



GOVERNMENTS GET FOCUSED ON RESULTS

Integrating Performance Measurement into Management Decision Making

BY CAROLYN R. FARQUHAR

UNDERSTANDING THE STRATEGIC ENVIRONMENT

- ▷ Economic Analysis
- ▷ Business and Society
- ▷ Policy Analysis

ORGANIZATIONAL RESPONSE

- ▶ Improving Organizational Effectiveness
- ▷ Managing Human Resources
- ▷ Managing Innovation and Technology

WHAT'S INSIDE

Leading jurisdictions are shifting the focus from inputs and activities to achieving results that are meaningful to citizens.

Leadership, at the political and administrative levels, is vital to initiating and sustaining support for performance measurement.

Jurisdictions have developed frameworks for performance measurement that can be understood and used by managers.

One of the most important roles of performance measurement is to help managers make better decisions.



The Conference Board of Canada

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PREFACE

In an environment in which governments must demonstrate value for money and responsiveness to citizens' needs, using performance measurement has emerged as an essential strategy. This report examines seven jurisdictions that are integrating performance measurement with management decision-making processes to ensure direction and support in achieving desired results.

We would like to thank the members of the Conference Board's Government Performance and Accountability Network for their support and input in preparing this report. We would also like to thank the many individuals within each of the seven jurisdictions for their generous contribution of insights as well as their willingness to push the frontiers of thinking on performance measurement approaches.

Although this report draws on the experiences of government managers in the jurisdictions studied, responsibility for its content rests solely with The Conference Board of Canada.

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Governments around the world are implementing performance measurement approaches to help them define and achieve outcomes that meet the needs of citizens. People want to know what is being accomplished with their tax dollars, not just how much is being spent and where. This shift toward “results achieved” brings with it an emphasis on the alignment between government goals, the outcomes achieved and the “difference that has been made” by the program or service.

How have leading governments made performance measurement integral to their management decision making? This report examines seven jurisdictions from across North America, each of which has tailored its performance measurement approach to enable it to more effectively meet the needs of stakeholders.

To support the integration of performance measurement with management decision-making processes, these jurisdictions are focusing on building capacity—engaging line departments and agencies in using performance measurement, integrating tools and processes with management systems and ensuring that managers see the value of using performance information in decision making.

The experience of these governments—state, provincial and local—reveals that there are four enablers that build this capacity: (1) developing momentum through leadership, (2) creating frameworks to integrate management processes, (3) communicating information and (4) supporting managers’ acquisition of skills and capabilities in using performance information to make decisions.

Leadership—in the political and administrative spheres—is vital in ensuring the legitimacy and acceptance of the need to integrate performance measurement

and decision making throughout the organization. Leaders create momentum for performance measurement initiatives by demonstrating their personal commitment, building on existing efforts and recognizing existing accomplishments.

Jurisdictions have developed frameworks to support the integration of performance measurement with their strategic planning and budgeting processes. Such frameworks can help managers understand the linkages between performance measurement and the planning and budgeting processes—they clarify the connection between goals and targets and the resources allocated.

Jurisdictions are also building capacity by developing systems to ensure that performance information can be collected and used effectively and communicated to all stakeholders. Customizing these systems to the needs of managers, as well as making the tracking and use of performance information simpler and more user-friendly, is vital to getting managers to use performance information in decision making.

Providing training and development resources to help managers use performance measurement is key. These resources include outside expertise, best practices and formal training. Jurisdictions have found that both the technical and cultural change aspects of performance measurement need to be addressed.

While jurisdictions are encouraging managers to include outcome measures in their own agency plans and budgets, they are also fostering environments in which cross-agency and cross-government goals and outcomes are explicitly identified and managed for. Reporting to all stakeholders on overall performance—and the “things that make a difference”—is an increasingly widespread practice.

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1 INTRODUCTION

▶ *The practice of managing for results is not entirely new.*

How can government decision makers determine what outcomes would represent improved quality of life for citizens? How can they ensure that their priorities and strategies are linked to demonstrable results? How can progress toward these results be measured? And how can the achievement of outcomes be communicated to all the relevant stakeholders?

Governments around the world are embracing performance measurement tools and approaches to help them answer these questions. The emphasis on performance measurement is evidence that government decision makers are responding to pressure to do the right things—shifting the focus to results—in meeting the needs of their citizens and stakeholders.

▶ *What has emerged more recently is an integrated approach to performance measurement.*

This practice of managing for results is not entirely new. Over the past 30 years, leading management thinkers have advocated that governments should take steps to manage for performance and results.¹

What has emerged more recently is an integrated approach to performance measurement. The integrated approach ensures that performance measurement is brought together with the strategic planning and budgeting processes, that performance measures are part of management decision making and that performance measures support the alignment between the overall goals of the government and its delivery of policies and programs to citizens.

▶ *People want to know what is being accomplished with their tax dollars, not just how much is being spent and where.*

People want to know *what* is being accomplished with their tax dollars, not just how much is being spent and where. Managing for results has helped to shift decision makers away from a focus on

the “appropriated amount” toward the “results achieved.” In other words, it moves the emphasis away from inputs and activities and toward the outcomes and impacts of programs and services—it asks how well outcomes are aligned with goals and what “difference has been made” by the program or service efforts.

Defining Measures

Jurisdictions are using a set of measures to help them in assessing the results of a program or service on its recipients. These measures include:

- **inputs**—the resources used to produce or are consumed by the program/service;
- **efficiency**—measures costs, unit costs or productivity related to a given output or outcome;
- **outputs**—the volume of work required to achieve a program/service; and
- **outcomes**—the benefits or changes that occur because of a program/service.

In an environment of cost cutting and downsizing, performance measurement provides insights into which programs are providing value. However, even as resources become more readily available, decision makers need help in making choices. Performance measurement provides them with rich information and feedback on how well they are serving citizens.

The primary reasons for implementing performance measurement are to increase openness, enhance accountability and aid managers in improving performance. There are few organizations, in the public sector or in business, that have not undertaken initiatives to measure their performance at the program and policy levels.²

¹ Peter F. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper and Row, 1974).

² There is a growing trend around the world to use performance measurement to improve decision making and enhance accountability in government. One of the challenges for managers

is the complexity of performance measurement initiatives. Jonathan Walters has written a user-friendly “guidebook” demystifying managers’ use of performance measurement, *Measuring Up: Governing’s Guide to Performance Measurement for Geniuses (and Other Public Managers)* (Washington, D.C.: Governing Books, 1998).

Significant challenges remain in making performance measurement part of the way that the organization is managed.



But significant challenges remain in making performance measurement part of the way that the organization is managed and an integral part of how managers see their roles.

Leading Practices in North America

To gain an understanding of how governments are incorporating performance measurement into their management efforts, The Conference Board of Canada studied the use of performance measurement in seven leading jurisdictions across North America. These jurisdictions, listed in Exhibit 1, demonstrate a range of approaches to performance measurement.³

Exhibit 1

Jurisdictions Studied

- Province of Alberta
- City of Calgary, Alberta
- Regional Municipality of Peel, Ontario
- Prince William County, Virginia
- State of Texas
- Commonwealth of Virginia
- State of Washington

In each jurisdiction, extensive interviews were conducted with senior officials in central agencies, in line departments and agencies and in legislative audit functions. The interviews were designed to explore



To ensure that performance measurement is used to enhance decision making, the jurisdictions studied are focusing on building capacity.

how strategic planning and resource allocation processes have been successfully integrated with performance measurement efforts, what has worked well and what has not and how performance information is used to help jurisdictions achieve results. For purposes of illustration, the Board also examined, but in less detail, the approaches of several international jurisdictions.

Putting Performance Measurement at Centre Stage: Building Organizational Capacity

To ensure that performance measurement is used to enhance decision making, the jurisdictions studied are focusing on building capacity—moving beyond awareness building and incorporating performance measurement into management systems and processes. For each jurisdiction, the goal has been to engage the line departments and agencies in using performance measurement, to integrate the tools and processes with the management systems (including strategic planning and budgeting) and to ensure that line managers see the value of using performance measures in their decision-making processes. For decision makers, performance measurement helps to frame and answer the questions: are we doing the right thing? how well are we doing it? and how do we know?

³ The jurisdictions were selected because of their track record in developing and implementing performance measurement. In *Grading the States*, a report released in mid-1999 by *Governing* magazine, each of the three U.S. state jurisdictions received high marks for their overall management, including management in the financial, human resources, information technology and capital areas and in managing for results. Each of these jurisdictions, Texas, Washington and Virginia, has been widely recognized for its efforts in managing for results (receiving a B+, B+ and A-, respectively).

Other jurisdictions were selected based on their success in introducing and maintaining performance measurement systems,

their recognition by peers and commentators and their commitment to improving service to citizens. The Regional Municipality of Peel played an important role in spearheading a benchmarking initiative among 14 regional municipalities in Ontario, while the City of Calgary has been a leader in service quality initiatives for the better part of a decade. The Government of Alberta is widely recognized for its pioneering efforts in implementing business planning, performance measurement and regular reporting on performance across government. Prince William County stands as a leader in local government initiatives, with a commitment to meeting the needs of citizens, strong leadership at the political and administrative levels and a rigorous focus on performance budgeting.

A Worldwide Change

Governments around the world are undergoing massive administrative reform, driven primarily by mounting economic pressures to increase efficiency. The fiscal pressures that hit governments everywhere in the late 1980s and through the 1990s meant that earlier patterns of tax increases and spending were no longer viable.

One of the most effective tools for reform has been the introduction of performance measurement or results-based management. A 1999 survey of nine OECD countries showed that performance management reforms are a pervasive approach to improving efficiency, enhancing accountability and improving transparency. The countries surveyed were Canada, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Portugal and the United Kingdom. In a significant number of countries, the country parliaments receive periodic reports on the progress of results-based management within their government.¹

While some countries report that practices began at the local level and were then implemented at the national level, there is equal evidence of the reverse. The unifying theme for these countries' approach to performance management has been a relentless focus on results and the development of systems and processes that support this focus.

Notable examples of performance management reform have taken place in the Antipodes. In New Zealand, government departments develop annual purchase agreements (between the relevant minister and the head of the department) that define the outputs to be delivered by the department in return for the appropriations received. It is the role of elected officials in government to collectively identify the outcomes that will be achieved based on these outputs. These reforms have been in place for nearly a decade; however, New Zealand has recently sought to align outputs and outcomes more closely through stronger accountability frameworks. Key initiatives include providing better information to agency heads so they can more clearly be held accountable for their decisions, while ministers will be more sharply focused on fostering and assessing departmental capability to respond to government priorities over time. Similarly, in Australia, the Commonwealth government uses an accrual-based outcomes and output framework, implemented in mid-1997. Again, Parliament appropriates funds to achieve the agreed outcomes. Agencies specify the outputs that they will achieve, directly or through third parties, and indicators are developed to measure effectiveness and performance (i.e., price, quality and quantity).

In the United Kingdom, the development of service standards for each government department and agency has been key to improving public services. The creation of charters, at the national and local levels, has paved the way for greater openness and communication with the public and more effective allocation of resources to improve service quality. At the local level, each authority must publish details of their performance against a set of indicators. Each local authority can use their charter's indicators to help build a system for monitoring performance.

In the United States, as a result of the Government Performance and Results Act of 1993, all federal agencies are now required to prepare a five-year strategic plan and report regularly on their performance to Congress. The momentum created by this legislation will likely have impacts at other levels of government, transforming the requirements for government planning and performance reporting.

¹ *Synthesis of Reform Experiences in Nine OECD Countries: Government Roles and Functions, and Public Management* (Paris: OECD, 1999).

Four enablers support the successful integration of performance measurement into management decision making.



Four enablers support the successful integration of performance measurement into management decision making:

1. leadership—paving the way for change;
2. architecture—creating the frameworks to integrate management processes;
3. developing and communicating information—building support systems; and
4. building the right capabilities—helping managers act effectively.

These enablers provide guidance and support to decision makers in identifying and using performance measures

effectively and help focus them on managing for results. They help to shift performance measurement from a separate activity focused on “counting” to an integrated process focused on achieving results. They also ensure that the needed resources and management skills are in place.

This report first explores each of these enablers and looks at how jurisdictions are improving organizational capacity to use performance information. It then turns to a discussion of how this improved capacity supports the focus on managing for results.

2 LEADERSHIP: PAVING THE WAY FOR CHANGE

Notes from the Field . . .

In Prince William County, performance measurement has made it possible to respond to fiscal constraints and shift resources into areas of strategic importance to the community. For example, in 1997 the county decided to cut the annual budget for a local drug rehabilitation program. Although this decision might have been politically risky, county management recognized that the program was not performing—only 25 per cent of the program's clients were completing the program. The decision was made with the full support of the county's political leadership.

▶ *As jurisdictions implement performance measurement as a management tool, strong leadership at both the political and administrative levels is vital in ensuring its acceptance.*

▶ *In the jurisdictions studied, leaders found the following principles to be invaluable: (1) demonstrate personal commitment, (2) build on existing efforts, and (3) recognize people's efforts and successes.*

As jurisdictions implement performance measurement as a management tool, strong leadership at both the political and administrative levels is vital in ensuring its acceptance. Ongoing support from both entities will remain important as managers use performance information to make effective decisions.

Successful implementation of performance measurement also requires the mutual support of political and administrative leaders and recognition of their complementary roles. For political leaders, the public championing of performance measurement is key—they are best positioned to communicate directly with all stakeholders; they are most visible and best able to convince others of the importance of being focused on results. While elections are rarely won or lost based on the presence of performance measurement systems, the results achieved often figure prominently in approval ratings.

The first visible support for performance measurement often comes from the political level. Recognition of a need to improve accountability and provide greater openness for stakeholders or that current efforts are not producing the needed results has provided the focal point for a jurisdiction-wide approach to

performance measurement. Politicians are pressing for performance information because they must make critical allocation decisions, often with limited information about a particular program or service.

For political leaders, their level of knowledge about performance measurement and their confidence that the right results are being achieved is key to accomplishing goals. They also play a vital role in building bridges with other levels of government, representing the needs and interests of the citizens and removing barriers to effective organizational management.

For leaders within the administration, the explicit linking of inputs to the achievement of outcomes is vital to the effective management of scarce resources. Understanding how the use of resources ultimately affects outcomes can help illuminate choices, the rationale for these choices and a longer-term view.

In the jurisdictions studied, leaders found the following principles to be invaluable in gaining acceptance for, the widespread use of and value from their performance measurement initiatives: (1) demonstrate personal commitment, (2) build on existing efforts, that is, “start where people are,” and (3) recognize people's efforts and successes.

Demonstrating Personal Commitment

Leaders are focusing their own efforts—and marshalling resources—to keep the issue of performance measurement front and centre for citizens, legislators and agency managers.

Often, this demonstration of leadership comes down to a very personal commitment, sometimes requiring leaders at the political and administrative levels to take a “leap of faith.” In the City of Calgary, there has been strong support from elected officials as well as the CEO

Bob Hawkesworth adds, “Performance measures help me to prove to myself that we are doing the right thing.”

For many leaders, the commitment to performance measurement arises from a broader understanding of the elements of change management.

Governor Locke explicitly links the importance of performance measures and public accountability with the challenge of restoring public trust.

Notes from the Field . . .

The Texas Parks and Wildlife Department has developed a set of measures to ensure that the agency is performing effectively and meeting the needs of stakeholders. Since the agency's direct users provide approximately half its budget revenues through user fees, the agency management pays close attention to their needs. Andrew Sansom, the agency head, undertakes annual “scoping” meetings, which he and his executive team hold in various locations across the state to provide an opportunity for constituents to raise key issues. These issues are then factored into the development of the agency's strategic plan and performance measures.

for efforts to focus on results. One alderman, Alan Bronconnier, notes that “we are starting to look at the results of service delivery rather than line by line” in making resource allocation decisions. His colleague Bob Hawkesworth adds, “Performance measures help me to prove to myself that we are doing the right thing.”

Both councillors emphasize that they are pushing for measures that are meaningful and that reflect cross-departmental co-operation, recognizing that problems are best addressed when agencies work together. Equally important has been CAO Paul Dawson's early commitment to performance measurement and improving service delivery to Calgary's citizens.

Linking Performance Measurement to the Leadership Message

For many leaders, the commitment to performance measurement arises from a broader understanding of the elements of change management. In the State of Washington, Governor Gary Locke emphasizes performance measurement as central to his vision for the state and

to his management agenda. The focus on performance measurement provides a basis for defining the outcomes that the government is trying to accomplish. The goals for his administration are fivefold: education, economic vitality, environmental protection, public safety and restoring public trust in state government.

Governor Locke explicitly links the importance of performance measures and public accountability with the challenge of restoring public trust, noting that “governors need to do more than just launch new programs. They also have to demonstrate their ability to make government more responsive, more effective and more efficient. People want to know that we are doing a good job with the dollars government now receives before we talk about new programs and more dollars.”¹

Implementation of the Governor's agenda by the state's executive management team has been promoted through the use of executive orders mandating the implementation of quality efforts and building on existing legislation mandating performance budgeting. Linking the focus on results with the statewide total quality initiative has been valuable in two distinct ways: first, it has provided performance budgeting with a solid managerial underpinning in terms of quality's focus on customers/citizens, leadership, planning, integration and results. And, second, for those within the state government who saw performance budgeting simply as a “numbers” exercise, the quality emphasis has provided depth and breadth to the state's efforts. The Governor has appointed a special adviser on quality to engage agency managers on both the quality and performance measurement efforts. This

¹ Quote from the August 1998 National Governors' Association meeting, Improving Service Quality: A Governor's Guide for Launching or Expanding Major Quality Initiatives.

The leader of each agency or department can play an important role in connecting performance measurement efforts to the management systems in place.



individual, Renee Ewing, meets with every Cabinet agency on a quarterly basis to discuss their results and the linkages to overall government goals and citizen satisfaction.

The leader of each agency or department can play an important role in connecting performance measurement efforts to the management systems in place. Helping people understand how the setting and tracking of performance measures can be integrated with their individual performance management efforts is key in making performance measurement relevant and useful. In Calgary, former Chief of Police Christine Silverberg emphasizes helping members of the force understand how their individual competencies fit with overall performance.

Leaders must overcome preconceived notions about performance measurement as well as outright resistance to a new way of managing and recognizing efforts.



For Chief Silverberg, getting people to understand the importance of doing those things that meet the needs of the organization and the community requires clear and consistent communication of values, ensuring that officers understand that they will be measured on those things that are important to the organization and the community, and the use of tools such as the Balanced Scorecard to ensure that important issues are examined and measured. In her five years with the force, the chief saw the benefits of a clear and consistent performance measurement message. When she first joined the force, people wanted to know where the organization was going; as she notes, “This question was asked over and over again.” According to Chief Silverberg, setting out goals for the community and the organization and communicating them provided an important basis for addressing critical issues and for ensuring that problem areas received the necessary resources. She notes that “constant reinforcement is needed—you have to be *on* it all the time.”

Supporting people’s efforts in using performance measurement sends strong signals.



Turning Resistance into Commitment

Leaders must overcome preconceived notions about performance measurement as well as outright resistance to a new way of managing and recognizing efforts. Creating visibility for the performance measurement initiative may take time and does require people to be willing to take some personal, and often organizational, risks. Some managers see the focus on performance measurement as circumventing their own control or flexibility, while others fear that performance results may be used as a weapon rather than a way to improve decision making. Still others have voiced concern that they will be held accountable for outcomes that are not within their control. Jurisdictions have found that gaining people’s commitment early on is key to the success of performance measurement efforts.

Supporting people’s efforts in using performance measurement sends strong signals. The Auditor-General of Alberta, Peter Valentine, has noted publicly that he will accept the efforts of “those agencies that measure and fail but not those that fail to measure.”

In Alberta, beginning in 1993, leadership at the most senior levels of Cabinet propelled the adoption of a business planning approach that entailed the introduction of a government-wide business plan and fiscal plan, ministry business plans and budgets, and regular reporting on performance. A report from the Financial Review Commission noted that “by establishing long-term goals and relevant program objectives, and then developing the required budgets and reporting systems, performance can be measured against the plan.”

Early on, the Alberta approach took a government-wide view, establishing a comprehensive accountability framework that was supported by legislation. The process was put in place by the standing

► *The development of a supportive and respectful working relationship between political leaders and those within the administration has proven to be an important ingredient.*

policy committees, which were committed to running government like a business. Both the Premier and the Treasurer played very strong leadership roles, underscoring that “this was the way things would be done.” The Treasurer visited leading jurisdictions across North America to gain a better understanding of the potential gains.

This support has been a hallmark of the Alberta approach. And, in the most recent cycle of developing the government’s business plan, the process is initiated by executives within the Treasury and the Executive Council. The Executive Council takes the plan to the Agenda and Priorities Committee and then to Cabinet for approval. According to Deborah Owram, Deputy Secretary to Cabinet, this step provides an important advantage in gaining commitment right up front to a government-wide business plan.

Building Bridges Between Political and Administrative Leaders

The development of a supportive and respectful working relationship between political leaders and those within the administration has proven to be an important ingredient in the jurisdictions studied. Although continuity of political leadership provides an advantage, there are instances where the commitment to performance measurement has been sustained even when the government in power has changed.

In Prince William County, there has been a positive working relationship between the political leaders and the county executive team. As Melissa Peacor, Deputy County Executive, points out, political leadership has played an important part in gaining acceptance from the citizenry itself. The county’s Board of Supervisors has, from the outset, aligned the focus on performance measurement and results with the needs and priorities of citizens.

► *It is important to acknowledge and build on the performance measurement and improvement efforts already in place in many agencies.*

Thus, the progress of the county’s efforts to implement performance measurement has been a visible part of the political leadership’s record. The county leadership has made a long-term commitment to implementing a strategic plan, which sets out a vision for using performance measurement to guide decision making.

Notes from the Field . . .

It is important for leaders to be clear about what they want a performance measurement initiative to accomplish, both in the short term and in the long term. In the case of Prince William County, consistency of leadership has been an important factor, allowing the political leadership to foster a positive relationship with citizens by understanding and responding to their needs and putting these at the core of the county’s strategic direction.

In the earliest stages of Prince William County’s implementation of performance measurement, the Chair of the County Board of Supervisors, Kay Seefeldt, supported a “futures” process in which 15 citizens were named to a committee to provide guidance regarding future directions for the county. As part of this process, over 3,000 citizens were consulted to identify priority areas for the county.

Building on Existing Initiatives: “Start Where People Are”

In each of the jurisdictions studied, a performance measurement approach has been introduced as a corporate-wide initiative; however, it is important to acknowledge and build on the performance measurement and improvement efforts already in place in many agencies. Recognizing the experience and commitment that already exists within the organization is an important ingredient of success.

Getting Under Way with Performance Measurement Efforts

It is equally important to put a stake in the ground and *do* something, recognizing

► *It is important to recognize that successful efforts will take time and that commitment is built on demonstrated successes.*

► *There is also recognition that every agency is at a different place in its evolution. Some of the progress can be pushed along, but there is also a natural evolution that takes place.*

► *Recognizing the skill and knowledge of front-line employees is an important part of successfully implementing and improving performance measurement efforts.*

that successful efforts will take time and that commitment is built on demonstrated successes. The State of Washington developed an architecture and established performance budgeting in statute, but also recognized that an initial phase-in would be necessary. The state expects continuous improvement after the phase-in is over, as agency heads and managers grow more comfortable with the processes and see that the results can benefit their own decision making. As Candace Espeseth, Assistant Director for the Budget Office of the Office of Financial Management, notes, “We recognized that a cultural change is implied here, and our focus has been on supporting people along the journey.” There is also recognition that every agency is at a different place in its evolution. Some of the progress can be pushed along, but there is also a natural evolution that takes place. One official also noted that “you can get better just by starting!”

In Washington, the introduction of the Balanced Scorecard in all Cabinet agencies has been a vital step in engaging agency heads in developing and using measures that help to focus and align all efforts within the agency in order to achieve results.

At the Department of Labor and Industries, Director Gary Moore had already implemented a Performance Agreement Scorecard. Soon after his appointment as director in early 1997, Moore conducted a series of consultations with key stakeholder groups. He used these consultations to help define four agency priorities and associated key measures that then became the basis for the agency scorecard. Rather than revamping the initiative that was already under way, Moore proposed that his agency’s scorecard be cross-referenced to the Balanced Scorecard categories. Moore

notes that “it was critical to maintain the agency’s focus on our priorities, using the Balanced Scorecard categories as a filter to assess appropriate alignment of goals and targets.”

Gaining Buy-in

Recognizing the skill and knowledge of front-line employees is an important part of successfully implementing and improving performance measurement efforts within an agency or department. Their understanding of customer needs and the ways in which business processes can be improved is vital. Gaining their commitment to change is a key contributor to success.

It is also important to engage middle managers. At least one executive noted that performance measures help ensure corporate priorities are clear, which can be a distinct advantage in helping middle managers deal with multiple priorities. As well, middle managers operate in a critical place in organizations, linking the strategic direction articulated at the top with the activities carried out by front-line staff. Their perspective on the usefulness and accuracy of performance measures and their up-close view of how measures are used within the agency is vital knowledge for agency managers and those providing leadership from central agencies.

A key learning for several executives has been the importance of common language—both for building commitment across the organization and for reducing “fuzziness” in terminology or outright confusion of terms. It was noted by at least one seasoned professional that even accepted terms have different interpretations and that, surprisingly, no one has developed a common lexicon to help managers navigate this challenging management area.

Performance measures for each agency are identified and agreed on through an iterative process requiring consultation and acknowledgement of what agency managers can and should be held accountable for.

Jurisdictions are endeavouring to hold managers accountable for the performance of those programs and areas in which they can exercise control, or at least an influence, over inputs.

Notes from the Field . . .

Engaging managers and front-line employees has proven key to significant turnarounds in the use of performance information. In the Texas Department of Insurance, the 1995 state auditor's report revealed that of the agency's key measures, one-third were accurate and one-half were inaccurate; the accuracy of the remainder could not be determined because of inadequate records.

As management looked at these results, it was clear that no concerted effort had been made to review the agency's measures overall when the state had implemented its new strategic planning approach in the early 1990s. The agency had simply continued to monitor the measures that had been in place for a number of years.

To address this issue within the agency, a new commissioner, Elton Bomer, was brought in. Bomer was a former legislator and a strong believer in performance measurement. Determined to change the agency's management of its performance measurement system, he directed his six assistant commissioners to take personal responsibility for a subset of measures and to report on them quarterly.

The directive sent a strong message to senior management regarding the importance placed on performance measurement within the agency. And, although there were initial challenges in sorting out the collection and reporting of data, improvements in the processes and results appeared almost immediately. For example, the proportion of toll-free hotline calls that were answered increased dramatically, from 50 per cent to 85 per cent, in just a year. Moreover, the fraud unit more than quadrupled the restitution obtained for consumers, up from \$2.4 million in 1996 to \$13.5 million in 1997. Also in 1997, the state auditor found that of 59 key measures, 78 per cent were accurate.

Recognizing People's Efforts and Successes

In most of the jurisdictions studied, performance measures for each agency are identified and agreed on through an iterative process requiring consultation and acknowledgement of what agency managers can and should be held accountable for. Implementing a system of incentives—and disincentives—for

achieving agreed targets may present some particular challenges. For line managers, the linking of organizational performance and individual recognition is one of the most sensitive areas.

To address these issues, jurisdictions are endeavouring to hold managers accountable for the performance of those programs and areas in which they can exercise control, or at least an influence, over inputs. The measures and targets selected must be deemed relevant and achievable by those involved in delivering the program or service. And agency managers must be able to manage resources and take remedial action to achieve agreed-on goals.

Introducing Incentives and Disincentives

The goal of any incentives program must be very clear to those who are part of it. Senior management must be certain that they have taken stock of unintended consequences that may arise from the implementation of some performance measures, that is, they must ensure that any tradeoffs or service impacts are fully understood.

Applying rewards and disincentives to the achievement of particular goals is a relatively new area for governments. There are, however, several jurisdictions that are incorporating reward structures into their management systems. The State of Texas, for example, has specified specific actions to recognize the successful accomplishment or exceeding of performance expectations. Positive incentives/rewards include "increased funding, exemption from reporting requirements, increased funding transferability, formal recognition of accolade, awards or bonuses, expanded responsibility, or expanded contracting authority."

The state has also specified actions to discourage underperformance. Negative incentives or redirection include "evaluation

▶ *The State of Texas has introduced a performance reward that recognizes productivity improvements and innovative programs across the government.*

of outcome variances for remedial plan, reduction of funding, elimination of funding, restrictions of funding, withholding of funding, reduction of funding transferability, transfer of functional responsibility to other entity, recommendation for placement in conservatorship, or direction that a management audit be conducted.”²

In addition, the state has introduced a performance reward that recognizes productivity improvements and innovative programs across the government. It can be awarded to individual employees at the discretion of the agency head. For an agency to qualify for the reward, 80 per cent of its established key performance measures must be achieved or exceeded and at least 70 per cent of its performance measures must receive unqualified certification by the State Auditor’s Office.

▶ *Finding out what is important to line managers is key in designing incentive (and reward) strategies.*

In the first year of the initiative (fiscal 1998), five agencies within the state met these two criteria. In 2000, 19 agencies achieved the target. The Texas Education Agency was one of these; a performance reward program has been implemented within the agency, with a one-time payment to individuals who have met the targets negotiated on measures related to their divisional or departmental plans.

Finding out what is important to line managers is key in designing incentive and reward strategies. In the State of Florida, the use of incentives and disincentives is in an exploratory phase. In September 1999, the state produced the results of a survey of 37 agencies, identifying the agencies’ preferences/ratings for incentives and disincentives.³ As Exhibit 2 illustrates, funding for bonuses is the highest-rated incentive. Conversely,

▶ *Jurisdictions are making inroads in focusing line managers’ efforts on cross-organizational and cross-jurisdictional goals.*

² General Appropriations Act, Seventy-sixth Legislature, Regular Session, State of Texas, 1999, Section 9-6.39, “Performance Rewards and Penalties.”

Exhibit 2

State of Florida Survey of Incentives and Disincentives Among Agency Heads, September 1999

Agency Ranking of Incentives

- Funding for bonuses
- Flexibility in salary rate/positions
- Funding for technology
- Flexibility in budget transfer authority
- Funding for training

Agency Ranking of Disincentives

- Restriction of budget flexibility
- Elimination of program
- Reduction of managers’ salaries
- Outsourcing program
- Reduction in positions
- Appearances before legislature

Source: The Florida Senate, Committee on Fiscal Policy.

restricting budget flexibility is seen as the most powerful disincentive.

The Virginia Retirement System—an agency that manages retirement benefits for all state employees, teachers and local government employees—has introduced an integrated pay plan that links every individual’s performance pay with both the departmental strategic objectives and, in turn, the agency’s strategic business objectives. According to agency officials, there is significant emphasis in the performance evaluation process on both behaviours and the achievement of departmental and agency results.

Recognizing Cross-Government Efforts

Jurisdictions are making inroads in focusing line managers’ efforts on cross-organizational and cross-jurisdictional goals. These attempts to change behaviour

³ The Florida Senate, Committee on Fiscal Policy, *Develop Performance Incentives/Disincentives Strategies for All Programs Involved in Performance-based Program Budgeting*, Interim Project Report 2000-39 (Tallahassee, Fla., September 1999).

▶ *Developing cross-government goals is a key part of the Alberta government's strategic planning.*

▶ *"The business planning process has forced us to let go of any notions of competing goals and agendas."*

▶ *Political leaders play a role in singling out those who have made significant progress in implementing performance measurement.*

must be accompanied by changes in what is measured and rewarded.

Developing cross-government goals is a key part of the Alberta government's strategic planning. One of the drivers of this effort is a need for the government to integrate the efforts across departments and get them to think "corporately." As Julian Nowicki, Deputy Minister of the Executive Council, notes, "The business planning process has forced us to let go of any notions of competing goals and agendas." Each year, the four top cross-government goals, identified as part of the three-year business plan, are linked to the compensation for senior executives. As Exhibit 3 illustrates, the top four goals are the corporate services centre initiative, the corporate human resource development strategy, economic development and the Aboriginal policy initiative. (It is worth noting that each year the goals are reviewed; new ones are added to the priority list, while others are moved to a monitoring status.) These goals involve key ministries across the government and are reflected in individual ministries' three-year business plans.

Twenty per cent of each deputy minister's pay is at risk. Seventy-five per cent of that variable pay is based on achieving the four cross-government goals, whereas 25 per cent is based on individual contracts: deputy ministers across government have specific performance contracts, both with the Executive Council, through the office of the Deputy to the Premier, and with their ministers. This process is replicated in the individual ministries, with deputies

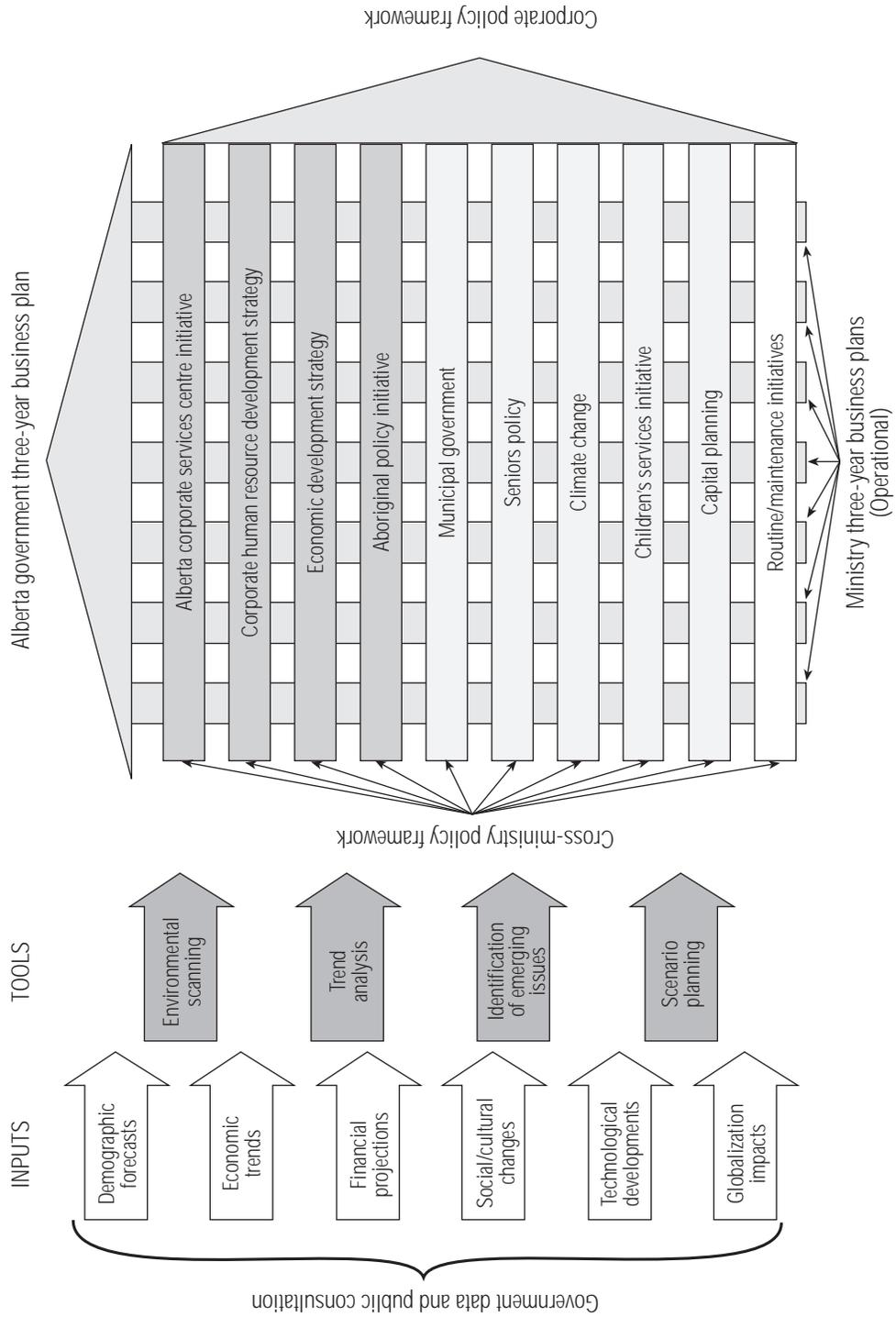
developing similar contracts with their assistant deputy ministers (ADMs), and ADMs with their direct reports. As Nowicki notes, "Contracts include achieving the goals in the ministry business plan, as well as demonstrating that they have contributed to the corporate cross-government goals that have been set as priorities by elected officials."

Acknowledging Individual and Team Efforts

Political leaders also play a role in singling out those who have made significant progress in implementing performance measurement. In Texas, the Governor brings together all the agency heads for a half-day meeting as a kick-off for the strategic budgeting process. This is an opportunity to recognize individual agencies' efforts and highlight accomplishments.

As noted, the State of Washington has closely linked its quality initiative with performance measurement efforts. Each year, teams that have demonstrated creative and innovative solutions to problems, have clear and measurable results, or have found new ways to do their business are singled out in a publication called *Governing for Results*. Members of these teams receive personal letters from Governor Locke. Similarly, the Governor uses internal conferences and public settings to draw attention to the recognition that the state has achieved, including its high ratings in *Governing* magazine's 1999 survey, as well as to the success of individual agencies in taking up performance measurement efforts.

A Framework for Developing Cross-Government Goals



3 ARCHITECTURE: CREATING THE FRAMEWORKS TO INTEGRATE PROCESSES

▶ *The term “architecture” connotes the need for a well-functioning process and the importance of all parts of the process working together.*

It is essential to have a framework to support the process of developing and using performance measures—to enable the linkage between performance measures, the strategic planning and budgeting processes, and line managers’ use of these tools. These frameworks provide a process for engaging people and for enhancing communication and information sharing. The frameworks may arise from either the planning or budgeting processes, or they may have their roots in these parallel processes. The term “architecture” connotes the need for a well-functioning process and the importance of all parts of the process working together. It also demonstrates that the performance measurement approaches need to be designed for the unique characteristics of the jurisdiction.

In most instances, responsibility for developing the architecture falls to a central agency that has been charged with leading the performance measurement efforts. Development of the performance measurement efforts is shared among several central agencies, namely the planning and budgeting functions, the policy and strategic planning shops and the offices of agency executives, each of which plays a different but complementary role.

Providing Support Along the Way

Each of the jurisdictions studied recognizes that the architecture must reflect the current needs and capabilities of those involved in performance measurement efforts. However, they also recognize that the architecture and processes need to be flexible and to accommodate change and improvement as managers become more adept at performance measurement. In Prince William County, for example,

the executive group has introduced refinements as managers gain greater skill and facility in using performance measures in daily decision making. Each of these introductions reflects the management’s interest in exploring new areas that would enhance the county’s capability and results.

In the Commonwealth of Virginia, the development of a framework for strategic planning and budgeting has evolved from a longstanding commitment to financial management and budget development within the state. In the early 1990s, a report by the Joint Legislative Audit and Review Commission recommended undertaking pilot projects to develop performance measures in some agencies. Shortly thereafter, the Planning and Performance section within the Department of Planning and Budget was directed to provide guidance and support to agencies using performance measures, based on a recommendation that the “executive branch conduct performance measurement and strategic planning as an integrated process.”

Acting on the Commission’s report, the Department of Planning and Budget tested performance indicators in 21 agencies. In fairly short order, the agencies noticed significant benefits such as “increased understanding of programs and their objectives, increased focus on program performance, enhanced teamwork and coordination, promotion of interdepartmental communication and collaboration between persons who do not normally work together, encouragement for the agency to obtain input from customers and clients, and better control of programs through an enhanced understanding of their accomplishments.”¹ Based partly on these test results, the Governor mandated

▶ *Jurisdictions recognize that the architecture and processes need to be flexible and to accommodate change and improvement as managers become more adept at performance measurement.*

¹ “Performance Measures Pilot Project,” Commonwealth of Virginia, Department of Planning and Budget, December 1, 1993, p. ii.

Strategic planning and budgeting are very different activities. Bringing them together requires sensitivity to their differences.

In Texas, the successful integration of strategic planning and budgeting can be attributed to a collaborative working relationship between the two lead central agencies.

the development of performance measures in all state agencies and programs.

Bringing Processes Together

Strategic planning and budgeting are, by nature, very different activities. Timelines are starkly different, the kinds of thinking and decision making used in each process are often at odds and each process is likely to be “owned” by quite different parts of the organization. Bringing these processes together requires sensitivity to their differences.

In Texas, the first efforts to introduce greater accountability and a focus on results saw the launch of two process reforms, one focused on improved strategic planning and one on performance budgeting. The emphasis on strategic planning, introduced in a 1991 House Bill, required that statewide goals be set as a basis for agency plans and that agency plans be compiled into a single statewide plan. All executive branch agencies were required to prepare five-year strategic plans.

The successful integration of the two processes can be attributed to a collaborative working relationship between the two lead central agencies—the Legislative Budget Board and the Governor’s Office of Budget and Planning. According to John Barton, Manager, Fiscal Analysis and Reporting at the Legislative Budget Board, integration was greatly helped by the fact that the state chose to pilot this approach not with a few state agencies but with all 250 agencies and institutions of higher education at the same time. To help support this transition, the state used a steering committee drawn from staff of the two key central agencies, other state agencies and outside experts from other jurisdictions. With this support, the state was able to convert all agencies to the new approach within 14 months.

The overall framework for the strategic budgeting effort has three components:

- Strategic planning—the broad direction is articulated by the Governor and set out in a statewide plan, and detailed five-year plans are developed by the agencies; agency plans are tied to the statewide plan and include performance measures.
- Performance budgeting—appropriations requests are made by agencies, including dollar amounts and projected performance, and appropriations are made by the legislature.
- Performance monitoring—agencies report on performance against targets and provide explanations; the Texas Legislative Budget Board carries out performance assessments, which include summaries of expenditures and performance; and the state auditor certifies measures for selected agencies, verifying the accuracy of reported performance.

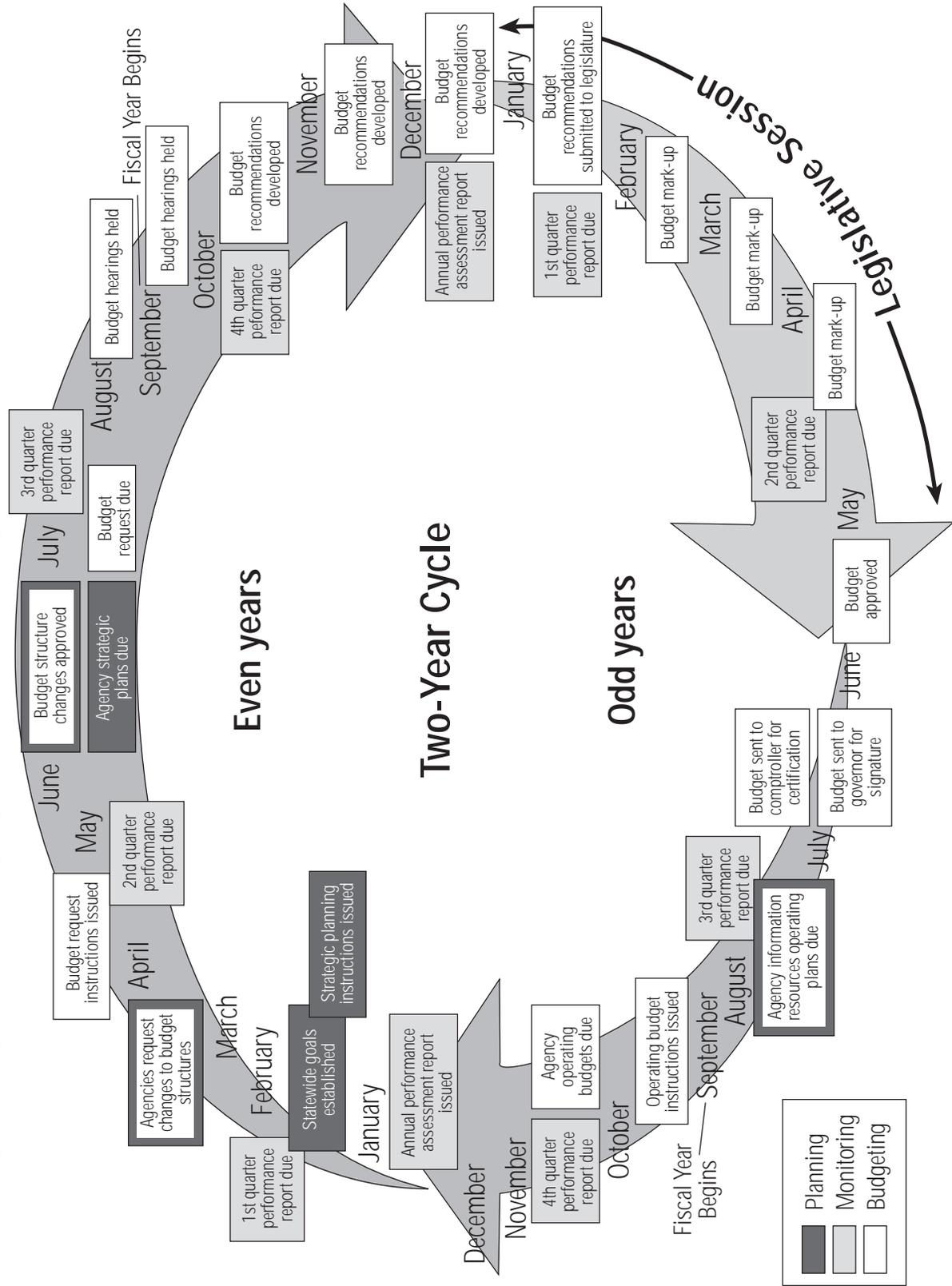
Each of these processes is key in the state’s biennial cycle, as illustrated in Exhibit 4. Placing equal emphasis on the three components throughout the two years has been key to the success of this

Performance Budgeting . . . an Approach to Integration

For a number of jurisdictions across North America, performance budgeting has become a preferred approach. Performance budgeting links results with allocations of funding. The California Legislative Analyst’s Office defines it as follows: “The allocation of resources is based on an expectation of performance levels, where performance is measured in specific, meaningful terms. It differs from the traditional approach to budgeting in that it focuses on outcomes rather than inputs or processes when deciding how to allocate resources.”¹

¹ Jim Carney and Carlo Grifone, *Performance Budgeting: A Step Towards Accountability* (KPMG, October 1996).

Integrating Strategic Planning, Performance Budgeting and Performance Monitoring



The development of templates, models and diagrams has helped considerably in reducing complexity and getting people to understand the linkages between the processes.

framework. Clear communication regarding the purpose and demands of each component has also helped to focus line managers on an integrated and balanced approach.

Helping Line Managers See the Linkage

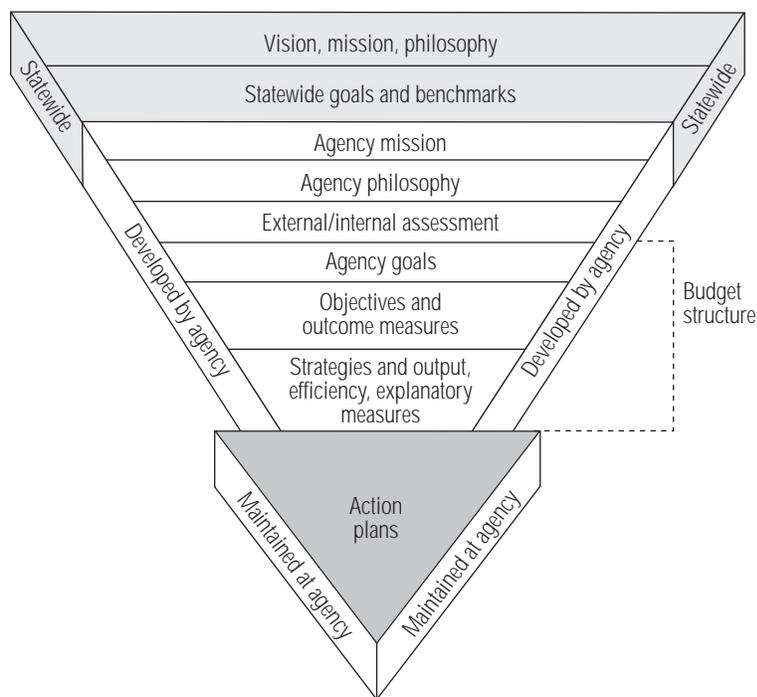
Jurisdictions have found that there is considerable value in creating standardized approaches to strategic planning and budgeting processes. The development of templates, models and diagrams has helped considerably in reducing complexity and getting people to understand the linkages between the processes. Texas, for example, has developed a strategic planning template to guide the use of performance measures in agencies

(see Exhibit 5). There are nine tiers in the template: the top two tiers are developed by the Governor’s Office of Budget and Planning and the Legislative Budget Board and consist of the vision, mission and philosophy of the state and a set of statewide goals and benchmarks. The benchmarks relate to statewide goals and may involve co-ordination among agencies with similar functions. These elements or “statements of purpose” provide a foundation for developing the mission, philosophy and goals of each state agency.

In the 1998–1999 biennium, for example, the vision is supported by eight goals and 85 benchmarks. The priority goals are in the following areas: education (public schools and higher education),

Exhibit 5

Strategic Planning Template: The Texas Framework



Source: State of Texas.

The Strategic Planning and Budgeting System in Texas is the process that links the components in the template.



health and human services, public safety and criminal justice, economic development, natural resources, general government and regulatory. These benchmarks provide numerical indicators for assessing the state's progress in meeting its goals.

The Strategic Planning and Budgeting System in Texas is the process that links the components in the template. As Exhibit 6 illustrates, the mission of each agency cascades into goals, objectives and strategies. At the higher level, goals and objectives address "what an agency does." These objectives are tied to outcome measures. As strategies are developed at the agency or operational level, they are concerned with output, efficiency and input measures. These strategies help address "how an agency does it."

The next part of the template, the agency mission and philosophy, is developed by agencies themselves and is made up of "statements of purpose." These are followed by "statements of direction," which include agency goals, objectives (defined by outcome measures) and strategies (defined by output, efficiency and explanatory measures). These statements of direction are then linked into the budget structure. There is an analysis of how current resources will be used to meet current and expected future needs, as well as an assessment of any additional resources that will be needed to meet these needs.

Exhibit 7 illustrates how the measures in the General Appropriations Act reflect those set out in an agency's strategic plan. The Legislative Budget Board and the Governor's Office of Budget and Planning select "key" measures from all of the performance measures in the strategic plan and include these in the General Appropriations Act as part of the agency's funding pattern. Exhibit 8 shows how the Act sets out goals, objectives (with

outcome measures) and strategies (with output, efficiency and explanatory measures) for one particular agency, in this case, the Texas Commission on Alcohol and Drug Abuse. The goal depicted in Exhibit 8 (services distribution) is one of three identified for the agency (the other two are quality assurance and indirect administration). The Act also details the negotiated performance targets and level of funding allocated for each component of the strategic plan.

The last part of the template consists of the agency action plans, which detail how a strategy will be implemented and include staff assignments, material resource allocation and schedules for completion. The performance measures included in the action plans are used within agencies to support operational, day-to-day management.

In many jurisdictions, the budget process used to take place in isolation from the strategic planning process. The shift to performance budgeting has meant that the line-item, input-based budget process has been replaced by one based on agency priorities and goals. This shift has also played an important role in moving the budget process away from simply being a repeat of last year's process—or one driven by special interests—to one in which resources allocated are tied to results achieved and where agency managers can monitor the progress of their agencies.

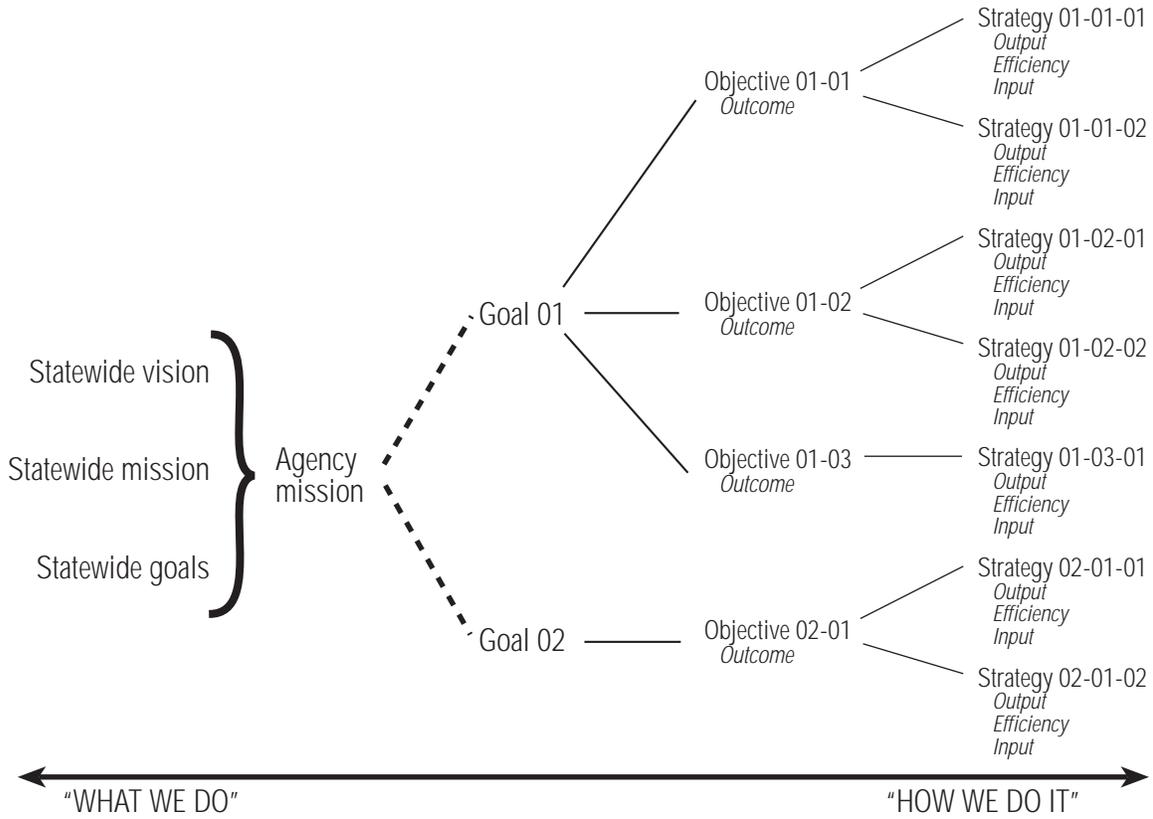
In Virginia, the performance budgeting process integrates agencies' plans, budgets and results. Within each agency, a strategic plan is developed, setting out four-year goals and objectives. Strategies are developed, and those requiring funding become the basis for budget requests. As one manager noted, "In Virginia, we have made the linkage between the budget segment and the plan clear in linking

The Legislative Budget Board and the Governor's Office of Budget and Planning select "key" measures from all of the performance measures in the strategic plan and include these in the General Appropriations Act as part of the agency's funding pattern.



Exhibit 6

Implementing the Statewide Vision Through Agencies' Plans



Source: State of Texas.

Exhibit 7

Linking Strategic Planning and Performance Budgeting

Strategic plans	Performance measures	General Appropriations Act
Mission		
Philosophy		
External/internal assessment		
Agency goals		
Objectives	<p>→ Outcome measures Quantifiable results measuring how the public benefits by the agency's meeting the objective</p>	→ Performance targets
Strategies	<p>→ Output measures Quantity of agency workload and work product as it pursues its strategies</p> <p>→ Efficiency measures Agency workload unit costs or time for completion</p> <p>→ Explanatory measures External factors relating to agency operations</p>	<p>→ Items of appropriation and performance targets</p> <p>→ Performance targets</p>

Source: State of Texas.

Linking Strategic Planning and Performance Budgeting: The General Appropriations Act

Texas Commission on Alcohol and Drug Abuse

For the Years Ending
08/31/00 08/31/01

GOAL		A. GOAL: Services Distribution			
OBJECTIVE		Provide for the delivery of substance abuse prevention, intervention and treatment services based on need throughout the state.			
Outcome measures		Outcome (Results/Impact):			
		<ul style="list-style-type: none"> Per cent of treatment providers who also provide family services Per cent of youth completing treatment programs who report they are abstinent when contacted following discharge Per cent of unemployed adults completing treatment programs who report they are employed when contacted following discharge Per cent of youth who report they are abstinent when contacted following discharge Per cent of adults entering treatment programs who report they are abstinent when contacted following discharge 		35%	40%
				87%	87%
				59%	59%
				83%	83%
				77%	77%
				\$31,430,432	\$31,430,382
				68,828	68,828
				183,259	183,259
				120.96	120.96
				134.59	134.59
				\$27,265,362	\$27,260,196
				208,482	208,443
				201,996	201,957
				\$86,195,863	\$85,346,333
				70%	70%
				60%	60%
				2,254	2,254
				4,857	4,857
				27,896	27,520
				3,510	3,510
				5,350	5,350
				\$6,500,000	\$6,500,000
				\$375,000	\$375,000
				45,863	45,863
				\$151,766,657	\$150,911,911

□ Performance targets □ Items of appropriation

Source: General Appropriations Act (2000–2001), State of Texas.

“We don’t want agencies to see performance measurement and strategic planning just as a budget process; instead, we need to recognize the dis-integration that has taken place between these three processes.”

Linking Statewide Goals to Agency Goals

Jurisdictions are emphasizing alignment in helping line managers see how their agencies’ efforts are linked to jurisdiction-wide goals. For example, in Texas, one of the eight statewide goals is education (within the public schools): “to ensure that all students in the public education system learn to read at Grade 3 level by the end of third grade, continue reading at grade level, demonstrate exemplary performance in foundation subjects and acquire the knowledge and skills needed to be responsible and independent Texans.”¹ There are 11 benchmarks associated with achieving this goal:

- percentage of students from third grade up who are able to read at or above grade level;
- percentage of students who master the foundation subjects of reading, English language arts, mathematics, social studies and science;
- high school graduation rate;
- percentage of students who demonstrate satisfactory performance on the Texas Assessment of Academic Skills (TAAS);
- state share of public education costs;
- violence rate in schools;
- percentage of students who attend schools or districts rated as “recognized” or “exemplary”;
- number of students served under local governance of choice options (charter schools, home-rule districts, intra-district transfers, etc.);
- percentage of high school graduates employed, enrolled in post-secondary education or enlisted in the military;
- percentage of higher education freshmen from Texas high schools needing remediation; and
- percentage of eligible juniors and seniors taking Advanced Placement/Baccalaureate exams.

How do the mission, strategic plan and performance measures for the Texas Education Agency reflect the statewide goals and benchmarks? The mission of the agency is to “build the capacity for excellence in the Texas public education system and to hold the system accountable for providing all students with a quality education that enables them to achieve their full potential.”

The agency links its own benchmarks to the state benchmarks. For example, with respect to the state benchmark “percentage of students who demonstrate satisfactory performance on the TAAS,” the agency uses the benchmark “percentage of students passing all tests taken.” Within the agency, there are four criteria for developing performance benchmarks: they must (1) correspond to state benchmarks, (2) be roughly equivalent to performance measures reported nationally and in other states, (3) have been part of the agency’s strategic plan for at least one biennium and (4) be listed as a key measure in the most recent General Appropriations Act.

¹ Agency Strategic Plan for the 1999–2003 Period (Texas Education Agency, June 1998).

financial resources to goals. . . . This has greatly reduced the translation from one component to another. . . . People ‘get’ it.”

Exhibit 9 illustrates the linkage between the three components. As Herb Hill, Director of Strategic Planning, Research and Evaluation within the Department of Planning and Budget, notes, “We don’t want agencies to see performance measurement and strategic planning just as a budget process; instead, we need to recognize the dis-integration that has taken place between these three processes.”

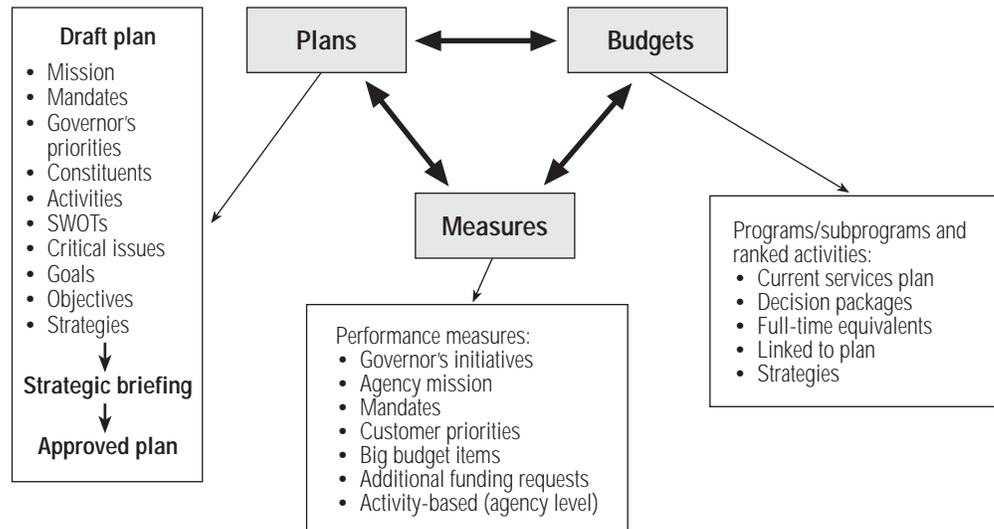
The agency strategic plan focuses on identifying the important activities

for the agency, links with the Governor’s initiatives, how and where to redistribute dollars and/or people and how to measure the success of efforts. The draft plan within each agency is presented by the agency head to the Governor, Cabinet and Chief of Staff for final approval.

The second component, the budgets, define the resources needed to support the Governor’s initiatives, the costs of programs and services, the costs of policy and operational alternatives and how dollars and staffing relate to outcomes. Budgets are developed at the program,

Exhibit 9

Performance Budgeting: Integrating the Components



Source: Commonwealth of Virginia.

Agencies that want to expand or change the scope of programs or implement new ones must submit their request with a proposed performance measure and target.

subprogram and activity levels, providing clarity about funding needs.

The third component is the performance measures. Performance measures are related to the Governor’s initiatives (as outlined in the statewide strategic plan), the agency’s mission and mandates, top priorities of customers, big budget items and priorities of the administration. These measures become the basis for requests for increased funding. Each executive agency must develop three to five performance measures that will be used to assess the agency’s success in achieving the mission and objectives. The requirement for at least one outcome measure underscores the view in the state that the best indicators of performance relate to

outcomes. Performance measures provide an indication of whether the Governor’s initiatives are succeeding, whether citizens are being satisfied and whether agencies are serving their purpose.

The budget instructions to each agency emphasize the development of goals, objectives and strategies by agencies and a focus on the link between these and performance measures. Agencies that want to expand or change the scope of programs or implement new ones must submit their request with a proposed performance measure and target. If an agency is unable to justify its request with a clear demonstration of what additional funds would produce, the request is not approved.

4 DEVELOPING AND COMMUNICATING INFORMATION: BUILDING SUPPORT SYSTEMS

Governments need to develop information systems that ensure that data can be collected, analysed, shared and used effectively and that this information can be communicated to all stakeholders.

Organizations must recognize the additional burden of collecting and auditing information for decision making and provide sufficient infrastructure and resources.

Notes from the Field . . .

In the City of Calgary, citizen satisfaction surveys have been a hallmark of the city's efforts for nearly a decade. However, in recent years there has been a much stronger emphasis on using the survey data in planning and to set budget priorities. Information and feedback are gathered on quality, efficiency, costs and budget priorities.

The city carries out regular surveys on the quality of services such as roads. Between 1991 and 1998, citizens' ratings of street pavement quality fell from an average of 8.1 (on a scale of 10) to 6.9. Because of this finding, the most recent municipal budget contained an additional \$1 million to improve this service, a 20 per cent increase. City managers noted that this increase would have been unlikely without the critical supporting data.

The single most important reason for developing performance information systems is to enable decision makers to make informed judgements about the extent to which outputs are helping achieve the government's outcomes. As governments gain proficiency in the use of performance measurement, they need to develop information systems that ensure that data can be collected, analysed, shared and used effectively and that this information can be communicated to all stakeholders. It is equally important that decision makers have a level of comfort and facility with using and interpreting performance information.

Jurisdictions are exploring new ways of communicating information to all stakeholders, recognizing that ease of use, clarity and simple language are important in helping decision makers respond to requests, make comparisons and decisions and feel confident about the accuracy and relevance of the information being presented.

Shaping Supportive Information Systems

In developing information systems to support the use of performance

measurement, jurisdictions must bridge the divide between information that is already being collected and used and information that is needed to aid decision making. In most organizations, performance measures and data collection have already been in place for some time, and line managers must already contend with a huge volume of information. Thus, organizations must recognize the additional burden of collecting and auditing information for decision making and provide sufficient infrastructure and resources.

While it is most often a central agency that has overall responsibility for the information system, the users are predominantly managers with agencies and departments. The design of the system must take into account the needs of all of its users: those who provide input, those who analyse the information and those who gain from the reports produced. Gaining a clear understanding of their needs is vital. At the same time, the system must be flexible enough to accommodate changes in user proficiency and technology. As well, those designing the system must understand the value of common definitions and be clear about how data are used and interpreted.

The Virginia Department of Planning and Budget has developed a database to organize performance information and track progress toward targets. Rather than buy an off-the-shelf system, the Department designed the system in-house, consulting key customers including Cabinet officials, agency heads and the Governor's policy office. The system provides valuable historical information—such as insights regarding past funding and performance—and several levels of detail for different uses. The Department has opted for central data

▶ *“Virginia has made a deliberate decision to work with a manageable set of measures. . . . We have found that our approach helps agencies to prioritize more easily and makes the tracking of measures simpler.”*

▶ *Government decision makers stress that no organization has the luxury of collecting data just for the sake of it; instead, the definition and balance of measures should give as comprehensive a picture as possible.*

entry and is training budget analysts to use the system.¹

In the State of Texas, the volume of measures being used in the state system (approximately 8,000 measures across 250 agencies in the 1998–1999 biennium) and the size of the government argued strongly for an automated system. The state has developed the Automated Budgeting and Evaluation System for Texas (ABEST), maintained by the Legislative Budget Board, into which agencies report performance data on a quarterly and annual basis. The system is used by the Legislative Budget Board to prepare the biennial budget and to track the budgetary decisions made at each stage as part of the appropriations cycle.

Managing the Volume of Measures

In most organizations, managers already have access to most of the information they need to construct a performance measurement system. A major challenge is developing a system robust enough to manage all that information.

Moreover, managers usually stress that organizations should measure only what they want to manage.² In Virginia, the decision to limit the absolute number of measures has been a strength for the Commonwealth; as Herb Hill of the Department of Planning and Budget notes, “In contrast to some jurisdictions that are using an extensive set of measures, Virginia has made a deliberate decision to work with a manageable set of measures. . . . We have found that our approach helps agencies to prioritize more easily and makes the tracking of measures simpler.”

The most effective information systems help users sort out the different kinds of

measures, indicate their relevance to specific decisions and clarify how they can be used and interpreted. Government decision makers stress that no organization has the luxury of collecting data just for the sake of it; instead, the definition and balance of measures should give as comprehensive a picture as possible.

Communicating the Information

Jurisdictions stress that the information must allow for effective communication to internal and external stakeholders. Developing tools and approaches to aid line managers in preparing and interpreting information is an important means of enhancing communication and understanding within agencies.

Government home pages have been a boon to effective communication, allowing for regular updating, interaction with citizens and sharing among jurisdictions around the world.

The Virginia Department of Planning and Budget has created a set of tools and approaches for line managers, providing them with base and target information for key measures, in formats that they can readily use. The Department has also recently developed an Internet Results Management System that allows access to statewide leadership and performance data in a user-friendly format; data entry and management are done through a Web-enabled technology. The system draws together planning and performance data from agencies, financial data from agencies and priorities data from the state’s overall plan. It also provides up-to-date information on the Governor’s key initiatives, the Governor’s strategic plan, state quality of life indicators and

¹ Herb Hill, Jr., and K. Michael Shook, “Virginia’s Results Manager,” *The New Public Innovator* (Fall 1998), pp. 30–33.

² The Conference Board, Inc., *Case Studies in Strategic Performance Measurement*, Report 1176-97-CR (New York: The Conference Board, Inc., 1997), pp. 11–12.

Activity-Based Costing: A Tool for Better Decision Making

One of the biggest challenges that managers face in using data is ensuring that they have relevant, robust and accurate data and that they can use this information to make better decisions—whether choosing a particular policy option, determining what level of services to provide or deciding where resources can most effectively be allocated.

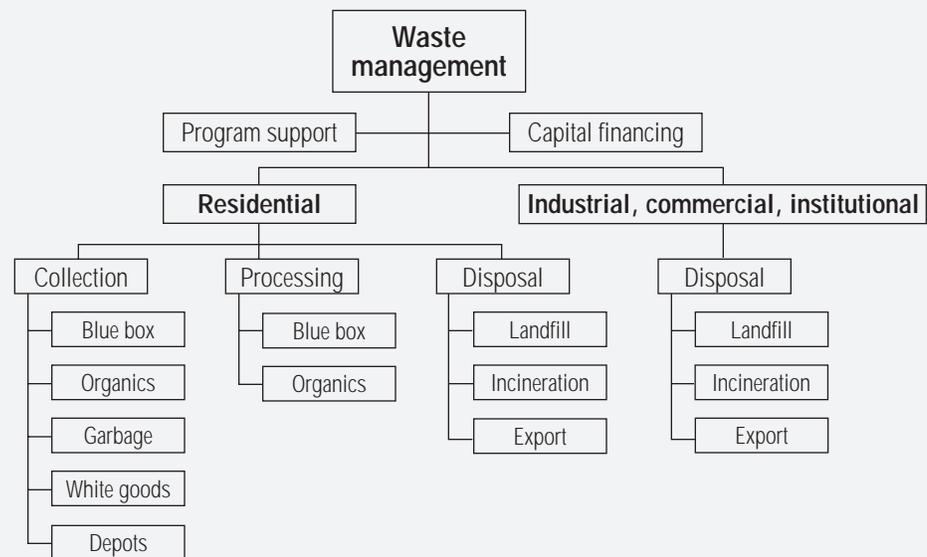
To address this challenge, several jurisdictions included in the study have turned to activity-based costing (ABC). This management tool breaks down the costs of an activity, including physical inputs, labour and overhead costs. It enables organizations to determine what it costs to deliver a program or service, make comparisons with other jurisdictions and over time, and better gauge efficiency. In Texas, for example, breaking down the costs of services and developing a greater understanding of marginal costs has enhanced decision making about the costs of providing service and the marginal costs of meeting the needs of all possible service recipients.

Managers using ABC are able to see where they might be able to make better choices and whether they are getting the best value for money. As well, they are able to determine not only where money might be saved, but also why the costs of a particular service or activity are going up. One of the most compelling benefits of ABC is that it focuses attention on the full cost of the activity rather than line items. This can help facilitate integration across the organization, as managers recognize their shared involvement in undertaking activities.

In the Regional Municipality of Peel, ABC is a key part of the approach to performance measurement and informs the program planning, costing, budgeting, reporting and evaluation processes. Because of the importance of regional comparisons in the municipal context, the introduction of ABC has been a valuable asset. According to Dan Labrecque, Director of Finance in the region, as understanding of the costs of service provision increases, there is more support for shifting away from a traditional management structure (in which divisions bear no direct relationship to programs) to one in which programs and program activities become the building blocks for the region's service efforts. The program “map” for waste management, shown below, provides one illustration of this shift.

Developing common business maps across the organization is an important means of driving accountability within the organization and creating a common language. As Labrecque notes, the region wants to have information systems in place to ensure that there are indicators down to the operating level and that line managers can clearly see how their own efforts link with those of other parts of the organization to produce particular results.

Using Program Maps in Peel



Source: Regional Municipality of Peel.

Focusing politicians on results and highlighting the areas for decision making helps them make more effective use of their time.

agency results, as well as resources such as interactive performance management training and the Commonwealth Performance Management Award.

Providing information about agency or government-wide goals and results in formats that are easy to use and access is an important way of getting the message out to a wider audience. It also helps ensure that recipients can make practical use of the information and respond to it if necessary. In Alberta, steps have been taken to make it easier for the public and legislators to understand and access the government's business plan: citizens may now consult *Planning the Alberta Advantage*, a pocket-sized booklet that summarizes the 2000–2003 business plan and provides an alternative to the full business plan, which is several inches thick. As Rich Goodkey, Team Leader of the Performance Measurement Team

in the Treasury, notes, this initiative responds to the government's desire to communicate its agenda to citizens.

Similarly, the Regional Municipality of Peel is shifting to providing Council members with highlights and key points regarding performance, rather than inundating them with lengthy reports. Focusing politicians on results and highlighting the areas for decision making helps them make more effective use of their time.

Publishing agency or departmental results in an annual-report-type format or colour brochure can help ensure that key groups will review the material. It can also serve to communicate complex and sometimes rather dull numerical data in an interesting and more memorable way. Moreover, communicating progress on specific initiatives can be an important means of connecting with stakeholders and direct clients.

5 BUILDING THE RIGHT CAPABILITIES: HELPING MANAGERS ACT EFFECTIVELY

▶ *Experienced external practitioners help increase the credibility of new performance measurement systems, particularly among those who are actually using them.*

As jurisdictions implement a results-based management approach, there is a need for training and support at all levels. This training and support must address the technical aspects of performance measurement and strategic planning as well as the softer aspects—accommodating the cultural change issues. Cultural change issues can present at least as many challenges as technical issues: people must struggle with new ways of looking at the objectives of programs and services, as well as with a changed emphasis in their responsibilities and accountabilities.

In the jurisdictions studied, training and support have focused on (1) drawing on outside experts and resources and identifying best practices within and without and (2) providing corporate training and executive development resources.

Drawing on Outside Resources

Experienced external practitioners help increase the credibility of new performance measurement systems, particularly among those who are actually using them. The experience of several jurisdictions, though, is that this outside expertise must be used judiciously. In the early stages, it may be that a motivational resource is needed to persuade people of the value of performance measurement. Later on, an experienced hand can share specific lessons learned and help people to see that obstacles can quite easily be overcome.

When it first introduced performance measurement across its departments, the City of Calgary used an outside expert to provide perspective and explain the tangible benefits of integrating performance measurement into the city's managerial systems. This individual was brought back to provide more intensive training one year into the implementation, with positive results. As well, to build support for performance measurement and reporting

at the political level, the city invited a council member from Portland, Oregon, to share experiences with and underscore the benefits of performance measurement for political leaders in Calgary.

Within the “community” of jurisdictions that have implemented performance measurement across North America and around the world, there has been active sharing of methodologies, processes, successes and learning. Particularly in the government sector, there has been a great willingness to exchange leading practices, lessons learned and failures encountered. Sharing through conferences, face-to-face consultations and benchmarking of best practices has helped to advance the progress of several jurisdictions included in the study. The Internet has also been a key contributor to this sharing. Major conferences such as the Austin, Texas, Managing for Results conferences (the third one took place in April 2000) have provided an important focal point for communicating the value of performance measurement.

Helping other jurisdictions get a “leg up” is not seen as giving away competitive secrets; instead, there is a widely held view that the more widespread good practices in performance measurement are, the better for all concerned. Thus, the Commonwealth of Virginia and Prince William County have found common ground in moving forward their initiatives, as have Calgary and the Province of Alberta. When these different levels of government need to work co-operatively on shared outcomes, the process proceeds far more quickly.

Within jurisdictions, the commitment and leadership of certain individuals is often held up as an example to others. In some cases, these individuals may be moved around the system, particularly to help agencies implement performance measurement more effectively.

▶ *Helping other jurisdictions get a “leg up” is not seen as giving away competitive secrets; instead, there is a widely held view that the more widespread good practices in performance measurement are, the better for all concerned.*

Several jurisdictions provide executive development courses to help senior and middle management lead performance measurement initiatives.



Providing Corporate Training and Executive Development

Several jurisdictions provide executive development courses to help senior and middle management lead performance measurement initiatives. These courses provide an opportunity for officials at all levels to gain practical understanding of performance measurement, to link these efforts to other management initiatives and to tap into a community. Often, these networks will extend beyond their own organizations and the jurisdiction itself, drawing on a network of academics, practitioners and observers from other areas.

In the State of Texas, the Governor's Center on Management Development offers training services for senior and middle managers, focusing on management issues including strategic planning, human resources and operational planning. It has also established training for legislators and agency heads to help them understand the importance of performance measurement and strategic budgeting and to build their commitment.

Similarly, in the Commonwealth of Virginia, the Virginia Executive Leadership Institute provides development for senior executives within agencies. The Department of Planning and Budget has strong connections with the Institute. In addition, the Commonwealth Management Institute

provides certification for managers in key managerial competencies.

In several jurisdictions, various kinds of resource materials, handbooks and templates have been developed and are easily accessible on the government's home page. In Virginia, a *Handbook of Planning and Performance* has been developed for state agencies and institutions. Areas covered include background on and descriptions of strategic planning, as well as pointers and reference material on getting started, defining and selecting measures, collecting data and using performance measurement as a management tool. There is also background information on decision-making tools. Likewise, the State of Texas has developed extensive resources designed to educate line managers on the "art and science" of performance measurement and provides regular updates on each agency's progress.

In the Province of Alberta, Rich Goodkey, leader of the Performance Measurement Team within the Treasury, provides a resource to all government departments on leading practices throughout the world. In addition to sharing his own jurisdiction's progress with decision makers in other governments, he plays a vital role in introducing innovative practices and methodologies across his own government's departments.

In Virginia, a *Handbook of Planning and Performance* has been developed for state agencies and institutions.



6 CAPITALIZING ON CAPACITY: USING PERFORMANCE INFORMATION IN DECISION MAKING

► *The breakthroughs in getting people to use performance information most effectively have come from helping them to see the larger picture, that is, the linkages between the inputs and activities and final outcomes.*

Shifting the focus to results requires managers to think differently about the activities that they are undertaking, the results that they are trying to achieve and how they can best ensure that these results are achieved.

In the jurisdictions studied, significant effort was devoted to helping line managers understand the different kinds of measures, gain proficiency in developing measures, use this information to make decisions and report progress and results to various stakeholders. The breakthroughs in getting people to use performance information most effectively have come from helping them to see the larger picture, that is, the linkages between the inputs and activities and final outcomes. Moreover, in those jurisdictions where line managers understand that multiple players and agencies influence the achievement of an outcome, much progress has been made in developing a well-rounded set of measures.

Understanding Measures and How They Fit Together

As agencies gain greater proficiency in identifying and using performance measures, managers shift their focus from input or activity measures to a balanced set of measures, including input, output and outcome measures. One of the biggest challenges for line managers is understanding the different kinds of measures, what they mean and how they relate to each other.

A particular challenge for line managers is how to identify measures for program

and policy areas that are outside the agency's immediate control or are less transactional, more customized or differentiate between immediate outcomes and longer-term outcomes.¹

Gaining a true picture of what activities or events have the most significant impact on a particular measure is no easy feat. However, practitioners in many of the jurisdictions studied were fully aware of these challenges and ardently supported the need to push the frontiers of experience, to learn from thoughtful effort and to see performance measures, even in the more policy-related areas, as a challenge and not a hurdle. Kirk Jonas, Deputy Director of Virginia's Joint Legislative Audit and Review Commission, acknowledges that "performance measurement is as often an art as a science. The analogy of sports can be instructive. Some sports are amenable to precise performance measurement. Many track and field events fall into this category. A sub-10-second 100-metre dash is significant. As sports become more complex, however, measurement becomes more subjective—figure skating, diving and similar sports all present problematic scoring systems and biases."²

Accordingly, in several jurisdictions, agency managers are encouraged to push their thinking regarding outcome measures, even if these measures are initial outcomes or "proxy" outcomes.

Helping managers to explore the linkages between types of measures also encourages them to identify and refine outcome measures that reflect citizens' needs.

► *In several jurisdictions, agency managers are encouraged to push their thinking regarding outcome measures, even if these measures are initial outcomes or proxy outcomes.*

1 Several authors have pointed out that the programs or services that governments provide range from the largely transactional or standardized (e.g., providing permits, licences, tax returns) to the more customized and less standardized (e.g., health care, educational services) to the even less tangible and relatively unpredictable (e.g., policy advice, regulatory efforts). See, for example, Christopher Pollitt, *Integrating Financial Management*

and Performance Management (Paris: Public Management Committee of the OECD, 1999).

2 Richard Kirk Jonas, "The Development of Performance Measures for Virginia Financial Management and Oversight," *University of Virginia Newsletter*, vol. 72, no. 2 (Feb./March 1996), p. 7.

The logic model helps managers identify the different levels of outcomes, that is, initial, intermediate and longer term, and the linkages between them.

One of the most useful methodologies is the logic model or value chain, which links different levels of measures. This model, shown in Exhibit 10, helps managers to understand how changes occur through mapping the causal relationships between actions and results at each point in the model. Organizations make use of this model in developing strategies and plans to bring about change, to help identify what kind of performance information may be needed, and as a means of monitoring performance.

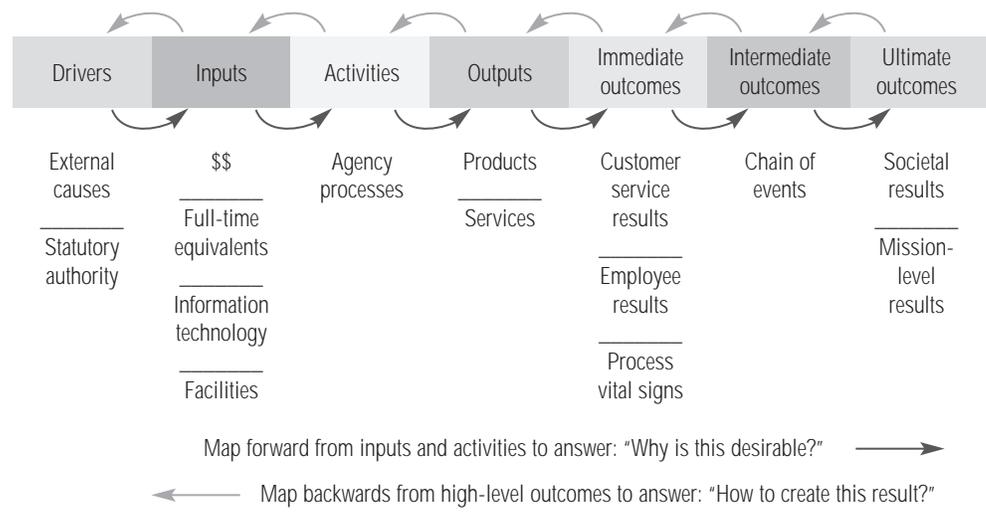
In the State of Washington, arraying the various parts of the value chain reinforces how each component is linked to the next—both in moving toward outcomes and in connecting back to the drivers and resources that are in place. In helping agency managers understand

how to think about this model, Linda Steinmann, who leads performance measurement and strategic planning in the State of Washington’s Office of Financial Management, points out that the question to be asked in understanding each of the left-to-right linkages is “why is this desirable?”, whereas the question to be asked in understanding the achievement of outcomes is “how do we create this result?”

The logic model has proven useful in understanding the different levels of benefits that result for service recipients.³ It helps managers identify the different levels of outcomes, that is, initial, intermediate and longer term, and the linkages between them. Information about these different levels of outcomes is valuable in getting line managers to work with

Exhibit 10

The Value Chain: Understanding the Linkages



Source: State of Washington.

³ The program logic model has been pioneered by the United Way to help its agencies identify and measure program outcomes. See Harry Hatry, Thérèse van Houten, Margaret C. Platz and Martha

Taylor Greenway, *Measuring Program Outcomes: A Practical Approach* (Alexandria, Va.: United Way of America, 1996).

Governments realize that only in very rare instances can outcomes of significance to service recipients be achieved solely by one department or agency.



measures that are further and further outside their control, but that are nonetheless influenced by their efforts.

A Focus on Outcomes: Integrating Effort

Developing the right measures is half the battle—the other half is helping managers to make effective decisions based on these measures. Managers need to see that their actions and decisions can influence the achievement of measures and targets while understanding that there are multiple players influencing the achievement of a given outcome.

As governments implement performance measurement frameworks, they realize that only in very rare instances can outcomes of significance to service recipients be achieved solely by one department or agency. Moreover, governments are acutely aware that they must work with other players and sectors to define and achieve the necessary level of results.

Each of the jurisdictions studied recognizes that individual departmental or agency efforts need to contribute to larger public policy objectives but that identifying the specific contribution of a department or agency may be a challenge. They also understand that their task will be easier if measures and outcomes are developed in a holistic and integrated way.

In the Province of Alberta, the government's specific goals have been explicitly tied to initiatives taking place within the ministries across the government. The government's actions focus on three core businesses: people, prosperity and preservation. The government-wide business plan specifies 19 goals relating to these core businesses. Strategies are identified to ensure that the goals are accomplished. The strategies themselves are linked to the mission and strategies of the individual ministries; this helps to ensure alignment between what the government says it

will try to accomplish and the priorities and resources that are attached to accomplishing these strategies.

The horizontal linkages are made explicit through the identification of those ministries that play a role in accomplishing the government-wide plan. The plan has resulted in the development of 26 core performance measures, which provide guidance for the development of measures within ministries. Exhibit 11 provides a partial example of the goals, measures and targets of the 2000–2003 government-wide business plan. Each ministry reflects the relevant goals in the development of its own ministry business plans.

The government-wide business plan is also explicitly linked to specific goals that have been identified for the cross-government initiatives. For example, one of the goals of the government's plan is "Children will be well cared for, safe, successful at learning and healthy." This goal is tied specifically to the cross-government Alberta Children's Service Initiative, which shares the same goals. Ministry champions include Children's Services, Health and Wellness, and Learning, each ministry having strategies and targets that will help the province move toward the shared goals.

In the State of Texas, agencies that have common goals, are working with the same clients or have responsibility for cross-cutting efforts such as education recognize the value of working together. Thus, there are a number of areas where agencies are developing "intra-plan" benchmarks to improve analysis of the effectiveness of different programs. For example, as Dan Arrigona, Director of Strategic Planning for the Texas Education Agency, notes, adult education is handled through a number of service providers including adult education programs, community-based programs and prison programs:

In the Province of Alberta, the government's specific goals have been explicitly tied to initiatives taking place within the ministries across the government.



Exhibit 11

2000–2003 Government-wide Business Plan (Partial)

Goals	Measures	Targets
1. Albertans will be healthy	<ul style="list-style-type: none"> • Life expectancy at birth • Health status 	<ul style="list-style-type: none"> • Maintain or improve current life expectancy at birth and be among the top 10 countries in the world • 70 per cent of Albertans aged 18–64 rate their health as very good or excellent, and 75 per cent of Albertans aged 65 and over rate their health as good or better
2. Our children will be well cared for, safe, successful at learning and healthy	<ul style="list-style-type: none"> • Economic status of children 	<ul style="list-style-type: none"> • To be developed using the Market Basket Measure to report on the economic status of children
3. Alberta students will excel	<ul style="list-style-type: none"> • Educational attainment 	<ul style="list-style-type: none"> • Maintain or improve Alberta's ranking, with 90 per cent of Albertans aged 25–34 having completed high school and 60 per cent having completed post-secondary education by the year 2003
4. Albertans will be independent	<ul style="list-style-type: none"> • Literacy and numeracy levels • Family income distribution 	<ul style="list-style-type: none"> • 85 per cent of Grade 9s meet the acceptable standards in math and language arts • Reduce the percentage of families with income under \$20,000 to 5 per cent by 2007
5. Albertans unable to provide for their basic needs will receive help	<ul style="list-style-type: none"> • Economic status of Albertans 	<ul style="list-style-type: none"> • To be developed using the Market Basket Measure to report on the economic status of Albertans

Source: Government of Alberta.

“There is considerable value in having common terminology and expectations . . . you can compare across agencies.”

“We can set the same performance target for each program, then analyse variances in achievement across the programs.”

In another program area, the agencies that focus on health and human services are clustered together under the umbrella of the Health and Human Services Commission. Each of the 13 agencies develops its own budget and plan, then an overall budget and plan is developed collectively. Agencies work together to identify broad issues and areas for funding. Gail Brooks, Director of Strategic Planning at the Department of Human Services, notes that “there is considerable value in having common terminology and expectations . . . you can compare across agencies.”

Helping Line Managers Make Decisions

A priority area in performance measurement is helping people use information to make good decisions. It is also important that line managers understand what constitutes “good” performance versus “poor” performance and what actions or influences have contributed to good or poor performance.

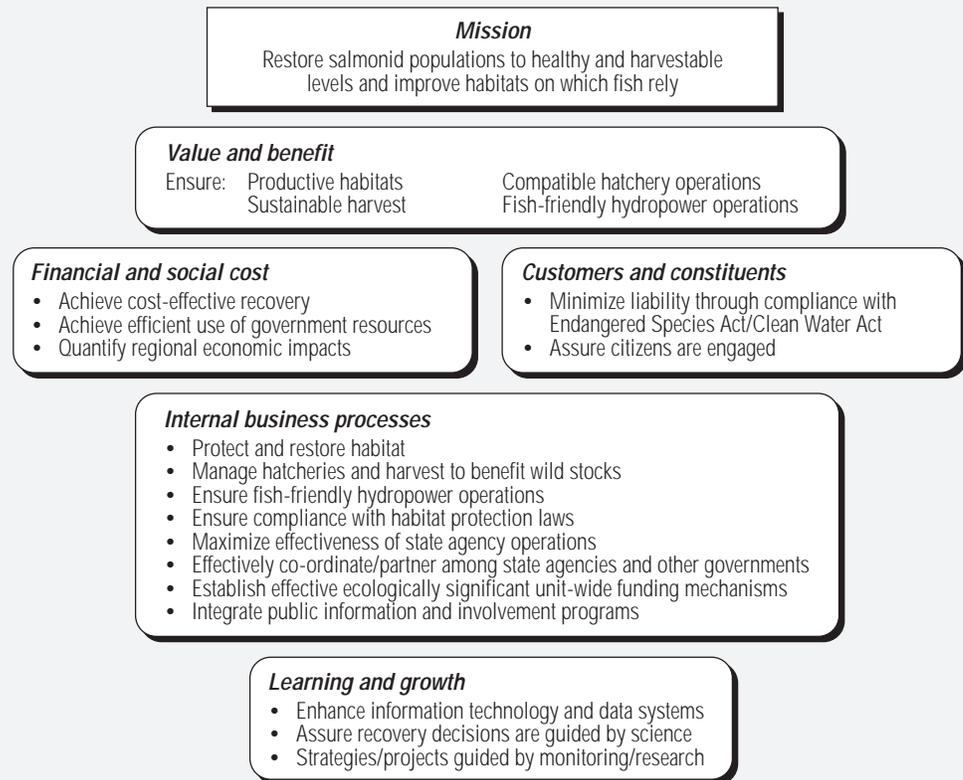
In the jurisdictions studied, considerable efforts are being directed toward developing and refining measures to be used at the “corporate” level for making funding decisions, allocating resources and incorporating in the regular reporting to stakeholders. At the same time, managers are focusing on developing and enhancing measures used to manage

Notes from the Field . . .

In rolling out the Balanced Scorecard to agencies in the State of Washington, the Governor noted that 1999–2000 performance agreements would include the following as different components of the scorecard: financial and social cost, value and benefit, customers and constituents, internal processes and learning results, all linked to the mission of the agency. Each component of the scorecard addresses elements of the strategic plan and performance measures.

The state has used the Balanced Scorecard within agencies as well as for cross-cutting issues that are key to achieving the government's overall goals. For example, a Balanced Scorecard has been used to address the cross-cutting goal of preserving the salmon population in the state. As Joe Dear, Chief of Staff, notes, the Balanced Scorecard provides direction for "an intergovernmental group toward concrete action . . . and has helped the agencies get out of their stovepipes." Bringing various agencies together to identify key measures has been instrumental in achieving consensus and developing clarity about how to accomplish this state-level goal.

Salmon Recovery Scorecard: An Application of the Balanced Scorecard



Source: State of Washington.

their own operations and to respond to their customers and stakeholders. Agency managers emphasized that there was a need for some accommodation between the measures already in place and those viewed as necessary

for inclusion in a government-wide document or system.

For example, in Texas, performance measures are developed as part of each agency's strategic planning process. Officials from the Legislative Budget

In Texas, the performance measures are developed as part of each agency's strategic planning process. Officials from the Legislative Budget Board and the Governor's Office of Budget and Planning negotiate with agencies the final set of measures.

There is a growing understanding by central agencies of the business of particular agencies and a growing facility with measures on the part of agency managers.

Notes from the Field . . .

In the Texas Department of Insurance, performance information has provided useful validation for activities that improve customer service: for four years, the agency has operated with a travel cap, with current-year spending restricted to the amount spent in the last biennium. The assistant commissioners are asked to demonstrate how their travel dollars are tied to key performance measures.

For example, the Assistant Commissioner of Consumer Protection, Audrey Seldon, has successfully used performance information to explicitly tie travel allocations to consumer complaint resolution results. She emphasizes that performance measurement is the right thing to do because "we are managing the public's money," providing weight to the agency's emphasis on using and tracking performance measures on a regular basis.

Board and the Governor's Office of Budget and Planning negotiate with agencies the final set of measures. These performance measures then become the basis for appropriations. In this way, performance measures are used at the strategic level to hold agencies accountable for progress toward policy goals. As John Barton, Manager, Fiscal Analysis and Reporting at the Legislative Budget Board, points out, the overall process—that is, the integrated strategic planning and budgeting framework and the ongoing dialogue between the agencies and the central agencies—is critical in helping to define "what are we trying to accomplish with this money?"

As the State of Texas has gained greater facility with its strategic budgeting process, it is identifying new areas in which line managers need competence. At the same time, line managers within agencies and departments are seeking flexibility in the approach being led by the central agencies. From the perspective of line managers, the "negotiating" process in developing and agreeing on measures takes time and patience. In working with the Legislative Budget

Board, one agency manager noted that early on the discussions were protracted and submissions regarding a particular measure had a good chance of being turned down. However, over time, the value added of these discussions has improved significantly. This reflects a growing understanding by central agencies of the business of particular agencies and a growing facility with measures on the part of agency managers.

There is a recognition that the use of performance measurement is a learning experience, with opportunities to change the things that do not work or to adopt and expand the things that do work. For

Responding to Agencies' Needs

In early 1998, the Texas State Auditor's Office conducted a survey of agencies' views and use of the state's performance-based budgeting systems. A majority of agencies responded to the survey, yielding valuable insights for improvements and new areas for consideration. Survey questions probed the usefulness of mission, goal and strategy statements; the usefulness of the General Appropriations Act's goals and strategies for the agency; the utility of the agency's strategic plan; and the usefulness of performance measures for decision making.

Many of the questions explored the usefulness of performance-based budgeting for line managers, and most yielded a slim majority of positive responses. For example, when line managers were asked whether measures from the General Appropriations Act were used to manage their agency's performance, 47 per cent responded "always or almost always," while an additional 36 per cent said "sometimes" and 10 per cent said "never." When asked about areas for improvement, respondents emphasized the following:

- allow flexibility to adapt to internal/external changes affecting the system (including adjusting targets, measures, strategies, seasonal reporting);
- increase input from agencies in the development and selection of measures and targets;
- improve the reporting system for performance measures; and
- recognize the uniqueness of different agencies/customize measures.

In the Texas Education Agency, the development of measures has been invaluable in helping to focus on key policy areas and articulate education program goals.

example, in the Texas Education Agency, the development of measures has been invaluable in helping to focus on key policy areas and articulate education program goals. This focus improves accountability, both within the agency and among agency constituents. It also improves communication about goals and processes, according to Dan Arrigona, Director of Strategic Planning for the agency.

In the City of Calgary, performance is measured at three levels: community, corporate and program. As Archie Chumak, a corporate consultant with the city, points out, this comprehensive approach addresses all levels of decision making, from the elected officials and senior executives to program managers and front-line staff.

The city's corporate business plan sets out six themes or directions around which performance measures are developed:

- ensuring the highest degree of public safety through police, fire, safety, emergency medical and related services;
- providing an optimal level of mobility, accessible recreational facilities and state-of-the-art water and sewer systems;
- achieving community commitment to individual integrity and social cohesion;
- preserving and enhancing Calgary's natural environment;
- making Calgary the most attractive place to do business; and
- ensuring the city's services and facilities provide excellent value for money.

The first five themes relate to community measures, and the last to corporate measures. Leaders within the city recognize that they can influence but not control most of these measures. At the same time, they need to promote accountability. Accountability begins as managers identify the community and corporate measures to which their programs contribute. Corporate staff work closely with

department heads across the city to develop consensus about how they can contribute to these goals and ensure that they are accomplished.

One of the key service delivery departments for the citizens of Calgary is the Police Service. The goals of the Police Service are explicitly linked to the city's community outcomes, as developed in the business plan. In the case of the public safety theme, the city's measures include reported crimes (person and property) per capita, percentage of crime committed by youth, percentage of Calgarians who report being victims of crime in a 12-month period, traffic collisions per 100,000 population, and percentage of emergency medical responses (for life-threatening emergencies) achieved in under eight minutes.

In 1999, as well as contributing to the corporate business plan, the police prepared a set of community safety measures and outcomes that would have the greatest impact on the community. This work was designed to help Council determine how funding their police service would make a difference in "ensuring the highest degree of public safety" in Calgary through affordable police services.

To help in formulating the appropriate measures and targets, the Calgary Police Service consults extensively with other agencies, departments, committees and advocacy groups, both formally and informally. The results of these consultations are combined with input from Calgary residents, community partners and customers and with research results (including benchmarking with other major cities across North America).

The process identified 11 targets that relate to the achievement of the city's public safety outcome, all of which are directly impacted by funding decisions.

To help in formulating the appropriate measures and targets, the Calgary Police Service consults extensively with other agencies, departments, committees and advocacy groups.

Line managers are aware of the evaluative role of auditors but also see considerable value in their pinpointing of performance issues and potential problem areas.

Exhibit 12 focuses on one of these targets: to “reduce and solve house break and enter incidents.” (The other targets include maintaining front-line community policing, providing domestic conflict intervention, reducing street prostitution and related crime and disorder, strengthening investigative capacity, stemming the flow of drugs, improving standards of telephone response, providing victim and witness assistance, ensuring timely resolution of citizen complaints, maintaining training standards and offering more learning opportunities, and improving police operations through research and development.) For each target, outcomes are identified, then measures and targets related to achieving these outcomes are set.

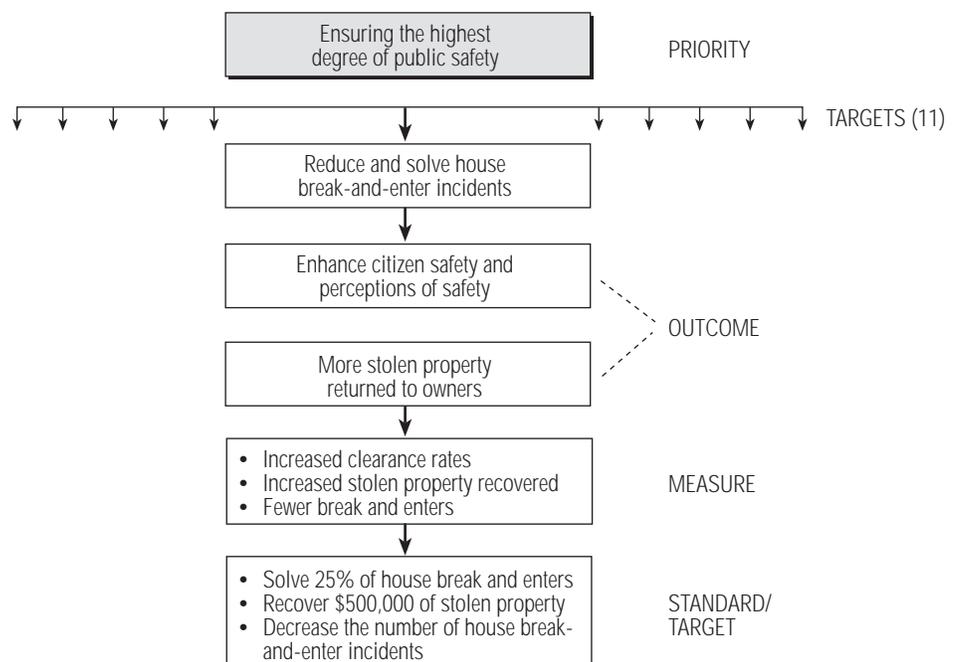
The Auditors’ Perspective

Auditors play a critical role in ensuring effective management of and accountability for public funds. Increasingly, auditors have shifted their focus from verification of financial reporting and agency compliance to include monitoring of performance measurement systems. Line managers are aware of the evaluative role of auditors but also see considerable value in their pinpointing of performance issues and potential problem areas.

In some jurisdictions, there is a legislative counterpart to the auditor, which acts as an oversight agency. It generally has responsibility for review and evaluation of operations and the performance

Exhibit 12

Linking Community Outcomes with Resources



Source: Calgary Police Service.

In Alberta, the Auditor-General's office provides support and advice in developing and using performance measures within agencies.



of agencies, programs and functions.⁴ In Alberta, for example, the Auditor-General's office provides support and advice in developing and using performance measures within agencies. As Ken Hoffman, Assistant Auditor-General, notes, one of the roles of his agency is to help ensure consistency across ministries and capability in managers' use of performance measurement. In his words, "We need to move from development to production and to ensure that we bring the capabilities up to the same level across ministries."

The legislative auditors provide an important link between the political leadership and the agency management. In the State of Washington, the Joint Legislative Audit and Review Committee (JLARC) conducts program evaluation, performance audits, sunset reviews and special studies on the legislature's behalf. The four-member executive committee of the state's JLARC includes one member from each caucus. This approach provides important balance and objectivity for the activities of the Committee. As Tom Sykes, Legislative Auditor of JLARC, points out,

the staff of this Committee work closely with the policy and fiscal committee staffs of the legislature; they see their role as helping legislators and state agencies to focus on results and getting people to look at the most effective and efficient ways of delivering programs and services to citizens.

In the Commonwealth of Virginia, the Department of Planning and Budget works closely with Virginia's Joint Legislative Audit and Review Commission (JLARC) to review the performance measures submitted by agencies. Kirk Jonas, Deputy Director of Staff at the JLARC, notes that four or five years ago "there were many performance measures that we disagreed with, but in recent years there has been major improvement in the quality of measures submitted." As agencies reach a higher level of skill in the development of measures, Jonas sees one of the next challenges as being to encourage agencies to develop a larger number of more meaningful measures and to sustain these over the years. This would enhance the state's access to longitudinal performance data.

As agencies reach a higher level of skill in the development of measures, one of the next challenges is to encourage agencies to develop a larger number of more meaningful measures.



⁴ Maria Pilar Aristigueta, *Managing for Results in State Government* (Westport, Conn.: Quorum Books, 1999), p. 139.

7 REPORTING RESULTS

▶ *As a foundation for effective reporting, jurisdictions are trying to improve performance measures by gaining input from stakeholders.*

▶ *Citizens are a starting point for developing the vision and strategies for the county and must always be uppermost when implementing strategies and programs.*

▶ *The Regional Municipality of Peel is making explicit the links between community well-being and the contribution of each level of government and other players.*

Reporting progress and results to stakeholders is seen as an important strategy in engaging these key groups. Stakeholders include citizens, direct recipients of the services or programs and legislators, who must ultimately make decisions about the effectiveness of the efforts of governments and their agencies.

Jurisdictions are working to improve the quality of the reporting process. They are also recognizing that stakeholders can play important roles throughout the entire performance measurement process, not just in the final reporting phase. Thus, as a foundation for effective reporting, jurisdictions are trying to improve performance measures by gaining input from stakeholders.

In Prince William County, the importance of citizens is demonstrated in the county's organizational chart: at the top of the chart is the word "citizens." The Board of County Supervisors and the county's 14 departments are depicted as reporting to ("in service to") the citizens of the county. The chart recognizes that citizens are a starting point for developing the vision and strategies for the county and that citizens must always be uppermost when implementing strategies and programs.

Results are reported to the community and to decision makers through the budget, an annual citizens' survey and the annual *Service Efforts and Accomplishments (SEA)* report. Now in its fifth year, the *SEA* report compares inputs (what are we doing to achieve the goals?) and outputs and outcomes (how close are we to succeeding?) with those of comparable communities. It provides measures of spending, outputs and results in 10 areas: fire and rescue, police, solid waste, library, planning, adult detention, public welfare, mental health/mental retardation/substance abuse, building development and

sheriff's office. Management and the audit department agreed at the outset to use three main counties as comparators, with each agency being allowed to select an additional comparative jurisdiction. Measures were selected from those in the current county budget, measures reported to national or state organizations or measures recommended by organizations researching performance measurement and reporting.

Jurisdictions recognize the need to report on their own corporate efforts as well as their contribution to the quality of life in the communities in which they operate. The Regional Municipality of Peel, for example, is making explicit the links between community well-being and the contribution of each level of government and other players. Five goals and 39 strategic directions have been set out in the region's document *Vision 2000: Directions for Peel's Future*. This document was developed in 1999 and includes a commitment to nurture the social, economic and environmental well-being of all those living and working in Peel. The five goals are:

- contribute to a vibrant and diverse regional economy;
- provide leadership and encourage co-ordination on matters affecting the quality of the community's health, social well-being and safety;
- assess and manage all aspects of growth within the region and ensure that social and physical infrastructure is available for planned land uses;
- preserve, protect and enhance the region's natural environment and resources; and
- be a strong, effective regional government.

Departmental business plans are developed within the framework of these goals and strategic directions.

In the Province of Alberta, regular reporting of overall government and individual ministry performance has been a hallmark of the government's accountability framework.

As Roger Maloney, Chief Administrative Officer, points out, the departmental business plans include indicators of success and provide the basis for an annual summary of results.

In addition, the region has spearheaded a Community Well-Being Indicators Project. The purpose of the project is to provide support and data for future revisions of the region's strategic plan and to provide support to regional council and senior management in responding to social, economic and environmental policy issues. Seven outcomes relating to residents of the community have been developed. Residents should:

1. have access to and the opportunity for self-sufficiency;
2. have access to shelter that meets their household needs;
3. have the opportunity to achieve physical and emotional well-being;
4. be safe from violence and other forms of crime;
5. have the opportunity to participate in and contribute to the community as a whole;
6. benefit from economic vitality; and
7. experience clean, healthy, sustainable surroundings.

There are 74 indicators attached to the seven outcomes, reflecting those used in other jurisdictions in Ontario, across Canada and internationally. Data have been collected from a variety of sources to create a time series for trend analysis. A summary report on the results is prepared for internal review by the senior management team.

Exhibit 13 provides examples of the indicators that were developed for one

Exhibit 13

Indicators Relating to Self-Sufficiency

- Proportion of persons living below the low-income cutoff line
- Proportion of population on social assistance
- Proportion of population aged 18–25 years on social assistance
- Proportion of population receiving employment insurance benefits as a proportion of all tax filers, by family type
- Education levels of persons over 15 years of age
- Public library use
- Proportion of single-parent families
- Unemployment rate
- Number of full-time jobs available
- Reliance on food banks
- Number of licensed childcare spaces for children under 12 years of age
- Proportion of subsidized childcare spaces to licensed spaces
- Amount spent on public transit per capita
- Amount spent on para-transit per capita
- Number of persons aged 65 years and over living alone
- Mobility and home language of the population

Source: Regional Municipality of Peel.

of the outcomes: residents should “have access to and the opportunity for self-sufficiency.”

In the Province of Alberta, regular reporting of overall government and individual ministry performance has been a hallmark of the government's accountability framework. The government's annual report, *Measuring Up* (now in its seventh year), provides a comprehensive review of government's overall progress on achieving goals. As well, each ministry produces an annual report detailing its performance and specific contribution to the government's goals.

8 FUTURE DIRECTIONS

The emerging challenge for government decision makers will be to balance the development of and reliance on each type of measure.



Governments are getting better at identifying performance measures to support the achievement of goals and providing valuable information on results to decision makers. The growing use of performance measures, as well as greater understanding of the different kinds of measures and the linkages between them, is helping governments substantively influence the quality, efficiency and effectiveness of the services they provide. Even more important, the use of performance measures has focused decision makers' attention on identifying outcomes, that is, determining the "difference that has been made" as a result of the programs, services and policies.

As well, organizations need to push harder in identifying outcome measures and proxy outcome measures.



The emerging challenge for government decision makers will be to balance the development of and reliance on each type of measure—including inputs, outputs and outcomes—recognizing that these measures complement each other and, taken together, provide a fuller picture of performance. As well, organizations need to push harder in identifying outcome measures and proxy outcome measures. Even if outcomes cannot be fully quantified or qualified, there is value in identifying and achieving immediate and intermediate outcomes.

Decision makers recognize that being prepared to learn from each cycle of experience and being flexible about the measures themselves and how they are applied is vital to drawing the most value from performance information.



Taking a longer-term and broader view of the government's goals—and of the strategies needed to achieve these outcomes—will help organizations understand that the most effective way to achieve these outcomes is through the integrated efforts of agencies across government and across communities.

The disciplined use of performance measures will aid in expanding the

influence that managers have over outcomes and processes, even though there will be some over which managers and their agencies have no control.

It is widely acknowledged that the less tangible, more customized and qualitative activities of government—such as regulatory and public policy efforts—are the most difficult areas in which to develop measures, especially measures that indicate outcomes and results. However, this is one of the most fruitful areas in which to apply performance measures, since these areas have the most significant impact on our quality of life. In the future, jurisdictions will build on their successes in measuring transactions and shift to using this experience at a more strategic level.

Like any change initiative, implementing performance measurement in the organization brings with it both expected and unexpected new capabilities. Both will help spur the organization's management team to new accomplishments. Over time, decision makers will shift from devising strategies that make effective use of available resources to starting "with the end in mind," that is, envisaging desired results and using the planning and resource allocation and related management processes to get there.

Finally, in all the jurisdictions studied, decision makers recognize that being prepared to learn from each cycle of experience and being flexible about the measures themselves and how they are applied is vital to drawing the most value from performance information and to making it part of the way decisions are made.



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