

Taxing Times: The Federal Efficiency Opportunity

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On November 10, 2010, President Obama's Deficit Commission suggested a regimented plan to **curb discretionary spending** 16% by 2015 – generating vociferous reaction on both sides of the aisle. The question on everyone's mind: How do we cut spending while maintaining service levels to the American public at this critical time?

In March 2011, **MeriTalk**, in a study underwritten by SAS Institute Inc., surveyed 150 Federal financial, operations, and performance managers to understand how and where agencies are **identifying and mining new efficiency opportunities**.

Their responses highlight a significant savings opportunity and demonstrate that increased efficiency is an important tool for maintaining service levels during a time of unprecedented belt tightening.



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- **The Opportunity at Hand:** Federal professionals and managers surveyed say a better understanding of their spending could help them expand efforts to capitalize on efficiency opportunities:
 - Federal professionals and managers surveyed estimate they can enhance efficiency and re-prioritize **13%** of their budgets
- **Focused on Efficiency:** Agencies are looking for ways to increase efficiency and are implementing some suggestions:
 - When facing budget reductions, Federal professionals and managers surveyed say their **first choice** is to look for ways to increase efficiency to preserve citizen programs or service levels
 - **43%** of Federal professionals and managers surveyed say agencies always or often take advantage of savings ideas
- **Where Are We Today?** Agencies conduct analysis outside of formal programs:
 - **Fewer than one-third** have a formal plan to identify spending inefficiencies
 - Even without formal programs, nearly half (**47%**) of Federal professionals and managers surveyed say their agency conducts data analysis on operational costs to identify opportunities for increased efficiencies, productivity, or savings
- **Hidden Money:** Federal professionals and managers surveyed reveal greater opportunity to increase efficiency:
 - Some areas remain uncharted, including program overlap/duplication and enterprise IT architecture
 - Federal managers surveyed say listening to employees, implementing targeted cuts, and improving reporting will help deliver increased efficiency and savings

- Agencies need to **spend smarter** to preserve services

Will your agency have the funding needed to accomplish its core objectives in 2012?

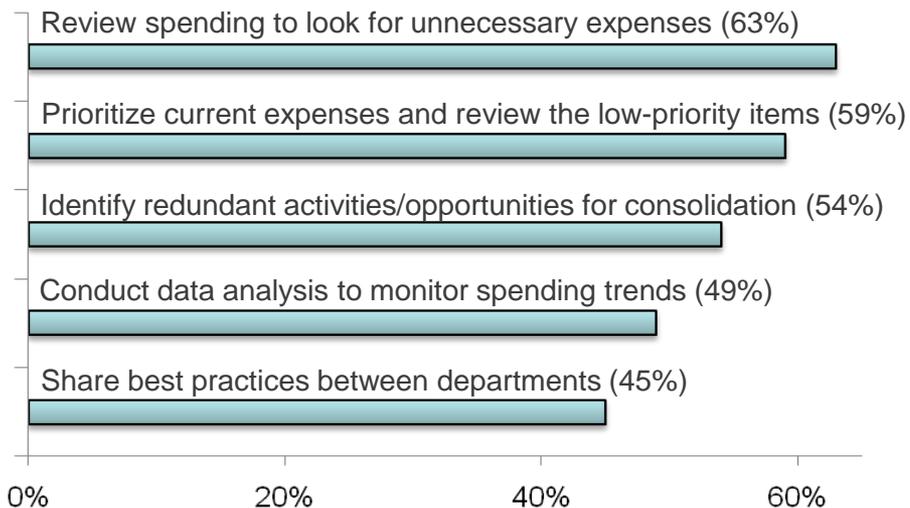
Fewer than half
(44%)
say yes



Take Away: Innovation Priority

- Agencies are applying a variety of cost savings methodologies. When their agency faces funding reductions, Federal professionals and managers surveyed say their most likely response is to look for ways to increase efficiency

How does your agency find opportunities to increase efficiency/save money?*



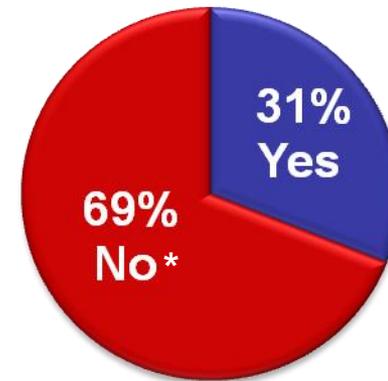
Take Away: Try New Angles

- While Feds are focused on efficiency, many do not have formal programs to identify savings

Have you specifically, or as part of a team, been asked to identify ways to save budget dollars within your department or agency?

**Three out of four
say yes**

But



Just one in three
agencies has a formal plan to identify spending inefficiencies

Take Away: It Takes More than Inspiration

- Current Federal practices suggest agencies can expand their search to identify additional opportunities to increase efficiency

In which of the following areas are you currently conducting data analysis to identify opportunities for increased efficiencies, productivity, or savings?*

#1	Operational costs – 47%
#2	Management metrics – 38%
#3	Contract management – 36%
#4	Acquisition/sourcing – 27% and Program overlap/duplication – 27%
#5	Asset management – 19%
#6	Enterprise IT architecture – 18% and Governance processes – 18%



Many review operational costs, but responses identify other areas where Feds can look for savings.

Take Away: Expand Your Search

- Department of Defense (DoD) agencies are conducting more analysis and are less optimistic they can reduce spending *and* maintain service levels than their Civilian agency counterparts

In which of the following areas are you currently conducting data analysis to identify opportunities for increased efficiencies, productivity, or savings?*

	<u>Civilian</u>	<u>DoD</u>
Contract management	24%	48%
Management metrics	31%	45%
Acquisition/sourcing	15%	40%

Which of the following areas does your agency track?*

	<u>Civilian</u>	<u>DoD</u>
Spending by project	55%	76%
Prioritization of spending by senior executives	19%	36%

Do you believe your agency can reduce spending and still maintain the same levels of service?

Yes.

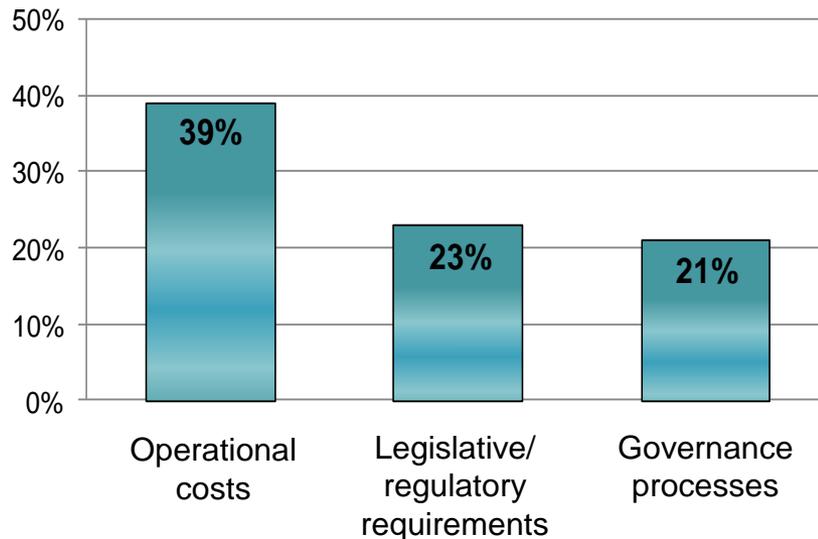
**Civilian:
66%**

**DoD:
53%**

Take Away: Share Best Practices

- Federal professionals and managers surveyed face challenges identifying opportunities to increase efficiency in their operations

In which of the following areas do you face the greatest **challenge** identifying opportunities for greater efficiency?*



Which of the following are the most significant **obstacles** to improving efficiency and reducing costs for your agency?*

- #1** Applying Savings: Knowing that we have to spend our full budget to get it again next year (40%)
- #2** Program Management: Insufficient controls and insight into program performance (31%)
- #3** Management: Management is not making it a priority (27%)

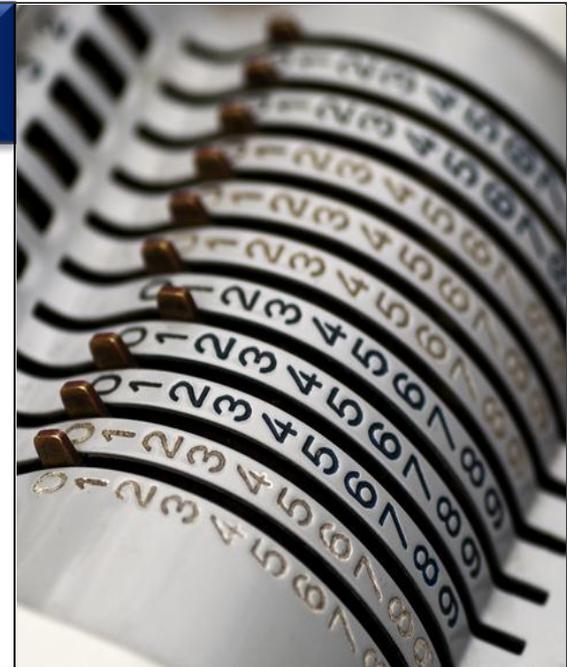
Take Away: Reward Success

- Many Federal professionals and managers surveyed say they rely on manually compiled reports and spreadsheets – which are time intensive and limit visibility – to uncover inefficiencies

Top method used to analyze data*:

#1 Response:

**Manually compiled reports
and spreadsheets**



Take Away: Avoid Compounding Inefficiencies

- Federal professionals and managers surveyed see opportunity; say more granular project information and clear executive direction will help improve spending efficiency

What **one type** of information would most help your agency identify opportunities to improve spending efficiency?

#1	Agency spending by project	36%
#2	Prioritization of spending by senior executives	33%
#3	Anticipated/achieved ROI by investment	25%

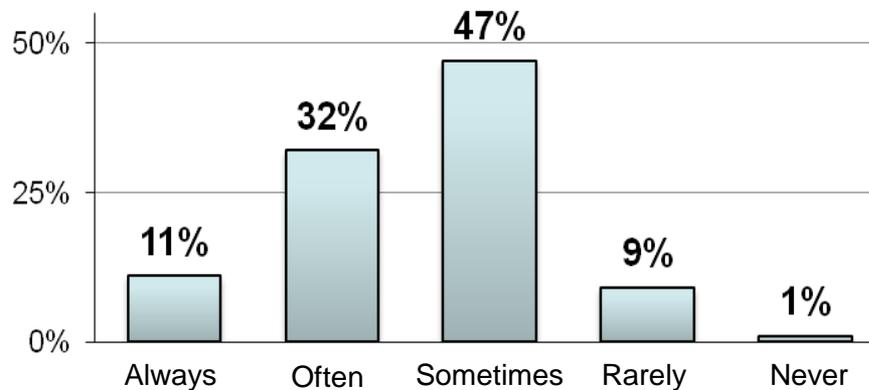
What else could your agency do to show they are completely committed to finding spending inefficiencies?

- Allow more *local control* rather than sweeping agency-wide directives
- Be willing to *eliminate administrative activities* that don't directly contribute to the organization's projects
- More closely *examine duplicative efforts* across the government

Take Away: Get Specific

- Federal professionals and managers surveyed say agencies are making progress implementing efficiency suggestions

When opportunities are identified, how often do agencies implement them?



43% of Feds say agencies always or often take advantage of savings ideas

Take Away: Implement More, Save More

- But, say they need to streamline processes and offer incentives to save more

What are the key barriers to implementing suggestions for increasing efficiency/saving money?

- “Sometimes you **need to invest upfront** to save money down the road, and that can be difficult to sell.”
- “**No incentive** at the lower levels.”
- “The **bureaucracy** of the system frequently prohibits new methods. Too many levels of approval and **different views on efficiency** create strained decisions.”
- “Politicians protecting jobs in their districts. Employees trying to protect their own jobs. Management's failure to properly **manage change**.”

Take Away: Greater Potential

- Federal professionals and managers surveyed see significant opportunity to increase efficiency, with improved understanding of spending

Feds estimate they can enhance efficiency and re-prioritize **13%** of their budgets, with improved understanding of their spending



Take Away: Insight Key to Innovation

- Federal professionals and managers surveyed offer input to help achieve spending efficiency*:
 - ✓ **Listen:** “Act upon ideas given by lower and mid-tier employees.”
 - ✓ **Rethink:** “Eliminate across-the-board cuts and implement targeted cuts in programs. Eliminate legal and Congressional mandates that create more expense in the name of trying to dictate efficiencies from such high levels of government that they typically yield poor results in practical application.”
 - ✓ **Improve Reporting:** “More closely examine duplication of efforts across the government.”

Methodology and Demographics

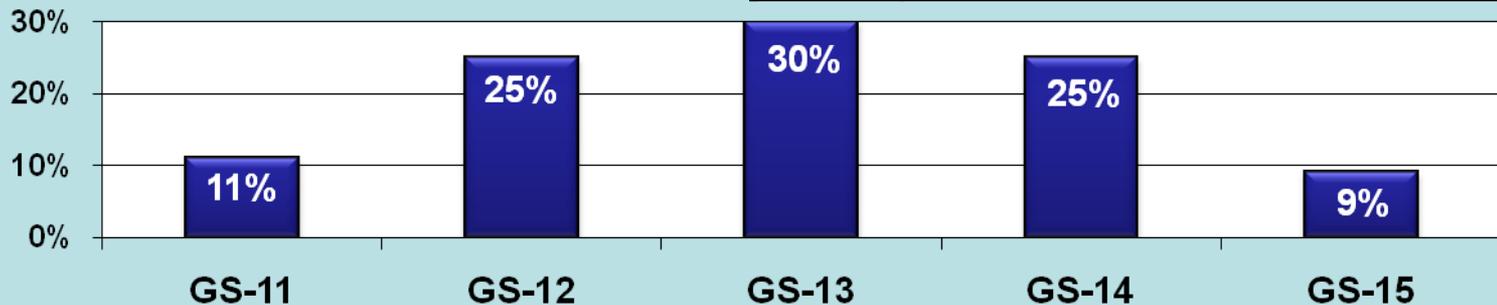
- MeriTalk, on behalf of **SAS Institute Inc.**, conducted an online survey of **150 Federal financial, operations, and performance professionals and managers** in March 2011. The report has a margin of error of $\pm 7.97\%$ at 95% confidence

Respondent Federal Experience	
26%	0-10 years
8%	11-15 years
66%	More than 15 years

Respondent Roles	
34%	Finance
33%	Operations
33%	Program/project performance management

Respondent Agencies	
50%	Civilian agency
50%	DoD or Intel agency

Respondent GS Levels



Thank You

Karen Knowles – SAS Institute

Karen.Knowles@sas.com

571-227-7000 ext. 5214

Elizabeth Vandendriessche – MeriTalk

evandendriessche@meritalk.com

703-887-1135



www.meritalk.com