

Delivering Public Service for the Future:

A Lower Cost, Higher Quality
Path to Better Performance



High performance. Delivered.

United States fiscal 2012 federal deficit spending of \$1.1 trillion was nearly 31 percent of the budget and 7.3 percent of GDP¹. States' cumulative deficit for that period was another \$107 billion—15.5 percent of total state budgets². Among individual states, Texas' projected deficit for FY2013 is \$9 billion, California's is \$15 billion and Washington's \$2.5 billion³. Clearly, the public sector must do more—and do it better—with less.

A seemingly impossible task to the uninitiated, Accenture's broad experience in the private sector suggests that public sector organizations can achieve the seemingly impossible task of effectively reducing costs while raising the quality of their overall performance—by restructuring, refocusing and redesigning their operations. An enormous opportunity exists. According to Oxford Economics⁴, the United States could save as much as \$995 billion in annual expenditures by 2025 by increasing public-sector efficiency by just 1 percent a year to close the gap. What's more, cash-strapped public sector administrations have a variety of ways to fund these initiatives without paying for them upfront, via programs like value-based contracting or by supplementing capabilities and services by "buying" results.

1. Restructure the organization

Consolidate. Aggregate. Collaborate. Leaders can use these approaches to restructure public service operations to eliminate fat and replace it with lean muscle. First, they **consolidate** agencies and programs that offer similar services. Next, they **aggregate** administrative functions into shared services. This concept enables them to focus on core missions while sharing administrative and back-office functions, which gain efficiency through greater scale. In Washington DC, to increase performance, accountability and capability, the city consolidated three economic development agencies into one. With Accenture's help, the state of Ohio shares finance, human resources and technology services statewide. Finally, they find better ways to **collaborate** across jurisdictions, which enables organizations to share services beyond traditional boundaries⁵. Options cover a wide spectrum—from two small towns sharing a fire chief to save \$100,000 a year to a joint venture by a western U.S. state that addresses long-term challenges such as climate change, traffic congestion and air quality. By coordinating services such as police, fire and transportation, city councils in California have significantly reduced wasteful duplication.

2. Refocus on citizen value

Given current challenges, how do administrations decide where to allocate their scarce resources? Perhaps the surest way focuses on delivering the most value to citizens. Accenture's patented **Public Service Value (PSV)** framework helps leaders make these tough decisions. PSV enables public sector organizations to focus on outcomes that really matter and to identify the methods to achieve them. Many public sector operations have conducted successful PSV analyses including the Massachusetts Port Authority and a Midwestern state's Department of Revenue. PSV helps them quantify and drive results via a structured and balanced framework that links outcomes to true costs.

¹ Congressional Budget Office: "Publication 43539"—August 22, 2012

² Center on Budget and Policy Priorities: "States Continue to Feel Recession's Impact"—June 27, 2012

³ Center on Budget and Policy Priorities: "States Continue to Feel Recession's Impact"—June 27, 2012

⁴ Accenture: "Delivering Public Service for the Future: Navigating the Shifts"—October 22, 2012

⁵ Accenture Publication: "Cross-Jurisdiction Collaboration: Innovative Operating Models for Governments and Institutions"—February 3, 2011

Organizations can also make smarter spending and funding decisions by using **analytics** to help organizations identify improvement opportunities. Analytics tools such as statistical analysis, forecasting, predictive modeling and optimization help organizations drive efficiencies and root out waste, fraud, abuse and improper payments. Analytics enable governments to capture near-term value by equipping leaders with the facts they need to make hard decisions quickly, such as how to trim program costs without reducing direct benefits. Predictive analytics enable revenue-collection agencies to target tax evasion cases and help comptrollers and others detect fraud before improper payments are even made, saving millions of dollars. One state's Department of Revenue introduced rigorous analytics to determine how different policy and budget choices might affect the overall fulfillment of its mission. It then created a comprehensive plan to optimize processes and technology to improve tax collections. From 2002 to 2005, the plan increased tax collection by \$120 million while reducing cost per taxpayer.

3. Redesign sourcing and resource management

Government agencies can realize cost savings by streamlining and simplifying operational processes and strategically sourcing and managing resources and assets. By **streamlining processes**, agencies can achieve substantial cost

savings and improve service delivery. Using methods such as Lean Six Sigma, process streamlining reduces wasted time to increase speed and minimize process variability and errors. Public service agencies can expect speed gains of 40 to 80 percent in targeted processes and could potentially realize savings (or cost avoidance) of 20 to 40 percent related to those processes. The United States Postal Service applied Lean Six Sigma techniques to identify \$2 billion in cost savings in its current processes.

Likewise, governments can adopt **advanced resource management** techniques that focus on sourcing and making full use of resources and assets. Strategic sourcing, for example, can yield savings as high as 20 percent by identifying supply chain weaknesses and improving supplier selection and vetting processes. Accenture experience reveals that public sector players can accomplish strategic sourcing "at scale" in as little as six months. Pennsylvania's Department of General Services wanted to reduce the state's \$2 billion budget deficit by optimizing its procurement processes⁶. With Accenture's help they introduced strategic sourcing to identify ways to streamline sourcing activities and reduce the prices they paid for products and services. The plan reduced the prices of IT hardware by \$45 million, IT contractor services by \$20 million, food by \$16 million, office supplies by \$15 million, copiers by \$11 million, office furniture by \$7 million

and cleaning supplies by \$4 million for a total of \$118 million in savings.

Better resource and asset management can also deliver substantial savings. Federal, state and local governments own or lease significant amounts of real estate. However, research has shown that barely half of the space is actively used. Governments must ensure that their physical footprints correspond with the needs of the work force. By increasing utilization and reducing space, leaders can, for example, quickly cut out-of-pocket lease costs.

Conclusion

To provide the services citizens require in the aftermath of the Great Recession, governments need to rethink their approach to cost reduction. The three strategies described here—restructure, redesign and refocus—offer a proven, solid foundation for building a more cost-effective approach to serving the public.

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⁶ Accenture Publication: "Strategic Sourcing Cuts Costs, Improves Performance"- May 16, 2012

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with 257,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

