Lean Performance Management for Public Sector
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Executive Overview

When offering insights into business performance, executives frequently speak of doing things “faster” or “cheaper” or “doing more with less.” This passes, in their minds, as successful performance management. Yet true performance management is so much richer than simply executing tasks more quickly or with fewer headcount.

The premise of this paper on Lean Performance Management is straightforward: Measurement through Key Performance Indicators (KPI) can provide an important and necessary calibration of performance assuming that alignment exists between the organization’s mission, structure, supporting processes and performance tools / measures. Without this alignment, it’s unclear that the “right” KPIs are being measured. Further, this alignment is ultimately what ensures that the appropriate KPIs are not only defined and measured but also that a closed loop process exists to incorporate analyses back into the organization. At its essence, performance management should influence and inform outcome management by continuously optimizing costs, quality, and customer service. This is Lean Performance Management.

Challenges Facing the Public Sector

Public organizations face at least four key challenges: Creating a truly transformational government, meeting heightened constituent expectations, managing workforce transition, and minimizing the risks of implementing new technologies. Monetary issues, which are much more of operating realities that color all decisions, are the fifth challenge.

Creating a Truly Transformational Government

Transformational government involves a significant re-envisioning of the roles, goals, and objectives of government in serving not only its constituents, but also society at large. In traditional governments, routine changes in leadership and personnel are frequently coupled with fluctuating economic cycles, societal pressures, and other internal and external influencers. The result of this constant and continuous leadership flux frequently manifests itself in a short-term focus and a lack of truly executable medium- and long-term strategic plans. In such cases, governments — and the parties in power — have the incentive to invest scarce resources in
initiatives that are likely to succeed during their tenure, thereby positioning themselves for the next election or upheaval. This short-term view negatively impacts sustainability — both of the core mission and of the particular initiative — as resources for program initiatives contract and expand.

Meeting Heightened Constituent Expectations

As constituents grow increasingly savvy about technology, they have a higher expectation for better service. Some of these expectations are more realistic than others. For example, in Gartner’s 2005 report, Government in 2020: Taking the Long View, it predicted that governments will not fully succeed in meeting constituents’ desire for a “single form of contact,” despite the fact that the underlying technology that enables it is robust and proven. However, reducing service complexity and turnaround time are both achievable and measurable goals — as is creating a single record or set of data per constituent that can be accessed via multiple channels and organizations. Governments need to find ways to harness technology to meet these heightened expectations.

Managing Workforce Transition

One of the key challenges facing the public sector is the aging workforce and its impact on the strategic planning process. By some estimates, up to 50 percent of the public sector workforce is eligible for retirement within the next few years. Although these numbers may vary across the public sector, multiple studies have shown that the public sector is more exposed to the problem of workforce transition than private enterprises — often due to competition for workers from private sector employers. The ability to recruit and retain employees is becoming even more critical to government organizations’ operational plans. And because the organizational imperatives and technological enablers in the public sector are moving closer to those in the private sector, the skills needed to manage major governmental initiatives are increasingly scarce.

Minimizing Technological Risk

A recent article in The Economist painted a not uncommon scenario observed in electronic government projects: Political leaders announce a revolutionary scheme with loud fanfare. Civil servants draw up a tender and award it to the lowest (but potentially not the most competent)

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1 Gartner, Inc., December 20, 2005
bidder. Work starts, but political pressure causes the specifications of the project to change. Costs spiral, disillusionment grows, and the project either limps into life—infuriating everyone by its poor performance—or is expensively buried. At the heart of this scenario is the failure of stakeholders to realize that electronic government is not just about buying and installing computers. Rather, it involves actually re-designing the way a government works, and efficiently executing projects while actively managing change.

Minimizing technological risks requires organizational alignment, a clear value proposition and an executable path to value.

Important Trends in the Public Sector

Some emerging trends in the private sector may help break the politicized cycle and short-term pressures in the public sector as well. These include the application of Lean manufacturing processes to public sector activities, the increased use of off-the-shelf software applications, the sharing of services among different government entities, and the use of business intelligence technologies and techniques to analyze complex data and thus make better decisions. Each of these items plays an integral role in the concept of Lean Performance Management.

Lean Processes

Long embraced by the commercial manufacturing sector, Lean represents a systemic approach to addressing costs, quality, and customer service issues in public service institutions. According to McKinsey & Company³, the impact of a Lean approach in such cases could be substantial. “Crucially for the public sector, a Lean approach breaks with the prevailing view that there has to be a trade-off between the quality of public services and the cost of providing them.” The process of applying Lean techniques involves systematically analyzing operations over an extended period of time, thereby extending the horizon for analysis out of the short-term and into the medium- and long-term.

Shared Services

An important trend in the public sector is the rapid uptake in the use of Shared Services. This parallels the growing importance of Shared Services in the private sector. According to a 2005 Accenture study, 85 percent of governments surveyed said Shared Services are, or will be,

important to supporting their organization’s strategic goals. Furthermore, 66 percent of governments surveyed have already implemented Shared Services or are in the process of implementing them. Another 28 percent plan to implement Shared Services within the next three years. Only 6 percent have no plans to implement Shared Services.

Again, contemplating the tradeoff between short-, medium-, and long-term goals and time horizons, the fact that governments are considering strategic goals — let alone identifying Shared Services as a way to achieve them — highlights the fact that government agencies are looking at broader horizons. Specifically, government organizations are beginning to investigate how to design, implement, and optimize Shared Services along a number of parameters, using their core Enterprise Resource Planning (ERP) infrastructure as a backbone. This not only allows them to serve additional constituents to diminish marginal costs, but also lets them re-allocate scarce resources to meet core mission objectives.

Commercial Off-the-Shelf (COTS) Applications

The public sector has been largely successful at posting information on the Web. But attempting to provide interactive, online public services has been expensive and delivers poor returns. The three main reasons for this, as identified by *The Economist*, are the lack of competitive pressure, a tendency to re-invent the wheel, and a focus on technology rather than on organizational transformation. In the private sector, tight budgets for information technology tend to spark innovation. The public sector, unfortunately, has been taken in by over-priced, over-promised and over-engineered customized systems. Using COTS software enables a departure from the traditional scenario of high cost with low return.

Business Intelligence (BI)

In addition to these operational models, a fourth important trend — the use of analytics, or BI — is gaining mindshare in the public sector. BI has been widely adopted in the commercial sector and has been used in smaller parts of the public sector for some time. However, public sector organizations have become increasingly interested in applying analytics much more broadly, to enable “what-if” scenarios, analyses, and complex decision-making processes. Two key prerequisites to take advantage of this trend are data integrity and data integration. Without access to a single set of reliable source data, analytics has little value. This fact necessitates that virtually all operational processes be driven by ERP-based administrative systems.

Lean Performance Management

Going back to Peter Drucker's comment, “there is nothing so useless as doing efficiently that which should not be done at all.” The crux of the issue lies not just in the continuous examination of efficiency considerations, but also in effectiveness measures and service-related outcome evaluation. Why should an organization care if it is processing claims with increased
speed, if the claims could be processed elsewhere and / or constituents are complaining about the quality of the process? It is not enough to think about costs — the true path to value is through a combination of cost, quality, and customer service. (See Figure 1)

So how do the four concepts identified above provide a foundation for a Lean Performance Management approach?

- Embracing “Lean” is the first step. Lean is a simple concept. Just as Mr. Drucker points out, enhancing efficiency in the face of effectiveness can be worthless. Lean forces organizations to examine cost, quality, and constituent service collectively and continuously. Costs equal efficiency. Quality equals effectiveness. Constituent service equals service.

- It can be challenging for highly static and devolved organizations to adopt Lean processing. Shared Services provide a great foundation and transition to Lean as Shared Services foster the concepts of sustainability, transparency, and enhanced operational performance. For Lean-focused organization-wide efforts, Shared Services may well be the hammer and Lean the nail.

- An effective Shared Services model, in turn, is predicated on a standardized approach to technology. As a result, COTS is generally a key enabling component to healthy and sustainable Shared Services. While there are a large number of Shared Services examples out there where COTS is a key component of the overall strategy, frankly Oracle Corporation has one of the better stories. Ten years into Oracle’s Shared Services initiative, estimated savings are $2 Billion, leveraging Oracle’s own COTS solution.

- BI represents the latest wave in enabling Lean Performance Management. Once your organization has embraced Lean, has an operational model such as Shared Services which can support Lean, and has adopted COTS or other comprehensive technology solution that can enable Shared Services, BI can be used to evaluate performance, link to KPIs and establish a continuous improvement, closed-loop model.

FOUNDATION FOR A LEAN PERFORMANCE MANAGEMENT APPROACH
Defining Success

“You’ve got to be very careful if you don’t know where you are going, because you might not get there.”

The key to success is identifying, defining, and communicating what success means at the outset of the initiative. In other words, how does one interpret the value of proposed efforts? If one can wait until the initiative is underway, everyone else will create his or her own version of success / failure.

A key piece of the Oracle Insight value proposition is helping customers identify and define what success means in their own environment (learn more about the Oracle Insight program on page 13). Some customers define it as risk mitigation. Others define it as monetary return. Still others as a broader set of goals or initiatives: “We will become a greener organization.” Without defining success and the value associated with “being successful,” initiatives often wander and perspectives change.
Lean Performance Management is not simply about KPIs, but how an organization defines, tracks, manages those KPIs; how the KPIs inform us of what changes must be made; how those changes are actually embedded back into the business; and how the business creates value based upon the data. Oracle Insight helps customers create strategies around such efforts.

Establishing a Lean Performance Management operational model coupled with a clear definition of success will enable organizations to create lasting value.

Performance Management in Action: Customer Example

It is mentioned in the Heightened Constituent Expectations paragraph on page 4, that a single form of contact is a highly desired end-state. The following represents an example of the “before” and “after” 311 Customer Call Center metrics gathered through the Oracle Insight process for a capital city in the U.S.

Challenges Facing the City

Improving Service Quality

The City’s organizational structure was confusing and bureaucratic to its citizens. It was not always apparent who could answer their questions and resolve their problems. Even after citizens reached the correct agency or department, the quality of service didn’t match what they’d come to expect in the private sector. Not surprisingly, citizens were frustrated, resulting in universally low levels of satisfaction, as well as a high volume of complaint calls.

Increasing Operational Efficiencies

The City’s overlapping organizational processes and redundant departmental responsibilities were the root causes of massive operational inefficiencies. Its call center was highly decentralized, with each department handling its own inbound calls and responding to citizens’ requests for services in its own way. The result: Inconsistent documentation of calls and responses; no standardized processes for delivering services; no Service Level Agreements (SLA) to ensure the quality of work; few attempts to track, analyze, and report on citizen-facing activities; and only sporadic efforts to confirm that citizen requests for service had been attended to appropriately.

Enhancing Transparency

Precisely because decentralized organizational structures had resulted in isolated silos of legacy information systems, City citizens had limited visibility into the City’s operations. A notable lack of accountability resulted from the fact that municipal activities were not tracked in a way that
corresponded to citizens’ requests for information or action. (After all, if data is not consistently collected, analyzed, and measured, no performance metrics exist to evaluate accomplishments against target goals). This negatively impacted the City’s ability to align its daily activities with strategic objectives.

Results of the Lean Performance Management Effort

Improve Operational Efficiency

The City saw dramatic improvements in operational efficiency. This was largely manifested through significant productivity gains, coupled with reduced costs of handling inbound calls and distributing service requests. The outcome allowed the City to allocate resources to more strategic initiatives.

Enabled Shared Services Model

By centralizing processes for inbound call handling, the City was able to reduce the resources required to handle the same or greater number of calls. This enabled the City to eliminate waste while improving flexibility. As a result, although the volume of calls increased, the cost per call decreased by 50 percent.

Improved Processes

By adopting Lean principles, the City was able to improve the efficiency and effectiveness of organizational processes. For example, the City was able to eliminate potential duplicate work orders, reducing the need to deploy multiple crews. And as part of its closed-loop system, the City streamlined the processes involved in receiving, documenting, submitting and tracking service requests from the initial citizen call to its final resolution.

Improved Workflow

In addition to streamlining its ability to answer calls from citizens, the City’s 311 solution also improved service request workflow by decreasing the processing time required to respond to and complete work orders. It achieved this by minimizing the number of manual transactions required — minimizing manual documentation to instantly create action-oriented workflows.

Improved Field Service Performance

By decreasing the entry of duplicate calls and thus the instances of sending multiple crews to the same location, the City has increased its efficiency in providing service. Moving forward, integrated electronic scheduling provides an opportunity to optimize dispatch and routing so that appointments can be scheduled much more precisely.
Enhanced Citizen Services

As a result of the enhanced operational model, the City’s 311 solution also enabled it to dramatically improve the quality of the services it delivered to its citizens, primarily by re-inventing the partnership between the citizens and City Hall. This was measured using a variety of metrics.

Reduced Wait Time

By realigning personnel based on their competencies, streamlining and integrating processes, and routing inbound calls through a central data hub and repository, the City was able to reduce the aggregated annual minutes of citizen time spent on hold. It was also able to resolve issues faster once citizens were connected with city representatives.

Reduced Abandoned-Call Rate

The 311 solution resulted in an improved abandoned-call rate (the rate at which callers hang up). Prior to 311, the average rate was 23 percent — varying from 5 percent to 50 percent depending on department. After the 311 solution was implemented, the rate dropped to 6 percent.

Improved Citizen Access

The City created a “no wrong door” access channel for its citizens, and increased citizen accessibility to allow input from and feedback to everyone, from single constituents to neighborhood community groups. It also opened up access to city representatives 24x7. Previously, access had been limited to work hours during the workweek only.

More Efficient Issue Resolution Lifecycle

By creating a closed-loop lifecycle — which ensured that every citizen call was resolved — the City was able to measure the volume and types of inbound calls in real-time. The call details were automatically aggregated and analyzed, providing the City with valuable intelligence about the service demands of its citizens.

Improved Citizen Satisfaction

By implementing 311, the City significantly advanced its citizen partnership agenda, as evidenced by citizen feedback that included letters praising the City for the professionalism and improved customer service being provided.

Enhanced Strategic Communications

Through community awareness campaigns, the City was able to improve public awareness about such things as gang activity and crime. As a natural extension of collaboration with
neighborhood watch programs and local community associations, the 311 services improved communications among all participants in such programs.

**Better Resource Allocation**

As a direct result of the City's ability to handle calls more efficiently, the City was able to re-deploy resources to more strategic initiatives.

**Higher First-Call Resolution Rates**

The City today resolves 87 percent of citizen issues on the first call. By eliminating the need for citizens to call back — and minimizing the number of calls transferred to other government representatives — the City cut the per-call cost even further.

**Reduced Non-Emergency Calls to 911**

By directing calls to the right department, the City's 311 service significantly reduced the volume of non-emergency calls to 911. This enabled the City to allocate the right resources to the right place at the right time.

**Improved Knowledge Management**

By capturing institutional knowledge in a database as calls come in, the City simultaneously documents current processes and improves the ability of customer service representatives to resolve common constituent issues.

**Enhance Reporting, Transparency, and Planning**

The City's 311 solution also improved accountability and planning. Because of the sophisticated reporting capabilities of Oracle's 311 citizen services solution, City executives have improved governance and provided more transparency into City operations, new and improved processes, greater responsiveness to citizens, and improved internal supply chain management. This enabled them to more effectively plan how to allocate resources among various initiatives and support city and state-wide best practices.

**Enhanced Transparency**

By developing flexible reporting capabilities for both internal and external uses, the City today has visibility into the entire citizen-call-response lifecycle. It routinely documents call metrics, including time, purpose, geographic distribution, and time-to-resolution.

**Improved Analytical Capabilities**

By analyzing call data, service requests, and work order requests, City executives can identify emerging trends and program needs. When aggregated, this data provides insights into current
and future citizen demands as well as potential solutions. And because these analyses are accessible by department managers, the City manager, and mayor, as well as selected City council members, City leaders can collaborate on identifying operations that are overstaffed and/or underfunded — and use that knowledge to more precisely align resources with citizen needs.

**Improved Decision-Making**

Historically, because of the lack of analytical capabilities, City managers and other stakeholders were not able to easily identify social, financial, or cultural trends that were impacting the City. By utilizing Siebel’s single-citizen data/information hub, City managers will be able to better plan programs, train employees, and allocate budgets based on evolving needs.

**Enhanced Performance Management**

By tracking and sharing metrics on how well services are being delivered by employees, contractors, and partners, the City is able to boost accountability across all departments. This facilitates and directly drives operational excellence. Today, the City’s 311 call center handles 90 percent of all the work orders generated, which allows for better management and service-level planning across the City.

**Reduced Risk**

Increased transparency and reporting capabilities have enabled the City to potentially mitigate overall risk. This has been particularly useful when responding to legal claims associated with work orders. By having comprehensive documentation of each citizen call, the potential cost of litigation has been dramatically reduced.

**Improved Planning**

City management now has access to sufficient data to make better decisions, ranging from more accurate budget forecasting to strategic planning to ensure the City is on track to realize its vision.

**Improve Revenue Generation and Capture**

The Oracle 311 solution has increased the City’s ability to generate and capture revenue. Municipalities frequently address budget shortfalls by increasing the tax-based revenue stream through increased fees on licenses, permits, and registrations. But if the processes used to collect those fees are inefficient, cities can still lose substantial revenues by failing to identify citizens who are delinquent payers.

Today, by identifying gaps in citizens’ compliance with laws and regulations, the City is now planning ways to collect more of the fees due it. Among other strategies, it plans to provide alternate channels for collecting past-due receivables, fines, and license fees. Additionally, any
follow-up calls can be re-routed from individual departments to a centralized location for more efficient collection of fees.

How can Oracle help?

Oracle Insight Program
Oracle Insight uses a proven methodology which is flexible and customized to individual company objectives. Most engagements consist of four steps: Industry Perspective, Discovery, Solution Design, and Solution Presentation.

Industry Perspective
Given the plethora of acquisitions made by Oracle, we want to help you understand how these new capabilities have helped others in your industry. Oracle facilitates an in-depth discussion with your executives about industry trends, best practices, vision, strategy, challenges, and roadblocks.

Discovery
Leveraging established industry frameworks and robust intellectual property, Oracle Insight collaborates with you to assess your current business processes and identify the capabilities required to achieve your corporate strategy.

Solution Design
Oracle recommends best practice processes and supporting technology, including a time-to-benefit analysis and implementation plan.

Solution Presentation
The Insight team works with you to create an executive presentation including supporting information, business benefits, and value drivers, to help you build consensus among colleagues and executive management or secure funding from your board.

Oracle Insight engagements are flexible. Once executive commitment is secured, the program will be customized to your needs and objectives as it relates to your project.
Conclusion

In summary, like many Public Sector organizations, the City faced three specific challenges: Service quality, operational efficiencies and effectiveness, and transparency. As a result of implementing a Lean Performance Management model — leveraging Lean, Shared Services, COTS, and BI — the City not only addressed its key issues, but also established a highly sustainable operational platform.