



## **Customer Driven Investment Management: Increasing Return on Investment**

**Working Paper**  
Abridged Version  
© ABSi 2004

Monika Joglekar, Jay Marwaha

### **Background**

Today, the public sector is more accountable than ever for the efficient and effective use of tax dollars. With an economy recovering from recession, and a constituency focused on getting the most bang for their tax buck, government organizations are being forced to answer tough questions – questions that they've seldom, if ever, asked themselves before. The public wants to understand the benefits it's receiving for government investments, and is demanding that government do more with less. Therefore, the public sector must answer this call and find alternatives to meet constituency demands.

Historically, calls for greater efficiency and effectiveness in government have been met with process improvement initiatives. For the most part, these initiatives have been approached in an ad-hoc manner – meaning that initiatives undertaken by an organization are rarely identified and assessed methodically. Rather, most organizations use the “squeaky wheel” approach. Government will address those issues or problems that are seen as being the most severe or damaging to the organization. This is usually done only from the bottom-up perspective (operation level), or from the top-down perspective (strategic level). By identifying issues solely from the bottom-up or top-down perspective, organizations ignore potential impacts and synergies between operations and strategy. Additionally, the limited use of data and analysis in identifying potential initiatives rarely defines neither the severity nor the impact of the problem or of correcting it.

The historic approach to identifying and undertaking process improvement initiatives is reactive rather than proactive. It doesn't address potential issues that may impact future operations, and leaves unclear the specific benefits of the undertaken initiatives. Organizational changes are made without thoroughly assessing the value proposition for stakeholders and customers. And Agency's rarely calculate and define both the tangible and intangible return on investment (ROI).

### **Solution**

The solution to the approach discussed above is simple – Government can optimize investments by aligning initiatives with both customer satisfaction and the organizational strategy. Although this is a bold statement, it is rooted in two clear facts – 1) customer satisfaction will determine an organization's ROI, and 2) organizations must adhere to strategies established by their leadership. For purposes of this paper, we have defined initiative and investment synonymously.

### Why Customer Satisfaction

There are three reasons why customer satisfaction is a primary factor in optimizing an organization's investments - 1) improved operations, 2) public trust, and 3) Presidential Mandates.

#### *Improved Operations:*

All improvement initiatives are undertaken with the goal of improving organizational operations. Why? Because increasing organizational efficiency and effectiveness allows for doing more with less. In our case, there is a direct correlation between customer satisfaction and improved operations. Therefore, improved operations equates to an increased ROI. As outlined in the "Comptroller General's Forum (on) High Performing Organizations, February 13, 2004", the most efficient and effective organizations focus on clients and customers.

The report reads: " In summary, there was broad agreement among the forum participants on the **key characteristics and capabilities of high-performing organizations**, which comprise four themes as follows:

- A clear, well-articulated, and compelling mission . . . .
- Strategic use of partnerships . . . .
- **Focus on needs of clients and customers. Serving the needs of clients and customers involves identifying their needs, striving to meet them, measuring performance, and publicly reporting on progress to help assure appropriate transparency and accountability.**
- Strategic management of people . . . ."

#### *Public Trust:*

Government recognizes the value of increasing the "public's trust in government and making the Federal government more citizen-centered". For the government to operate optimally, the public must have a certain level of trust and faith in its ability to make appropriate decisions.

Government also recognizes the link between customer satisfaction and trust. Given this link, measuring customer satisfaction will shed light on how well agencies are performing, and indirectly on the level of public trust instilled in them.

#### *Federal Mandate:*

As stipulated in X, "In order to carry out the principles of the National Performance Review, the Federal Government must be customer-driven. The standard of quality for services provided to the public shall be: Customer service equal to the best in business. For the purposes of this order, "customer" shall mean an individual or entity who is directly served by a department or agency. "Best in business" shall mean the highest quality of service delivered to customers by private organizations providing a comparable or analogous service." Given this Mandate, government organizations are held accountable for and measured on customer satisfaction.

### Why Organizational Strategy

The primary rationale for using an organization's strategy for optimizing investments is two-fold – 1) it sets future focus, and 2) it established leadership direction.

#### *Future Focus:*

An organization's strategy establishes the overall vision, mission, goals, and objectives that it hopes to achieve in the next five years. Strategies are externally rather than internally driven. This means that an organization's strategy focuses on increasing stakeholder value. Thus, it should speak to customer wants and needs in some manner, which ties into increasing return on investment through customer satisfaction.c

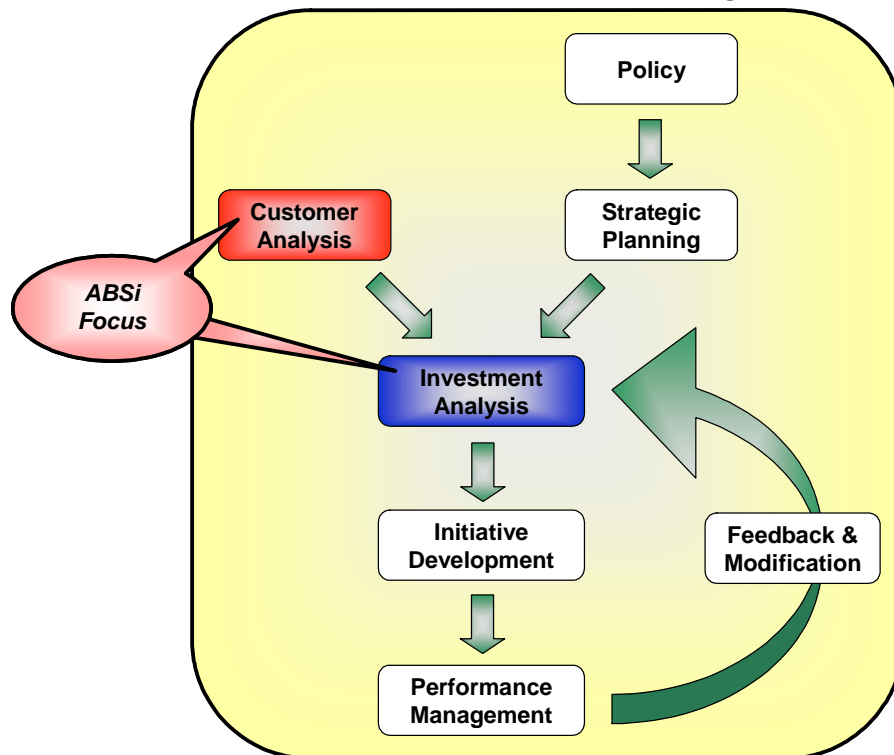
*Established Leadership Direction:*

Executive Leadership in government changes every few years. The only way that leadership can implement change in any point in time is if they do it quickly and decisively. When new leadership enters an organization, it establishes its vision and direction for the near term. Good leaders will attempt to gain organizational buy-in for the established direction and associated initiatives. But ultimately, leadership not only expects, but mandates, that the vision be carried-out by all employees. By voluntarily following this vision, organizations present a unified front to the public. This will increase stakeholders and customers trust in leadership and government. Greater trust translates to greater customer satisfaction, which equals increased return on investment.

**Approach Overview**

The Model in Exhibit A depicts our high-level approach to Customer Driven Investment Management. Customer Analysis includes analyzing an organization’s customer base in terms of its satisfaction requirements. Investment Analysis follows Customer Analysis, and 1) maps satisfaction requirements with the organization’s strategic plan, and 2) determines an optimal investment strategy accordingly.

**Exhibit A: Customer-Driven Investment Management Model**



By undertaking only those initiatives that 1) provide the greatest customer value by addressing wants and needs, and 2) align with the organization’s strategy, an organization can ensure optimizing its investments.

**Author's Biography**

Monika Joglekar is a Program Manager at Automated Based Solutions, Incorporated. She has a proven track record in program/project management, management consulting services, and marketing in both public and private sectors. Additionally, she has tremendous global experience in designing and implementing business and economic development programs for government, leading non-profit, and non-governmental organizations. Ms. Joglekar received her Bachelor of Arts in International Relations from The American University, and her Masters in Business Administration from Purdue University. For further information contact Ms. Joglekar at: [mjoglekar@absi2100.com](mailto:mjoglekar@absi2100.com) or (703) 587-9355.

Jay Marwaha is a Managing Principal at Automated Based Systems, Inc. (ABSI), a small business specializing in Information Assurance, Strategic Planning, Business Process Design serving the federal, state and local governments. Mr. Marwaha has authored and co-authored papers and articles for many national and international journals and popular magazines. His recent research was published in Harvard Business Review and Fortune Magazine. Jay received an MBA degree from The University of Chicago Graduate School of Business and an MS in Computer Science from the University of Maryland. Mr. Marwaha can be reached via e-mail at [jmarwaha@absi2100.com](mailto:jmarwaha@absi2100.com) or by phone at (703) 624-4100.