A Practical Guide to Change in the Public Sector
The Boston Consulting Group (BCG) is a global management consulting firm and the world’s leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 77 offices in 42 countries. For more information, please visit bcg.com.
Governments have a poor record with major change efforts, mostly because of flawed program execution and management, not lack of funding. Dispersed accountability and competing interests make substantial transformation challenging. Yet large-scale reform remains the only option for many governments under pressure to reduce costs and deliver services more effectively.

**GOOD POLICY IS JUST THE START**
Attention often fades after a reform program is announced, but policy is just the first step. Success hinges on a superior action plan and implementation—having the right people applied to the right initiatives in the right sequence. Key stakeholders must be engaged, using interviews, surveys, and structured conversations.

**HOW TO RAISE THE ODDS OF SUCCESS**
Complex change efforts merit a rigorous program management approach to keep track of the most important milestones and interdependencies and to distill for senior leaders the critical information they need to make decisions early enough to make a difference. The experiences of several public agencies in Australia and the United Kingdom illustrate how to mitigate the various risks involved and achieve major transformations that yield long-lasting benefits.
As any government director of transportation or assistant secretary of human services knows, trying to effect large-scale change in the public sector is not for the faint of heart. Implementing major change or reform is often a high-risk venture that can waste scarce taxpayer funds or ruin reputations if not done with appropriate preparation and effective execution.

Major transformations are difficult in any large organization. Even in the private sector, where senior executives tend to have more concentrated decision-making authority, companies struggle to make change stick. Most studies indicate that a failure rate on the order of 70 percent can be expected for major private-sector change efforts.¹

Public-sector organizations also struggle to make change stick, with many of their failures cataloged by the media in painful detail. What state has not tried to reform its health-care system, improve its public-transportation network, or implement a major IT program only to give up after several years of minimal impact and ballooning costs? The dispersed accountability of government agencies and the intense public scrutiny given to the public sector combine to make real and lasting reform quite challenging to carry out.

Each public jurisdiction also faces its own particular challenges to successfully implementing reform. For example, in the United States, there is a high turnover of senior leadership because of frequent changes in political administration. In Australia, Canada, and some European countries, the relative brevity of parliamentary terms can make it difficult to sustain long-term change agendas.

Because of the confluence of several forces, pressure is increasing on governments to undertake large-scale reform. The lingering impact of the global financial crisis, a long wave of retirements among the baby boom generation, and the new expectations and demands of a Web-connected citizenry are forcing governments to change how they do business—whether by creating new methods of service delivery or significantly cutting costs. On top of this pressure, the complexity of public problems—such as achieving stability in global financial markets—means that we are asking more of our public servants now than ever before.

The question, then, is not whether to undertake major reform but how to do so in order to maximize the chance for success and minimize risk. In a 2011 survey of nearly 300 senior corporate executives, the Economist Intelligence Unit found that major change efforts most often fail because of poor program execution and
management—especially due to a lack of early warning indicators and insufficient commitment from senior leadership. Funding, by contrast, was the least of the problems. ²

These challenges can be readily overcome. By focusing on some specific aspects of leadership alignment, program management, and execution, government organizations can substantially increase their odds of success and deliver lasting impact. And this effort can be made in addition to the normal course of operations if the leaders of these organizations are appropriately supported, allowing them to focus on the issues that are essential to making the desired change happen.

To be sure, the devil is in the details. However, there is a holistic approach to managing large-scale change that The Boston Consulting Group (BCG) has used successfully in many settings. This approach, which incorporates our Rigorous Program Management (RPM) technique, draws on decades of experience partnering with large companies to transform their operations, and it has been tailored to meeting the needs of major public agencies in Australia, Europe, the United Kingdom, and the United States.

This proven approach can mitigate risks and help tame the multiheaded beast that major reform represents for a government agency. BCG’s experience with scores of public-sector transformation programs suggests a set of five principles to guide the effort and raise the odds of success:

- **Recognize that good policy is just the start.** Complement good policy with carefully sequenced and rigorous implementation.

- **Engage key stakeholders.** Move key stakeholders beyond entrenched positions by finding points of commonality.

- **Keep the process forward looking.** Anticipate risks, allow for fast midcourse corrections, and ensure clarity on emerging progress.

- **Focus leadership on the highest-priority issues.** Support senior management with a strategic yet light-touch program management office.

- **Embed change and spread the gospel.** Cascade change through every corner of the organization, accompanied by a drumbeat of consistent communications.

As we will see, these principles are interrelated and work most effectively in concert.

**Recognize That Good Policy Is Just the Start**

Building the case for change and the attendant policy decisions is often done with a sense of great urgency, if not enthusiasm. Moreover, political attention is drawn more readily to the development and public announcement of major reform than to the more mundane world of effective execution. Once the political negotiations are done and the policy is set, attention often dissipates and senior leaders are...
pulled to more immediately pressing matters. But it is poor execution that can ultimately unravel even the most popular public policy.

Translating policy into an effective plan of action is critically important. This is the stage at which the knotty arguments and difficult decisions occur. Public-sector leaders must set up a clear, actionable plan that incorporates the impact of change on operations and staff and that addresses, to the extent feasible, the interests of key stakeholders.

Achieving an explicit understanding and alignment at this level of granularity—down to identifying individual initiatives and who is going to own them—is as essential as it is commonly overlooked. Without a structured approach, it is very difficult to align the 50 or 500 leaders (depending on the size of the organization) who will drive a major change. Good intentions are not sufficient. Consistency of intent, execution, communication, and behavior is required.

Leaders must be aligned behind a carefully sequenced, rigorous implementation. The first step is to establish a baseline that will serve as an explicit and shared view on what it will take to realize change. This may sound simple, but it is often difficult to do well. The baseline exercise generates clear metrics that track the financial, HR, and operational impacts by which progress will be measured, and it creates a shared understanding of the starting point. The metrics must be robust and credible to staff and other stakeholders.

Once the baseline is established, the second step is to create an action plan that includes the specific, quantified benefits to be achieved. This step involves breaking down the strategy into a sequence of initiatives. Typically, there will be big reforms that deliver the major benefits and lasting change (but usually take years to implement); smaller initiatives that deliver relatively quick, but limited results; and changes to HR practices, organization structures, and technology systems that hardwire new ways of doing things into the organization.

Quick-win projects should be sequenced early on in order to build momentum and demonstrate to staff, customers, and other stakeholders that change really is happening and that success can be achieved. Quick wins also buy time to allow the leadership to work on the big reforms.

Sequencing must take into account the workload across an organization in order to ensure that some people are not bearing a disproportionate or unreasonable amount of change. The financial consequences also need to be considered, for example by undertaking initiatives that deliver savings or provide new income early on in order to boost resources that can be reinvested in the change program.

Engage Key Stakeholders

Major change in the public sector involves reconciling inherently different viewpoints about an issue, each of which usually has legitimate aspects. Unions may be highly involved, legislators may try to protect their favorite programs, and providers or staff may resist any change.
Given these challenges, it is tempting to assume that the various players’ positions are fixed and then to try to freeze out any perceived obstructors from being part of the dialogue. That would be counterproductive. It is far more effective to engage with stakeholders, whether they are within government (for example, agency leaders, staff, central coordination and finance agencies, and elected politicians) or external (for instance, unions, community groups, and business associations). Doing so enables leaders to understand stakeholders’ concerns and then show how these concerns have been addressed in the recommended way forward. Engagement can be difficult and time consuming, but it is essential to bring along stakeholders on the journey and provide opportunities for them to voice their concerns.

Of course, it is not appropriate or practical for every stakeholder to have a final say in every decision. It is best to focus on the stakeholders who will be essential to the success of the project. They should be informed about how the plan is proceeding and how their concerns have been addressed, and they should feel listened to and respected. The point is to get them to buy into the process, so that even if they don’t fully agree with the plan of action, they are more likely to accept change; at best, they may even become champions of reform.

Discussions with stakeholders need to focus on the change itself, not on past statements or assumed positions. It is important to gauge the views of frontline players through surveys and focus groups, rather than talking only with their trade association leaders or union representatives. A third-party advisor can help here, viewing the situation with fresh eyes and spotting commonalities where none were thought to exist. (See the sidebar “Can We Talk? Five Conversations to Have with Stakeholders.”)

For an example of how engaging stakeholders can set the stage for significant reform, let’s take a look at how the government school system in the Australian state of Victoria improved teachers’ performance starting in 2003. Earlier reforms had established a decentralized management model that encouraged local schools to make management decisions, but most schools still lacked a strong performance and development culture. And most schools resisted change, especially regarding programs introduced by the education department.

The proposed performance reform was broad. One initiative, for instance, recommended that all schools seek “accreditation” for their performance and development culture based on the ability to demonstrate that they met five criteria. The most controversial criterion was the need for the school to show that all teachers received feedback from multiple sources, including their teaching peers, students, and principals.

Focus groups and surveys had revealed widespread frustration on the part of teachers with the lack of feedback. Sharing these views from the frontlines with other stakeholders, such as teachers’ union leaders, helped to defuse the union leaders’ initial opposition by highlighting how teachers’ concerns were being addressed in the design of the new performance culture. A third party, the respected University of Melbourne, became the accrediting authority and gave teachers confidence in the integrity of the proposed reform. As a school principal noted, the
The Boston Consulting Group process for gaining buy-in from all parties itself raised the level of trust, which helped in the development of a stronger performance culture in schools. As each group of schools became accredited, there was a significant increase in the staff engagement scores at all schools in Victoria—as measured by surveys about morale, professional growth, supportive leadership, and goal congruence.

Keep the Process Forward Looking
In order to accomplish real reform, a thousand small steps must occur, and it is all too easy for leaders to get caught up in the details and lose sight of what is really
important. BCG research shows that change programs tend to trip up on a few common issues: unclear milestones caused by tenuous links between activities and benefits; diffuse accountability; little or no warning that programs will miss their goals; an inability to predict progress and adjust the path accordingly; and too much irrelevant information delivered to senior leaders, diverting them from the facts that matter most.

Senior leaders responsible for major reform need to have a disciplined program management process in place that provides them with an accurate view of what is being done and the key risks to success, as well as an adequate window in which to act if a delay occurs.

Masses of project data must be filtered to give senior leaders the information they need—and only the information they need—when they need it in order to make good decisions. Information must also be forward looking and tuned to allow midcourse corrections.

This type of process is more than just a robust reporting system, and the program implementation plans or road maps with milestones are more than just a summary of activities. A road map should articulate the risks and interdependencies, showing where they are likely to manifest and how they will be monitored throughout the effort. The anticipated benefits from reform must be quantified and linked explicitly to milestones, each of which is assigned to an owner. The road maps also should show where the risks lie and define the metrics to monitor and control them.

There are a number of proven disciplines and tools in BCG’s RPM approach that are designed to reduce the risks of change efforts so that organizations can be more certain of a positive outcome if they take the right steps. These tools provide an accurate look ahead at future outcomes and inject objectivity into analysis and decisions. They focus on three dimensions: time to results, bottom-line impact or benefit, and behavior.

- **Time to Results.** A disciplined reporting system forces managers to set and define clear milestones, with deadlines and benefits attached. Continual monitoring and management of progress, through frequent milestone reviews, will minimize the implementation burden on the organization while ensuring that emerging gaps and risks are highlighted.

  In most change projects, managers track indicators that are the output of change—indicators such as more criminals caught or a greater percentage of on-time train arrivals. These sorts of indicators, while easily identified, tend to be lagging indicators. For a major change effort to succeed, leading indicators must also be tracked in order to provide a view of likely outcomes two or three years hence. Such milestones should reappear throughout an initiative’s life cycle, because they give an early view on whether things are still on track.

  Determining the right set of indicators can be tough in the public sector, where outcomes may be less clear than the bottom-line metrics of profit-making enterprises. Such indicators might include which type of employee completes a
certain type of training, whether projected expenditure milestones are being met, whether early pilots are on track to successfully deliver or—in the case of broad organizational change—whether technical and support functions, such as IT, are in place. It can take a little ingenuity to design such predictive tools for government programs, in which outcomes are more complex than revenue and profit-and-loss results. (See the sidebar, “Fog Cutters: Analytical Tools Spot the Rocky Reefs Ahead.”)

FOG CUTTERS
Analytical Tools Spot the Rocky Reefs Ahead

Two examples of RPM tools that have predictive power are what we call **DICE methodology** and **rigor testing**.

DICE derives its name from a few elements that determine the outcome of almost all change projects:

- **The duration** of the project or time between major review milestones
- **The performance integrity** of the project team
- **The organization’s commitment** to change, specifically that of senior managers and local-area staff
- **The additional effort** required for implementation beyond the usual work requirements

For a particular change program, scoring along each of these dimensions generates an overall score that can be calibrated to a database of other change projects that have been executed around the world. That, in turn, generates a distribution of likely outcomes, allowing senior management to assess objectively whether the project falls into one of the three categories that we call “win, worry, or woe.” (See the exhibit “DICE Predicts Whether the Team Is Set Up for Success.”) Taken together, these four elements offer a litmus test for assessing the probability of success of any given transformation effort. They shine a light on specific actions that can improve the probability of success early enough for course corrections.

Rigor testing provides roughly a dozen simple questions, in three groups, about dependencies and milestones that, when scored, flag structural or behavioral issues and raise potential problems early. In the first group—testing whether the risks and issues have been explicitly defined and addressed—there are questions like these: Would someone with no experience on the project be able to read and understand the road map? Are key issues/risks sufficiently exposed and addressed? Do milestones adequately reflect the necessary engagement of key stakeholders at appropriate points?

The second group of questions, which probes whether the road map is clear enough to be readily implemented, includes the following: Are milestones defined to a level that is sufficient to describe how the road map will be achieved? Are the timing and sequencing of milestones logical?

The third group, examining whether the impact and timing have been
correctly identified, includes these questions: Do financial impacts (revenue and costs) reconcile to the overall target for a given area? Do operational key performance indicators clearly serve as lead indicators of subsequent delivery of financial or other impact? Is the timing of overall benefits consistent with the timing of the milestones with which they are associated?

By using rigor testing, a railroad that was investing heavily in improving its on-time record was able to develop a clearer view of some of the risks to successfully implementing its on-time initiative, enabling its leaders to actively manage these risks. The rigor test helped to highlight, for example, that the leading indicator correlating with on-time arrival was the speed with which passengers moved on and off the trains and across the platform at some key stations. Managers quickly diverted resources to ensure that employees who coordinated traffic on the platforms were able to take on new, more public roles, interacting with commuters and managing the flow of crowds at these stations. This response caused on-time performance to increase substantially and to stay at the higher level.

**FOG CUTTERS**

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**DICE Predicts Whether the Team Is Set Up for Success**

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<th>DICE score</th>
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<tr>
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<td>Worry</td>
</tr>
<tr>
<td>&gt;17</td>
<td>Woe</td>
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**Source:** BCG experience.

**Note:** Each dot represents a project in BCG’s original sample of change projects, showing the project’s DICE score and final outcome.
• **Bottom-Line Impact or Benefit.** A critical subset of milestones must be identified and linked to the desired financial and program outcomes—the bottom-line impact from the change. Doing so helps to prioritize initiatives and also clarifies results, allowing managers to see whether improvements are being made and to change course quickly if they are not.

• **Behavior.** Behavior that will affect program outcomes needs to be identified and monitored through frequent project reviews. Such signposts as the level of leadership commitment, skills of the core change team, and levels of motivation all can be quantified to some extent. Taken together, these signposts can indicate whether a project is on track or lagging.

These three dimensions should be incorporated into every change effort. Moreover, at every stage of the change effort, RPM tools help to keep sight of time to results, quantified benefits, and behavior, as well as to keep the process as objective as possible in what might traditionally be a volatile political environment. (See the exhibit “RPM Tools Add Rigor and Objectivity to Change Efforts.”)

**Focus Leadership on the Highest-Priority Issues**

Too often, transformation efforts get derailed or diluted because they are handed over to a traditional project management team. Project management provides a detailed, comprehensive view of all the activities involved in a specific change project and tracks their completion. This approach is better suited to implementing discrete, clearly defined departmental projects than to managing a varied, complex set of change initiatives. By contrast, a program management office (PMO) deals with overarching change programs, which may consist of numerous projects.

Good program management also shifts the focus of the effort from process to the delivery of value and the information that senior managers need to drive results. It therefore should be forward looking, focused only on the most critical milestones that affect final delivery, and provide transparency on progress toward the final goals.

For public-sector organizations, a strategic PMO is especially valuable when value or risk is significant, when multiple initiatives compete for scarce resources, when time horizons are long (spanning more than one election cycle), when accountabilities are dispersed (with multiple interdependencies), and when the nature and number of initiatives create complexity.

The PMO derives its credibility as much from what it doesn’t do as from what it does do. Its scope and degree of responsibility should be clearly differentiated from those of the operational units within a department or agency. At its heart, the PMO is responsible for developing and disseminating program management methodologies, collating tracking data, and distilling this information into executive-level reports. It is also responsible for sufficiently embedding these practices into the organization in order to provide the necessary continuity and consistency across a government. In addition, the PMO provides a forum to focus senior leaders’ attention on the handful of issues that matter most.
Choosing the right person to lead the PMO, and giving him or her the proper authority, are essential to the office’s effectiveness. The leader must be able to deftly navigate the organization as a whole, have strong communication and persuasion skills, and possess a tenacious ability to solve problems. Apart from these personal traits, he or she must have the credibility to stand up to heads of departments or agencies, so that the effort does not get diluted or misinterpreted.
In order to make all of this work, the PMO leader needs to have a direct reporting line straight to the head of the organization.

The PMO leader’s success will hinge on the ability to maintain several directives:

- **Ensure that senior leaders have the necessary (but minimum sufficient) information to effectively steer a change program.** Beyond providing high-priority information that will maximize leadership’s decision-making impact, the PMO also must define an engagement process that keeps senior leaders plugged into the work. That process should include contingencies (such as prepared briefing packages) in case of turnover in senior leadership ranks.

- **Keep the focus on achieving the stated goals.** An effective PMO keeps its collective eye on outcomes and, ultimately, on the public benefit of reform.

- **Mind the gaps among and within agencies.** In the public sector, most agencies operate in isolation, without much exchange with each other. This silo effect can also occur within agencies, where individual divisions or branches operate independently without effective coordination. The PMO’s high-level, cross-initiative perspective adds value by actively seeking out division or branch leaders in order to identify and bridge gaps before they can cause trouble.

- **Maintain positive momentum.** Efforts that fail to show results within six months lose momentum and never get it back. While the PMO is not accountable for the actual execution of initiatives, it must keep things moving forward by flagging potential problems as early as possible and finding the right people to fix them.

As an example of how a strong yet light-touch PMO should interact with its senior management, consider the following change effort at a major transportation utility in the United Kingdom. Three attempts at reform focused on cost reduction had failed over the years. A fourth attempt, made more urgent by recent safety concerns, finally took hold because of the introduction of a PMO that provided senior management with a truly strategic view of progress. Reports to the CEO and his core team, for example, were exceptions based, providing only the detail needed to support quick decision making. These reports were also tightly focused on core metrics and leading indicators, especially in the areas of finance, HR, and operations. Two years on, the PMO has helped put the utility’s ambitious operational and organization transformation ahead of schedule and budget.

**Embed Change and Spread the Gospel**

Change programs often launch with great fanfare. If six months later employees see that not much has changed in their tasks or approach, they won’t believe the transformation is real. It takes persistent, concerted effort to embed the change and spread the gospel throughout the organization. For change to take hold, senior leaders must first be truly aligned in their descriptions of the logic of change, the goals, and the means of achieving those goals.
Communications to employees should reflect this alignment among management and be carefully planned and frequently repeated. Standard e-mails and town hall meetings may not be sufficient. Change programs need a regular drumbeat of messages that are simple, consistent, and delivered by leaders who have the respect of the frontlines.

Announcing the decision to change is not the same as actually implementing change. Senior management must provide its employees with the structure and tools necessary to make the action plan succeed. Think of this process as cascading change—a cascade of communication, feedback, empowerment, and motivation.

A change effort cascade moves in two directions. Senior management needs a structured way to listen to and receive feedback from people across the organization, so employees can let their managers know how the change is proceeding and being perceived. Senior leaders must address important questions like these: Have we put in place feedback loops to solicit unbiased input from the frontlines? Are there defined mechanisms to monitor change initiatives and progress? If elements of a change effort start to falter, how can we react swiftly to put them back on track?

The cascade approach gives employees a way to understand the agenda behind change, clear guidance on their new roles, and a voice in the design and implementation of the change program. Mobilizing middle managers and frontline workers shows them that change is in their interests. Employees who have real responsibility for change will internalize the risks and benefits associated with moving away from the status quo and join with the leadership in taking ownership. Giving middle managers power and responsibility in the change process will also strengthen organization capabilities and the capacity to launch change in the future.

Consider the case of the aforementioned major transportation utility in the United Kingdom. Senior managers devised an extraordinary outreach, which included 5,000 one-on-one meetings. In these meetings, supervisors explained the need for change and assigned new roles. After these conversations among managers at each level, the senior leadership systematically sought feedback. At one level, they uncovered a fading of the key message, prompting them to provide more support to managers in order to repeat and reinvigorate the communication. Managers at the lower levels summarized employees’ reactions to layoffs and whether midcourse corrections were warranted. The effort paid off. A survey of employees showed that 85 percent felt better about this restructuring than they did about other such initiatives in the past. Importantly, this initiative has helped the organization meet its financial targets.

A cascade approach can even be used to design the reform itself, as was done in the course of a program to save $2 billion in information and communications technology costs at an Australian Commonwealth Government department. Staff were involved in redesigning the organization structure of an IT division, including roles, accountabilities, and staffing. Starting at the top, layers within the IT division were asked to draft, review, and sign off on the redesign of staff roles for the layer below, from the division head to the branch heads to the directors.
The process allowed the department to fully implement a new organization structure within three months (from designing to filling roles)—less than half the time it would traditionally take. And employees were delighted to play an active role in a process that ordinarily would have been handed down from the top. They could devote energy to designing roles and implementing the advertising and recruiting process rather than arguing over the goals of the program.

Demands for change in the public sector are growing louder, just as the purse strings are tightening and after much of the low-hanging fruit has already been picked. The consequences are clear: governments can no longer afford to fail in their change programs.

The good news is that there are proven approaches that greatly increase the odds of success. Reform efforts can be relatively smooth and quite rewarding when a complex or large-scale change program has a clear agenda, the strong commitment and alignment of the senior team, and an effective PMO with tried-and-true tactics and effective predictive tools.

BCG’s experience with public agencies worldwide reveals that those that are able to mitigate the various risks involved now have the confidence to pursue visionary change that will have enduring impact. They have been trailblazers, demonstrating that change is entirely possible. And that, all by itself, is an invaluable public service.

NOTES
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