

2/10/99

Missions

&

Measures

SFIN

FILE



Alaska State Legislature

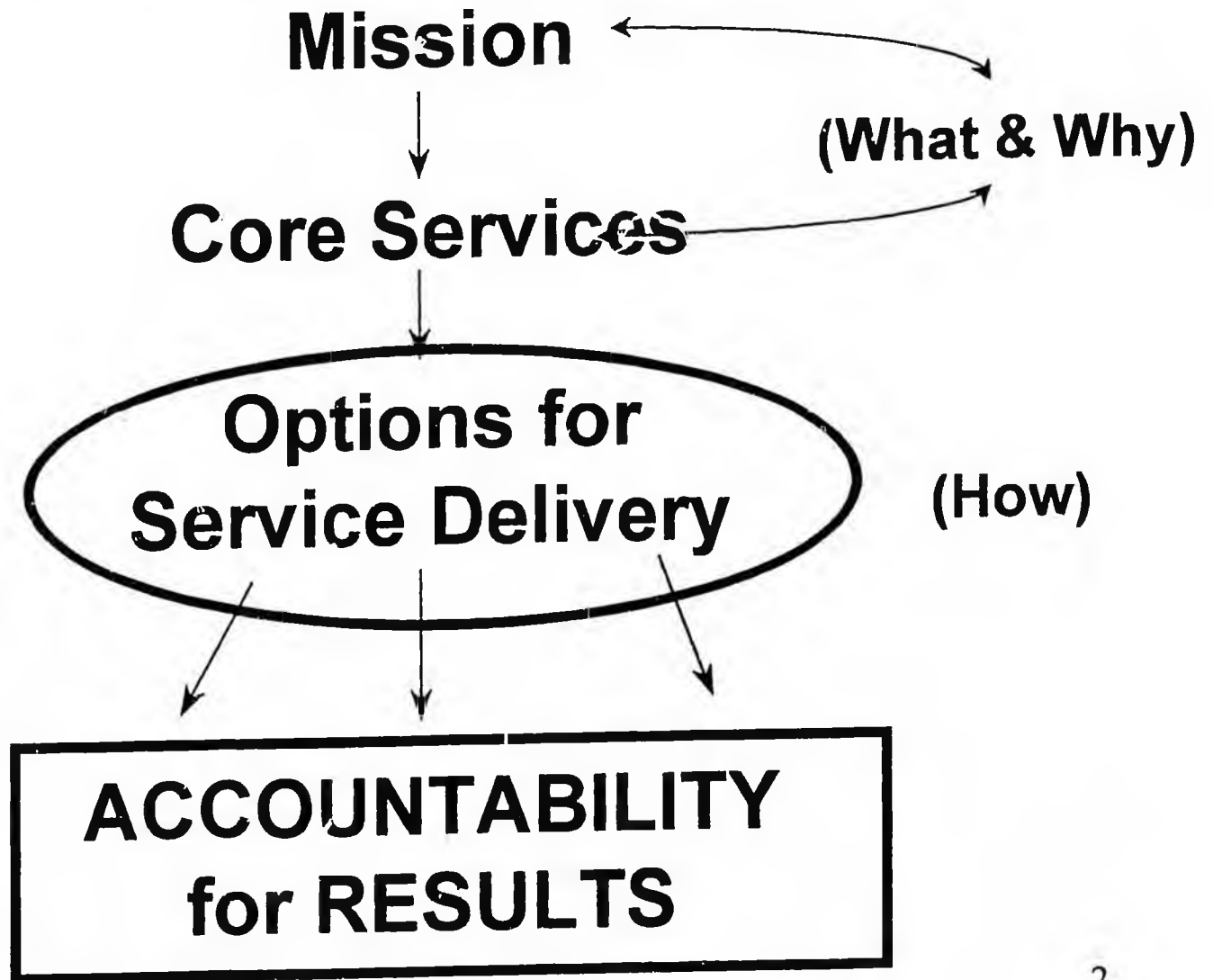
February 10 -11, 1999

Investing in Results

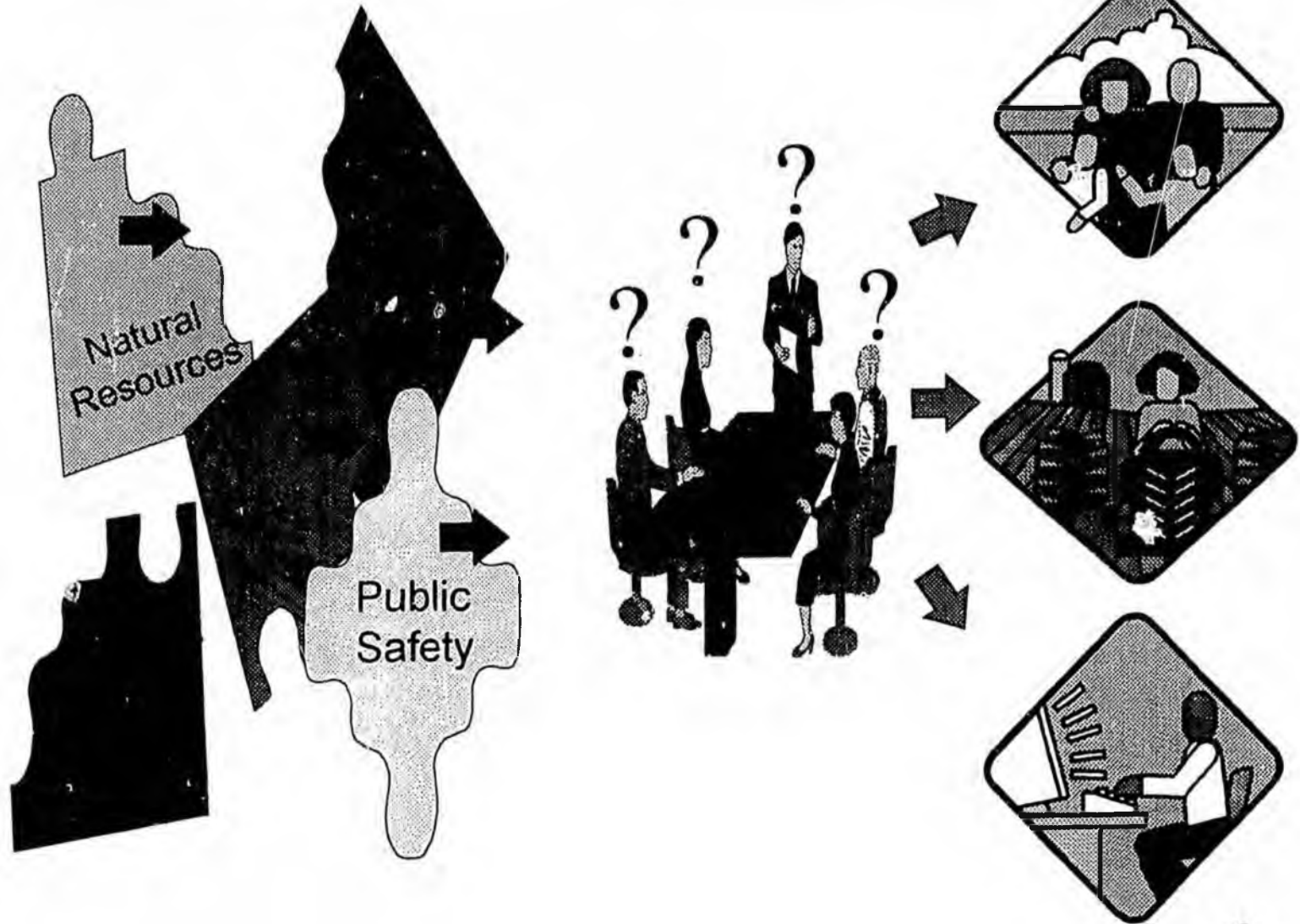
Presented by:
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MTP Inc.

MTP

Improvement "Framework"



Investing in Results / NOT Government



Results Investment - Organization Budgeting

Organizational Structure	Results			\$is
	Safe Neighbor.	Active/Involved	Clean, Useable.	
Parks	X	X	X	Program
Neighborhood	X		X	Program
Recreation		X	X	Program
Planning	X	X	X	Program
Support	X		X	Program
Etc.		X	X	Program

Performance Measures

TERMINOLOGY

Input: Resource(s) provided to be used to develop an end result

Output: The end result, product/service, delivered to a customer

Results: Goal or objective that a program/agency desires to accomplish.

Performance Measure: Measure of efficiency or effectiveness, for a product or service.

Baseline: Historical performance upon which actuals are compared

Potential: Historically the 'best' actual results achieved.

Mission/Purpose: Fundamental reason Why an organization exists.

What's IMPORTANT to measure?

Results.....not Activities

Result: The intended goal of the effort.

Activities: The things done to accomplish the result

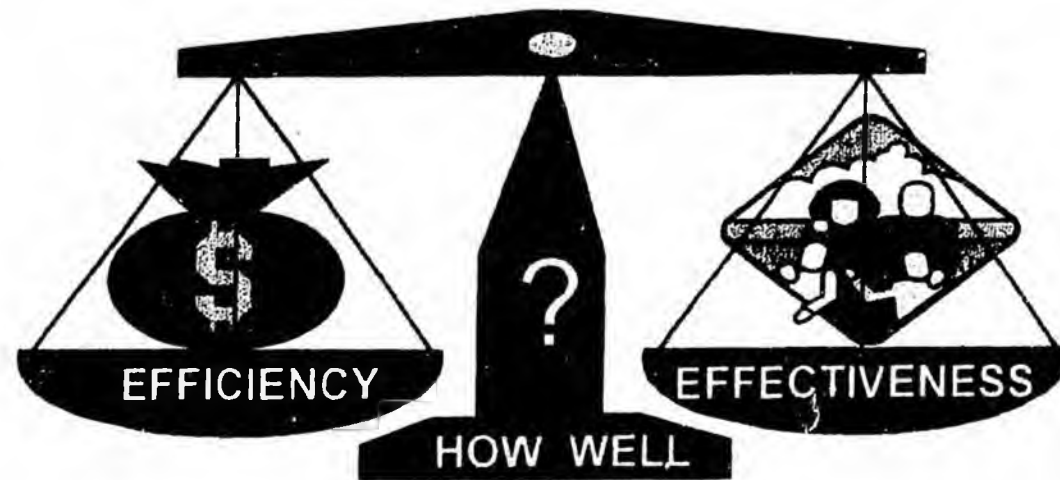
EXAMPLE - JOBS Training

Result = Person get's a Job

Activities =
Person's case is established
Person is trained
Person receives child care assistance
Person is taught interviewing skills
etc.....



Balanced Set of Measures



- ✓ Cost
- ✓ Volume
- ✓ Output
- ✓ Quality
- ✓ Customer Satisfaction
- ✓ Result

Performance Measurement is...



Efficiency & Effectiveness



Efficiency=Making the BEST use of resources

- How much service did deliver?
- What did it cost to deliver?

Effectiveness=How WELL did we deliver our services

- How well did we deliver our services?
- Customer perception of our services?

NOTE: The assumption above is that you are doing the RIGHT THINGS- Mission Matters!

Performance Measurement: EFFICIENCY

Example PROGRAM LEVEL Measures*:

- Truck safety Inspections per FTE -PUC
- Agency Costs per Job placement - AFS
- Child abuse crimes investigated per FTE - OSP
- Food and Dairy Inspections per FTE-AGRICULTURE
- Administrative Cost as % of TOTAL Revenue -DOT
- Direct case management time per long term care client-SDS
- Disability Determination clearances per Total FTE - VRD
- Small Energy Loan Program costs per Loan \$'s - ENERGY
- Number of Industry Reviews per FTE - DIF
- Cost of Processing/Servicing a file - DVA



* *State of Oregon*

Performance Measurement: EFFECTIVENESS

Example PROGRAM LEVEL Measures*:

- Average wage at successful closure/living wage - VRD
- % of Title XIX LT care clients served in community care - SDS
- Energy savings per Tax Credit Dollar - ENERGY
- % of Food and Dairy Inspections non-compliant-AGRICULTURE
- % of Former clients returning to Welfare within 18 months - AFS
- % of Industry Reviewed - DIF
- % of Non-performing assets - DVA
- Highway and Bridge condition rating - DOT
- Missing Children Recovered - OSP
- At fault truck accidents - PUC

* *State of Oregon*



Example Program Performance Measures:

Program: Welfare to Work

Efficiency:

- *Cost per client that gets a job.*

Effectiveness:

- *Average time to move from Welfare to Work.*
- *% of clients placed above minimum wage.*
- *% of repeat clients*

Detail Behind the Measures

*Example: Useable Harbor**

For each measure determine the following;

Definition

Example: % of time harbors are available for use as designed without closures or restrictions.

Demonstrates

Example: Effectiveness in providing harbors which sustain the requirements of users.

Reporting Frequency

Example: Quarterly - Programmatic (tactical)

Aligning "Programs" with Results

Programs

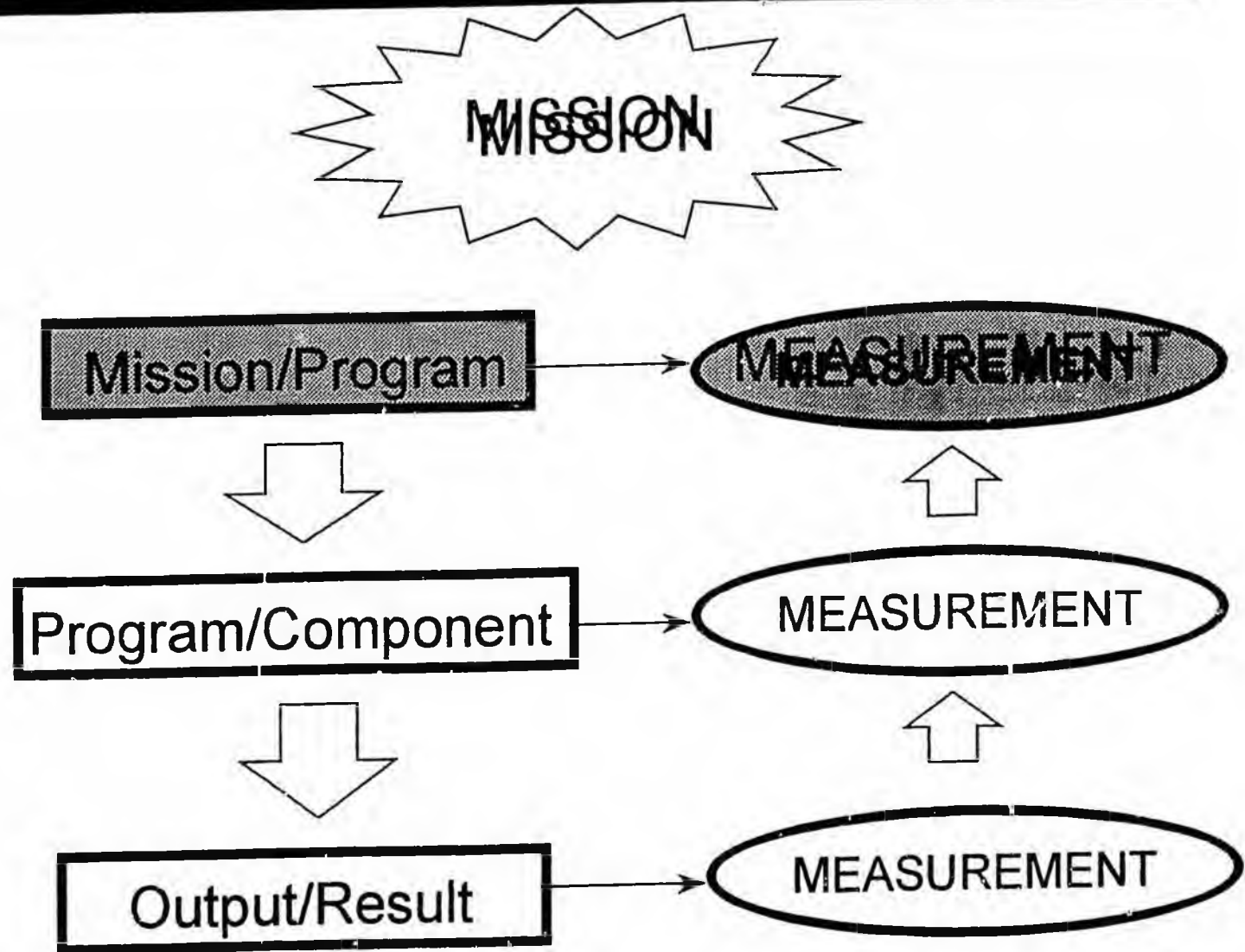


Job Training
 "Assistance"
 Job Retention
 Admin. Services
 Assessment

	\$ per client	% clients get job	% client return	client load/ FTE
Job Training "Assistance"	✓	✓	✓	
Job Retention	✓		✓	
Admin. Services	✓			✓
Assessment	✓	✓		

Department: Family & Youth Services

Cascading Performance Measures



Why Cascading Measurement is Important

Total Profits	1993	1994	NET
PepsiCo	<u>1st Quarter</u>	<u>1st Quarter</u>	<u>Difference</u>
	\$543.1	\$572.7	\$29.6

Major Business Lines

Snackfoods	\$217.5	\$270.3	\$52.8
Beverages	\$180.2	\$177.1	(\$ 3.1)
Restaurants	\$145.4	\$125.3	(\$20.1)

Major Restaurants

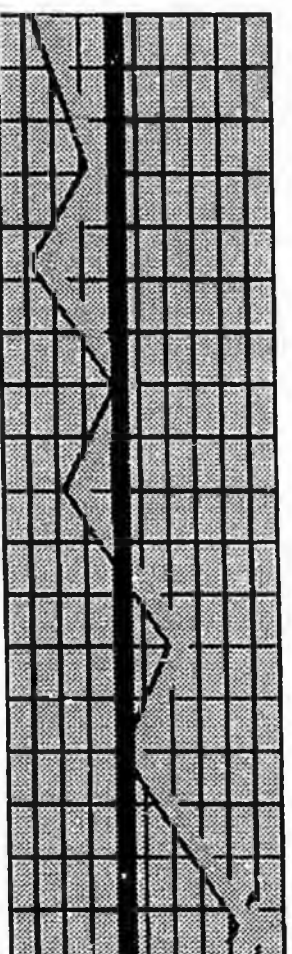
Taco Bell	\$31.1	\$33.7	\$ 2.6
KFC	\$32.4	\$24.8	(\$ 7.6)
Pizza Hut	\$81.9	\$66.8	(\$15.1)

Source: Wall Street Journal, July 18, 1994

Baseline Targets that make sense

- Historical 3 year rolling average
- Average for industry
- Take a guess, and update quarterly

Note: Recalculate annually, **NOT** monthly.



MTTP

USES of PERFORMANCE MEASURES

Measures contained within Budget Document(s)

Dallas, TX - (1,000,000)
Indianapolis, IN - (741,000)
Milwaukee, WI - (628,000)
Phoenix, AZ - (983,000)
Portland, OR - (437,000)
San Antonio, TX - (935,000)
Seattle, WA - (516,000)

Used By Council to Make Budgetary/Priority Decisions

Dallas, TX
Indianapolis, IN
Milwaukee, WI
Phoenix, AZ

KEY QUESTIONS - for Discussion with Agencies...

1. What's your Mission?
2. What are your programs and how do they contribute to the Mission?
3. Who are your customers?
4. What are your Program Result Performance Measures?
5. How did you do last year?
6. What do you intend to do differently this year?
7. What are your strategies/priorities for this next year?
8. Which measures are you going to use to validate and monitor our investment?
9. * *Is there duplication between agencies?*
10. * *Are other options viable to accomplish these results?*

Caution - Simplify to Succeed

Resist the urge to over complicate for perceived completeness. Begin by having each program unit submit the following;

- At least one efficiency & one effectiveness measure for each program result.
- Brief narrative to support measure.
- Graph depicting baseline, actual & potential results.
- Quarterly reporting to OMB

Managing for Results Model - City of Seattle

Make it simple to comprehend - Develop measures that managers and staff find meaningful.

Keep to a short Development time - Get it into use QUICKLY.

Focus it on management use - Integrate it into the mainstream of management decision making.

Core Questions for Annual Performance Plans*

1. To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
2. How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
3. To what extent does the agency's performance plan provide confidence that its performance information will be credible?

**Source: GAO - Feb 98 - Assessment Guide to Facilitate Congressional Decision Making*

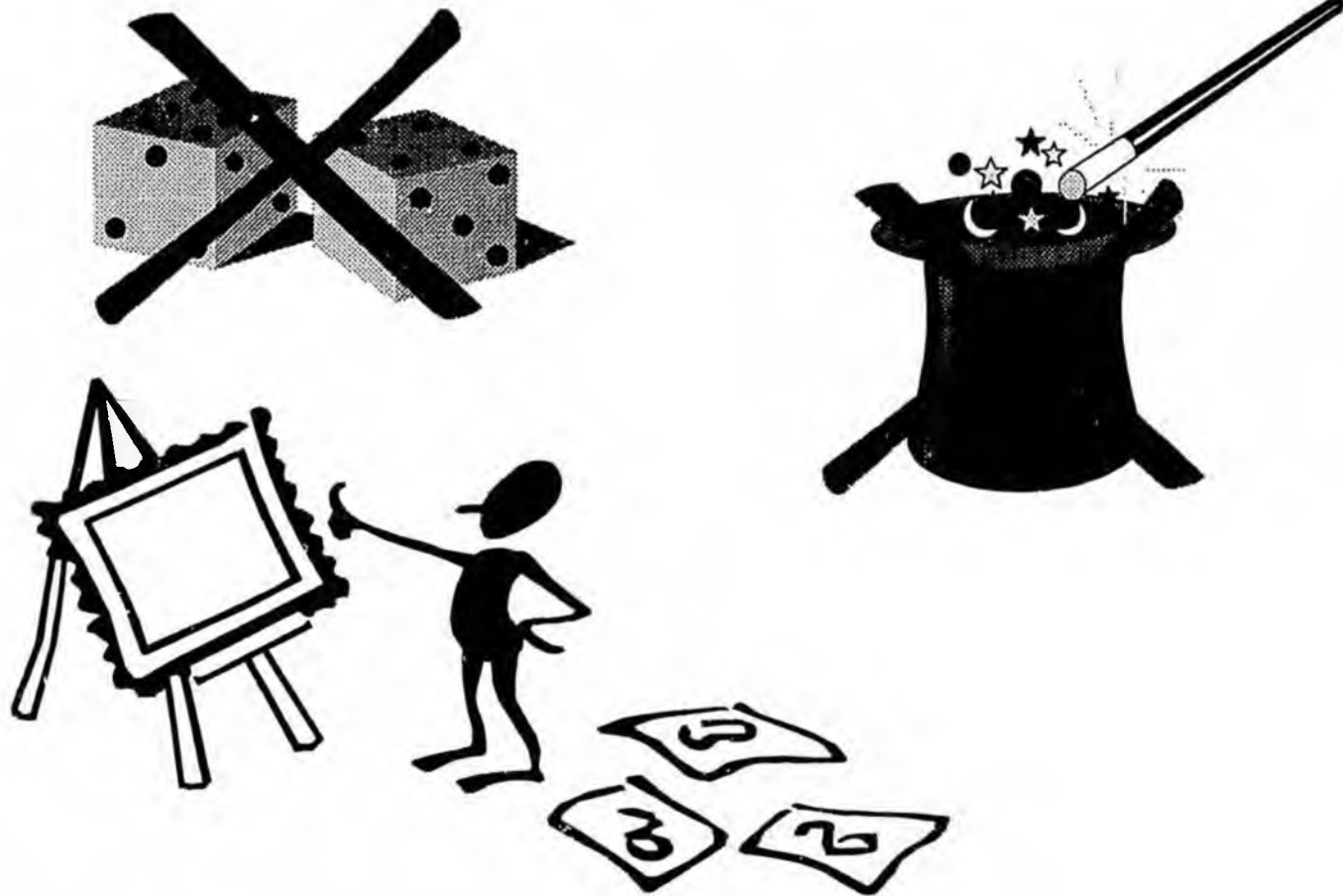
PIT FALLS (Lessons from the Pit)

- ✓ There **MUST** be agreement by the committees that they will follow an agreed upon approach - Speaker and President **KEY**.
- ✓ Legislative and Executive **MUST** agree on a shift from spending to investing. The debate on where to invest will still remain.
- ✓ Create accountability mechanisms - between the Executive and Legislative. (Performance Contracts)
- ✓ Not everyone (Executive and Legislative) will want to change. Predetermine the consequences.
- ✓ Reward appropriate behavior (Executive and Legislative)

PIT FALLS (Lessons from the Pit)

- ✓ Focus is to improve - not keep score. Resist the urge to judge the numbers too quickly.
- ✓ Build in a quarterly review process, and be ready to make mid-course corrections.
- ✓ Most Financial Systems count things and will probably have to be modified, to provide results based information
- ✓ Remember- no one wins -if poor investments are made!

Parting Thought.



KEEP FOCUSED, DON'T STOP TILL IT'S RIGHT!

Is this just another "management fad"?

NO! For the first time ever, a management principle is now included in federal, state, and in some cases local legislation. The citizens of our country are wanting "accountability" in government, like never before. With government getting smaller, it's critical that managers and staff know how well they are delivering their services. This is also politically neutral, everyone wants "outcome" oriented government.

Is this just another way to weed out poor performers?

NO! Since performance measures are tied to results, not activities, experience shows that results are typically accomplished by a group of individuals. It's the end result that is measured, NOT the effort of specific individuals.

Who's going to be involved in developing performance measures?

Those that are responsible for delivering the products/services being measured are the ones who will develop the measures.

What if the measures that we develop, don't measure what I do?

Typically, individuals are responsible for specific activities necessary to accomplish an end result. Since only end results are measured, it's quite possible that the specific activity that you do WON'T have a performance measure. The focus should not be on what you do, but how what you do effects the end result.

Is it fair to measure things that I have no control over ?

Since performance measures are derived from the mission of your organization/workgroup, if you feel you are accountable for the mission, then whether you have control over all aspects related to accomplishing the mission DOESN'T matter. Fairness is typically tied to effort, where as accomplishment is tied to results.

Isn't performance measurement degrading to professionals?

Most professions have ethical/legal codes of conduct. Performance measurement isn't about measuring the ethical/legal aspects of your job, just the results that are accomplished. It's hard to imagine that measurement of accomplishments is degrading to anyone.

Do we really want to measure the things that we aren't any good at?

The presumption is that you currently know your doing a "bad job". IF, and I repeat IF, that is true, then a decision needs to be made on how to change the situation, including stopping the work. This decision typically has to be made by management, and some indicators are required before such a decision can be made.

How is this information going to be used?

Depending on the level you are at in an organization. Typically, strategic measures are used by Senior Managers and Key Stakeholders. Programmatic and operational measures are used by managers and staff within an organization to assist in making decisions on ways to improve service delivery. Measurement is about getting better, not just keeping score.

Who's going to be reviewing my performance measures?

Typically measures are used by the program/workgroup that develops them. Additionally the management level immediately above the workgroup will review them as well, to validate that action is being taken based on the information being produced.

Who's responsible for our performance measures?

The workgroup or manager who is responsible for delivering the products/services being measured are the ones who will be responsible for "using" the measures. A facilitator typically is used to assist in developing the measures, but the responsibility to gather the data and report on the measures rests with the workgroup or manager.

How does performance measurement "fit" with TQM?

They complement one another. TQM is a process-oriented action which focuses on improving work processes. Performance measurement makes sure that the work processes targeted for improvement are aligned to an end result, and that measures are in place to demonstrate the improvement to work processes.

How does performance measurement "fit" with Strategic Planning?

The methodology that is being used first focuses on alignment to mission and programs, both of which are key aspects of strategic planning. Thus measurement becomes the "operational" aspect of strategic planning, not something different.

How does performance measurement "fit" with Business Planning?

Performance measurement becomes part of any business planning process. As business objectives and strategies are identified, performance measurement becomes the mechanism to monitor/validate that the strategies you chose to employ are working.

How does performance measurement "fit" with Customer Satisfaction?

Customer Satisfaction is the perception of the services received, as viewed by the customer. The methodology that is being used identifies customer satisfaction as a key measurement for ALL products and services.

Managing with Measures: Using Performance Measures for Operational Management and Budgeting

By

Craig Holt, CIO

Oregon Department of Transportation - June 6th, 1995

To quote Financial World Magazine, May 12, 1992, "Historically, government initiation of programs has been based on politics and intuition, with little idea of how effectively or efficiently they will work for taxpayers."

As a result, the Oregon Department of Transportation (ODOT) has taken a hard look at itself and its programs using performance measurement program to manage for results. Building on a team environment, performance measures help continuous improvement infiltrate the department from program level to the front line.

Interwoven through several organizational processes, this program becomes the "dashboard" for managing for results and measuring to get better just like the dashboard of a vehicle which shows vehicle performance.

I. Background/History

The driving force behind ODOT's Performance Measurement Program was a strong desire to be accountable for our products and services provided to our customers. It began as a pilot project combining performance measures with an incentives program. The initial pilot began with 7 crews demonstrating \$76,000 in savings in the first year of monitoring their performance. Expansion of the pilot to include 20 additional crews ballooned the total savings to over \$3.8 million in the final year of the pilot (these 27 crews amounted to 350 FTE or seven percent of ODOT work force).

We learned that incentives weren't the sole catalyst for the dramatic savings but that the act of measuring performance was the key foundation for what was accomplished. We also learned that the process of developing measures paved the way for cultural change. A broader field of vision for many ODOT employees helps them to understand who we are, what we do, and why we do it. In addition, teams consisting of managers and staff are learning to be accountable for positive public influences from their programs. Consequently, measures developed by teams enable them to continuously monitor their progress.

Full implementation of performance measurement began in 1991 beginning with our maintenance business function (around 1300 FTE) and eventually expanding to construction, project development and all support functions (close to 5000 FTE at that time).

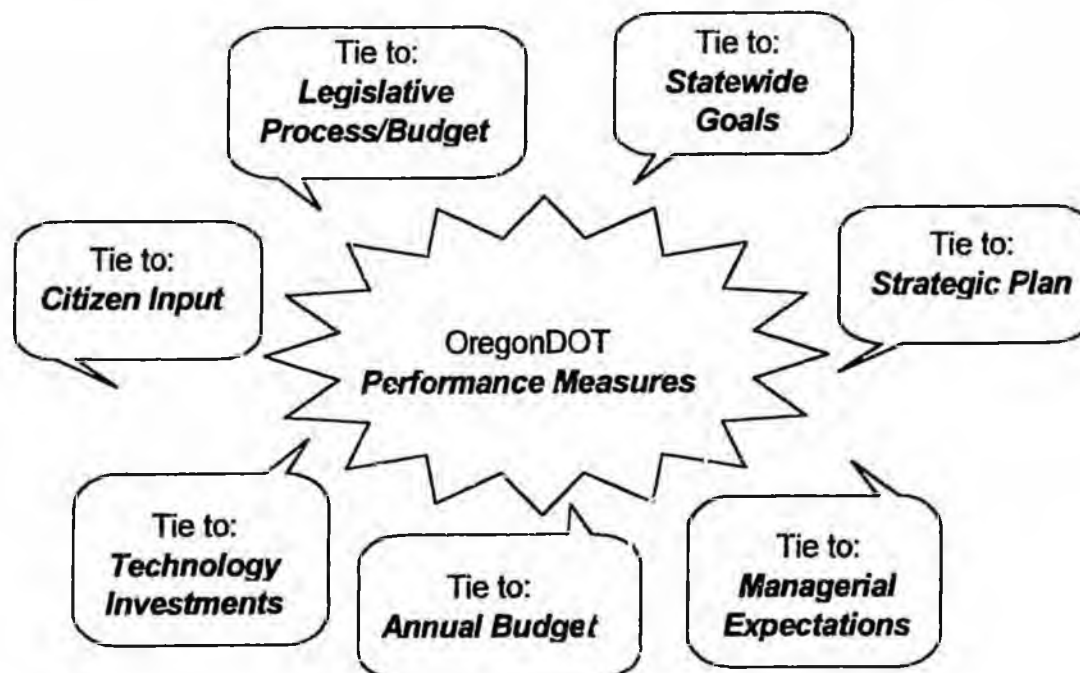
II. Description of Key Elements

The basic philosophy of Performance Measurement is to focus on end results. Crews are facilitated through an exercise that reevaluates their purpose, their products and services and their customers. Focusing on group and not individually based, crews then build their performance measures around the efficiency of their functions and their effectiveness in terms of accomplishment, cost and quality as well as team goals. Measures must align with the mission and, at a minimum, align with department key result areas: Supports Cost Per Unit, Labor Utilization, Timeliness, Actual Spent vs. Planned Budget, Program (Quality) Effectiveness, and Customer Feedback.

Focusing measures into these key areas will enable management decisions to be based on shared performance information, moving the department to performance based budgets, positioning our performance to be benchmarked with contractors, and retaining ties into other organizational processes.

III. Ties to Organizational Processes

ODOT has mapped a route to continuous improvement using a comprehensive Performance Measurement Program to manage for results. The graphic below illustrates other organizational process for which the program has become the foundation.



Strategic Plan: It supports ODOT's number one priority in the Strategic Plan, with the Strategic Goal of demonstrating that we are good stewards of public resources through the development of benchmark performance measures that have meaning to the public.

Statewide Goals: ODOT's mission supports several statewide indicators (Oregon Benchmarks) measuring progress toward broad strategic goals.

Managerial Expectations: Every manager has a performance plan containing six accountabilities. Performance measures are key in demonstrating senior and middle managers ability to meet two of these six accountabilities: managing effectively and producing and delivering results.

Technology Investments: Performance improvement, demonstrated by performance measures, is one of the criteria used by ODOT's Resource Allocation Committee in determining technology investments.

Annual Budget: The Annual Budget process requires managers to demonstrate, with performance measures, a 3-4 percent productivity improvement while maintaining quality; provide supporting performance data for budget enhancement packages and allocate resources based on service levels in our maintenance function. This increase in productivity has offset inflation reducing the need for revenue increase.

Legislative Process: Although ODOT has yet to implement full performance based budgeting, we have over the last two Legislative budget sessions supported our department's \$1.5 billion budget with performance measures. The 1995 Legislative budget discussion for ODOT, originally scheduled for six weeks passed within an unprecedented five days. A combination of clear department goals, supporting performance measures and demonstrated use, all helped to pave the way to an expedited decision by the legislative committee. After several successful presentations on actual use of measures, one legislator commented, "....this is brilliance. there is no better way to show your management leadership than through your art of practice (organizational alignment around measurement)..."

Citizen Input: Recognizing the importance of the customers' perspective, a core element of the Performance Measurement Program has been a focus on customer satisfaction. For many years Driver and Motor Vehicle Services has been conducting customer satisfaction surveys to get feedback from field office customers around the state. Highway maintenance crews have been seeking input from their customers on a statewide scale for the past three years. On a larger scale, The Gallup Organization, conducted four surveys for ODOT over the

last three years to gain insights from the public about travel habits, transportation priorities, views about the state gas tax and general perceptions about ODOT.

IV. Proof That it's Working

Performance measures is more than a programmatic process, it has evoked cultural change within ODOT's organization. Prompted by performance measures and the focus on efficiency and effectiveness, ODOT's senior management team has streamlined the organization's management ranks with 400 less managers. Our infrastructure has changed to be more outcome and customer oriented, realigning our labor resources to support our new focus. According to the latest Gallup Organization survey, 83% of our customers were satisfied with ODOT's management of the infrastructure with an overall customer satisfaction of ODOT's services at 85%.

V. Validation Through Transferability

Success can be judged internally in how ODOT has mastered the use performance measures for continuous improvement. If imitation can be considered a measure of success externally then ODOT can be proud:

Other Oregon Agencies: ODOT has taken the lead to train more than 115 Oregon state agency coordinators on our process. To date, 30-40% of these agencies are managing with performance measurement. This captured the attention of our state executive body, Department of Administrative Services, to pursue what now is known as Senate Bill 1130. The highlight of this bill provides budget incentives to those state agencies that demonstrate savings through management decisions supported by performance measures. Agencies are able to retain 50% of those savings to reinvest in training or equipment for their employees.

Other States: After having visited ODOT and reviewing our methodology, the New York Department of Transportation implemented performance measurement for their maintenance function. As follow-up, New York DOT hosted several different testimonials from ODOT's Deputy Director and Chief Information Officer, a Performance Measurement Program Manager, and a Front-line Manager as a part of their continuous education and review.

Federal Agencies: Recently, ODOT received honors from the U.S. Army Corps of Engineers for our effort in transferring our program methodology to Corps performance measurement experts. Over the past year, ODOT collaborated with the Corps on the implementation of performance measurement within their Operations and Maintenance business. The successful partnership resulted in 75 facilitators trained on the performance measurement methodology, 10,000 employees involved in the development of performance measures, and the

development of the Validation/Verification filters that both the Corps and ODOT will use. At the national level, the accomplishment that the Corps has achieved is being used to exemplify that other federal level agencies can also achieve the same success.

VI. Conclusion

The value of any performance program relies on the demonstrated use. As evidence, ODOT's director uses performance measures contained in performance plans to hold managers accountable for program results. He also illustrates the relationship of performance measures to department mission and goals in employee forums throughout the state, demonstrating management policy and decisions based on information. The following are a few examples of how ODOT managers follow the director's lead:

- ⇒ A major program, project selection and development, built a case for reengineering their process on past performance data and now seeks an improved process via performance measures.
- ⇒ An ODOT district merged their maintenance function with the county, sharing resources to improve efficiency and increase level of service.
- ⇒ A maintenance crew, previously disillusioned in the value of performance measures, developed a unique format that allows them flexibility in the visual display of their performance measurement data. This has enhanced their ownership and use of their measures, generating excitement in their work planning and monitoring of results. It has since become the template to roll out to the rest of the maintenance crews.
- ⇒ Outcome Indicators
 - Pavement Infrastructure condition went from just over 50% to over 80% fair or better
 - Organizational Efficiency
 - * Management layers decreased from 9 to 5
 - * Eliminated one-third of all management positions
 - * "Doing more with less" (Over the past 10 years, revenues have increase by 13% while workforce was decreased by 5%)

"Highway revenues must not only be sufficient to meet costs but must, in addition, be warranted and backed up by corresponding *benefits* else the setup eventually collapses for lack of public support and sanction", from *The Economics of Highway Planning*, a 1937 ODOT technical bulletin. Building on our forefathers' vision, ODOT has taken the lead to bring our focus back to customers, quality products & services and performance accountability.

Performance Based Budgeting: Can It Really Be Done?

Craig L. Holt

Oregon embarked on a "standard" process to be used to develop performance measures, modeled after a successful pilot program.

When asked recently to make a presentation on the topic of performance management, I enthusiastically agreed, eager to share my experience on the methodologies that I had "experimented" with over the past few years. The state of Oregon has been a nationally recognized leader in the areas of benchmarking and performance measurement and had broken ground in the arena of truly performance based budgeting. In fact 10 percent of the state's general fund budget was allocated to outcomes tied to performance—Oregon benchmark initiatives—by the 1993 legislature.

Further, the Oregon legislative assembly had mandated linkage of mission, measures, and objectives for each budgetary program unit. I was ready to "preach" with missionary zeal about our success and ready to motivate all who cared to be in the room to a higher calling! It was at that moment that I had a flashback to a legislative presentation I had given. I was giving testimony to our legislative ways and means committee, when I was asked directly and specifically:

I'm not so much interested in your strategic measures (Oregon benchmarks); what I want to know is are you actually measuring your performance at the work group level, and where's your proof?

Fortunately we had the proof and our budget was approved! We also tied our strategic measures to our operational measures and had to work to get our legislative committee to engage in the strategic discussion.

Some agencies had similar experiences to ours, others were different, wanting a thorough discussion of the Oregon benchmark implications, while others were into a "line item" discussion, talking about out-of-state travel, dues and subscriptions, and the like.

It was upon that reflection that I began to wonder whether the public sector can ever truly move to performance based budgeting, or whether the political environment is so unique that this concept could never be applied—at least successfully. But it was time to perform, i.e.,

the present, and these thoughts would have to be explored at another time.

That time came shortly after, when a professor of public administration approached me after my performance (I mean presentation) and asked if I would be interested in writing an article about performance based budgeting, based on my experience working with many federal and state bodies; I took the challenge!

To begin, I think it's important to put in context the process the state of Oregon has used to develop Oregon benchmarks—standards for measuring statewide progress and institutional performance, and performance measurement—outcome-based measures of performance.

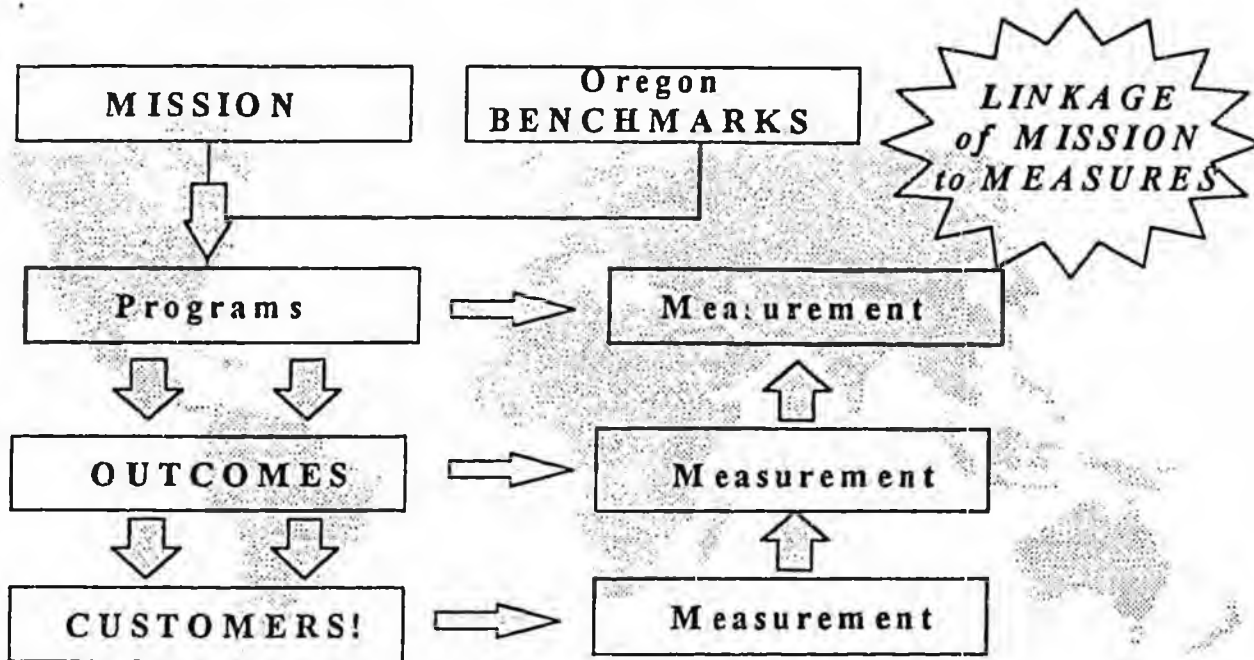
Oregon Benchmarks

These measures were driven by an economic development focus, largely from 12 key industry advisory groups. Hundreds of citizens were involved in refining these measures of strategic indicators of statewide significance. The Oregon state legislative assembly adopted the benchmarks in statute and a governor's task force recommended integration into all aspects of government. There are now three primary categories of benchmarks: for people, quality of life, and the economy. If recognition is any indicator of success, the Oregon benchmarks were a 1994 winner of the Innovations in State and Local Government Award, presented by the Ford Foundation and the Kennedy School of Government at Harvard University.

Performance Measurement

The state of Oregon embarked on a "standard" process to be used to develop performance measures, modeled after a successful pilot program at the Oregon Department of Transportation. Key aspects of the process include:

Craig L. Holt is the chief information officer, Oregon Department of Transportation.



Oregon Department of Transportation - Craig Holt

- measurement of results, not activities;
- team-based measures, not individual measures; and
- comparisons made to industry or three-year averages.

Affected work groups, through a facilitated process, developed their specific measures. The training of all state agencies (110+) followed a three-month process, complete with facilitators and mentors, and was conducted in four phases. The entire process took 18 months and was done with no increase in staffing or use of external consultants!

A key aspect of these two processes is the linkage between the mission of an organization, the Oregon benchmark ties, program alignment with the mission, identified outcomes that flow from the programs, and clear linkages of program outcomes to customers. The above graphic pictorially demonstrates the linkage.

Current Status

At most recent count the number of state agencies that employ results-oriented performance measures stands at 39 percent, up from 25 percent in 1992. This demonstrates that the use of performance measures has lived beyond the "program du jour" orientation to management change initiatives. Oregon's ranking in *Financial World Magazine's* annual appraisal of state governments has moved from 17th in 1991, to 7th in 1993. (Note: 1994 information is not available at the time of this writing.)

The president of the United States' budget narrative for 1996 includes a results-oriented approach to intergovernmental service delivery. Under the redesigned system—which reduces red tape and administrative burdens for state and local governments—the state (Oregon) will set clear

performance goals for government programs and hold itself accountable for achieving results. This is a national pilot, agreed to at a signing ceremony between Vice President Gore and Governor Roberts in Washington, DC this past fall.

Key Culture Change Events

The governor's budget and management (BAM) group moved to a position of coaching state agencies on the proper use of performance measures, resisting the urge to find fault with initial measurement efforts by some state agencies. BAM worked with some agencies for over a year, helping them understand good performance measurement. Part of the coaching include mandatory attendance by agency directors at several all-day training sessions on performance measurement. Further, agency directors were requested to appoint an agency coordinator for performance measurement development.

State legislators were provided training on the linkage of Oregon benchmarks and performance measurement. Further, they were provided the same training the state agency directors received, with the explanation that all agency directors had been exposed to the same information. This, in my view, caused two very important things to happen. First, agency directors and legislators could now speak the same vocabulary regarding Oregon benchmarks and performance measurement. This alone saved much term definition time and created consistency between agency budget presentations. Second, it put agency directors in a position of understanding the importance of performance measurement in managing the performance of an agency. As with any endeavor of this magnitude, some agencies were very successful and others failed, of which more later in the lessons learned portion of this article.

State agencies were used as the focal point for change. Instead of beginning this process with a legislative mandate or directive from the governor's office, state agencies were used to teach other state agencies. This caused very candid discussions to occur about the use of performance measures, the process used to develop them, and any value that agencies had received from following the process, without fear of reprisal by the governor's office or the legislature. In my opinion this led to a more rapid acceptance and use of measurement to improve agency focus and performance.

Problems and/or Opportunities

As with any public agency life cycle, it begins and ends with the legislative assembly. The use of the "numbers" also falls into this life cycle. Some agency directors and legislators were quick to judge the numbers, picking out a single measure and focusing on why that specific measure was below baseline, when an examination of the remaining measures would provide an explanation. This created both opportunities and problems. In one specific situation the ways and means committee co-chair took the opportunity to teach his peers on the use of a "family" of measures. It also created problems, in one case dropping down into line item analysis when the answer resided in a corresponding increase in another measure.

Lack of uniform understanding, though training was provided, also led to confusion and distrust. Agency staff would be talking about Oregon benchmarks and legislators would be looking for the operational measurement, and vice versa!

It takes time to change cultures and institutions. Oregon has a biennial budget and legislative process. Legislators are part-time, leaving the state scene for at least 18 months between sessions. With mostly institutionalized processes as the consistency to span the time not spent in session, it makes it that much more of a challenge to change those processes.

Accountability for demonstrated increases in program performance *must* be integrated into the management structure. The Oregon Department of Transportation has performance plans with all senior managers. The key accountability areas included in those plans are; producing and delivering results, staff development, changing the culture, and leading strategically. It's through this process that management is forced to lead the change in culture from entitlement to producing and delivering results.

As a preacher friend of mine once said, "when you have a key point that people don't want to hear, but they need to, you tells them, you tells them, and you tells them again." The truth of that statement rings loud as we move from a system of *getting* resources, to one of *stewardship* of resources. The above are some of the key problems/opportunities that I have observed or experienced. Each could warrant further discussion, but I have space limitation for this article, and I need to tell you about what's worked well.

What's Worked Well

I thought it only fitting that this article end on a positive series of notes. The following are my observations of what has worked well in this arena of performance based budgeting.

First, those who understood the alignment of mission to outcomes and measures, and who committed to use these as a tool to manage their organizations, were successful with the legislative assembly. One ways and means committee co-chair called a press conference after hearing an agency's presentation and stated that the agency had just set the standard of standards on how to manage a public agency.

The standard development process, though not completely understood by all, did create a common language of understanding around Oregon benchmarks and performance measurement. In some states only one, if any, expert existed to teach/develop good performance measurement information. Now literally hundreds of people in most states understand the concepts of performance measurement and accountability.

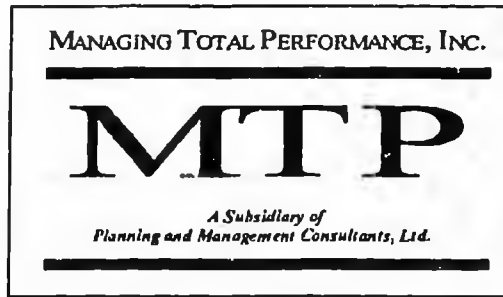
There is a much stronger linkage of agency mission to Oregon benchmarks than ever before. Along with this, there is more discussion around "alignment" than ever before.

Summary and Key Thoughts

The title of this article is Performance Based Budgeting: Can It Really Be Done? If you have stayed with the article to this point you might be asking yourself why the specific question wasn't addressed? Bottom line, I believe it *can* be done! I just shared with you what I believe to be the key aspects of organizational and institutional change that need to be addressed *before* trying to tie dollars to outcomes. Once an organization has a clear alignment of mission to customers, agreement with key stakeholders/legislators on this alignment, and good programmatic and operational measurement processes in place, *then* aligning the resources (inputs) to the products and services delivered by the organization (outputs) begins to function like performance based budgeting.

There are many obstacles that stand in the way of doing this, especially in the public sector. Yet who can argue that the current "process" of investing the public's money in those programs that reflect the many different perspectives that entangle public priority setting is working? Further, with a continued reduction in available funding becoming more like the norm doesn't it behoove the rest of us in public service to find some way to focus the public policy debate on "good investments" versus "program spending?"

I would propose to you that we cannot engage the public policymakers in an meaningful discussion if we haven't *first* prepared our organizations. Any attempt to do so would be meet the same fate as other management initiatives...and who doesn't still use quality circles? ★



Craig L. Holt
President

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Resume

Key Qualifications:

Mr. Holt is a National Expert in the field of Government Accountability, with respect to Performance Management & Measurement. Craig is sought-out by many state and federal agencies and associations to present his models and methodology, and was quoted in the Vice President of the United States National Performance Review (From Red Tape to Results, Creating a Government that Works Better & Costs Less - September 1993). The following is a sampling of the organizations Mr. Holt has served as a consultant and/or advisor to;

United States General Accounting Office (GAO)
National Performance Review (NPR)
National Association of Public Administrators (NAPA)
U.S. Army Corps of Engineers
State of Alaska - Office of Management and Budget
State of New York - Governor's Office

United States Office of Management and Budget (OMB)
National Council of Governor's Policy Advisors (NCGPA)
U.S. Department of Agriculture
U.S. Department of Transportation
State of Connecticut - Office of the Legislative Auditor
D.C. Financial Control Board

HONORS:

National Excellence Award (11/95) - LBJ School of Public Affairs, University Texas
Oregon Department of Transportation - Performance Management/Measurement Process

Investing in People Award (9/95) - Governor - State of Oregon
Oregon Department of Transportation - Performance Management/Measurement Process

Superior Civilian Service Award (6/95) - US Army Corps of Engineers - GPRA Pilot
Craig Holt - Assistance in Development of Corps Performance Measurement Process

Public Service Award-Special Recognition (5/93) - Public Employees Roundtable
Oregon Department of Transportation - Performance Management/Measurement Process

Investing in People Award (6/92) - Governor - State of Oregon
Craig Holt - Training ALL state agencies in the use of Performance Measurement Processes

Vision and Innovation Award (5/92) - Governor - State of Oregon
Craig Holt - Valuable assistance with State Performance Measurement Initiative

MEMBERSHIP of COMMITTEES and PANELS:

- 1993-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Standing Committee on Quality.
- 1994-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Business Process Reengineering Taskforce.
- 1994 Member of the National Council on Highway Planning & Research (NCHRP) Customer Based Quality in Transportation Panel.
- 1995-1996 Member of the National Academy of Public Administration (NAPA) Use of Benchmarking for Public Works Infrastructure Advisory Panel .
- 1994-1995 Member of the Oregon Transportation Quality Initiative Steering Committee.
- 1992-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Information Systems Sub-Committee

WORK EXPERIENCE:

<u>Month /Year</u>	<u>Name of Employer/POC Phone</u>	<u>Title</u>
11/95 to Present	Managing Total Performance, Inc. (503) 371 - 7224	President

Description of Major Assignments:

- Lead project team in a management review for the District of Columbia - Department of Public Works
- Project Director for 15 improvement projects within DC-Department of Public Works (\$6M),
- Developed Performance Contracting process for: DC Department of Public Works, New York State Education Department, Clark County Sanitation District, and South Dakota DOT,
- Developed IT Investment and Accountability Strategy for New York DOT,
- Developed the Information Resource Management prioritization process for NY State Education Dept.
- Developed Strategic Implementation Process for the DC Financial Responsibility Authority,
- Designed the Performance Measurement Process for the South Dakota Department of Transportation,
- Designed the Performance Measurement Process for the Santa Clara Valley Water District,
- Lead the Design and Implementation of the Strategic Planning process for NY Dept. of Tax & Finance,
- Designed the Customer Assessment process for NY Dept. of Tax & Finance,
- Developed Information Technology/Resource prioritization for Federal Trade Commission (FTC),
- Executive Coaching to the Commissioner and Deputy Commissioners at NY State Education Dept.,
- Executive Coaching to the Director and Administrators, for the DC Department of Public Works,
- Facilitated workshops with; the Colorado Transportation Commission, NY Board Of Regents, Salem Keizer School Board, Johnson County (KS) Commission, and the Alaska State Legislature,

<u>Month /Year</u>	<u>Name of Employer/POC Phone</u>	<u>Title</u>
2/92 to 11/95	Oregon Department of Transportation Information Services Division Don Forbes - Director (503) 743 - 3515	Chief Information Officer

Description of Duties/Accomplishments:

- Served as a member of the Senior Management Team (SMT) for ODOT
- Introduced Team Management to the Information Systems Organization.
- Developed and managed 11 direct report managers using Performance Plans.
- Implemented Strategic Information Planning through out ODOT .
- Integrated 4 separate Information Systems Organizations into One.
- Reduced the number of managers from 27 to 9, eliminating 2 layers of management.

4/91 to 11/95	Oregon Department of Transportation Information Services Division Don Forbes - Director (503) 743 - 3515	Manager - Office of Productivity
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Description of Duties/Accomplishments:

- Facilitated the Senior Management Team (SMT) of the Operations and Maintenance Program Directorate of Civil Works, for the U.S. Army Corps of Engineers.- A GPRA PILOT
- Facilitated the Senior Management Team (SMT) of the Directorate of Civil Works for the U.S. Army Corps of Engineers.
- Served as KEY facilitator in the reorganization of the Department of Transportation, involving the Senior Management Team(SMT) of the Department.
- Develop Methodology for Performance Measurement
- Develop Performance Measurement Information System
- Lead the development of Performance Measures for all department functions
- Assisted other State, Federal and other governmental entities in the development of Performance Measurement Systems and Methodologies.

7/90 to 4/91	Oregon Department of General Services Director's Office Dan Simmons - Director (former) (503) 363 - 2074	Assistant Director
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Description of Duties/Accomplishments:

- Developed the Strategic Planning Process, involving Mission, Major Functions, Goals , and Objectives. Facilitated the Senior Management Team (SMT) through-out the process.
- Served as a member of the DGS Senior Management Team (SMT).
- Developed a Customer Satisfaction Survey and Analysis Process
- Developed a performance measurement methodology and performance measures for 27 separate business functions at DGS, including Mission statements.
- Developed the State of Oregon Methodology to develop and implement Performance Measures for ALL State Agencies.
- Assist in Training of 100 state agencies in Performance Measurement development

**5/89 to 7/90 Oregon Department of Transportation
Office of the Chief Administrative Officer
Don Forbes - CAO (former) (503) 743 - 3515**

Manager, Management Info.

Description of Duties/Accomplishments:

- Developed and facilitated performance measurement seminars focused at Senior and Top Management, Middle Management, and Supervisors and Employees.
- Developed the Management Information Methodology and System to track performance within the Department.

**9/87 to 5/89 Oregon Department of Transportation
Planning Division - Preliminary Studies Section
Von Hemmert - former boss (503) - 378- 3707**

Preliminary Studies Engineer

Description of Duties/Accomplishments:

- Develop and managed the annual Performance Plan for the Preliminary Studies Section
- ODOT wide responsibilities for 5 programs, including Highway Performance Monitoring Program

**11/84 to 9/87 Oregon Department of Transportation
Planning Division - Systems Studies Section
Melvin Makin - former boss (503) 378 - 2645**

Senior Transportation Analyst

Description of Duties/Accomplishments:

- State of Oregon Liaison with the Metropolitan Planning Organization (MPO), including annual plan development.
- Project Management responsibilities to direct and lead teams of engineers and technicians in transportation planning, analysis, and forecasting.

EDUCATION & PROFESSIONAL REGISTRATION:

<u>Degree</u>	<u>Year</u>	<u>Institution</u>	<u>Major Field</u>
Bachelor of Science (Cum Laude)	1982	Oregon Institute of Technology	Civil Engineering
Associate of Arts	1979	Oregon Institute of Technology	Engineering
Professional Land Surveyor	1986	State of Oregon #2228	

Selected Readings on PERFORMANCE MANAGEMENT

- Caudle, S. L. Reengineering for Results: Update, Alliance for Reinventing Government, March 1995.
- GOVERNMENT REFORM: Goal-Setting and Performance (GAO/AIMD/GGD-95-130R, March 1995).
- Gore, A. Common Sense Government: Works Better & Costs Less. Third Report of the National Performance Review: Government Printing Office, 1995.
- Holt, C. L. "Performance Based Budgeting". The Public Manager, 1996, 24 (4), 19-21.
- Holt, C. L. "Gentlemen, this is a Football". Information Week, January 29, 1996, 96.
- MANAGING FOR RESULTS: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, December 1994)
- MANAGING FOR RESULTS: Experiences Abroad suggest Insights for Federal Management Reforms. (GAO/GGD-95-120, May 1995)
- MANAGING FOR RESULTS: Status of the Government Performance and Results Act. (GAO/T-GGD-95-193, June 1995)
- Measuring State Transportation Program Performance, NCHRP Report 357, Transportation Research Board and National Research Council, National Academy Press 1993.
- PERFORMANCE BUDGETING: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, February 1993)
- PERFORMANCE MEASUREMENT: An Important Tool in Managing for Results. (GAO/T-GGD-92-35, May 1992)
- PROGRAM PERFORMANCE MEASURES: Federal Agency Collection and Use of Performance Data. (GAO/GGD-92-65, May 1992)
- Posner, B.G. and Rothstein, L.R. "Reinventing the Business of Government: An Interview with Change Catalyst David Osborne." Harvard Business Review, 1994, 72 (3), 133-141.
- Using Performance Measures in the Federal Budget Process, Congress of the United States, Congressional Budget Office, July 1993.
- Moravec, M., "Bringing Performance Management Out of the Stone Age." Management Review: The American Management Association Magazine. Feb. 1996, 39-42.