

MONITOR



The Path to High-Performance Bureaucracy™

BY BRUCE CHEW, JOSH LEE, WILLIAM MIRACKY,
AND JESSICA WATSON

Large public sector organizations—government agencies, multilateral institutions, and non-profits—today face unprecedented management challenges, including entrenched organizational structures, complex stakeholder environments, and shifting regulatory regimes. Problems which result from these challenges have come to define the very meaning of the word “bureaucracy”: slow decision-making, high costs, and resistance to change.



These conditions are not simple to overcome, and the recent economic downturn and broader discontinuities in a changing world have only added to the challenge. Think of fundamental geopolitical changes reshaping the global economy, in which the West no longer hosts the fastest growing cities, sets the rules for business or consumes the most resources. Consider the evolving social contract pushing the private and public sectors to adapt to new rules of engagement advocated by non-governmental organizations and government. Look at emerging technologies, which enable new relationships—and create new demands—between customers and service providers.

It is against this backdrop, rife with challenges, that leaders of today's bureaucracies must seek to achieve positive results. In a recent research effort and in our experience, Monitor found that about one in ten bureaucracies can truly be called high-performance organizations that not

only operate highly efficiently but also deliver superior results in serving their constituencies. Another 25 percent are poor performers dwelling in a “red zone” of failure, exhibiting significant or material performance shortfalls. The rest are in the great middle. They suffer inefficiencies and waste limited resources. The majority of large public organizations are stuck on a performance plateau of “good enough for now.”

There are many reasons why reaching high performance is difficult for any organization, and additional factors make it even harder in the more-constrained, more-transparent public sector. In the paper that follows, based on our practical experience with clients in all types of organizations and our recent research effort looking specifically at large bureaucracies, we shed light on the drivers of and barriers to high performance and derive a set of actionable improvement imperatives without which significant change cannot occur.

Figure 1: Most organizations are stuck in the “middle of the pack”

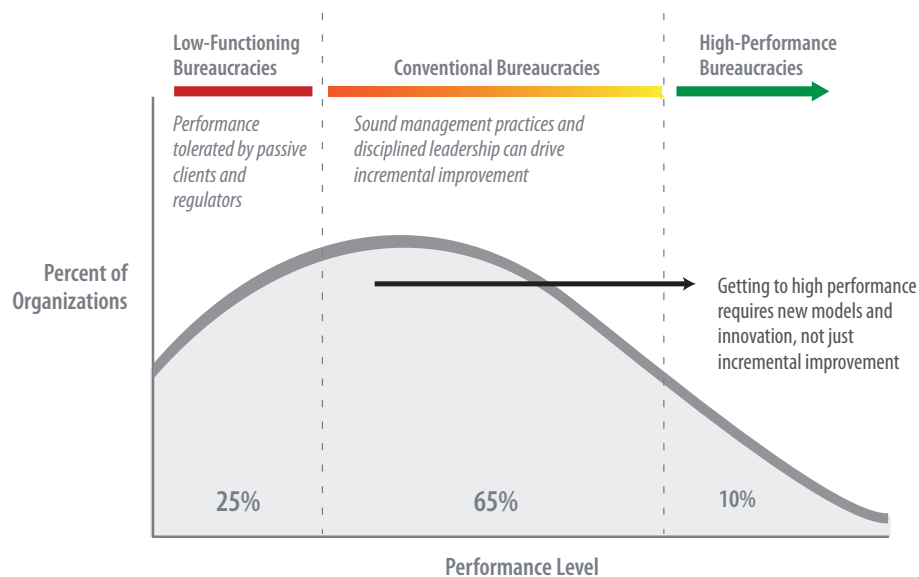
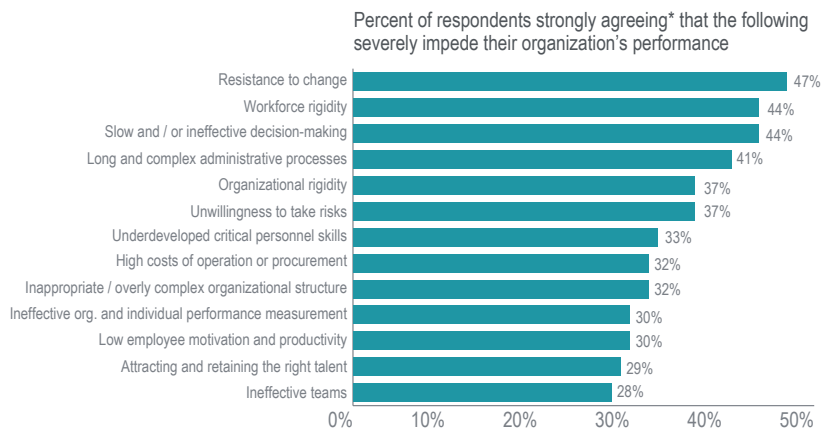


Figure 2: “Resistance to change” is the greatest barrier to improving performance among a host of challenges that we have examined



Source: Monitor survey (n=104); Q: How significantly do the following impact your organization's performance? Please use the following 1-7 scale: 1 (does not impede performance at all); 4 (impedes performance somewhat); 7 (severely impedes performance); *Strong agreement = rating of 6 or 7

THE STEEP CLIMB FACING LEADERS IN SEARCH OF BETTER RESULTS

Leading a bureaucracy is hard work. In our survey of 104 public service organizations, almost half (47 percent) cited resistance to change as a factor which “severely impedes their organization’s performance.” Other key barriers include: workforce rigidity/constraints to effective management, ineffective decision-making, complex administrative processes, organizational rigidity/constraints to effective process changes, and risk-averse cultures.

These results make clear that there are many barriers to high performance. There is a multi-faceted web of often-interconnected variables that impede superior performance in bureaucracies. Leaders are tasked with identifying and prioritizing among these barriers, and addressing them in a sequenced, integrated way. While improving performance is an uphill battle, it is

also a surmountable one, as long as leaders are armed with a robust diagnostic of the state of their organization and the tools to develop and execute on a roadmap to improved performance.

SHOULDERS TO THE WHEEL: EIGHT DRIVERS OF HIGH PERFORMANCE

To achieve high performance, public sector organizations need to succeed in three dimensions. They must succeed internally, externally, and in the integration of these two domains. We see drivers of high performance fitting into each of these three dimensions. It’s not enough for leaders to focus on one track. Organizations that appear to be performing well from inside the institution still must measure the impact they have on their constituents. Those that appear to be making a positive difference for the public still must take a hard look at internal operations to find opportunities for efficiencies which can free up resources to make an even greater

difference. And leaders must work to align internal efficiency efforts and a record of public service with their organization's reason for being.

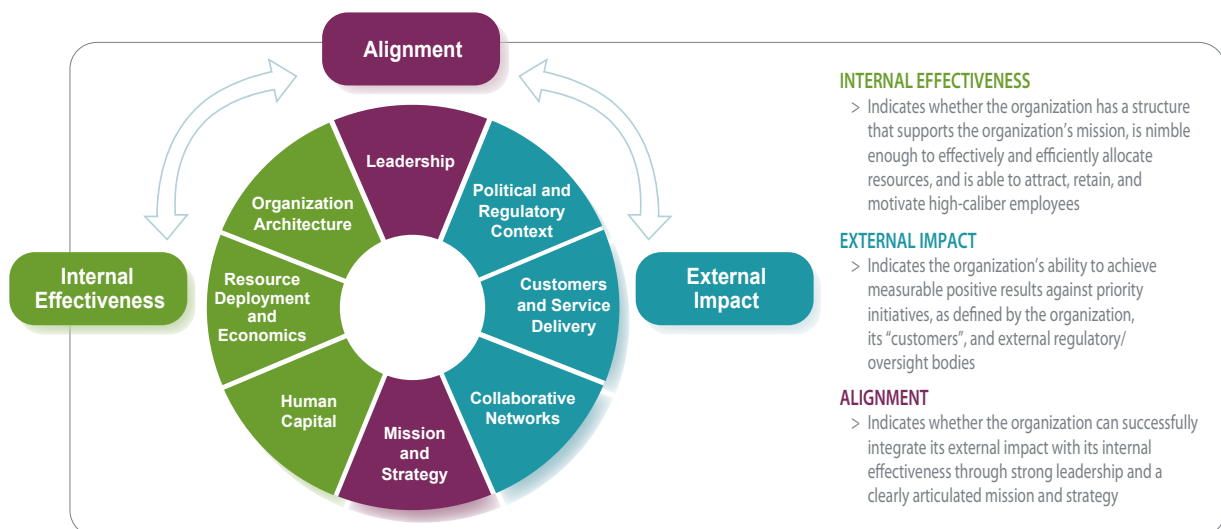
Through Monitor's experience working directly with the leaders of bureaucracies, and our research into the ways organizations succeed and fail, we have identified eight factors that drive performance. Leaders conducting a candid assessment of their organizations' strengths and weaknesses can use these performance drivers to look at root causes of their performance—both positive and negative. We group the eight drivers according to the three dimensions of success they support: **Internal Effectiveness, External Impact** and **Alignment**.

Internal Effectiveness drivers address an organization's operations. **Organization Architecture** refers to the entity's formal organization structure (its roles and reporting lines); its activities, processes and decision-making model; and the systems in place to support work across the organization. The **Resource Deployment**

and **Economics** driver examines the organization's effectiveness at choosing where to deploy resources, and its ability to utilize its resources efficiently. Finally, **Human Capital** reflects the organization's ability to acquire, develop, incent, motivate, and retain the talent and capabilities required to execute the organization's mission.

External Impact drivers address how well an organization can generate value for its stakeholders. The **Political and Regulatory Context** driver addresses an organization's broader political, regulatory, and oversight environment and its ability to effectively engage with relevant constituencies. The **Customers and Service Delivery** driver refers to an organization's ability to deliver value to those citizens, businesses, and/or other government entities which it serves. External Impact's third driver, **Collaborative Networks** involve the integration and information-sharing arrangements with partners, suppliers, and other collaborators in the private sector or other parts of the government.

Figure 3: Eight Key Drivers of High Performance



A DEFENSE AGENCY STAFF OFFICE IMPROVES MISSION SUPPORT

A defense agency staff office was struggling to deliver on its mandate. Plagued by inefficient processes, cumbersome decision-making, ineffective allocation and prioritization of activities, and poor communication with key outside stakeholders, staff office leadership found itself facing a strained workforce, low morale, high turnover, and a quality of service that was unsatisfactory to the senior-most officials in the agency.

Monitor worked with the organization to improve alignment around key priorities and position the office for increased effectiveness and efficiency. Monitor first conducted a three-part assessment (consisting of executive interviews, Monitor's OrganizationScan™ diagnostic survey, and an in-depth human capital audit) to establish a robust fact base about the organization's current-state performance, and then worked alongside

the organization to implement a series of key interventions:

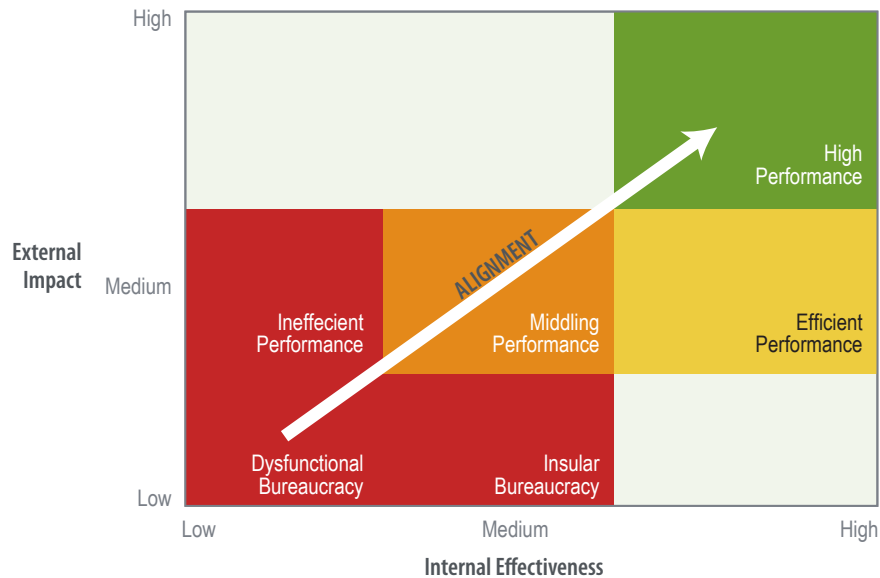
- 1) MISSION & STRATEGY:** Held a series of workshops for executives, managers and staff to gain alignment around priority areas for improvement and establish individual commitments to change
- 2) ORGANIZATIONAL ARCHITECTURE:** Stood up an "engine room" as a staff integration point, providing systematic knowledge management and improving the consistency and quality of the agency's outputs
- 3) POLITICAL & REGULATORY ENGAGEMENT:** Based on in-depth Stakeholder Portraits that were developed, created a new strategic engagement strategy and campaign to address communication failures in the most critical execution areas

Excellent performance requires **Alignment** between efforts that drive internal effectiveness and those that create external impact. Such efforts require **Leadership** that is willing to identify required actions to shore up an organization—its processes, people and resources—and has the ability to motivate and mobilize employees to drive change. Leaders in high-performance bureaucracies employ **Mission and Strategy** to guide and coordinate action, making the right choices among various options and tradeoffs, synchronizing resources with goals and communicating the importance of these efforts from top to bottom.

THE IMPROVEMENT JOURNEY: KNOWING WHERE TO BEGIN

The journey to improve performance starts with a candid assessment of current organizational strengths and weaknesses. The **Monitor Bureaucracy Index™ (MBI™)** is a survey-based assessment of internal and external environments that helps organizations gauge their performance across the eight drivers described above. By supplementing existing output-and impact-based measures of performance, the MBI™ fills an important data gap for senior executives of public service organizations. By filling this gap, we enable managers to drill down to the root causes of their performance problems, compare their organizations to other similar ones, and plot an appropriate improvement program.

Figure 4: The six archetypes of bureaucratic performance, as determined by eight key drivers of high performance



Note: None of the respondents fell into the blank boxes. This result is consistent with our experience; basic competence on all dimensions is necessary to achieve high levels of success on any one dimension.

Over time, Monitor has found that the majority of organizations can be placed into one of six performance archetypes, which are shown in Figure 4 on page 6. Each of these archetypes—the “red zone” of poor performers, the middling performance organizations and the efficient and high-performance bureaucracies—demonstrates a unique set of characteristics that distinguishes them from other types of performers. Their strengths and weaknesses indicate where leaders should focus their improvement efforts.

The archetypes of bureaucratic performance are determined by plotting the External Impact and Internal Effectiveness scores from our respondent pool of 104 public service organizations. Our research shows us that Alignment is highly correlated with greater improvements in both Internal Effectiveness and External Impact. In other words, it takes superior leadership and

execution of mission and strategy to achieve high performance.

The six archetypal bureaucracies are:

Dysfunctional: This low-performing organization struggles to meet its basic requirements; indeed, there is often a struggle to define its core mission and strategy. *Indicators:* The organization is characterized by de-motivated employees, poor customer service, and lack of effective basic infrastructure (such as reporting processes, IT, and performance management).

Insular: This organization achieves modest levels of internal effectiveness, yet struggles to have external impact. *Indicators:* The organization appears to employees and leaders alike to be running well, with adequate internal processes and structures. But constituents and other stakeholders complain about a lack of impact and missed opportunities to do better.

Inefficient: This bureaucracy has attained moderate levels of external impact, yet internally it runs into problems when seeking to streamline operations and reduce costs. *Indicators:* From the outside, the organization appears to be competent. But internally, leaders and their employees spend much of their time “putting out fires” and struggling to “keep their heads above water.” Internal processes are often ad hoc and rarely documented, and significant work is repeated as solutions are rarely communicated across the organization.

Middling: This archetype describes many organizations that have successfully met their basic obligations. They are able to make competent efforts in delivering value and have developed systems and processes to do so. *Indicators:* Organizations that occupy this archetype run the risk of complacency. There is no crisis or “burning platform” prompting urgent change and improvement. And so inaction is the rule.

Efficient: This archetype describes organizations which have pursued high performance in the “traditional” way: by figuring out how to serve customers better at lower cost, and then repeating the cycle. *Indicators:* The drive towards efficient performance is often a necessary step in the pursuit of excellence; these organizations manage to free up resources (capital, talent, and management attention) that can then be used to pursue higher performance. But watch out: the organization can become so focused on internal efficiencies that it becomes rigid, resisting the need to respond to changing circumstances.

High Performance: This rare organization not only excels at organizing itself for optimal internal performance, but is also a respected member of the broader ecosystem of constituents, policy-makers and partners. High-Performance Bureaucracies differ from their Efficient colleagues in their ability to connect with outside entities, in the creativity of the solutions they collaboratively generate, and in their flexibility to deploy resources against new and unforeseen

A STATE TRANSPORTATION AGENCY GETS MOVING

A state Department of Transportation (DOT) faced significant pressure because of rising costs and funding limitations. At the same time, the agency faced urgent challenges: it delivered 90% of its projects either late or over budget, and had low credibility with its public constituents and the state legislature. The department needed to convince external stakeholders that it was performing at a high level. And yet it lacked means to consistently and uniformly measure spending and results.

With Monitor’s assistance, the DOT moved to address this organizational dysfunction in three key ways:

1) Leaders focused on RESOURCE DEPLOYMENT AND ECONOMICS by developing a comprehensive understanding of budgets and expenses and identifying ways to reduce project costs by 10 to 20%.

2) The agency addressed its ORGANIZATION ARCHITECTURE, by creating an integrated view of core processes across a wide range of activities, to eliminate inefficiencies and reduce time to complete projects by 15 to 20%.

3) The DOT zeroed in on CUSTOMERS AND SERVICE DELIVERY by addressing relationships with contractors; better management, including moving much of its contractor management processes online, improved relations and led to lower project costs.

opportunities. *Indicators:* High-Performance Bureaucracies invent new processes, products and services for constituents. They don't just improve; they change the rules of their game.

PLOTTING A COURSE TO HIGH PERFORMANCE

Using the eight drivers of performance improvement, public sector leaders can clearly define and more easily manage the wide variety of issues and challenges that impede their organization's performance. The Monitor Bureaucracy Index™ can be used to diagnose which archetypes the organization most closely fits, as well as to understand the organization's unique challenges and barriers to improvement. Finally, based on the data-driven diagnostic, leaders can develop a targeted improvement program defining what areas need to be prioritized and where management's attention should be focused.

Can every organization become a High-Performance Bureaucracy? Not right away. If you are in the "red zone" of poor performance,

you are in danger of consistent declines in performance. If you are middling, there remains a lot of work to do. And if you are leading an efficient organization, there are obstacles to overcome and opportunities to seize which will elevate your performance. Looking at the performance archetypes, we see three distinct models for change.

TYPE 1: BREAKING BAD BEHAVIORS

Poorly performing "red zone" organizations that succeed in moving to the middle of the pack start by focusing on the basics. They will hone in on three areas: Leadership, Internal Effectiveness (especially Human Capital and Organizational Architecture) and improving Customers and Service Delivery. Leadership is an especially important prerequisite. Dysfunctional organizations are often that way due to a lack adequate leadership; elevating performance requires aggressive action, and may call for replacing those at the top of failing units or functions.

Every decision will involve tradeoffs: for Resource Deployment and Economics, which

A MULTILATERAL INSTITUTION BANKS ON LEADERSHIP IMPROVEMENTS

A multilateral institution suffered exceedingly slow decision-making and poor strategy execution. The organization had a history of "back room" decision making, confusion around roles and responsibilities, and high costs wrapped into its support functions.

Monitor worked with the organization to identify these issues as barriers to higher performance, and helped improve its processes to escape the trap of "middling" performance. The intervention focused on three main areas:

1) Alignment drivers of LEADERSHIP and MISSION and STRATEGY. The organization developed a multi-year strategic plan and launched an in-depth executive coaching program for its top 15 leaders, to focus on more productive interactions.

2) ORGANIZATIONAL ARCHITECTURE. The organization's leaders analyzed and revamped its internal governance structures and created maps and playbooks spelling out the accountability and decision-making responsibilities for various roles.

3) RESOURCE DEPLOYMENT AND ECONOMICS. The organization launched a process to re-align costs to enable strategy rather than emphasizing spending on basic services.

assets require investment, and which can be shed; for Human Capital, which skills must we acquire now to improve, and which can be deferred? The development of a clearly articulated program of change linked to a clarified Strategy and Mission can guide leaders' decision-making processes and bridge decisions and actions throughout the organization.

TYPE 2: BUILDING BETTER BUREAUCRACIES

Middling Performance organizations improve by focusing on both Alignment (Leadership and Strategy and Mission) and Internal Effectiveness (in particular Resource Deployment and Economics) levers. In addition, performance measures play a particularly critical role in successful improvement efforts for Middling organizations. Middling Performance organizations often have established processes, entrenched beliefs and a high degree of complacency about their operations that come from

having achieved some measure of success in the past. Making the transition from Middling to Efficient Performance requires infusing new energy and new ideas while at the same time controlling “cost bloat” and other maladies of established organizations.

As with poorly performing “red zone” organizations striving to break bad behaviors, leaders looking to build better bureaucracies must clearly define and articulate a Strategy and Mission for future progress, with methods for measuring performance gains.

TYPE 3: BREAKING THROUGH TO HIGH PERFORMANCE

Efficient Performance organizations that succeed in “Breaking Through to High Performance” do so by focusing on Political and Regulatory Context, Collaborative Networks, Leadership, and Strategy and Mission. It is at this level of performance that an organization's

A FEDERAL AGENCY PREPARES FOR TECHNOLOGICAL TRANSFORMATION

A large U.S. federal government agency was facing an impending and significant technology-driven change. In preparation for this change, the agency's leadership wanted to understand how the organization would need to evolve and adapt.

Monitor conducted a diagnostic survey of more than 4,000 of the agency's executives and managers, as well as in-depth interviews with 100 of its top leaders, to provide a clear picture of the state of the organization today—both its strengths to preserve and its challenges to address. After building senior executive alignment around the core organizational barriers, a set of “transformation imperatives” was prioritized. The initial four imperatives included:

1) ORGANIZATION ARCHITECTURE: The agency realigned the organizational structures, processes and decision rights associated with the new technology implementation in order to ensure greater integration and coordination across entities

2) LEADERSHIP AND CULTURE: In order to break down silos and build greater trust among executives, a cross-functional team of leaders from across the agency developed a new governance model, eliminating numerous committees and creating a small number of consolidated executive committees with new charters and operating models

3) RESOURCE DEPLOYMENT & ECONOMICS: In order to drive improved service to internal customers and manage costs more effectively, the agency consolidated dispersed IT, Finance, and Acquisitions functions under a new “Chief Administrative Officer” role

4) HUMAN CAPITAL: The Human Resources leadership, with input from senior-most executives from across the agency, designed a comprehensive HR transformation plan, including improvements to executive selection and development, career paths, recruiting, and performance management

efforts to improve are directed as much outside the organization into its ecosystem of partners and customers as they are directed inward. Leaders must spend political capital and resources working with external partners (including regulators) to take advantage of their strengths and build on them.

This is an important distinction from other transitions between archetypes. There are levels of effectiveness that go beyond what the organization can do within its own walls, and only in cooperation with others can it continue to achieve more for its customers. The first transition requires organizations to get their own houses in order, the second to mobilize organizations on a path of steady improvement and the third calls upon them to begin building the connections that generate truly visionary impact.

MODELS FOR CHANGE, CHANGE FOR THE BETTER

So much of what is written about fixing bureaucracies asserts that there is *one solution* to

addressing every organization's woes. But our research and experience show that there is more than one response, and the answers depend on where you are and where you are going. What specifically is driving performance? What is creating barriers to internal effectiveness and external results? Each situation is different; each brings with it a fundamentally different set of management challenges and models for pursuing change. The answers, depending on your organization, will point to strikingly different courses of action.

For example, the primary focus for the first imperative, "Breaking Bad Behaviors" is problem-solving. For these performers, the question is not what needs to be fixed, but how to activate the organization to fix problems. Those organizations with the imperative, "Building Better Bureaucracies", have a much different primary focus: energizing an organization that is complacent, one that lacks a burning platform to drive urgent change. Organizations working on the third imperative, "Breaking Through to High

Figure 5: Comparing Three Imperatives for Change

	Type 1: Breaking Bad Behaviors	Type 2: Building Better Bureaucracies	Type 3: Breaking Through to High Performance
PRIMARY FOCUS	Problem-solve	Energize the organization	Change the game (e.g., through innovation and new services)
LEADER'S FOCUS	Command and Control	Empower	Invent
PRIMARY PERFORMANCE DRIVERS	<ul style="list-style-type: none"> Human capital Organizational architecture (in the form of process improvements) 	<ul style="list-style-type: none"> Organizational architecture (in the form of performance metrics) Resource Deployment and Economics 	<ul style="list-style-type: none"> Political and Regulatory Context Collaborative Networks
RISKS	<ul style="list-style-type: none"> Solutions may not last Strong resistance (internal and external) 	<ul style="list-style-type: none"> Participants are skeptical 	<ul style="list-style-type: none"> Investments made with little or no results

A PUBLIC HOUSING AUTHORITY CHALLENGES ITSELF TO BETTER SERVE CONSTITUENTS

A public housing authority for a major metropolitan area was facing persistent financial shortfalls, frustrated residents, and intense scrutiny from the press and elected officials. In light of these challenges, the organization had become defensive and reactive, oriented more towards handling emergencies than driving forward a proactive strategic agenda.

Monitor worked alongside the organization to develop an integrated, stakeholder-driven strategic plan to address customer needs and enable overall improvement of operations. The plan consisted of:

1) MISSION & STRATEGY: While keeping in line with the overall mission of the agency, its new leader issued a series of broad “challenges” to the organization, aimed at enabling greater focus and strategic impact among the constituents it serves.

2) LEADERSHIP & CULTURE: To address these challenges, multiple transformation teams were established—each led by a carefully selected leader and staffed cross-functionally—and charged with

conducting assessments of challenge areas, and developing plans and specific goals.

3) ORGANIZATION ARCHITECTURE: A central “engine room” was created to provide critical analytical support to the strategic planning teams in order to improve their analysis of goals and interdependencies, and to enable data-driven decision-making wherever possible.

4) CUSTOMERS & SERVICE DELIVERY: A series of employee focus groups, resident satisfaction surveys, town hall meetings, expert interviews, and site visits to other public housing authorities were held to “open up” the organization and give stakeholders the opportunity to provide input. Additionally, a customer segmentation analysis was conducted to identify the specific drivers of satisfaction among particular demographic groups in order to target investments where they would have the greatest impact. A one-year action plan was developed to deliver highly visible, tangible improvements to residents and build support for longer-term, more challenging efforts.

Performance”, are already highly efficient. The challenge for them is to find new ways to create impact, leveraging better networking collaboration, focusing on emerging customer needs and new technologies. Here the focus is on changing the game: not to improve on what has been done before, but to create a new and different way of doing things, leading to superior results.

THE COMMITMENT TO SERVICE

Becoming a High-Performance Bureaucracy is not an overnight task, but it is also eminently obtainable for any organization that is committed to improvement. The steps to change are

clear: identify existing conditions, including areas of deficient performance and barriers to improvement. Chart a path towards high performance, which will be unique for each organization. Foster conditions for leadership excellence. Finally, execute effective change: align and motivate the organization for internal effectiveness, and link mission and strategy to achieve external impact. Implementing change is not easy. But the challenge should be seen for what it is: a hurdle that must be overcome to better serve the constituents whose lives are positively impacted through improved public sector performance. •

About MONITOR

Monitor works with the world's leading corporations, governments and social sector organizations to drive growth in ways that are most important to them. The firm offers a range of services—advisory, capability-building and capital services—designed to unlock the challenges of achieving sustainable growth.

Monitor's High-Performance Bureaucracy™ practice works with leaders of government and public service organizations across the globe to identify precise mechanisms for these leaders to drive real change and improve the performance of their organizations—and ultimately, to have a greater positive impact on the constituents they serve.

About Bruce Chew

Bruce Chew is a Senior Advisor to the Monitor Group. He is a known expert in enhancing the performance of organizations by improving operations and customer value; his articles on these topics have appeared in Harvard Business Review, Brookings Papers and MIT's Sloan Management Review. Before joining Monitor, Bruce served on the Harvard Business School faculty for eight years, teaching executive and MBA classes on operations management. He holds a PhD in business economics from Harvard University and an MBA from Harvard Business School. E-mail him at Bruce_CheW@monitor.com.

About Josh Lee

Josh Lee is a Senior Partner at Monitor Group and a leader in Monitor's Leadership and Organization practice. Josh also co-founded and co-leads Monitor's High-Performance Bureaucracy™ practice. Josh has more than 15 years of experience consulting organizations across a wide range of industries in the public and private sectors. He began his career as a consultant at CSC Index. Josh received an MBA and a master's degree in public policy from the University of Chicago. He received his undergraduate degree from Columbia University and was a Fulbright Scholar in Germany. E-mail him at Josh_Lee@monitor.com.

About William Miracky

Bill Miracky is a Senior Partner at Monitor Group and manages the firm's National Economic Development and Security practice. Bill also co-founded and co-leads Monitor's High-Performance Bureaucracy™ practice. Over his 17 years at the firm, Bill has advised senior executives of a number of the firm's largest relationship clients in both the public and private sectors. Bill began his career in government at the Federal Reserve Board in Washington, D.C. He earned his Ph.D. in Economics at MIT and his A.B. at Stanford University. E-mail him at William_Miracky@monitor.com.

About Jessica Watson

Jessica Watson is an Associate Partner with Monitor's Leadership and Organization practice, specializing in organizational design and transformation, including adaptive cost management and team and leadership effectiveness. She works with clients across multiple sectors, from private sector industries (including finance, life sciences and professional services) to government entities and nonprofit organizations. She currently co-leads Monitor's High-Performance Bureaucracy™ practice, focused on improving performance in large public sector organizations. Jessica received her MBA from Northwestern University's Kellogg School of Management, and her B.A. with honors in Sociology and Latin American Studies from Wesleyan University. Email her at Jessica_Watson@Monitor.com.

First page photo of Leonard P. Zakim Bunker Hill Memorial Bridge in Boston by Cowbark via Flickr.com.

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