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Beyond “Reinventing Government”: Streamlining Government with Business Analytics



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Background and Methodology

In April 2009, BusinessWeek Research Services (BWRS) launched a research program to determine the attitudes and opinions of C-level executives with regard to the use and value of business analytics. The research program was designed to understand how companies can optimize business analytics to improve fact-based decision making.

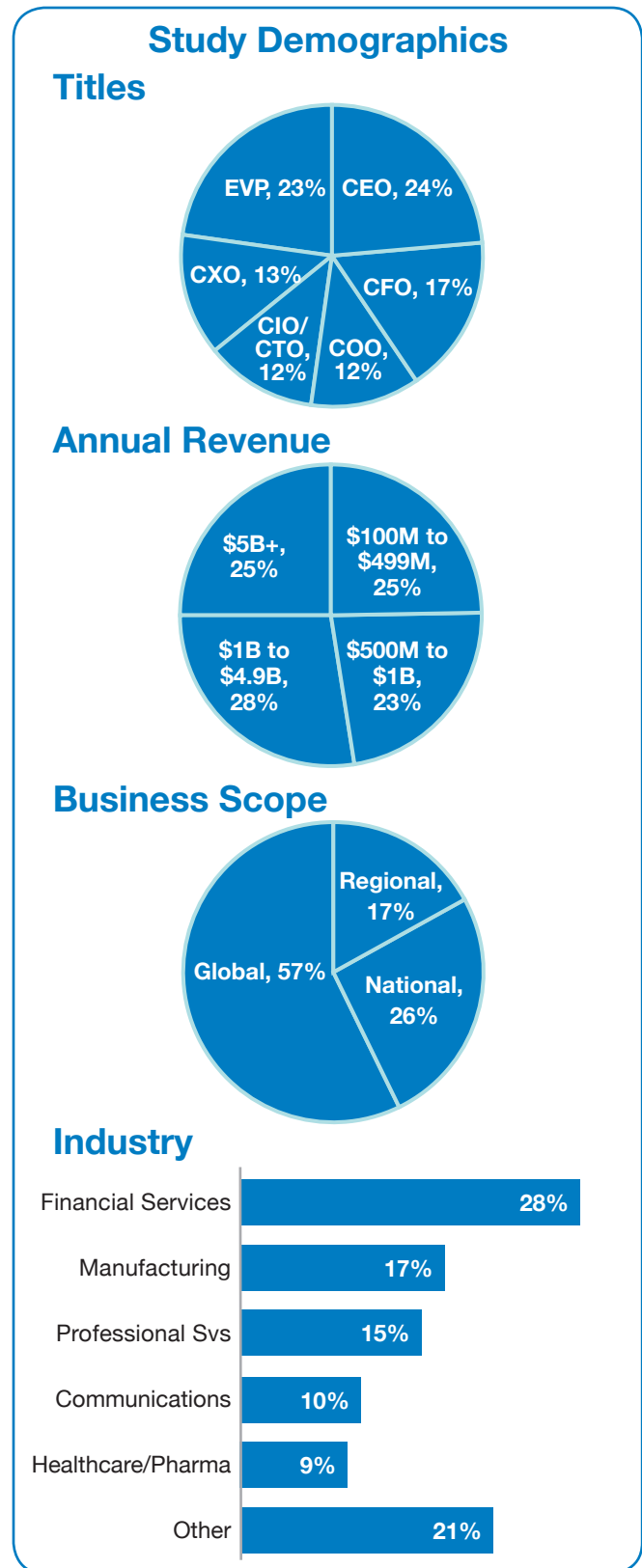
This white paper, *Beyond “Reinventing Government”: Streamlining Government with Business Analytics*, reviews a portion of the research and provides analysis and insights on the topic of business analytics. It is part of a series of white papers for C-level executives intended to facilitate sharing the most important insights from the research. More data and insights are available at this exclusive Web site: <http://www.sas.com/whitepapers/index.html>

This research program is an online survey of C-level executives at leading large and midsize companies who are members of the BusinessWeek Market Advisory Board, an online panel of 20,000+ business leaders and executives. A total of 101 C-level executives across the globe were surveyed in April and May 2009 (see Chart 1).

For more information about the contributors to this research program, please visit: <http://www.sas.com/whitepapers/index.html>

This research project was funded by a grant from SAS but was written by BusinessWeek Research Services. The editorial department of BusinessWeek was not involved in this project. For more information about this project, please contact BusinessWeek Research Services at samuel_gager@businessweek.com.

Chart 1



Executive Summary

- Performance management, organizational effectiveness, sustainability, resource allocation, constituent (customer) service, and others are common concerns for both business and government leaders.
- The effects of the global economic crisis are being felt across organizations; two-thirds have implemented significant cost reduction programs across their organizations.
- For most executives (83%), the importance of using information effectively to run their organization has never been greater.
- The top four advantages of business analytics are: promoting a culture of fact-based decision-making; managing performance to achieve measurable objectives; establishing a framework for decision-making; and aligning strategies across departments.
- The impact of business analytics is clear—it improves profitability, business performance management, customer (constituency) service, and organizational effectiveness.
- The top barriers to the successful execution of business analytics are: departmental silos; resource constraints; complex and diverse business demands; too many “priorities”; lack of data-driven collaboration; and poor data quality, integrity, and consistency.

Introduction

Leadership at large organizations, whether in the public, private, or non-profit sectors, requires a universal set of tools, skills, and abilities. The challenges and opportunities facing managers in each sector are similar, whether that organization is a global corporation, a world-renowned NGO, or a part of the federal, state, or local government.

Organizational issues such as performance management, organizational effectiveness, environmental sustainability, resource allocation, constituent (customer) service, and others are common across the spectrum of leaders and executives charged with driving success in their organizations.

Today's economic turbulence may stem from wider global issues, but its ramifications are experienced locally. Economic challenges are being felt at all levels of government, and leaders are increasingly being challenged to develop innovative methods for managing their domains. Perhaps that's why two-thirds of corporate leaders have implemented significant cost reduction programs across their entire organizations as a result of the current fiscal crisis, and that nearly a quarter report that their organizations have undergone a general "belt tightening".

Although not driven by profit, governments must respond to the demands of their own "marketplace" by functioning efficiently, remaining cost-effective, and meeting the needs of their constituents. For more than a decade, government agencies have been mandated to improve service and demonstrate results. Starting with the "Reinventing Government" initiative, and more recently the President's Management Agenda, government agencies are increasingly expected to deliver with the agility of their private sector counterparts.

While many areas of government have successfully employed aspects of fact-based decision-making, current initiatives to reduce waste and expenses correspond with the benefits business analytics offers organizations. The spirit of initiatives like the President's Management Agenda—developed to make government more "citizen-centered, market-based, and results-oriented" by basing operational techniques on those used in the private sector—is fundamental to the business analytics framework.

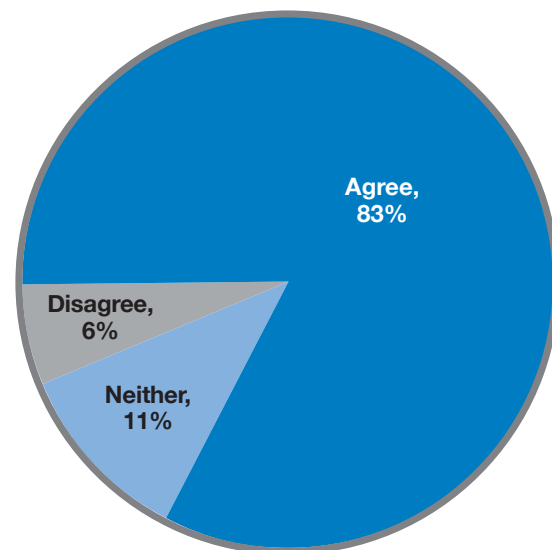
Executing with Insight: How Analytics Can Improve Government

Business analytics is increasingly being used to guide decision-making, increase efficiency, and promote accountability. For government leaders, meeting efficiency targets, reducing costs, and

Chart 2

Question:

"The importance of using information effectively to run our business has never been greater."



responding to citizen demands for improved services are key challenges in their marketplace. For C-level executives, the importance of using information effectively to run their organizations has never been greater (see Chart 2). Government organizations also face this need as they are in constant flux with new people and new initiatives, as well as legislative pressure and executive demands. As agencies struggle to maintain institutional memory and a sense of historical precedent while searching for operational agility based on deeper insights, better answers, and faster reaction times geared toward the future, business analytics can give them a foundation on which to operate.

By adopting an analytics framework, government organizations can gain the tools they need to function in a more citizen-centered, market-based, and results-oriented environment—which is especially urgent given the current economic situation. According to one executive, business analytics “helps us focus on where opportunities are in the current economy.” Delivering insight and demonstrating results requires a robust set of metrics on which to measure and take action. For example, Medicare is using analytics to develop the most cost-effective treatments and promote the best patient outcomes. The U.S. Department of Veterans Affairs is using analytical approaches, such as predictive modeling of chronic disease and the use of automated decisions for treatment protocols and drug prescriptions.¹

C-level executives indicate the four most important advantages of business analytics are that it promotes and fosters a culture of fact-based decision-making, measurement, and accountability across the organization; manages for performance to achieve measurable business objectives; establishes a framework for evidence-based decision-making; and aligns strategies across departments. Much of these benefits accrue in times of distress

when organizations must determine areas for cost reduction. With 76% of the executives admitting that their organizations are reducing costs by targeting unnecessary expenditures, a company’s decision-making strategy is best done when an organization fully embraces the advantages of business analytics.

The unique nature of governments creates very specific challenges with regard to organizational management and metrics for success. The top-rated potential outcomes mentioned above are essential for functioning as a citizen-centered, market-based, and results-oriented organization. Business analytics provides a platform of accountability and transparency from which governments can continually justify their decisions.

Governing with Insight Beyond Data Collection

Under the pressures of ever-increasing complexity, the immediacy of digital technology, and the general interconnectedness of modern society, the imperative for fact-based decision-making is spreading throughout commercial, nonprofit, and public sector organizations. Government executives are known for their approach to problem solving and organizational management. In the current economic environment the need for definable metrics and quantifiable successes is undeniable. Decision-makers must now increasingly use a fact-based perspective rather than relying solely on their own experience and intuition, or on their organizations’ operational precedents.

That’s where business analytics comes in. Whether it’s managing workforce issues closely, ensuring the right enablement capabilities are in place, transforming the internal culture, or measuring performance, business analytics can transform information assets into organizational action by

¹ Harris, Jeanne: Business Analytics: Four Rules for Success in Government, September 2008.
http://www.govtech.com/pcio/388142?id=88142&full=1&story_pg=1

Chart 3

Question:

How much impact do you believe a business analytics approach would have on the following areas? Use scale where: 1 = No Impact; 5 = Significant impact



delivering fact-based insights. These insights and the potential to streamline government operations are making data gathering and analysis a core organizational function.

Operational issues cut across the business, government, and NGO sectors. As private sector companies see progress in areas, it is apparent that their public sector counterparts would benefit from a fully adopted and integrated analytics system. For C-level executives, business analytics' impact is clear: They see it improving profitability (cost effectiveness as it relates to government), business performance management, customer (constituency) service, and organizational effectiveness. All these operational issues are also essential to, and now expected of, many government institutions (see Chart 3).

Obstacles to Successful Execution of Analytics

“Organizations aspiring to analytical excellence must confront big changes in culture, process, behavior, and skills for many employees. These changes must be spearheaded by senior executives, such as the agency director or commissioner, who are passionate about analytics and fact-based decision-making.” Jeanne Harris, coauthor of *Competing on Analytics: The New Science of Winning*.²

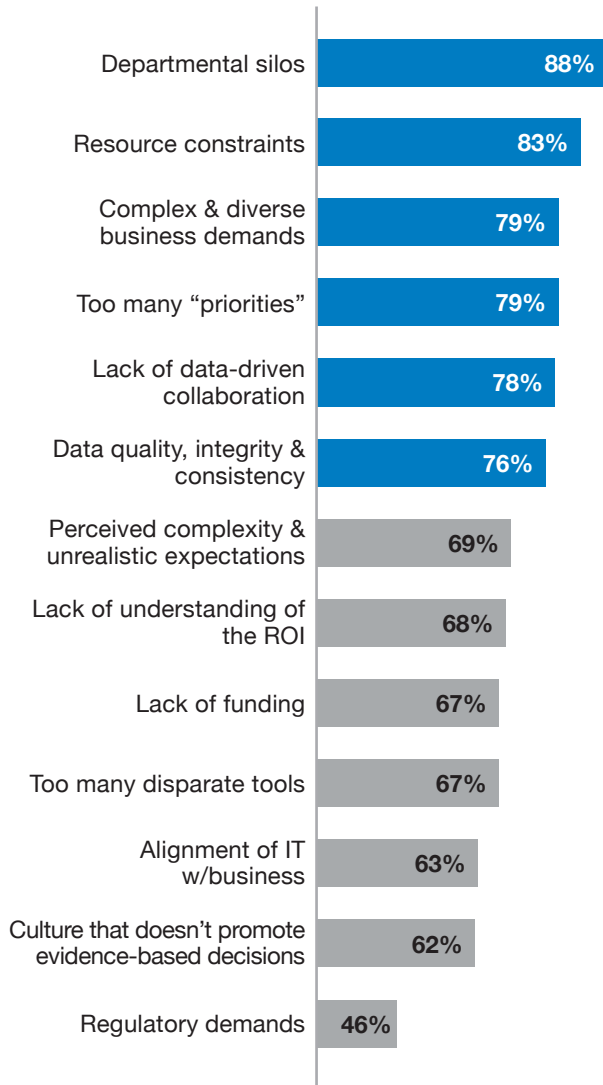
Despite confidence in the potential of business analytics, there's a barrier: How an organization operates can impede its embrace of analytics. For C-level executives, departmental silos are the number one obstacle to the successful execution of business analytics (88%) (see Chart 4). Additional barriers to successful execution include: resource constraints (83%); complex and diverse business

² Harris, Jeanne: Business Analytics: Four Rules for Success in Government, September 2008. http://www.govtech.com/pcio/388142?id=88142&full=1&story_pg=1

Chart 4

Question:

Please rate how much you consider the following to be obstacles to successful execution of business analytics.



demands (79%); too many "priorities" (79%); lack of data-driven collaboration (78%); and data quality, integrity, and consistency (76%).

With these barriers, the advantages of fact-based decision-making are sometimes limited within enterprises and governments, often resulting in inconsistencies across organizations. However, there are some proactive adopters that make systematic use of analytics throughout their organization to achieve a lasting advantage. It would seem that insight through analytics is at the mercy of organizational vision.

Conclusion and Recommendations

Fact-based decision-making means that enterprises of all types can more accurately react to the world around them, adapting their focus to reflect changing operational realities. When economic pressures expose opportunity and risk alike, business analytics offers organization-wide reassurance and assistance.

The unique nature of government bodies creates very specific challenges with regard to organizational management and metrics for success. The universal search for excellence and efficiency means that innovative leaders are seeking more and more data-driven tools to help to reach their goals.

As with all other sectors, the volume of data available and the methods for analyzing it are growing continuously. Government agencies are now able to access substantially more data from a variety of sources, and the volume of data available will increase in the future. However, stores of data are not enough. An organization must have tools to synthesize it into effective analysis that yields meaningful metrics that will guide strategy. By delivering insights gleaned from data about stakeholders, suppliers, operations, performance, and more, business analytics gives governments the tools to solve complex operational problems.

SAS® for Government Agencies

Advanced analytics drive agency missions forward with greater effectiveness, efficiency, and transparency

Results-oriented. Citizen-centric. Reform-minded.

Such terms have been buzzwords in government for more than a decade. Today, these words come with an executive mandate. The President's Management Agenda calls for government to efficiently and effectively speed information and services to the public. The public demands that government agencies fulfill their respective missions with quality, at the lowest possible cost to taxpayers.

Local, state, and federal agencies have long relied on technology to automate processes, streamline information services, and reduce costs. Now agencies are looking to technology to help them reach yet another level: to optimize performance, provide full transparency into costs and value, close the tax gap, reduce waste and fraud, and more.

A New Imperative for Efficiency and Effectiveness in Government

While BusinessWeek Research Services' study interviewed business executives, the findings are directly relevant to government. The obstacles, solutions, and benefits are parallel. Business analytics has great power to create a culture of information-sharing and collaboration, present an accurate picture of performance on measurable and meaningful objectives, provide a framework for evidence-based decisions, and guide alignment of strategies across departments.

Such ideals are as fundamental to the public sector as they are to the private sector. Furthermore, both sectors share similar obstacles that prevent them from reaching the analytics-driven ideal. Across industries and types of organizations, leaders in the BusinessWeek Research Services survey cited departmental silos as the number one obstacle (88%), followed closely by resource constraints (83%). An overwhelming majority (79%) were simply overwhelmed doing other things—tackling complex and diverse business demands, juggling too many priorities.

Even if these leaders had the time and inclination to build out a comprehensive business analytics framework, do they have the foundation for it? Some 76% of respondents said variable data quality, integrity, and consistency were obstacles to business analytics in their organizations. Slightly more (78%) cited a lack of data-driven collaboration.

These have been obstacles in the past—sometimes real, sometimes perceived. But the technology platform for overcoming these obstacles is available today. Analytics-driven solutions have proven successful at the highest levels of government.

The payoff is real, and so is the urgency. From the Federal Enterprise Architecture to OMB 300 and the Business Management Modernization Program, the performance and accountability mandate has reached new heights in ensuring that taxpayer dollars are being used effectively.

SAS® for Government Agencies

For three decades, SAS has been helping local, state, and federal government agencies apply advanced analytics to the critical issues they face.

For example, with SAS analytic solutions, government agencies are:

- Opening up new ways to reach the right constituents and provide appropriate, targeted online connectivity, information, and service.
- Delivering deeper insights into program activities and financial data to identify, recover, and prevent fraud and misuse of government funds.
- Screening and identifying tax filings that are most likely to be underpaid—and to more effectively prioritize the use of auditing resources to focus on the most valuable cases.
- Integrating financial management into strategic planning, budgeting, and mission evaluation processes, producing a clear statement of financial management goals and objectives.
- Accurately analyzing the work force, determining staffing needs, and identifying ways to address those needs, from strategic planning to recruitment, workforce development, and retention.
- Identifying meaningful performance metrics, reporting on how well the agency is fulfilling its strategy and mission, clarifying the causes and effects of actions, and identifying best practices.
- SAS is an active and committed partner in the communities where we live, work, and conduct business. At SAS, we recognize that environmental sustainability is a continuous effort that requires prudent use and preservation of our natural resources. Please read our Corporate Social Responsibility report for more information.

That's only the beginning. Other SAS government solutions are increasing the combat readiness of our armed forces through stronger logistical control, identifying the most cost-effective medical treatments that promote the best outcomes for Medicare patients, tracking the true costs of activities and work processes, predicting when infrastructure or equipment will need maintenance and how best to plan for it, and so on.

SAS provides world-class solutions tailor-made for civilian, defense, and state and local government organizations. SAS software is used at all 15 U.S. federal departments, within all 50 states, and in many local governments.

With the SAS Business Analytics Framework, government agencies can address their most critical operational issues right now and then add new functionality over time—all from one vendor, all through one framework—to help achieve financial excellence, operational excellence, and continuous performance improvement.

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