

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

A White Paper by the Standing Panel on Executive Organization and Management

Strengthening Organizational Health and Performance in Government



NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION®

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*A White Paper by the Standing Panel on
Executive Organization and Management*

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PUBLIC ADMINISTRATION**

January 2018

***Strengthening Organizational
Health and Performance in
Government***

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FOREWORD

I am pleased to present this National Academy white paper on *Strengthening Organizational Health and Performance in Government*. It grew out of a set of conversations that began last year between staff at the Office of Management and Budget (OMB) and Academy Fellows about what steps OMB could take to strengthen the federal government's efforts to improve performance.

Recognizing an unusual opportunity to inform the emerging management agenda of a new Administration, an exceptional group of Fellows who participate in the Academy's Standing Panel on Executive Organization and Management responded. Already steeped in the relevant body of experience and research, a dozen volunteered to work intensively over the next 100 days to produce what became this white paper. They used their network of people in government and business as well as their own insights acquired over a lifetime of public service and study to meet a tight deadline for presenting their findings and recommendations before the next budget cycle, while continuing and extending the dialogue to people in OMB, various federal agencies, and others.

The group began by reviewing the relevant body of evidence, much of it based on years of systematic work, on how the best large business organizations achieve sustained superior performance. They distilled lessons for the federal government from a rapid survey of this experience and similar efforts within the federal government and by other governments. A consensus quickly developed that the time is right for a new strategy focused on improving organizational health at all levels and in all parts of the federal government.

The new strategy presented here is both visionary and practical. It would build on and reinforce the government-wide performance framework established under the Government Performance and Results Act. It would shift attention and primary responsibility for improving performance from the top layers of government to the agencies, especially to people in their operating components, including those who have direct daily contact with the public. It would systematically spot, diagnose, and intervene to overcome obstacles to better performance at all government levels, using fine-grained data analytics. Over time, it would improve the government's ability to exploit growing volumes of relevant evidence to manage its far-flung activities in new ways and to continuously learn from experience and adapt.

I am grateful to panel chair John Kamensky and his colleagues for their efforts. He, Steve Redburn, and Don Kettl are primary authors of the main text summarizing the panel's findings and recommendations. However, all members of the group – listed on this white paper's inside cover page – made substantial contributions, many of which are documented in the appended working papers. Adam Darr provided essential staff support. I know they all share my excitement with the resulting ideas and the changes we believe they can inspire.

Teresa W. Gerton
President and Chief Executive Officer
National Academy of Public Administration

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**See also a set of
Accompanying Working Papers**
for additional details

(available at <https://www.napawash.org/studies/academy-studies/strengthening-organizational-health-and-performance-in-government>)

#1 Additional Details on Private and Public Sector Approaches to Improving Organizational Health and Performance

#2 Understanding the Federal Employee Viewpoint Survey

#3 Understanding Learning Agendas and Performance Management

#4 Case Study of IBM's Use of Cognitive People Analytics

#5 Case Studies of Other Countries' Use of Agency Capability Reviews

#6 Case Studies of U.S. Federal Approaches to Improve Employee Engagement and Organizational Health

EXECUTIVE SUMMARY

How can the federal government improve agency and unit level organizational health and performance? Can new strategies deliver better results by riding the rising flood of administrative data and advanced analytics?

A good statutory framework has evolved over the past two decades to improve government performance and results, but it is still too top-down and does not meaningfully engage front line units – which is where direct contact with the government’s customers and partners occurs. Too often, these units have not been a focus of attention.

Critics demanding performance and results have not given sufficient attention to the building blocks of performance—healthy organizations with engaged employees, who have the capacity and tools to deliver on their mission. With the federal performance framework now in place, we believe a strategic reorientation that makes front-line managers the focal point, and considers the health and capacity of their organizational units, will pay the greatest performance dividends and reduce future risks of operational failures.

This is an opportune time to undertake such a reorientation. The increased availability of near-real time administrative and other operational data, at increasingly detailed levels, offers new opportunities for data-driven action by front line managers. For the first time, government’s top officials can simultaneously see the same data that managers at the unit level are seeing. That makes it far easier for both leaders and managers to make evidence-informed decisions.

We examined leading practices in the private sector, other countries, and select federal agencies to understand their strategies for improving their organizational health and performance by using data and analytics. Based on these strategies, we propose the Office of Management and Budget (OMB) make organizational units the building blocks for improving performance and designate “improving organizational health and performance” as a government-wide initiative. By “organizational health,” we mean creating and sustaining a long-term capacity to deliver performance and results.

Our theory of change for this initiative is to expand the existing federal performance management framework by creating a new bottom-up demand for improving organizational health and performance, a demand tailored to the needs of different missions and units. Creating this bottom-up demand has three strategic components:

1. ***Strengthen unit-level health and performance.*** Start by using existing data, such as the employee engagement index derived from the annual government-wide employee viewpoint survey, to assess and diagnose the state of unit-level organizational health and performance. These survey data are available to 28,000 work units across the government. Expand and refine analyses over time to include the use of other data sources, such as operational and mission support performance data.
2. ***Create a learning-based approach to improving results.*** To act on these assessments, create a learning-based approach (rather than a directive approach) to improve organizational

capacity and performance in agencies by engaging organizational units to develop their own individually tailored plans for improvement. The specific elements would be defined within each major mission area. The strategy may cross program and agency boundaries. Plans would be peer-reviewed.

3. ***Employ the power of data analytics to manage.*** To sustain the learning-based approach, help managers make effective use of a flood of new data relevant to their operations by giving them tools to access, analyze, and apply those data, as well as the skills to manage in this new data-rich environment. Encourage the creation of communities of practice where managers can learn from each other's experiences well as from more formal training opportunities.

Leadership for this effort must come from the agencies. OMB can catalyze support through the President's Management Council with support from the Performance Improvement Council, but the agencies must see this as their opportunity to collectively drive performance by ensuring that the foundations of healthy organizational units are in place.

We envision that over time this new management improvement approach will transform the federal government into an organization that learns from experience, constructively engages employees at all levels in this shared enterprise, and continually strives toward higher standards of excellence in achieving its many missions and policy objectives.

INTRODUCTION

In recent decades, the federal government has launched a succession of initiatives to improve the federal government's ability to manage its vast and diverse responsibilities. A landmark was passage of the Government Performance and Results Act (GPRA) in 1993, which for the first time provided a comprehensive framework for setting goals, measuring progress, and reporting on results. That legislation was refined in the GPRA Modernization Act (GPRAMA) of 2010, where Congress mandated a number of new administrative routines, including the establishment of agency and cross-agency priority goals, and regular assessments of program performance.

Most recently, the President's management proposals in the fiscal year 2018 budget stated that the Administration, by 2020, would "use available data to develop targeted solutions to problems Federal managers face, and begin fixing them directly by sharing and adopting leading practices from the private and public sectors (U.S. Office of Management and Budget 2017: 7)."

Executive agencies now have over 20 years of experience with the tools to plan strategically, inform budget and policy decisions with evidence of what works, and focus agency leaders and managers on priority goals. The statutory basis of GPRA and GPRAMA has provided stability and continuity to performance improvement efforts that was missing from a previous generation of reforms. At senior levels in the agencies, strategic planning and data-driven "-STAT"-style performance reviews have driven progress on both policy and management reforms. In addition, the government has recognized the important reciprocal relationship between agency performance and organizational culture. It continues to use the Federal Employee Viewpoint Survey (FEVS) to track key human capital metrics, particularly employee engagement.

To what extent has the government's capacity improved as a result of these management initiatives? Based on limited evidence, the record is mixed.

Stronger performance data and metrics have helped focus and drive a new generation of policy and management improvements. Some agencies have developed an analytic depth that had not existed before (Partnership for Public Service, 2012, 2013). Despite isolated successes, however, the hope that such changes would dramatically improve the federal government's effectiveness and efficiency has fallen short (U.S. Government Accountability Office 2017). This report examines some potential alternatives to address this shortfall.

An Opportune Time to Explore New Approaches

This is an opportune time to consider new ideas to strengthen the government's ability to perform:

- ***New Emphasis on Engagement.*** In recent years, most of the performance improvement changes have focused on the top levels of agency leadership. Guidance has often been imposed on front-line managers from above, sometimes applying a "one size fits all" approach that disregards the unique conditions and constraints that operating units face. Such efforts have focused more attention to performance, but they have also created top-down,

pressures to hit performance targets. That, in turn, has led to disruptive gaming and other unintended consequences. Improving government’s ability to perform must engage managers and employees at all levels, from program offices to field offices to mission support functions, in improving delivery and results.

- ***New Insights on Performance.*** In large private sector organizations, a wealth of new insights has emerged. Many of these organizations have focused on sustained efforts to create and embed improved performance through the use of data and analytics. These experiences offer lessons to government, with a roadmap of workable strategies and a tool kit of techniques.
- ***New Performance Data.*** New kinds of data are flooding the federal performance system. The data are emerging faster than front-line government managers can keep up and without the analytical tools and support to use these data to manage their programs. However, these ongoing advances in information technology and emerging data analytics in pioneering agencies can enable managers to lead in new ways, by using real-time metrics for day-to-day operations while generating a line of sight from front line operations to larger policy objectives. Realizing the value of these advances will require support and training so that managers can access, analyze, and interpret evidence related to their work and how it can be improved.
- ***New Analytic Tools.*** The federal government has recently developed, but only barely begun to exploit, a new set of tools to identify, diagnose, and remedy barriers to more effective performance. For example, the annual FEVS, quick turnaround “pulse” surveys, sentiment analyses, and data from benchmarking and enterprise risk analyses are increasingly being used to develop leading indicators of areas needing managerial attention. Some agencies have developed promising practices for diagnosing and remedying management challenges in advance of potential mission failures.

We recognize that any effort to systematically improve the government’s organizational health and performance will be a complex, long-term undertaking. We believe that the opportunities outlined above create the framework for a new approach that would complement the processes already established within the GPRAMA framework.

Our Charge and Project Objectives

The Academy was invited by staff of the Office of Management and Budget (OMB) in September 2017 to offer its insights on how the federal government could take advantage of the increased availability of a rich variety of data and analytic processes to improve government’s organizational health and performance.

In its invitation, OMB observed that the growing pool of increasingly granular and timely administrative data provides new opportunities for analysis. OMB also noted that these data raise a host of new questions that do not fit within either traditional program evaluation or more-recent “STAT-style” performance review strategies (e.g., Citi-STAT, Performance-STAT). This is both a matter of *volume*—far more data than could fit within the -STAT process—and of *focus*. OMB

told us that data have illuminated many new questions that go beyond the many agencies' capacity to address with existing management tools. A good example is the massive flow of new data coming from the FEVS—which annually generates discrete data on how staff of more than 28,000 federal work units view their work—and from other employee and mission-support data systems.

The Academy's Panel focused on developing insights and advice to OMB for ways to improve organizational health and performance within agencies of the federal government so Americans get both better services and more efficient and effective government. We have tried to identify concrete steps that can inform a new approach consistent with and supportive of other management initiatives, including those mandated by the GPRAMA.

Our Approach

A dozen Fellows who participate in the Academy's Standing Panel on Executive Organization and Management volunteered on short notice to pool their expertise and carry out a rapid reconnaissance of the most relevant experience and evidence (see Appendix A for the list of study Panel members). The study Panel conducted two data-gathering sessions, at which the Panel invited experts from leading-edge public and private sector organizations to share their experiences in using data to improve organizational health and performance.

Several themes emerged from our scan of relevant experience and the literature on leadership and organizational health. This paper draws from the most relevant data in the field as well as from the practical experiences of the Panel—from leading and managing large organizations to researching and assessing what works.

This research supports our recommended framework for improving the organizational health and performance of government organizations, from entire agencies to organizational sub-units. We believe that all organizations should strive to become high-performing and exhibit:

- excellence in delivering their mission;
- strong leadership and managerial capacity at every level;
- high employee engagement; and
- data-driven decision making.

Section 1 briefly describes the existing federal government performance framework—as well as some of the challenges facing federal managers and leaders.

Section 2 reviews evidence supporting new strategies to improve organizational health and capacity.

Section 3 suggests behaviors that every government manager can undertake to support a high-performing organization.

Section 4 provides a new strategy to improve organizational health in the federal government. We believe three sets of actions will help agencies and their units become more capable of high performance:

- helping organizational units strengthen their organizational health as defined in this paper;
- developing a learning-based approach to improving results; and
- assisting managers to employ data analytics as part of their learning-based approach.

We provide recommendations for near term actions by OMB and within agencies in Section 5. And finally, we provide additional background, resources and case studies in a set of accompanying working papers.

This white paper seeks to provide management recommendations to OMB and to assist managers and leaders at any level of government to improve organizational capacity and health. Its ultimate goal is to help transform the federal government into a high performing, fully engaged enterprise. We believe that of all the elements needed for this, the main catalyst is leadership, and that strong leadership can support higher performance at every level of the enterprise.

SECTION 1: EFFORTS TO IMPROVE FEDERAL GOVERNMENT PERFORMANCE

Over the past two decades, the federal government has made significant progress toward creating a government-wide performance framework and institutionalizing an array of new departmental and agency performance improvement initiatives and mission support capacities. This framework has several elements.

A Federal Performance Framework Is in Place

Passage of the Government Performance and Results Act (GPRA) in 1993 laid out a relatively simple results-oriented framework. It required agencies to develop a set of administrative routines: multi-year strategic plans, annual performance plans, and reports on progress toward their strategic goals at the end of each fiscal year. This law set into motion more than a decade of experimentation and learning, which led to the refinements enacted in the GPRA Modernization Act of 2010 (GPRAMA).

Following passage of the new law, OMB developed a “Federal Performance Management Framework” (see Appendix B), a set of processes and timetables that provide an integrated, recurring routine, links to other management processes, and connections to the budget process (U.S. OMB 2017). A 2017 Government Accountability Office (GAO) report assessed the first full cycle of under the new GPRAMA. GAO concluded that the new law has been implemented as required, but that much more could be done, without further statutory changes, to expand the use of performance information in making informed decisions within agencies (U.S. GAO 2017).

In an early assessment of GPRAMA, Professors Donald Moynihan and Alexander Kroll (2016) found that managers who were involved in administrative routines created by GPRAMA – such as participating in the law’s required quarterly reviews of progress on agency priority goals – were more likely to use performance data, an indicator of the type of cultural change the law was designed to facilitate (see also GAO 2017). However, these routines are typically conducted at the top of a department or agency and do not cascade down to most bureaus or field offices as a routine way of doing business.

Frontline Managers Are Not Leveraging Data to Inform Decisions

While the supply of data is increasing as a result of GPRA, its use has not. In fact, GAO’s periodic surveys of federal managers over the past 20 years show that only about one-third of federal managers use performance-related information when making program or resource decisions. Furthermore, the long-term trend is even more discouraging: GAO has found that since 2007 federal managers have reported decreases in use of performance information (U.S. GAO 2017: 35-36).

One bright spot is this: when federal managers were involved with GPRMA’s agency and cross-agency priority goals, especially the quarterly progress report, they were more likely to use data.

Access to Granular Data Is Greater Than Before

The Office of Personnel Management (OPM), the General Services Administration (GSA), and individual agencies have developed more granular and timely program and administrative data in recent years to measure both the results of their work and their organizational health and performance. Many agencies have also developed analytic teams to interpret and present such complex data (Partnership for Public Service, 2102, 2013; Kettl 2018).

This trend continues. Over the past decade, OMB and a wide range of external advocates for improved government performance have made a strong case for the use of evidence in decision-making (NAPA 2015). Federal managers who are exposed to evidence from program evaluations gain greater confidence in their ability to understand how to improve their programs and are more likely to use performance data (Kroll and Moynihan 2017).

In addition, Congress has shown fresh interest in increasing the availability and use of evidence to shape policy and improve policy implementation. This interest culminated in bipartisan legislation that established a congressional commission in 2016, with a final report and proposed plan of action released in September 2017 (Commission on Evidence-Based Policymaking). Implementing legislation for many of the commission's recommendations has now been introduced.

Missing Elements

To further its decades-long pursuit of a performance-driven organizational culture, the federal government needs to:

- make organizational units the building blocks for improving performance;
- link the pursuit of performance with a parallel pursuit of increased organizational health and capacity;
- engage lower-level managers and their staffs in a collaborative effort to improve organizational performance;
- help managers learn how to analyze data to guide their operations; and
- facilitate knowledge transfer and learning across organizational boundaries.

To close these gaps in the current management framework, OMB could establish an agenda and procedures for *organizational learning and development* aimed at establishing a norm of *organizational excellence* to support more effective delivery of the government's many missions.

To improve organizational health and performance across the government, agencies need a process to support front-line managers, who are responsible for delivering the government's diverse array of programs or for providing mission support. Operational units (see box on the next page) are the ones that have direct contact with the government's customers, contractors, and external partners, who together help determine the unit's capacity to perform. This is where work gets done, and improving organizational health of front-line units will improve

government's performance. Too often, these units have been an afterthought. Too often, reform has been seen as a top-down process, with congressional changes converted into policy guidance from OMB that policymakers expected would trickle down to the front lines. That rarely happened.

The focus on organizational outcomes has also come without equivalent attention to the means of generating better performance: improving organizational health and capacity. With the GPRAMA framework in place, we believe a strategic reorientation that makes front-line managers the starting point, and considers health and capacity of units at all levels of the organization, will pay the greatest performance dividends.

What Do We Mean by Operational Units?

The mission delivery and mission support operations of federal agencies are organized in many different ways, reflecting their distinctive missions and unique histories. Defining their size and nature cannot be done government-wide; this has to be left to agencies. Here are some examples:

- The Department of Agriculture (USDA's) Farm Service Agency delivers a broad range of commodity, loan, disaster, and other programs to farmers and ranchers through a national network of operating units in nearly every U.S. county.
- USDA's Forest Service operates conservation and recreation programs in over 140 national forests and grasslands.
- The Department of Energy (DOE) operates 19 large national laboratories and technology centers and oversees cleanup activities at over 20 nuclear and other contaminated sites.
- The National Weather Service, part of the National Oceanic and Atmospheric Administration (NOAA), makes forecasts and organizes early weather warning networks through a national system of 122 offices in six regions.
- The U.S. Army operates out of over 170 bases, camps, and other installations in 49 states and Puerto Rico and from numerous bases overseas.
- The Social Security Administration's 60,000 staff mainly serve the public through a localized structure that includes 10 regional offices, 6 processing centers, and approximately 1,230 field offices. There are 2 additional processing centers in central office.
- The Veterans Health Administration in the Department of Veterans Affairs (DVA) provides medical care for over 9 million veterans each year through a national system of care at 1,243 health care facilities, including 170 VA Medical Centers and 1,063 outpatient clinics.

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SECTION 2: WHAT WE KNOW ABOUT IMPROVING ORGANIZATIONAL HEALTH AND PERFORMANCE

What evidence is available to help us understand how to strengthen the capacity of front-line units to carry out their many missions?

It is inherently difficult to make the link between government-wide managerial reforms and overall changes in performance, partly because this would require a single metric of performance across very different government programs. A meta-analysis of performance management efforts in government found that the use of targeted performance management practices did have a positive effect on performance (Gerrish 2016). The effects were not very large, but they increased when governments used specific tools like benchmarking. In education, there are examples of how performance practices improve outcomes (Sun and Henderson 2017). Additional insight about strategies to improve organizational health and performance comes from studies of private- and public-sector organizations. That research, briefly summarized below, served as a reference point for some of the findings and recommendations in our review.

An Organization's Performance Is Tied to Employee Engagement

Program performance does not increase simply by setting clear objectives or measuring progress. Progress depends also on the strengthening the capacity of operational units to deliver. Therefore, we need to identify those elements of organizational health or capacity that are keys to improving performance at that level.

There is no common metric to assess the health or performance of operational units in government. Nor should there be. Government's missions ranges from delivering Social Security benefits, to assessing inventions for patents, to delivering food and shelter in the wake of disasters, among many others. However, we believe there are foundations to effective performance in operating units, including:

- the degree of employees' commitment to their mission (which is high on average in the federal government); and
- the degree of employees' engagement in their work (which varies widely across the government). (See U.S. Office of Personnel Management 2017)

An employee engagement index is a common metric in the private sector, and it is a strong predictor of organizational capacity. Its link to performance has been validated by Gallup and a number of other public and private sector studies (Harter et al 2016; U.S. Merit Protection Board 2008, 2009, 2012). According to Gallup's review of more than 300 research studies covering nearly 1.9 million employees of 230 organizations across the world, "the relationship between engagement and performance at the business/work unit level is substantial and highly generalizable across organizations. Employee engagement is related to each of nine different performance outcomes [such as productivity, safety, and quality]." Some recent research, mainly

in the private sector, suggests there is reciprocal interaction, with organizational performance and culture affecting employee attitudes and engagement (Ubaka and Altamimi 2017).

Unit-level engagement indicators suggest that using employee survey data, supplemented with other administrative data, can identify and track organizational capacity. Analysis of such data may be an effective element of an organization's risk management strategy, flagging performance problems before they become systemic or lead to dramatic failure. Moreover, granular data—information on smaller organizational units—is more actionable by front line managers than other forms of data, and thus it is more likely to produce effective action.

The federal government has developed an employee engagement index and annually surveys more than 1 million employees across the government. It has valid time-series data on about 28,000 work units (those with 10 or more respondents) that can be used to identify trends and patterns for those units. The Office of Personnel Management (OPM) provides assistance to managers in interpreting their data via UnlockTalent.gov so they can compare their work units with others. This transparency has, on its own, created a sense of urgency to act by some managers, but it has not yet created a broad effect across the government.

Measuring Employee Engagement Isn't Enough to Improve Organizational Health and Performance

While both the federal government and private companies measure employee engagement, these assessments only tell leaders and managers what is going on. Assessment data do not explain the “why.” If leaders want to replicate a success or turn around a problematic work unit, they have to dig deeper with other sources of data. These deeper diagnoses involve both quantitative and qualitative analyses.

A wide range of both private- and public-sector models show that an engaged front-line workforce delivers better services and results. These models can help inspire a new approach to improving performance in the federal government. They typically have three elements:

- an assessment element that is often quantitative and that identifies specific measures of organizational capacity, such as employee engagement;
- a diagnostic element that is often a mix of quantitative and qualitative components and that helps interpret why an organizational unit scores at a certain level in its assessment; and
- an action element comprised of strategies and plans that translates the diagnostic elements into changes in capacity and performance.

The Corporate Executive Board (CEB), now part of Gartner, noted in its 2013 study, *Rethinking the Workforce Survey*, that “engagement is necessary but not sufficient” and that “[t]he world's best workforce survey programs capture information about universal and strategy-specific capabilities, and supply the data necessary for talent management and other leadership decisions in the context of the business priorities and strategies unique to their organization.”

Based on its observations, the Panel believe there is no silver bullet, no “one size fits all” approach, to improve the organizational health and capacity of federal agencies to perform their missions. Improving organizational health and performance will require different approaches for different agencies and operational units. However, based on a review of research on organizational development approaches used in large public and private sector organizations over many years, we are able to identify common design principles and elements that contribute to sustained increases in performance in large organizations.

Drivers of Employee Engagement

“Employees will be engaged when their work has a meaningful purpose, their jobs include continual learning, and they are respected and recognized for their contributions, views and ideas,” says Dr. Michael Maccoby, author of *Strategic Intelligence*. But what are the drivers of employee engagement?

Based on a lifetime of experience in working with large organizations in both the private and public sectors, Maccoby says that surveys of the drivers of employee engagement have been shown to be an effective tool for predicting organizational performance. For example, Gallup has reported significant correlations between their measures of employee engagement and both productivity and profitability of companies. The Federal Employment Viewpoint Survey of 15 items includes some but not all of the 12 items used by Gallup to measure engagement but also some that are not part of the Gallup list. Both surveys are weighted heavily on employee relationships with their supervisors. Items asked include: Do supervisors treat employees with respect? Do they give them work that makes the best use of their abilities? Do they encourage continual learning and development?

The Gallup survey also includes items relating to the mission or purpose of the organization and to relations with co-workers. These are missing from the Federal survey which includes items about attitudes toward senior leaders that are not part of the Gallup survey. Neither survey includes items about satisfaction with compensation and rewards. The Gallup survey does include recognition for doing good work.

Maccoby says that the drivers of employee engagement can be summarized as “5Rs:” Reasons, Responsibilities, Relationships, Recognition, and Rewards.

- **Reasons** include the employee’s identification with purpose of the organization. Do employees feel they making a positive impact, that they are contributing to a worthwhile endeavor?
- **Responsibilities** include the work itself, whether it makes good use of employees’ abilities and is consistent with their values.
- **Relationships** include those with supervisors, colleagues, customers and the public. Are supervisors and colleagues supportive? Do supervisors encourage learning? Are they respectful?
- **Recognition** for good work reinforces positive relations with supervisors.

- **Rewards** include opportunities for learning as well as compensation and promotions. Although research indicates that pay is not a driver of engagement, lack of fair compensation causes resentment and undermines engagement.

Gallup reports that the best way to improve employee engagement is to focus on selecting competent supervisors and working to improve their management competence.

What Is Meant by “Organizational Health”?

Research on private companies (and some government organizations) indicates that the health of an organization is based on its ability “to align around a clear vision, strategy, and culture; to execute with excellence; and to renew the organization’s focus over time by responding to market [or other environmental] trends.” Consultants for McKinsey & Company have defined organizational health in the private sector as the “capacity to deliver—*over the long term*—superior financial and operating performance.” They emphasize the multi-dimensional character of organizational health; dimensions include leadership, motivation, innovation and learning, and culture and climate (DeSmet, Schaninger, and Smith, 2014).

Interest in organizational health and its improvement is motivated by its relationship to sustained improvements in performance. One study defined a ‘healthy organization’ as one where “all processes are performed efficiently” (Xanidis and Theocharous, 2014). As the authors note, a closely related concept is “organizational capability,” defined as the ability of an organization to use resources in an effective way, in order to achieve its goals. Another related concept, usually applied to organizations adapting to a rapidly changing or turbulent environment, is “organizational resilience.” It moves past employee engagement to include responsive client and stakeholder engagement, supportive structures, and systems and the skills and knowledge required. However, research demonstrating how changes in organizational health lead to sustained improvements in performance is still quite limited.

The concept of organizational health has not yet been applied frequently in analyzing public organizations. Unique characteristics of public sector organizations are likely to affect how organizational health can be measured, how it can be improved, and how this improvement affects government’s ability to perform. OPM touches on this when it defines “performance culture” as “a system that engages, develops, and inspires a diverse, high-performing workforce,” and that this is done in the context of a set of management strategies, practices, and activities focused on mission objectives. (U.S. OPM)

Multiple Assessment and Diagnostic Frameworks Have Been Applied to Improve Organizational Health

Organizations in the public, private, and nonprofit sectors have developed multiple assessment and diagnostic frameworks to improve organizational health and performance. Some are quantitative, some are qualitative, and increasingly there is a blend between the two.

Quantitative Assessment Approaches. In our review, we found that organizations are increasingly taking advantage of an expanding pool of available administrative and other internally available data to assess their performance and capacity. This trend is more prevalent in the private sector, but it is occurring in the public sector as well. We identified four sets of approaches:

- ***Use of Employee Surveys.*** Gallup conducts a widely used survey of employees in companies across the globe in 43 industries, including government, in 73 countries. The federal government annually conducts its own survey, the Federal Employee Viewpoint Survey, as a result of a 2002 statutory requirement (see box below). OPM oversees the preparation, distribution, and analysis of the survey data, and is increasingly providing assistance to agencies that want to act upon their survey results. OPM created an Employee Engagement Index based on a subset of the survey questions. As a result of the high visibility of the survey results, a number of federal agencies have actively sought to improve the engagement of their employees. (See Accompanying Working Paper #6 for case examples of how the leadership of the U.S. Department of Agriculture and the Department of Labor’s Veterans Employment and Training Service set out to improve their employee engagement levels.)

What Is The Federal Employee Viewpoint Survey?

The Office of Personnel Management (OPM) administers the Federal Employee Viewpoint Survey (FEVS), an annual survey of Federal employees that goes out to more than 1 million employees. The survey produces extensive results that can be examined across time and across organizations and employee groups to assess important aspects of strategic human capital management and can form a basis for developing, implementing and evaluating specific improvement efforts.

Agencies can use their FEVS results for a variety of purposes. Agency leaders, including Chief Operating Officers, Senior Leaders, Performance Improvement Officers, Chief Human Capital Officers, program managers and others, can examine FEVS results to identify performance drivers in need of improvement and to highlight evidence of successful change initiatives and sustained progress. The FEVS data can offer direction and substantiate results, but it must be remembered that they provide a viewpoint and should always be considered in conjunction with related and corroborating information and analytics.

The government-wide survey is rooted in a 2002 law and its amendments in 2004. The law requires OPM to issue regulations “prescribing survey questions that should appear on all agency surveys...in order to allow a comparison across agencies.” The legal requirement for conducting a survey applies to each agency, but OPM conducts a centralized survey government-wide on their behalf to alleviate the administrative burden.

In 2017, the survey was comprised of 84 questions, of which 45 addressed statutory requirements (this number will be reduced to 16 in subsequent years). There were 486,105 responses to the survey, out of more than 1 million survey recipients, resulting in a 45.5 percent response rate.

The survey reaches as far down as nine layers within large organizations, and generated reportable data on about 28,000 work units (with respondents of 10 or more; data are not reported for smaller units to preserve confidentiality of respondents; otherwise, the responses are rolled up to the next higher organizational unit).

In recent years, employee engagement has received great emphasis as a construct that is closely tied to an organization's performance capacity. OPM developed an "Employee Engagement Index" based on 15 FEVS items, with three sub-indices: Leaders Lead, Supervisors, and Intrinsic Work Experience. These measures assess drivers of employee engagement and can provide insights about differences across organizational components or demographic groups and can offer direction for where and how to influence those drivers.

OPM supports generalized approaches to helping an organization – at the agency level or the sub-agency level – understand and act on its survey results using a series of tools, including: a FEVS Online Data Analysis tool for HR managers and the UnlockTalent.gov tool for agency managers. Both are password protected sites.

Further details are available in Accompanying Working Paper #2.

- ***Use of "People Analytics."*** In addition to annual employee surveys, an increasing number of private sector companies are actively using data to better assess their needs for talent at the unit level, as well as across the enterprise. For example, IBM's internal People Analytics and Cognitive Offerings manager told the Panel that much of existing human resource data are "dark data," that are scattered throughout the enterprise and not readily visible to line managers from which personalized insights can be derived for improved decision-making. The IBM official said that managers are more likely to adopt and use data for decision-making when the analytics are integrated into a seamless experience with employees, managers, and executives at the center of design. IBM developed a user-centric approach to analyze human resources data for its 380,000 employees. The approach drew from multiple data sources and segmented the employee population to enable personalized opportunities, such as individualized recommendations on learning and career progression. In addition, IBM analyzes pay, location, skill levels, organizational performance, use of social media, and the extent of internal connections among staff in order to create a richer picture of both individuals and work units. IBM also found that frequent and targeted "pulse surveys" are more relevant than company-wide annual surveys (see Accompanying Working Paper #4 for case study).

In the federal government, personnel data are also increasingly available for analysis. For example, OPM has developed FedScope, which is a focal point for statistical information about the federal workforce. Like Intel, OPM has developed a dictionary of standard data definitions and provides access to "data cubes" containing statistics about employment, hiring, separations, and diversity.

- ***Use of Benchmarking Studies.*** CEB, now Gartner, conducts benchmarking studies of private companies in a wide range of areas. These studies focus on specific tactics used in the

commercial world that would be transferrable to other companies, such as strategies to mitigate attrition rates or improve employee engagement.

In 2013, the Office of Executive Councils within the U.S. General Services Administration (GSA) undertook a similar benchmarking initiative of selected federal mission support services such as human capital, information technology, real property, etc. It worked with the relevant cross-agency mission-support councils, with strong support from the President's Management Council, to identify key metrics (Kamensky 2016). Field experiments have shown that public managers are more interested in performance data when it has this comparative dimension (Andersen and Moynihan 2016).

- ***Enterprise Risk Management (ERM) Assessments.*** An essential part of ERM, now widely used in business, is the free flow of information in an organization, up and down the hierarchy and across silos. This was seen in the 2008 financial crisis, when leaders at successful firms obtained information from one part of the organization that prompted recognition of major emerging risks that sometimes required a protective response from another part of the organization.

In 2016, OMB updated its risk guidance to agencies in Circular A-123 by expanding it to include “enterprise risk management.” This expansion requires agencies to create “risk profiles” that prioritize various forms of risk to an agency’s mission. The guidance includes “human and cultural factors” and is intended to “facilitate continuous improvement of the organization.” It also requires annual assessments by senior leaders on progress and challenges. Some agency risk officers are including these elements in their risk assessments, seeing them as early warnings of problems that could inhibit performance and goal achievement.

Qualitative Diagnostic Frameworks. Various business writers, such as Marcus Buckingham (1999) and Daniel Pink (2008), have offered advice for improving organizational capacity and health via a range of leadership behaviors. Others have offered research-based diagnostic frameworks that are largely qualitative in nature. For example:

- ***Organizational Health Framework.*** Scott Keller and Colin Price, in their 2011 book, *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage*, identified 37 management practices that contribute to organizational health. They found that there “is no one recipe” for success. Instead, they describe four archetypes, each representing a different recipe “that can be used as a foundation on which to build.” These are:
 - *leadership-driven* (companies that fit this archetype believe that leaders are the catalysts for performance, setting high expectations and supporting the organization in achieving them);
 - *execution edge* (companies that believe that discipline, sound execution, and continuous improvement are the foundation for great performance);
 - *market focus* (companies that believe that shaping market trends and building a portfolio of strong and innovative brands keeps them ahead of the pack); and

- *knowledge core* (companies that believe their pool of talent and knowledge is their most important asset).

Keller and Price also provide insights on what it takes larger organizations to systematically *improve* their Organizational Health and Performance. Mobilizing energy to support change requires not only leadership commitment and clarity of direction but an ability to “regularly collect robust data on progress in order to correct course quickly . . . and celebrate achievements” and “building broad ownership for the transformation” so that change becomes self-directed through personal involvement by employees and external partners (Keller and Price 162 – 164).

- ***World Management Survey.*** A trio of academics from Harvard, Stanford, and MIT have interviewed managers over the past decade from more than 10,000 companies in 34 countries about their management practices to identify what leads to higher performance (Sadun, Bloom, and van Reenen 2017). They identified 18 key management practices that are critical to operational excellence, such as setting clear goals, defining appropriate metrics, and choosing the right targets. They grouped these practices into four areas: operations management, performance monitoring, target setting, and talent management. Statistically, they found that “their adoption accounts for a large fraction of performance differences across firms and countries.”
- ***Continuous Learning Initiatives.*** A recurring theme of most recent organizational performance research is the need to foster a culture that supports continuous learning and innovation. For example, former Australian government senior official Andrew Podger recommends that governments “explore a new approach that allows for more experimentation and learning from practice, particularly in complex policy areas” (2015). A World Bank review of performance practices in seven different countries pointed to the use of “learning forums”—venues outside of the traditional budget process where data and evidence are routinely discussed (Moynihan and Beazley 2016).

The U.S. Department of Labor has been a pioneer in developing this approach in recent years. Its former chief evaluation officer, Demetra Nightingale, notes: “learning agendas can serve as a useful approach to developing and implementing a strategic approach to rigorous empirical research about ‘what works’ and what works ‘best.’” (See accompanying working paper #3 for additional details.)

Organizational Capability Reviews. The government of the United Kingdom launched a series of Capability Reviews in 2005 for all central departments “in order to improve the capability of the Civil Service to meet today’s delivery objectives and to be ready for the challenges of tomorrow.” It defined “capabilities” as “clusters of skills, systems, routines, etc.... based on developing, sharing and exchanging information” through people... “The Cabinet Secretary [intended] to use Capability Reviews as a catalyst to change civil service culture so that it is more collaborative, dynamic, customer focused and innovative.”

The reviews themselves were conducted every other year by an external review team of five senior external experts from local government and the private sector. The Cabinet Office

oversees the program and focuses on ten elements of capability organized around leadership, strategy, and delivery. The reviews are typically two to three weeks in length. Final reports are public. Follow-up assessments of progress are made every six months. Following two full cycles of reviews, the reviews are now undertaken on a less systematic basis, often as agency self-assessments.

In subsequent years, other British commonwealth countries began to undertake their own organizational capacity reviews. The reviews occur at the departmental and agency levels, not at the sub-agency or unit levels (see Accompanying Working Paper #5 for case studies of Australia, Canada, and New Zealand).

In the U.S., similar reviews are conducted at the unit level by the U.S. Army, through its analytical agencies, such as the Center for Army Analysis. Its corps of 600 operations research and systems analysts conduct both “operational assessments” and “organizational assessments.” The center conducts in-depth studies to determine the health of every mission function from logistics to medical evaluations to testing new pieces of equipment (see case study in Accompanying Working Paper #6). The State Department’s Office of the Inspector General conducts ‘inspections’ at embassies overseas. State’s IG inspections focus on policy implementation, resource management, and compliance management controls, not on staff capabilities *per se*.

Certification and Awards Programs. A number of non-profit organizations offer assessment and diagnostic programs similar to organizational capacity reviews that result in certifications or awards. For example:

- ***American Society for Quality.*** ASQ’s Government Division offers Process and System Certification guidelines, which: “provide a tool and framework for Government Managers to evaluate their efforts in process improvement, and through evaluation, offer further suggestions on the means and methods of improvement.”
- ***Baldrige Award.*** The Malcolm Baldrige Performance Excellence Program is “an award ... given by the President of the United States to businesses and to education, health care, and nonprofit organizations that apply and are judged to be outstanding in seven areas of performance excellence.” The program offers a set of self-assessment guides around seven key areas such as leadership, strategy, customers and results. Organizations applying for the award are then assessed by an external team of judges.
- ***ISO-9000 Standards.*** The International Organization for Standardization sponsors a certification program in order to “provide guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customers’ requirements, and that quality is consistently improved.” It is organized around seven quality management principles such as leadership, customer focus, engaging people, and evidence-based decision making.

Acting on Results of Assessments and Diagnoses

Most organizations we reviewed did not have a systematic approach to ensuring action on survey findings. The most consistent follow-through came in countries conducting capacity reviews, where agencies were required to develop improvement plans and follow-up reviews were conducted every six months.

The ideal approach would be to build into operating units a culture of continuous learning and innovation. More realistically, there will always be the need for top-level interventions where performance problems have been identified.

Private Sector Intervention Approaches. In the private sector, interventions are typically targeted to meet specific business challenges, not to achieve change in organizational culture. However, according to the 2013 study *Rethinking the Workforce Survey*, CEB, now Gartner, reports that: “in 2011, 80% of the 4,000 business leaders CEB surveyed said that engagement initiatives do not drive business outcomes.”

In the same report, CEB, now Gartner, noted: “While it is clear that employee engagement is vital to an organization’s success, it is not enough. Engagement, and therefore additional employee effort, must be directed toward tasks aligned with the organization’s objectives; individuals and teams must be able to anticipate and adapt quickly to changing circumstances.”

The private sector is also increasingly using so-called “dark data”—unstructured data from multiple sources—ranging from what employees are saying about their work environment on social media to corporate administrative sources such as employee demographics, individual performance evaluations, and unit workload data. Organizations search for hidden patterns that can define specific intervention approaches.

Public Sector Intervention Approaches. In the U.S. government, several approaches have been used to respond to the results of organizational assessments, but none is dominant. At the government-wide and departmental levels, there are several sets of strategic-level data-driven reviews: annual departmental strategic reviews that assimilate data from FedStat, HRStat, PortfolioStat (IT-related), and other sources. However, these tend to be conducted at the top levels of a department and rarely filter down to operational units.

Any recognition of high performance or interventions to manage specific risks tend to be undertaken internally rather than by an outside group such as a “turnaround artist” or external SWAT team. For example, the U.S. Army has dedicated analytic units to both identify trends and to define why trends are occurring. However, response action is vested in unit commanding officers.

In addition to learning-based approaches, more traditional formal training is an obvious way to improve an organization’s capacity. One study showed that federal managers who had taken some sort of training in performance management were more likely to use performance data (Kroll and Moynihan 2015). In that study, the researchers found that training helps employee develop a sense of what performance data is for and what they should do with it to improve their operations.

The Challenge Ahead

The current federal performance management framework is ripe for expansion beyond the headquarters level. The challenge going forward is to establish a process and agenda for organizational learning and development aimed at establishing a norm of organizational excellence at all levels, and a performance-oriented culture to support more effective delivery of the government's many missions

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SECTION 3: ENVISIONING IMPROVED ORGANIZATIONAL HEALTH AND PERFORMANCE IN GOVERNMENT

When starting any long journey, it is good to have a clear idea of the destination. For example, if the approach to improving government's organizational health and performance outlined here is successful, what will change? How will this change manifest itself in behaviors at different levels in the government? As guideposts for a proposed new strategy to increase the federal government's organizational health and performance, we have tried here to answer these questions.

The Vision of a Reoriented Federal Government

We envision that, over time, a new management improvement approach would transform the federal government into an organization that learns from experience, constructively engages employees at all levels in this shared enterprise, and continually strives toward higher standards of excellence in achieving its many prescribed missions and policy objectives.

Behaviors that Contribute to Improved Organizational Health and Performance

Certain behaviors should be recognized and rewarded if the federal government is transformed into a learning organization with a culture of management excellence. For example:

- Managers at all levels will share a commitment to and understand their agency's mission and strategic objectives.
- Senior managers will:
 - act quickly on information about performance and ideas for improving performance received from program and front-line managers;
 - systematically track, record, report on, and reward actions taken to address obstacles to better performance identified by managers at all levels of the organization; and
 - facilitate and reward collaboration across organizational boundaries that contributes to better achievement of agency objectives and priority goals, including constructive partnerships with other governments and nongovernmental organizations.

- Program and front-line managers will:
 - have a clear understanding of how their work contributes to the mission and strategic objectives of the agency;
 - have the analytic tools and training to manage using a rich array of administrative and other data that help them quickly identify and implement improvements to enhance performance;
 - understand why they need to build high-engagement work places, will take action based on data to build engagement, and will be assessed on their unit's progress;
 - be assessed (and will be able to assess their own work and that of their staffs) based on the contribution of their work to one or more agency strategic objectives and priority goals; and
 - be recognized and rewarded, not punished, for calling attention to and recommending actions to address obstacles to better performance as measured by contributions of their work to one or more strategic objectives and priority goals.
- Managers of mission support offices will be assessed based on the contribution of their offices to better performance by program offices in achieving agency objectives and priority goals.
- The Office of Management and Budget will embrace and execute its central role to create conditions for success by coordinating and facilitating efforts among agencies to improve federal management.
- The Office of Personnel Management will embrace and execute its central role to create conditions for success by helping agencies build human capital capability.

Success requires both a clear vision of where federal management is headed and a strategy to realize that vision. The following section broadly outlines the principles and elements of such a strategy based on our best understanding of what other large organizations have done to increase their organizational health and performance and how that could be applied to the federal government.

SECTION 4: PRINCIPLES AND ELEMENTS OF A NEW STRATEGY TO IMPROVE ORGANIZATIONAL HEALTH AND PERFORMANCE

We recommend basic principles to help federal agencies improve their organizational health and performance, along with a strategy for implementing them. Generally, we conclude that the Administration could establish initial core elements of a continuous management improvement process characterized by:

- collective efforts to help managers assess and diagnose their organization's health and performance;
- continuous collaborative learning that supports a culture of management excellence;
- support for operational use of multiple data sets and data analytics to manage; and
- extensive use of data analytics to diagnose management challenges, encourage innovative solutions, build employee engagement, and strengthen organizational health.

This new process would complement and build on the established routines of strategic planning and progress reviews mandated by the GPRA Modernization Act. This new process also would help knit together various management acts and administrative initiatives to improve particular mission support functions: information technology investment; financial management; procurement; human capital; and program management.

A new government-wide approach to improving organizational health would help all managers and their staffs improve their operational performance by addressing obstacles—internal and external—to their success. Managers would identify obstacles to better organizational health and performance. They would track progress in improving organizational health and performance with a set of metrics, supported by strong analytics and made visible to everyone inside and outside the government.

Principles to Guide a New Strategy

A mature performance-focused organizational culture in the federal government should:

- include the use of data analytics to target efforts to improve organizational capacity and health;
- extend the reach of the federal performance framework to program managers, frontline operating units, and mission support units; and
- use these metrics not as an accountability hammer but as a tool to foster continuous learning and improvement.

The process would:

- reinforce and complement other elements of the federal performance management framework, including strategic planning and review and reorganization planning, by empowering front-line managers to diagnose and address management problems;
- help managers at all levels analyze a wide array of information to diagnose particular management weaknesses and address their sources;
- provide incentives and rewards for innovative, collaborative actions by managers and people at all levels to increase their engagement, effectiveness, and efficiency; and
- help managers at all levels exploit emerging data analytics and use these data in real time to monitor and continuously improve operations and results.

Applying a basic principle of organizational health is not straightforward and mechanical. It will itself require a learning process that may stretch over many years and multiple Administrations. However, the elements of this approach can be put in place soon. OMB can lead in creating the conditions for success by: facilitating cross-agency learning; supporting the development and use of government-wide platforms such as Unlocktalent.gov; and working with the President's Management Council to identify best practices, barriers to action, and ways of recognizing and rewarding success. However, the main work and responsibility for instituting and sustaining the change must be within individual agencies.

The Three Elements of a New Strategy

Over the next few years, the strategy for creating conditions that can lead to improved capacity and performance would have three major elements:

- help agency leaders and managers strengthen their organizational units' health and performance by systematically applying methods for spotting, diagnosing, and remedying management challenges of particular units within an agency;
- develop an evidence-driven, learning-based approach within agencies focused on improving program performance and results; and
- help agency leaders and managers make effective use of a flood of new data relevant to managing their workplace and operations by giving them tools to access, analyze, and apply those data to management quickly and by providing them with skills necessary to manage in this emerging environment, acknowledging and rewarding their success.

Element 1. Help Agency Leaders and Managers Strengthen Unit-Level Organizational Health and Performance

A first element of a new approach to improving organizational performance and health would be focused at the agency and, especially, the sub-agency unit level, to: (1) measure and rate unit-level capacity and health; (2) diagnose sources of low ratings to determine sources of management problems and identify feasible solutions; and (3) institute remedies to produce sustained improvements in health and performance.

Step 1: Identify the state of organizational health in agencies, and how it varies at the unit level. “Organizational health” is a multi-dimensional concept. Some dimensions of health are more closely related to an organization’s ability to perform than are others. Because much research has shown that “employee engagement” indices are related to an organization’s capacity to sustain high levels of performance, such metrics should be useful in identifying units where performance is threatened from one or more sources.

We don’t propose to identify how an “organizational unit” should be defined for analysis and improvement efforts. In some cases, the best opportunities for intervention to address management problems may be at lower levels—for instance, by comparing the engagement scores or other indicators for field offices performing similar functions for different regions. However, in other agencies, information may suggest a need to focus on strengthening the management of a major program or program support function.

A starting point for improving performance capacity should include the use of Federal Employee Viewpoint Survey (FEVS) engagement scores and other internal measures of organizational health along with indicators that show how improved unit health or capacity correlates with better unit performance. To help agencies measure organizational health, a new construct could be developed using current FEVS questions, or adding additional questions if needed, to create a valid organizational health measure (see Accompanying Working Paper #2).

Step 2: Once a unit’s status is determined, understand the sources of its management problems or failures. While the annual FEVS and/or other surveys may be of help in identifying factors that explain differences between high and low scoring units within an agency, a proper diagnosis almost certainly requires talking with managers and staff of the unit, their partners or customers, and others with business relationships. Parallel interviews might be conducted with high- and low-scoring units performing similar work. Given the diversity of agency missions and cultures, standardized instruments or diagnostic tools/approaches that have proven useful in other organizations will probably need to be tailored before they can be useful at this step.

Capability Assessment Reviews Used in Other Countries

One option to consider is whether the **development of a “capability assessment review” protocol** – like those used by the UK, Australia, and New Zealand – would be useful to define a core set of criteria and apply these selectively or over a period of time to major units within agencies. This assessment could be conducted by an agency, a third party, or with a self-assessment tool (e.g., the Senior Executive Service appraisal certification system).

Step 3: Develop intervention strategies to sustain future levels of organizational performance and health. Agencies with a strong continuous learning culture will have in place a process for addressing both front-line and systemic challenges affecting the performance capacity of units at all levels of the organization. Others may need to develop a process that includes steps to sustain and reward high performing units.

In short, an agency’s recognition and intervention strategies must be tailored to the particular needs and circumstances of operational and support units working in a particular setting. One of the issues that many agencies will need to address is the role of contractors in a blended work force, including how well their efforts mesh with those of government employees. Systemic problems that cannot be addressed by front-line units alone—such as weak mission support—must be addressed at higher levels.

Element 2. Develop a Learning-Based Approach to Improving Results

The second element of this strategy is to create a structure and process to support continuous learning in each agency, based on evidence of what works best to achieve results once policies and programs are put in place by statute and funded through the budget process. The recent report of the Evidence-based Policymaking Commission strongly recommends that agencies use “learning agendas” for evaluation plans to build the base of evidence that can be used to make program and government decisions. Learning-based approaches can be used to develop and implement a strategic approach to rigorous empirical research about “what works” and what works “best.” While one purpose is to systematically plan evaluation activities, learning-based approaches can also include research and analysis relevant to a range of other evidence-based activities, including statistical performance analysis that complements ongoing performance management analysis.

Agencies need to develop specific strategies for embedding a learning-based approach within their organizational units by encouraging the creation of communities of practice to develop cross-unit learning, such as sharing best practices between building engineers that manage public buildings, in order to improve customer satisfaction. Another strategy is to designate unit-level champions to encourage team learning, for example, inviting a Millennial staffer to help his or her colleagues develop social media skills in order to improve customer engagement. Building a shared vision and helping create personal mastery of job-related skills are keys to the creation of learning organizations (Senge 1990).

Element 3. Help Agency Leaders and Managers Employ the Power of Data Analytics to Manage

The third element of a strategy to improve organizational health and performance would develop the ability of agency leaders and managers to tap the power inherent in new volumes of data relevant to their operations and performance. In every part of public policy—indeed, in every part of society—information is generating faster than anyone can manage or analyze it. There is a widely shared sense that this information contains great value, but it is a fundamental fact that current analytical techniques cannot keep up. Without new strategies for analyzing these data, we would be throwing away things of great value—things that, in many cases, could mean the difference between life and death and that, in all cases, have the potential for making life much better, government much more effective, and tax dollars spent far more efficiently. This data revolution, in part, is about generating better and more-usable knowledge from the accelerating tsunami of information—including customer administrative data and customer feedback.

The emerging data analytics revolution is a real *new* thing, different from previous generations of analysis. It raises both new *opportunities and challenges* for analysts, managers, and theorists concerned with improving the federal government’s organizational health and performance.

In many cases, it will require training in how to select, assess, analyze, and interpret layers of data that are now either unused or misunderstood—and to do so quickly so the information is still fresh and relevant to managers. Technology to access real-time data and using machine learning to help on routine tasks can then allow managers and staff to spend higher-order time on issues that cannot be addressed via technologies such as artificial intelligence. We still have much to learn about an ever-growing array of data analysis tools and how to deploy them effectively at various levels. Agencies will need expert assistance to identify and deploy the necessary tools and use them effectively to improve their organizational health and performance (Kettl 2017).

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SECTION 5: RECOMMENDED NEAR-TERM ACTIONS

The journey to improved organizational capacity will be a long one. The limits of current knowledge and the complexity of the task require modesty about how much can be achieved in the near term. However, we believe the following actions, which could be taken now or in the near future, would:

- achieve near-term successes in addressing organizational conditions and factors inhibiting better performance; and
- establish a government-wide learning process that would facilitate agency performance improvement strategies and inform future actions.

Because the federal government is large and diverse, individual agencies must take primary responsibility for improving capacity to perform their various missions. The diversity of their administrative challenges and management cultures also suggests that the chances for a successful government-wide effort to improve performance greatly increase if agency leaders take responsibility and hold themselves accountable for improvement.

The Office of Management and Budget (OMB) has an important catalytic role in facilitating and supporting agency efforts in this, as in all aspects of management. OMB, working with the President's Management Council (PMC) and with the support of the Performance Improvement Council (PIC), can share learning and experiences across government.

We recommend that OMB designate "improving organizational health and performance" as a government-wide initiative to strengthen performance capacity at all levels within agencies. This initiative should focus on addressing the most significant opportunities for and barriers to improvement.

Agencies should be asked to designate their own teams for this purpose, including representatives of the program operating units and offices, performance improvement offices, enterprise risk management leaders, chief human capital officers, chief evaluation officers, and others.

The Office of Personnel Management (OPM) also can play an important supporting role. For example, it could refine and augment tools based on its annual Federal Employee Viewpoint Survey that agencies can use to target internal management problems. OPM can also foster agile, outcome-oriented human capital systems as described in a recent NAPA report (2017), and provide or facilitate training to enable managers and staff to understand how to use data.

Given this, what actions can agencies take in the next one to two years—with OMB, PMC, PIC, and OPM support—to improve organizational health and performance using both top-down and bottom-up strategies? We foresee three main sets of actions to begin implementing the approach outlined in this report:

- use existing data to assess and diagnose the state of agency and unit-level organizational health and performance;
- develop a learning-based approach to use these assessments in improving organizational capacity and performance; and
- help managers make effective use of a flood of new data relevant to their operations by giving them tools to access, analyze, and apply those data, as well as the skills to manage in this new data-rich environment.

Help Agency Leaders and Managers Strengthen Unit-Level Organizational Health and Performance

Start by using existing data, such as the employee engagement index derived from the annual government-wide employee viewpoint survey, to help assess and diagnose the state of unit level organizational health and performance. These data are available for 28,000 work units across the government. Expand and refine analyses over time to include the use of other data sources, such as operational and mission support performance data. Some specific steps might include:

- Agency senior managers using unit-level data to understand their agency and sub-agency organizational health, how and when health is improving, and how organizational health affects program and policy outcomes.
- Agencies mobilizing peer-manager networks to transfer knowledge and lessons about performance improvement approaches across organizational units, as one element of a remedial strategy.
- Agencies establishing a system of continuous live contact with employees at all levels in the organization through shared performance dashboards, on-line forums, and other means that permit continuous engagement in improving mission delivery.

To help address this goal, each agency should establish an internal assessment and diagnostic process tailored to its mission.

USDA's Leadership Approach May Serve as a Model

Former USDA Assistant Secretary for Administration, Greg Parham, has created a leadership model that may be useful for other agencies. Applying this model, agencies could designate a champion who would be the face of the initiative, go into the field, talk with front line, recognize top teams with “charters,” help create a peer mentoring network from staff of high-ranking units; and use the champion’s authority to break bureaucratic barriers with waivers to broken processes to fix things. Playing this champion role well may lead to greater support from senior leadership and mission support offices or specially mobilized “fix-it task forces” to attack systemic problems uncovered during field visits (see Accompanying Working Paper #6 for additional details).

Develop a Learning-Based Approach to Improving Results

To act on agency and unit-level assessments, create a learning-based approach (rather than a directive approach) to improving organizational capacity and performance in agencies by engaging organizational units to develop their own individually tailored plans for improvement. The specific elements would be defined within each major mission area, which may cross program and agency boundaries. Plans should be peer-reviewed as a part of the learning-based approach. In addition:

- Agency chief operating officers (COOs) should establish management learning and performance improvement agendas. COOs should also prioritize the use of program evaluations to build the base of evidence needed to improve agency program management, following recommendations of the Evidence-based Policy Commission and subsequent implementing legislation.
- Agencies should hold their organizational unit managers accountable for developing Unit Development Plans that specify what constitutes “organizational health” for their unit and planned actions to improve it. This might include the development of staff, implementing learning agendas, and improving employee engagement. Senior agency leaders would provide support to help unit managers implement these plans.

Help Agency Leaders and Managers Employ the Power of Data Analytics to Manage

To sustain the learning-based approach, help agency leaders and managers make effective use of a flood of new data relevant to their operations by giving them the tools and technology to access, analyze, and apply those data, as well as the skills to manage in this new data-rich environment. Encourage the creation of communities of practice where managers can learn from each other’s experiences as well as from more formal training opportunities. In addition:

- Agencies should provide managers and their staff at all levels with new metrics and data dashboards that give them a clear understanding of how their day-to-day accomplishments

contribute to their agency's primary performance goals, thereby demonstrating how each unit's work contributes to the agency's mission and policy objectives.

- Agencies should train and mentor managers to upgrade their skills in identifying and using administrative and other performance indicators to support improved management and service delivery. They also should encourage the creation of communities of practice, within and across agencies.

Additional Considerations: Future Federal Employee Viewpoint Surveys

- ***Administer the full-scale Federal Employee Viewpoint Survey (FEVS) bi-annually instead of annually.*** Administering the FEVS to a large-scale sample every year is very taxing on resources and limits valuable development and follow through in the agencies. The statutory requirement to administer the annual survey could be met in "off years" using a shorter 16-item survey now in regulatory review with a much smaller sample.
- ***Get and maintain support from senior leadership.*** To be most effective, using survey results to undergird change and evaluation efforts takes management commitment, resources and training. Senior leadership interest and support is essential. They should expect supervisors to hold a work unit meeting, distribute detailed FEVS reports for the unit, discuss the results, and plan follow up actions.
- ***Applying related reviews helps focus attention.*** Agencies should use their related performance and management reviews to identify areas and issues where FEVS data may shed light on or corroborate findings and lead to suggestions for developing improvement actions in the human capital arena.
- ***Act on negative findings only after corroboration.*** Generally, OPM does not suggest that survey results should be used in anyone's individual performance plan; there are too many intervening variables for any one person to be held accountable.

Further details are available in Accompanying Working Paper #2.

CONCLUDING THOUGHTS

We envision that, within a few years, this focus on building organizational health would help managers at all levels in the federal government better collaborate. It would create a continuous data-driven management improvement effort and help them learn more quickly about how to use resources more effectively to accomplish their goals.

This report is not a blueprint for a fully developed strategy to improve government's performance. We are all too aware of the complexity of such a task. Government's environment is changing quickly, with new opportunities as well as novel risks and challenges. We recognize the need for a cautious, agile approach that allows experimentation with elements of a new strategy and the opportunity to learn from that experience. Our advice is offered in that same spirit.

Our combined observations and experience tell us that making the government more capable of performing at a high level is no day trip. It is better thought of as an odyssey. The arc of history may bend toward better government, but that arc is certainly long. Success depends on our ability to learn from experience, from both obvious failures and many more numerous but less visible achievements. If this is done well, we believe our friends throughout the government who have dedicated their careers to the missions of their agencies and want to better serve will be our strongest allies.

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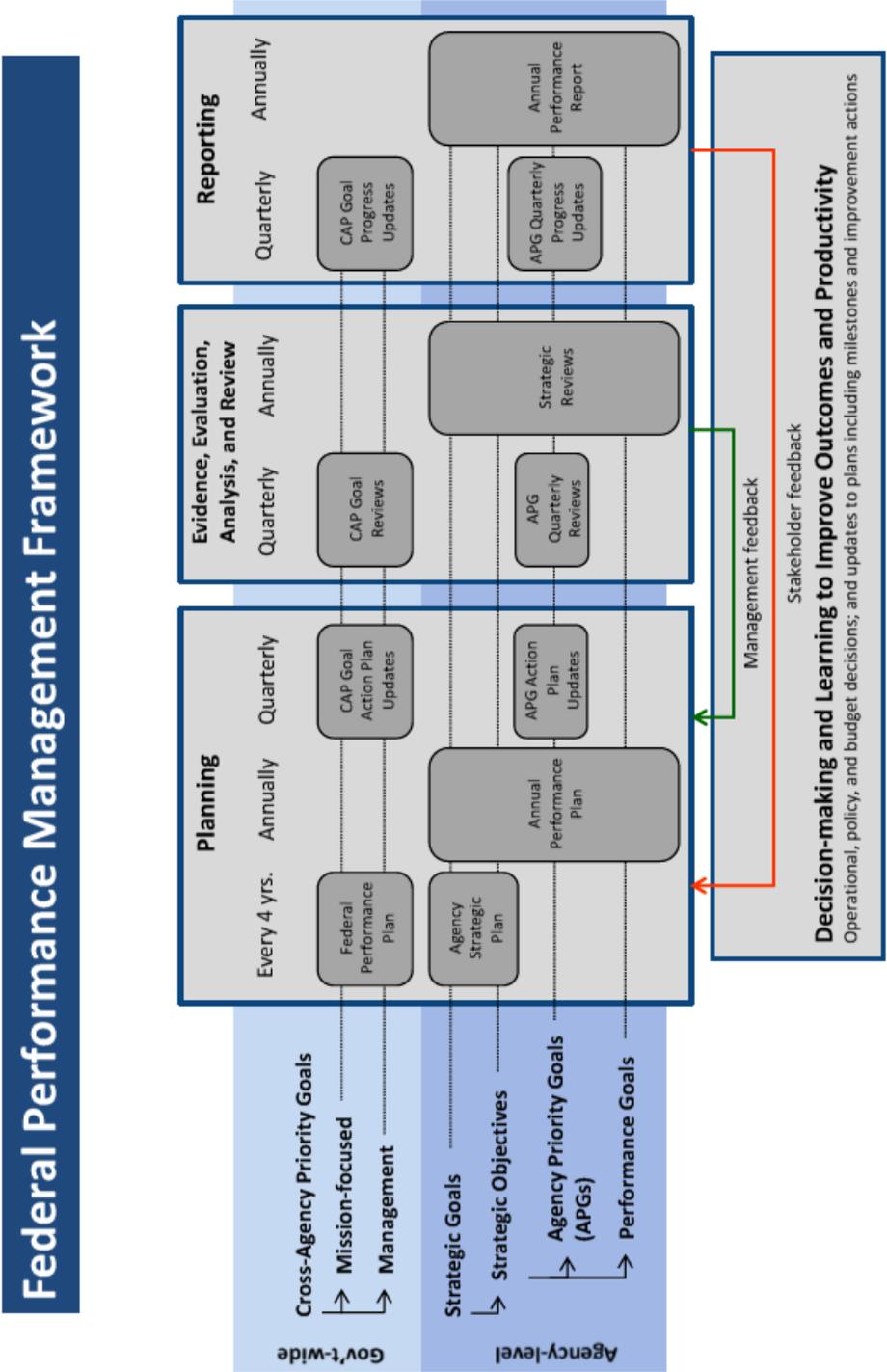
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APPENDIX B: FEDERAL PERFORMANCE MANAGEMENT FRAMEWORK



Source: U.S. Office of Management and Budget Presentation, 2017

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APPENDIX C: REFERENCE MATERIALS

Introduction

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