

HOW TO USE PERFORMANCE MEASURES

John R. Allen
Management Consulting
61 Gilmour Avenue
Toronto, Ontario
M6P 3A8

telephone: 416-769-2272

email: allen@managing-by-results.com

website: www.managing-by-results.com

Copyright 2009 - John R. Allen
allen@managing-by-results.com

Agenda

1. Results Management Framework

2. Using Performance Information in:

- strategic planning
- program evaluation
- operational planning and control
- performance appraisal
- resource allocation
- accountability reporting

Accountability

Strategic
Planning

Resource
Allocation

**Performance
Information**

Operational
Planning and
Control


Managers'
Performance
Agreements

Program
Evaluation

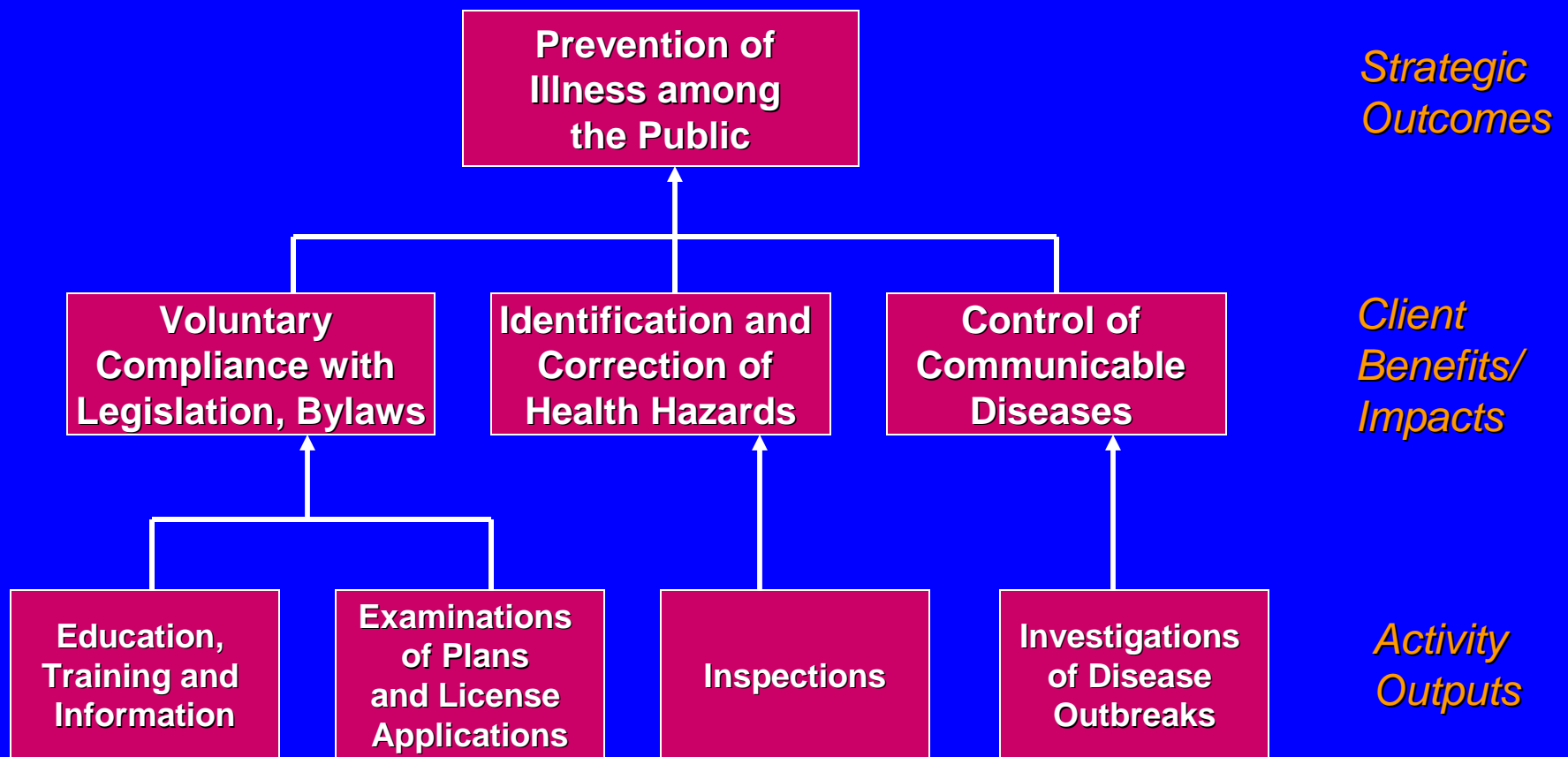
Results Management

- **Is a concept related to all functions of the management cycle at all levels of the department**
- **Whereby managers, in the planning and control processes used by their organizations:**
 - **Devote equal and formal attention to results as well as resources**
 - **Describe results to be achieved...**
 - **in terms of the benefits or impacts the program delivers to the client group**
 - **using performance measures to plan, monitor and evaluate the achievement of results**

It is useful to think of Results Management and Performance Measurement as addressing three questions:

	Measure:			
WHAT Is the Product or Service?	Output and Efficiency of Activities	Management Interest	Can Be Measured, Targeted	Under Management Control
WHO is the Customer, Client or Target Group?	Client Benefit, Service Quality, Satisfaction, Impact on Behavior	Management and Governing Body Interest		Critical Success Factor
WHY is the Program Needed?	Strategic Outcomes for Society as a Whole	Governing Body Interest	Measurement, Targeting and Attribution Are Difficult	Many Outside Influences

Public Health Inspection



Public Health Inspection

Prevention of Illness among the Public

- # of cases reported per 10,000 population
 - food poisoning
 - communicable disease
 - environmental disease
 - occupational illness

Voluntary Compliance with Legislation, Bylaws

- % of inspections where no hazards identified
- % of plans, licences that are in compliance when first submitted

Identification and Correction of Health Hazards

- # of work orders issued
- % work orders corrected within specified time frame
- # of charges laid / conviction rate

Control of Communicable Diseases

- % of cases where source of illness identified
- % cases where outbreak limited to original vector

Education, Training and Information

- # training programs
- average person hours per educational presentation
- cost per participant trained
- # recipients of newsletter

Examinations of Plans and License Applications

- # examined
- average person hours per plan examination
- average time to examine plans, licenses

Inspections

- # inspections
- average inspections per inspector

Investigations of Disease Outbreaks

- # investigations

Results Management



Copyright 2009 - John R. Allen
allen@managing-by-results.com

DIFFERENT KINDS OF PERFORMANCE INFORMATION

- Activity Output
- Client Benefit / Impact
- Strategic Outcome

ARE USEFUL FOR

DIFFERENT KINDS OF DECISIONS

- Strategic Planning
 - Program Evaluation
- Operational Planning
and Control
- Performance Appraisal
of Managers and Staff
- Program Advocacy
- Accountability Reporting

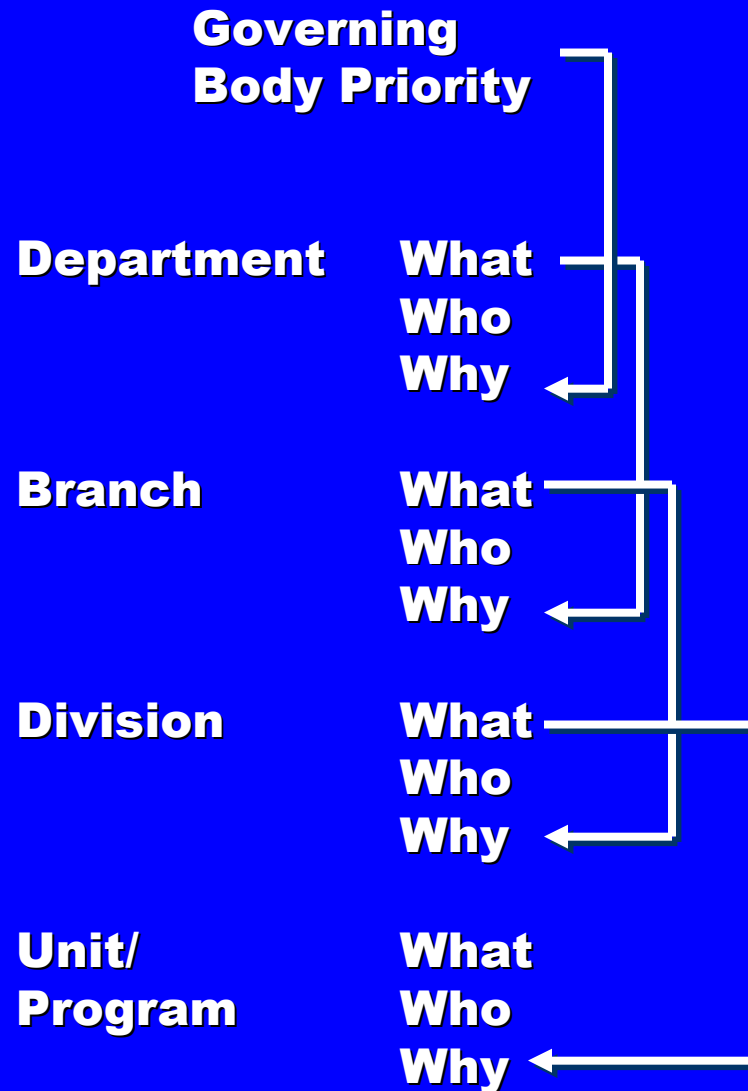
STRATEGIC PLANNING

- Process which determines how an organization is positioned to deliver value to, or influence, its clients so that it can contribute to achieving positive outcomes for society
 - and to ensure consistency of purpose among its activities to deliver that value or influence
 - i.e. it should give strong guidance about what the organization will do, and what it will **NOT** do

STRATEGIC PLANNING

- Implemented via operational plan, so link should be clear:
 - Strategic Outcomes = Long term, organization wide results
 - Client benefit/impacts = Deliverables of programs by which long term results are achieved
 - Activity outputs = Outputs of work processes and activities by which deliverables are produced
- Performance Measurement:
 - Structures thinking along strategic lines
 - Monitors achievement of strategic results as well as operational results
 - Sets performance targets to ensure progress toward strategic results

Strategic Alignment

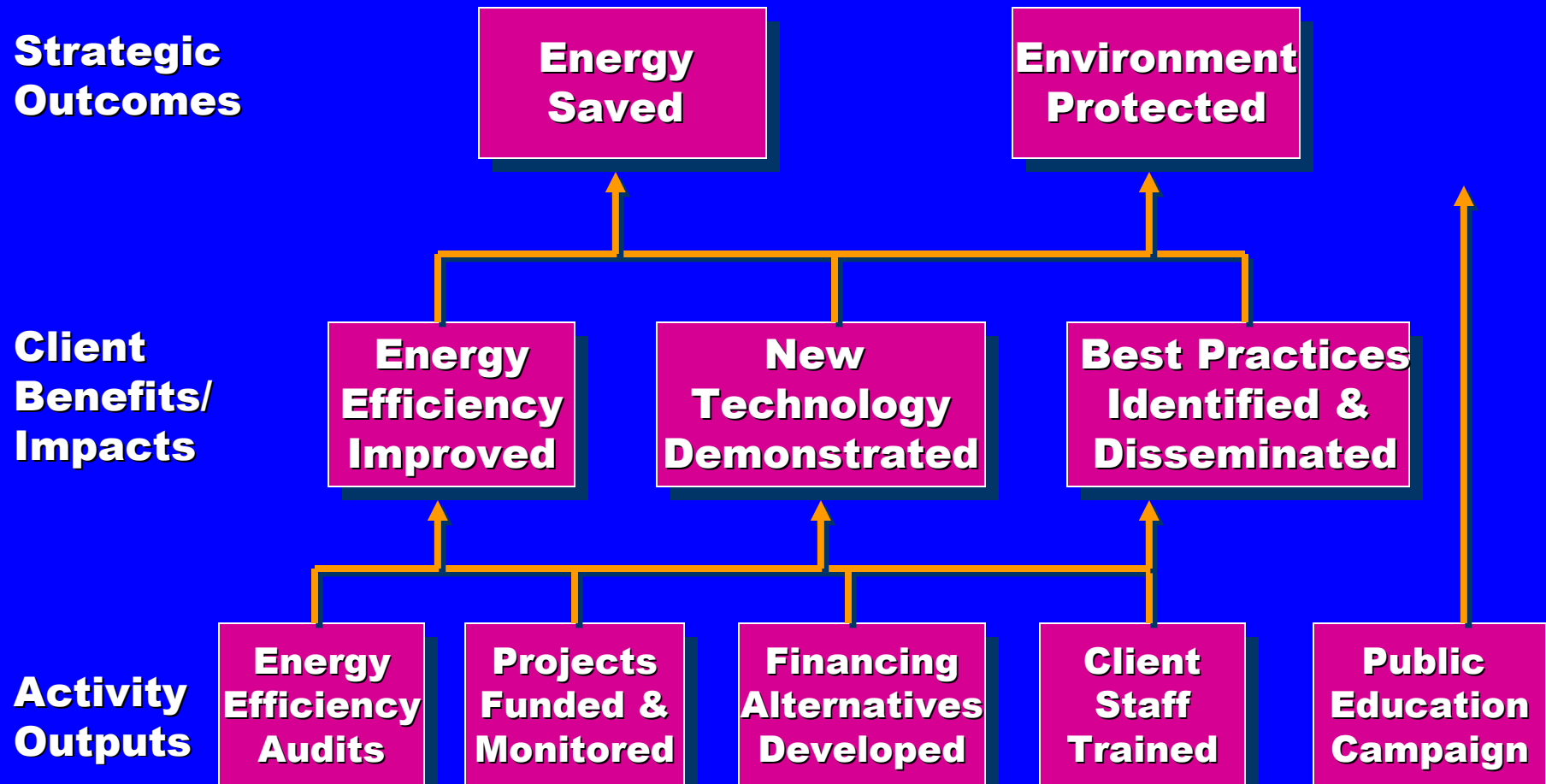


The deeper into the organization, the more specific the mission will be.

But there should be a logical link from level to level, that reflects and reinforces the strategy and priorities of the Department and the Governing Body.

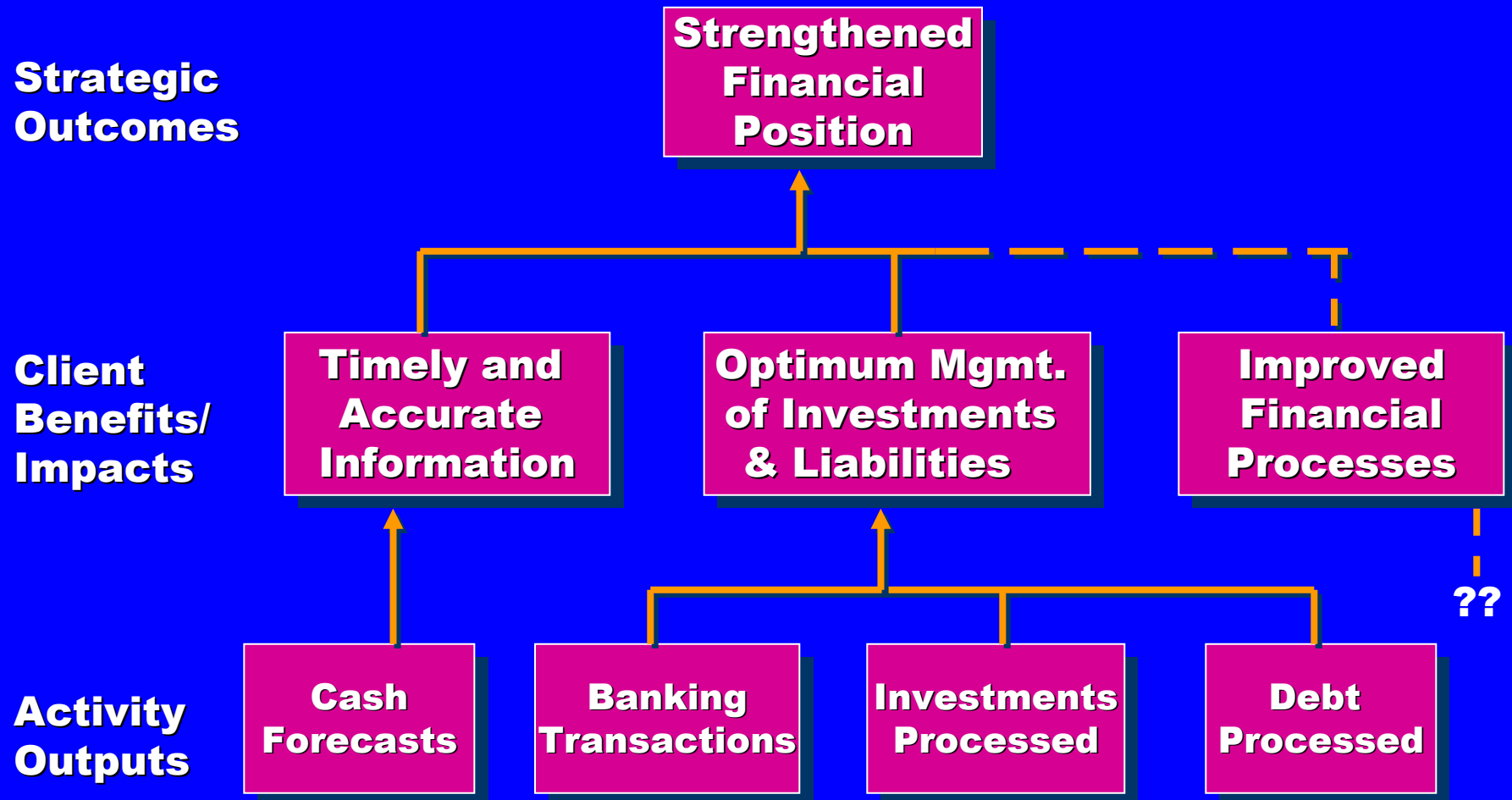
Utilities Management Program

Mission: To fund energy efficiency projects in municipal buildings and public institutions in order to save energy and protect the environment



BANKING AND CASH MANAGEMENT

MISSION: To ensure effective management and optimum returns for government held securities and cash in order to strengthen the financial position of the government



Program Evaluation

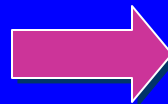
- **Formal assessment of programs and their results involving the investigation and analysis of:**
 - relevance of the program mission
 - extent to which the program has been implemented as designed
 - extent to which the desired results have been achieved over time
 - extent to which the program has influenced the desired results
 - intended and unintended consequences
 - program delivery improvements

The Logic Model and Performance Measurement Support Evaluation:

Formative

Summative

The program undertakes activities that produce **outputs**



Those outputs result in **benefits** or **impacts** for specific client or target groups



Those benefits or impacts influence the achievement of **outcomes** for the good of society

- Performance measurement is not a substitute for evaluation, but good performance information can assist in evaluation by:
 - providing a basic analytical framework
 - supplying a time series of performance data
 - identifying programs which need to be evaluated

Operational Planning and Control

- Periodic planning and assessment of ongoing performance of program operations, in terms of:
 - Effectiveness of achieving mission and results
 - Efficiency of conducting operations

Operational Planning and Control

- **Relevant results are those which we can control over the short term:**
 - activity outputs
 - client benefits / impacts
- **Main uses in:**
 - Budgeting: Additional results achieved for additional resources provided
 - In-year monitoring : Variance analysis to maintain direction
 - Year-end review: Plan to actual accountability and future budgeting

Measuring Activities, Operational Outputs

Sometimes people discount the importance of measuring operational output, in favour of measuring client benefit and outcome

But it is via efficient and effective operations that programs deliver benefits and impacts to clients, and thus influence strategic outcomes

Operational performance can be measured in several ways:

- **Efficiency**
- **Quality**
- **Capacity**
- **Delivery Time**

Efficiency (e.g. unit cost, asset utilization)

- invest in new customer services, serve more customers with the same resources, increase organizational capabilities (e.g. underwrite staff training)

Operational Quality (e.g. error rate, percent of output produced within standard specifications)

- good quality output will reduce the amount and cost of rework, customer service and handling customer complaints - it is almost always cheaper to prevent quality problems than it is to correct them

Capacity (e.g. units of output, or customers served, per unit of time)

- In an integrated, multi-step process capacity is affected by that portion of the process with the least capacity (i.e. bottlenecks) - management can affect capacity by identifying bottlenecks and correcting them through process redesign or investment in equipment or staff training

Delivery Time (how long it takes from the point where a product or service is ordered until the point where it is delivered)

- shorter is generally better

Informed Judgment Matrix

		Health / Environmental Consequences					
		Adminis- trative	Minor Environ- mental	Minor Health	Medium Environ- mental	Major Environ- mental	Medium Health
Compliance History	Good History	Minor Non-Compliance - education, outreach, voluntary abatement plan					
	Prior Unrelated Violation						
	Prior Related Violation						
	Ongoing Violation						
	Prior Court Action						
	False Info, Obstruction						

Informed Judgment Matrix

- **several indicators are derived from IJM: overall compliance, significant compliance, significant non-compliance, repeat violators**
- **developed to guide actions of Environmental Officers, ensure consistency and fairness, **achieve results with individual clients****
- **natural, seamless part of doing business**
- **supported by IT to ensure efficiency (drop down menu on electronic inspection form)**

Results oriented

Consistent data collection

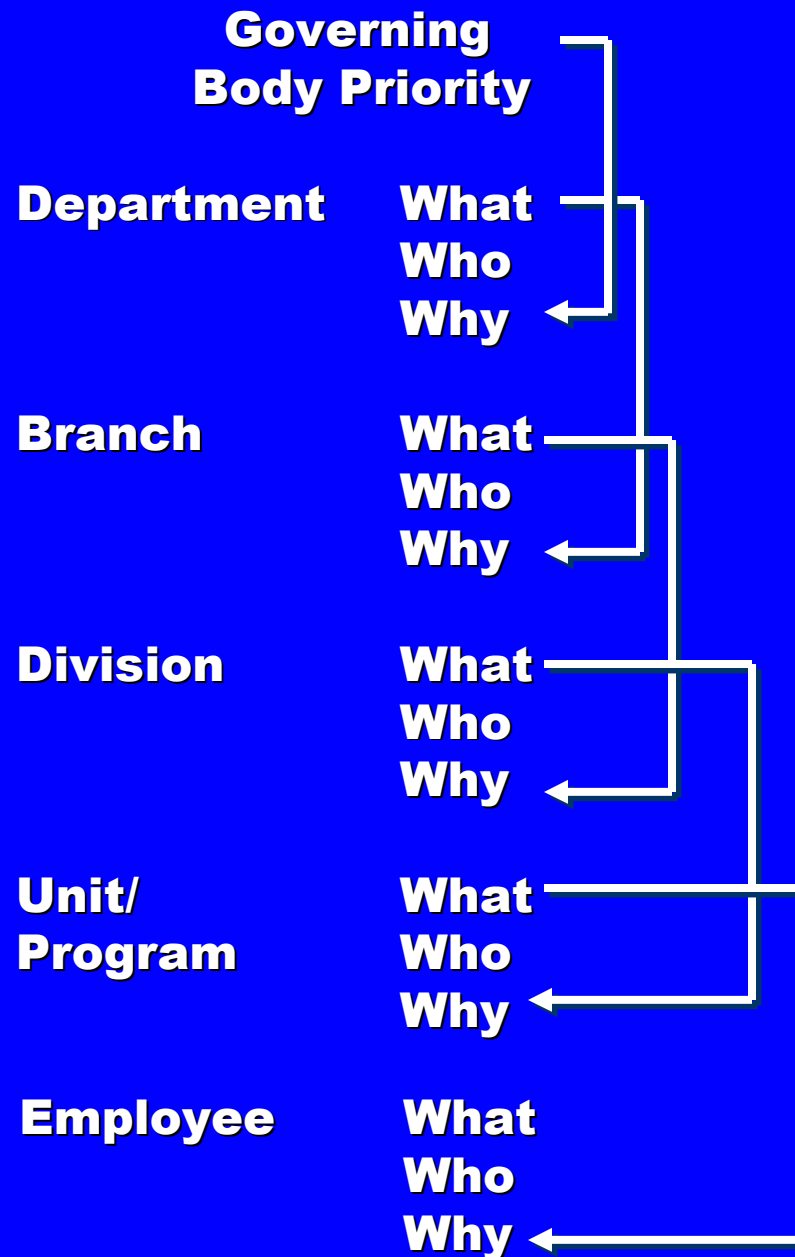
Easy retrieval

Helps those who collect the data to do their jobs

Drill down analysis possible

(e.g. region, client type, etc.)

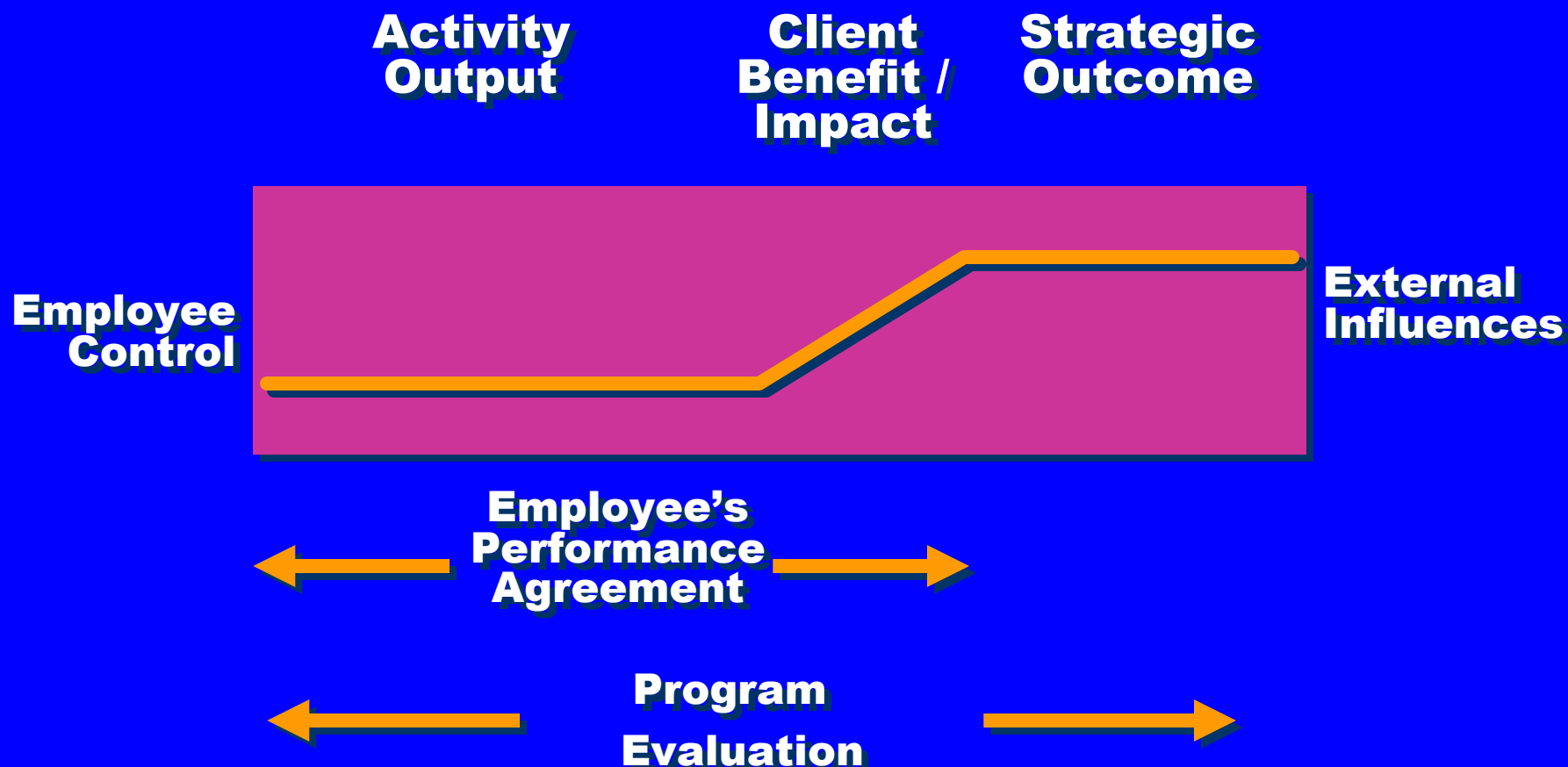
= Good, Useful Performance Indicator



Results should link from level to level, to reflect and reinforces the strategy and priorities of the Department and the Governing Body.

And align employee performance with organizational goals

There is a difference between evaluating a program and evaluating an employee



Traditional Budgeting

Step 1

\$

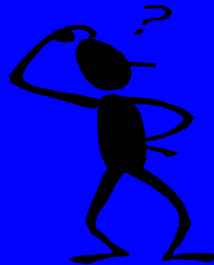
How much money has been allocated?

Step 2



How much work can we do with the money?

Step 3



Gee, I wonder if we are achieving any results.

Making a Business Case for Resources:

There is no common denominator in government by which to compare alternative investments,

And not enough money to fund all the good things we could do.

Resource allocation often depends on who makes a stronger business case.

Remember that activities / outputs are what you spend the money on,

But you are investing in client benefits / impacts and strategic outcomes.

Therefore in advocating for resources:

Activity
Outputs

Use outputs to
calculate how
much money
you require

Client Benefits /
Impacts

**Use client benefits/impacts and strategic
outcomes to demonstrate why the
investment should be made**

Strategic
Outcomes

Excerpt from the Budget Book

Land Fill Operations

Budget

	<u>Sustained</u>	<u>Change</u>
Salaries & Benefits		
Equip. & Supplies		
Accom.		
Capital		
Transfer		
Payments		
ODOE	_____	_____
TOTAL		

Page 6

Land Fill Operations

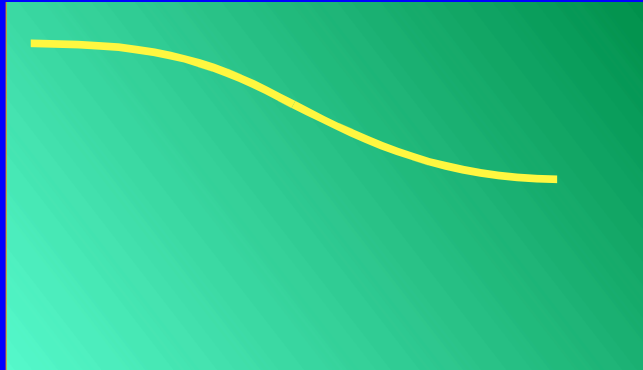
Results Plan

	<u>Sustained</u>	<u>Change</u>
Work Outputs		
- indicator		
- indicator		
Client Benefits		
- indicator		
- indicator		
Str. Outcomes		
- indicator		
- indicator		

Page 7

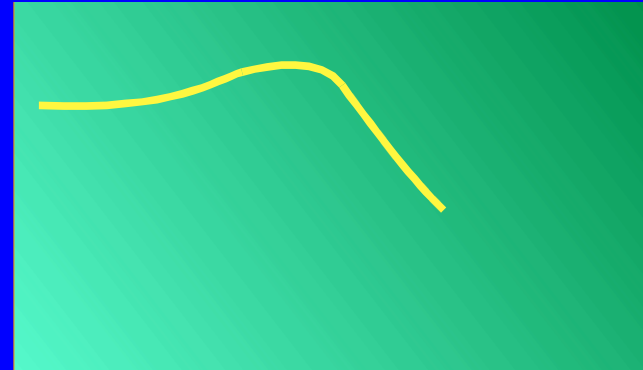
Occupational Safety and Health

Cost per inspection



T_T

Violations per inspection



T_T

Lost time accidents per 100,000 worker hours



T_T

Program Budget



T_T

Results Report and Plan

Mission:

	2007	2008	2009	2010		2011	
	Actual	Actual	Plan	YTD Actual	Within Budget	Over/Under Budget	Projected
Activity Output							
• Result Statement					X	X + Y	
- Indicator							
- Indicator							
Client Benefit / Impact							
• Result Statement					A	A + B	
- Indicator							
- Indicator							
Strategic Outcome							
• Result Statement							
- Indicator							
- Indicator							

Notes to the Results Report and Plan

- 1.
- 2.
- 3.

Audience for Results Information

Activity
Output

Client Benefit/
Impact

Strategic
Outcome

Department
Audience

Program Managers and Staff



Senior Management



External
Audience

Central Budget & Audit Offices



Elected Officials



Citizens



Performance Issues

After School Activities

- you are predicting increased participation of almost 50%
- is this realistic? How do you propose to attain this target?

Treasury Operations

- is the IBC Money Fund a reasonable benchmark?
- how does Montgomery County's ROI compare to other counties?

Residential Recycling

- the current year appears to be a peak - why?

Housekeeping and Light Fleet Maintenance

- how are you able to reduce costs and still maintain high levels of client satisfaction?
- what lessons could you pass on to other departments to perform as well as these two areas?

Facility Maintenance and Security Monitoring

- why are satisfaction levels lower in these areas than in Housekeeping and Light Fleet Maintenance

Implementation: Progressive Pressure

Selection of performance measures

Weakest

Establishing / negotiating targets

Regular reporting, and public disclosure

Requiring narrative explanation of variances

“Grading” of departments’ results by central agency

Preparation of “watch” list by central agency

Explanation of results in front of governing body

Consideration of performance targets in budgeting

Alternative service delivery, competitive sourcing

Performance measures in managers’ performance contracts

Strongest



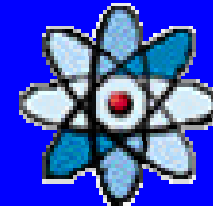
Source: Phil Scheps, Dallas County, Texas

Copyright 2009 - John R. Allen
allen@managing-by-results.com

The Efficacy of Performance Measurement Has Been Proven Time and Again, Both Experimentally and Clinically

Heisenberg Uncertainty Principle:

The very act of measuring alters the reality being observed



Hawthorne Effect:

The observer is a part of the system being observed, and his/her observations affect the system



The Two Most Basic Tools of Supervision

1. Deadlines
2. Targets



Or to put it more humbly:

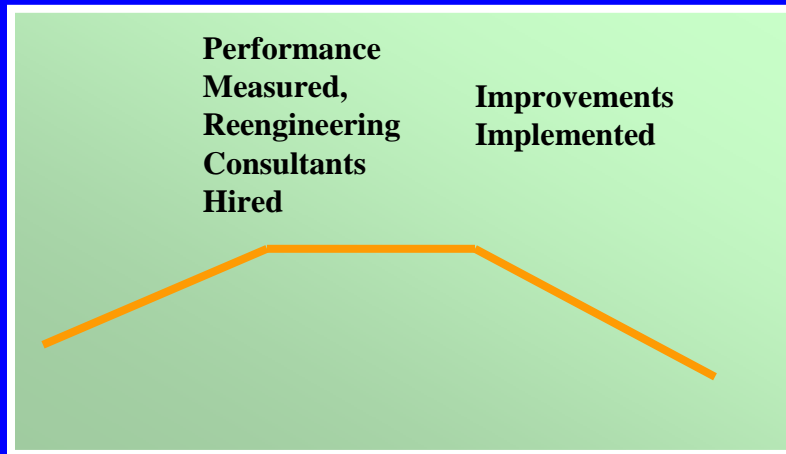
What Gets Measured, Gets Done

Copyright 2009 - John R. Allen
allen@managing-by-results.com

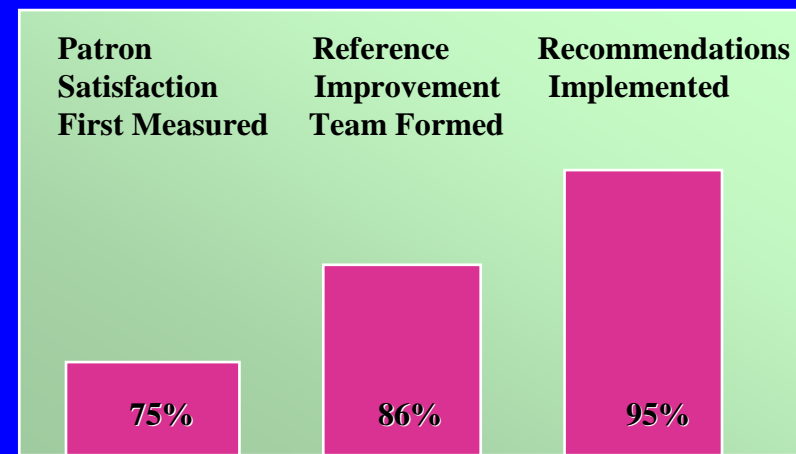
The Power of Performance Measurement

- What Gets Measured, Gets Done -

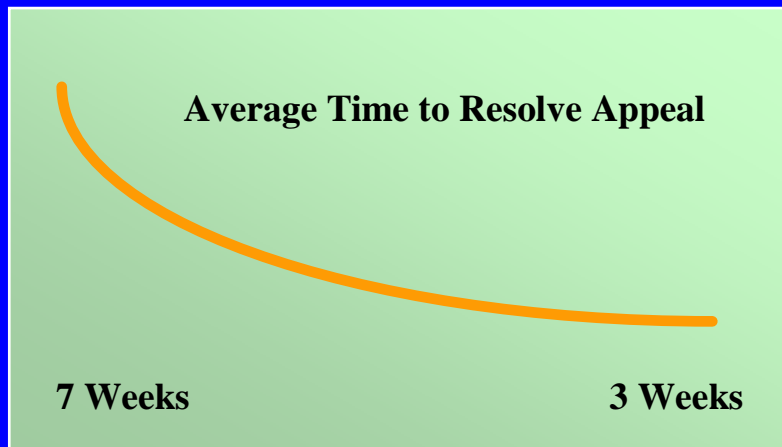
Vacaville California Fire Dept. Response Times



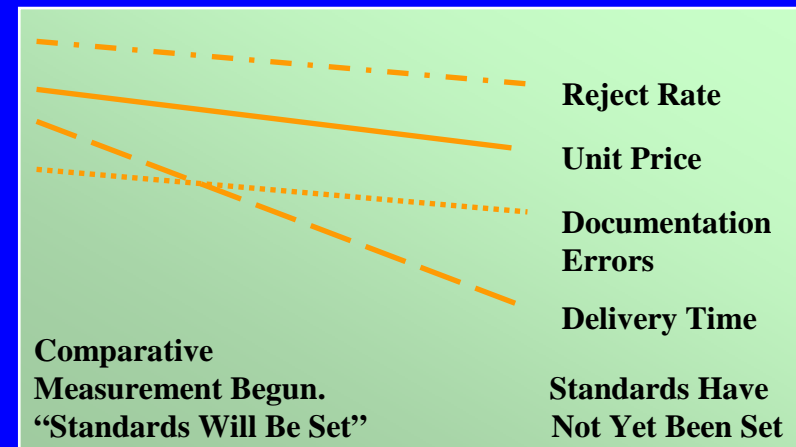
Library Reference Service – Patron Satisfaction



Commercial Registration Appeals Tribunal



NOMA Corporation - Purchasing Dept.



The Power of Performance Measurement:

**- What Gets Measured,
Gets Done -**

Thank you