

MONITOR



The Path to High-Performance Bureaucracy™

BY BRUCE CHEW, JOSH LEE AND WILLIAM MIRACKY

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



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

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

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

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

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

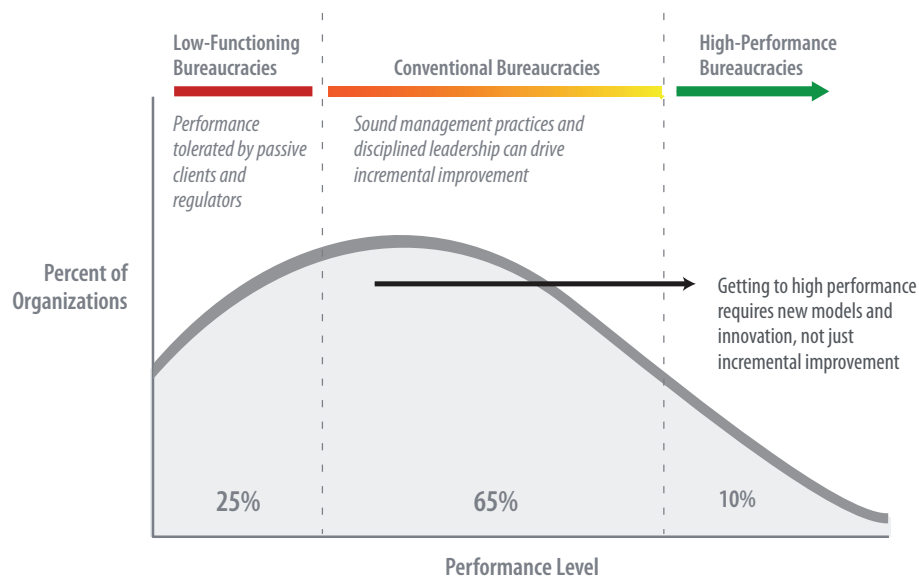
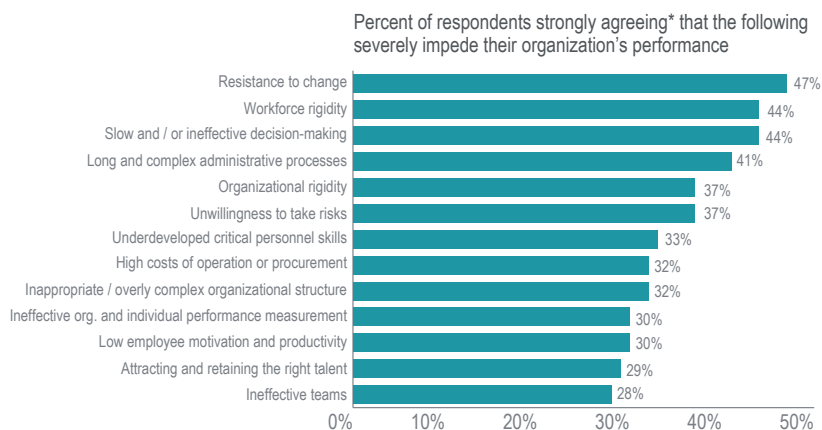


Figure 2: “Resistance to change” is the greatest barrier to improving performance among a host of challenges that we have examined



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

THE STEEP CLIMB FACING LEADERS IN SEARCH OF BETTER RESULTS

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

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

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

SHOULDERS TO THE WHEEL: EIGHT DRIVERS OF HIGH PERFORMANCE

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

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

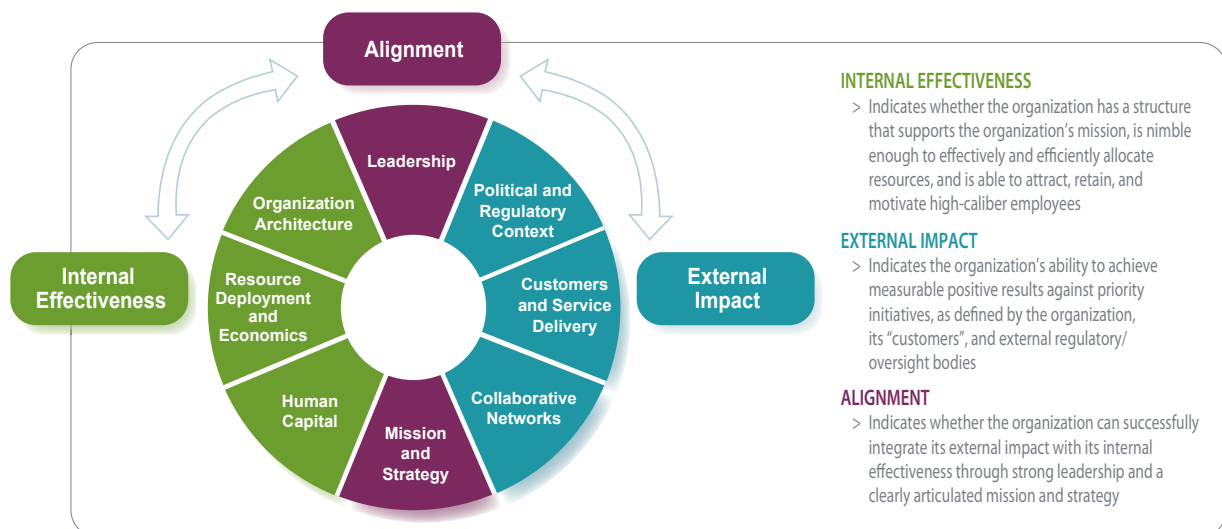
Through Monitor's experience working directly with the leaders of bureaucracies, and our research into the ways organizations succeed and fail, we have identified eight factors that drive performance. Leaders conducting a candid assessment of their organizations' strengths and weaknesses can use these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

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

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

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

Figure 3: Eight Key Drivers of High Performance



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

THE IMPROVEMENT JOURNEY: KNOWING WHERE TO BEGIN

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

Over time, Monitor has found that the majority of organizations can be placed into one of six performance archetypes, which are shown in Figure 4 on page 6. Each of these

archetypes—the “red zone” of poor performers, the middling performance organizations and the efficient and high-performance bureaucracies—demonstrates a unique set of characteristics that distinguishes them from other types of performers. Their strengths and weaknesses indicate where leaders should focus their improvement efforts.

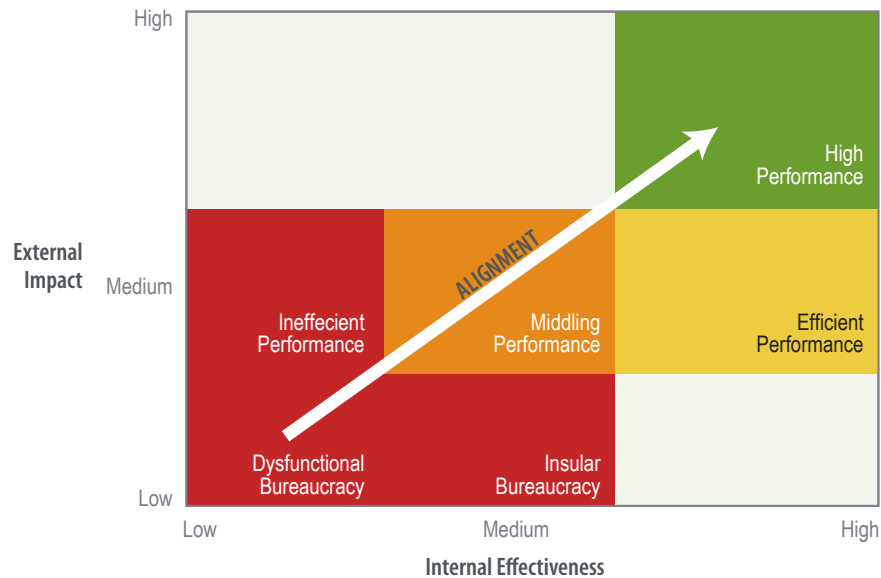
The archetypes of bureaucratic performance are determined by plotting the External Impact and Internal Effectiveness scores from our respondent pool of 104 public service organizations. Our research shows us that Alignment is highly correlated with greater improvements in both Internal Effectiveness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

The six archetypal bureaucracies are:

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

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

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



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

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

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

“burning platform” prompting urgent change and improvement. And so inaction is the rule.

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

High Performance: This rare organization not only excels at organizing itself for optimal internal performance, but is also a respected member of the broader ecosystem of constituents,

policy-makers and partners. High-Performance Bureaucracies differ from their Efficient colleagues in their ability to connect with outside entities, in the creativity of the solutions they collaboratively generate, and in their flexibility to deploy resources against new and unforeseen opportunities. *Indicators:* High-Performance Bureaucracies invent new processes, products and services for constituents. They don't just improve; they change the rules of their game.

PLOTTING A COURSE TO HIGH PERFORMANCE

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

a targeted improvement program defining what areas need to be prioritized and where management's attention should be focused.

Can every organization become a High-Performance Bureaucracy? Not right away. If you are in the "red zone" of poor performance, you are in danger of consistent declines in performance. If you are middling, there remains a lot of work to do. And if you are leading an efficient organization, there are obstacles to overcome and opportunities to seize which will elevate your performance. Looking at the performance archetypes, we see three distinct models for change.

TYPE 1: BREAKING BAD BEHAVIORS

Poorly performing "red zone" organizations that succeed in moving to the middle of the pack start by focusing on the basics. They will hone in on three areas: Leadership, Internal Effectiveness (especially Human Capital and Organizational Architecture) and improving Customers and Service Delivery. Leadership is an especially

A STATE TRANSPORTATION AGENCY GETS MOVING

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

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

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

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

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

important prerequisite. Dysfunctional organizations are often that way due to a lack adequate leadership; elevating performance requires aggressive action, and may call for replacing those at the top of failing units or functions.

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

TYPE 2: BUILDING BETTER BUREAUCRACIES

Middling Performance organizations improve by focusing on both Alignment (Leadership and Strategy and Mission) and Internal Effectiveness (in particular Resource Deployment and Economics) levers. In addition, performance measures play a particularly

critical role in successful improvement efforts for Middling organizations. Middling Performance organizations often have established processes, entrenched beliefs and a high degree of complacency about their operations that come from having achieved some measure of success in the past. Making the transition from Middling to Efficient Performance requires infusing new energy and new ideas while at the same time controlling "cost bloat" and other maladies of established organizations.

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

TYPE 3: BREAKING THROUGH TO HIGH PERFORMANCE

Efficient Performance organizations that succeed in "Breaking Through to High Performance" do so by focusing on Political and

A MULTI-LATERAL INSTITUTION BANKS ON LEADERSHIP IMPROVEMENTS

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

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

- 1) Alignment drivers of LEADERSHIP and MISSION and STRATEGY.** The multi-lateral developed a multi-year strategic plan and launched an in-depth executive coaching program for its top 15 leaders, to focus on more productive interactions.
- 2) ORGANIZATIONAL ARCHITECTURE.** The organization's leaders analyzed and revamped its internal governance structures and created maps and playbooks spelling out the accountability and decision-making responsibilities for various roles.
- 3) RESOURCE DEPLOYMENT AND ECONOMICS.** The organization launched a process to re-align costs to enable strategy rather than emphasizing spending on basic services.

Regulatory Context, Collaborative Networks, Leadership, and Strategy and Mission. It is at this level of performance that an organization's efforts to improve are directed as much outside the organization into its ecosystem of partners and customers as they are directed inward. Leaders must spend political capital and resources working with external partners (including regulators) to take advantage of their strengths and build on them.

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

MODELS FOR CHANGE, CHANGE FOR THE BETTER

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

For example, the primary focus for the first imperative, "Breaking Bad Behaviors" is problem-solving. For these performers, the question is not what needs to be fixed, but how to activate the organization to fix problems. Those

A NATION STRATEGIZES FOR GROWTH

A middle-income, modernizing nation was struggling with an insular society, disengaged citizens, and structural impediments to foreign investment and entrepreneurship, that together had led to widespread economic and social stagnation.

Monitor's work with the government addressed critical performance drivers:

1) MISSION AND STRATEGY: the government developed a 10-year vision for the country's economy, political system and social development.

2) HUMAN CAPITAL: The government also trained its "top 200" future leaders in government and the private sector on competitiveness, entrepreneurship and leadership.

3) CUSTOMERS AND SERVICE DELIVERY: The government launched an "e-democracy" platform to more effectively engage citizens.

4) COLLABORATIVE NETWORKS: the country established economic development boards to manage external networks of government and private sector partners around the world.

5) ORGANIZATION ARCHITECTURE: A new "Government Blueprint" redesigned the regulatory structures to remove barriers to entrepreneurship and business growth.

organizations with the imperative, “Building Better Bureaucracies”, have a much different primary focus: energizing an organization that is complacent, one that lacks a burning platform to drive urgent change. Organizations working on the third imperative, “Breaking Through to High Performance”, are already highly efficient. The challenge for them is to find new ways to create impact, leveraging better networking collaboration, focusing on emerging customer needs and new technologies. Here the focus is on changing the game: not to improve on what has been done before, but to create a new and different way of doing things, leading to superior results.

THE COMMITMENT TO SERVICE

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

Figure 5: Comparing three imperatives for change

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

About MONITOR

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

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

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

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