

## Management Insights

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### Aligning Administrative Systems With Agency Mission

***Do your HR, procurement, budget, accounting and contracting systems say what you mean?***

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I'm told that management guru Robert Kaplan used to ask his Harvard Business School students this question: Does your accounting system know what your strategy is?



His point, of course, was that the accounting system -- or any other administrative system for that matter -- is often at odds with an organization's strategy. Further, these systems, such as budgeting, accounting, purchasing, contracting, hiring, labor relations and so on, speak to employees in much more emphatic terms than do strategic plans or memos from the front office.

Though often neglected, the incentives underlying administrative systems are extremely important.

#### **Are your administrative systems aligned with your strategy?**

Take this little test:

- Do you tell your people to look for ways to save money, while your budget system takes away any unspent money at the end of the year and reduces the base budget the following year?
- Are you trying to discourage empire building, turf and bloated staffing patterns while your job classification system awards more points based on the number of people supervised?
- When purchasing services, do you encourage your people to get the best value (results for the dollar) possible while your procurement and contracting systems pay for units of service (such as consulting hours) and not for results achieved?
- Do you tell your people that results are important while 95 percent of your organization's accounting system measures inputs, like full-time equivalents, space or travel, and its ability to measure results is minimal?

Each "yes" answer highlights an administrative system contradicting your stated strategy. Believe me, the administrative systems win every time.

Consider the entrepreneurial big city mayor who is passionate about innovation and encourages his department heads to take risks. He is constantly exhorting his people to try new things. His systems

send a different message, however. His own office is filled with good people whose job it is to make sure that no one screws up. His budget office asks a million questions about anything new while blindly approving existing activities. And his organizational measurement systems reward how inputs are used, not what results are achieved.

### **Moving Toward Alignment**

One way to tackle this problem is to completely redesign your administrative systems so that they are well aligned with your strategy. This is particularly important if your organization is spending millions on so-called enterprise resource planning information systems. Too many organizations are investing ERP dollars in automating misaligned systems -- paving over the cow paths.

Yet, most of us are not in a position to completely redesign these administrative systems. So, here are some examples of things you can do short of wholesale redesign.

- Take one service contract for which you are responsible and work out with your supplier a payment protocol based on results delivered rather than units of service. For example, the Illinois Department of Children and Family Services developed such contracts with nonprofit organizations involved in the child protection system. Instead of paying for "bed space" per night, the state paid organizations based on specific outcomes children experienced.
- Work out a deal with your budget office whereby you can keep half the money you save in a fiscal period and carry that money over into the next fiscal period. Carefully account to your elected officials what results you produced with this carry over money. Many jurisdictions that are adopting such practices are finding that this *increases* reversions (money back to the treasury) even though half of the savings are kept by the departments that produced them.
- Ask yourself how much is spent in your organization making sure that people don't screw up. Make a list of all the procedures that are intended to serve this purpose. These are important investments; the public expects accountability. Yet they are also expensive -- the expense is not just the cost of oversight, but the resentment many people experience about being mistrusted. How can you reduce this expense by selectively giving those who have earned your trust more freedom?
- Make a short list of the most important results that your unit is expected to produce. Take your whole budget and approximate how much is spent on each result. Then ask yourself this question: *If I have X dollars to spend to improve this result, what approach would produce the greatest improvement?* You might end up concluding that doing exactly what you do today is the best approach. More often, however, people find that this different way of thinking leads them to better ways of doing things.

Administrative systems have a huge influence on employee behavior. You don't want your inspiring speeches drowned out by your bureaucracy. So, make sure your systems are saying the same thing you are.