

Using Policy Mapping and Analytics to Understand Complex Policy Environments and Improve Decision-Making

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by

Kathleen Sifer
sifer_kathleen@bah.com

David Sulek
sulek_david@bah.com

Michael Mayer
mayer_michael@bah.com

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Using Policy Mapping and Analytics to Understand Complex Policy Environments and Improve Decision-Making

In today's dynamic environment, policy makers face a complex maze of interdependent policy issues and increasingly intertwined agency missions. Quite often, no single government agency has a holistic picture of what needs to be done or is sufficiently empowered to optimize policy implementation. Under these circumstances, it is difficult for leaders to engage with the growing number of relevant constituencies, fully understand the first- and second-order ripple effects of decisions, and operate within a policy or legal framework that cannot keep pace with the evolving environment.

Certain “triggers” prompt challenging questions that policy mapping can help answer:

- Statutory Shifts (e.g., Congressional Reforms)
- National Policy Shift (e.g., executive order, presidential directive, national strategy)
- Reorganization
- Leadership Changes
- Mission Needs Assessment (e.g., identification of major mission gaps).

Policy mapping represents a new way to enable strategic decision-making in complex policy environments. It creates a holistic, comprehensive picture of the policy (and often operational) drivers associated with complicated, multijurisdictional problems by—

- Creating an image that captures critical elements of the problem's landscape (e.g., players, authorities, missions, functions, etc.)
- Analyzing element links and relationships
- Identifying areas of “friction” (e.g., white space, conflicts, overlaps, complements, and settled areas)
- Formulating options to identify priorities and close gaps.

Policy mapping provides leaders with a multidimensional visualization of a policy problem's environment while helping to inform a strategic roadmap with options and recommendations to move forward. In the example described in this paper, policy mapping is applied to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

The Burden of Dodd-Frank on Public and Private Sector Stakeholders

In response to the financial contagion of the last few years and the resulting widespread calls for reform within the financial regulatory environment, Congress passed Dodd-Frank in summer 2010. This Act represents the most comprehensive and far-reaching legislative overhaul of our nation's financial regulatory system since the Great Depression. It seeks to restore responsibility and accountability within our financial system, implements measures to increase financial stability in the financial services industry, and calls for greater protections for both consumers and investors. The Act has and will continue to transform the duties and powers of the financial regulatory community, have wide-ranging impacts on financial industry participants, and drive the reorganization of the U.S. financial regulatory superstructure.

Both the volume and intricacy of the Dodd-Frank modifications may challenge both public and private stakeholders' ability to analyze and understand the Act in its entirety. Further, keeping abreast of the nuances affecting all stakeholders may make it difficult for them to sufficiently service all their customers. Dodd-Frank not only amends numerous laws and regulations, but also creates new regulatory regimes and requirements. The classification and segmentation of industries affected by the Act will present myriad new compliance requirements, as well as challenges that are unique to subgroups within each industry. To put it plainly,

stakeholders must understand how the Act will affect them—a monumental task given the scope of the Act.

The Act transforms the duties and powers of government regulators by giving existing agencies new and expanded responsibilities, and establishing new agencies to address the issues believed to be the root causes of this crisis.

This complexity triggered the realization that a thorough analysis of the legislation and the development of a network visualization would be helpful to stakeholders. Our initial analysis of Dodd-Frank focuses on the Financial Stability Oversight Council (FSOC), its legislated roles and responsibilities, and its member agencies and their new FSOC-related functions. This analysis can assist those organizations that will be affected by FSOC, especially large, multijurisdictional institutions that are determined to present systemic risk. Specifically, a policy map and analysis focused on the stand-up of the FSOC may enable relevant agencies to understand legislative and mission requirements for financial stability and trigger insights on how FSOC and its stakeholders can operate and govern effectively.

A New Path: Data-Driven and Analytical Decision-Making

Policy mapping is an analytical capability that enables strategic decision-making in complex policy environments. Generating a visual mapping of a policy landscape provides a unique, holistic perspective on the policies that affect public and private sector organizations and their stakeholders. This enables an organization to increase awareness of existing policy, identify potential points of friction, and provide a framework for anticipating and adjusting to new legislation that may be developed. The resulting output can improve an organization's understanding of the current policy environment in which it exists, position it to make strategic decisions, and provide additional understanding of associated costs and benefits that might result from new legislation.

The policy mapping analysis focuses on—

- Clearly defining a problem and identifying the range of issues that affect the problem
- Systematically capturing and cataloguing the new and existing critical authorities and policies comprising the policy landscape
- Creating a visualization that maps the web of influence among key players and their associated functions
- Identifying areas of friction
- Formulating a roadmap of viable options based on the mapping and associated analysis.

The Booz Allen Hamilton policy mapping team creates a baseline map, as shown in Exhibit 1, that focuses on the specific problem statement and is based on a legislative inventory. This multidimensional visualization of a specific policy environment represents multiple perspectives (e.g., organizational, functional, mission, lifecycle) and details organizations and their primary functions, relative to that problem statement.

The baseline map can also be used to drill down into a specific organization, its mission, functions, roles, and responsibilities, as shown in Exhibit 2. Information aligned to each organization then can be compared with others or used to further define an organization's mission space. It is also possible to drill down to focus on specific functions. By inverting the information (i.e., focusing on functional elements rather than organizational elements, as seen in Exhibit 3), we can analyze views of specific functions, the organizations that perform them, and their organization-specific responsibilities.

Using this unique analytical methodology, the policy mapping team examines how new and existing policies function within the overarching legislative landscape. Parallel to this effort, we use the organization's staff and other stakeholders to validate our findings, leverage institutional knowledge, and gather feedback. Policy data only tells one part of the story; information based on operational realities is key to dissecting a problem's complex environment.

Policy Mapping Applied to the Financial Stability Oversight Council

This policy mapping project focused on one aspect of Dodd-Frank, the establishment of the FSOC, which is tasked with addressing systemic risk and liquidation and is composed of nine voting members, including the Secretary of the Treasury, who serves as chair. The FSOC's charge is to identify risks to the financial stability of the United States posed by large, interconnected bank holding companies or non-bank financial companies; to promote market discipline; and to respond to emerging threats to the sustainability of the financial system. And as such, the FSOC will touch many different organizations, both public and private. In addition, given the dispersion of the members of the Council (i.e., Secretary of the Treasury, Chairperson of the Commodity Futures Trading Commission [CFTC], Director of the Federal Housing Finance Agency [FHFA]), it is important for the members and stakeholders to be able to navigate FSOC's various constituencies, related policies, and understand potential ramifications to findings.

In establishing the FSOC, Congress attempted to prevent "too big to fail" by providing FSOC with dissolution authority and giving authority to the Federal Reserve to regulate systemically important financial and non-bank financial institutions. The legislation also created the Office of Financial Research (OFR), which houses a data center and research and analysis center, and the Federal Insurance Office (FIO), which is responsible for monitoring all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis. Both OFR and FIO are non-voting members of FSOC and are included in this policy map. FSOC membership includes the Department of the Treasury (chair), the Comptroller of the Currency, the CFTC, the U.S. Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the United States Federal Reserve, the Consumer Financial Protection Bureau (CFPB) (new under Dodd-Frank), the FHFA, and the National Credit Union Administration. The map shows all FSOC-related text from Dodd-Frank,

including text that applies to those organizations with FSOC-related responsibilities.

The entire Dodd-Frank Act was reviewed, analyzed, and decomposed into individual sections of text for ease of sorting and follow-on analysis. Those sections were then aligned to relevant organizations and rolled up into common "activities" to allow comparison across organizations. Those activities include—

- Assess or Analyze Financial Stability
- Charter Banks
- Collect, Share, and Protect Information
- Develop and Recommend Policy
- Educate and Build Awareness
- Enforcement
- Federal Financial Management
- Insure Deposits
- Manage Receiverships
- Mitigating Actions
- Multi-stakeholder Communication and Coordination
- Protect Consumers
- Report/Study Requirement
- Supervise and Monitor Institutions.

These activities are reflected in the policy mapping visualizations and can be used not only to identify the primary functions of each of these organizations relative to FSOC, but also to compare organizations to identify areas of friction, which will be discussed later.

The following lays out three outcome visualizations from our map of FSOC and its related organizations.

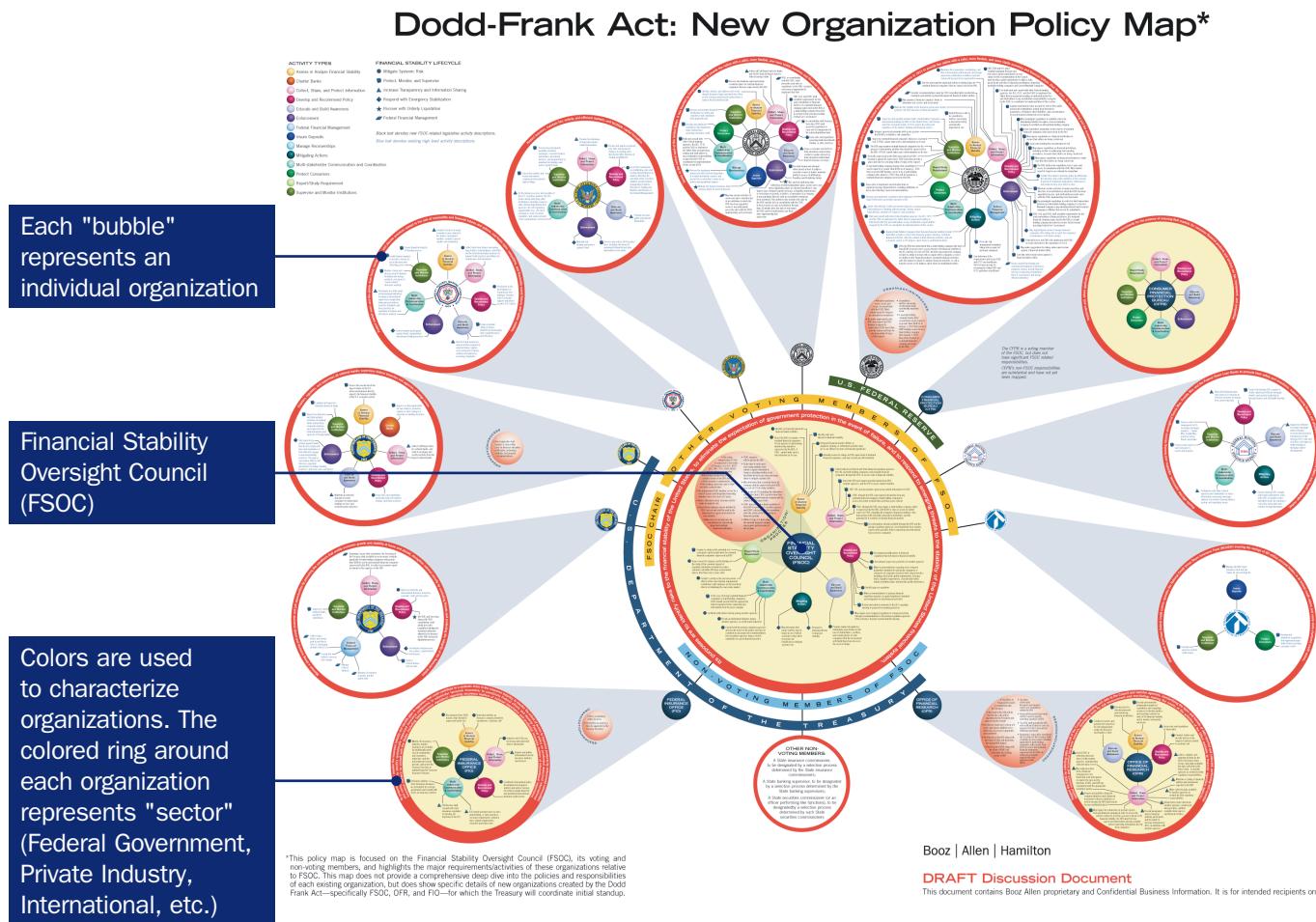
1. Macro View: High-Level Analysis and Visualization of FSOC and All Related Agencies

Agency missions are growing increasingly enmeshed, and as such, the issues organizations face are more interdependent than ever before. Dodd-Frank creates an environment where leaders must interact with growing constituencies, making it difficult for them to fully understand the second- and third-order effects of their decisions. Through an understanding of this newly woven web of relationships, stakeholders will be sufficiently empowered to understand how they may be

affected by this legislation and to help them optimize their position.

This approach creates a picture that captures critical elements of the problem's landscape, identifies elemental links and relationships, and highlights primary functions. By using this research and analysis, stakeholders will be in a position to more effectively formulate options for future action, giving them a strategic capability that ensures they meet new and existing requirements and challenges.

Exhibit 1 | The Financial Stability Oversight Council and Member Agencies

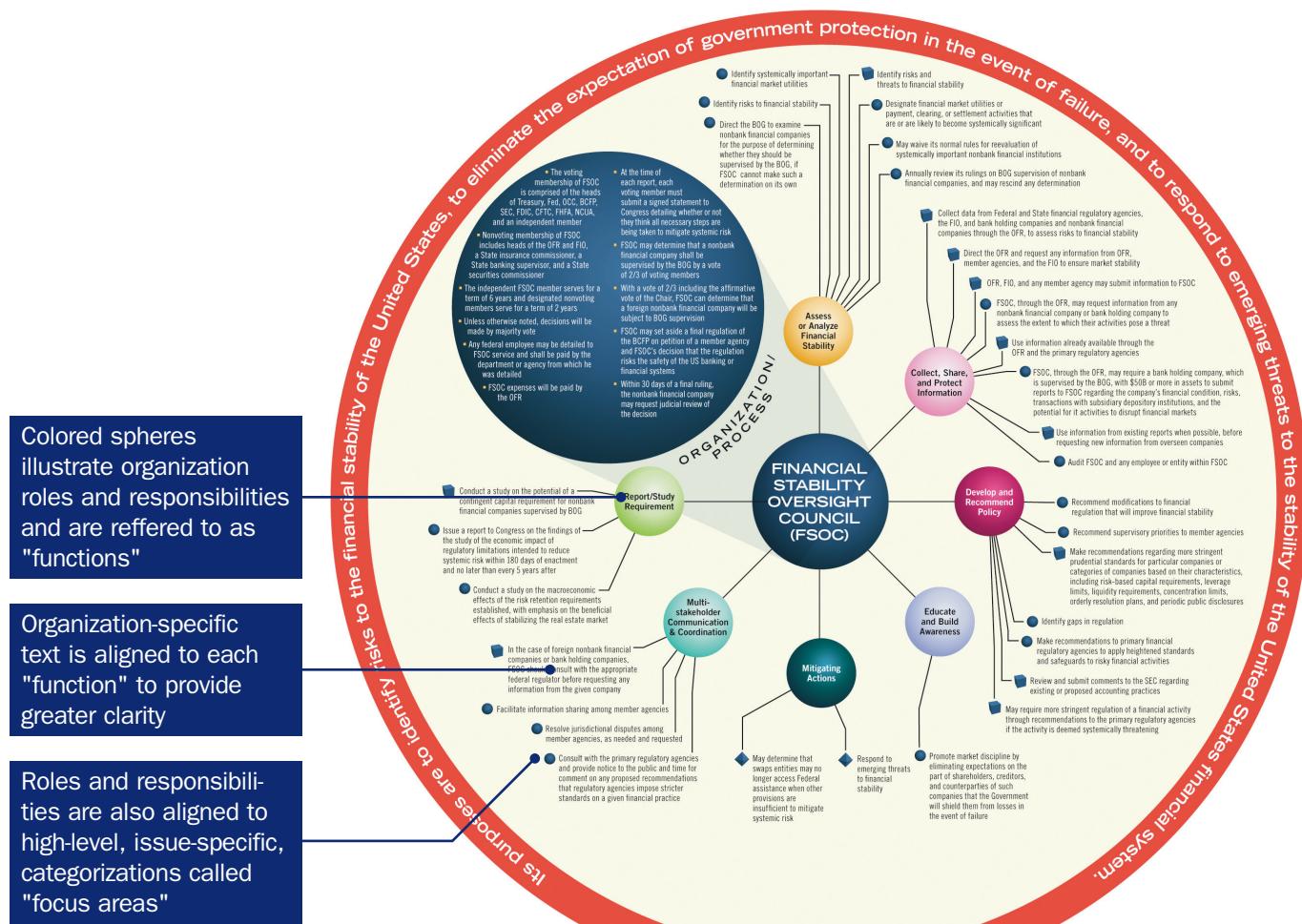


2. Micro View: Agency-specific Analysis

This second view, illustrated in Exhibit 2, focuses on specific agencies that may have direct impact on certain stakeholders. By taking this approach, we can identify with greater granularity the roles and responsibilities of those organizations as described in new and existing policy. This view shows the FSOC in specific detail and identifies its primary functions, roles and responsibilities, and focus areas—in this case, the phases of the Financial Stability Lifecycle, as detailed later.

As mentioned previously, one aspect of policy mapping involves developing a thorough baseline of an individual agency's roles and responsibilities and rolling them into a high-level set of functions, which then can be compared across agencies. Delving deeper, mapping can include lifecycle, domain, and sector alignment to provide more intricate details for tailored solutions. The FSOC policy mapping project aligned agency functions to a financial stability lifecycle phase (Mitigate Systemic Risk; Protect, Monitor, and Supervise; Increase Transparency and Information

Exhibit 2 | Focus on Individual Entities: FSOC



Sharing; Respond with Emergency Stabilization; Recover with Orderly Liquidation; Federal Financial Management) and then provided visualizations and analyses that focus on those individual phases.

This agency-specific focus and corresponding analysis can help stakeholders answer a number of questions: What are the best opportunities to collaborate with other actors in my environment? What opportunities exist to expand my influence? How can I track changing requirements that directly affect me? And what policy gaps exist in my operating environment?

3. Function View: How Does a Specific Issue Affect Individual Organizations?

This view is similar to the agency-specific analysis above. However, instead of focusing on one or more agencies, this approach concentrates on a specific issue, and provides visualization and analysis of all of the players affected by that issue. Information has been inverted, and visuals were developed that focus on specific functions, as shown in Exhibit 3. By visualizing data and analysis in this manner, we can show all organizations performing a high-level function while also providing details specific to an individual organization's roles and responsibilities.

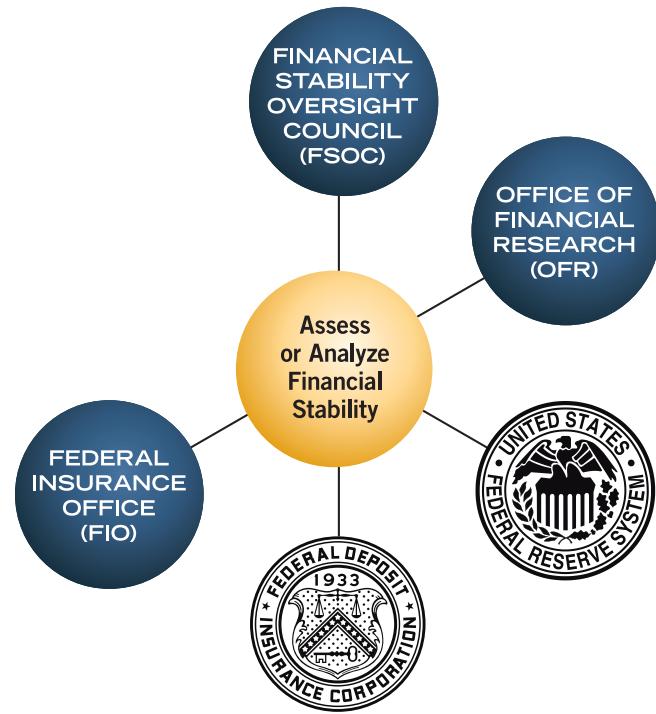
Dodd-Frank includes numerous changes, from enhanced regulatory burden to additional filing requirements. For example, Dodd-Frank establishes the CFPB, which creates additional regulations for mortgage providers and services, requiring a comprehensive understanding of policy implications across current and potential legislation. Associated agencies and stakeholders will need to understand new regulations and the implications for successfully navigating this new regulatory regime.

Friction Analysis

By comparing functions, our friction analysis can identify those areas of policy that may be problematic, such as new regulations likely to conflict with existing ones, or identify functions previously performed by one organization now transferred to another.

Friction analysis holds the key to uncovering potential shortfalls and opportunities. Creating a visualized policy map equips a leader or policy maker with a better overall mission understanding and a powerful decision-making framework. Using this map, friction analysis concentrates on grouping common functions to help leaders and policy makers formulate strategies and policy options to resolve the issue. Our team draws on the insights from the policy map and compares and contrasts missions and functions for each affected organization. Specifically, we examine each functional area and assess whether it (collectively) represents an area of white space, conflict, overlap, or complement, or an area where roles and responsibilities are settled (e.g., general agreement that one entity has sole authority). This is also determined in part by assessing the degree to which the organizations execute against this function.

Exhibit 3 | Focus on a Specific Function



Source: Booz Allen Hamilton

Completed friction analysis provides a framework to identify potential shortfalls and/or areas for collaboration, while also highlighting policy opportunities and strategic options. Subject matter experts are also heavily involved in this stage of policy mapping. By documenting their experience and insight, we can validate our policy baseline while also gaining a better understanding of operational realities that may not be documented in existing policy.

Policy Mapping as an Innovative and Widely Applicable Approach

Policy mapping is a defined methodological process that uses qualitative decision analysis and visualizations to help solve real-world problems. By developing a comprehensive baseline of new and existing policy, and identifying commonalities for comparison, we position organizations for strategic decision-making and future policy development.

Our policy mapping capability can provide government agencies and their stakeholders with a deeper understanding of a specific environment—the authorities, players, primary functions, and operational realities—to inform any number of strategies. It can also offer insight into the policy challenges that an agency faces on a day-to-day basis related to its need to navigate a fast-changing government landscape. Our policy mapping insights can help an agency to optimize its operating environment by defining and aligning its authorities and primary functions to improve efficiency and compliance.

Policy mapping is a unique analytical capability that enables strategic decision-making in complex policy environments. Generating a visual mapping of a policy landscape provides clients with a distinctive, holistic perspective on the policies that affect them and their stakeholders. This enables an organization to increase awareness of existing policy while providing a framework for anticipating and adjusting to new legislation that may be developed.

About the Authors

Kathleen Sifer is a Principal at Booz Allen Hamilton and a former banking executive who is skilled in strategic planning, and organizational, risk, and operational management. At Bank of America, she developed profit and performance optimization strategies that improved net income after taxes (NIAT) by 73 percent for her business line. Kathleen has served on various boards, including Bankers' Association for Finance and Trade (BAFT) and FIBA, and positioned Bank of America to receive the US Exim Bank Small Business Bank of the Year Award. She holds an M.B.A. from the AGSIM, a B.A. degree from Temple University, and completed the Strategic Marketing Management program at Harvard Business School.

Dave Sulek is a Principal at Booz Allen Hamilton with 19 years of strategy, public policy analysis, and general management consulting experience. Dave leads a team of policy analysts focused on homeland security, defense, health, and cyber security issues. Current and previous clients include the Departments of Homeland Security, Health and Human Services, Defense, Commerce, and Transportation; the Director for National Intelligence; and the President's National Security Telecommunications Advisory Committee, a leading example of public-private sector collaboration on national security matters. Dave also plays a

leadership role in multiple internally funded Booz Allen innovation investments focused on mission integration, cyber security, and the firm's content development in support of the annual Aspen Institute's Ideas Festival.

Over the past several years, Dave has co-authored numerous articles on emerging public policy issues. This includes two articles entitled When There Is No Cavalry and Convenors of Capability that describe some of the traditional challenges facing the United States in developing comprehensive national preparedness strategies and outline new, more collaborative approaches. He also co-authored an article entitled Connecting the Dots: The Invisible Hand for Sharing Information, which was published by IEEE and offers a different perspective on the value of information and how the U.S. Government might better share that information in a post-9/11 world.

Dave received a master's degree in National Security Studies from the Edmund A. Walsh School of Foreign Affairs at Georgetown University, where he focused on the impact of the Internet on national security affairs. He also holds a bachelor's degree in political science from Syracuse University.

Michael Mayer is an Associate at Booz Allen Hamilton with 5 years of public policy analysis, implementation, and general management consulting experience.

Michael leads the development and execution of Booz Allen's Policy Mapping Service Offering, an analytic tool designed to assess a particular policy landscape, analyze specific policy drivers, and provide an assessment of mission needs. He has recently developed policy maps focused on emergency preparedness, finance, cyber, health, and intelligence issues. Current and previous clients include the Federal Emergency Management Agency and the Transportation Security Administration.

Michael received a master's degree in Public Policy and Management from the H. John Heinz III College School of Public Policy and Management at Carnegie Mellon University. He also holds a bachelor's degree in political science from Allegheny College.

Contact Information:

Kathleen Sifer

Principal

sifer_kathleen@bah.com

703/984-7000

David Sulek

Principal

sulek_david@bah.com

703/984-0798

Michael Mayer

Associate

mayer_michael@bah.com

703/984-1097

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Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. Today, the firm is a major provider of professional services primarily to US government agencies in the defense, intelligence, and civil sectors, as well as to corporations, institutions, and not-for-profit organizations. Booz Allen offers clients deep functional knowledge spanning strategy and organization, technology, operations, and analytics—which it combines with specialized expertise in clients' mission and domain areas to help solve their toughest problems.

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