

# Effectiveness and Efficiency

Seven Leadership Practices for Meeting the Mission Challenge  
in an Era of Declining Budgets



By

Pat Peck  
peck\_patrick@bah.com

Ted Sniffin  
sniffin\_ted@bah.com

Mike Isman  
isman\_michael@bah.com

Marc Austin  
austin\_marc@bah.com

Booz | Allen | Hamilton

---

delivering results that endure



# Effectiveness and Efficiency

## Seven Leadership Practices for Meeting the Mission Challenge in an Era of Declining Budgets

### Executive Summary

Looming cuts in federal spending will require dramatic changes in how agencies operate, how they are structured, and the expanse of the mission they continue to support. They will have to achieve enormous levels of efficiency, while increasing effectiveness, to continue delivering mission-critical services and capabilities under reduced levels of funding.

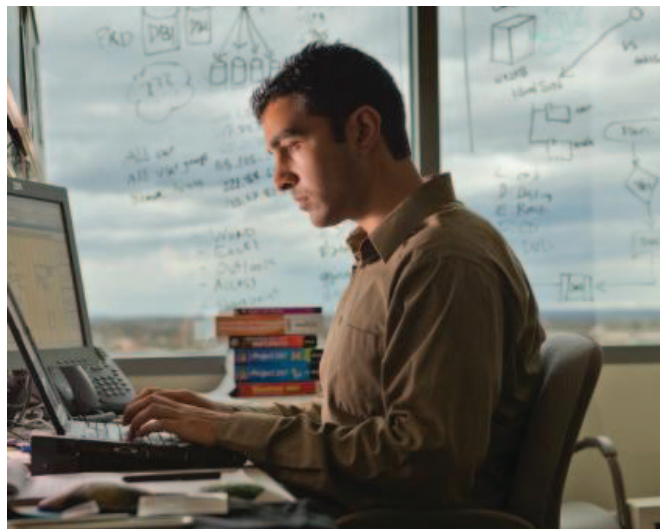
To assist government leaders, Booz Allen Hamilton conducted a series of studies and workshops examining how agencies can make “smart cuts” that reduce costs without impacting mission performance. We found that successful leaders used similar managerial methods or practices to achieve their cost-cutting and mission-performance goals:

- **Know the Agency’s Mission/Know Its Capabilities.** Understanding the agency’s changing mission responsibilities as well its strengths and weakness enables leaders to set a clearer vision for change.
- **Reassess Stakeholders’ Needs.** Seek to understand stakeholders’ current challenges and needs, not last year’s, as they engage in planned changes.
- **Align the Agency’s Budget—and Budget Cuts—with Its Mission.** When trimming budgets, understanding what is not mission-critical is just as important as understanding what is.
- **Be Bold: Take High Impact Steps.** Make hard choices and avoid across-the-board cuts and other strategies that minimize short-term pain but do not improve effectiveness or achieve sustainable savings.
- **Spend Money to Save Money.** Maintaining effectiveness with fewer resources will require some increase in investments to gain efficiencies.
- **Institutionalize Efficiency.** Institutionalize formal processes and incentives to make efficiency a systematic and aggressive activity within the agency.

- **Make Fact-Based Decisions.** Implement aggressive information gathering, robust analytics, and rigorous performance measures to improve the quality of decisions.

These seven common managerial practices are the underpinning of a framework we call Enterprise Effectiveness and Efficiency, which can help agencies balance the competing needs to be effective and efficient—two imperatives that are often at odds with one another.

The budget crisis presents agency leaders with difficult choices but also an unprecedented opportunity to fix broken processes, realign organizational structures, modernize technology, and make other improvements that might be resisted in less-urgent circumstances. These shared managerial practices can help agency leaders achieve extraordinary results as they implement change and create an efficient, effective government for the 21st century. This is the first in a series of papers that address the leadership, human capital, and technological challenges and opportunities associated with achieving enterprise effectiveness and efficiency in this resource-constrained era.



## Leaders Face Shrinking Budgets, Resistance to Change

On January 5, 2012, President Barack Obama unveiled a new defense budget, cutting nearly \$500 billion in military spending over 10 years. Less than two weeks later, he proposed creating a new department that consolidates the trade and commerce functions of the Commerce Department, the Small Business Administration, the Office of the US Trade Representative, the Export-Import Bank, the Overseas Private Investment Corp., and the US Trade and Development Agency, which will save an estimated \$3 billion over 10 years. In both instances, the administration is not simply cutting budgets but also streamlining organizations and implementing reforms to achieve efficiencies and sharpen the focus on today's mission needs. These planned changes follow other cost-cutting activities already underway, such as a three-year freeze on non-discretionary spending, an effort to cut the federal deficit by one-half within two years, and a host of White House Executive Orders aimed at improving efficiency, effectiveness, transparency, and accountability. All signal the deep changes agencies are being called upon to make as the White House and Congress grapple with reducing annual budget deficits that reached a record \$1.3 trillion in 2011. With the Congressional Budget Office projecting exceptionally high deficits for the next four years, government leaders recognize that they face austere budgets and difficult choices—not just this year but for many years ahead.

However, absorbing the expected cuts is made more difficult by government's growing responsibilities in many areas. For example, in recent years, civilian agencies have been tasked with providing new foreclosure assistance, consumer finance protection, clean energy support, and job assistance to veterans, while defense agencies have taken on new responsibilities related to homeland defense, disaster recovery, cybersecurity, and more. With no

letup in traditional mission duties, agencies also must incorporate new mandates for energy efficiency, environmental safety, budgeting, transparency, and performance reporting, information sharing, and other requirements. Performing expanded missions with fewer resources is the new normal.

Achieving the required efficiencies is not an easy task. The US federal government wasn't designed to change quickly, and federal agencies, like many large organizations, are risk averse. The rewards for creativity, innovation, and change are often overwhelmed by the negative consequences of mistakes and failure, leading to a culture of risk avoidance among federal employees and their leaders. Bureaucratic infighting, fear of job loss, and other issues also present obstacles to change. With so many hurdles to climb, many leaders are tempted to make easy changes, such as implementing across-the-board cuts; or they delay decision-making altogether, hoping conditions will improve and obviate the need for substantial changes. But Congress and the White House have made clear that government must shrink, not grow, and so more reductions are coming. Agencies cannot postpone action. The challenge facing agency leaders and managers is this: How can I help my agency sustain, and even enhance, mission effectiveness with fewer resources?

Meaningful change requires that government leaders and employees objectively confront assumptions about their agencies, operations, capabilities, and mission requirements. Today's extraordinary challenges provide a catalyst and opportunity to dramatically improve government by initiating overdue reforms and tackling inefficiencies that have long held it back. It's no longer a question of doing *more with less*, or even *less with less*. Agencies now must perform their missions *well with less*.

## Honing an Effective and Efficient Enterprise

Recognizing the challenge facing federal leaders, Booz Allen has launched a series of studies and workshops bringing together the best minds in government, academia, and industry to understand how leaders can strengthen agency operations and performance while reducing overall expenditures. Most recently, Booz Allen and the Partnership for Public Service have begun holding workshops to help federal leaders and managers address specific challenges, share best practices, and learn from current and former federal leaders as they develop strategies for change. Drawing on these efforts, Booz Allen identified seven common managerial practices used by successful leaders to improve effectiveness and efficiency. These common practices work best when they are understood and applied as part of an Enterprise Effectiveness and Efficiency framework.

As budgets constrict, agencies must find ways to sustain or even improve mission effectiveness, while also creating short- and long-term efficiencies. This balancing act between effectiveness and efficiency is one of the most difficult leaders face. Doing so requires that leaders nurture three critical components of their organizations: Mission Operations, Business Support, and Change Readiness and Agility. Together,

they serve as important drivers for both effectiveness and efficiency:

- **Mission Operations**—the way in which the organization plans, executes, measures, and pays for how it will accomplish its mission. This is the fundamental reason the agency exists.
- **Business Support**—the core processes, back-office functions, and operations, including people, processes, and technologies, which support the organization's ability to deliver its mission.
- **Change Readiness and Agility**—the organization's readiness and ability to successfully undertake effectiveness and/or efficiency initiatives. It includes leaders prepared to initiate change and make tough decisions, the data and processes necessary to make smart cuts, a culture of change among employees, and the ability to pursue long-term as well as short-term goals.

To maintain the right balance between effectiveness and efficiency, government leaders must pay attention to all three areas, allocating resources so that each remains strong and in relative balance. An imbalance—that is, if one area is weak relative to the others—could prevent an agency from achieving the optimal combination of savings and performance.

**Figure 1** | Enterprise Effectiveness and Efficiency

*Agencies can achieve the right balance of Enterprise Effectiveness and Efficiency (E3) by strengthening in equal measure three critical organizational components: Mission Operations; Business Support; and Change Readiness and Agility.*



### What Every Leader Must Do

So how can agencies keep these organizational components in robust, balanced health? Agency leaders used the common managerial practices identified in our studies to strengthen the three organizational components and keep them in balance, thus enabling them to achieve the efficiencies needed to sustain mission performance under constrained budgets. These practices can be readily applied by government leaders at all levels to ensure increased organizational effectiveness and efficiency.

### Mission Operations

#### Know the Mission/Know Its Capabilities.

To set a vision and plan for moving forward, an agency must understand the connections between its actions and mission effectiveness. This requires agency leaders to confront the most basic questions: What business are we in? Are the things we do still as relevant today as when we started doing them?

Agency leaders should be open to challenging assumptions about their agency's mission. After all, agency missions are not static. For example,

following the 9/11 attacks in 2001, many agencies and offices within agencies were given new mission responsibilities, most notably the new Department of Homeland Security. And while the overall mission of some agencies may not have changed over the years, many have been given additional responsibilities, such as for cybersecurity, disaster recovery, or regulating economic activity. This reexamination of mission should also spur a concurrent reexamination of the programs and systems supporting those missions, and whether they are still needed, because too often, programs continue to draw upon critical funding even after their priority has waned or without having demonstrated the intended mission impact or results.

However, it is not enough to know the agency's mission. Leaders also must know their agency's strengths and weaknesses as well. Where is the agency most effective in performing its mission responsibilities? Where are improvements needed? A clear view of the agency's mission and mission capabilities can help leaders establish a clearer vision for change and what it will mean for their agency's departments and employees.



### **Reassess Stakeholders' Needs.**

Most leaders understand the importance of engaging stakeholders and involving them in the process of change. This effort should also include a rigorous reassessment of stakeholders' needs, which can change over time. For example, citizen constituents may prefer to engage an agency through the Internet; globalization may have increased supply chain risks for a regulated industry; or a realignment of Congressional committees may have given an agency a new set of Congressional overseers and priorities. Consumer and industry demands may have fundamentally changed in light of a dramatically altered economy. As leaders engage their stakeholders, they should make sure they are working with the right set of stakeholders and using the right tools to gauge stakeholders' changing demands and evolving needs.

### **Align the Agency's Budget—and Budget Cuts—with Its Mission.**

Many leaders understand the importance of aligning resources to mission priorities. Misalignment can cause agencies to misallocate resources and spend money on non-critical activities while underfunding their most pressing priorities. Over the years, agencies have established better linkages between their strategic priorities and the budgeting process. Chief Financial Officers and, now, the newly established Chief Operating Officers, play a large role in mission-goal development as well as in the resource-allocation process.

When trimming budgets, understanding what is not mission-critical is just as important as understanding what is. This is no more difficult a task than determining mission-critical activities, but the associated outcome is much more painful and difficult for an organization to contemplate, and so the process of identifying low-priority programs and activities is often resisted. If low-priority (and perhaps poor performing) programs are allowed to limp along when funds are scarce, leaders may be forced to cut funds for high-priority and high-performing programs, precisely the programs that should be nurtured to maximize and preserve essential capabilities. To overcome resistance to reductions in low-priority programs, leaders should introduce a process for providing objective analysis

and developing a business case for responsible cost-cutting. This helps reduce the sway of emotions among agency leaders and employees and keeps decision-making focused on overall mission priorities and requirements. Prioritizing resources and mission requirements—from top to bottom—is essential to improving effectiveness and generating efficiencies.

## **Business Support**

### **Be Bold: Take High Impact Steps.**

When facing budget reductions, the first instinct of many leaders is to make across-the-board cuts, a strategy that generates the least resistance because of its apparent fairness in distributing the pain evenly. But such cuts are often “dumb” cuts because they treat equally high-priority and low-priority activities. In essence, agency officials are saying, “Everything we are doing is right, so we'll just do less of it.” But this approach can hurt programs that are performing well, while poor-performing programs stay the same. Other strategies aimed at making small cuts (such as cutting administrative overhead, travel, training, and printing costs), may also garner more support, but they fail to address the agency's long-term mismatch between budget and mission requirements. Cuts that play around the margins are unsustainable.

Of course, bold decisions are hard decisions. No leader relishes cutting employees, killing programs, or closing bases. Fighting resistance and implementing change, even when leaders are confident their decisions are the right ones, requires fortitude. And it also requires leaders to follow the other common managerial practices, such as building supporting constituencies among stakeholders and prioritizing programs. But bold, high-impact decisions carry several major advantages that make the effort worthwhile. They position the agency to meet its mission requirements not just today but also in the future. They also can help leaders avoid a continuing cycle of small cuts that may weaken an agency while prolonging the pain. And bold decisions typically garner senior-level attention, stakeholder buy-in, and a rigorous analysis that small cuts rarely get. Thus, the process involved in making a bold cut impels a commitment to adhere to the decision and positions the agency for long-term sustainability.

### **Spend Money to Save Money.**

Leaders must accept that as budgets decline, their agencies will have to spend more in certain areas. Technology, of course, offers significant opportunities for increasing workplace productivity while lowering costs through virtualization, cloud computing, mobile computing, shared services, social media, collaboration tools, and other innovations. However, IT investments are not the only ones that leaders should consider. For example, consolidating facilities or infrastructure may call for an agency to build new facilities or renovate existing facilities, which require up-front investment, but provide a solid downstream return in savings and performance. The same holds true for consolidating, centralizing, or training human capital, moving to a shared-services model, expanding telework, and a host of other activities that improve effectiveness and efficiency. The important point is that agencies need to think about saving for the long-term, not just cutting activities to meet a current budget target. This may require spending money to save money.



### **Change Readiness and Agility**

#### **Make Fact-Based Decisions.**

Executives need information and facts in order to make objective, clear-eyed decisions about how to best allocate resources. But agencies typically don't make good use of the information they have; and often the quality of the information is limited. Similarly, agencies may have a lot of information, but not necessarily information that can help them with decision-making. Thus, the challenge isn't just collecting data quickly, but also collecting the right information. To make effective, fact-based decisions in a time of crisis, leaders must target data collection and analyses toward the parts of the business that matter most. In fact, decision making becomes fundamentally faster when there is less, not more, information. Too much information can paralyze an organization and be significantly more costly in the end.

With the right information, agencies can carefully evaluate all of the options for improving effectiveness and efficiency. They can build robust performance management systems using analytics to critically analyze data and measure whether they are achieving the expected performance and savings results. The feedback enables them to refine their streamlining efforts as needed. Moreover, the Government Performance and Results Modernization Act, signed by President Obama in 2011, emphasizes the importance of performance measures, including high-quality performance information, to improve outcomes and help agencies work smarter, better, and more efficiently. Successful leaders ensure that for every dollar spent, the data delivered produces meaningful returns in terms of the speed and effectiveness of decisions.

#### **Institutionalize Efficiency.**

Most agencies launch efficiency initiatives in response to outside pressures, such as White House mandates or budget cuts. However, a few agencies have established formal processes that encourage aggressive efficiency efforts on a permanent basis. To institutionalize efficiency, agencies must create organizational, process, and cultural mechanisms that support efficiency on an ongoing basis. Among

these are the common managerial practices, such as fact-based decision making, budget processes that align spending with mission priorities, and strong performance management to ensure that efficiencies are actually achieved. The goal is to change cultures from reactively looking for efficiency when budget pressure arises, to a culture of efficiency hunters where both formal and informal identification of efficient ways of doing the business of government are recognized, rewarded, and reflected in the accolades of senior leadership. An agency must literally define a formal process for identifying opportunities to improve efficiency and effectiveness; and it can establish an Efficiency Office that is responsible—and accountable—for efficiency efforts. The agency can also offer incentives to reward employees who provide ideas for saving money and improving effectiveness. In this way, an agency can build institutional support for a permanent, efficiency-focused organization. Leaders who are successful in this effort will be aided by change management practices to engage staff in joint solution identification; communications practices to address the “me” questions that arise among staff during any major change; training to ensure leaders and staff have the retooled knowledge, skills, and abilities to operate effectively in the changed efficiency-focused model; and strong messaging to external stakeholders to explain the nature of the change and the impact it has on the services they rely on.

### **Meeting Today's Imperative—Leading High-Impact Results**

Many government agencies have already adopted these managerial practices to strengthen and balance their Mission Operations, Business Support, and Change Readiness and Agility, thus enabling them to offset budget cuts with improved effectiveness and efficiency. The US Navy's SSN-774 Virginia-class submarine program provides an example of how these practices can produce significant savings while also preserving critical mission capabilities.

After the first SSN-774 Virginia-class submarine was built at a cost of \$3.2 billion, the Chief of Naval Operations called for the Navy to reduce the cost to just \$2 billion (2005 dollars) per boat in order to increase production to two attack submarines per year.

Using an approach developed by Booz Allen called Design for Affordability (DFA), the Navy aggressively gathered data from suppliers, customers, and Navy staff regarding the strengths and weaknesses of the program, specifically focusing on areas that could create savings. They generated cost and labor baselines for 12 major SSN-774 subsystems, and examined cost data for operations and maintenance as well as for manufacturing. A distinctive element of the Navy's approach was the targeted collection and analysis of data, which focused on areas where changes could make the largest impact on reducing costs. Consequently, Navy executives were able to make quick and effective decisions on the basis of a short five-page analysis, and within 10 months, they charted a course that fundamentally transformed the entire submarine acquisition process, from design to sea trials.

The Navy incorporated all seven managerial practices in the DFA initiative. Navy and industry leaders developed a shared understanding of the Virginia-class submarine's capabilities and mission requirements. The effort not only engaged stakeholders but ensured that their responsibilities and needs were well understood and communicated throughout. Cost-cutting decisions were tied to mission priorities and requirements. Navy leaders identified high-impact steps to cut major program costs. Efficiencies were generated through a variety of initiatives and investments, and not just through new uses of technology. In fact, the stakeholder teams created over 40 broad initiatives, including more than 250 ideas for improving design, scheduling, production, testing, and other areas. The data-driven, targeted, and fact-based decision-making process enabled the Navy to make bold cuts while still maintaining the submarine's required capabilities and mission effectiveness. Equally significant, the DFA processes and initiatives that were implemented in the Virginia-class submarine program are now being used in other shipbuilding and weapons programs to build efficiency practices and processes into these programs.

Bottom line: As a result of their decisions, the per-unit acquisition cost for the Virginia-class submarine was reduced to \$2 billion per boat, saving \$3.8 billion over the life of the program.



## Conclusion

The current budget crisis requires leaders who can make the necessary cost-cutting changes in organization and operations while keeping a firm eye on their agency's mission objectives. This is easy to say but hard to do. Government does not change swiftly, and resistance to change may be strong. Moreover, finding the right path forward can be as difficult as implementing it. Nevertheless, the budget crisis offers government leaders an opportunity to eliminate inefficiencies, reform outdated processes, and reorient their organizations to focus even more sharply on their mission requirement. Agencies have no alternatives but to improve efficiency and effectiveness, given the likelihood of continued budget shortfalls for the foreseeable future.

There are no guarantees for success, but the seven common managerial practices offer a solid platform for helping leaders put their agencies on a long-term path for improved efficiency and mission performance.

In particular, these practices help leaders and their employees confront assumptions about their organizations, stakeholders, capabilities, and mission requirements, while also providing the processes and tools for gathering and analyzing data to make effective decisions. These practices also enable leaders to prioritize resources and capabilities in service of the mission operations, which is essential to making smart cuts that preserve and even enhance effectiveness. And these practices help build a foundation for institutionalizing efficiency in the delivery of business support while creating a sustainable organization that can adapt as needed to changing budgets and mission responsibilities.

Leaders are defined more by what they do than by who they are. It is the actions they take that determine success. By following proven methodologies, agency leaders can become extraordinary agents of change in helping their agencies meet their 21st-century mission challenges.

## About the Authors

**Pat Peck** Mr. Peck is an Executive Vice President with Booz Allen Hamilton, and leads the firm's efforts in Government Restructuring and Efficiency. Most recently, he led the firm's US Commercial Business, which provides consulting services to financial services, health, and energy and utilities clients. He also previously led the firm's Technology Capability team.

**Ted Sniffin** As a Senior Vice President with Booz Allen Hamilton, Mr. Sniffin leads the delivery of the firm's Strategy and Organization capabilities to US Department of Defense (DoD) clients. He is a recognized functional expert in enterprise efficiency and effectiveness, large-scale organizational change, strategic planning, business process reengineering, and change management. He has contributed his experience and insights to numerous Booz Allen engagements, including high-profile government, military, and corporate executives.

**Michael Isman** Mr. Isman is a Booz Allen Hamilton Vice President who leads the firm's business supporting the Central Agencies of Government. These include the General Services Administration, Office of Personnel Management, Executive Office of the President, Congress, and the National Archives and Records Administration. He is a senior leader in the firm's Technology business and Strategic Technology and Innovation Center of Excellence. He presents the full suite of the firm's service offerings to clients with particular focus on IT strategy and strategic planning.

**Marc Austin** Dr. Austin is a Senior Associate at Booz Allen Hamilton. He is a specialist in strategic planning and performance management. He currently supports the Executive Office of the President, specifically the OMB, and leads Booz Allen's Mission Informed Decision Making (*MissionID*) offering.

### Contact Information

**Pat Peck**

Executive Vice President  
peck\_patrick@bah.com  
703-984-1111

**Ted Sniffin**

Senior Vice President  
sniffin\_ted@bah.com  
703-902-5203

**Mike Isman**

Vice President  
isman\_michael@bah.com  
202-508-6505

**Marc Austin**

Senior Associate  
austin\_marc@bah.com  
202-346-9011

## About Booz Allen

Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. Today, Booz Allen is a leading provider of management and technology consulting services to the US government in defense, intelligence, and civil markets, and to major corporations, institutions, and not-for-profit organizations. In the commercial sector, the firm focuses on leveraging its existing expertise for clients in the financial services, healthcare, and energy markets, and to international clients in the Middle East. Booz Allen offers clients deep functional knowledge spanning strategy and organization, engineering and operations, technology, and analytics—which it combines with specialized expertise in clients’ mission and domain areas to help solve their toughest problems.

The firm’s management consulting heritage is the basis for its unique collaborative culture and operating model, enabling Booz Allen to anticipate needs and opportunities, rapidly deploy talent and

resources, and deliver enduring results. By combining a consultant’s problem-solving orientation with deep technical knowledge and strong execution, Booz Allen helps clients achieve success in their most critical missions—as evidenced by the firm’s many client relationships that span decades. Booz Allen helps shape thinking and prepare for future developments in areas of national importance, including cybersecurity, homeland security, healthcare, and information technology.

Booz Allen is headquartered in McLean, Virginia, employs more than 25,000 people, and had revenue of \$5.59 billion for the 12 months ended March 31, 2011. *Fortune* has named Booz Allen one of its “100 Best Companies to Work For” for seven consecutive years. *Working Mother* has ranked the firm among its “100 Best Companies for Working Mothers” annually since 1999. More information is available at [www.boozallen.com](http://www.boozallen.com). (NYSE: BAH)

*To learn more about the firm and to download digital versions of this article and other Booz Allen Hamilton publications, visit [www.boozallen.com](http://www.boozallen.com).*