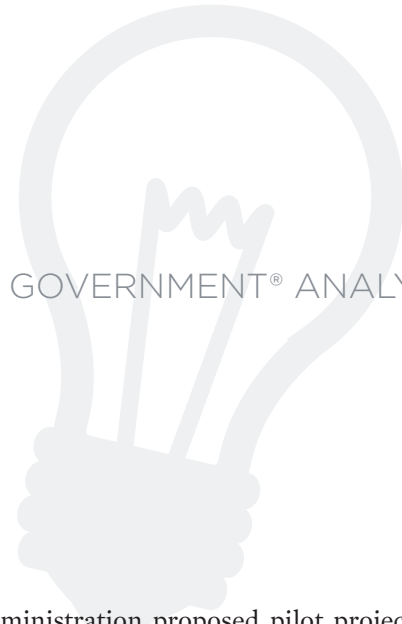




2014 BEST PLACES TO WORK IN THE FEDERAL GOVERNMENT® ANALYSIS

Innovation



In the fiscal 2016 budget, the Obama administration proposed pilot projects at five agencies designed to generate promising employee ideas that will improve government effectiveness and develop “a culture of innovation that yields results.”

Such initiatives are needed to fuel innovation. The current operating environment of budget cuts and hiring slowdowns, as well as the need to become more efficient and improve government service delivery requires that federal agencies develop innovative new ways of doing business.

The challenges faced by government leaders are complex and often difficult to solve, but encouraging creativity and prudent risk-taking can pay dividends. U.S. Customs and Border Protection, for example, came up with Global Entry several years ago, an innovative program that allows pre-approved travelers to receive expedited clearance upon arrival into the United States while maintaining tight security standards. The program has 1.8 million members, is located at 43 airports, and has garnered praise from the airlines, airport authorities and travelers for greatly speeding up the international arrivals process.

Additionally, the federal government’s reputation as an innovative employer is important in recruiting the next generation of government workers. According to Deloitte’s survey of more than 3,200 millennials in the U.S., Europe, and other developed markets, about 67 percent answered that they consider the organization’s reputation for innovation when looking at prospective employers.

The Partnership for Public Service, Deloitte¹ and Hay Group, as part of an analysis of the 2014 *Best Places to Work in the Federal Government*® data, examined innovation in government from the perspective of employees, identified agencies that excel and approaches that foster creativity in the workplace.

A handful of federal agencies are focused on helping their workforces innovate. These agencies are developing innovative cultures by rewarding creativity, by providing forums for employees to share and test new ideas, by encouraging responsible risk-taking and by bringing in outside talent for rotational assignments to infuse new ideas into the workplace. Government-wide employee survey data, however, suggests that much more needs to be done to foster innovation at many federal organizations.

¹ As used in this document, “Deloitte” means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

GOVERNMENT-WIDE TRENDS

From 2013 to 2014, the *Best Places to Work* government-wide innovation score, a calculation based on answers to three questions on the Office of Personnel Management's (OPM) Federal Employee Viewpoint Survey, dropped by 0.5 points to 58.9 out of 100. This score has fallen 4.4 points since we started measuring innovation in 2010, coinciding with the overall decline in federal employee job and workplace satisfaction for that same four-year period.

The findings from the three questions that comprise the government-wide innovation score are telling. The vast majority of employees, 89.8 percent, said they are constantly looking for ways to do their jobs better, a positive sign that employees are motivated to innovate. But only 32.7 percent believe creativity and innovation are rewarded in their organization and just 54.1 percent feel encouraged to come up with new ways to do their work, responses that should serve as a wake-up call to government leaders. This data suggests that large numbers of federal employees are motivated to improve the way they work, but many do not feel that their leaders and organizations support creativity and innovation.

The argument for innovation from a business, leadership and good government perspective is clear. Creating an environment that fosters employee innovation can help agencies more effectively fulfill their missions, lead to a more engaged workforce and better serve the needs of the American people. The four-year decline regarding employee views of innovation in the federal workplace shows there is much work to be done.

KEY DRIVERS OF INNOVATION

To better understand what drives innovation in government, we performed an analysis of the employee survey questions that were most highly correlated with the innovation score, and found six with a disproportionately high impact on the overall score. These questions covered a range of issues, including whether employees feel rewarded for performing high-quality work, have chances to expand their skills, have opportunities to demonstrate leadership, have respect for senior leaders, feel satisfied with involvement in decisions that impact their work and feel personally empowered. According to the regression analysis, these six questions account for 69 percent of the variance in the innovation score.

The topic with the biggest impact on the innovation score involved whether employees are recognized for providing high quality products and services. This was one of the lowest-scoring questions, with a rating of 42.5 percent out of 100. The second-most important factor contributing to employee views on innovation is whether they have opportunities to improve their skills. About six out of 10 federal employees answered this question positively.

Two key drivers of innovation dealt with leadership issues. Sixty one percent of federal employees surveyed said they are satisfied with their opportunities to demonstrate leadership skills, while only about 47 percent said they have a high level of respect for senior leaders.

The remaining two factors influencing employee views of agency innovation related to empowerment. Just 46 percent are satisfied with their involvement in decisions that affect their work, and only about 40 percent have a feeling of personal empowerment with respect to work processes.

Overall, the data suggests employees do not feel empowered in their work and are not being recognized for their efforts, two underlying conditions that need to change for an innovative culture to flourish.

PRIVATE-SECTOR COMPARISON

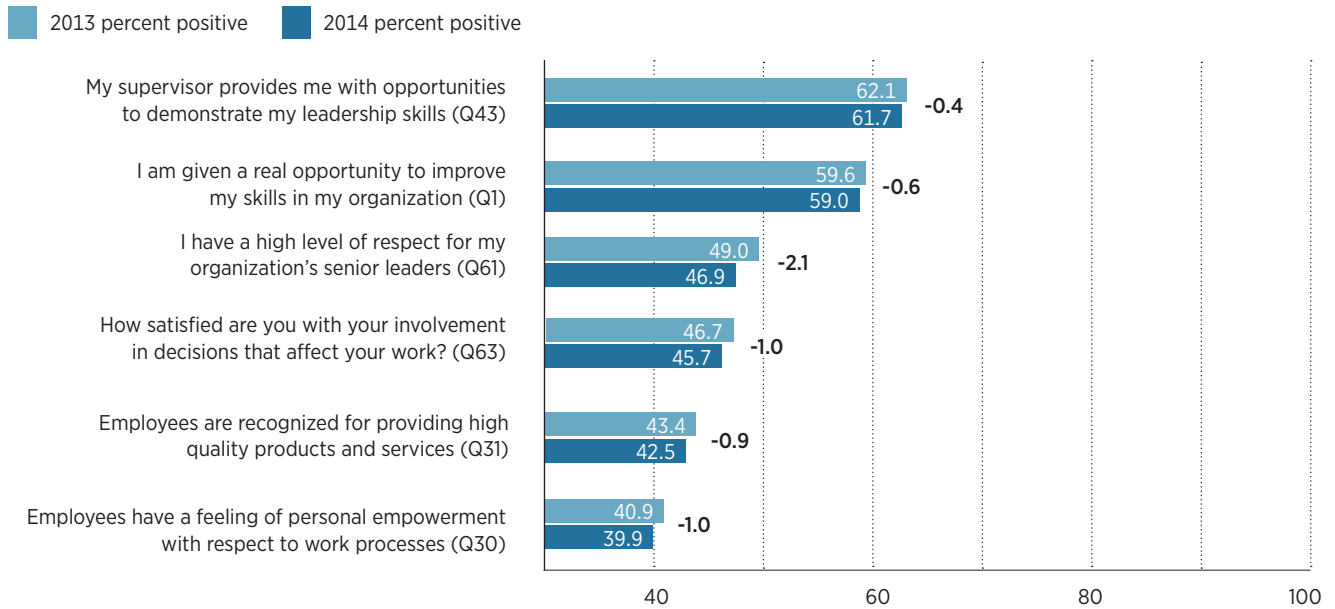
Comparable data for the private sector was available from Hay Group's private-sector benchmarks for one survey question used to calculate the government-wide innovation score and for one survey question that we identified as a driver of innovation in government.

When asked whether they felt encouraged to propose new and better ways of performing their work, private-sector employees rate their organizations about 14 points higher than federal workers. When asked about their satisfaction with the opportunity to improve their skills in their organization, one of the key components that shape employee attitudes toward workplace innovation, federal employees trail the private-sector organizations by eight points.

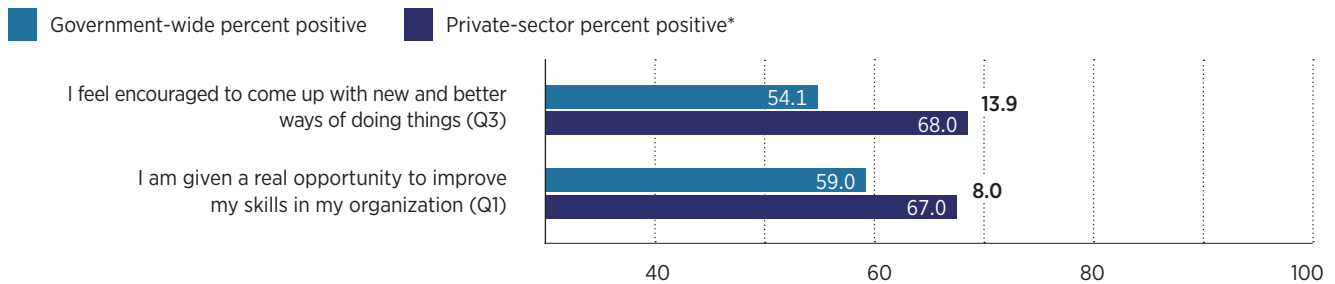
INNOVATION AND BEST PLACES TO WORK INDEX TRENDS AND PERCENTAGE OF POSITIVE RESPONSES ON INNOVATION QUESTIONS



PERCENTAGE OF POSITIVE RESPONSES TO SURVEY QUESTIONS THAT INFLUENCE EMPLOYEE ATTITUDES TOWARD INNOVATION



GOVERNMENT AND PRIVATE-SECTOR COMPARISON ON AVAILABLE INNOVATION QUESTIONS



*Data source: Hay Group Private-Sector Global Norm

MOST INNOVATIVE AGENCIES

Although the government-wide score declined, there are bright spots.

For the fifth year in a row, the National Aeronautics and Space Administration (NASA) is the top-ranked *Best Places to Work* large agency for innovation, followed by the Departments of State, Commerce, Health and Human Services and the Air Force. Each of the top five large agencies improved their innovation scores in 2014, which shows a reversal of the 2013 results when each of the top five large agencies' innovation scores declined.

Among the mid-size agencies, the Federal Trade Commission is the top-ranked agency for innovation for the

third year in a row. The Nuclear Regulatory Commission is second, while the Federal Deposit Insurance Corporation is tied with the National Science Foundation for third. The National Credit Union Administration was fifth.

The Surface Transportation Board took the top ranking for small agency innovation, despite a 1.6 point decline in its 2014 innovation score. The Federal Mediation and Conciliation Service improved its score by 4.8 points and rose to second place. The Peace Corps placed third, followed by the Office of Management and Budget and the Federal Retirement Thrift Investment Board, all

improving their innovation scores by two points or greater in 2014.

Four of the top five most innovative agency subcomponents in 2014 were from NASA. The Stennis Space Center (NASA) placed first among agency subcomponents with a score of 83.5. In second place was the Domestic Nuclear Detection Office at the Department of Homeland Security, with an innovation score of 80.2 and an improvement of 7.8 points from 2013. The Goddard Space Flight Center (NASA), Johnson Space Center (NASA) and Marshall Space Flight Center (NASA) placed third, fourth and fifth, respectively.

LARGE AGENCIES	Rank	Agency	Score (2014)	Score (2013)	Point Change
	1	National Aeronautics and Space Administration	76.7	76.0	0.7
	2	Department of State	65.9	65.4	0.5
	3	Department of Commerce	63.9	63.5	0.4
	4	Department of Health and Human Services	63.5	62.7	0.8
	5	Department of the Air Force	61.8	61.2	0.6

MID-SIZE AGENCIES	Rank	Agency	Score (2014)	Score (2013)	Point Change
	1	Federal Trade Commission	69.4	69.8	-0.4
	2	Nuclear Regulatory Commission	66.9	67.2	-0.3
	3	Federal Deposit Insurance Corporation (tie)	66.1	65.6	0.5
	3	National Science Foundation (tie)	66.1	66.8	-0.7
	5	National Credit Union Administration	65.3	62.6	2.7

SMALL AGENCIES	Rank	Agency	Score (2014)	Score (2013)	Point Change
	1	Surface Transportation Board	82.3	83.9	-1.6
	2	Federal Mediation and Conciliation Service	79.0	74.2	4.8
	3	Peace Corps	76.5	74.3	2.2
	4	Office of Management and Budget	73.4	66.8	6.6
	5	Federal Retirement Thrift Investment Board	72.2	70.2	2.0

SUBCOMPONENTS	Rank	Agency	Score (2014)	Score (2013)	Point Change
	1	Stennis Space Center (NASA)	83.5	84.2	-0.7
	2	Domestic Nuclear Detection Office (DHS)	80.2	72.4	7.8
	3	Goddard Space Flight Center (NASA)	78.6	78.5	0.1
	4	Johnson Space Center (NASA)	78.2	77.8	0.4
	5	Marshall Space Flight Center (NASA)	77.4	77.3	0.1

For the full list of rankings visit bestplacestowork.org/innovation

Examining the *Best Places to Work* data allows agency leaders to better understand to what extent their work environment is supportive of creativity and innovation. If leaders want to make changes to their culture, there are several lessons they can learn from agencies with successful innovation programs. The Department of Health and Human Services, NASA and the Surface Transportation Board, for example, have made concerted efforts to encourage and reward employee creativity, an important factor spurring innovation. These agencies can serve as models for agency leaders looking to create work environments that support innovation.

The Department of Health and Human Services

In 2010, the Department of Health and Human Services (HHS) created Idea Lab to promote and reward innovation. According to its website, the lab's goal is to "remove barriers HHS employees face and promote better ways of working in government." The lab helps employees test, measure and scale ideas, and is designed to bypass bureaucratic processes and encourage experimentation.

The Idea Lab has a wide range of programs that encourage and facilitate innovation, invest in the workforce, bring in outside talent for short-term assignments and work to solve issues of high importance for the department. Employees are generating ideas that save the agency money and improve citizen health and safety.

One component is HHS Innovates, an award program that recognizes employees who exhibit productive out-of-the-box thinking. The initiative to accelerate development of these ideas, called HHS Ignites, equips chosen teams with \$5,000 and a three-month timeframe to work on the details and an action plan.

Another initiative turns to the private and nonprofit sectors for inspiration. The Innovators-in-Residence program enlists outsiders for one to two years to research methods that improve practices, while its Entrepreneurs-In-Residence program offers HHS employees the opportunity to hire outside talent for year-long "high-risk, high-reward" projects. A third component promotes collaboration by creating employee groups that are assigned to answer specific problems.

A number of concrete results have come from Idea Lab. Three employees from the HHS Indian Health Service developed "Hospital Check-in Redesign," a new system that fast-tracks patients through emergency rooms. Another initiative, known as JumpStart, is being used to modernize the drug review process by allowing Food and Drug Administration medical reviewers to more quickly and thoroughly assess data from clinical drug trials, ensuring safe and effective products are approved for public use.

At the National Institutes of Health, an Idea Lab project called FreeStuff created an internal online platform to share equipment and materials across its various

LARGE AGENCY INNOVATION RANKINGS

4th 2014 AND 2013

offices and to reduce waste. According to Elizabeth Kittrie, a project manager for the Idea Lab, FreeStuff saved nearly \$60,000 in its first three months.

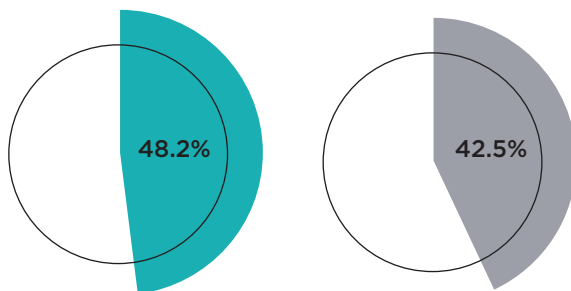
Since its creation, more than 1,500 employees have participated in the Idea Lab's programs. As these participants have returned to their jobs, Kittrie said, they are more motivated, productive and engaged – demonstrating the value of the lab to managers. Consistent communication about the lab's work also has helped, according to Kittrie.

Because of the HHS Idea Lab's success, President Obama's fiscal 2016 budget proposes new funding to create Idea Labs at the Departments of Commerce, Education and the Treasury, and at the General Service Administration and the Small Business Administration.

PERCENT OF POSITIVE RESPONSES ON INNOVATION QUESTIONS

■ 2014 HHS ■ 2014 Government overall

Employees are rewarded for providing high quality products and services



National Aeronautics and Space Administration



NASA has long captured the imagination of Americans for its breakthroughs in space flight and exploration. The opportunity to be creative and innovative is not simply a perk for NASA employees, it's a requirement for succeeding in space exploration.

Because of the value that NASA leaders place on innovation, the agency runs a variety of programs designed to encourage creative thinking. The Center of Excellence for Collaborative Innovation (CoECI) hosts NASA@Work, an internal virtual platform that allows employees to collaborate in online discussions to solve challenges posted by their colleagues. Challenge winners receive awards, such as an item autographed by an astronaut or lunch with their center director. The innovation center also runs an external challenge platform called InnoCentive, which engages hundreds of thousands of users across the globe to brainstorm, test and prototype ideas. Additionally, various innovation programs are run for employees at the various NASA locations around the country. Some offer innovation funds, which are made available to employees to pursue innovative ideas that further the agency's mission.

In 2014, NASA launched the organization's first agency-wide approach to recognizing innovative accomplishments—the Innovation Awards. Employees can nominate themselves or their peers for the Lean Forward, Fail Smart or the Champion of Innovation awards.

The Lean Forward, Fail Smart Award is designed to reward and encourage NASA employees who are “responsible risk takers” and who use failure as an opportunity to learn and refine their ideas.

Krystal Hall, a NASA human resources development specialist, said the Champion of Innovation Award is given to supervisors or managers who provide employees “the time and space to innovate and empower them to think creatively.” Both awards are nonmonetary and the agency allows employees to vote to determine the award recipients.

Hall said the rewards and recognition motivate employees and encourage smart risk-taking. She said NASA has “a strong safety culture which is necessary in space travel, but if you look outside of that area, people may often be afraid to take risks.”

While the awards are one piece of the puzzle, Hall said it is up to the leadership to create a supportive environment for creativity and innovation, and for the workforce to share the responsibility. She said that an innovative culture requires nurturing, which includes a combination of rewards, training and the proper workplace climate.

NASA provides all of these critical elements, which combined with its compelling mission, help motivate employees to experiment, come up with new ideas, overcome obstacles and get tangible results.

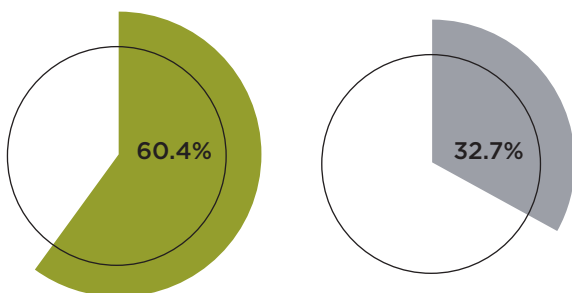
LARGE AGENCY INNOVATION RANKINGS

1st 2014-2010

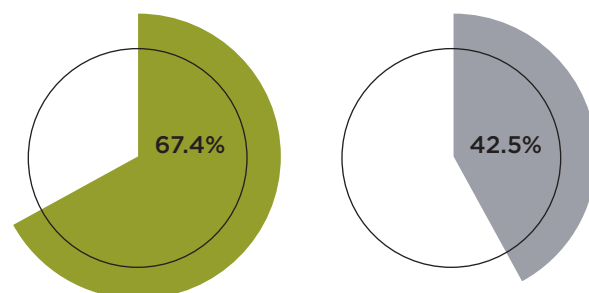
PERCENT OF POSITIVE RESPONSES ON INNOVATION QUESTIONS

■ 2014 NASA ■ 2014 Government overall

Creativity and innovation are rewarded



Employees are rewarded for providing high quality products and services



The Surface Transportation Board

The Surface Transportation Board has been at the top of the small agency innovation rankings since 2010, with an innovation score of 82.3 out of 100. Leaders at the agency attribute this success to a supportive and positive work environment, efforts that enhance communication between leaders and staff, and programs that reward employees for their contributions and creativity.

Paula Chandler, the board’s director of human resources, said the agency’s positive work culture dates back to its creation in the mid-1990s when an emphasis was placed on creating employee recognition programs and facilitating collaboration among the different work units at the agency – those performing mission-critical work as well as the administrative and support offices.

Chandler said monthly sessions are used to brief employees on work going on throughout the organization and to identify ways different offices can work better together.

The agency also has established open and direct lines of communication with employees, including staff meetings where employees are encouraged to voice their

SMALL AGENCY INNOVATION RANKINGS

1st

2014-2010

opinions and “come up with solutions as well.” Chandler said the message is clear, “You can’t just complain – you need to help solve the problem.”

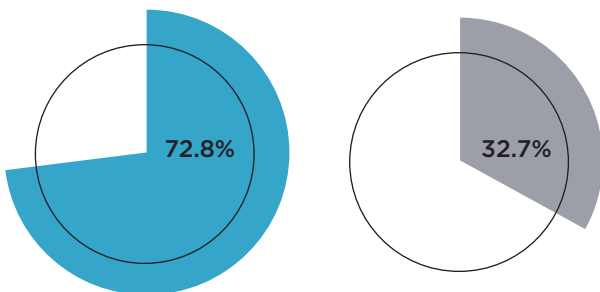
Current Acting Chairman Deb Miller holds weekly open-door meetings with staff as did her predecessors. The consistency in what is expected of senior leadership, said Chandler, is indicative of the strength of the Surface Transportation Board’s culture. She said even when there is a change in leadership, “our culture doesn’t change. We are set up for success.”

Although it is a small agency, its emphasis on collaboration, employee recognition and information sharing can provide a template for larger organizations to foster worker engagement and creativity.

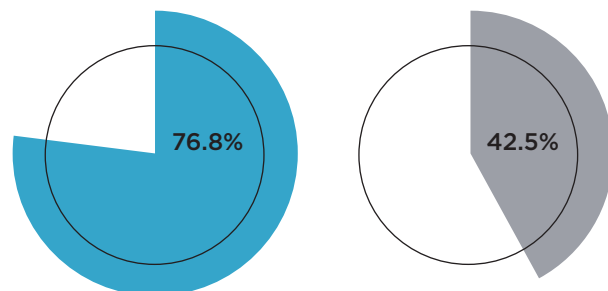
PERCENT OF POSITIVE RESPONSES ON INNOVATION QUESTIONS

■ 2014 STB ■ 2014 Government overall

Creativity and innovation are rewarded



Employees are rewarded for providing high quality products and services



RECOMMENDATIONS

In a speech to the Senior Executive Service in December 2014, President Obama said the federal government must seek continuous improvement and create work environments where “folks right there on the front lines (are) able to make suggestions and know that they’re heard, and to not simply be rewarded for doing an outstanding job, but to see their ideas implemented in ways that really make a difference.”

Federal leaders have a responsibility to set high expectations and create programs that encourage employees to innovate, help them develop ideas and reward creative accomplishments. Leaders and managers can learn from the successes of the most innovative federal agencies and model their efforts to build a culture that supports creativity. Each agency’s approach should be tailored to the needs of employees and customers, but below are some ideas for leaders looking to launch innovation programs.



Create awards programs for employees’ innovative accomplishments

Agencies have had success with non-monetary awards programs that honor innovation in addition to traditional small monetary prizes. For many employees, receiving recognition for their creative solutions may be just as important as a monetary award. NASA created non-monetary awards that recognize the innovative accomplishments of employees as well as awards for supervisors who encourage their employees to be creative.



Establish an internal group that helps employees test ideas and navigate bureaucracy

The HHS Idea Lab, which may soon be expanded to other federal agencies, offers a model for establishing “idea incubator” programs. Idea Lab plays a critical role in helping employees come up with prototypes of their ideas and navigate organizational hurdles.



Start a program that brings in outside thinkers to help solve agency challenges

The HHS Idea Lab allows employees to bring in outside talent on a short-term (one to two year) basis to help solve problems. NASA engages with problem-solvers across the globe through InnoCentive, one of its virtual crowdsourcing and challenge platforms.



Promote learning and coordination between business units or program offices

Due to the large number of demands placed on employees, it may be hard for them to find time to learn about the work of their colleagues across the organization, and to find ways to collaborate. Agencies like the Surface Transportation Board hold regular sessions to brief employees on what is taking place in different parts of the organization. When employees learn more about the similar work going on across the agency, it can spark creativity and collaboration.



Provide a forum for employees to collaborate and share creative ideas

Many agencies run internal virtual platforms that host challenges for users to solve. NASA employees can use NASA@Work to solicit ideas and answer challenges submitted by other users. Participation is voluntary, but employees who provide the best answers receive recognition and non-monetary prizes from the organization. However, agency leadership must act on the workforce’s creative solutions. If employees don’t see follow-through from leaders, these platforms could cease to be a useful tool for harvesting creative ideas.