Measuring the Return on Investment of Government Experience

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What gets measured, gets funded. That's just as important in the public sector as it is in the private one. Yet how can a government agency or department demonstrate Return on Investment (ROI) when profitability isn't the outcome? Is it possible to prove the value of Customer Experience (CX) in terms of Government Experience (GX), when yearly appropriations replace "revenue"?

These questions are increasingly at the core of government transformation. At the federal level, Cross-Agency Priority (CAP) Goal #4 of the President's Management Agenda (PMA) is "Improving Customer Experience with Federal Services," and Section 280 of OMB Circular A-11 requires High Impact Service Providers (HISPs) to collect customer feedback and create action plans based on a self-assessment.[1] State and local governments are also increasingly focusing on GX, like California Lt. Governor Gavin Newsom with "Government 2.0" and Los Angeles Mayor Eric Garcetti with his "Back to Basics" agenda.[2]

Governments of all levels have begun to emulate the private sector when it comes to CX, no doubt because they've taken note of the impact. Research from Bain shows that "loyalty leaders," companies at the top of their industries in Net Promoter Scores or satisfaction rankings for three or more years, grow revenues roughly 2.5 times as fast as their industry peers and deliver two to five times the shareholder returns over the next ten years.[3] That sustained performance comes from companies and organizations increasingly understanding the experience needs of their customers and employees.

While CX and GX have different constituents, lessons learned from the private sector can and should be applied to the increasing number of GX programs being stood up across the country. Medallia, with nearly two decades of Customer Experience leadership and expertise, is uniquely able to translate those learnings from the private sector to the public sector.

A frequent and important question for CX programs is how to demonstrate ROI. That also holds true for GX: how can government agencies define and quantify their own ROI to secure funding for GX programs, and ultimately prove the value of them?

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The Formula

The typical ROI formula is: ROI = (Revenue - Cost)/Cost. While the "Cost" section is relevant to the government, the "Revenue" one is (mostly) not — this paper will focus on appropriated departments rather than fee-funded ones since the majority of departments fall into the former bucket. The typical ROI formula won't work for those agencies.

Deloitte writes that "government leaders who are looking to make a triple value impact—improving customer satisfaction, increasing efficiency, and enhancing mission-effectiveness—are increasingly focusing on CX as a core function of government."[4] They're right. GX impacts multiple value levers, and "increased efficiency" can be split into two buckets: Operational Efficiency (reduced call volume, procurement time, etc.), and Workforce Efficiency (employee satisfaction, attrition, etc.).

The ultimate outcome (the "ROI") for government agencies is how well they deliver on their mission, while the other levers all combine to help each department's Mission Effectiveness.

With this in mind, the ROI equation can be reframed as follows:

$$
\begin{array}{l}
\ \text{Constituent Satisfaction} \\
+\ \text{Operational Efficiency} \\
+\ \text{Workforce Efficiency} \\
-\ \text{GX Cost} \\
\hline
\ \textbf{Mission Effectiveness}
\end{array}
$$

Each input can be defined as follows:

- **Mission Effectiveness:** how well a government agency delivers on its mission (unique to each agency)

- **Constituent Satisfaction:** how satisfied the agency's constituents are (as measured by loyalty metrics such as NPS, Satisfaction, etc.)

- **Operational Efficiency:** how productive the agency is with the resources that it has

- **Workforce Efficiency:** how satisfied and productive the agency's employees are, often measured through an Employee Experience (EX) program

- **GX Cost:** how much the GX program costs to run (which is often less than the savings from consolidation of other technology and services spend that can be replaced)

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>
> Deloitte

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This formula is intentionally a bit generic, just like the "typical" ROI equation discussed earlier. For a private sector company, the ROI equation can be used as a framework to be filled in with the specific levers important to each sector or company. The GX ROI equation is intended to be used in the same way.

This paper will explore each input of the equation to 1) describe how it is relevant in both the public and private sectors, and 2) provide examples of how impact can be measured.

Constituent Satisfaction

It's not only CX or brand leaders that deliver on Constituent Satisfaction. Starting from square one is often easier since one of the first benefits of starting up a CX program is learning about and fixing the low-hanging fruit in any company.

As an example, look at Comcast, which has parallels to the government such as scale and the relative lack of competition in many markets. Many customers don't have a choice but to be a Comcast customer, just like those living in the US can only work with the DMV to get their driver's license. In the past, the Comcast brand wasn't likely associated with exceptional customer service, just as many government departments aren't today.

That is changing for Comcast, however, as they have had a genuine CX (and EX) transformation over the last few years. As seen in their EX case study with Medallia, they have leveraged Medallia's technology to reset their customer service approach around the Net Promoter System (NPS), integrating both customer and employee feedback to drive CX as their number one priority.[5] This has resulted in a marked improvement in customer NPS, a 20 point increase in employee NPS across the initial Call Center sites in which it was deployed, and a reduction of several million incoming customer calls to the Call Center.

An example brings this to light: one improvement idea frequently raised by Call Center agents was to increase the dollar limit on credits that agents could issue on their own. Historically, any credits above a specific limit required management approval, which created a backlog of work and many redundant calls—raising that limit did not increase the total amount of credits given (and actually reduced it in some instances), and improved both customer NPS and employee NPS (eNPS).[6] Note the improvements in multiple areas from this example: customers were happy that they could be helped faster, employees were thrilled that they were enabled to help, and incoming calls to the Call Center were reduced.

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Operational Efficiency and GX Cost

These two buckets can be considered together: often, the savings from increased Operational Efficiency outweigh the cost of a GX program (if the GX wasn't already paying

paying for itself through cost consolidation). In an organization the size of the government, even small increases in efficiency can lead to significant savings.

As an example of GX Cost savings in the Federal Government, the Veterans Health Administration (VHA) projects hundreds of millions of dollars in cost avoidance over five years from their investment in Medallia, with the Veterans Experience program eliminating the need for other pieces of technology and research.[7]

> As an example of the sheer scale of an agency's Operational Efficiency, a projected 1% call reduction at the IRS, would lead to nearly $45 million in annual cost avoidance.[7]

The sheer scale of an agency can lead to major savings via Operational Efficiency as well: for example, a projected 1% call reduction at the IRS would lead to nearly $45 million in annual cost avoidance.[8] These savings also apply at the state and local levels, with New York City's effort to consolidate vehicle services and improve operations resulting in an estimated combined total savings of $368 million over its first four years.[9]

These principles apply in the private sector as well. Generali, the Italian insurance company, designed their CX program so that it was cross-functional: they used customer feedback to continually monitor and understand pain points, and took action on the pain points that could help contribute to organizational objectives.[10] For example, they worked cross-functionally with their strategy, marketing, and technology teams to overhaul their digital experience, reducing the number of manual forms needed to file a claim. Many constituents would welcome a similar reduction in paperwork when dealing with the government.

As a result of these changes, Generali drove both Customer Satisfaction and Operational Efficiency, with nearly 200,000 fewer calls to the Call Center, over 16,000 staff-hours saved, and 11 Full-Time Employees (FTEs) re-assigned to other tasks.[11] Again, note the improvements in multiple areas: finding better Operational Efficiency doesn't necessarily come at the expense of Customer Satisfaction.

Operational Efficiency is particularly relevant to the government, as each dollar and staff-hour saved can be re-assigned to initiatives and innovations that drive an even better constituent experience. GX programs can not only pay for themselves but drive savings that can then be reinvested into other improvement initiatives.

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Workforce Efficiency

Both ROI and Mission Effectiveness are measures of efficiency, which is a "comparison of production with cost (as in energy, time, and money)."[12] One way to increase efficiency as an organization is to retain top talent, which is a vital outcome of any EX program, whether in industry or government.

The Federal Employee Viewpoint Survey (FEVS) is an annual survey sent out to government employees. It is a long questionnaire: there are over 70 questions related to experience, outcomes, agencies, demographics, etc, and the results of the survey each year are anonymized and made available to the public.[13]

One of the first steps to making use of the dataset is to reduce the complexity: 70 quantitative questions are too many to hone in on what's truly important. Performing Factor Analysis on the 2017 FEVS data reduces those 70 questions into eight themed groups, including one that represents the employee's overall satisfaction. This helps hone in on the most important elements of employee satisfaction: when analyzing the impact of the seven themed groups on the overall job satisfaction group, it becomes clear

that "Enablement" — how empowered an employee feels to perform their job well and deliver on their department's mission — is the most important driver of overall job satisfaction.

These results and insights have an impact on the bottom line. Another question on the FEVS survey asks whether the employee is considering leaving their organization within the next year—analysis of the data shows that employees who do not feel enabled are roughly twice as likely to say they're considering leaving their organization than employees that do feel Enabled.

Replacing employees is expensive: the estimated cost to replace an employee is one and a half times their annual salary.[14] The Federal Government had a turnover rate of 16.4% in 2019, reducing the turnover rate even fractionally would have a major impact on efficiency and productivity.[15] Meanwhile, workforce demographics are changing. Only 17% of federal employees are under the age of 35, compared to 40% of employees in the private sector.[16] For the millennials that are in the workforce, either in the public or private sector, only 50% plan to be with their organization in one year.[17] Employee attrition is an expensive and growing problem that EX programs can directly address.

In addition to attrition, EX programs can also address employee engagement, which governments at all levels have a compelling reason to invest in. According to Gallup, 71% of full-time state and local government employees are not engaged at work, and considering the size of their workforce and budgets, disengagement is costing state and local governments, conservatively, up to $100 billion — more than the entire spending budgets of most U.S. states.[18]

Employee engagement also impacts the Constituent Satisfaction bucket in the GX ROI equation. A Medallia Institute study looked at companies across industries and sizes and found that employees who recommend their own company provide a 16% better NPS for their customers.[19] Not only are engaged employees less likely to leave, but they're more likely to give a better experience to their customers and constituents.

One agency that understands the importance of employees is the Veterans Administration (VA). VA Secretary Robert Wilkie recently stated *"customer experience is the VA's first priority…we are taking bold steps to empower our employees with what they need to provide our Veterans, their families, caregivers, and survivors a*

consistent and world-class experience."[20] CX is the VA's number one priority, and the first thing they're doing is empowering their employees to provide a better experience. They know the first step is getting buy-in and encouraging action at the front lines. Not only is this driving real, tangible results, but it's improving the employee experience as well: in 2018, the VA jumped up 11 spots and is now sixth among the 17 largest federal agencies considered the "Best Places to Work" by the Partnership for Public Service,[21] and Secretary Wilkie has also recently said that employee satisfaction at the VA has "n*ever been higher*."[22]

Mission Effectiveness

Mission Effectiveness is the outcome metric of the GX ROI equation, but what exactly does it mean? Each organization has a different mission, so the outcome is going to be different—each department should be able to define their mission along with the metrics that can be measured to track success.

For companies in the private sector, the mission is often to deliver better returns for shareholders or owners. They want a better NPS or Customer Satisfaction score because better scores are linked to greater loyalty,

retention, word-of-mouth, acquisition, and more—as mentioned earlier, loyalty leaders deliver two to five times the shareholder returns as compared to their peers. For the VHA, the mission is to "*honor America's Veterans by providing exceptional health care that improves their health and well-being*."[23] They use Veteran Trust as their Constituent Satisfaction metric because they believe if Veterans trust the VHA, they're more likely to seek help when they need it, show up for appointments, and take the medications they're prescribed. In other words, Satisfaction and Trust are directly linked to Mission Effectiveness, and they're starting to see results in both.

> To start with the metrics, the VHA has seen their Trust scores increase by 17%.[24]

To start with these metrics, the VHA has seen their trust scores increase by 17% These results come directly from the Veterans themselves via Medallia surveys; trust in the organization has gone up since they committed to measuring and improving the Veteran Experience. This improvement is backed up by external metrics, as the VHA recently recorded a 4 point increase on Forrester's CX Index.[25]

The system has already led to early intervention for more than 1,400 Veterans in need.

How do those metrics translate to better health outcomes for our country's veterans? At the individual level, the systems developed by the Veterans Experience Office (VEO) search through Veteran survey responses in real-time and highlight Veterans that may be in crisis—those "crisis alerts" are then routed to VA resources that can offer assistance. The system has already led to early intervention for more than 1,400 Veterans in need.[26]

At a macro level, the VHA has seen a 50% increase in online health care applications Year over Year (YoY),[27] and over 3 million more medical appointments YoY.[28] That's what improved metrics and GX truly represent at the VHA: real, tangible improvements in the lives of US Veterans.

As a result, the VA has integrated GX insights to inform its strategy, programs, budgets, innovations, and its enterprise risk management, enabling them to further improve the experience of Veterans, families, caregivers, and survivors.

The Formula for the VHA

The VHA story is an example of each bucket in the GX ROI formula. The formula is:

$$
\begin{aligned}
&\text{Constituent Satisfaction} \\
+\ &\text{Operational Efficiency} \\
+\ &\text{Workforce Efficiency} \\
-\ &\text{GX Cost} \\
\hline
&\textbf{Mission Effectiveness}
\end{aligned}
$$

For the VHA, each bucket can be filled in:

$$
\begin{aligned}
&\text{17\% Increase in Veteran Trust} \\
+\ &\text{50\% Increase in Online} \\
&\text{Applications} \\
+\ &\text{Highest Employee} \\
&\text{Satisfaction Ever} \\
+\ &\text{Hundreds of Millions of Dollars} \\
&\text{in Cost Avoidance Over 5 Years} \\
\hline
&\textbf{>3 Million More Medical Appts} \\
&\textbf{and >1,400 Lives Impacted}
\end{aligned}
$$

Thanks to the VHA's commitment to GX, they've begun delivering on each part of the ROI formula, with critical and impactful results.

Conclusion

For appropriated agencies, it may seem daunting, if not impossible, to calculate the ROI of GX. However, just because the appropriate metric doesn't have a dollar sign in front of it doesn't mean that the improvements aren't real or can't be quantified.

The GX ROI formula presented here is general — each organization's will be slightly different, since each has a different mission and different ways of measuring impact. Using this formula as a framework, however, can help guide any organization closer to measuring impact of a Government Experience program.

Medallia wants to help define your GX ROI formula. If you have any questions or would like to discuss how this framework can be tailored for you, please reach out to the team at **government@medallia.com**.

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About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers, and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. Medallia has offices worldwide, including Silicon Valley, Buenos Aires, London, New York, Tel Aviv and McLean, Virginia. Learn more at www.medallia.com.

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