signs that could inhibit performance and achievement of goals.

The OMB circular also requires annual assessments by senior leaders on progress as well as challenges. For example, several years ago, the Office of Federal Student Aid in the Department of Education – one of the government's pioneers in enterprise risk management – identified a potential risk to its human capital capabilities to deliver on its mission if the Office's business model moved from lender-financed but federally guaranteed student loans to loans provided directly by the federal government. As a result, it developed contingency plans and was prepared when Congress, in fact, made that change (Stanton and Webster).

Qualitative Diagnostic Frameworks. Various business writers, such as Marcus Buckingham and Daniel Pink, have offered advice for improving organizational capacity and health via a range of leadership behaviors. Others have offered research-based diagnostic frameworks that are largely qualitative in nature. For example:

- *Organizational Health Framework*. Scott Keller and Colin Price, in their 2011 book, *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage*, identified 37 management practices that contribute to organizational health. They found that there "is no one recipe" for success. Instead, they describe four archetypes, each representing a different recipe "that can be used as a foundation on which to build." These are:
  - *leadership-driven* (companies that fit this archetype believe that leaders are the catalysts for performance, setting high expectations and supporting the organization in achieving them);
  - *execution edge* (companies that believe that discipline, sound execution, and continuous improvement are the foundation for great performance);
  - *market focus* (companies that believe that shaping market trends and building a portfolio of strong and innovative brands keeps them ahead of the pack); and
  - *knowledge core* (companies that believe their pool of talent and knowledge is their most important asset).

They don't argue for one archetype over the other; instead they say, "our data indicates that each archetype, if done well, can lead to success in any industry." Their conclusions are based on research conducted by McKinsey & Co. in thousands of workplaces.

Their composite definition of organizational "health" emphasizes a company's "ability to align, execute, and renew itself faster than the competition (Keller and Price: xix)." They observe that those companies that sustained their performance had done so in part by developing a culture of continuous improvement. They describe nine elements of organizational health that sustain high performance, including obvious ones like 'leadership that inspires' and 'employees with the required institutional skills and talent.'

Keller and Price also provide insights on what it takes larger organizations to systematically *improve* their Organizational Health and Performance. Mobilizing energy to support change requires not only leadership commitment and clarity of direction but an ability to "regularly collect robust data on progress in order to correct course quickly . . . and celebrate achievements" and "building broad ownership for the transformation" so that change becomes

self-directed through personal involvement by employees and external partners (Keller and Price 162 – 164).

At a practical level, building "a capacity for continuous improvement" requires building "systems for sharing knowledge and best practice," "processes to identify and capture opportunities for improvement," and "methods that facilitate continuous learning." (Keller and Price 179 – 180).

- *World Management Survey*. A trio of academics from Harvard, Stanford, and MIT have interviewed managers over the past decade from more than 10,000 companies in 34 countries about their management practices to identify what leads to higher performance (Sadun, Bloom, and van Reenen 2017). They identified 18 key management practices that seem to be critical to operational excellence, such as setting clear goals and metrics, and choosing the right targets to pursue. They grouped these practices into four areas: operations management, performance monitoring, target setting, and talent management. Statistically, they found that "their adoption accounts for a large fraction of performance differences across firms and countries."

  Sadun, et al. also found that "variation in management practices inside firms across their plants accounted for about one-third of total variation across all plant locations." This was particularly true in large companies "where practices can differ a great deal across plants, divisions, and regions." The bottom line: some parts of large companies are well-managed, but others are not.

- *Continuous Learning Initiatives.* A recurring theme of most recent organizational performance research is the need to foster a system and culture that supports continuous learning and innovation. For example, former Australian government senior official Andrew Podger, recommends: "explore a new approach that allows for more experimentation and learning from practice, particularly in complex policy areas." (2015). A World Bank review of performance practices in seven different countries pointed to the use of "learning forums" – venues outside of the traditional budget process where data and evidence are routinely discussed (Moynihan and Beazley 2016).

  In the U.S., corporate leaders have turned to quality management and Lean Six Sigma initiatives to provide a framework for continuous learning efforts in their companies. The federal government has adopted some similar approaches. The use of quarterly reviews can be seen as a learning forum, and is a associated with greater use of performance data, especially when the reviews are well-run (Kroll and Moynihan 2016). Some agencies – especially knowledge-based operations – have established "learning agendas" that provide managers and their employees a systematic way to develop their skills to collect data and use analytics to support evidence-based decisions, and to improve organizational performance and innovation. The U.S. Department of Labor has been a pioneer in developing this approach in recent years. Its former chief evaluation officer, Demetra Nightingale, notes: "Learning agendas can serve as a useful approach to developing and implementing a strategic approach to rigorous empirical research about 'what works' and what works 'best.' (see Accompanying Working Paper #3 for more details)"

Using a Learning Agenda at the Department of Labor

The U.S. Department of Labor has a comprehensive learning-based approach that it has dubbed its "learning agenda" process. It illustrates the types of performance-related studies that can be incorporated into an agency's learning agenda.

The Department of Labor's Chief Evaluation Officer coordinates the learning agenda process. In collaboration with evaluation specialists in the Evaluation Office, each operating agency in the department prepares an annual learning agenda that reflects its priority research topics and questions, including studies that are related to performance measures and outcomes that could provide evidence about how to improve performance:

"Agency Learning Agendas identify priorities for evaluations that can help agencies measure their effectiveness, their progress towards goals and outcomes, continuous improvement, and, in some cases, meet Congressional requirements for reports and evaluations. Evaluations focus on program performance and outcomes, measuring the impacts of core programs and services, evaluating new programs and initiatives, and testing the relative effectiveness of alternative program practices, using the most rigorous methodologies possible." (U.S. Federal Register 2016).

The Department's Performance Management Center leads performance management activities, but the Chief Evaluation Officer coordinates with Performance Management Center in several ways. Rigorous evaluations help policy makers and administrators understand why public programs may or may not be meeting their goals, the relative effectiveness of different strategies to achieve goals, and how informed evidence can help identify what needs to change to improve results. Through quarterly review meetings with the deputy secretary required by GPRA, the heads of sub-agency units discuss their performance progress compared to previously established targets. The Chief Evaluation Officer participates in every quarterly performance meeting, providing input as needed on ongoing studies, summarizing results of analysis bearing on measures being discussed, or identifying potential future performance-related studies.

Evaluations contribute evidence that feeds into the performance management process. For example, among the studies initiated by the Chief Evaluation Officer at the Department of Labor are several that address performance measures and measurement, such as:
- *Collaborative logic model projects* with agency staff to develop or refine formal performance measures, particularly to support the development of outcome measures rather than focusing only on outputs.
- *Analysis of factors (e.g., activities or outputs) associated with outcome measures* to consider definitional refinements or new measures to more fully capture performance. In one study, management data from workers' compensation programs were analyzed to identify factors associated with the rate at which individuals return to work after receiving compensation payments for a work-related injury. Another study analyzed performance metrics capturing the extent to which local programs are providing statutorily required priority services to veterans and their spouses.

Organizational Capability Reviews. The government of the United Kingdom launched a series of Capability Reviews in 2005 for all central departments "in order to improve the capability of the Civil Service to meet today's delivery objectives and to be ready for the challenges of tomorrow." It defined "capabilities" as "clusters of skills, systems, routines, etc. . . . based on developing, sharing and exchanging information" through people. . . . "The Cabinet Secretary [intended] to use Capability Reviews as a catalyst to change civil service culture so that it is more collaborative, dynamic, customer focused and innovative."

A Parliamentary committee conducted a review of the initiative in 2009 and concluded: "The link between Capability Review scores and delivery performance is not clear because assessments are based largely on qualitative and subjective evidence." Nevertheless, it stated: "It is vital that the programme becomes permanently embedded." A National Audit Office review the same year declared organizational reviews as "not an exact science," and recommended better links between the capability reviews and organizational results. Subsequent governments reduced emphasis on the program, but several agencies continue to conduct self-assessments.

The reviews themselves were conducted every other year by an external review team of five senior external experts from local government and the private sector. The program is overseen by the Cabinet Office and focuses on ten elements of capability organized around leadership, strategy, and delivery. The reviews are typically two to three weeks in length. The final reports are public. There are follow-up assessments of progress every six months. After completed two full cycles of reviews, the reviews are now undertaken on a less systematic basis, oftentimes as a self-assessment by the agencies themselves.

In the years that followed, a number of British commonwealth countries began to undertake their own organizational capacity reviews. These reviews occur at the departmental and agency levels, not at the sub-agency or unit levels.

- *Australia.* The Australian government launched a similar initiative conducting capability reviews between 2011 and 2014. The Australian capability reviews were designed more for learning than auditing, and having different teams for each review means comparisons across agency assessments are not necessarily valid. According to Podger: "Assessments are quite frank with colour codes used to identify whether a particular capability is 'strong', 'well-placed', a 'development area' or of 'serious concerns'." Agencies were required to develop performance improvement plans based on the review findings.

Subsequently, the Parliament passed the Public Governance, Performance and Accountability Act in 2014 and the agency capabilities reviews were discontinued thereafter. This new law introduced the concept of 'stewardship', complementing the existing emphasis on performance, and provided more support for cross-government collaboration. While this new law has been in place for only a few years, anecdotal evidence suggests there has already been some improvement and that is provides a more systematic approach to assessing capability as well as performance, and in addressing organizational and mission risks. (see case study in Accompanying Working Paper #5).

- *Canada.* The Management Accountability Framework (MAF) is a key performance management tool used by the federal government in Canada. Its purpose is to support management accountability of Deputy Ministers (Canada's equivalent of Deputy Secretaries in the U.S., who are career, not political, appointees) and improve management practices across departments and agencies. More specifically, the objectives of MAF are to:
  o Clarify management expectations for Deputy Ministers and inform ongoing dialogue on management priorities;
  o Provide a comprehensive and integrated perspective on the state of management practices and challenges; and
  o Inform the design of risk-based approaches that provide greater delegation of authority for organizations that have strong management performance.

  The MAF summarizes the vision behind various management reforms into 10 high-level management expectations of each Deputy Minister. In essence, the MAF strives at management excellence in areas such as stewardship, accountability and people management, which in turn enables organizations to effectively translate the government's strategic directions into results.

  The MAF review is performed annually by the Treasury Board (equivalent to the U.S. OMB) on all major agencies and one-third of the small agencies, totalling about 55 to 60 reviews a year. The Treasury Board assessments are based on agency self-assessments. A 2009 assessment of the process concluded that it was worthwhile and that the tool allowed more strategic discussions of management performance in agencies (see case study in Accompanying Working Paper #5).

- *New Zealand.* In 2008, the New Zealand government also undertook an agency capability review initiative, developing an assessment framework "to support continuous performance improvement" across the government. The initiative is managed by a central team that uses external reviewers to conduct assessment of agencies in the context of each agency's "Four-Year Excellence Horizon," which is a medium-term improvement plan.

  The framework is organized around two main elements, Results and Organizational Management, with five critical areas under Organizational Management:
  o Leadership and direction
  o Delivery for customers and New Zealanders
  o Relationships (with ministers and other agencies)
  o People development

o Financial and resource management

Reviews are typically conducted at the beginning of the term of a new agency head or at key points in a major change initiative. The review and the agency's response are used to inform medium-term organizational strategies and plans, and where relevant, the agency's four-year strategic plan. Follow up reviews can be conducted 12-18 months after an agency review is completed. These reviews continue to be performed on a systematic basis (see case study in Accompanying Working Paper # 5).

In the U.S., similar reviews are conducted at the unit level by the U.S. Army, via its analytical agencies, such as the Center for Army Analysis. Its core of 600 operations research and systems analysts conduct both "operational assessments" and "organizational assessments." It conducts in depth studies to determine the health of every mission function from logistics to medical evaluations to testing new pieces of equipment (see case study in Accompanying Working Paper #6). The State Department's Office of the Inspector General conducts 'inspections' at embassies overseas. State's IG inspections focus on policy implementation, resource management, and compliance management controls, not on staff capabilities *per se*.

Certification and Awards Programs. A number of non-profit organizations offer assessment and diagnostic programs similar to organizational capacity review that result in certifications or awards. For example:

- *American Society for Quality.* ASQ's Government Division offers Process and System Certification guidelines," which: "provide a tool and framework for Government Managers to evaluate their efforts in process improvement, and through evaluation, offer further suggestions on the means and methods of improvement."

- *Baldrige Award*. The Malcolm Baldrige Performance Excellence Program is "an award is given by the President of the United States to businesses and to education, health care, and nonprofit organizations that apply and are judged to be outstanding in seven areas of performance excellence." The program offers a set of self-assessment guides around seven key areas such as leadership, strategy, customers and results. The organizations applying for the award are then assessed by an external team of judges.

- *ISO-9000 Standards*. The International Organization for Standardization sponsors a certification program in order to "provide guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved." It is organized around seven quality management principles, such as leadership, customer focus, engaging people, and evidence-based decision making.

Acting on Results of Assessments and Diagnoses

Most organizations we reviewed did not have a systematic approach to ensuring action on the findings developed via assessments, such as surveys. The most consistent follow-through was

observed in countries conducting capacity reviews, where agencies were required to develop improvement plans and follow-up reviews were conducted every six months.

Ideally, the strategic approach should be to preclude the need for any interventions by creating an environment that proactively addresses unit level capacity issues through initiatives such as continuous learning and innovation. However, there will always be the need for interventions where performance problems have been identified after the fact.

Private Sector Intervention Approaches. In the private sector, interventions are typically targeted to meet specific business challenges, not general culture change. However, according to the 2013 study *Rethinking the Workforce Survey,* CEB, now Gartner, reports that "in 2011, 80% of the 4,000 business leaders CEB surveyed said that engagement initiatives do not drive business outcomes."

In the same report, CEB, now Gartner noted: "While it is clear that employee engagement is vital to an organization's success, it is not enough. Engagement, and therefore additional employee effort, must be directed toward tasks aligned with the organization's objectives; individuals and teams must be able to anticipate and adapt quickly to changing circumstances."

The private sector is also increasingly using "dark data"—unstructured data from multiple sources – ranging from what employees are saying about their work environment on social media, or corporate administrative sources such as employee demographics, individual performance evaluations, and unit workload data. These are being searched for hidden patterns that can be used to help define specific intervention approaches.

Several business writers and academics offer advice on ways to improve employee engagement and/or improve organizational performance using qualitative approaches. Most of these are leadership driven. For example, in a 2017 article in *Harvard Business Review,* leadership consultants Jack Zenger and Joseph Folkman describe their research to understand how leaders can be results-driven while developing an engaged work team. They found only 13 percent of leaders were able to balance both successfully. They analyzed 40 behaviors of leaders and identified six traits that allow them to perform at a much higher level than those who lack these traits, such as "communicates clear strategy and direction," "inspires and motivates," and "has high integrity and inspires trust."

Similarly, Gallup's Robyn Reilly identifies five ways to improve employee engagement, based on the research by her organization. These include focusing engagement on the local and organizational levels, coaching managers to make them accountable for their employees' engagement, and defining engagement goals in realistic, everyday terms. Similarly, the Society for Human Resource Management's Tamara Lytle offers seven tools, such as providing training and coaching, listening to employees, and recognizing successes "proudly and loudly."

And in the same vein, business author Kevin Kruse writes in *Forbes:* "The right employee engagement strategy instead of being top down, is from the bottom up." He recommends the use of employee surveys, ensuring each manager receives his or her own scorecard, and that managers share results with employees to collaboratively develop a plan of action.

Public Sector Intervention Approaches. In the U.S. government, there are several approaches to respond to the results of organizational assessments, but none is dominant. At the government-wide and departmental levels, there are several sets of strategic-level data-driven reviews: annual departmental strategic reviews that assimilate data from FedStat, HRStat, PortfolioStat (IT-related), and other sources. However, these tend to be conducted at the top levels in a department and rarely filter down to operational units.

Any recognition of high performance or interventions to manage specific risks tends to be undertaken internally rather than by an outside group (i.e., no resort to a "turnaround artist" or SWAT team). For example, the U.S. Army has dedicated analytic units to both identify trends and to define why trends are occurring. However, action is deferred to unit commanding officers.

And as in the private sector, there are a number of case studies of individual leadership leading to dramatic turnarounds in performance. For example, the personal account by David Marquet (2014) tells how, as commander of a U.S. nuclear submarine, he turned around a troubled ship by empowering sailors under his command.

In addition to learning-based approaches, more traditional, formal training is obvious way to improve an organization's capacity. Research shows that federal managers who had taken some sort of training in performance management were more likely to use performance data ((Kroll, Alexander and Moynihan 2015). In this study, the researchers found that training helps employee develop a sense of what performance data is for and what they should do with it to improve their operations.

The Challenge Ahead

The current federal performance management framework is ripe for expansion beyond the headquarters level. The challenge going forward is how to establish a process and agenda for organizational learning and development aimed at establishing a norm of organizational excellence at all levels, and a performance-oriented culture to support more effective delivery of the government's many missions.

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