Agenda

- Welcome
- Defining the problem
- Performance Measurement
- The Balanced Scorecard
- Measuring Government Performance
Defining the Problem

- Weak market signals
- Indirect impacts
- Broad and vague government goals
Performance Measurement
Why Performance Measurement?

- Rise in the demand for accountability
- The burden of supplying public goods
- Deceptive monopoly
- It works
Strategy is the Starting Point

We define strategy as an integrated set of actions consistent with a long-term vision of the business, to deliver value to a chosen set of customers with a cost structure that allows continued excellent returns. In this definition, every business is a value delivery system.
Limitations of Performance Measurement

- Law of unintended consequences
- Too much paper
- Too much time
- Measure what you measure
Performance Measurement provides the means to establish a common denominator for comparisons over time.

Performance Measurement is a way to gauge the direction and speed of change.

**Present State**
- Baseline

**Future State**
- Goals

**Overall Performance**
- Baseline
- Target
- Current Position

**Performance Measurement**
Balanced Scorecard
The **Balanced Scorecard** is a technique to align *Critical Success Factors*, Performance Indicators and Targets with the organization’s long-term *Business Vision*.
How to Measure Agency Performance

Business balanced scorecard approach
-- four perspectives:
- Customer
- Process / Product
- Financial
- Organizational learning
# Crosswalk Private Sector to Public Sector Balanced Scorecard

<table>
<thead>
<tr>
<th>Perspective:</th>
<th>Private Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>How do customers see us?</td>
<td>How do people who use our services see us?</td>
</tr>
<tr>
<td>Mission Accomplishment</td>
<td></td>
<td>Do our programs bring about intended results?</td>
</tr>
<tr>
<td>Process / Product</td>
<td>What must we excel at?</td>
<td></td>
</tr>
<tr>
<td>Organizational Learning</td>
<td>Can we continue to improve and create value?</td>
<td>Can we continue to improve and add value for our customers and stakeholders?</td>
</tr>
<tr>
<td>Financial / Operational Efficiency</td>
<td>How do we look to shareholders?</td>
<td>How do we look to taxpayers</td>
</tr>
</tbody>
</table>
Outputs, Outcomes, and Inputs

- Outcomes first choice for all perspectives
  - Increased life expectancy
  - Safety and security
  - Improved quality of life

- Outputs as proxies
  - Increased number of immunizations
  - Crime rates
  - Business formation

- Inputs as proxies
  - Expenditures on health care
  - Number of health clinics constructed
  - Number of police on the streets
Mission Perspective

◆ Is the organization accomplishing its mission?
  ◆ External to the entity
  ◆ Indirect impact
◆ Example: Has the quality of life improved?
◆ Measure: Per capita income, gross national product, new business formation.
◆ Example: Public works
◆ Measure: Pavement Servicability Index
Operational Efficiency

- Is the entity achieving its goals most efficiently?
  - Unit costs
  - Cost increases (decreases) over time
- Example: How much does it cost to operate the government?
- Measure: Government revenues per capita.
- Example: Judicial organizational efficiency?
- Measure: Cases adjudicated per staff.
Customer Service Perspective

- How does the agency look to its customers?
  - Citizens
  - Businesses
  - Visitors
  - Stakeholders – outside funding sources

- Example: Do people want to work live and do business in this country?

- Measure: Surveys, emigration, business investment, revenue from tourism

- Example: Risk Management

- Measure: Turnaround time for payment of claims
Organizational Learning Perspective

- Is the organization poised to continue improving?
  - New, more effective programs
  - Increases in efficiency
- Example: Are new approaches yielding more success?
- Measure: Percent of programs exceeding their evaluation goals, improvement in other measures, investment in training
The Balanced Scorecard should be adapted to suit the priorities of each organization. Sample Balanced Scorecard for a Government

**Mission Perspective**
- Business Growth, Improvements in Quality of Life
- Performance Indicators
- Targets

**Vision & Strategy**

**Customer Perspective**
- Prompt service, knowledgeable professionals
- Performance Indicators
- Targets

**Financial Perspective**
- Balance of payments, GNP, Per Capita Income
- Performance Indicators
- Targets

**Organizational Learning Perspective**
- Competent, Adaptable, Motivated Employees
- Performance Indicators
- Targets

**Publicly-financed organizations tend to emphasize “service” more than financial results.**

**EXAMPLE**
- Prompt service, knowledgeable professionals
- Performance Indicators
- Targets
The balanced scorecard approach has benefited organizations for a number of reasons

- Focuses on outcomes
- Measures from each perspective counterbalance measures from others
  - Customer and cost
  - Mission and customer
  - Organizational learning and cost
- Balances internal and external perspectives, leading and lagging indicators, and short- and long-term objectives
- Provides a foundation of continuous improvement
- Limits the proliferation of measures
Managers have discovered that the balanced scorecard has additional value as a strategic management tool.

- Organizations often have difficulty linking long term strategic objectives to short term day to day actions.

- Performance measures that focus on financial impacts only may bear little relation to achievement of long term strategic objectives.

- The financial focus alone may leave a gap between the organization’s strategic direction and its implementation plans.

- The balanced scorecard enables managers to introduce management processes that link long term strategic objectives with short term actions.
Measuring Government Policy
Measuring Government Performance

- Quality of life
  - Opportunity, safety and security, culture and leisure
- Business climate
  - Opportunity, tax structure, regulation, legal environment
- Tourist destination
- External investment
Possible Measures of the Impact of Government Policy

Overall economic growth
- Net capital formation
- GNP
- Per capita income
- # of firms that relocate to the region
- # of jobs created
- Customers voting with their feet
  - Businesses, tourists, citizens
Measuring Government Agency Performance

- Mission perspective
  - Health, education, security
- Operational efficiency perspective
  - Cost per unit of service
- Customer perspective
  - Cycle times, accuracy, consistency
- Organizational learning perspective
  - Effectiveness of new programs
  - Improvements over time
The Balanced Scorecard should be adapted to suit the priorities of each organization.

Sample Balanced Scorecard for a Water Department

**Customer Perspective**
- Complaint resolution times
- Accuracy of bills

**Mission Perspective**
- Availability, reliability and quality of water

**Financial Perspective**
- Cost per gallon
- Capital costs per capacity created

**Organizational Learning Perspective**
- Success with new ways of getting more water
- Continuous improvement in other measures

**Publicly-financed organizations tend to emphasize “service” more than financial results.**

**Example**
- • Complaint resolution times
- • Accuracy of bills

**Vision & Strategy**
Measuring performance is critical for tracking your progress.
Measures are meaningless if not linked to a larger strategic plan.
Balanced scorecard is a useful technique for organizing your performance measurement program.

- Balanced
- Limited