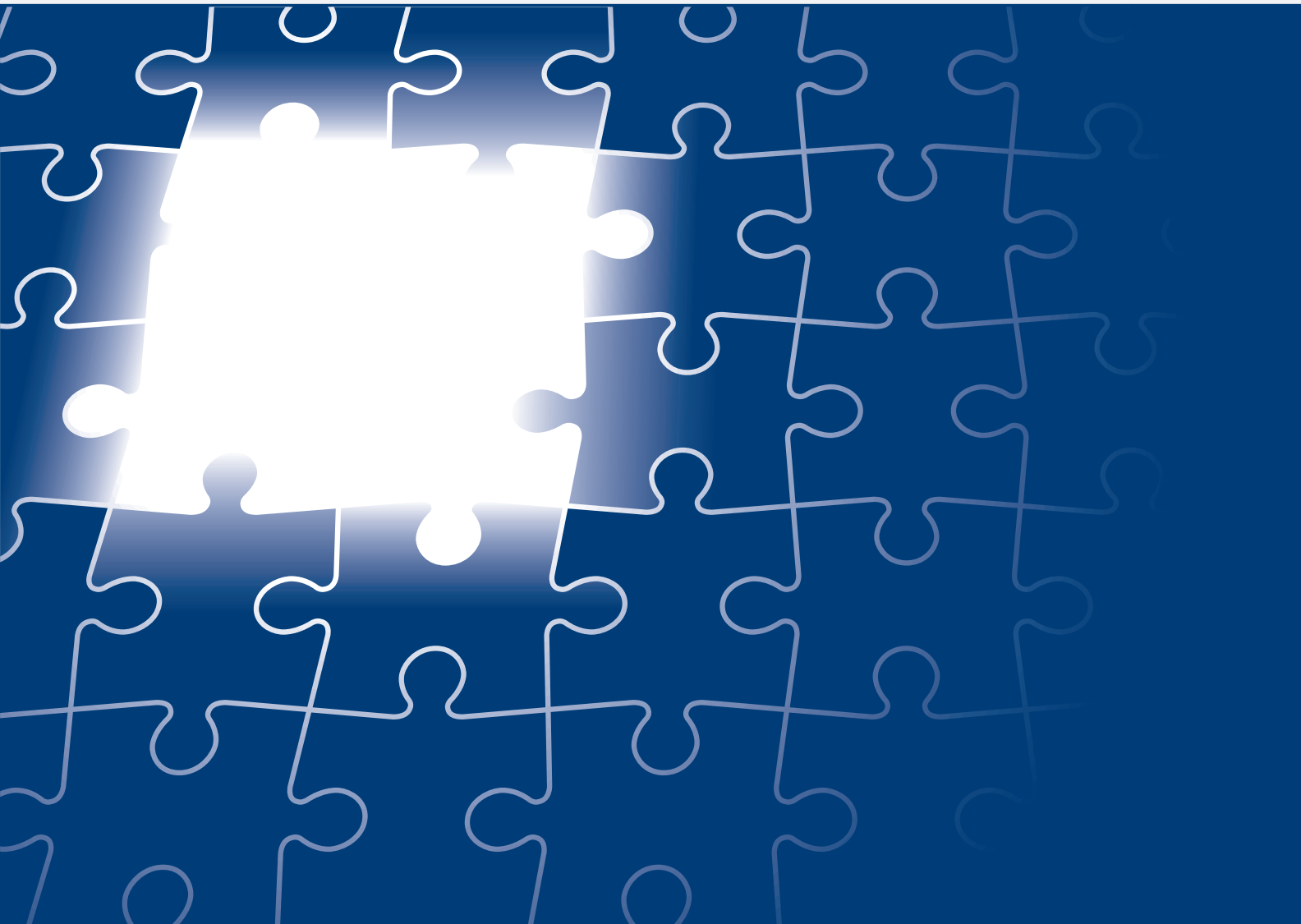


Alliance to Transform State Government Operations

Transforming State Government from the Inside Out

2014 Summit Report | March 28, 2014



Alliance to Transform State Government Operations

The Alliance to Transform State Government Operations (Alliance) seeks to engage a broad-cross section of operational professionals in identifying pathways to transforming government.

The Alliance is comprised of state officials responsible for the technology, financial management, services and human resources required to manage the government itself.

These functional areas (and the supporting systems) are the lifeblood of governments and, collectively, are the engine of government performance.

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About the Alliance Members

AGA

AGA is *the* member organization for financial professionals in government. We lead and encourage change that benefits our field and all citizens. Our networking events, professional certification, publications and ongoing education help members build their skills and advance their careers.

National Association of State Auditors Comptrollers & Treasurers (NASACT)

NASACT is an organization for the elected or appointed state officials tasked with the financial management of state governments. Our principal members are the state auditor, comptroller and treasurer in the 50 states, D.C. and the U.S. territories. www.nasact.org.

National Association of State Budget Officers (NASBO)

For over 60 years, NASBO has been the professional membership organization for state budget and finance officers. As the chief financial advisors to our

nation's governors, NASBO members are influential decision makers in state government. NASBO is an independent, nonpartisan, nonprofit research and educational organization located in Washington, DC.

National Association of State Chief Administrators (NASCA)

NASCA represents state chief administrators - public officials in charge of departments that provide support services to other state agencies. NASCA provides a forum to exchange information and learn new ideas from each other and private partners.

National Association of State Chief Information Officers (NASCIO)

NASCIO represents state chief information officers and information technology executives from the states, territories, and the District of Columbia. NASCIO fosters government excellence through quality business practices, information management, and technology policy.

National Association of State Personnel Executives (NASPE)

NASPE provides a national leadership forum to advance state government human resources through the exchange of best practices, strategies and solutions. Primary members of the association are the states' chief human resource management executive in the 50 state governments.

National Association of State Procurement Officials (NASPO)

NASPO is a non-profit association dedicated to strengthening the procurement community through education, research, and communication. It is made up of the directors of the central purchasing offices in each of the 50 states, the District of Columbia and the territories of the United States.

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Executive Summary

Introduction

A number of factors have a significant impact on the ability of state governments to deliver services over the next decade and beyond, including:

- long-term fiscal pressure on state governments;
- declining degree of trust in government;
- growing expectations of citizens;
- multifaceted impacts of technology; and
- changing demographics of both the citizenry and the state workforce.

In recognition of these factors, seven organizations representing state government created the Alliance to Transform State Government Operations (Alliance). This Alliance—which conducted a one-day summit in March 2014 to address these challenges—is comprised of the following associations:

- AGA
- National Association of State Auditors, Comptrollers & Treasurers
- National Association of State Budget Officers

- National Association of State Chief Administrators
- National Association of State Chief Information Officers
- National Association of State Personnel Executives
- National Association of State Procurement Officials

Sixty-two individuals from 34 states representing the aforementioned organizations participated in the summit.

The Alliance selected the following four issue areas as the focus of the summit:

- Human Capital/Workforce of the Future;
- Consolidation/Optimization/Rationalization;
- Enterprise Management; and
- Business/Data Analytics and Predictive Analysis.

Each of these issue areas were examined using the following format:

- brief presentations that established context;
- identification of key drivers that necessitate transformation;
- barriers and challenges were described and documented;
- enablers and opportunities for

transformation were similarly described and documented; and

- a framework was developed by participants to better enable states to address the issue area.

Key Findings

Strategies identified by participants that states should consider when pursuing transformation in **Human Capital** include:

- Multiple career tracks should be developed to reflect a greater diversity of needs and expectations for the workforce of the future.
- It is important to maintain flexible compensation system to reflect these various career tracks—as well as the ever-changing needs and demands of specific agencies.
- Opportunities for a team-based approach to decision-making should be provided.

Strategies identified by participants that states should consider when pursuing transformation in **Data Analytics** include:

- The support of executive leadership, governors and directors of agencies is

essential for greater use and effectiveness for data analytics.

- Legislative leadership buy-in should be gained so efforts undertaken by the executive branch have the necessary support.
- Information technology should be the facilitator of data analytics, not the driver.

Strategies identified by participants that states should consider when pursuing transformation in **Consolidation/Optimization/Rationalization** include:

- Sustained leadership by governors with the state legislators' support is an important component of success.
- The 'carrot' approach is recommended for most consolidation efforts, especially when consolidation efforts involve local governments.
- Gainsharing for consolidations involving state agencies is recommended, so efforts reflect the need for greater effectiveness and efficiency.

Strategies identified by participants that states should consider when pursuing transformation in **Enterprise Management** include:

- Chief operating officer positions as well as GovStat performance management systems; and
- Active engagement of the legislature.

In conclusion

Participants, on behalf of their respective associations, expressed eagerness to continue to work together as an Alliance on these issues. They want to make sure the results of the Summit are broadly shared with members of their respective associations—at annual meetings and via other activities such as webinars and special events.

Summit to Transform State Government Operations

The desire to transform state government operations recently brought seven national organizations into an alliance that has an ambitious agenda.

The goal of the alliance was not to merely tinker around the edges of state government operations to improve efficiency. It wasn't just to identify areas ripe for reform or innovation. The 62 individuals from 34 states that participated in the Summit to Transform State Government from the Inside Out (Summit) in Arlington, Virginia in March 2014 sought to determine how state government operations could be transformed. The difference between reform and transform is not just semantics; they are fundamentally different. Charles Garfield in his book *Second to None: How Our Smartest Companies Put People First*, compares them thus:

"[Transformation is an] ongoing process that permeates the entire organization, and represents a sharp break with the past. This break is a major difference between transformation and simple reform. While reform is an attempt to go down the same path more efficiently, transformation involves the development or discovery of entirely new paths."

The Summit was organized by the Alliance to Transform State Government Operations

(Alliance), which was organized in November 2013 by seven national associations (see **Figure 1**). Driving forces behind the Alliance and the Summit include:

- **The Big (Fiscal) Squeeze.** Demographic shifts expected over the coming decades will put pressure on health care spending and will impact tax collections—not only at the federal level, but also among states. All levels of government will have to address complex issues related to spending priorities with present and future needs.
- **High Expectations.** As the world moves at a faster pace due to technological advances, governments must too. Technology enables us to speed up processes and manage large amounts of data. We have information at our fingertips on almost any subject, can shop and pay our bills online. With innovation in our personal lives, people expect government to similarly keep up with the enhancements and efficiencies that technology brings.
- **The Silver Tsunami.** Dire warnings of an impending surge in retirements were issued a decade ago. The Great Recession probably delayed many of those retirements. But the first

FIGURE 1: ALLIANCE MEMBERS

Sixty-two individuals from 34 states participated in the Summit organized by the seven members of the Alliance to Transform State Government Operations:

- AGA
- National Association of State Auditors, Comptrollers & Treasurers
- National Association of State Budget Officers
- National Association of State Chief Administrators
- National Association of State Chief Information Officers
- National Association of State Personnel Executives
- National Association of State Procurement Officials

wave of the silver tsunami has arrived. This presents both challenges and opportunities for state governments. There is the challenge to train and promote early- and mid-career

employees into management and leadership positions. But, the biggest challenge may be recruiting and retaining the ‘best and brightest’ to state government. Although the workplace of the last several decades seemed to have worked well for Baby Boomers, a similar work environment may be less attractive to Gen X-ers and Millennials. Creating and maintaining productive and vibrant work environments will be critical to attracting and keeping the best workforce.

■ **Technology.** Technology influences how we interact with the world; this includes state governments — from how citizens engage with their state government to how state government delivers services to citizens. Technology is critical to achieving greater effectiveness and efficiency in the provision of services. Given the fast-paced changes in both hardware and software, it will be challenging for states to manage their investment in tools and technology to provide the best outcome for citizens.

■ **Organizational Structures.** All of the drivers mentioned will require workgroups, agencies and departments to be more flexible and creative, in the next few decades of the 21st

Century. In the past century governments were organized to put a premium on command, control, and compliance, rather than on results. The resulting organizational structure tends to make today’s government slow moving and hard to change. State governments must be able to adapt their organization in response to changing demands and needs, along with new and emerging technologies, while attracting and retaining a strong workforce to deliver important services.

The challenge for the Alliance was to identify entirely new paths for state operations.

Four areas for potential transformation were identified by the Alliance prior to the one-day meeting:

1. Human Capital/Workforce of the Future
2. Consolidation/Optimization/Rationalization
3. Enterprise Management
4. Business/Data Analytics and Predictive Analysis

After an overview of each focus area, facilitated discussions revolved around various ‘enablers’ for transformation — that is, factors that could be leveraged to help transformation to occur — as well as ‘barriers.’ Each section

concluded with a broad framework of actions that could be taken to create transformation. Real-time polling of the participants was conducted throughout the Summit to get immediate feedback on the relative importance of the transformation in each of the four focus areas, as well as on other issues. The questions asked, along with the participants’ responses, are contained in the **Appendix**.

The expectation was that department heads and other senior officials in state government could use the framework post-Summit as a starting point for specific transformation efforts in their respective states. The Alliance believed this information would be useful for newly-elected governors to consider, in order to ‘hit the ground running.’

The group also believed this report would be a good starting point for newly-elected governors to consider in order to hit the ground running when their terms officially begin.

Human Capital/Workforce of the Future

It's about people.

When compared to the other three focus areas, participants rated issues related to human capital the highest in importance for state governments to address over the next five years (67 percent of participants rated it among the top three of all issues; 100 percent rated it within the top 10).²

- There was significantly more variation in participants' views as to *which specific area* within human capital was most in need of transformation. Although civil service rules, procedures and processes was the factor cited most in need of transformation; only 17 percent singled out civil service alone.
- Forty-one percent of participants indicated a *combination* of civil service rules, funding, legislative factors and unions contribute to the challenge that state governments confront when creating a workforce for the future.

To what end? What would be the greatest single benefit from addressing the human capital issue?

- Nearly half (49 percent) of participants indicated the single greatest benefit would be improvement in the quality of service due to attracting strong

talent with new human resource models.

- Productivity gains was a distant second, with 14 percent of participants indicating improved productivity would be the greatest single benefit from human capital transformation.
- Approximately one quarter (26 percent) elected not to name a sole benefit from transformation; rather, they indicated the positive impacts achieved by a new human resource model would be spread out among talent recruitment and retention, gains in productivity/lowering costs, and upholding policies and mission.

Key Drivers

What drives the need for transformation in how state governments address human capital needs? In short, dollars and demographics.

- **State budgets.** With changing budget pressures due to retiring Baby Boomers, state agencies and offices will continue to be asked to do more with less. This will require state governments to continually find ways to meet the public's growing expectations and needs, while working with modest budgets. This will make it difficult for

states that continue to perform functions in much the same way, using roughly the same number of employees with roughly the same skill sets and roughly the same (or higher) cost.

- **Demographics at the front- and back-end of workforce.** Participants indicated their states are experiencing the first wave of the silver tsunami. A relatively large number of employees will need to be replaced as they retire — although replacements are not likely to equal the same number as those retiring. The second aspect of demographics is not only identifying high-quality employees, but also transforming the workplace so those employees want to work in state government.

Barriers/Challenges

The Alliance engaged in a robust discussion of the barriers to transforming human capital in state governments, including:

- **Time to process applications.** Many participants lamented the length of time it takes to process applicants before hiring supervisors can even review applications. One participant cited three months as typical for hiring supervisors.

- **Structured for the gold-watch generation.** Many noted civil service systems have been structured around the presumption that most employees will stay with state government for 30 or more years, then retire with a gold watch. This type of structure is a barrier for the vast majority of Gen X-ers and Millennials, who are more attached to their social and other informal networks than to particular employers or other institutions. Many of these individuals seek to work for an employer for a few years, then move on. Slow hiring practices, strict hierarchies, difficulty moving among state agencies and non-portable pension systems characteristic of many state governments were identified as barriers to developing the 21st Century workforce (although exceptions within agencies were noted by a few participants).
- **Mission.** Another common theme: there is little public discussion of mission and/or the value of public service. There is much to suggest that Gen X-ers and Millennials have a strong predisposition for mission, but government isn't tapping into it.
- **Opportunities for advancement.** Gen X-ers and Millennials

need to see advancement opportunities — in pay, influence and making an impact; and state governments need to make clear the path to promotion. Waiting for their turn to 'move up' is not in their generational-DNA. Hence, many chafe at the hierarchy of state government because they are eager to make a difference now, not in 10 years.

- **Training.** The need for education, training and professional development of current and future employees also was cited as a barrier. During the Great Recession, these opportunities were often first to go—and last to return.
- **Job security — not.** The general consensus has been that government employment offered job security and a decent retirement—even if pay often was somewhat lower. But, given changes made in the past decade, that consensus has crumbled. In fact, some participants shared that there is a palpable fear from potential and current employees that government will 'pull the rug out from under them.'
- **Short-term nature of appointed political leadership.** Although not appreciably different from previous decades, the short-term nature of appointed

leadership was cited as another barrier to human capital development transformation.

- **The broader employment climate.** The broader employment climate contains potential challenges for state government, including:
 - *Fluid careers.* Throughout their time in the workplace (private, non-profit and public sectors), individuals will have many employers and, often, several careers. Individuals no longer work for one or two employers during their career, but rather for an average of ten.
 - *Flexibility in days/hours.* Work hours of 8 a.m. to 5 p.m. are increasingly rare. So is a Monday–Friday work schedule. Competition for talent in the redefined work-world means time-off for family, or to engage in other activities. Alternative schedules include, four 10-hour days, telecommuting, working on weekends and 24/7 connectedness.

Enablers/Opportunities

Although the list of enablers is noticeably shorter than that of the barriers, there was a sense of broad possibility in the enablers set forth.

The enablers often crosswalk directly to the barriers and challenges:

- **Wide recognition of the need for change.** The fact that participation in the Summit was high is significant. These individuals and the thousands of other government leaders they represent indicate that the desire to transform government operations to meet future needs and demands is high. Participation from these seven associations further indicates a willingness to work cooperatively to transform state government operations.
- **Mission.** The new and emerging talent pool often is energized by mission. By nature of the public sector, appeals to mission will resonate with potential employees. Clear communication of mission will be important when overcoming most, if not all, of the barriers previously identified.
- **Silver tsunami creates opportunity.** The old system locked in many individuals to their current employer for most of their careers; now these individuals will be leaving the state workforce in the next few years. This creates opportunity within state governments to respond to the challenges of the 21st Century, and implement changes.
- **Opportunity to create a new set of strategies.** With the challenges state governments face — in light of changing demographics, retirement of seasoned staff and high public expectations — comes the opportunity to do something different.

Framework for Solutions

A number of strategies—some very broad, some quite specific — collectively constitute a framework for transforming human capital.

- **Multiple career tracks.** States should create several types of clearly delineated career tracks that meet the ever-changing needs of states and future employees. These multiple tracks should be attractive to a wide array of future employees. Career tracks for short-termers — those who want to work two or three years in state government, then move on—should be developed. Other career tracks might involve employees working in one agency for two or three years, then moving to another state agency for another period of time; this not only serves to provide a career ladder for employees, but also serves to encourage cross-agency collaboration. Opportunities to rotate with and among state agencies should be encouraged.
- **Flexible compensation system(s).** Compensation systems are based primarily on inputs (typically education and years of experience in state government). These policies should be re-examined and considered for reformation or transformation. Some participants noted experiments where a small number of state agencies had broad authority to set employee salaries, coupled with broad ‘hire and fire’ authority.
- **Team-based decision-making.** Opportunities for early- and mid-career employees to collaborate with experienced employees for joint input and decision-making should be encouraged. But states should do more than just encourage collaboration. In doing so, states should also train leaders, managers, supervisors and front-line employees on the skills, behaviors and attitudes necessary for team-based decision-making.
- **Interaction between high-level officials and entry-level employees.** Agencies should be mindful to create opportunities for entry-level employees to interact with senior officials. Although senior officials’ time will be in limited supply, the strategic interaction will benefit the state government workforce, and provide senior officials with invaluable input on both policy and management.
- **Leverage social media and technology skills.** Early-career employees’ interest and skills in these areas often eclipse those of mid-level and senior managers. These skills can also enhance team-based decision-making and interactions between senior officials and entry-level employees (see previous).
- **Vocational apprenticeships.** The state workforce includes more than college-educated professionals. Apprenticeships that combine education, training and real-world experience should be expanded or created. Apprenticeships akin to those in Germany were specifically mentioned. Apprenticeships would link high schools, community colleges and state agencies in preparing career-ready workers for state government—serving the needs and interests of all involved.
- **Rebranding government.** This is a tall order, and one that would take years; but, a number of non-profit groups have been formed in recent years to do just that: rebrand government. Participants indicated the need to rebrand government—that is, the need to improve potential employees’ perceptions of the value and importance of working in service to their fellow citizens—is essential.

Data Analytics and Predictive Analysis

Data analytics was considered the second-most important of the four focus areas. It was rated very or extremely valuable by 86 percent of participants. But this perceived value comes with some misgivings, as 66 percent of participants viewed analytics as very or extremely difficult to implement.

One facilitator noted there has been an explosion of data during our lifetime. Since the beginning of human civilization through 1960, five exobytes of data (10^{18}) were produced. In striking contrast, five exobytes of data are now produced *every two days*.

However, the essence of data analytics is not found in reams of data; it is as much about the velocity and quality of data. It also is about finding individuals with the appropriate knowledge and skill set — to review the data, ask the right questions and arrive at findings — and the intra-/inter-organizational acumen combined with the support of leadership to prompt action.

Key Drivers

Visibility and momentum drive the potential for data analytics to transform state government.

In the last few years, the Big Data movement has gone from a niche concept to mainstream, as

indicated when Big Data serves as the foundation of the highly profitable movie “Moneyball.”

Participants conveyed a sense that, within the next few years, the hype associated with Big Data will be replaced by its routine use.

Barriers/Challenges

The group engaged in a robust discussion of the barriers to use of data analytics to transform state governments, including:

- **Silos.** Because state agencies often operate in organizational silos, there is a challenge in figuring out how to overcome the fragmentation of data, as well as who ‘owns’ and maintains data sets. And, much of the promise of data analytics involves mashing data from a wide array of sources.
- **Data quality and structure.** Variation exists among the quality and reliability within and across agencies; data standards and definitions; and the structure of databases. Most data gets stale quickly. For all of these reasons, overall trust in the quality, reliability and usability of data is important.
- **Capacity.** As an emerging field, most state governments don’t yet have the capacity to undertake analytics in any comprehensive manner. And, if states did develop in-house talent for using Big Data, there is fear that the talent would be ‘scooped up’ by the private sector, which also seeks to increase capacity in data analytics.
- **Funding.** How might states fund efforts to undertake data analytics? Whether done in-house or accomplished through contracting, data analytics will cost money up front — even if it has the potential to yield greater efficiency and cost-savings down the road.
- **External data.** Data analytics may require that data be housed outside of government. Funding this and the ability to mash internal databases with external ones present challenges.
- **Who’s in charge?** What agency should lead data analytics efforts? Should it be information technology (IT), which is best equipped to address data structure and software issues? Is it the state office of management and budget — a key office that interacts with every other state agency and has a representative of the governors’ administration to steer the effort, giving it political capital? Should a separate office be established? Should states consider creating a Chief Data Officer?

- **Confidentiality of data.** One concern about data analytics affects both the private and public sector: protecting confidential data or data that is not public. Reputational damage can occur if there is a breach, and public trust can be lost. Existing safeguards of confidentiality need to be reviewed to ensure they meet current privacy laws. After the review is conducted, the results should be communicated to staff in state government. Thus, a number of challenges will need to be addressed for states to fully avail themselves of data analytics in the future.

Enablers/Opportunities

- **Million-dollar blocks.** Nothing succeeds like success; successful examples often prove to be the most persuasive enabler. One example comes from New York, NY. Whereas most crime data focuses on the location of the incidence of specific crimes, the ‘million-dollar blocks’ initiative takes another, complementary approach. Big Data was used to identify the specific residence of individuals connected to the criminal justice system. Finding that the residences of perpetrators of crime often cluster in specific locations, such as New York City. Using this approach found that there are often single city blocks that cost the criminal justice systems of local and state governments more than one million dollars per year. Identifying these blocks and targeting a combination of cross-cutting activities — from police to social services — can help reduce crime in other

parts of New York City. This is just one example in which data analytics can make government more effective and save taxpayer dollars. This is also one of many examples of the power data analytics to solve vexing governmental problems — from traffic management to code enforcement.

- **Enabling technologies.** There has been a profusion of enabling technologies in the last few years. It’s far more than just speed cameras and license-plate readers. Others abound; among them are geospatial technologies and RFID tags — which are revolutionizing certain operations of the private sector and hold much promise for the public sector.
- **Data is an infinitely renewable resource.** A tremendous amount of data already exists and new data is constantly being generated. While data is an infinitely renewable resource, raw data may be of little use until it is analyzed in a meaningful way.

Framework for Solutions

- **Executive leadership.** Although pockets of data analytics will undoubtedly occur in state agencies, it will take the visibility and leverage of governors to make data analytics happen across and among state agencies. Disruption in current practices usually requires the intervention of the executive — in this case, governors. Data analytics is a disruptive practice. As such, it then requires capable managers (for example, a person designated as the

chief data analytics officer) to carry out and manage the intended ‘disruption.’ Executive leadership coupled with competent management is part of the basic framework for data analytics to flow down to specific agencies as well as across state government as a whole.

- **IT as facilitator.** IT should be the facilitator of efforts to practice data analytics, but it shouldn’t be the driver. In most instances, the driver should be the governor and whomever she/he appoints as the chief data analytics officer (see previous, “Executive leadership”).
- **Privacy and ‘consent to use.’** Privacy statutes often provide a fair degree of flexibility for state agencies to use subsets of data. However, current ‘consent to use’ laws should be reviewed — and, in some cases, revised — to permit broader use of data subsets while still protecting individual confidentiality.
- **Intergovernmental dimension.** Consult frequently and work closely with federal and local government partners for the sharing of data as well as data-analytics capacity.

Consolidation/Optimization/ Rationalization

Did you know that there are more governments in the U.S. than Starbucks and McDonald's restaurants combined? McDonald's has approximately 14,000 restaurants and Starbucks has 18,000 establishments in the U.S. The number of governments is nearly triple those combined numbers: 89,055.³

Notwithstanding the fact that majority of those are small local governments, can you imagine the number of HR, IT, procurement and other support-services departments must exist? It certainly seems that there would be ample opportunity to consolidate many aspects of these functions between and among state agencies and local governments.

It should come as no surprise then that participants also saw consolidation/optimization as a key area of focus for state government transformation.

Participants were polled on the value of optimization/consolidation as a strategy for transforming state governments, lowering costs, improving performance and gaining public trust. Ninety percent of participants responded either extremely valuable or very valuable.

Participants were then asked to designate the one area offered the most opportunity for transformation. Forty-two percent of

participants indicated procurement offered the single, best opportunity. IT followed at 32 percent. Both personnel and administration were the only other single options that polled in double-digits — at 11 percent for each.

Key Drivers

There are two key drivers that were identified as promoting consolidation and optimization:

- **The state budget situation.** As is the case with the other focus areas, the state fiscal situation is a key driver. Necessity and survival are strong motivators. The need to save money drives many consolidation efforts and some entities may have to consolidate to survive.
- **Consolidated platforms are ubiquitous.** Citizens and businesses have rapidly grown accustomed to single platforms. For example, what is Amazon.com but a combined platform for procurement — that is, the platform for consumers to procure a wide-array of products. The same is true for the Apple Store as it applies to music, movies and e-books. Other examples, like OpenTable, Expedia and Hotels.com are now commonplace.

Barriers/Challenges

- **Benefits of consolidation are long-term, while the costs are short-term.** As with almost any change in policy or management, the potential losers of consolidation usually identify themselves up front; but the winners are not known until later. A corollary is that short-term losers in these efforts usually are known and vocal (for example, well-entrenched firms that will now face greater competition in procurement) whereas the beneficiaries are not yet known (for example, new businesses that may spring up with greater competition).
- **"But these are my servers."** State agencies—like other organizations — simply don't want to give up the comfort of the known for a potential unknown or unquantified benefit. One participant indicated their state maintains 14 different networks. An attempt to consolidate them was met with the following utterance: "But these are *my* servers."
- **'Folklaw'** Similar to folklore, 'folklaw' consists of ideas that are not true but that have taken on the appearance of truth as they are repeated over time.

'Folklaw' is based on stories that originate with a kernel of truth, then morph beyond the original truth. 'Folklaw' can obstruct the path of consolidation and optimization. Agencies often believe statutes or regulations preclude them from consolidating or engaging in other optimization actions. When statutes are actually consulted, however, it is not unusual to find that no such restrictions exist. 'Folklaws' can have the same effect as statutes.

- **'Been there, done that.'** Previous failed attempts at consolidation often are held up as reasons for not pursuing it now. It would be wise to determine if this is true—or just another variant of folklaw. To the extent it is true, one needs to find out what elements worked, what didn't and how the result can be different next time. Sometimes the difference is in technology; other times, it might be, simply, the individuals involved in pursuing (or blocking) that previous effort.

Enablers/Opportunities

- **Potential for a very 'big lift.'** Consolidation in procurement offers the potential for a 'very big lift' in terms of efficiency, competition, cost-containment and customer service. Procurement touches virtually every element of government. This is also true for IT, human resources and other internal support services.
- **Mitigation of risk.** No IT director survives a major data breach; and, few survive the failed roll out of a new public platform. Consolidating operations can serve to spread (and reduce)

the risks across the entire enterprise of state government.

- **Success of early-adopters.** Successful implementation of consolidation in one of the internal support service areas begets momentum for consolidation in others. Consolidation efforts are moving forward in a number of states.
- **New employees.** As the silver tsunami leads to more retirements in the near future, their successors may very well have a different set of skills, base of knowledge and experiences that lead to more successful efforts at consolidation and optimization.

Framework for Solutions

- **Sustained leadership.** As with all efforts for reform and transformation, consistent political and civil-service leadership are required to make long-lasting change possible.
- **Carrots, not sticks.** Although some states hold tight control over certain aspects of local government, most local governments have a fairly wide range of autonomy. Consequently, several participants noted that incentives afford far greater motivation for consolidation and optimization than do mandates. Financial incentives for regionalizing services or even statewide consolidation of specific elements of services should be built into an array of policy and management tools. Mandates and other coercive tools simply create heated (and unproductive) political debates.
- **Gain-sharing.** If consolidation saves agencies money while

improving efficiency and enhancing effectiveness, let state agencies (and local governments) retain some of the savings. This is another aspect of the 'carrots, not sticks' approach.

- **Recognize the importance of performance auditors.** If you have an office of performance audits, fully fund it. And, if you don't have one, create one. Auditors typically save far more money than they cost. Also, consider greater independence in personnel rules for performance auditors — private-sector firms often seek to hire highly-qualified individuals from these offices. Some participants from states that have offices of performance audits indicated these offices had little or no restrictions on hire/fire authority or on compensation.
- **Audit for the 'good stuff.'** A common perception is that persnickety auditors seek to uncover what agencies or local governments did wrong and punish them for it. Several participants suggested their states have had positive results by 'turning auditing on its head.' Focus on identifying the practices that result in more effective and/or efficient services. Then, make sure those effective practices are shared with other agencies and among local governments. And, follow up to technical assistance to ensure that those effective practices are broadly implemented. What agency or local government wouldn't want to be cited for its effective practices? This turns the psychology of auditing on its head. As the adage goes, "honey catches more flies than vinegar."

- **Offer procurement schedules to locals for free.** This is a practice that already is gaining popularity. State and local governments gain from this as volume often reduces prices. But this also can help small businesses as well. If they only have to develop bids and price lists for one centralized purchaser (rather than hundreds throughout a state), this can give a leg up on businesses with the resources to respond to bids and develop price lists for local governments all across a state.
- **“Don’t pave a cow path.”** Consolidation and optimization doesn’t simply mean that one can take a manual, paper-based process and put it on the web and consider the work to be done. That is no different from paving a cow path and

expecting it to perform like a superhighway. E-versions of almost anything — from training to procurement — require a complete redesign of the underlying process as well.

- **Budget for optimization and consolidation.** Agency budgets should include the cost of support services explicitly within them — otherwise there are no incentives to conserve, reconfigure, reform or transform. If office space is not included in the budget for an agency, then why wouldn’t that agency fight to keep every square foot of its existing footprint? What holds true for facilities also holds true for procurement, IT, human resources and other support services. And, when agencies are armed with this information,

it creates another opportunity to combine efforts with other agencies.

- **Focus on achieving small wins, first.** Identify areas where there is fairly broad agreement on the need for consolidation/ optimization — even if these opportunities appear to be small-bore; pursue and achieve those first. The key is to build momentum for larger ‘wins’ down the line.

Enterprise Management

Participants indicated that, of the four focus areas, enterprise management was least important for transformation. When asked about the criticality of transformation in enterprise management during the next five years, only one in four participants (27 percent) rated it among the top three issues. But for one in five (21 percent) it did not rise above a top-20 issue.

Which begs the question, what is ‘enterprise management?’ A fundamental characteristic of enterprise management is the ability of an organization—in this case, state government—to work effectively and efficiency across and within departments. In short, it is about breaking down silos, or at least building many bridges across and among them. Although smaller organizations have attempted this — with varying degrees of success — there was a sense among participants that this would be quite a challenge for state governments. Other areas for transformation should be tackled first before moving to the broad and complex issue of enterprise management.

But the take-away from the discussion was not that agencies and departments should not work across boundaries. Quite the contrary: some participants indicated that this should occur, but that efforts should be based on specific needs and specific times. Others conveyed that, in

a networked world, this is what state government should be doing anyway — even if it isn’t formalized or characterized as a major governmental initiative. In many cases, it is being done — albeit on a smaller, less formal scale.

Key Drivers

- **The ‘incremental revolution’ has begun.** Although the Weberian model of strict hierarchies combined with strict organizational boundaries with prescriptive rules and procedures is still with us, there has been substantial erosion in the model in the past several decades. Even huge bureaucracies are now working together to address complex problems. For example, the U.S. Department of Veterans Affairs and the U.S. Department of Housing and Urban Development are working together towards a joint goal of ending veteran homelessness. Other examples — both formal and informal — exist across many other public organizations at the state, local and federal levels. The perception may be that it is happening too slowly or too haphazardly, but it is happening. The ‘incremental revolution’ is upon us.
- **Fiscal pressures.** As with all of the other focus areas, the fiscal pressures on states will continue to reinforce pressure

to improve effectiveness and efficiency. Enterprise-wide approaches often offer opportunities to accomplish just that.

Barriers/Challenges

- **Budget processes.** With only a few exceptions, budgets for most organizations — both public and private — are developed and approved at the departmental level. As a consequence, the focus for financial accountability remains at the departmental level. Budgets are organized around the inputs of dollars rather than the outcomes of citizens or clients. Although recognition of the role of performance measurement in government has gained great momentum in the last 25 years, ‘budgeting for outcomes’ or ‘legislating for results’ largely remains in its infancy. Enterprise-wide approaches to addressing issues happen in spite of, rather than because of, budgeting processes.
- **Budget politics.** Closely intertwined with budget processes, budget politics creates a challenge for enterprise-wide planning and management. As several participants noted, budget drives policy (not vice-versa). Legislative committees and subcommittees are usually

organized around budgets. Enterprise-wide approaches would not only require government employees to structure work differently, but would also require state legislatures to do the same. The same is true for organized interest groups. Although some noted that the “iron triangle” of committees, agencies and interest groups may have weakened in recent decades, the “iron triangle” remains a real challenge for enterprise-wide approaches to issues.

- **Transformation is “too big or too global.”** A number of participants indicated transformation in enterprise management is “too big or too global” for states—particularly when power and influence is dispersed among governors, legislators, interest groups, voters and the media. Unlike corporations, state governments are not generally organized in a manner that concentrates power or decision-making authority.
- **Inconsistent terminology.** Efforts for enterprise management often suffer from an abundance of (and lack of clarity around) terms. No single term or phrase has arisen to really capture the essence of enterprise management — including the phrase “enterprise management,” itself. A plethora

of terms requisite to support the transformation of enterprise management abound that further complicate the ability to structure conversations around the issue (i.e., performance measurement, performance management, budgeting for results, legislating for outcomes, balanced scorecards,⁴ GovStat).⁵

Enablers/Opportunities

- **Helping Management View the Enterprise.** An increased number of states have developed some sort of GovStat initiative. But, to be useful as a mechanism for enterprise management, these efforts must go far beyond basic efforts to share data on a website regarding the activities of state government. They must bring together — at the same time, in the same location — the governor, department heads and other appropriate staff to discuss and address policy and management issues from an outcome perspective and from an enterprise-wide vantage point. This GovStat phenomenon is beginning to happen in a few states (including Maryland, Tennessee and Virginia) and will almost certainly spread. In instances where this happens, the format and structure of GovStat then percolates down
- **The emergence of the chief operating officer in the office of the governor.** Governors have always had chiefs of staff, whose primary focus was coordinating policy and political issues. Operational management was only a secondary feature at most. Tennessee was noted as one state that has created position of chief operating officer (COO). The COO’s focus is solely on management. Like GovStat, a COO is a critically important component of enterprise management. Cross-agency goals and strategies with SMART (specific, measureable, action-oriented, results-based and time-bound) characteristics should be coordinated by the COO.
- **Initiatives led by governors.** The greatest enabler is the state’s chief executive — the governor.

to lower levels throughout the organization. This practice is an integral feature of enterprise management. Although states (such as Texas with its Legislating for Results programs) have had performance measurement efforts run out of the office of the state auditor, these typically do not provide the structure to focus on enterprise management — as management is inherently an executive function.

The extent to which an increasing number of governors are leading efforts like GovStat or are creating positions like COO is key to the emergence of enterprise management.

Framework for Solutions

- **Create GovStat and a COO position.** By definition, enterprise management is about management; and, creating mechanisms for managing the entire enterprise of state government is essential. A true GovStat system — not just a website, but an integrated system — is one key element. The GovStat system has at its foundation solid evidence (data) — but it is essential that the data be combined with measureable goals, targets and structured interactions where a cross-section of department heads, other staff and the governor consider integrated strategies for addressing enterprise-wide challenges — with regular follow up built into the system. A COO can then ensure that decisions affecting agencies are implemented.

- **Engage legislature.** Although management is an executive function, members of the legislature can have significant influence on the ability of the executive to manage. As previously indicated, attempts to address issues across departments can have unintended consequences on the committees and power structures within legislatures — and between legislative and executive branches. The engagement of legislature — particularly legislative leadership — is very important.

In Conclusion

The positive energy and enthusiasm conveyed by participants was palpable as the Summit drew to a close. They achieved what they came to do; for each of the four focus areas, participants identified: key areas of state operations ripe for transformation, the relative priority, barriers and opportunities to address, and a framework of actions necessary to enhance the likelihood of transformation.

Participants, on behalf of their respective associations, expressed eagerness to continue working together as an alliance on these issues. They wanted to make sure the results of their work at the Summit are shared with the members of their respective associations more broadly — starting with annual meetings and continuing with other activities such as webinars and special events.

Appendix: Summary for 15 Polls

Workforce

How critical do you believe addressing the Human Capital workforce issue is for government in the next 5 years?

Answers	Responses	Percent
Top three issues it needs to address	29	67.4%
Top 10 issues it needs to address	14	32.6%
Top 20 issues it needs to address	0	0.0%
Below the top 20 issues it needs to address	0	0.0%
Total	43	

What do you feel will be the greatest barriers in addressing this issue?

Answers	Responses	Percent
Lack of funding	3	7.3%
Legislative	3	7.3%
Civil Service	7	17.1%
Unions	3	7.3%
All of the above	17	41.5%
None of the above	8	19.5%
Total	41	

Where do you perceive will be the greatest impact/value achieved from addressing this issue?

Answers	Responses	Percent
Lower cost more efficient	1	2.3%
Quality of Service/Staff due to attracting talent with new HR models	21	48.8%
Productivity	6	14.0%
Upholding policies and mission	2	4.7%
All of the above are equal	11	25.6%
None of the above	2	4.7%
Total	43	

What do you think are the critical changes within workforce of the future states need to make?

Summary	Count
Total	0
Unique participants	0
Approved responses	(Poll not moderated)

Consolidation, optimization, rationalization

Which of the following functional areas offers the greatest opportunity for gains in efficiency and effectiveness through consolidation, optimization, rationalization across agencies/jurisdictions?

Answers	Responses	Percent
Budget	1	2.6%
Accounting	0	0.0%
Personnel	4	10.5%
Procurement	16	42.1%
Audit	1	2.6%
Finance (debt management etc.)	0	0.0%
Treasury	0	0.0%
Administration	4	10.5%
Information / Technology	12	31.6%
Total	38	

Consolidation, optimization, rationalization of which of the following resources offers the greatest opportunity for gains in efficiency and effectiveness?

Answers	Responses	Percent
Technology common platform, shared ownership	8	20.5%
Processes common business processes, training	23	59.0%
People common or shared staff	2	5.1%
Budget common funding	6	15.4%
Total	39	

How valuable is consolidation, optimization, rationalization as a strategy for transforming state governments, lowering costs, improving performance and gaining public trust?

Answers	Responses	Percent
Extremely valuable	21	51.2%
Very valuable	16	39.0%
Somewhat valuable	4	9.8%
Not valuable	0	0.0%
Total	41	

Enterprise Management

How critical do you believe transforming how states address Enterprise Management is for government in the next 5 years?

Answers	Responses	Percent
Top three issues it needs to address	9	26.5%
Top ten issues it needs to address	18	52.9%
Top 20 issues it needs to address	6	17.6%
Below the top 20 issues it needs to address	1	2.9%
Total	34	

Where do you perceive the greatest impact/value that will be achieved from addressing this issue?

Answers	Responses	Percent
Project outcomes result in ROI and lower cost	0	0.0%
Projects on-time and budget	0	0.0%
Cross training of staff	0	0.0%
Staff retention	0	0.0%
All of the above are equal	0	0.0%
None of the above	0	0.0%
Total	0	(Poll not moderated)

What do you feel will be the greatest barriers in addressing this issue?

Answers	Responses	Percent
Inability to pool funds/cost allocation	0	0.0%
Lack of adequate governance	0	0.0%
Lack of Executive sponsorship	0	0.0%
Lack of skills/capacity	0	0.0%
All of the above	0	0.0%
None of the above	0	0.0%
Total	0	(Poll not moderated)

Business Intelligence/Analytics and Predictive Analysis

How do you perceive the value of Business Intelligence/Analytics and Predictive Analysis?

Answers	Responses	Percent
Extremely valuable	10	28.6%
Very valuable	20	57.1%
Somewhat valuable	5	14.3%
Not valuable	0	0.0%
Total	35	

How do you perceive the feasibility (ease or difficulty) of moving forward with Business Intelligence/Analytics and Predictive Analysis?

Answers	Responses	Percent
Extremely difficult	11	28.9%
Very difficult	14	36.8%
Somewhat difficult	12	31.6%
Not difficult	1	2.6%
Total	38	

Endnotes

1. Charles Garfield, *Second to None: How Our Smartest Companies Put People First* (McGraw-Hill, New York, NY, 1992), 50.
2. *Census of Governments*, 2012.
3. United States Interagency Council on Homelessness website, June 2, 2014.
4. The balanced scorecard is one of a wide variety of frameworks for managing organizational performance. At its essence, it is a mechanism for identifying, measuring and balancing four areas of organizational performance: financial, customer service, internal business practices and learning.
5. GovStat is a generic and informal term for one of a variety of frameworks for managing organizational performance of governments. With its CompStat program in the 1990s, the police department is usually cited as the beginning of the 'GovStat' movement. A key aspect of GovStat is the rigorous discussion of data by a wide cross-section of governmental leaders in terms of identifying how services can be improved or what policies may need to be changed.

