Effectiveness and Efficiency
Lessons for Building and Managing a Culture of Performance

US government leaders everywhere are focusing on improving performance, getting the most out of every dollar, increased efficiency, reducing unnecessary costs, and sizing programs to meet mission needs. Prioritizing isn’t easy, especially when many agencies are also being asked to assume increased mission responsibilities. Agency leaders must have the capability to identify which programs can be refocused or trimmed without diminishing mission performance, while they also work to strengthen the effectiveness and efficiency of their mission-essential programs. Those leaders who are most adept at managing their organizational performance will be those who are best positioned to emerge from the effects of the fiscal cliff and sequestration and deliver the greatest value for their respective budget outlays.

Booz Allen Hamilton has been addressing these challenges in a series of studies and engagements to help federal leaders improve organizational performance. These initiatives underscore the pivotal role performance management plays in focusing agency resources on mission goals and ensuring data-driven decision making and accountability throughout the organization. We found that agencies can implement effective performance management—and do so without investing in new, expensive systems—by following six primary guidelines:

1. Define what success is for customers/stakeholders
2. Strive for simplicity in performance measures
3. Build on the systems and tools you already have
4. Focus on the skills that matter
5. Recognize that effective performance management is a dialogue, not a directive
6. Foster continuous improvement by using the business performance review process to facilitate dialogue.

Booz Allen’s work helping to implement performance management in the global Supply Chain Management System (SCMS)—a program that the US Agency for International Development (USAID) awarded to the Partnership for Supply Chain Management (PFSCM), a nonprofit organization that delivers HIV/AIDS medicines and health supplies to more than 20 nations—illustrates the practical benefits of following these principles. These guidelines will not only improve decision making and help agencies address immediate fiscal challenges, but they will also foster a culture of performance that, over the long term, will promote mission effectiveness and efficiency throughout the organization.

The Challenge
US federal agencies face enormous pressure to improve performance and contain spending. Continuing resolutions, pay freezes, budget cuts, buy-outs, and cost-saving reorganizations—all are symptoms of the struggle by White House and Congressional leaders to rein in budget deficits that have exceeded US$1 trillion every year from 2009 to 2012. In the area of global public health, organizations are working hard to scale up HIV/AIDS treatment from 9 million patients to 15 million patients by 2015, while simultaneously reducing per-patient costs.

At the same time, agencies must also comply with mandates for greater energy efficiency, environmental safety, transparency, information sharing, performance reporting, and other requirements. “Performing expanded missions with fewer resources is the new normal,” Booz Allen concluded in a recent study of leadership best practices.

To help agency leaders address these fiscal and performance challenges, Booz Allen launched a series of workshops and studies examining how
agencies could make smart cuts without undermining performance. In discussions with federal leaders and studies of past initiatives, we found that the most successful leaders adopted similar approaches. To bring their agencies’ budgets into alignment with their missions, they worked to gain an understanding of what was mission-critical and, equally important, what was not. They also understood their stakeholders’ current challenges and needs, so they could allocate resources to address them. And they relied on strong performance management—including aggressive information gathering, analytics, and rigorous performance measures—to support fact-based decisions regarding where to cut, where to restructure, and how to focus their operations and people on mission tasks.

Organizational Performance Management in Government

Congress and the White House have been pushing for agencies to adopt stronger performance management since the passage of the Government Performance and Results Act (GPRA) of 1993; and Congress strengthened the performance management mandate with the GPRA Modernization Act of 2010. The GPRA laws require agencies to set goals, measure results, and report on the progress of strategic and performance plans for their programs. Performance management refers to the discipline of focusing an overall organization on achieving results for stakeholders. This discipline is exercised by embedding a performance output/outcome focus throughout all phases of the planning, budgeting, execution, and review/revision elements of an organization’s operating model, and by ensuring a linkage between an organization’s strategic vision and mission through its sub-organizations down to the individual managers and employee goals. When effectively implemented, performance management improves decision making and helps guide programs toward their stated goals by providing agency leaders with a clear understanding of their investment trade-offs.

However, implementing performance management has proved to be more difficult than anticipated. Although many federal leaders have put processes and systems in place to gather data and measure performance, they have struggled to do so effectively. Many have met with resistance from employees who view performance management as a tool used to criticize and punish rather than assist them in their work. And many agencies also lack an operating model with consistent follow-up to hold people accountable for performance plans and goals. Consequently, initiatives that start off well often have trouble sustaining performance management over the long run, especially if agency champions move on to other assignments.

So how can agencies overcome these obstacles to achieve the benefits envisioned by Congress and the White House? Government organizations that have established performance management programs with real staying power have succeeded by creating a culture of performance that permeates the entire organization. The key is implementing performance management from both the top-down and bottom-up within the organization. Performance management requires strong leadership to introduce new systems and processes, and to keep the foot on the pedal and hold executives, managers, and employees accountable for meeting performance goals. But performance management also requires the active participation by all employees in crafting performance goals and measures, and in continuing performance management as a collaborative effort. SCMS provides an excellent example of how to build a culture of performance that achieves meaningful and measurable results that support mission objectives.

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3 Ibid.; and Booz Allen Hamilton and Partnership for Public Service, Making Smart Cuts: Lessons from the 1990s Budget Front, September 2011.
Case Study

A Culture of Performance Across the SCMS Global Supply Chain

SCMS is a global health supply chain project that delivers HIV/AIDS and opportunistic infection medicines and health supplies to Central Medical Stores that can be accessed by doctors and clinics in more than 20 countries participating in the US President’s Emergency Plan for AIDS Relief (PEPFAR) program that reaches across Africa, Asia, and Central America. SCMS has grown to become one of the world’s largest public-service supply chains, delivering more than US$25 million in products every month. Speed and efficiency of delivery are critically important because lower costs and faster delivery times mean that life-saving medicines will reach larger numbers of people. Also important is maintaining the security of the supply chain to ensure the reliability and quality of the medicines, as well as to prevent the theft of USAID-funding commodities and the entry of substandard or counterfeit products into the SCMS supply chain. SCMS needed effective performance management to ensure the speed, operational efficiency, and security required to achieve its mission goals. Performance measures would also enable the SCMS program to better meet USAID’s ambitious mission of improving the health of HIV/AIDS patients in developing countries.

Booz Allen began as a subcontractor on SCMS in 2006 by helping to establish the Performance Management Unit (PMU) and leading the design and deployment of performance measures across the SCMS global supply chain. The project required a performance management system that could track the performance of an extremely complex global supply chain. The SCMS performance management plan was built on the six foundational capabilities of the Performance Management Diagnostic Model, which Booz Allen developed based on its experiences assisting federal agencies (see Exhibit 1). The model helps organizations implement and align the six key capabilities areas for effective performance management:

- **Strategic Mission and Direction.** Identify organizational priorities and gain consensus about what mission success will look like
- **Planning and Assessment.** Engage management and staff in developing integrated plans to support mission goals and objectives
- **Performance Measures.** Translate mission goals into outcomes that can be measured and compared on a regular basis

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Exhibit 1 | Performance Management Requires the Alignment of Six Essential Capabilities

[Diagram of the Performance Management Diagnostic Model]

Source: Booz Allen Hamilton
• **Data, Tools, and Technology.** Create processes that leverage existing data and analytical capabilities

• **Information Management and Reporting.** Develop reporting processes that facilitate continuous dialogue and collaboration within the organization

• **Leadership and Human Capital.** Generate buy-in through top-level support and build capacity through training and other collaborative programs

Booz Allen and the PMU leveraged this approach to develop and implement SCMS’ performance management program by working closely with all units within the organization, especially the global supply chain team of managers and professionals who carry out day-to-day operations, such as purchasing and selling supplies and coordinating freight and transportation. Together, the PMU and global supply chain team assessed the needs of their stakeholders and reached a consensus on the organization’s priorities in meeting stakeholder and mission requirements. Booz Allen also helped members of the global supply chain team understand how the measures related to both their individual jobs and broader goals under the SCMS program. Once this plan was in place, SCMS managers and employees addressed performance management issues in their daily and weekly meetings, if needed, rather than leaving discussions for once-a-month performance management reports. Examples of this included establishing and managing an incident management process, developing and conducting a customer satisfaction survey, streamlining reporting to our USAID client, and supporting thought leadership in the broader community (US Centers for Disease Control, United Nations, World Health Organization, Global Fund for AIDS, Tuberculosis, and Malaria, the Clinton Health Access Initiative (CHAI), and many others) through data sharing and analysis. In this way, managing performance became embedded in employees’ work routines, and data for analysis and decision making has been broadly shared.

Booz Allen and the PMU next introduced performance management to the SCMS country offices, in particular, the Monitoring and Evaluation (M&E) teams in each country. The M&E teams are responsible for monitoring and reporting performance, conducting inspections of local warehouses, assisting local officials, and performing other duties to ensure that in-country supply chains operate efficiently to route the drugs and other supplies after delivery by the PEPFAR global supply chain. Because the initial supply chain operations within many countries were relatively small, the M&E teams could monitor performance using informal methods. As
Lessons Learned for Performance Management

The SCMS experience provides important lessons and insights for federal leaders seeking to improve performance management within their organizations:

1. **Define What Success is for Customers/ Stakeholders.** Begin by making sure you understand and can clearly articulate the needs of your customers/stakeholders. This enables you to define the desired performance outputs and outcomes, which will become the critical measures of success to which budgets can be applied and performance can be executed and reviewed. Do only those things that matter to your customers/stakeholders; stop doing things that don’t matter.

2. **Strive for Simplicity in Performance Measures.** It is better to identify and use the critical few than the messy many. Again, clarity is essential. When defining and constantly communicating what is important—what gets measured—the performance-focused organization will make sure that the link to mission is clear at every level of the organization.

the supply chains grew in size and complexity, it became impossible to plan for and track the large volume of activity through simple observation or ad hoc processes. In 2011 alone, SCMS delivered more than US$315 million worth of drugs and related commodities, compared with about US$9 million when the program started in 2006. Consequently, PFSCM asked Booz Allen to train the M&E field staff to develop performance plans, measures, and processes for improving their performance supporting the in-country supply chains.

Booz Allen began by conducting an extensive diagnostic analysis evaluating the strengths and weaknesses of the M&E teams against the six performance management capabilities. Booz Allen then designed training programs geared to the specific capabilities and requirements of the teams in each country and engaged the M&E teams in developing and strengthening processes, while also training them in the required skills to implement results-focused performance management. For example, in Mozambique, the training program started by bringing together the field office leaders and staff to reexamine their objectives and activities. Technical leads who were assigned responsibility for achieving the objectives received training on how to develop draft measures for those objectives. PFSCM then helped test and evaluate the draft measures using criteria developed by the field offices, and scorecards were created that enabled leaders to select 17 unique measures. In addition, the Measurement owners themselves created a data dictionary for each measure, including purpose, formula, data source, and targets. In this way, the Mozambique team helped establish performance goals and measures that aligned with the broader SCMS mission objectives.

**Results**

Although the M&E training and capability-building programs are still ongoing, the SCMS program has seen significant, measurable improvement in numerous areas. For example, the supply chain improved on-time delivery to clients to 80 percent, which is unprecedented in the markets it serves. The response time for generating price quotes for purchasing test kits has improved by 25 percent. Strong performance management is helping the SCMS program demonstrate a high return-on-budget investment.
This ensures a top-to-bottom linkage of performance goals to mission, starting at strategic-level (agency-wide) goals and objectives and proceeding through the departmental-level goals and objectives to the managerial-level and individual goals and objectives.

3. **Build on What You Already Have.** Most agencies have already put in place processes and systems for collecting data, measuring outcomes, and managing performance. Use those as your starting point. PFSCM did this when introducing performance management to its Technical Assistance (TA) teams on the SCMS program in participating countries, building on the processes, systems, and skills already in place. Most of the time, it is not necessary or even desirable to start from scratch.

4. **Focus on the Skills that Matter.** Performance management requires the alignment of six fundamental capabilities or skills. Assess your organization’s competency in these capability areas, then focus existing training efforts on developing and strengthening needed skills, as PFSCM did in implementing performance management among its SCMS TA teams.

5. **Recognize That Effective Performance Management is a Dialogue, Not a Directive.** Performance management falls short when implemented solely by top-down directives from the organization’s leaders. As the new performance-based operating model is established within the organization, frequent and regular dialogue is essential to foster a culture change that will sustain the focus on performance. By involving staff in setting SCMS program performance goals, creating performance measures, and other activities, the performance model generated enthusiasm and support throughout the organization.

6. **Foster Continuous Improvement by Using the Business Performance Review Process to Facilitate Dialogue.** Accountability is about more than numbers and reports. In the SCMS program, performance management reporting is used as a tool to engage staff in meaningful discussion; and because of the collaborative dialogue, SCMS leaders are not afraid to use the data to initiate discussions about performance or prod the organization toward its mission goals. Rewards for good performance will improve the dialogue.

**Conclusion**

Performance management is an indispensable tool for helping US federal leaders address a broad range of challenges, particularly in helping them make their organizations more effective and efficient, which includes making smart cuts that keep agency budgets and resources aligned with mission priorities. In fact, not embedding performance management principles could place US government agencies and/or departments at risk of spending resources on things that don’t matter. But effective performance management is more than a set of systems and processes for collecting data and measuring performance. It requires organizations to adjust their thinking to focus on what truly matters to stakeholders. Performance-focused organizations actively foster a culture in which performance goals are set, then planned and budgeted for so that, ultimately, they are achieved. This can be accomplished by balancing top-down implementation with bottom-up participation in assessing stakeholders, designing goals and measures, and creating performance management documents and reporting processes. In most instances, agencies can leverage the systems and tools they already have in place when reengaging employees in performance management activities. Employees’ participation not only garners their buy-in, but it also sharpens the measures and facilitates a continuous dialogue that will sustain performance management over the long term. In this way, executives and employees develop a vision of performance management together, helping create and sustain a genuine culture of performance that constantly strives for transparency, accountability, and measurable, mission-focused results.
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