

Performance Measurement Basics for Strategic Plan Developers

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What & How

What...

- ...is a performance measure?
- ...should we be measuring?
- ...are the attributes of good performance measures?
- ...is the correct number of performance measures to have?

How...

- ...should we chart the data?
- ...should we analyze the information in the charts?
- ...do we set meaningful targets?
- ...does all this work with a strategic plan?

What is a Performance Measure?

A performance measure is a quantifiable expression of the amount, cost, or result of activities that indicate how well, and at what level, services are provided.

Performance measures provide a snapshot of current performance capabilities and track whether actual performance is getting better, staying the same, or getting worse over time.

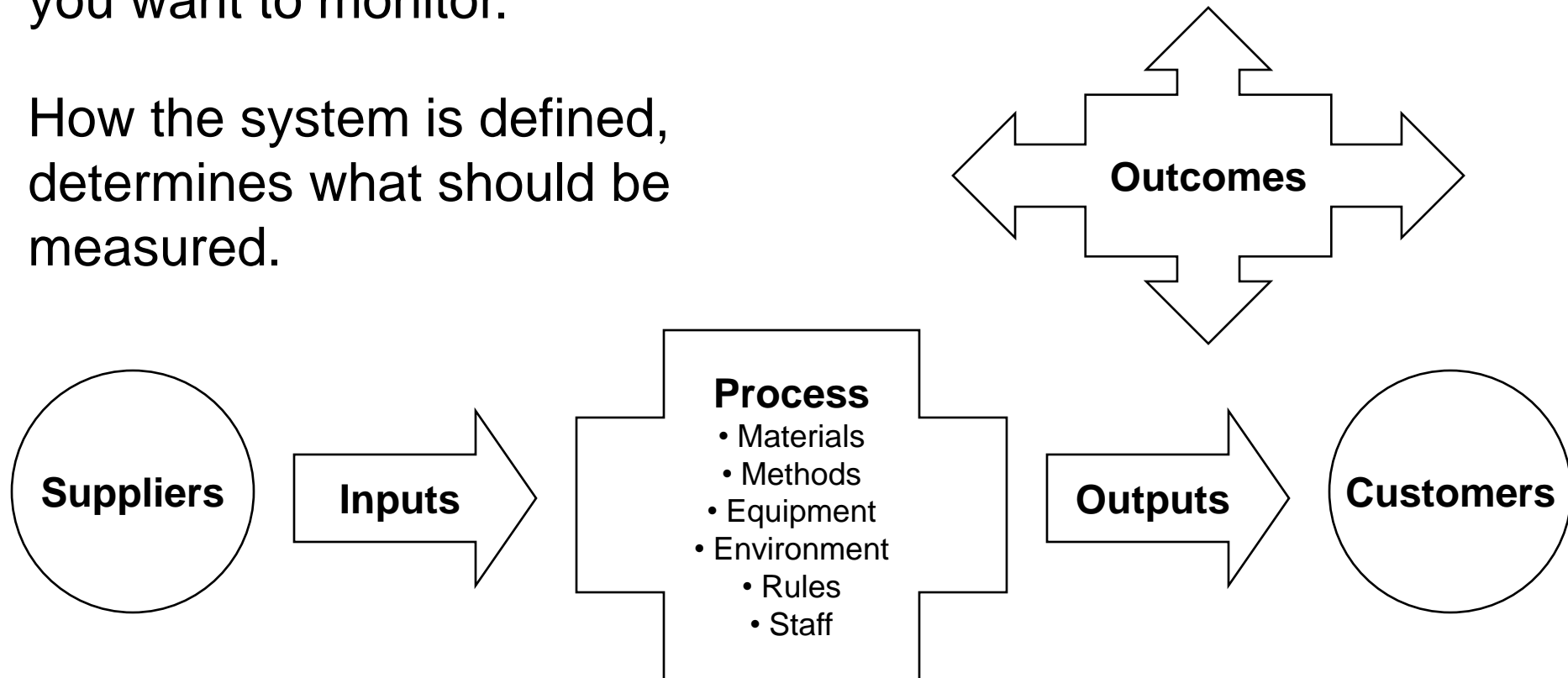
What isn't a performance measure?

- Statements of what you intend to do or how you intend to do it.
(Goals, objectives, and strategies)
- Performance questions that can be answered with a “yes” or “no”
- A timeline of when something will be accomplished
- The responses from a survey

What Should We Measure?

Knowing what to measure comes from understanding the work system you want to monitor.

How the system is defined, determines what should be measured.



What Should We Measure (cont.)?

- **Outcomes** – The purpose of the system. Why does anyone perform this work in the first place? What should be better if this work is done well?
- **Outputs (Widgets)** – The product or service is actually delivered or produced. How many can we make?
- **Customers** – The people who actually use the product or service produced. Does what we make/deliver meet or exceed our customers' expectations?
- **Process** – The way we make or produce our widgets. How long does it take us to make our product or deliver our service?
- **Inputs** – The raw materials/information needed to make or produce the widgets. How many requests for our product/service do we get?
- **Suppliers** - The people who provide the materials/information needed to perform the work. Do the inputs meet or exceed your quality standards (Workmanship, timeliness, etc.)?

What are the Attributes of Good Performance Measures?

Evaluation Criteria Definitions	
Relevance	Useful to an external audience of stakeholders to assess the level of accomplishment
Understandability	Clear, concise, and easy for a non-expert to understand
Comparability	Do the data, targets, and footnotes provide the reader with enough context to tell whether performance is getting better, worse, or staying the same?
Timeliness	Is the data current and reported frequently enough to be of value in assessing accountability and making decisions?
Consistency	Is the data collection method standardized and is the operational definition for data calculations adhered to?
Reliability	Is the information verifiable, free from bias, and a faithful representation of what it purports to represent?
Performance	Is actual performance in reference to the stated targets getting better, worse, or staying the same over time?

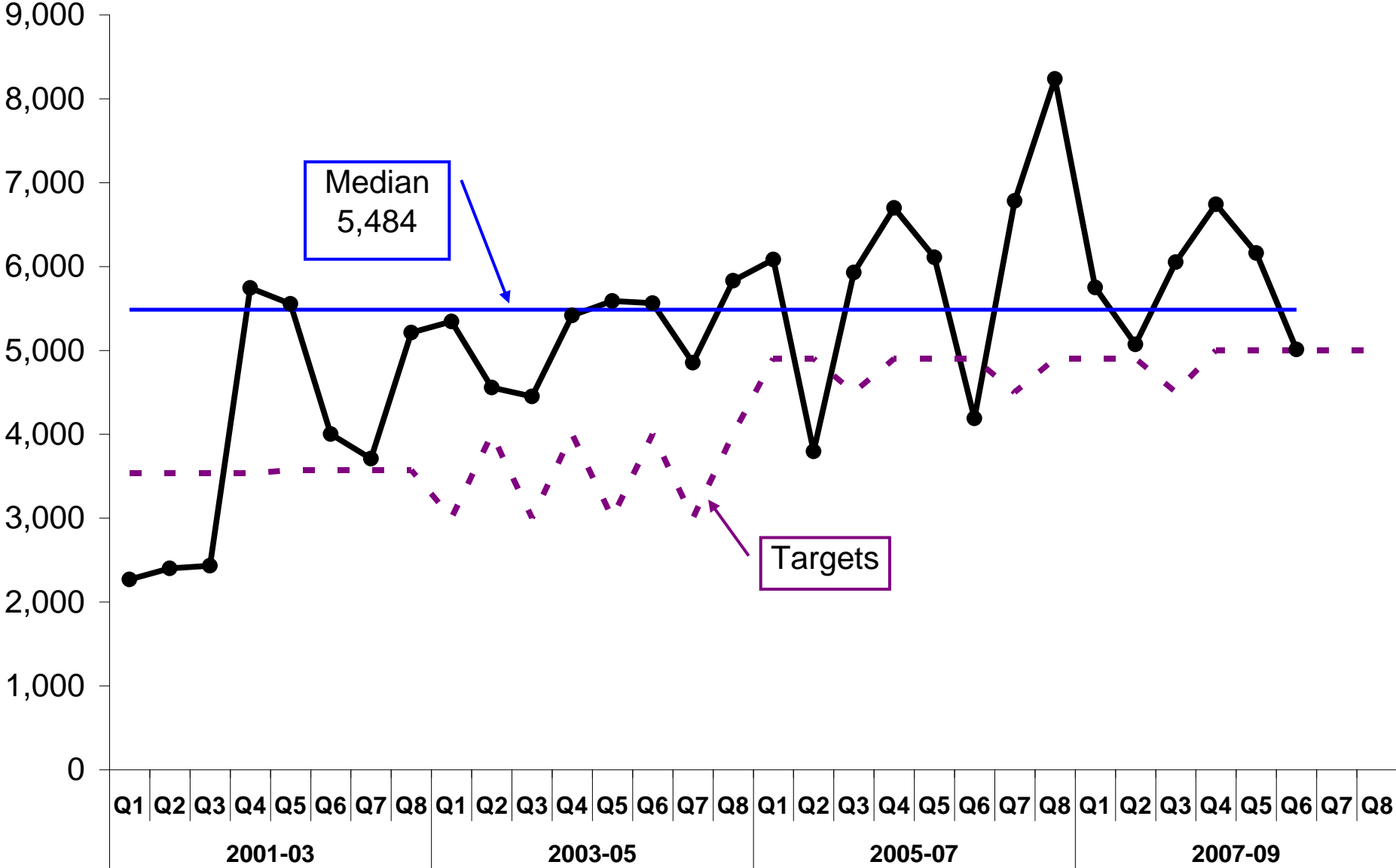
Needs Improvement to Meet Criteria Requirements

Marginally Meets Criteria Requirements

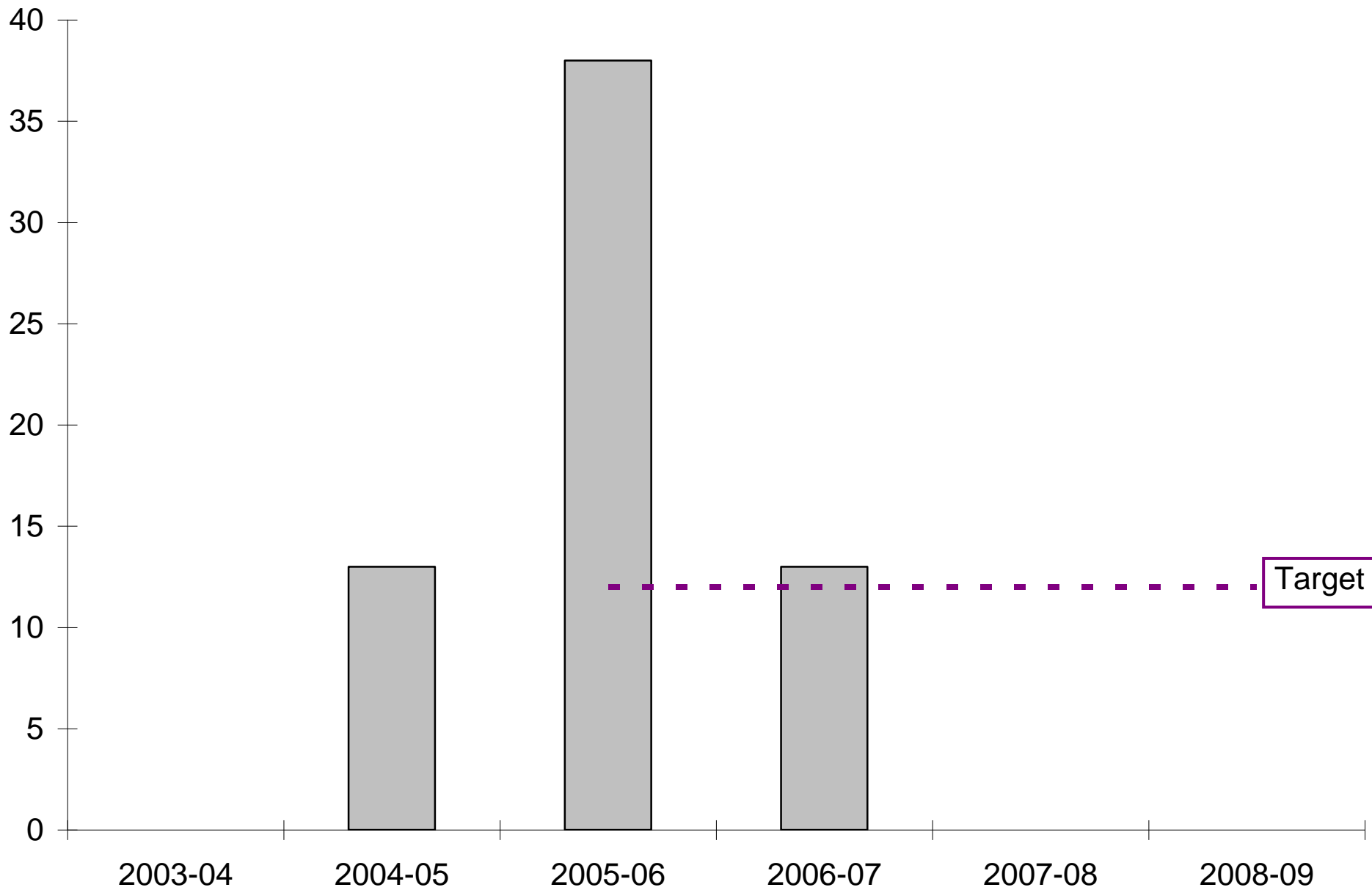
Meets or Exceeds Criteria Requirements

Agency & Performance Measure	Evaluation Criteria						
	Relevance	Understandability	Comparability	Timeliness	Consistency	Reliability	Performance
Gambling Commission – Number of Background Investigations							
Criminal Justice Training Commission – Number of Classes Offered for Prosecuting Attorneys							

1210 - Number of individual criminal background investigations completed by the Washington State Gambling Commission



5310 - Number of classes being offered for prosecuting attorneys



What's the Correct Number of Measures to Have?

Balance is more important than number, but most experts agree that a work unit can not effectively manage more than 10-15 performance measures. Try this on for size:

- One or two measures to tell if the work unit is accomplishing it's mission
- One or two measures to tell if the work unit's customers are happy
- One or two measures related to finances (budget or efficiency)
- A few measures to tell if the work is being done well
 - “How long does it take?” is a default measurement topic.
- One or two measures to track progress on initiatives to improve processes or develop staff.

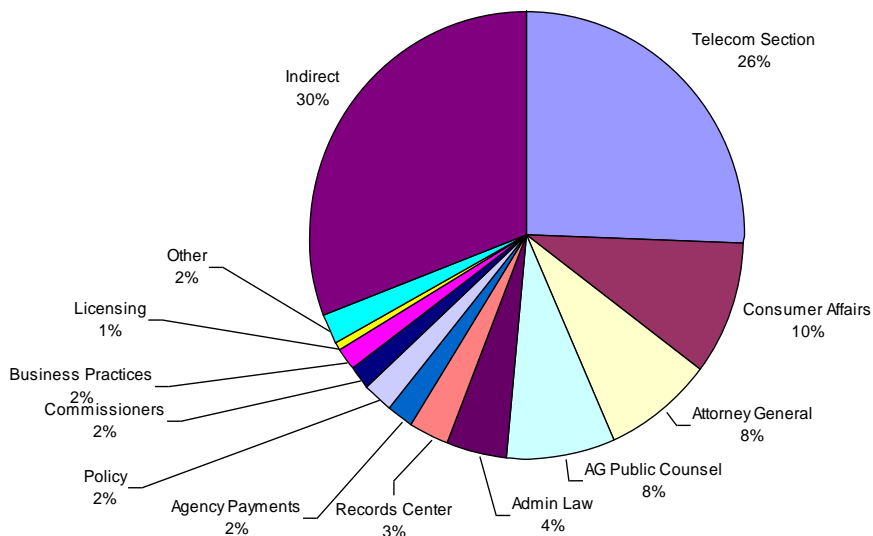
How Should We Chart the Data?

Here are some general guidelines to follow:

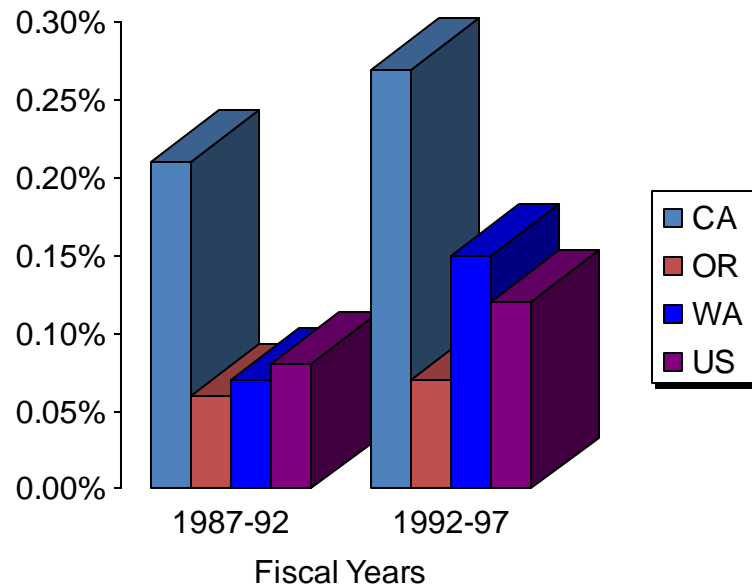
- Avoid Pie Charts
- Use a bar chart to make comparisons (<7 data points)
- Use a line chart to show performance over time (7+ data points)
- Don't use cumulated data
 - Current month's data added to the previous
- Avoid unnecessary colors, backgrounds, patterns. and designs - Less is more
 - Become a chartist, not an artist
- Avoid 3-d
- Long lists are better as a table
- Just because Excel can do it, doesn't mean you should.

**Expenditures on Telecom Regulation, By Section
July-December 2003**

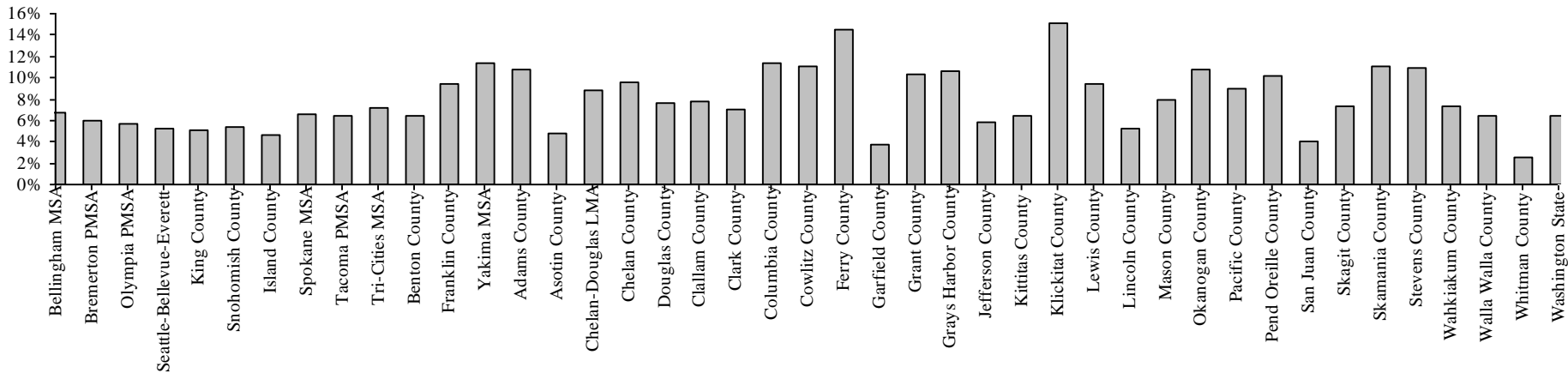
Total Expenditures (6 months) - \$2.5 million



**Percentage of Ag Land Converted
to Urban Development**



Washington State Resident Civilian Labor Force (2001 Annual Average by State and County)



Analysis & Targets – The Bead Box

Supervisor – A natural leader, good at motivating employees – Must be willing to accept the rewards and consequences for their team’s performance. Must be able to operate a stopwatch.

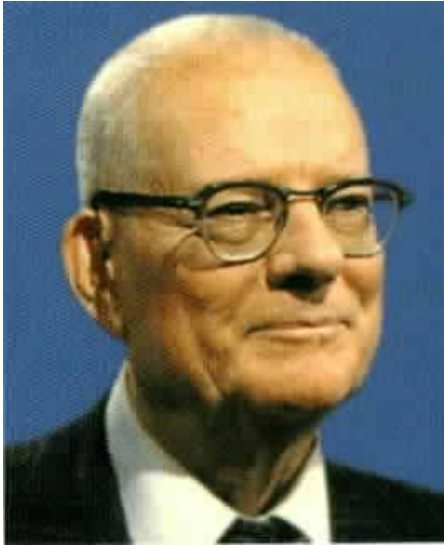
Inspector – Must be able to see the color yellow and count to 15.

Recorder – Must be able to calculate the average of 3 numbers and the average of 12 numbers. Must be able to make a simple bar chart.

Willing Worker – Must be able to perform the task of “making yellow beads” precisely according to the established procedure.

1. Hold the bead box upside down, and clear the trap by pressing the white button
2. Flip the bead box over, and shake it precisely 5 times
3. Place the bead box on a level surface, and press the white button once
4. Flip the box upside down and show it to the inspector
5. Hand the bead box to the next willing worker

Debriefing the Bead Box Exercise



Dr. W. Edwards Deming

Anybody can achieve almost any goal by:

- **Redefining the terms**
- **Distorting or faking**
- **Running up costs**

“Numerical goals lead to distortion and faking, especially when the system is not capable of meeting the goal. Anybody will meet the quota (goal) allotted to them, especially if they are not responsible for the losses generated.”

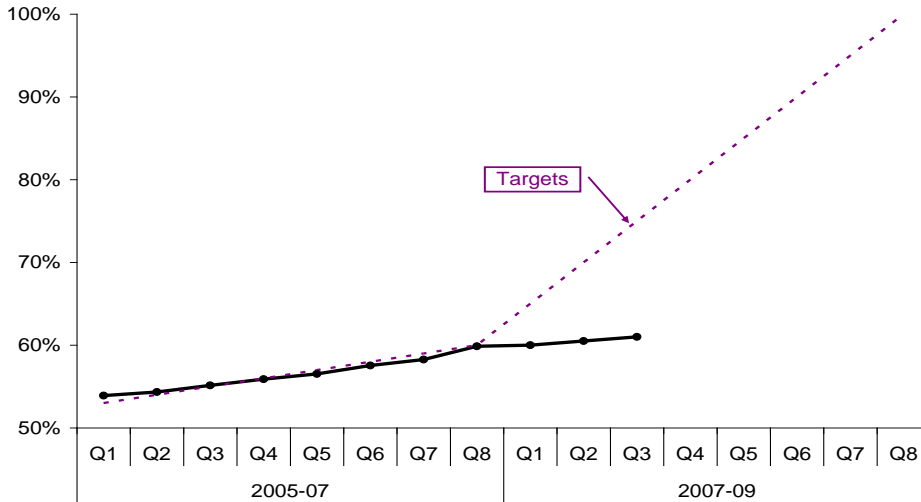


Darth Vader

“Perhaps I can find new ways to motivate them?”

Beyond “Stretch” Targets

0310 - Percent of the artifact collection inventoried (Cumulative)



The museum has an audit finding stating that a large portion of the historic collection is not inventoried.

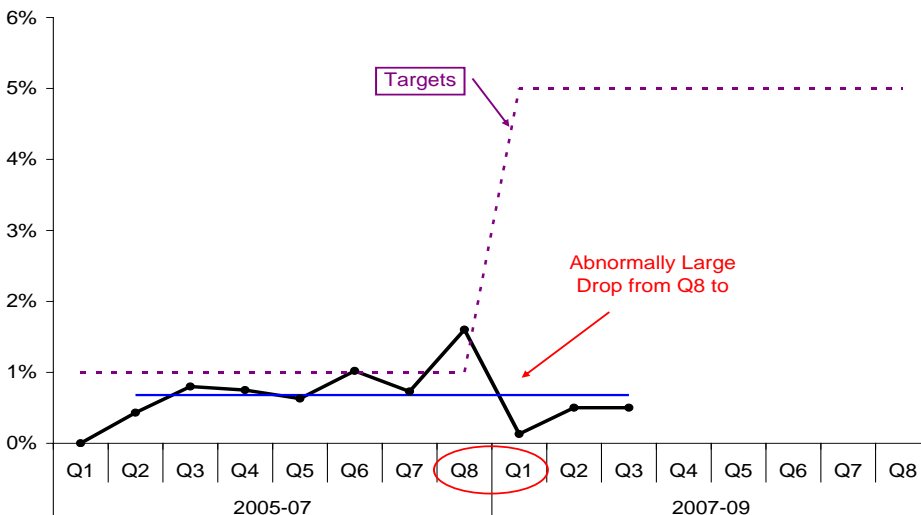
The museum has set a “stretch” target to get 100% of its collection inventoried by the end to 2007-09.

In order to accomplish that target, the museum needs to average inventoring an additional 5% of its collection every quarter.

They currently average inventoring an additional 0.7% of the collection every quarter

Unfortunately, additional resources are not available to assign to the project.

0310a - Additional amount of the artifact collection inventoried every quarter



What do you think is the likelihood the target will be achieved by the end of 2007-09?

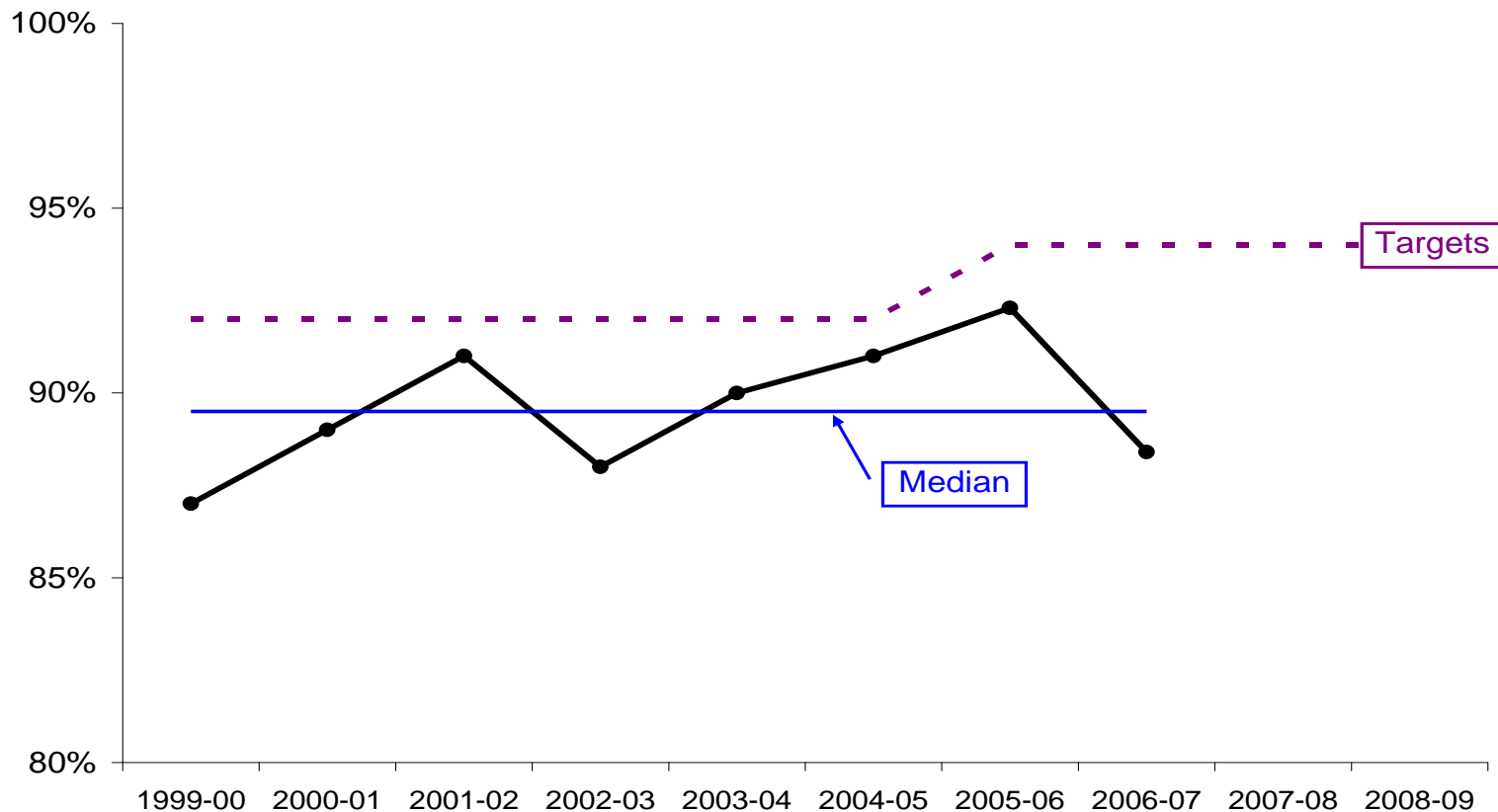
As the gap between actual and targeted performance grows, what pressures and temptations will the management and staff face?

Capability

A process is considered *capable* if all the past, current, and likely future data meet or exceed targeted levels.

- How often is it not meet or exceed your performance targets?

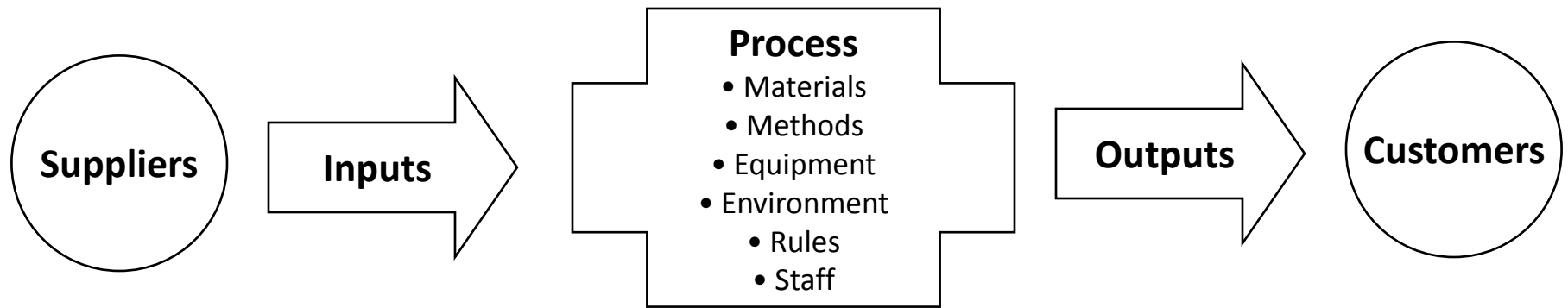
4030 - Percentage of Licensed Businesses in Compliance with Laws Prohibiting Tobacco Sales to Persons Under Age 18



Managing Capability

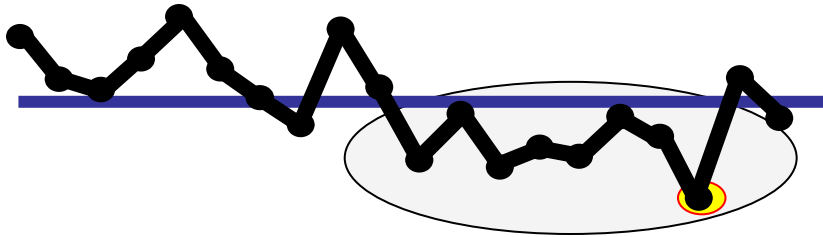
If the actual performance is ***not capable*** of meeting or exceeding the target every time, you really only have **three** management options:

- 1. Change the target – Lower customer/stakeholder expectations***
- 2. Fundamentally change how the work is performed***
- 3. Do one of those things Dr. Deming mentioned***

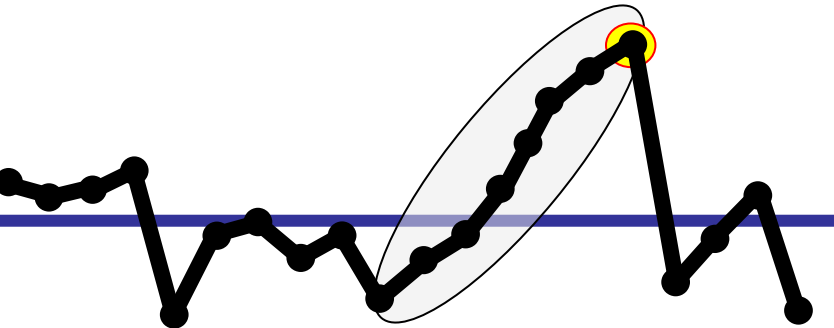


“All of the empowered, motivated, teamed-up, self-directed, incentivized, accountable, reengineered, and reinvented people you can muster cannot compensate for a dysfunctional **system**. When the **system** is functioning well, these other things are all just foofaraw. When the **system** is not functioning well, these things are still only empty, meaningless twaddle.” *Peter Scholtes*

What Does Change Look Like?

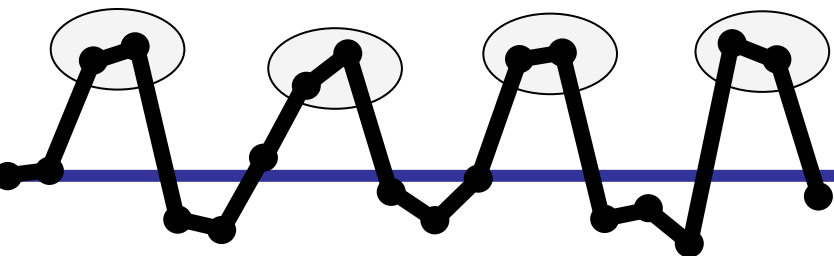


Process-Level Shift: Eight or more successive points on the same side of the median (baseline)



Trend: Seven or more successive points in the same direction (increasing, decreasing, or staying exactly the same)

Warning: Seeing a trend can depend on your sampling frequency



Non-Random Variation Patterns: Look for repeating cycles and clusters

Don't look too hard for these – If they are present they tend to jump off the page

Targets & Strategic Planning

1. Is current performance capable of meeting customer/stakeholder/management expectations?
2. If no, how much improvement will be needed and by when?
3. Is improvement in this area one of the top organizational/management priorities?

If no – SET the TARGET WHERE CURRENT PERFORMANCE is 100% CAPABLE, and deal with it!

If Yes...

4. What are the root causes for the performance gap?
5. What is the best theory for how to fundamentally change how the work is performed?
6. What resources (Time, staff, budget, etc.) will be needed to make the change?

References & Inspiration

- T.S. (Steve) Marshall & Associates
 - Classes: *Performance Measures, Communicating with Data, and Understanding Data* (Available at DOP for those who need more detailed information)
 - QA Charts – Automated charting tool
- Government Accounting and Standards Board (GASB)
- Office of Financial Management Instructions