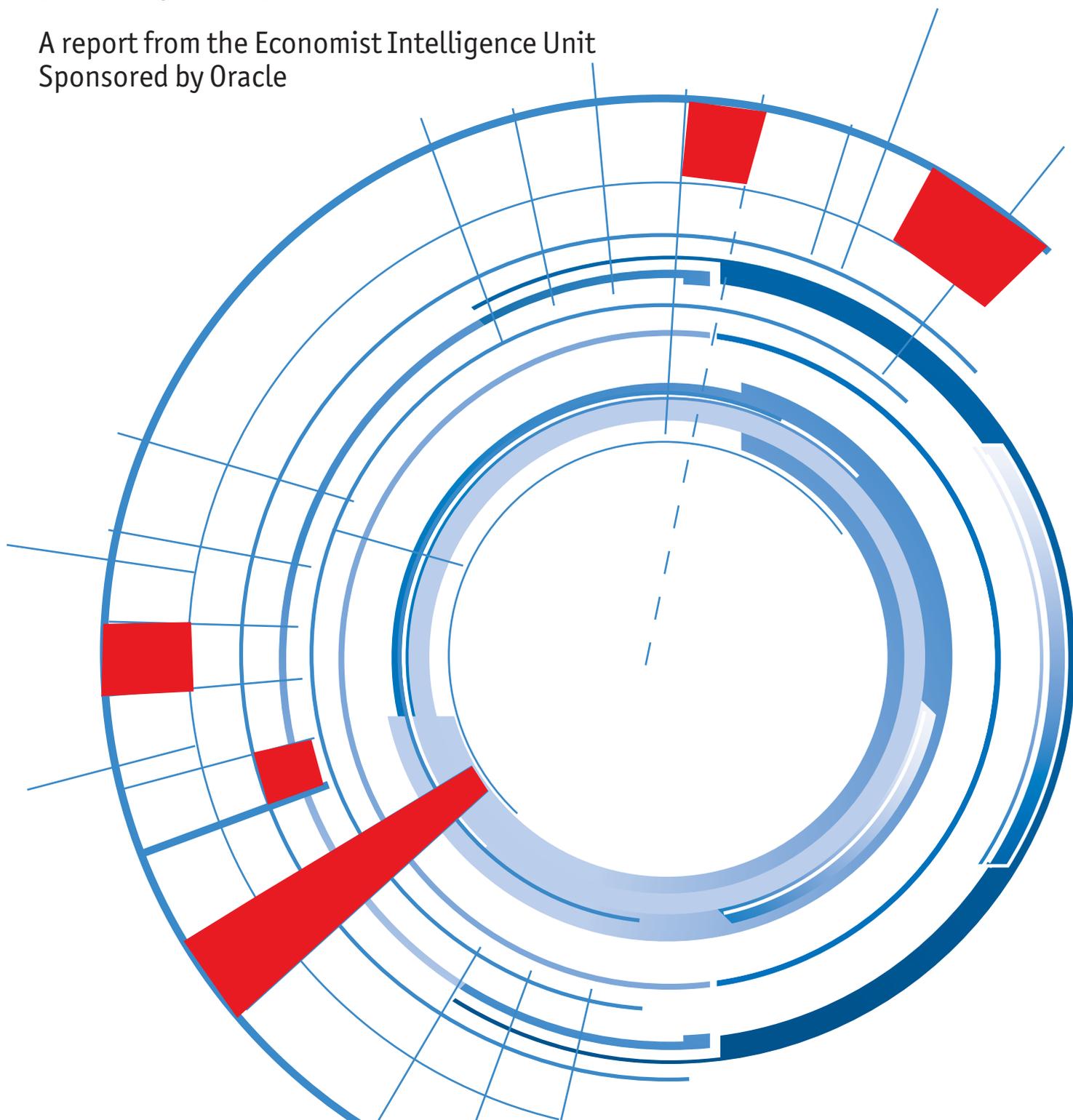


Enabling efficient policy implementation

A report from the Economist Intelligence Unit
Sponsored by Oracle



Preface

Enabling efficient policy implementation is an Economist Intelligence Unit report, sponsored by Oracle. The findings and views expressed in this report do not necessarily reflect the views of the sponsor.

The Economist Intelligence Unit's editorial team executed the survey, conducted the interviews and wrote the report. Kim Andreasson was the editor and project manager. Dr Paul Kielstra was the author. Mike Kenny was responsible for the design of the report. The quantitative findings presented in this report come from an online survey of 211 respondents—127 from private-sector companies and 84 from the public sector—conducted by the Economist Intelligence Unit in July and August 2009. The survey asked respondents about the challenges of policy implementation, from changing strategic direction to the risks involved in adapting to new compliance requirements.

To supplement the quantitative survey results, the Economist Intelligence Unit also conducted in-depth individual interviews with five senior executives and public sector officials. Our thanks are due to all survey respondents and interviewees for their time and insight.

January 2010

List of interviewees

Michael J. Astrue, Commissioner of Social Security, Social Security Administration
Ron Hilton, CEO, Staffordshire County Council
Gopal Khanna, Chief Information Officer, State of Minnesota
Francis Sullivan, Adviser on the environment, HSBC
Robert Tartaglia, Global COO, Allianz Global Corporate and Speciality

Executive summary

In order to sustain ongoing operations, pursue new strategies or comply with external regulations, organisations face complex policy decisions. In Finland, for example, the constitution mandates that the national and municipal governments are able to serve constituents in both Finnish and Swedish languages. The required effort associated with putting into effect such policies, however, is often greatly underestimated. Indeed, the process of policy implementation is usually divorced from the development of the policy itself, and the lack of proper planning can lead to great risk, such as discrimination suits, if not applied correctly.

This Economist Intelligence Unit report, sponsored by Oracle, seeks to identify the challenges and opportunities faced by public sector officials and corporate executives alike in the area of policy implementation: from a change in strategic direction in the face of new opportunities to the risks involved in adjusting processes to fit new compliance requirements.

Policy implementation—and its ongoing application—is important because inconsistency in both the public and private sectors can result in regulatory non-compliance, exposing organisations to legal problems. One issue facing budget-strapped public healthcare providers in California, for example,

About the survey

In order to assess how organisations are addressing the challenges of policy implementation—from a change in strategic direction in the face of new opportunities to the risks involved in adjusting processes to fit new compliance requirements—the Economist Intelligence Unit conducted an online survey of 211 public sector officials and private sector executives in July and August 2009.

Of the 84 respondents from the public sector, 46% are heads of department or above. Eighty-one percent represent government departments or state-owned enterprises, and 19% are from non-governmental organisations (NGOs) or elsewhere within the sector. One-half (50%) come from organisations with annual operating budgets of US\$500m or more. Public sector respondents are based

primarily in Europe (30%), the Asia-Pacific region (29%) and North America (17%).

Of the 127 private sector respondents to the survey, 51% describe themselves as board members or C-level executives. Forty-three percent work for publicly listed corporations and 57% for privately owned companies. Just over one-half (53%) work for companies with global annual revenue exceeding US\$500m. Some 18 different industries are represented in the private sector survey sample, led by respondents from financial services (30%), professional services (14%), and consumer goods and healthcare (both 7%). Respondents also come from a wide variety of functions, including strategy and business development (42%), general management (41%), and marketing and sales (26%). Private sector respondents are based primarily in the Asia-Pacific region (31%), North America (29%) and Europe (25%).

is whether the cuts they need to make will leave them in violation of a host of federal and state requirements. Meanwhile, in 2005, UBS Warburg, an investment firm, lost a US\$20m court case in part because its policy procedures did not follow electronic discovery regulations in the preservation of relevant e-mails.

In fact, the similarities between the public and private sectors in this regard far outweigh the differences. For all organisations, the implementation of policy directives requires hard work, keen attention and efficient processes to achieve success. The key findings from the research are highlighted below.

Poor implementation is widespread and damaging to a large majority of companies. Faced with this challenge, 30% of organisations admit that they are at best only occasionally effective at policy change, and one-half say that they are only somewhat effective. Of government respondents, 89% have suffered some negative impact from failure in this area, including 52% who have seen their ability to deliver their mandated mission damaged. In the private sector, 81% have experienced some damage, including 41% with a reduced ability to execute strategy.

The need for more efficient policy implementation is growing. Amid a weak global economy, governments are taking a more active financial role while companies are cutting costs and changing their business models. As a result, three-quarters (75%) of survey respondents have seen an increase in the volume of new policies in the last 12 months. Seventy-seven percent expect the same in the next three years, including 22% who expect the number to increase greatly.

Implementation tends to be reactive and under-resourced. Despite these problems, the issue is not receiving the attention it needs. Poor planning is the leading cause of policy change failure, according to 46% of respondents. Nevertheless, far more organisations are reactive—trying to figure out how to promulgate a policy once it is decided—than ensuring that the details of implementation are taken into account by policymakers (39% compared with 25%). Even worse, 45% of all respondents, and 49% from government bodies, indicate that their organisations do not devote sufficient time or money to implementation.

Policy implementation can lead to the interests of senior management taking precedence over those of other stakeholders. The board or a C-level executive is responsible for policy change implementation at 85% of companies; in government institutions, senior management fills this role 71% of the time. This makes sense, as leadership is the job of senior executives. Indeed, the two leading factors contributing to success in this field are clear directives from policymakers or senior management (according to 72% of respondents) and their active involvement (66%). Unfortunately, when implementing a new policy, organisations do not weigh all interests equally: 49% of respondents say their organisations are far more concerned about the effect on senior management than on customers (39%) or employees (21%).

People are seen as a problem rather than a solution. For fully 95% of organisations, policy change remains predominantly manual. The most frequently cited reason is that human judgement is too

important a part of the process (40%). But even though 44% of respondents say their organisations rely on people to a great extent in policy change implementation, only 21% say their firms are very concerned about the impact of those changes on employees. In fact, only 15% say their companies take into account employee feedback “to a great extent”. But the issue cuts both ways: roughly six in ten believe that employees at their organisation do at best a mediocre job of understanding (59%) and following (58%) new policies; 32% cite resistance from employees as a barrier to successful policy change.

A holistic approach is needed. Simply throwing money at the problem is not enough. Our interviews indicate that policy implementation requires a holistic approach where formulation and execution are seen as part of the same process. This includes sufficient resources; the capacity to monitor and learn from mistakes; communication with all stakeholders about the nature and purpose of the change; and the ability to include these same stakeholders in the design of the implementation, and to gain from their insights.

Introduction

“Writing policy is the easiest thing to do; the hardest thing is to get the governance and structure right from day one.”

Francis Sullivan, Adviser on the environment, HSBC.

The effectiveness of an organisation is not only reflected in its ability to formulate policy, but also in its ability to execute such policies effectively. As Francis Sullivan, adviser on the environment to HSBC, a UK-based global banking firm, says: “Writing policy is the easiest thing to do; the hardest thing is to get the governance and structure right from day one.” In late 2005, for example, the unsuccessful implementation of a new customs system in Australia’s ports left government ministers being labelled as potential Grinches who would keep Christmas presents off the shelves. Although that one-time event was rectified, implementation issues can drag on. More recently, anti-money laundering efforts by the European Union have been stymied by inconsistent implementation of directives in this area across member states.

But ineffectiveness is not the only risk: failure to execute policy consistently across an organisation can leave it open to regulatory risk. To cite just one example, in February 2009 the US Federal Trade

Private sector

Has inconsistent policy implementation across the organisation caused any of the following in the last year?

Select all that apply.

(% respondents)



Source: Economist Intelligence Unit survey, August 2009.

Public sector

Has inconsistent policy implementation across the organisation caused any of the following in the last year?

Select all that apply.

(% respondents)



Source: Economist Intelligence Unit survey, August 2009.

Two sides of the same coin

In theory, the public and private sectors serve very distinct functions in society. Given different organisational constraints and policy ends, the challenges of rolling out new policies could be expected to differ markedly as well. The survey does show some distinctions. For example, the institutional separation within the public sector between elected officials who decide policy and appointed ones who carry it out impedes the integration of policy formulation and implementation. Money is also an issue: public sector respondents are more likely to point to securing sufficient funding as a key element of success (52%) than respondents in the private sector (26%). In practice, however, lack of money is only slightly more widespread as a barrier to success (33% compared with 26%).

More striking than the differences are the similarities in the survey. The answers from each sector to many questions are very similar. For example, 98% of public sector respondents say that implementation is very or somewhat important, compared with 92% in the private sector; 31% of the latter are at best only occasionally effective at policy implementation compared with 33% of those surveyed from the public sector. Both see the biggest barriers to successful roll-outs as poor planning and complexity, and the biggest keys to success as clear directives from policymakers, the active

involvement of senior management and thorough planning. In addition, over eight in ten in each sector have suffered some negative effect from policy inconsistency. Michael Astrue, US Commissioner of Social Security at the Baltimore-headquartered Social Security Administration (SSA), who has extensive experience in the private sector, comments: “A lot of the same principles apply: you’ve got to get people who understand the situation to assess it in a clear way and get smart people together to develop a plan to deal with it.”

The difference, Mr Astrue adds, is in “the touch and feel of it. In the private sector, when huge amounts of money are being spent and lost, and stock prices are plummeting, there is a sense of urgency that is different. Policy change tends to be slower in the public sector. It has a different sense of emotion.” This dichotomy has positive and negative aspects. On the one hand, it can allow for better deliberation. On the other hand, achieving speed can be a real difficulty. Gopal Khanna, CIO of the state of Minnesota, who has worked in both sectors as well, notes that for Minnesota’s Office of Enterprise Technology, “our Board of Directors are legislators who meet every two years to approve our funding. That is a long time in the technology world.”

Overall, then, the public and private sectors face a surprisingly similar problem in nature and scale. They can also use many of the same tools. The best way to apply these tools, however, will sometimes depend on less tangible but no less real cultural differences.

Commission (FTC) announced that the country’s largest pharmaceutical chain, CVS Caremark, had agreed to a settlement arising from a failure to comply with its privacy policy—stores were throwing sensitive personal material into municipal rubbish bins. In fact, the company is one of more than 20 in the US that the FTC has sanctioned in recent years for failing to live up to their own corporate privacy policies. The consequences literally can be fatal: in June 2009, the UK’s Health and Safety Executive found that the death of a bus driver at a depot in Eastbourne in southern England occurred in part because “the health and safety policies and procedures at Eastbourne Buses Ltd were confused and inconsistent”.

It is clear that proper, consistent and ongoing implementation of policy is an issue for both the public and private sectors. The survey conducted for this report also shows that the execution of policy is a high priority for both groups: 98% of public sector officials say that implementation is very or somewhat important, compared with 92% of private sector respondents. Indeed, the overall perception of policy implementation between the two groups is strikingly similar [see box]. Although there are differences—highlighted throughout this report—they tend to be variations on a common theme rather than matters of substance. The broader message is that all organisations need to look closely at their performance in policy implementation.

A growing challenge

“Congress is adding new responsibilities at an accelerating rate.”

*Michael J. Astrue,
Commissioner of Social Security, Social Security Administration.*

Implementation of new policy is critical because failed execution can lead not only to a lack of success but can also result in regulatory negligence, exposing public and private organisations alike to a host of legal issues. As a result, in the survey conducted for this report, 95% of all respondents call implementation of new policy a very important priority (68%) or somewhat important (27%). Similarly, 75% of senior managers within the public sector understand the importance of the issue well or very well, as do 63% of board members and 75% of CEOs at private sector companies. The risks of failure are also apparent: private sector respondents rank policy implementation third among the biggest threats facing their company (cited by 29%); for listed companies it ranks second (35%) following only competition. Robert Tartaglia, global COO of Allianz Global Corporate and Speciality based out of London, part of the German Allianz insurance group, explains that if an organisation is not doing well in this area, “you are at best inefficient, you are likely ineffective, and you don’t know if the policy has brought value.” Mr Sullivan of HSBC says inconsistency in this area would be a “fatal problem”.

The challenge is not only important, it is growing: three-quarters of all survey respondents report a rise in the number of new policies requiring implementation this year. Moreover, 77% expect the same in the next three years, including 22% who believe that the volume will increase greatly. This is predictable in a constrained economic environment as governments take a more active role in the economy and companies make cuts or alter their business models. “Congress is adding new responsibilities at an accelerating rate,” notes Mr Astrue of the SSA.

Policy implementation—which may need to take place simultaneously across multiple departments, functions, and even jurisdictions with contradictory regulation—is also inherently complicated. Of the leading barriers to consistent execution, respondents rank inherent complexity second (44%), only slightly behind poor planning. The causes of complexity vary. Ron Hilton, CEO of Staffordshire County Council, one of the UK’s largest counties, explains that trying to balance “a confusion of policies” from different levels of government, regulatory bodies and inspectorates, all often ostensibly with the same goal, can create difficulties. One example is housing policy in the UK where local governments focus on the preservation of existing communities, while the national government is more concerned with increasing the overall amount of affordable housing. This frequently leads to a conflict over the appropriate number of building approvals. Mr Khanna of the state of Minnesota faces a different issue. He deals with organisational systems and an asset base that has been evolving for 70 years. In response,

“As a company gets bigger, there is an exponential increase in the complexity of making sure policy is disseminated and implemented, and in getting information back on the policy.”

Francis Sullivan, Adviser on the environment, HSBC.

Mr Khanna spent the last three years creating a new cabinet-level agency, the Office of Enterprise Technology, and led the implementation of the state’s first Master Plan for Technology. Meanwhile, Mr Sullivan of HSBC points to size itself as a challenge: “As a company gets bigger, there is an exponential increase in the complexity of making sure policy is disseminated and implemented, and in getting information back on the policy.” Indeed, among large organisations—those with annual sales or budgets of over US\$1bn—complexity is also the leading barrier to implementation (43%).

Policy implementation may be hard, but so are many of the challenges faced by governments and businesses on a daily basis. However, too many organisations are performing badly in policy implementation: three in ten respondents admit that they are only occasionally, or even not at all, able to apply policies without having a negative impact on employees or customers. Another one-half say they are only somewhat effective in this area. Such performance leaves many organisations vulnerable. Among government entities, within the last 12 months alone, 89% report at least one negative effect from inconsistent implementation, including 52% who believe it has hurt their ability to do their mission, 42% who mention an increase in costs and 33% who cite a reduction in transparency. For private sector respondents, the results are only slightly less stark: 81% of firms report at least one negative effect from inconsistent implementation. Faulty implementation at corporations hurt their ability to execute strategy (cited by 41%), reduced customer satisfaction (34%) and led to loss of market share (23%).

Turning things around

“One of the biggest challenges is how to balance running the business with changing the business.”

Robert Tartaglia, Global COO, Allianz Global Corporate and Speciality.

The survey reveals a number of explanations as to why many organisations fall short and how they might do better. In particular, these build on four foundations: resources, planning and processes, leadership and buy-in.

Resources

Often, once a policy is set, it is left to wither on the vine. Of respondents to our survey, 45% indicate that their organisations devote insufficient money or time to policy implementation, a share that rises to 49% in the public sector. Resource allocation, of course, is not straightforward, even for companies that do well at managing policy change. As Mr Tartaglia of Allianz explains: “One of the biggest challenges is how to balance running the business with changing the business. Typically, companies don’t say ‘you must change policy but can make less money while doing so’.”

The failure to provide necessary resources is not always a result of overwhelming cost. Mr Tartaglia notes that determining how expensive a typical policy implementation might be is “like answering ‘how long is a piece of string?’” Mr Sullivan adds that for some policies, “it’s not very expensive—if you’ve got good people and the structure is right.” For example, when HSBC integrated the Equator Principles—a set of voluntary guidelines for financing projects that involve significant social or environmental risks—it was able to engage with and seek advice from NGOs and it took relatively few people to write the relevant policies. Instead, the main resource expended was time taken to identify and train the right people. HSBC also uses web conferencing rather than in-person training in order to keep costs down.

Resource issues frequently arise not because implementation is inherently expensive or time-consuming but because existing issues within the organisation impede it. Mr Astrue of the SSA agrees: “Our big costs tend to be in systems change to support change.” This is an issue he has addressed in part by moving from in-house, antiquated COBOL software to web-based systems with more flexibility. Underlying many of these constraints is attitude. Mr Khanna of the state of Minnesota notes that roll-out expenses typically revolve around retraining people, changing processes, and any necessary new tools or technology. It uses up resources, he acknowledges, but asks whether it should not be seen as part of an investment to improve service. Mr Tartaglia believes that if a policy change falls short in implementation, a host of problems can arise beyond cost, such as increased reputational and regulatory risk, and even reduced employee morale. Obtaining sufficient resources, then, flows from a proper understanding of

Turning things around: Resources

Insufficient funding at organisations occurs when those tasked with implementation do not make a strong enough case to explain not just the potential benefits, but also the risks of not carrying out a policy. Mr Astrue recalls that, soon after his arrival at the Social Security Administration, a review of the existing technology policies made clear that, had they been maintained, “the whole national Social Security system could have ground to a halt.” After informing Congress of the scale of the problem, the SSA “got the money in almost record time”.

what is at stake.

Too often the costs of poor implementation only become apparent over time. In 2003, for example, the UK government initiated the Child Tax Credit and Working Tax Credit programme, which involved direct payments to households rather than—as previously—adjustments to income tax. This meant the creation of a new department with Her Majesty’s Customs and Revenue, as well as an entirely new application and assessment system. The result was chaotic. In the first four years of operation, according to reports from the House of Commons Public Accounts Committee, over one-half of eligible recipients received either too much or too little money. Even worse: out of the £7.3bn overpayments made, the government had only recovered £2.7bn by early 2009, and £2.8bn is likely lost for good. Recovery is difficult as recipients of overpayments are often not in a position to pay back large amounts, and this has caused substantial emotional distress. The heart attack of one resident of Rochdale, in northern England, even led to questions in parliament surrounding the process of reclaiming money.

The failure of the tax credit programme has received wide publicity, but inconsistent implementation can hurt performance quietly as well. A study by the Institute of Transport Studies in Leeds found that if the UK’s rail service put into effect its own best practice policy across the entire system, it could reduce maintenance costs by 13%.

Conversely, implementation also has ongoing cost implications. A July 2008 report prepared by the Blue Sky Consulting Group for the California Endowment, a non-profit organisation dedicated to providing healthcare to underserved individuals, found that county officials in California, in the face of ongoing budget cuts, were likely to focus on new applicants rather than existing ones. Falling below mandatory performance standards, the report notes, “could increase the risk of sanctions and penalties from federal and state agencies as well as undermine efforts to move aid recipients to self-sufficiency.”

Planning and processes

Adding to the costs of policy implementation, and a problem in its own right, is poor planning. Respondents cite this as the leading cause of failure in this area at their organisations (46%), and put thorough planning as the third most important key to success (57%). The underlying problem is not repeated failures on individual policy programmes, but that too many organisations do not integrate implementation into their strategy. Instead, they have a make-it-so mentality. Slightly more respondents say that their firms are reactive (39%)—looking at implementation only after the creation of a policy—than pro-active in anticipating how to roll out a new initiative during its formulation (35%). Mr Khanna notes that as Minnesota re-engineers its enterprise resource planning (ERP) system, for example, it is using the occasion to bring in new processes rather than simply automate the old ones. “It is having a huge effect on back office standardisation and allowing us to cut through all sorts of the silos,” he says. He believes that it is also an example of how extensive preparation pays off. Partly, his office looked at

how it could condense the roll out and partly it sought to learn from the mistakes of other organisations. This upstream work did much to shape a plan that brought in the implementation on time and on budget. “The more the nuts and bolts of implementation are thought through upfront, the better it is,” Mr Khanna explains. Mr Tartaglia adds that failure to think about execution beforehand may lead “to more detrimental fallout from the policy change than benefits from the policy”.

Although potentially a problem everywhere, reactive implementation is more widespread in the public sector, where 44% of those surveyed describe their organisations as reactive. The institutionalised split between political decision-makers and professional civil servants who carry out policy tends to exacerbate the problem. Mr Hilton of Staffordshire County Council finds that some policymakers “will pick up the latest idea and say ‘that sounds OK’. A lot of politicians seem to do that.” Across the ocean, Mr Astrue says that although the SSA is frequently able to explain implementation issues to political aides, “members of Congress tend to ignore that. Statutes don’t pay much attention to practical difficulties.” Congress, for example, has given the SSA responsibility to help states to verify voter eligibility. To get the number of errors down to 1% of cases would require the SSA to use the 9-digit Social Security number, but Congress, for privacy reasons, insisted instead on allowing use of only the last four digits of that number. Now, according to Mr Astrue, “the number of mismatches is huge. Because a lot of the verification requests come before an election, there is the risk that voters’ rights will be compromised.” The gap between policymaking and execution creates more problems than poor planning. Public sector respondents also find the third leading cause of policy implementation failure—that the idea was flawed in the first place—a far more widespread issue than private sector respondents (40% compared with 29%).

Thorough planning on its own, however, is not the solution. As Mr Hilton points out, too much focus on the details can lead people “to forget what they are trying to do”. To avoid this, HSBC organises sustainability policies thematically. That way it can insure that the policies in question are applicable. “Otherwise, people in a given business might have to read nineteen policies, only two of which might be relevant,” explains Mr Sullivan.

Instead of planning without strategy, policy implementation depends on putting formulation, planning and execution within an integrated process. For Mr Hilton, whose work involves implementing policy changes at the council, planning and preparation begin well before a change in direction. Before the most recent election, seeing that a change in ruling parties was possible, he and other civil servants who work for the council “spent time building relationships [with the potential incoming administration], trying to identify what they wanted to achieve, and see which things might be abandoned”. This allowed them to compare existing policies with desired ones to determine where changes were likely. As a result, when the new council was elected, civil servants were able to avoid introducing new policies in ways “that would have caused a lot of concern and cost a lot of money”, Mr Hilton says.

Often, planning and decision-making go hand in hand. In the last four years, Mr Tartaglia has helped to build Allianz Global Corporate and Specialty into a stand-alone subsidiary of Allianz SE, starting with two quite distinct divisions: Allianz Global Risks and Allianz Marine & Aviation. This has required a major transformational programme that involves significant policy change across the new entity, which currently has operations in more than 70 countries. The right processes, he says, “are absolutely critical. What I’ve seen elsewhere, with organisations lacking a structural approach to new ideas, is that

“Statutes don’t pay much attention to practical difficulties.”

*Michael J. Astrue,
Commissioner of Social
Security, Social Security
Administration.*

Turning things around: Planning and processes

Planning for policy implementation should not begin once the change is made, or even as part of the decision-making process. Instead, using the accumulated lessons from previous experience to inform implementation of new policies is an essential part of making the process successful. Mr Sullivan agrees about the importance of such learning. HSBC has found it more effective to structure its sustainability policies around thematic areas, such as specific industry sectors. It started with forestry and fully integrated that policy first before proceeding

further. It then took the lessons learned to help in drafting and implementing the next sectoral policy, on water infrastructure. Energy, mining and chemicals followed as the company continues to learn from each policy before implementing the next.

To address the gap in the public sector between policy formation and its implementation, the Australian federal government created the Cabinet Implementation Unit in 2003. Peter Hamburger, formerly of the country's Department of the Prime Minister and Cabinet, describes its role as providing better information at the decision-making stage; following up certain decisions; and changing how people think about and plan for implementation. The value of this approach is proven by the fact that several government departments set up similar units.

“If companies set themselves up for change, then it does not present practical issues.”

*Robert Tartaglia, Global COO,
Allianz Global Corporate and
Speciality.*

you sit around discussing great ideas, say ‘this is fantastic’, but they tend to dry up on the vine. There could be huge effort and expenditure, but at best it will never deliver.” Regardless of the size or scope of an organisation, the key is to have prepared it to deal with ongoing change, including integrating transformational objectives into management and remuneration targets. “If companies set themselves up for change, then it does not present practical issues,” continues Mr Tartaglia. The specifics may vary from project to project and, Mr Tartaglia stresses, processes need to avoid rigidity. One piece of the puzzle, however, is consistent across the board: getting people to embrace policy change.

Leadership

The survey indicates that policy change implementation is highly top-down. At government organisations, senior management is responsible for policy change implementation—as distinct from making policy choices—71% of the time. Meanwhile, either the board or a member of the C-suite takes on this role at 85% of private sector companies. Success is also seen to depend on senior management. The two leading success factors for policy implementation are clear directives from senior management (72%) and their active involvement (66%).

This sort of leadership is essential for policy implementation. Where policy is internally generated, it is the responsibility of the most senior executives to see that strategy is carried out. Where it is written in compliance with regulation, it is their responsibility to see that the law is followed. Mr Astrue points out that he and a small team came into the Social Security Administration with a mandate to address the long delay in disability claims and to improve service more generally. A central part of his approach has been to transform the agency from a paper-based organisation to one that largely receives, uses and stores data electronically. Such fundamental change, he notes, requires some degree of top-down direction. Mr Tartaglia adds that “almost all policy change in one form or another needs a top-down perspective, which

could be as simple as a sign-off.” Without such clear support, others in the organisation are simply not going to carry out such changes.

On a practical level, those at the top of a hierarchy are also best placed to provide the clarity and direction respondents say is so vital to success. Mr Hilton explains: “We employ 30,000 people. If we don’t get clarity, all those people will beaver away doing what they think needs to be done. They may even be going more or less the same way, but it will be at various degrees on a compass.” He adds that leadership also involves a willingness to take risks and not punish reasonable failure: “if you don’t have the odd wobble, you are living in a comfort zone.” But it also means a willingness to pull the plug where necessary rather than spending millions more on something that is not working. It is also the job of the

organisational leadership to decide priorities. As Mr Sullivan warns: “It is important you don’t try to swamp the system and have dozens of policies going through at the same time.”

Where the difficulty arises, however, is that—to abuse the words of a former US president, Abraham Lincoln—although change needs to be of the leadership and by the leadership, at too many organisations it is for the leadership as well. Respondents report that when implementing a new policy more (49%) are likely to show great concern for the ramifications for senior management than for any other stakeholder group, including customers or clients (39%). This is particularly the case in the public sector, where the equivalent figures are 58% and 40% respectively. Mr Tartaglia has seen over the years at other organisations, even for projects based around customer or client support, that the latter are often either insufficiently or not at all involved. Wherever mechanisms and structures do not exist to consult with stakeholders, “it tends to be a general failure across the board,” he says. “The stakeholder is the person who will be changed by this. If you are not engaging them at the early stages, you will lose them.” Incomplete adoption of the metric system in the UK—after more than four decades since the government first introduced the policy—shows that failure to win stakeholder hearts and minds can indefinitely delay a full roll-out.

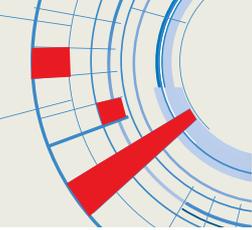
For, Mr Khanna, the problem is not a lack of good technological solutions but a lack of vision. “An organisation has to have an appetite to invest in R&D to make things better. Those organisations that see IT as a resource centre treat it differently, which might allow policy change to be implemented expeditiously. It is a leadership issue,” he says.

Mr Astrue points out that knowing how to talk with stakeholders on their own terms can help to overcome communication issues. For example, the SSA ran an advertising campaign featuring Patty Duke, an actress unknown to most staffers younger than 50, but well known to the 62- to 70-year-old targeted demographic, in order to encourage people to switch from paper to online applications. Within two weeks, the campaign boosted the proportion of online usage from 25% to 33%.

Turning things around: Leadership

Leadership means more than giving orders. Sometimes it takes courage to pull the plug on less successful changes in policy direction. In 2000, for example, the British Post Office decided to rebrand itself as Consignia. This was a public relations disaster, with even employees refusing to use the new name. So in 2002 the company changed its name to Royal Mail plc, thereby regaining the benefit of a brand stretching back hundreds of years.

Perhaps the most famous corporate reversal ever was the reissuing of Coca-Cola Classic after Coca-Cola changed its formula in 1985. This was humiliating to the leadership but turned around a disastrous roll-out. In fact, the resultant sales of Coca-Cola Classic were so strong that conspiracy theorists suggested that the whole thing had been a marketing ploy.



Winning support

The survey shows an apparent inconsistency in rolling out new policies at many firms. On the one hand, 44% of respondents say that they rely on people in implementation to a great extent, and a further 37% did so significantly. This is well ahead of the figures for processes (22% rely on these greatly) and technology (15%). Moreover, 42% overall, and 59% of government respondents, consider broad consultations with employees among the most important factors leading to success in such changes.

But these consultations are actually well down the list of keys to success—in fourth place among government respondents and sixth among private sector ones (31%). Moreover, communication is apparently often one way. As a new policy is put in place, only 21% of respondents are very concerned about the impact on employees, making them the stakeholder with the least relevant views. Then, after the change takes place, only 15% take employee feedback into account to a great extent; much less than the number who take into account the views of customers or voters (27%). Whatever consultation takes place is also too frequently inadequate. Roughly six in ten respondents say that employees at their organisation do at best a mediocre job of understanding (59%) and following (58%) new policies. The figure for measuring the value of such change is even worse (78%). Accordingly, although push back from employees is not the biggest barrier to successful policy change, it is an important one at 32% of organisations.

The crux of the problem is summed up by Mr Khanna: “The challenge in introducing new processes is always the human aspect. People always think that what they are doing is best.” To turn humans—often innately reluctant to change—into central agents of policy implementation is at best challenging and sometimes impossible. “You don’t ever entirely avoid push back,” adds Mr Astrue. “Any organisation that has been running tightly is going to have an attachment to the way things are done. Change is always hard.”

According to our interviewees, part of the solution is, in Mr Astrue’s words, “thoughtful over-

communication”, which includes being open to feedback. A further step is involving employees in the change process. This does not mean changing organisations into deliberative assemblies. Rather, efforts need to concentrate on the most relevant individuals who are likely to have insight. As Mr Sullivan puts it, “It is more important to get the quality right than the quantity.” And Mr Khanna comments: “This is one of the biggest challenges that a leader has to manage. If there were a magical way of bringing people to adopt new processes quickly, we would all be better off.”

While information technology (IT) is not a magic bullet, the survey shows that it can be effective. Among survey respondents, 29% say that the primary barrier to greater use of IT, and therefore more automation, is the insufficient advantage their own organisations take of IT, and 16% acknowledge that their processes are too ill-defined to automate. Mr Khanna observes that “you will never take manual intervention out completely, but ‘by design’ it can be made more efficient and effective.” IT can also be used as a justification to improve

“If there were a magical way of bringing people to adopt new processes quickly, we would all be better off.”

Gopal Khanna, Chief Information Officer, State of Minnesota.

Turning things around: Winning support

Making people accept new policies is easier if they feel they are part of the decision-making process. At Allianz Group, the suggestion box has been modernised accordingly. Internally known as “I2S” (Ideas to Success), the initiative encourages employees to submit innovative ideas and to work through the impact of them. It is, according to Mr Tartaglia, more about engagement than simply tapping into good thinking. “It is at the heart of change management. If you don’t bring your staff along, no matter how good the idea, no matter how good the process, you will be lost,” he says.

processes. Mr Khanna notes that as Minnesota re-engineers its ERP system, it is using the occasion to bring in new, better processes rather than simply automate old ones.

One area where technology can be particularly helpful is where processes have been designed to allow web-based delivery of services. The Social Security Administration has been moving in this direction as indicated by the 2009 University of Michigan's American Customer Satisfaction Index for e-Government, where three of its online tools outscored all other government ones and many private sector financial services applications. Its Retirement Estimator came in first. Although the primary driver of such e-government is better service to clients, Mr Astrue notes that another benefit is flexibility. "We are trying to move to modern, web-based systems [across the organisation] so it will be easier to make changes," he explains.

At the same time, the role of IT in policy implementation is currently limited. For 95% of respondents, such process is mostly or entirely manual: only 4% work for organisations that have predominantly automated policy change. Similarly, only 15% rely to a great extent on IT in rolling out policies, and use of technology is one of the least often cited factors used to explain success in this field (mentioned by 31%). The figures suggest that the private sector is more advanced in technology uptake, but not enough to change the broader picture of a largely manual activity. In a field that requires subtle nuance, not merely to decide on the best way ahead but to bring others along with you, IT cannot replace people. In fact, the most widely cited impediment to its application in this area, named by 40% of respondents, is that organisational processes and policies require too much human judgement to be amenable to automation. "Human judgement is ultimately key," agrees Mr Khanna.

Conclusion

For nearly a thousand years, nursery children have heard how King Canute's royal robes became soaked when the tide simply ignored his orders to stop. The wise monarch wanted to show fawning courtiers the limitations of power: creating and declaring a policy is one thing, having it enacted and obeyed quite another. But too many senior executives in the public and private sectors have forgotten the lesson and seem to think that policies can enact themselves. Organisations need to take a holistic approach to improve their policy implementation efforts. The foundations on which to build success include:

- **Resources.** If a policy change falls short in implementation, a host of problems can arise, such as increased reputational risk and low employee morale. Once executives fully understand the issues at stake they need to make sure that enough time and money is spent on putting the policy into effect.
- **Planning and processes.** Good policy implementation depends on carefully putting together policy formulation, planning, and execution. Prepare for new policies far enough in advance.
- **Leadership.** Those people at the top of the hierarchy are in the best position to provide the clarity and direction that is vital to success.
- **Foster a culture of commitment.** According to our interviewees, part of the solution is, "thoughtful over-communication," which includes being open to feedback.
- **Technology.** While information technology is not a magic bullet, the survey shows that it can be effective when properly integrated with the right people and processes.

Yet, nearly one-half of survey respondents admit that implementation is under-resourced, and more organisations are reactive than plan ahead. Failure and damage are widespread: roughly eight in ten are at best only somewhat effective in this area, and a similar number admit to suffering at least one negative impact from inconsistency in implementation.

Simply throwing money or resources at the problem will not lead to a solution. Instead, the research shows that policy implementation requires integrating execution into a broader continuum that includes both policy formation and feedback on any roll-out. For such a process to be effective, companies and government entities must also:

- consider seriously the risks and benefits of a policy change, and apply resources accordingly;
- integrate implementation considerations into policy planning and decision-making processes;
- have structured reporting on policy implementation successes and failures, and the resultant effect of the change;
- use the lessons from this reporting to improve planning the next time round;
- look to technology where it might be appropriate to make better use of it. One area where technology can be particularly helpful is where processes have been designed to allow web-based delivery of services.
- communicate with stakeholders to find out their interests in a policy change and to encourage them to accept it;
- have senior management lead the change, but do not make it serve their interests more than those of other stakeholders; and,
- find structured and unstructured ways not only to keep relevant people throughout the organisation informed about the change, but also to use their insight to improve policy formulation and implementation.

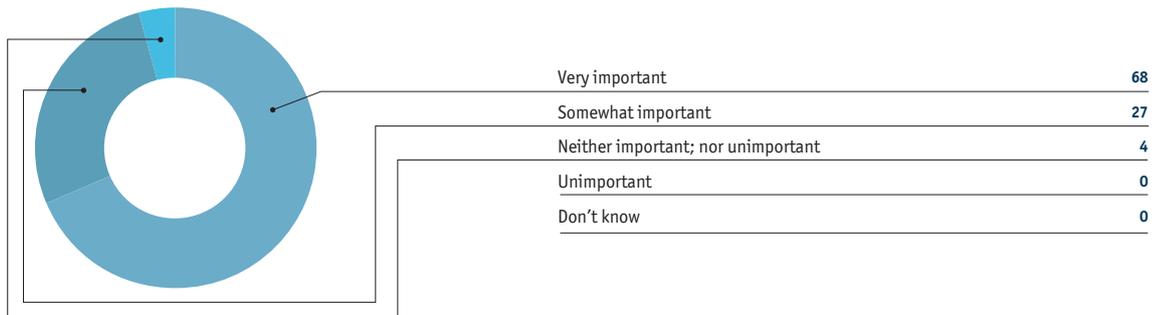
There is certainly room to gain an advantage: only 10% of companies and 14% of public sector respondents consider themselves much stronger than their peers in this area. A better approach can therefore quickly transform policy implementation from a headache into an organisational asset.

Appendix: Survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

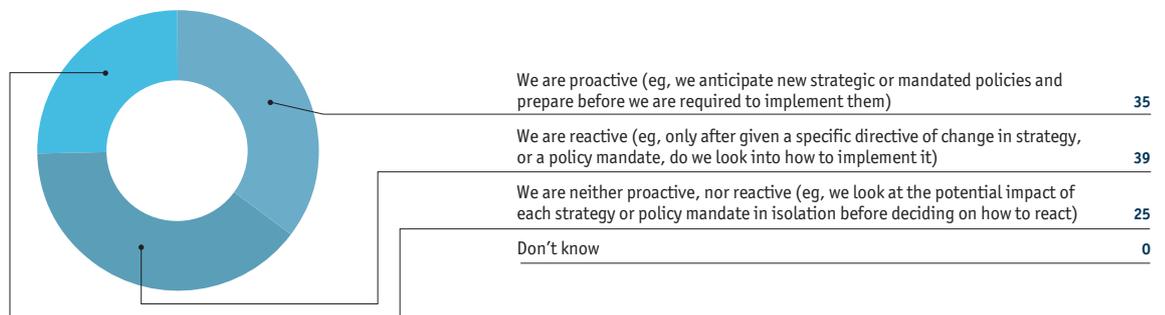
In your view, how important in comparison to other priorities is the implementation of new policy—both those the organisation took for its own reasons (such as changes in strategy) and those it has implemented as a result of external regulatory requirements? Select one.

(% respondents)



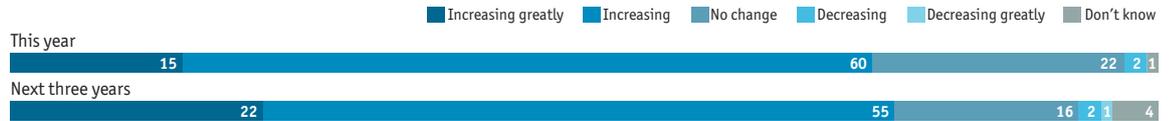
When it comes to policy, is your organisation generally proactive or reactive? Select one.

(% respondents)

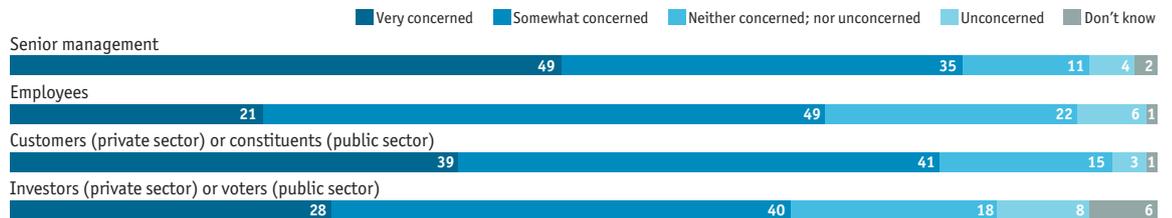


Enabling efficient policy implementation

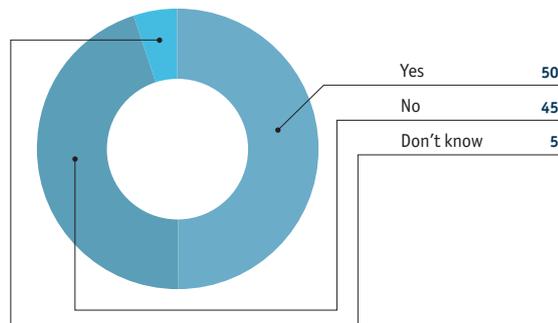
Has there been an increase or a decrease in the number of significant policy changes your organisation has implemented this year—both those the organisation took for its own reasons (such as changes in strategy) and those it has implemented as a result of external regulatory requirements? And what is your expectation for the next three years? Select one for each row for this year. (% respondents)



How concerned is your organisation about the potential ramifications for the following stakeholder groups when implementing new policy? Select one for each row. (% respondents)



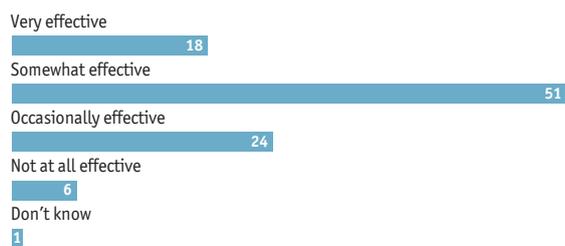
In your view, does your organisation spend enough resources—in terms of budget and time—on implementing new policy to serve its customers or constituents? Select one. (% respondents)



What are the biggest barriers to the consistent, successful implementation of significant new policies across your organisation? Select three. (% respondents)



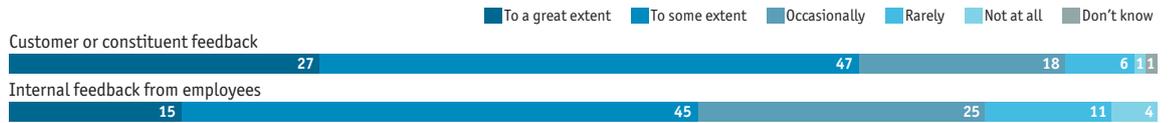
In general, how effective is your organisation at implementing mandated policy (eg, the policy is adopted without affecting employees, consumers or customers negatively)? Select one. (% respondents)



Enabling efficient policy implementation

To what extent does your organisation take into account customer or constituent feedback after a new policy has been implemented? To what extent does it take into account internal feedback from employees? Select one for each row.

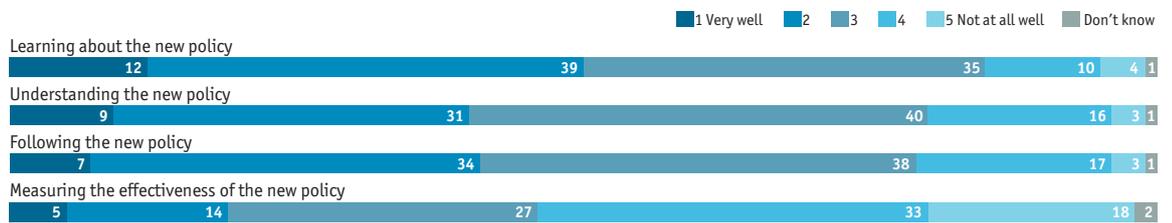
(% respondents)



When it comes to policy implementation, how well do your organisation's employees do the following?

Rate on a scale of 1 to 5, where 1=Very well and 5=Not at all well.

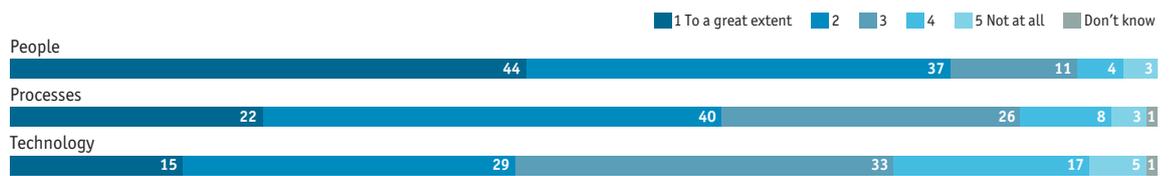
(% respondents)



When it comes to implementing policy, to what extent does your organisation rely on people, processes and technology?

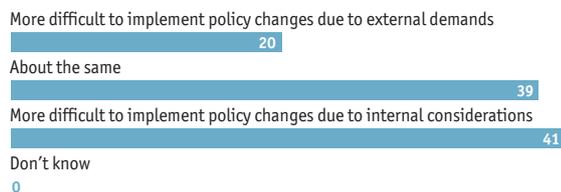
Rate on a scale of 1 to 5, where 1=To a great extent and 5=Not at all.

(% respondents)



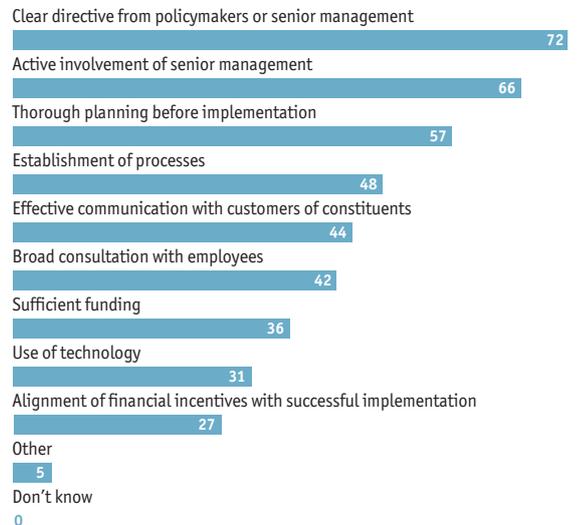
Which is more difficult? Implementing policy changes taken as a result of external demands (eg, new legal compliance requirements), or those taken as a result of internal considerations (eg, new strategy)? Select one.

(% respondents)



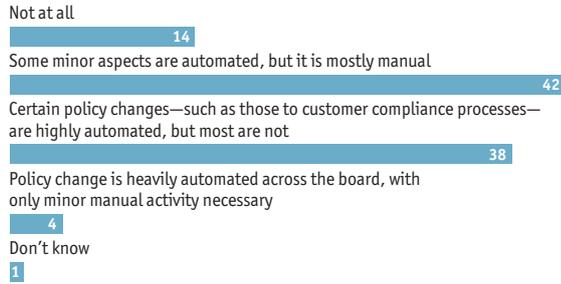
In your opinion, which of the following factors are most important to successful policy implementation at your organisation? Select all that apply.

(% respondents)

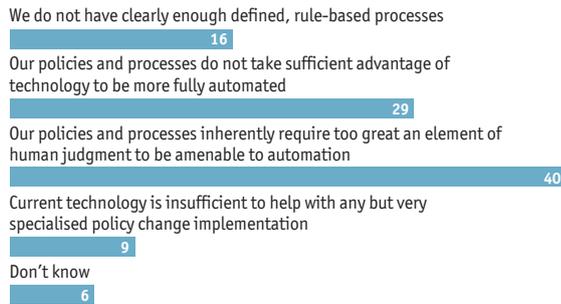


Enabling efficient policy implementation

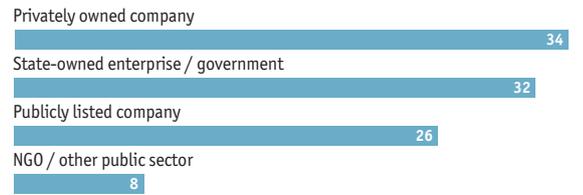
How automated is policy change implementation at your organisation? Select one.
(% respondents)



What is the biggest impediment to greater automation of policy change processes at your organisation? Select one.
(% respondents)



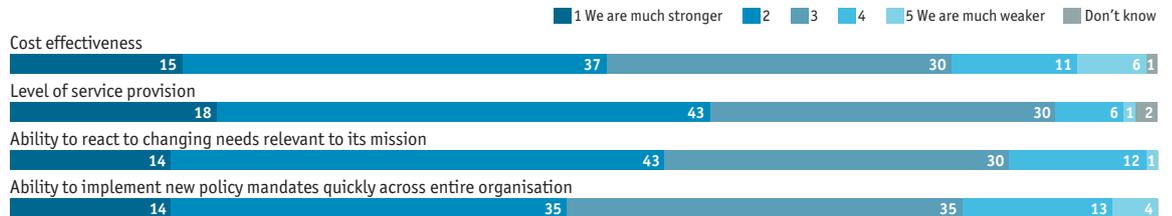
What is your organisation's ownership structure? Select one.
(% respondents)



Public sector respondents

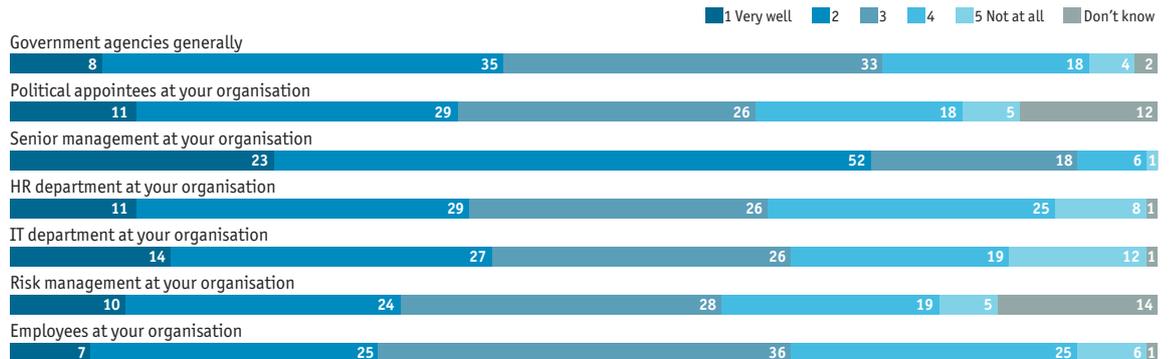
In your opinion, how does your organisation compare with other public-sector organisations in the following areas?

Rate on a scale of 1 to 5, where 1=We are much stronger and 5=We are much weaker.
(% respondents)



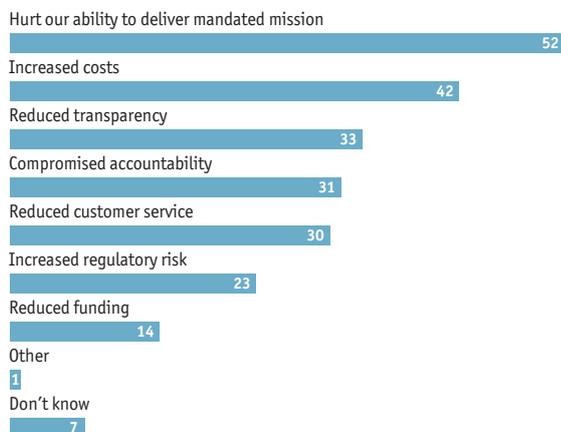
In your view, how well do the following people understand the importance of policy change management?

Rate on a scale of 1 to 5, where 1=Very well and 5=Not at all.
(% respondents)



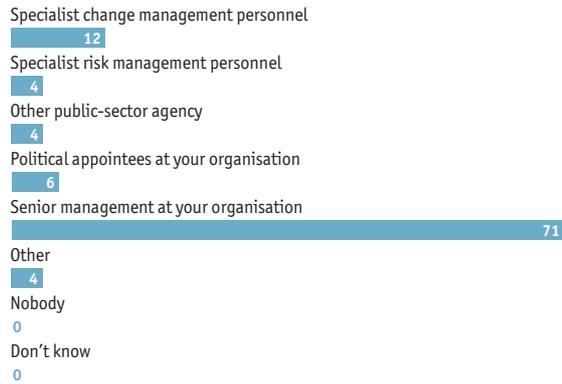
Has inconsistent policy implementation across the organisation caused any of the following in the last year?

Select all that apply.
(% respondents)



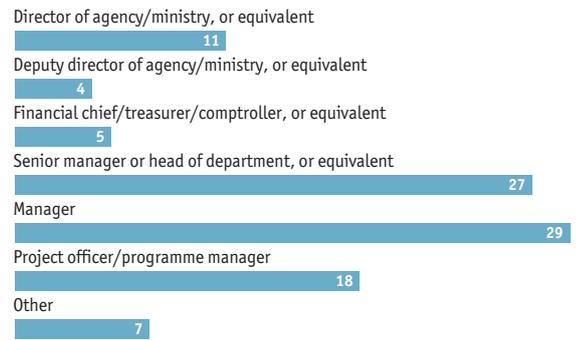
At your organisation, who is primarily responsible for implementing policy? Select one.

(% respondents)



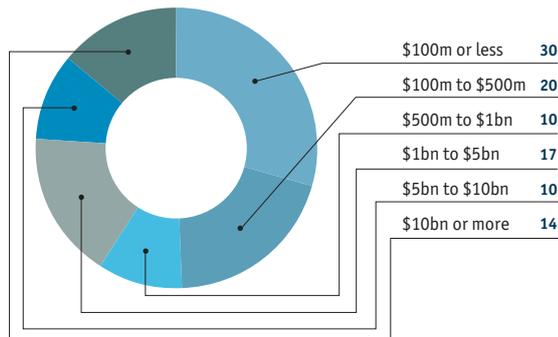
Which of the following best describes your title?

(% respondents)



What is your organisation's global annual budget in US dollars?

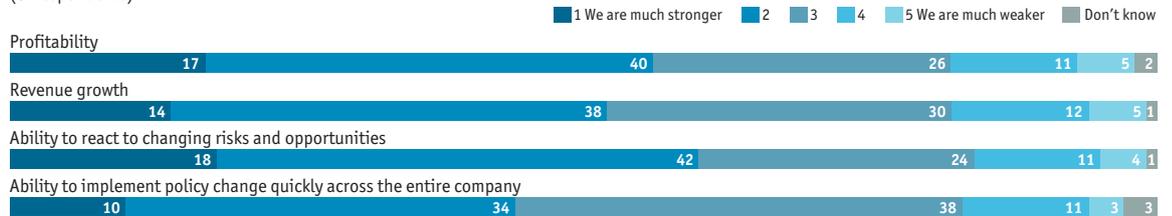
(% respondents)



Private sector respondents

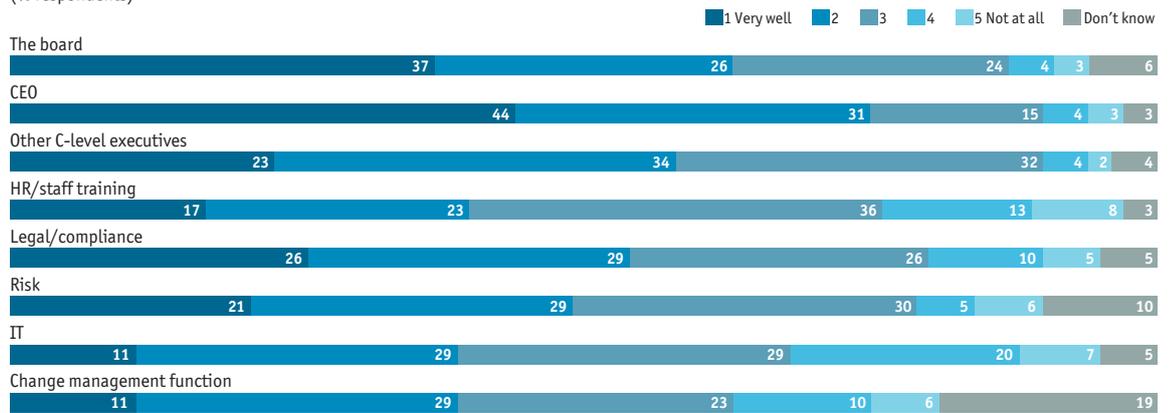
In your opinion, how does your organisation compare with its closest competitors in the following areas?

Rate on a scale of 1 to 5, where 1=We are much stronger and 5=We are much weaker.
(% respondents)



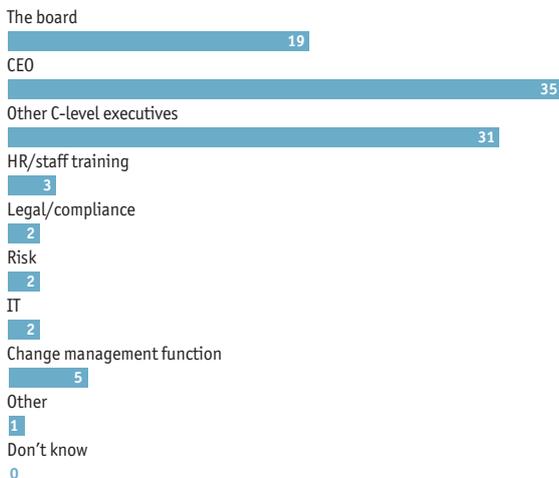
In your view, how well do the following people understand the importance of policy change management?

Rate on a scale of 1 to 5, where 1=Very well and 5=Not at all.
(% respondents)



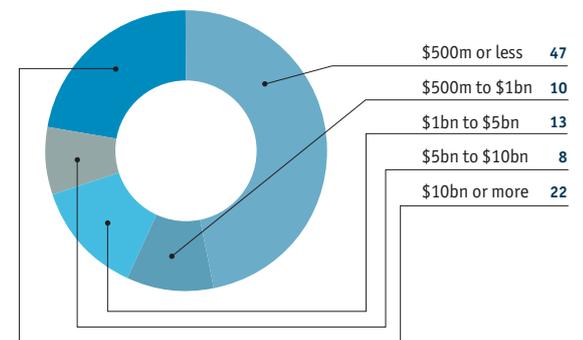
At your organisation, who is primarily responsible for implementing policy change? Select one.

(% respondents)



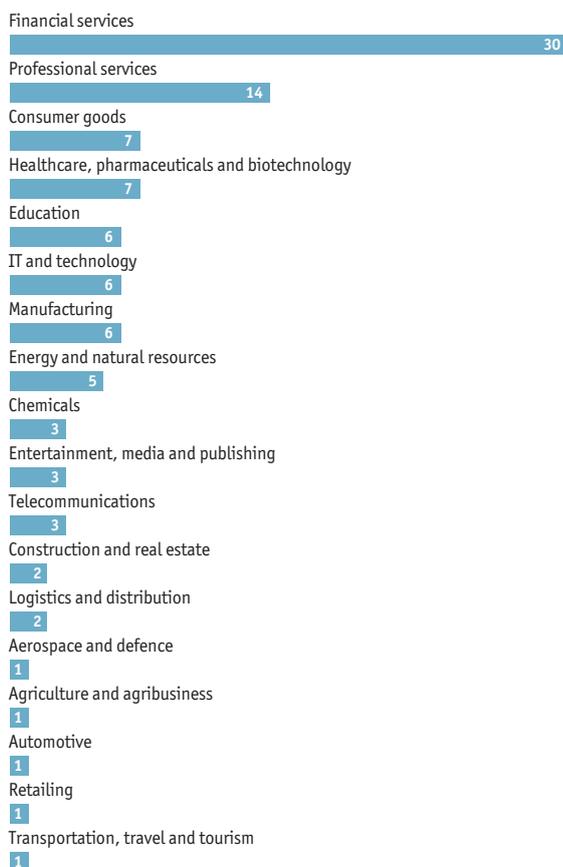
What is your organisation's global annual revenue in US dollars?

(% respondents)



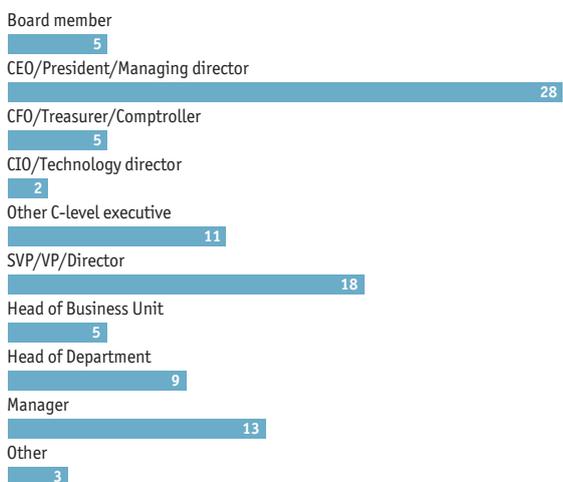
What is your primary industry?

(% respondents)



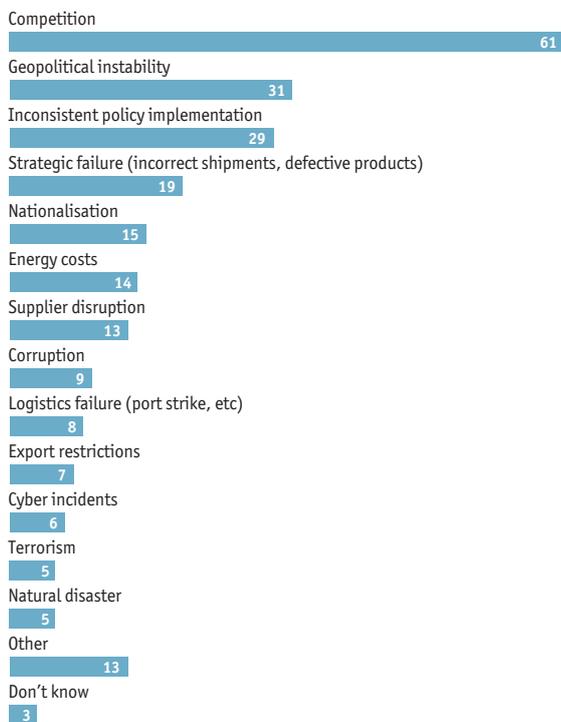
Which of the following best describes your title?

(% respondents)



Over the next three years, which factors are most likely to pose the greatest risk to your organisation's global operations? Select three.

(% respondents)



Has inconsistent policy implementation across the organisation caused any of the following in the last year?

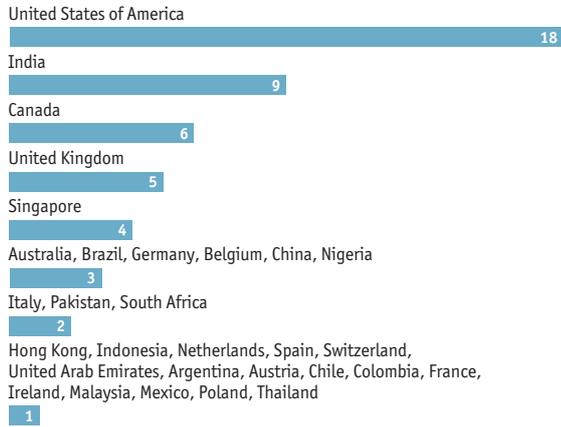
Select all that apply.

(% respondents)

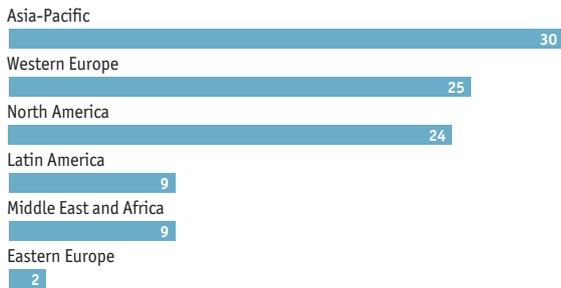


Demography

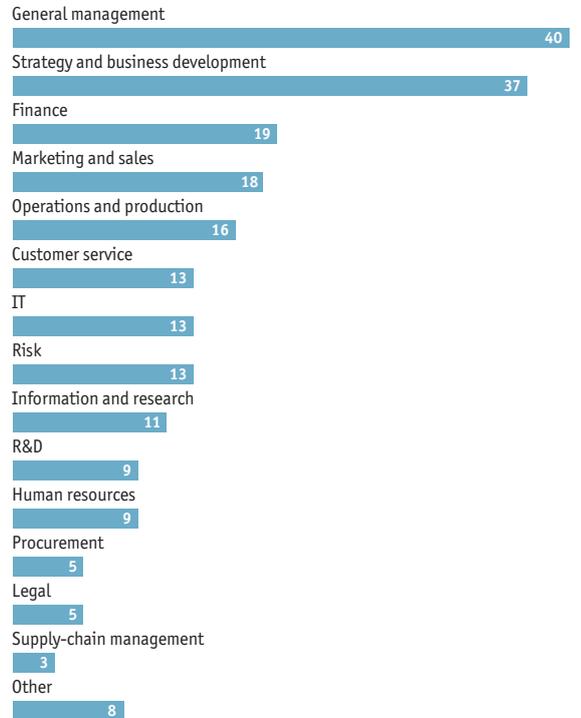
In which country are you personally located? (% respondents)



In which region are you personally based? (% respondents)



What are your main functional roles? Please choose no more than three functions. (% respondents)



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