

The Wisconsin Policy Research Institute

WPRI REPORT

An Essential Turnaround Project: Reform of State Government Operations



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WPRI Mission Statement

The Wisconsin Policy Research Institute Inc., established in 1987, is a nonpartisan, not-for-profit institute working to engage and energize Wisconsinites and others in discussions and timely action on key public policy issues critical to the state's future, its growth and prosperity. The institute's research and public education activities are directed to identify and promote public policies in Wisconsin that are fair, accountable and cost-effective.

Through original research and analysis and through public opinion polling, the institute's work will focus on such issue arenas as state and local government tax policy and spending and related program accountability, consequences and effectiveness. It will also focus on health care policy and service delivery; education; transportation and economic development; welfare and social services; and other issues currently or likely to significantly impact the quality of life and future of the state.

The institute is guided by a belief that competitive free markets, limited government, private initiative, and personal responsibility are essential to our democratic way of life.

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An Essential Turnaround Project: Reform of State Government Operations

by Robin Gates

President's Notes

Governor Walker has embarked upon the transformation of state government. We applaud his initiative and, judging from our polling, the public is behind him. When we polled Wisconsin, people of all political persuasion told us they see state government as not delivering value and being tied to old ways.

Step one in winning back the public's confidence in state government will be the delivery of an honest, balanced budget. Walker is well on his way to delivering this.

Step two will entail a good deal of work outside of the spotlight. It is the focus of this report. The governor needs to change the way state government is managed. If the management of state agencies is not changed, regardless of the governor's intentions, state government will remain inefficient and detached from the public.

To examine what is needed to renovate the management within state agencies, we commissioned Robin Gates to do a review. Mr. Gates had a distinguished career in state government and also has experience in private business.

What Gates lays out in the pages of this report are the key components of a turnaround. That's right, state government is a turnaround project. We liken it to where Harley-Davidson stood in the early 1980s: on the brink of bankruptcy, facing a shrinking market and a poor public perception of its product. Today Harley-Davidson, with its brand respected internationally, is a company once again at the forefront of Wisconsin industry.

Can Wisconsin state government realize the dramatic turnaround that saved Harley-Davidson? Gates says no, not without aggressive action. He clearly lays out the case for strengthening state agency management, importing innovative management processes and, perhaps most important, holding management accountable for results. Doing these things will change the operation of the many agencies, which will allow the public to begin to see value in their investment in state government. Not doing these things will leave the bureaucracy intact and out of touch with the citizens of Wisconsin. The decision is a simple one. However, the work entailed will be demanding.



George Lightbourn

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Executive Summary

Effective and successful government agencies require clear ends — desired outcomes — and the means to achieve them. Government agencies are no different from any organization in this regard. Legislative bodies establish the ends to be achieved and the policies to be followed. Government bureaucracies then have the challenging job of execution. This paper focuses on execution. It addresses what should be done to significantly improve the ability of government agencies to provide the services that taxpayers pay for. In particular, it concentrates on the core functions of managing government agencies.

This is truly a transformative time for government. Rarely has government faced such intense public scrutiny. “Crisis” is not too strong a word to describe what many government agencies face. Transformation is the only acceptable path — going out of business is not an option. Transformation requires more than a few creative ideas and tinkering around the edges. It requires fundamental change from top to bottom of government agencies and across the breadth of state and local government.

Transforming government agency performance requires upgrading agency management capabilities. This involves the people who lead and manage (their knowledge, skills and abilities) and the processes used to manage (planning, goal setting, performance monitoring, accountability, process improvement, etc.) Managing large organizations in today’s complex, rapidly changing world requires far more of managers and their management systems than has been sufficient in the past. Government has lagged in keeping managers and their systems up-to-date. This paper looks at why that has happened and what can be done to change it.

The changes recommended fall under a few simple themes.

Strengthen the skills of government managers. Government agencies must be managed by people with top-notch leadership and management skills. Good intentions are not sufficient. Management talent needs to be systematically identified and developed. Government management as a profession needs to be more highly valued.

Upgrade government management processes. Talented managers cannot transform agencies without modern and sophisticated management systems. Rigorous processes and systems for planning, goal setting, measuring performance, continuous improvement, and workforce development are necessary.

Innovate. Agencies must constantly innovate just to

keep up. This requires rethinking how agencies operate and giving agencies new charters. They need the flexibility to innovate and constantly improve and the encouragement to do so.

Hold management accountable for results. Effective management accountability is the necessary counterbalance to more flexibility. Honesty, hard work and transparency are necessary but insufficient. Results have to matter.

The analysis and prescriptions presented are independent of politics. The ideas transcend administrations because they are about how to get results once the policy direction is set. Any administration, Republican or Democrat, needs agencies that can faithfully, efficiently and creatively carry out established programs and policies. There is not a bright line between policy setting and execution, and there are feedback loops between the two. However, the political debates occur primarily during the legislative process. The implementation should be largely removed from politics and should be the work of skilled professionals focused on getting the job done.

Public benefit is the primary reason to make these changes to transform government agencies. The people pay for programs and services and expect a good value. More innovative, better managed and more accountable agencies will provide better value. The public will experience this as more effective and affordable services. This will come about in the same way companies provide successful products and services. Transformed agencies will treat taxpayers as customers, better design and manage work processes, efficiently allocate resources, use technology, manage organizational change, encourage innovation and relentlessly pursue delivering what the people want at the best possible price. Public confidence in government can be boosted by significant performance improvement.

The recommendations offered should be of particular interest to legislators and other elected representatives. They will benefit from a greater assurance that their constituents will be well served at a cost they can afford. Customer focused agencies should result in fewer constituent complaints. Legislators should have more confidence that the policies and programs they enact will be successfully carried out and program failures due to poor execution will be avoided.

Innovation plays a central role in many of the government reform recommendations. Innovation is essential for progress in government as it is for every other part of our economy. Yet innovation is often poorly understood. High visibility revolutionary innovations tend to get the

attention. Often missed are the thousands of smaller innovations that need to occur every day to bring about continuous improvement. The innovation process is complex and requires sophisticated management that can encourage creativity at the same time as managing risks. Many of the improvements suggested here are intended to produce more innovative agencies.

The inescapable truth is that the best intentions and ideas for transforming government are likely to fail without improving agencies' ability to execute. This is a problem that can be solved. There are proven methods for upgrading management skills and systems. Improvement can be achieved if the problem is recognized and a serious commitment to change is made.

Introduction

State government needs to change fundamentally how it gets things done. Strengthening its “ability to execute” is essential preparation for implementing changes in strategy, policy, and structure. This requires upgrading the capabilities of agency management teams and their management processes. The governor should lead the effort to rebuild this foundation.

Stephen Goldsmith, former mayor of Indianapolis, Harvard University professor and now deputy mayor of New York, advocates a new charter for state government.¹ He makes a compelling case for a state government that innovates, treats taxpayers as customers, uses networks to deliver services, offers choice, encourages competition, and is more accountable. There are other promising strategies for getting better results from government. Many build on nearly two decades of government reform efforts focused on managing for results and creating a performance culture in government. As exciting as these ideas are, implementing them is easier said than done. The experience with performance focused reforms in state governments has been uneven at best.²

Why should the public care about something as boring as developing state agency management talent, measuring performance, and holding managers accountable? The answer is simple. The public will pay too much for what they get, a top concern of Wisconsin residents.³ Moreover, they may not get the results they want regardless of cost. There is just no substitute for good management if you want to control costs and get results. It would be like expecting a winning team without outstanding coaching. You are unlikely to win games consistently no matter how good your players.

Better results won't just happen by our electing a new governor. A governor's policies and strategic directions must be implemented by an immense state bureaucracy. The governor gets held accountable in the next election. But how does the governor hold the bureaucracy accountable? Simply directing state agencies to innovate, encourage competition, and harness the expertise of social innovators will fail. Highly skilled management teams are necessary to deliver results in today's complex and rapidly changing world. Without it, the political choices made by the people become meaningless as every proposed reform is stymied by inept state bureaucracies.

The respected management consultant and author Ram Charan studied why CEOs fail. His conclusion? “It's bad execution. Simple as that: not getting things done, being indecisive, not delivering on commitments.”⁴ The same is true in government. Good ideas and good strategy are

important, but execution is most often where the failures occur.

Decades of neglecting the development of managers and management processes have left state government weak in its ability to implement complex new strategies and policies. Once strong, state agencies have fallen behind. This view is widely shared by the public, with 61 percent saying that Wisconsin government is tied to old ideas and practices.⁵

It is getting more difficult and challenging to lead and manage state agencies. There is relentless pressure to become leaner, cut costs, and be more efficient. The innovations and reforms advocated by Goldsmith and others require state agency leadership to manage sophisticated business relationships, set ambitious goals, measure performance, negotiate complex contracts, manage risk, apply new information technology, lead change, manage big projects and get results through networks of providers. This is not the routine, predictable, command-and-control management that state government was originally built to do. As one prominent business writer put it: “Management's real genius is turning complexity and specialization into performance. As the world economy becomes increasingly knowledge based and global, work will continue to grow more specialized and complex, not less. So, management will play a larger role in our lives, not a smaller one.”⁶ Success will require high-level management and leadership skills and equally sophisticated management systems and processes.

This paper focuses on three components of strong management: Leadership and management skills and abilities; goal setting and performance measurement; and accountability. All are interrelated and fundamental to any organization's ability to execute.

The paper identifies what is required from agency leaders to implement major reforms. It looks at where state agencies are falling short and why. An action plan is proposed to close the gaps. No magic bullet or sweeping paradigm shift is suggested to make everything better. Instead, an updated back-to-basics approach focused on proven leadership and management principles is recommended. These will not be easy to put in place, but they work if done right.

There are good examples in other states where statewide reforms have yielded significant state agency performance improvement. Governing magazine has recognized both Indiana's governor, Mitch Daniels, and Georgia's governor, Sonny Purdue, for their success in getting their state

agencies to be more customer focused and performance driven. There are numerous examples at the local level and in specific state and federal programs. The common element in the success stories is a dramatic change in how government managers do their jobs.

Wisconsin state government's future can be bright. Imagine state agencies that consistently improve productivity, fulfill promises with outstanding results rather than excuses, treat taxpayers as valued customers and share performance measures with the public. We can have a government that is both lean and gets the job done. Wisconsin can regain its lost reputation as a showcase for good government.

Why State Agencies Aren't Meeting Taxpayer Performance Expectations

Fixing the bottom line performance means finding and tackling the root causes.

There are many, but management is one of the most important.

Public confidence in the performance of our institutions has been shaken. Approval ratings for Congress and Wall Street could hardly be lower. State government has suffered as well. Gallup's annual Governance Poll, conducted Aug. 31-Sept. 2, 2009, finds the number of Americans saying they have "a great deal" or "a fair amount" of trust in their state government to handle state problems has dropped to 51 percent from 67 percent in 2008. In a recent Wisconsin opinion survey, 68 percent said state government was doing a poor or fair job while only 2 percent said it was doing an excellent job.⁷ Clearly Wisconsin residents have a low opinion of state government performance.

But what do we mean by performance? Cost and results — what the state spends for what it gets — are what matter most. Whether the state provides a good value is ultimately what drives the public's assessment of state government performance. Financial performance has many measures, such as taxation rates, bond ratings, and spending per capita. Wisconsin is consistently on the high end of the cost scale. The other side of the value equation is measured by outcomes such as road quality, student test scores, water quality, and public safety. The low ratings Wisconsin residents give state government raise serious questions about the state's value proposition.

Fixing the bottom line performance means finding and tackling the root causes. There are many, but management is one of the most important. The Pew Center on the States, in partnership with Governing magazine, investigated this in their study "Grading the States 2008." Their stated objective was to assess the quality of management in all 50 states. This study graded the states on a variety of factors tied to management performance. Wisconsin received a grade of B-.⁸ This was their average grade. Wisconsin, once a paragon of good government, is now in the middle of the pack.

The areas the Pew study investigated provide some insight into state management problems. They looked at areas such as budgeting for performance, contracting, financial controls, managing employee performance, project monitoring, performance management, performance evaluation, and strategic direction. In many of these areas, Wisconsin was judged below average.

There are many examples that highlight Wisconsin's management shortcomings. Wisconsin has had its share of high profile IT project failures. A 2007 Legislative Audit

Bureau (LAB) audit of 184 projects in 28 state agencies found considerable evidence of management failures in planning, specification, contracting, and oversight.⁹ These are often systems essential to providing state services. Wisconsin is not alone. A recent article in *Governing* magazine found that IT project governance is a major cause of problems in IT projects in many states.¹⁰

A review of LAB reports over the last several years reveals problems in areas ranging from emergency radio communications systems to child care regulation to medical assistance program integrity. The reports reveal that the problems are rarely caused by an agency's lack of good intention, corruption, or laziness. It is most often that the complexity and scale of the problems exceed the state agency's ability to manage effectively.

The evidence on the state's ability to manage costs is discouraging. Wisconsin is facing its most acute financial crisis in decades. Factors other than state agency management capability (e.g. program expansion) are, of course, key cost drivers. But state agency management's ability to improve efficiency and control costs is a significant component. After all, what company doesn't have cost control as a central management objective? There are numerous examples where costs have not been well controlled, ranging from higher education (UW tuition has risen far faster than the rate of inflation for many years¹¹) to child support collection efficiencies.¹² Wisconsin's recently released 2009-10 annual fiscal report highlighted a \$207 million medical assistance cost overrun.

It is necessary to dig deeper to understand why state management is not measuring up. It is complicated, but, at the simplest level, state agency management (the people in management positions and the management processes they use) has not been upgraded to respond to powerful forces affecting how organizations of all types function and deliver value. The forces present great opportunity and significant risk. Importantly, they require considerable management skill and sophistication to master.

Bureaucracy was a great innovation before it became a pejorative. Bureaucracies, starting with the Persian and Chinese empires, were created to achieve ends requiring the coordinated actions of many people. Their value proposition was providing an efficient, predictable and rational way to get something done. Society benefited greatly from this invention. But the world changed and the strengths of the bureaucracy became its weaknesses. Once an innovation, traditional bureaucracies are now barriers to adding value.

Information technology, combined with other factors such as increased competition and standardization, has

eroded the traditional way bureaucracies add value. Ron Coase, a Nobel Prize-winning economist, published in 1937 his theory of organizations and highlighted the role of transaction costs faced by all organizations in producing their products and services.¹³ He tried to answer the question of why organizations formed and grew to perform tasks themselves when they could buy needed products and services for less from others. His answer was that commonly the cost of making the transaction — the specifying, negotiating, purchasing, monitoring, and paying — more than offset the benefits of buying from someone else. It was simply more efficient to have nearly everything under one roof and coordinate all of it yourself. The bureaucracy made that possible.

Transaction costs have changed dramatically over 70 years. Now there are many more opportunities to cost effectively buy what an organization needs. Information flows more freely, more services and products are standardized, and the economy is global. Successful companies have adapted by focusing on a few core competencies and outsourcing everything else. Instead of Ford's River Rouge plant, where coal and iron ore went in one end and finished cars came out the other, you have virtual corporations with few employees but many suppliers and strategic business partners.

Government has been forced to move in this direction. More work is done now by contractors and more services delivered through complex networks that include local governments and non-profit organizations. But often the government management capability to make this move successful has not kept up. The management skills and systems needed in the old command and control world differ from those needed in a low transaction cost environment.

There are other powerful trends affecting organizations. These forces too are increasing the performance expectations for state agency managers—expectations they are often unprepared to shoulder.

- Better communications.* Once a primary management function was moving information up and down the organization. Now information often flows rapidly throughout an organization, calling into question the role of many management layers to transmit and filter information.

- Greater competition and innovation.* Historically, government did what no one else could do. Now, for nearly anything government does, there is some organization that can say, "We can do that better and cheaper." Rapid innovation constantly changes the competitive environment.

- Higher expectations.* The public expects more of its

institutions. Few would consider the car, phone, bookstore, or grocery store of 20 years ago acceptable today. The contrast between government services and the rapid innovation, productivity improvement, and better customer service of the private sector fuels dissatisfaction with government.

•*More project and less functional work.* Government bureaucracies developed around functional work done in a less rapidly changing world. This is routine, standardized and predictable work. Now short periods of stability are broken by major changes, disruptions, and instability. This leads to more project work — non-routine work with specific goals and time limits. Managing projects is different from managing functional work and often requires higher order skills and abilities.

•*More complex problems.* Government now often is expected to solve more complex social problems. Welfare is a good example. Welfare once focused on getting checks to those in need. Now it involves designing and managing a complex system intended to move people permanently out of poverty.

Many of these changes and their effect on management were summed up recently in an article by Alan Murray titled “The End of Management.”¹⁴ While the title certainly exaggerates, the main point is valid and applicable to state

agency management. The old way of managing company bureaucracies is fundamentally changing in large part due to rapid change and decreased transaction costs. Murray highlights several areas where management needs to focus:

- Increased collaboration
- Marketplace solutions
- Flexibility and agility to adapt to rapid change
- Ruthless reallocation of resources
- Entrepreneurship
- Harnessing the “wisdom of crowds”

The inescapable conclusion is that leading and managing large organizations, public or private, has become harder. The technology and economic trends driving this are likely to continue. Successful organizations are adapting and taking advantage. Those that don’t are falling further behind. Government is behind the productivity curve. It approaches its task in a linear fashion — the only way to get more production is to add resources.

The New Charter for State Government

There are exciting strategic directions and reforms being proposed for state government. Stephen Goldsmith suggests a new charter for state government and provides a broad-brush picture of what the new charter might entail.¹⁵ Other reformers are rethinking how government agencies achieve their stated public purposes. This paper uses the term “new charter” broadly to encompass many of the innovations and reforms involving substantial change in strategy and policy execution. These reforms might be considered a new progressivism where greater accountability for results is coupled with more flexibility for how the results are achieved. Some of the ideas are summarized here because, as we shall see, they have a big impact on the skills required of state managers.

Social innovation and civic entrepreneurs. Often innovative ideas for solving social problems emerge at a local and grass-roots level. Civic entrepreneurs can take those ideas and demonstrate remarkable successes. The opportunity and challenge for government is finding the innovations, creating the environments for them to grow to a meaningful scale, and providing effective governance.

Service delivery networks. The service delivery networks idea is that government would get better results using networks of non-governmental providers than by providing the service itself. The network approach allows government to tap expertise it doesn't have and use delivery models it can't replicate. Collaboration and strategic business partnership methods are used often in the private sector. These methods are underdeveloped in state government.

Outsourcing. Love it or hate it, outsourcing is part of state government. From computer systems to highway engineering to banking, the state outsources and has done so for some time. Technology, communication, and competition trends will continue making outsourcing attractive for more functions. However, there are substantial contract development, management, governance, and performance monitoring challenges to outsourcing.

Competition. Competition may seem antithetical to government, but a number of innovative ideas have been put forward to have government agencies compete with either other government agencies or with the private sector in delivering government services. The logic behind this is that, as in private sector marketplaces, competitive pressures would cause government agencies to become more customer focused and efficient.

Charter agencies. This version of chartering focuses on a specific agency and makes the trade-off between accountability for results and greater operating flexibility. Charter schools are perhaps the best known and most widely implemented example. Other examples include the State of Iowa's experiments with chartering state agencies. Charter state agencies commit to specific, measurable results, including meeting savings goals. In exchange, they get more flexibility in complying with personnel, budget, and technology rules. The results are encouraging.¹⁶

Decentralized governance, marketplaces, and citizen-centric services. Traditionally, governance of government services has been hierarchical and political. Legislatures, school boards, governors, city councils and mayors provide oversight and control. They act on behalf of those paying for services and those receiving them. Many are advocating more decentralized governance, where citizens play a greater role in determining whether value is delivered. Markets and competition are often involved.

Wisdom of crowds and Wikinomics. There are appealing strategies built on the idea that vast knowledge and problem solving ability exists in highly diverse and dispersed individuals and groups. This knowledge can be effectively tapped and applied to solving public problems using new collaborative technology. Wikipedia is a well-known success.

Many of these ideas are driven primarily by fundamental changes in technology, the economics of delivering services and the nature of innovation. These are not fads but lasting changes in how work gets done and value created. In many cases, the state has been taking steps in these directions. The challenge for political leaders is figuring out how to take better advantage of these ideas, how to make them work on a bigger scale, and how to avoid the downsides.

New Management Skills Are Needed

State managers need to upgrade their core management skills and processes and learn some new ones to implement many of the recommended reforms. Practical execution problems are a significant risk for reforms even when there is political and public support for change. The following management skills are critical.

Goal setting. “If you don’t know where you are going, any road will take you there,” the sage advice the Cheshire cat gives Alice in Lewis Carroll’s *Alice in Wonderland*, is a powerful management insight. It is simply impossible to manage well without goals. There can be no constancy of purpose, no focus on priorities, no organizational alignment, and no process optimization. The new charter ideas are strategies to reach a destination. To use them, you need to have an end in mind. For example, contracting for services without agreement on goals and expected results undermines meaningful accountability.¹⁷ State agencies need to be good at the difficult process of setting goals and using them to manage.

Performance measurement. The ability to measure results, outputs, inputs, and processes is necessary for good management. Without performance measurement, you can’t hold people accountable, manage complex processes or manage business relationships. We all know the management advice, “If you can’t measure it, you can’t manage it.” The need for measurement and analysis is greater for many of the new strategies. Reliable measures are needed to decentralize, delegate, and manage service delivery networks. Managers need to be sophisticated enough to know what to measure and have the technical skills to interpret measures for management purposes. Despite its importance, getting performance measurement right in the government setting is very difficult.¹⁸

Strategy deployment. Implementing new charter strategies requires good planning and execution management. Detailed operational plans must be built to organize and assign all the new work that needs to be done. Then good management and oversight is required to assure successful plan execution. The strategy deployment for government reform is more difficult than many initiatives because so much is new and involves change.

Accountability and governance. Many reforms make accountability and governance more complicated because they break down the traditional organizational hierarchy and bring in more strategic partners, contractors and networks. Confusion about who is in charge, who does what, and what happens when something goes wrong is

a real concern. There are now many more opportunities for finger pointing and shifting blame. State managers need more robust processes for assigning responsibility and holding people accountable. Effective issue resolution mechanisms are needed for these situations that often don’t follow the traditional chain of command.

Managing complex business relationships and contracting. State agencies already struggle to manage complex contracts and business relationships, as has been seen in IT outsourcing. Many new charter reforms lead to more contracting for more complex services with greater emphasis on performance. The management sophistication and skill needed for managing contracts is often greater than managing the routine, functional work of employees.¹⁹ Businesses can be much more sophisticated in negotiating contracts than government.²⁰ Managing long term business relationships often requires maintaining enough technical expertise to achieve a balance of power with business partners. The state is at a disadvantage when it can’t specify precisely what’s being outsourced and doesn’t have sufficient technical knowledge to monitor the contract. Wisconsin’s own W-2 program is a good case study of the management challenges in implementing innovative solutions and the need for greater government investment in core contract management capabilities.²¹

Business acumen. State agency managers need to understand how businesses (including not-for-profit organizations) operate as outsourcing, network service delivery, and collaboration strategies are implemented. More than a superficial knowledge of business principles is required. Managers must understand business models, markets, financing, governance, and management processes. Long term business partnerships are hard to create without a solid understanding of your partner.

Collaboration skills. Collaboration is a regular theme in business strategy and in government reform literature. Collaboration is the complex process of individuals and organizations working together for mutual benefit. Successful collaboration requires considerable leadership skill to get several different groups, often with different perspectives and agendas, to work together productively.

Applying information technology. In *Macrowikinomics*, Don Tapscott and Anthony Williams describe how profoundly government leaders and managers must change their thinking on using new information technology.²² Successful companies must quickly adapt their business models to take advantage of information technology

capabilities or they quickly lose customers. Understanding and applying information technology has become a core management requirement, yet government managers often are behind in using technology to add value.

Managing for innovation. Boosting innovation is at the core of many recommendations for improving government. Innovation is how society moves forward. It's true in science, manufacturing, technology, and business. It's true for state government. But government is not set up to innovate. The private sector has the “creative destruction”²³ mechanism whereby innovative companies are created and grow and laggards go out of business. Government lacks this mechanism. Moreover, state managers wanting to innovate face what Clayton Christensen describes as “the innovator’s dilemma”²⁴ — so much rides on the old way of doing business that few support change. They also face the “iron triangle” described by Goldsmith²⁵ in which politicians, providers, and entrenched bureaucrats form alliances to maintain the status quo. Often innovation occurs through trial and error. Some promising ideas fail — anathema to most state managers. The odds are stacked against those in government who dare to innovate.

Managing processes. Government reforms require more process management sophistication. This happens as service delivery responsibilities are divided among more contractors and business partners. Many businesses expect managers to understand, manage, and improve processes in addition to their functional responsibilities. Six Sigma and Lean have become standard practice. They have brought a scientific rigor to solving difficult business problems and managing. Yet state government is far behind in this area. There is no organized, broad-based effort to bring these techniques and management perspective to Wisconsin state government.

Where to Focus Management Capacity Building

State agency management capacity building should focus in three areas. These are: 1) developing the leadership and management skills of agency management teams; 2) setting goals and measuring performance; and 3) assuring accountability for results. All are essential to successful execution and all are areas where state agencies have significant weaknesses and highly variable performance.

Developing Leadership and Management Skills

Agency management teams are the people in jobs ranging from section chief to department secretary. They include appointed and civil service positions. Call them leaders, managers, or executives, it doesn't matter. These are the people responsible for execution.

Many state managers are hard-working, intelligent, and dedicated to doing the best job possible. There are heroes out there who do daily battle to get things done despite seemingly insurmountable barriers. Wisconsin managers have achieved notable successes in some areas. But dedication to public service, long hours and occasional successes are insufficient. More is required to consistently perform at the high level the public expects.

State managers tend to underperform because government management as a profession and a set of knowledge, skills, and abilities is undervalued. There is the perception that government managers have easier jobs than private sector managers. Some believe government managers get their jobs through their connections rather than their abilities. The investment made in developing their talents and careers is often much less than the private sector. Few businesses see government experience as preparation for private sector management careers except for government liaison roles.

The schools awarding graduate degrees in public administration focus more on policy and policy analysis than management. The policy focus is apparent in their course offerings. Some graduate business schools have specialties in government and nonprofit management, but it is certainly not their primary emphasis. Rare is the government manager who went into government to pursue his or her passion for management. Interest in public policy or desire for public service is the more common driver. Many state government managers got there because they were good in their direct service jobs.

In contrast, management in corporations is a highly valued profession. Graduate business schools prepare people for management with many practical courses

— for example, managerial economics, service operations management, e-business technology, risk management, or supply chain management. Many executive MBA programs exist to train managers while they are in their jobs. Large businesses hire people for their leadership and management training and potential. There is active recruitment of management talent. There are private sector management superstars (e.g. Jack Welch, Jamie Dimon, Larry Bossidy) who are known for their extraordinary management skills. It is no surprise that those interested in management readily choose careers in the private sector over government.

The civil service system and the structure of state government management jobs are also to blame. Appointed positions put a cap on management careers. In most agencies, management positions above a bureau director level serve at the pleasure of the governor. You can't move beyond being a bureau director without being in someone's political favor. Those taking that step risk losing their jobs when administrations change. Political loyalty often trumps performance. Both parties appoint people to top management jobs largely based on factors other than management expertise. It is not unusual to find appointed people heading major divisions or agencies as their first real executive job. They may be smart, capable, and, over time, able to become good managers. But it is rare that management is their profession.

The state civil service does little to aid the development of management skills and careers. Managers cannot be moved easily from one job to another to gain valuable experience. Governor Walker's biennial budget takes steps in the right direction by making the movement of career executives among state agencies easier. Technical knowledge and subject matter expertise tend to carry more weight in hiring decisions than management skills. Little effort is put into developing state agency managers. Management development programs in state agencies are either non-existent or rudimentary. There is some training available under a certified public manager program through the University of Wisconsin-Extension. But it does not appear to be strategically focused or essential for promotion. There is no systematic approach to developing management capabilities and moving management careers forward. Management career development is left largely to the individual.

The contrast with the private sector is stark. In many large corporations, management talent is nurtured and developed. Companies recognize they can't be successful without top-notch management teams, and they put considerable effort into developing their leaders. Talent

management programs are common with assessments, development plans, training, and coaching. Managers frequently change jobs to gain needed management experience.

Setting Goals and Measuring Performance

Goals and performance measures do exist in state agencies, but they show significant problems. Most agencies, but not all, included goals and performance measures in their recent biennial budget submissions. Goals were often general and well beyond the ability of the department to realistically affect. These may sound good but are meaningless if there is no reasonable expectation that department actions can measurably change the outcome. People tune out unrealistic goals.²⁶ Too many top level goals was another problem. One agency had 10 department level goals. It is unlikely any department employee, even the department secretary, could name even half the department goals. Rarely were goals stated with a measure and timeframe. Most fail the SMART test for goals — specific, measurable, achievable, relevant and time-limited. Separate performance measures were often listed in budget documents, but the connection between performance measures and goals was often unclear. A study of the adoption of strategic planning, goal setting and performance measurement by the states found that Wisconsin was well below the national average.²⁷

Lack of leadership is one of the key reasons goals are not used as a core management tool in state agencies. Goal setting is a leadership responsibility. Goals won't simply bubble up from the bottom of organizations. Goals crystallize what leadership wants to accomplish. They represent priority choices and strategic directions. This is a function that can't be delegated. It takes tough leadership to set goals that are clear, measurable, ambitious yet achievable. The crisis management mentality in many state agencies overtakes any effort at deliberative and thoughtful goal setting. Too often, agency goals demonstrate a lack of clarity and hard management choices.

The political environment hinders good goal setting: There is always the risk that a goal will not be achieved. Effective goals require "stretch" performance, which means that sometimes goals won't be met — yet any shortfall can and will be used against you. Don't put it down on paper because someone might try to hold you to it. Or, if you do, make sure it can't be measured.

The legislative process can further complicate goal setting. The work of state agencies is authorized and directed by state or federal legislation. It is unusual for

legislation to have the clearly articulated goals needed for effective management. If they exist, they are often too vague to drive decisions and actions. Sometimes program authorizations contain conflicting goals, often necessary to keep political coalitions together, and agencies are left to balance the competing interests. The nature of the legislative process is unlikely to change and it will often fall to state agency leaders to translate general legislative direction into the specific direction necessary to drive the work of their agencies.

The lack of a coherent management system to drive the organization also hinders goal setting. Goals should exist within a system of strategic planning, operational planning and performance management. Without that system, goals just stand alone and have no real effect on what happens in the agency. Goal setting requires thinking through the logical relationship between outcomes (results) and business processes, inputs and outputs. This is the essence of operational planning where strategies and goals drive the daily work of the organization. Most agencies lack this type of coherent management system.

Performance measurement is critical to modern management yet is frequently poorly understood and poorly done in state agencies. It is essential to measure the goals themselves as well as the key factors that determine goal achievement. The private sector has it easier in many respects. Goals can be set for revenues, sales, units produced, unit production costs, and customer satisfaction, knowing that accurate measurement systems exist and the data is readily available. Most can be benchmarked and a historical performance context exists. Businesses often know the key factors driving goal achievement and can measure performance there as well. This understanding of their transfer function (how the organization achieves its goals) allows the creation of meaningful performance measures.

State agencies have the challenge of measuring performance and results when their mission is broad — for instance, protecting child welfare or reducing poverty. Even when agency managers are able to agree conceptually on the result they want to achieve, they may not have reliable measurement systems in place to gauge the result or any time series data to provide a performance context. The data may not exist or may be unreliable if it does. Faced with these obstacles, agencies often default to the easy and practical solution of measuring inputs, outputs, and activity, not results.

Then there is the complex step of determining and measuring what goes into achieving desired results. There is the conceptual challenge of learning what factors truly

drive results for government programs. This is followed by the technical challenge of determining how to measure and collect the data.

Assuring Accountability for Results

Management accountability in state agencies has two important components. One is the accountability of state agency managers themselves. The other is the accountability of major contractors and business partners doing work for state agencies. This second area has become increasingly important as more work gets done by contractors rather than state employees.

Civil service protections for many state managers are a barrier to accountability. The protections were created for the legitimate purpose of reducing patronage and creating stable, professional program administration. But the protections have insulated managers from the results of their actions. These protections reduce an agency's ability to hold managers accountable for achieving agreed upon goals. Government has far more regulations on employee terminations than the private sector. Moreover, poor performance accountability systems and measures make it a challenge to show that performance expectations were not met.

Lack of agreement about desired performance is another barrier. This relates to the ability to set goals, develop operational plans and measure performance. If no one can be clear about desired results, how can they be held accountable? The absence of good goals leads to either arbitrary accountability (for instance, punishment if something goes wrong) or accountability for activity regardless of its result.

Another obstacle for manager accountability is the lack of well-developed systems to assign accountability to managers and the culture to make accountability real. Most agencies have standard forms for setting personal goals and documenting accomplishments. However, these tend to be very personalized and poorly aligned with agency wide goals and strategies. The Lake Wobegon effect is often present, so everyone is said to be performing above average, even if the agency or program as a whole is failing. With a well-functioning accountability system, the performance of managers and the performance of the agency and its programs are highly correlated.

A significant accountability problem occurs as state agencies have contractors deliver more services. Here the root problem is often the complexity in determining how to hold a contractor (often a non-profit organization) accountable. Clear, measurable results are ideal, but those can be hard to agree on and measure. Often accountability efforts default to spending, process and output controls. That provides some accountability but certainly not what is necessary to boost overall performance in meaningful way.

Finally, there is the broader problem of the lack of an accountability or performance culture. Accountability includes the mechanics of accountability (such as assigning responsibility or monitoring performance) and the cultural context of peer expectations, personal attitudes toward accountability, and consequences tied to performance. The state agency culture is, for many reasons, commonly one of avoiding rather than embracing accountability for performance. The lack of meaningful rewards and sanctions tied to performance is certainly one reason. But there are many more tied to the attitudes taken by an agency's management team.

An Action Plan for Strengthening State Agency Management Capacity

The case has been made for systematically upgrading state agency management capacity — the ability of its people and management processes to execute successfully. A new charter for state government is not possible without a corps of highly skilled and motivated state agency managers with the right management tools. Practical steps are needed to turn the situation around.

The effort to strengthen agency management should be carefully planned and executed. This is not something the governor could just tell agencies to do. Several steps are recommended to organize and direct the effort.

1. *Create a “State Agency Management Excellence Council.”*

The council would provide advice and oversight for management capacity building. The council would review and critique the ideas for developing managers and making management process improvements. Members would bring forward new ideas. They should advise on the practical aspects on putting ideas to work and have enough relevant experience to truly add value. They would also monitor and guide implementation activity. The council should be nonpartisan in its approach. The governor needs a balanced and respected group to provide support and cover when the inevitable controversies occur. The council should be appointed by the governor and report to the governor and the Department of Administration (DOA) secretary.

The council should include very experienced and highly respected private sector leaders and executives. These should be people who have proven execution track records in large, complex organizations. Just being an executive is not enough. The University of Wisconsin produces many CEOs (the UW is tied with Harvard for the most CEOs in the S&P 500)²⁸ and they could help secure members with the needed management expertise. In addition, the UW Business School and the La Follette School of Public Affairs could be tapped for academic expertise on these issues. Finally, the council should include some government leaders and leading government reform experts. These people don't need to be from Wisconsin. With videoconferencing, expertise from around the country could be brought in.

2. *Assign lead responsibility to the DOA for implementing the management capacity building.* Part of DOA's reason to exist is to coordinate the work of state agencies and to perform centrally what is best done centrally. Someone in the DOA secretary's office should have managing this as his or her only job.

3. *Make the Office of State Employment Relations (OSER) responsible for executing all the human resources-related management capacity building actions.* Many of the management capacity building efforts center on human resources activities, such as assessment, training, and recruitment. These should be centrally managed and coordinated for consistency and to take advantage of scale and cross departmental opportunities.

State agencies will need to assigned people to work on this. These would be wonderful assignments for star performers with strong management credentials. It also will be important to have a governor's office staff liaison. Consulting expertise from firms specializing in this type of work will be needed.

There are leadership and management lessons to be learned from the best large private sector organizations. Not all do it right and even the best managed companies have problems and failures. However, in general companies have been forced to upgrade their managers and management processes faster than government. The feedback loop for poor management in companies is far shorter than government. Wait too long to change and you are out of business. The companies that have figured out how to manage well consistently over the long run are doing something right.

Wisconsin government should take advantage of its size as it enhances its management capabilities. Wisconsin state government is roughly comparable to a Fortune 100-200 company in terms of spending and employment. There are about 74,000 state government employees and an annual budget of \$31 billion (36%, about \$11 billion, for state operations).²⁹ This is comparable to many companies that are household names. More options are available if the state acts as one organization as opposed to each state agency proceeding on its own.

Steps to Develop Stronger Leaders and Managers

Building a strong management team starts with recognizing at the highest level that this is important. Many leading CEOs have written about how getting and developing their management talent is one of their most important jobs. The new governor should signal that this is a top priority and then keep it high on the list.

The work to strengthen leaders and managers, by necessity, needs to concentrate on existing managers. It is not practical to go out and hire all the management talent needed. Wisconsin agencies have well-educated and smart managers. The challenge is finding them and, in a sustained and systematic manner, developing them into the managers needed for the future.

“Talent management” is the term often used for an organization’s efforts to attract, develop, retain, and reward its key people. Many of the ideas presented here come from the best talent management practices in large organizations.³⁰

Establish management competencies

The needed state agency management skills, knowledge and abilities should be determined at the start. Some of the skills needed were highlighted earlier and are tied to government reform strategies. State agencies should develop an up-to-date management competency model that is future oriented and strategic. The model should be comprehensive to cover all management levels and all agencies. It should have a statewide perspective yet provide the flexibility to adapt the competencies to the special requirements that may exist in some agencies.

A competency model is critical to many aspects of a talent management program. The state needs to define what it values in managers before it can recruit, assess, develop, and reward. The management competencies are the essential reference point.

Assess management capabilities

Next is finding out what skills and abilities exist in state agency managers. This is what management assessment is about. Management assessments are common in large corporations. There are many assessment instruments and techniques, and a whole industry built

around using them. Tests, often normed, provide a base of information and a starting point. More subjective assessments should be done as well.

The assessment should identify who already has outstanding management skills and who has a high potential for becoming an excellent manager. It will also identify competency gaps. Attitude and career ambition are important. High performance won’t be achieved by people who aren’t dedicated and don’t want a management career. The assessment should establish thresholds to weed out those who lack the basic skills for management as well as those who may be capable but lack the attitude and drive.

A formal management assessment program can get started quickly. There are human resource firms that specialize in this work, and it would be wise to bring in experts to help structure and design the process. Getting all managers assessed will take time and it will be necessary to set priorities.

One place to start assessments is with some appointed positions. A management capability assessment of potential appointees would help better match people to job requirements. It could help a new governor avoid potential mismatches as well as guide development activities. This would send a powerful signal that the governor is serious about getting the best managers for state agencies.

Create development plans

Formal management development plans should go hand-in-glove with assessments. Each manager meeting a threshold in the assessment process should have a development plan tailored to his or her particular needs. Developmental opportunities will need to be provided to make the plans meaningful. These developmental opportunities could range from formal education to developmental assignments to mentoring.

Development plans are not one-time documents. These plans need to be integrated into an ongoing process that includes performance reviews and reassessments. Managers must show progress in working through their plans and upgrading their skills. Development plans should change as managers progress in their careers.

Use developmental job assignments

On-the-job experience is important for developing managers. An effective practice is moving managers

through several jobs in different functions and different service areas. This practice is well developed in the private sector. There is good experience to draw on and valuable lessons already learned by others.

State government has the advantage of being large and all in one state. Many large companies have to move people around the country or around the world to get them the necessary breadth of experience. The insider joke has always been that IBM stood for “I’ve been moved.” Wisconsin can do it all within the state boundaries.

Moving people around for development purposes is not done now in state government. Civil service changes and exceptions may be needed to provide enough flexibility to make this practical. Job rotations will change the traditional vertical career path. But lateral careers have become an increasingly common feature of management life in large corporations.

Create an in-house management university or an executive MBA type program for agency managers

A high quality management training program for existing managers must be developed to help fill knowledge and skill gaps. One model is the executive MBA program. Available from many business schools, these programs were developed to meet private sector management training needs for working managers. The executive MBA model provides an opportunity to work with the UW (both the La Follette School and the Business School) to build a unique program for state managers. It could be expanded to include local government and perhaps marketed to other states.

Another model is the in-house management university. GE created its famous Crotonville training center and made it a core component of its leadership development. While Crotonville is the most famous, many large companies have created formal management training programs along the same lines.

The training program, regardless of the model followed, should be rigorous, strategic, integrated, and forward looking. It should provide the type and quality of training and networking essential for anyone pursuing a state government management career. Current state efforts, such as the UW’s Certified Public Manager program and the OSER Enterprise Leadership Development Academy, while no doubt meeting some needs, don’t offer the training breadth and depth required.

Many leading CEOs have written about how getting and developing their management talent is one of their most important jobs. The new governor should signal that this is a top priority and then keep it high on the list.

There is lots of good experience with management training programs for working managers. There are a couple guidelines to keep in mind.

- Take it seriously. Don't just throw a few courses together and consider it done. Managers will see through that.

- Make it competency based. Use the core competencies suggested earlier as the foundation.

- Tailor the program to Wisconsin. The training delivery should reflect what is required and happening in Wisconsin agencies. It needs to go beyond a generic approach and instead be integrated with agency management expectations and processes.

- Make it top quality. Offerings should be top drawer and the instructors creditable. That will mean bringing in outside experts in some cases.

- Consider the offerings. Based on the earlier discussion of skill needs, some course offerings to consider are project management, managing complex business relationships, entrepreneurship in a government setting, understanding and fostering innovation, and negotiating and managing contracts.

Provide mentoring and coaching

Those who have been fortunate enough to have at least one good mentor can attest to how valuable that is in developing management skills. Classroom training can provide good background and context, but a mentor provides the extended guidance not possible in a classroom.

Mentoring is not done easily on a systematic basis. There are many pitfalls. Mentors must have significant knowledge and experience to share. There is also the personality fit and trust factors. Good mentors are people with whom you can let your hair down, exposing your weaknesses in an atmosphere of trust. Mentors and coaches should be screened carefully. They need to be outstanding. They will also be the busiest and most sought after people. Consider mentoring from outside state government. This can have the added advantage of exposing state agency managers to the business operations. Also, consider using professional coaches in certain circumstances. Make sure that mentoring and coaching is viewed as a positive. Sometimes coaching and mentoring is seen as a last chance to fix a performance problem before termination.

Update the civil service rules for management positions

Wisconsin's approach to appointed and civil service management positions is horribly antiquated. The current system makes it hard to attract, develop, and retain management

talent. It is long past time to rethink Wisconsin's approach to these positions. A substantial review and modernization is needed. There are better ways to get professional, capable management and political accountability.

Appointed positions, originally created to provide political accountability, now create barriers to getting needed management experience. Governors deserve a bureaucracy that will carry out their policies. The people deserve to get what they voted for. Perversely, the current system makes this less likely because execution skills tend to be underweighted in the appointment process.

Below the top appointed positions, state managers were supposed to be hired and retained based on professional merit. But protections provided these positions hinder accountability for results. Recruitment and selection has not responded to the higher level management skills needed today and is often it is a barrier to attracting and developing top management talent.

Several civil service reform ideas should be explored for management positions:

- Create a professional management level civil service classification group that has some civil service protections but not the level most workers have.

- Use multi-year employment contracts for managers to get accountability but provide some isolation from rapid political changes.

- Evaluate all current appointed positions to see if some should be moved into a professional management civil service classification.

- Consider creating a chief operating officer position within state agencies for a professional executive. The department secretary and executive assistant can provide political accountability but be paired with someone who knows how to get results from complex organizations.

- Change the retirement system to make it more portable for top managers. The current system encourages survival over performance. Consider at risk pay increases that offset reductions in longevity-based pensions to create greater performance incentives.

There have been many calls for civil service reform at all levels of government. There are lots of other civil service reform ideas to consider. In his book advocating for substantial civil service reform, Professor Don Kettl notes that "government needs a strong and permanent capacity at its core — a small but effective core of highly skilled managers."³¹ It is time to figure out how to make that happen in Wisconsin.

Recruit top management and leadership talent to state government

A new governor can do much to bring in new blood to the management ranks of state agencies. The ability to attract management and leadership talent to state agencies is becoming more important as the baby boom managers retire from state service.

Changing public perception is key. Current public perception of government discourages talented people from entering. Saying you work for the government tells people you are risk adverse, unimaginative and like lots of rules. That has to change. Many talented people went into government following John F. Kennedy's presidency because he created an image of bright young people doing exciting and valued work. We need to get some of that back. A new governor can create the image that government is a prestigious place to work where smart people can have exciting and meaningful management careers. It is not a place for those who lack imagination and drive.

Career paths will be necessary to attract top talent. The people the state needs are not just looking for a job. A variety of logical career paths should be mapped out. The existence of a robust talent management program as has been outlined here can be a selling point for prospective managers.

There will need to be some actual recruitment. It will be insufficient to assume that the talent will seek out state management jobs. The state will need to go and find the best and then sell them on Wisconsin.

Eventually pay levels for state agency managers will need to be addressed. This is a sensitive issue, especially in light of the state financial problems and the slowly recovering economy. Public perception is that state government compensation and benefits are high relative to the private sector. This may be true on average but is often not the case for top level managers and executives when the needed skills and experience are factored in. Any salary structure change must be a quid pro quo. Higher pay must be tied to higher qualifications, better performance and increased accountability for results. Managers should have more pay at risk and tied to performance. As with teachers, there is growing sentiment to tie more pay to performance. The state may not need to reach parity with the private sector, but it needs to get closer. Changes here will need to be carefully thought through and many options considered. Changes could be implemented over time as manager qualifications and performance expectations are ratcheted up.

Preparing the next generation of public managers

The state should rethink the formal education

opportunities available to people who want to pursue a government management career. Someone starting a state government management career today needs all the management knowledge and skills that an MBA provides along with the policy and political understanding that comes from a public administration program. The state needs to approach government management as a profession similar to the way businesses approach management as a profession. Given how much of the nation's economy is in the hands of government agencies and the difficulty of managing these agencies, should we do anything less?

There is a wonderful opportunity to develop at the University of Wisconsin the type of program that is needed to prepare future state government managers. The La Follette School of Public Affairs has excellent public policy offerings and a strong reputation. Its management offerings could be augmented by a closer partnership with the Business School. The Business School has relevant practical management courses and could tailor existing courses to government management needs where appropriate. Collaboration could create an exciting graduate program. It could also lead to something like an executive MBA program, as suggested earlier. A new governor should call on the UW leaders to examine these possibilities. What better way to apply the knowledge of the university to a serious state government problem?

There is a good opening here to forge a stronger relationship with the business community in Wisconsin. Many leading corporations would be delighted to be involved in a serious effort to prepare the next generation of government managers. Well managed state agencies are good for everyone. Moreover, they may even be willing to underwrite part of the development.

The need to upgrade the skills of state managers cannot be over emphasized. There is no substitute for good leadership. Reforms won't be implemented without it. The talent management program recommended is feasible. It is not a new concept and there are many examples to build on. State agencies have some of the basics in place. However, the creation of a strategic, focused, top quality, and visible effort is new and needs a governor's leadership.

Driving Better Goal Setting and Performance Measurement

The preceding section addressed getting managers with the right skills and attitudes in place. Now they need direction and the tools to define, focus, and track performance. This is the basic purpose for goals and performance measurement. Setting goals and measuring performance is simple in concept but complex in practice. All organizations struggle to get this right. The many management books on goals, measurement and

scorecards attest to the challenges. But just because it is hard isn't an excuse for not doing it, and doing it well. Fortunately, small steps can yield big results quickly.

Begin more rigorous strategic and operational planning

A new governor should require state agency strategic and operational planning. Leadership is important here since state agency secretaries are unlikely to take this on without governor's office direction. The Department of Administration could lead the effort and establish the basic planning processes and templates. It could also provide for technical support. A phased in approach could be used. The effort should include high level and longer term strategic planning coupled with more detailed and shorter term operational planning.

Strategic planning for state agencies can be complex. Many agencies have multiple programs, often with different characteristics and management challenges. Large corporations face similar problems as they have multiple lines of business. There are planning techniques to address these issues.

Strategic planning in state agencies is not new. Past governors have tried it. Some agencies do this on their own. The problem is that it hasn't become a standard process. Plans are often done once and then sit for years. More importantly, strategic plans are not linked to annual operational planning and accountability systems for managers. These key management tools provide and facilitate the constancy of purpose, high level direction, organizational alignment, and specific actions needed to get results.

Assess the existing goals used by state agencies

In parallel with initiating strategic and operational planning, the state should assess the goals state agencies already have. This assessment needs to go from top to bottom to see what goals are in place, how are they used to manage, and how are they measured. There are many goals of various types and qualities used in state agencies, but there is no systematic knowledge about them. Assessing goals used for major contracts should be included.

An assessment would provide the knowledge necessary to start improving goal setting. This will include changing goal setting processes as well as training on the topic. Closing these gaps will be necessary to move forward on reforms involving more networks and contracting. The assessment will also be useful in taking the steps to improve accountability at all levels.

Begin phased implementation of a formal goals setting process for state agencies

Agencies should be required to start a multiyear effort to enhance their goal setting processes and upgrade their quality and use in management. Goal setting starts in the strategic planning process, where often the high level goals are established. But agencies need to go far beyond setting a few high level goals. Agencies will need to take the high level goals, understand what drives their achievement and then establish subsidiary goals. This cascading goal structure aligns an organization and provides a powerful tool for management. Performance monitoring against the multiple levels of goals needs to be put in place so leaders have the dashboards and scorecards needed to effectively manage their agencies, programs, and processes.

A phased approach is recommended so as not to overload agencies. It will take time to learn how to do this well. Active support, technical assistance and guidance from DOA will help. It also would be helpful to bring in outside experts to guide and facilitate.

Assess performance measurement capability

The ability to measure what you want to manage is fundamental to government reform. Performance measurement needs to increase as more services are provided through networks, more contractors are used, and more transparency is expected by the public. Problems agencies face in measuring performance include lack of data, unreliable measurement systems to provide the data, and insufficient analytical capability to manipulate it and make sense of it. Sometimes the right data is simply not collected. Unreliable measurement systems are another common problem. The data maybe collected but has too much variability caused by poor measurement methods. The tools to retrieve, analyze, and present the data can also be a problem. These tools (data warehouses, decision support analytics, OLAP cubes) have become indispensable for managing complex organizations but are not readily available in state agencies. Surveys, such as customer satisfaction surveys, have also become important performance measurement tools and are applicable to parts of government. Here, too, agencies often lack the training and sophistication to develop and use them effectively.

This is another area where a statewide assessment is warranted. Each agency should identify the performance measurement needed at all levels in the organization. It should then examine whether its managers have the data and the tools available to make create the measures. The

analytical capability to use the tools and interpret the results should be assessed. Performance measurement gaps can be identified and priorities set. This effort should be managed and coordinated across state government for several reasons. There may be shared data that every agency needs. Also, there are likely benefits from standardized analytical tools and sharing analytical and measurement resources. This is another area where the state can take advantage of its scale and avoid the inefficiencies of each agency doing its own thing.

Communicate goals and performance measures

Goals and performance measurement need to be socialized within an organization. Everyone needs to understand at some level what the goals are, how they are measured, how they should be used, and what each person's role is in attaining the goals. This is where performance scorecards and dashboards become important. This socialization process begins at the top. A new governor can start by talking publicly about performance in relation to established goals. A governor should make goals and performance measurement part of regular interactions with department heads. That should cascade down the organization. Where agencies are in achieving their goals needs to be a regular part of management's conversation with employees. Goals and performance measurement will be a failure if they become just part of a report submitted each year and forgotten.

Developing Better Accountability for Results

It is important to address management accountability first. Other levels of accountability, such as that of individual employees, will fall into place more easily once management accountability improves. Accountability rests on being clear about who does what. It also involves an organization's culture. Commitment to delivering on what is promised needs to be felt. Finally, there must be consequences, positive and negative, for performance.

Begin creating an accountability culture

A new governor can do much to create an accountability culture. This can be conveyed in speeches, cabinet meetings, and meetings with agency employees. This can then be carried forward by department secretaries. Too often not meeting commitments is considered OK as long as you have a reasonable excuse. A governor should start early setting the expectation that meeting commitments — being accountable for getting the results promised — will be a hallmark of their administration. He should also set the expectation that managers should have the tools and management environment necessary to make

success achievable. Given sufficient support and resources, managers need to understand that they must get results or they will work elsewhere. Attitude and culture can be as important to achieving meaningful accountability as the accountability mechanisms that should be put in place.

Model accountability with better project management

Projects provide a good opportunity to develop better accountability processes. Rapid changes are driving public and private organizations to undertake more project and less functional work. Projects provide a microcosm in which all the basic components for good accountability can be created at once.

The state should develop a professional project management office capability and begin bringing significant projects under this umbrella. Some state agencies have project management capabilities and systems in place. You can find timelines and project charters. But the state's record on many high visibility projects suggests these are missing important ingredients. Project management rigor and discipline should be boosted significantly. This begins with well-developed charters before the projects start. These charters spell out in detail who is responsible for what. How success will be defined and measured is decided and documented. Resource requirements are addressed, as is governance structure and process. It is a nice, neat package. This then needs to be followed with top quality project planning, monitoring and oversight. A project can get a decent start, but without good monitoring and oversight, accountability will be lost. The advantage to using project management to gain accountability experience is that there is a well-developed body of knowledge that can be drawn on. There are best practices that can be duplicated. This does not have to be created from scratch, and it can begin delivering benefits quickly.

The concepts and methods learned in establishing accountability for projects can be applied to providing better accountability for other work. Many charter based reforms operate under the same principles.

Use performance based employment contracts for managers

Performance contracting for managers is another idea to boost accountability. There are many examples of governments using performance based employment contracts for key management employees. The idea has not been used to any extent in Wisconsin state government. Contracts provide a good way to get professional management capability and to balance performance accountability and political accountability. By entering into a multiyear contract for a manager, the state is able

to clearly delineate performance expectations and hold the manager accountable for achieving them. A multiyear contract provides some protection against strictly political housecleaning but still provides opportunities for change over time with new administrations.

This idea should be tested in state agencies. A few key positions could be selected and contracts developed. A good place to start would be those positions where a high level of management expertise is expected and essential for success. As experience with the model is gained, it could be expanded to other positions. This will help develop experience with accountability and how to get it, since these contracts should spell out what good performance entails. They could also address incentives for exceptional performance, which would be difficult under the existing civil service system.

Drive accountability and performance measurement into the budget process

Budgets are the primary mechanism for allocating the state resources that managers need to get results. Yet often performance plays a small role in setting budgets. Better goals, performance measures and management accountability should yield budgets based more on results. This should include expectations for managers to improve efficiency — to reduce costs per unit of service — as well as adjustments for getting results. Building performance into the budgeting process puts a spotlight on management performance and reinforces accountability. This is an old idea and a whole field of study. It is time to draw on experience and use what works.

Provide consequences

There need to be consequences for manager performance. Consequences should be positive and negative. The earlier section on civil service reform covered the need to have more pay at risk for managers. Meeting performance commitments should have financial rewards. However, pay is only one way to reward good results. There are many ways to recognize good performance that don't involve pay. Public recognition, desirable job assignments, and more rapid promotions are all examples. There also needs to be the option to end employment for managers who consistently underperform. Good hiring decisions and strong talent management should result in relatively few cases where ending employment is needed. Poor performance, as separate from bad behavior, has to be an understood and accepted cause for dismissal.

Conclusion

It is a challenging time for state government. The fiscal situation is abysmal. Public esteem is low. The problems state agencies must solve are large and complex. Yet it is a time of great opportunity. Driven by technology, a global economy and other forces, a revolution is taking place in our ability to organize work, innovate and solve problems. The tools available to state agencies to accomplish their public purposes have never been greater. The challenge for political leaders is how to change state government management so it can harness these forces to meet state needs.

To sum up:

1. The ideas for reforming how government agencies work deserve serious attention. These ideas are not fads but reflect fundamental changes in how organizations create value.

2. Many reforms require a significantly higher level of management skill and ability. Management's job has suddenly gotten much tougher.

3. State agency management is generally unprepared for what is being asked of it.

4. A vigorous, rigorous, and comprehensive effort needs to be undertaken to dramatically upgrade the management capacity of state agencies. This program should include:

- A talent management program to attract, develop, and retain outstanding managers.

- Upgrading the processes for setting goals and measuring performance.

- Strengthening accountability for getting results.

Managing any large organization is a messy business. Getting people and business partners aligned, working efficiently and consistently producing high quality services is one of the hardest jobs there is. Much needs to be done to improve the state's ability to do its management job. It won't be easy. There will be missteps along the way. It will never be finished. As is often said, change is the only constant. However, the alternative — continuing business as usual — guarantees failure.

Endnotes

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