

Performance Working Group: Continuous improvement – measures and targets



MAY 4, 2018



Today's agenda

Topic	
Where to?	Defining our objective
Why?	Reaffirming importance of measures to delivering impact
Where have we been?	Reviewing our effort so far
How (Part 1)?	Defining performance measures
How (Part 2)?	Setting performance targets
What?	Updating program description forms
Who?	Identifying critical roles
When?	Previewing the 2018 calendar



Our objective

Missouri will be among the top tier of all state governments...

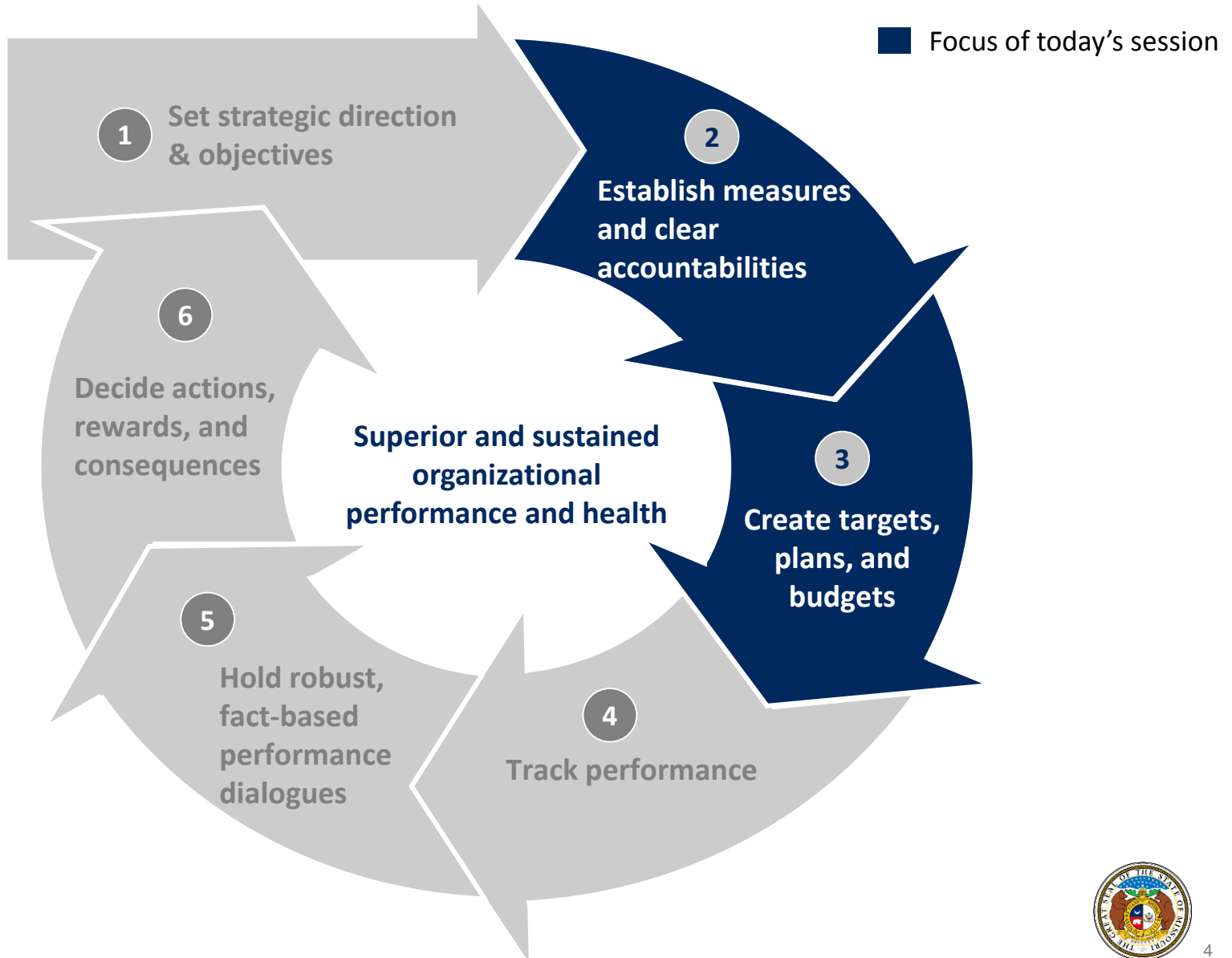
... for its strategic, performance, and fact-based, approach...

... to decision-making and budgeting...

... that delivers impact for our citizens



Achieving superior and sustained organizational performance and health requires a disciplined, data-driven process





Our story so far...

August 17, 2017 – Performance Working Group: “Introduction to performance measures and program budgets”

August 25, 2017 – Training video release: “Introduction to performance measures and program budgets”

August 31, 2017 – Team training: “Introduction to performance measures and program budgets”

September 8, 2017 – Team support session: Problem solving help to finalize Program Descriptions

September 15, 2017 – Departments submit their Governor’s Recommendation FY19 for printing for the October 1 statutory deadline with separate template listing status of Measures (new; existing-good; work-in-progress)

September 28, 2017 – Performance Working Group: “Successes, challenges, and continuous improvement in measures”

October 1, 2017: Departments transmit initial FY19 requests to OA Budget & Planning and the General Assembly

October – December, 2017: Ongoing problem solving to continue to develop and refine program measures

December 15, 2017 – Departments submit Program Description updates for Governor’s FY19 Budget reprint

March – April, 2018: OA B&P begins discussions to identify revisions to Program Description Forms





Our design principles

- **Aim high – top tier among all state governments**
- **Support fact-based decision making and budgeting**
- **Reinforce accountability for program design and delivery**
- **Collaborate and help each other**
- **Develop new muscles**
- **Build together while in flight**





Good measures are the foundation for fact-based performance management

Purpose of measures

- Provide a **quantifiable or sometimes qualitative metric** that reflects how well an organization is achieving its stated goals and objectives
- Clarify a **program's objective** or what it is really aiming to accomplish
- Help leaders, staff, and stakeholders **focus on what matters most strategically** and what they need to accomplish for the year
- Provide **transparency** for decision making and public communication
- Establish a **fact-based foundation** for performance management – including resource allocation decision making

Key points to remember

- It is better to start with a “good enough” measure rather than wait for perfection
- If data for a good measure is currently not being collected, start with what you have while putting in place data collection for the new measure (e.g., a new citizen survey)





Good measures follow the “SMART” principle

Simple

- Does it have a clear definition?
 - Is it straightforward and easy to understand?
-

Measurable

- Is it easy to measure?
 - Do we have or can we collect the data required?
 - Can it be benchmarked against other organizations or outside data?
 - Can the measurement be defined in an unambiguous way?
-

Achievable

- Do we understand the drivers that are behind the measure?
 - Can the team responsible for the measure actually influence it?
 - Can we mitigate the impact of drivers beyond our control?
-

Relevant

- Is the measure aligned with the department’s strategy and objectives?
 - Is the measure relevant to a program’s specific goal?
 - Does it support other higher-level objectives (e.g., themes)?
-

Timely

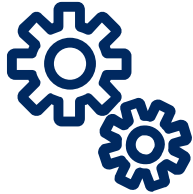
- Can the measure be monitored at a frequency that enables the team to take action based upon the information and affect the measure?
- When will we monitor it? Can the measure move between periods?





Measures should evolve from activity-focused to impact-focused

Measures can tell you about:



Activity: Is the organization doing what it said it would do?

- Example: Frequency, rates, numbers of actions completed, etc.
- *How many of our program managers have been trained in the new approach to Program Descriptions and Measures by the next budget cycle?*



Quality: Is the activity done well?

- Example: Satisfaction levels, assessment against benchmarks, etc.
- *How did they rate the quality of the training and value add at time of training and 6 months later?*



Impact: Does it deliver? Is the activity causing meaningful impact?

- Example: Outcomes, effectiveness, etc.
- *How many of Program Descriptions are updated with meaningful Measures and Targets by October? Do the Governor's Office and OA Budget & Planning see improvement in the quality of measures in the updated Program Descriptions and were they useful during budget reviews?*



Efficiency: Is it worth it? How much effort is invested to achieve the impact?

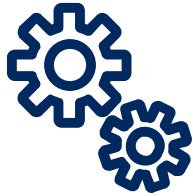
- Example: Productivity
- *How many hours were invested in the effort (e.g., training, problem solving, revising documents) relative to the outcomes achieved?*





Example: Potential measures for growing a vegetable garden

Objective: Your children want to grow a vegetable garden to earn extra spending money



Activity: Are your children doing the work?

- Area of soil tilled in a day
- Number of seeds planted in a day
- Number of seeds watered in a day



Quality: Are your children doing the work well?

- Germination rate of seeds during first month (i.e., indicates % of seeds planted at right depth, cared for properly, etc.)
- Ratio of productive to non-productive plants



Impact: Is the garden providing vegetables and then spending money?

- Number or volume of vegetables harvested during season
- Amount of profit (revenue minus costs) earned by selling vegetables during the season



Efficiency: Was the effort worth their effort?

- Ratio of \$/hour of work by the end of the season – and its comparison to your children's other alternative sources of income





Targets show whether a program is on track or not

Purpose of targets

- Set **clear and transparent expectations** for performance
- Get everyone on the same page through **agreement on what constitutes good and bad performance**
- Prevent **surprises or consequences**
- Help leaders, staff, and stakeholders **focus** on exactly what matters most – i.e. results – and what they need to accomplish for the year
- Clarify **accountabilities** or **ownership**, which increases the probability of delivery and improves organizational alignment

Key points to remember

- Targets should be practical and specific
- Targets should roll up so that they would “move the needle” on a strategic priority
- Try to set individual program targets at two levels – base (minimum acceptable) and stretch (truly distinctive)





Design principles for performance targets

Design principles	Description
Strategic	<ul style="list-style-type: none"> Targets should link to overall organizational priorities
Stretch	<ul style="list-style-type: none"> Targets should be realistic but also expand the “art of the possible” beyond current performance
Benchmarked	<ul style="list-style-type: none"> Internal (organization’s performance, strategic plan, historical trends) and external (other organizations’ performance) benchmarks should be explored to set appropriate targets
Simple	<ul style="list-style-type: none"> Targets should be reported using simple, standardized templates to make easy the consolidation and comparison of information
Dialogue	<ul style="list-style-type: none"> Discussions between senior leaders and division and program leaders should inform target setting; for accountability, each individual/team should acknowledge feasibility and commit to target
Consequential	<ul style="list-style-type: none"> Meeting or not meeting expectations should result in real consequences for accountable group (e.g., resource reallocation)





Performance targets can be set using a combination of approaches



Most common

Approach	Description	When to use
External benchmark	<ul style="list-style-type: none"> Other organizations' performance under similar operating conditions is used to develop aspirational targets 	<ul style="list-style-type: none"> Organization is a below average performer with aspirational goal of becoming top tier, best-in-class Comparable organizations exist
Internal benchmark	<ul style="list-style-type: none"> Best period performance for comparable units under similar operating conditions is used to develop challenging targets 	<ul style="list-style-type: none"> Units have similar characteristics and can be compared Organization tracks performance and can share information across units
Transformational (top-down)	<ul style="list-style-type: none"> Step-change targets that require fundamentally redesigning the way work is done 	<ul style="list-style-type: none"> Organization must improve its performance through a step-change to survive or preserve support (e.g., program on verge of being discontinued)
Continuous improvement (top-down)	<ul style="list-style-type: none"> Consistent year-to-year incremental (e.g., 3%-5%) performance improvement targets 	<ul style="list-style-type: none"> Organization is already high performing
Theoretical limit (top-down)	<ul style="list-style-type: none"> Absolute limits used to set targets (e.g., technical limits, theoretical limits based on laws of nature) 	<ul style="list-style-type: none"> Organization possesses motivation and resourcefulness to drive toward the most challenging targets
Grass roots (bottom-up)	<ul style="list-style-type: none"> Managers at every level develop improvement plans and define achievable targets, then iterate to align plans with top-down need 	<ul style="list-style-type: none"> Organization depends on frontline buy-in, motivation, and ownership





These are not good measures and targets (from FY18 Budget Request)

PROGRAM DESCRIPTION

Department:	HB Section(s):
Program Name:	
Program is found in the following core budget(s):	
7a. Provide an effectiveness measure.	
7b. Provide an efficiency measure.	
7c. Provide the number of clients/individuals served, if applicable.	
7d. Provide a customer satisfaction measure, if available.	





Improvement example: DED International Trade – before (October 2018)

PROGRAM DESCRIPTION

Department: Economic Development
Program Name: International Trade and Investment Offices
Program is found in the following core budget(s): International Trade and Investment Offices

7a. Provide an effectiveness measure.

	FY2014 Projected	FY2014 Actual	FY2015 Projected	FY2015 Actual	FY2016 Projected	FY2016 Actual	FY2017 Projected	FY2018 Projected
Trade: \$ Amount of Export Sales	\$25.75M	\$68.3M	\$25.75M	\$48.9M	\$28.33M	\$45.46M	\$44.87M	\$48.91M
Trade: Number of In-Country Contacts Generated	1,028	11,018	1,028	3,822	1,131	7,103	4,832	5,273
Investment: Number of Leads Referred to DED	107	108	107	95	95	172	114	125
Investment: Number of Projects Referred to DED	35	40	35	33	36	60	41	46

7b. Provide an efficiency measure.

	FY2014 Projected	FY2014 Actual	FY2015 Projected	FY2015 Actual	FY2016 Projected	FY2016 Actual	FY2017 Projected	FY2018 Projected
\$ Amount of Export Sales	\$23.6M	\$68.3M	\$25.75M	\$48.9M	\$28.33M	\$45.46M	\$44.87M	\$48.91M
Cost of Foreign Offices	\$ 1,157,500	\$1,327,820	\$1,658,700	\$1,074,523	\$1,852,700	\$1,750,263	\$1,852,700	\$1,852,700
Cost Benefit to Achieve Results	\$ 0.05	\$ 0.02	\$ 0.06	\$ 0.02	\$ 0.07	\$ 0.04	\$ 0.04	\$0.04

Note: The International Trade & Investment Office's performance is measured in two key areas: Trade and Investment. The performance of each office is reported by Missouri firms in the form of a Client Impact Statement (CIS) once service is provided. The CIS reporting system was implemented in FY2010.

Note: Documented Export Sales are attributable to agency programs and marketing activities.

7c. Provide the number of clients/individuals served, if applicable.

	FY2014 Projected	FY2014 Actual	FY2015 Projected	FY2015 Actual	FY2016 Projected	FY2016 Actual	FY2017 Projected	FY2018 Projected
Number of Missouri Firms Assisted	554	511	441	265	485	508	362	484
Number of Trade Events Conducted	66	53	138	50	50	84	61	63
Number of Invest. Networking Events	11	40	20	41	20	32	32	32

7d. Provide a customer satisfaction measure, if available.

	FY2014 Projected	FY2014 Actual	FY2015 Projected	FY2015 Actual	FY2016 Projected	FY2016 Actual	FY2017 Projected	FY2018 Projected
Customer Satisfaction Rating	95%	97%	94%	95%	94%	92%	94%	95%

- Dense
- Hard to read
- Unclear why significant variations between projected and actual
- Unclear how to understand some of the numbers (big or small?)
- Unclear what “good looks like”

- Simple, clear



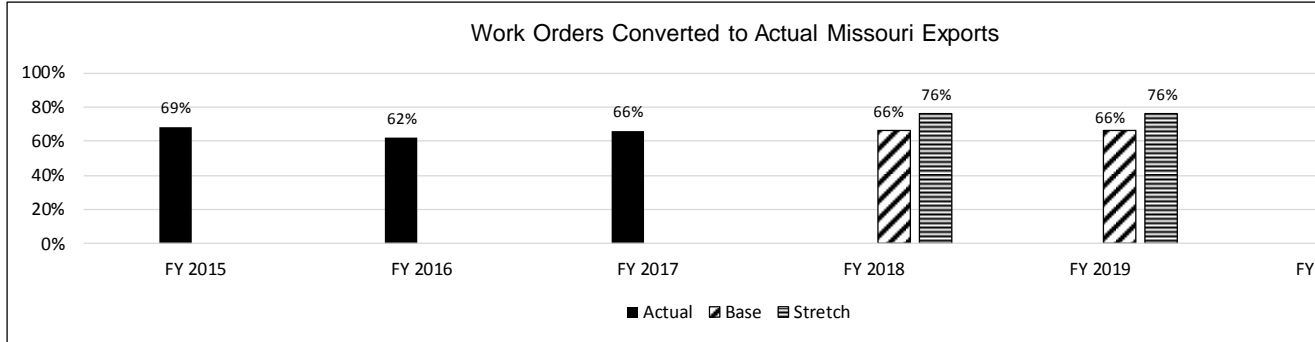


Improvement example: DED International Trade – after (1/2)

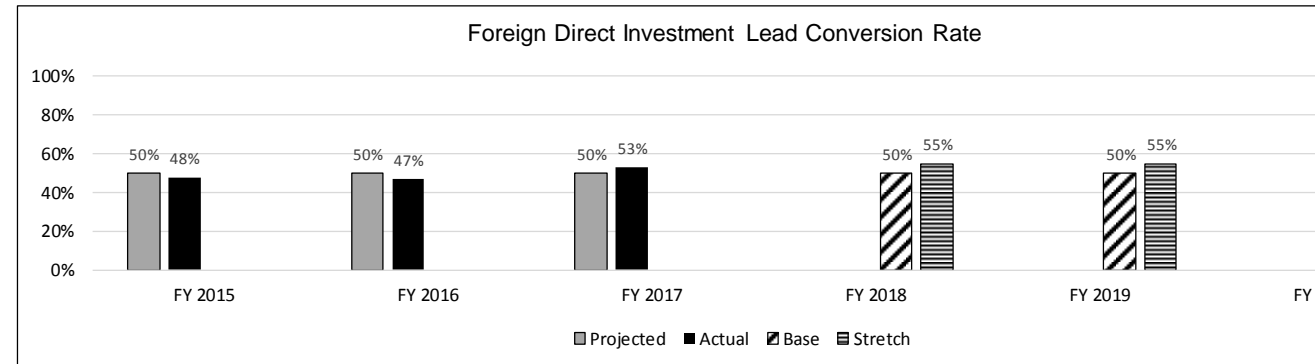
PROGRAM DESCRIPTION

Department: Economic Development
Program Name: International Trade and Investment Offices
Program is found in the following core budget(s): International Trade and Investment Offices

7a. Provide an effectiveness measure.



Note 1: Chart depicts the percentage of work orders (i.e., export assistance) done on behalf of Missouri companies that were converted to export sale.
 Note 2: Base target is average of previous 3 years and Stretch target is 15% increase in converted work orders over Base.
 Note 3: This is a new measure; therefore, Projected data for FY15, FY16 and FY17 is not available.



Note 1: Measures DED's success in generating foreign direct investment (FDI) by dividing the number of actualized FDI projects over leads generated by DED.
 Note 2: Base target is based on approximate average of previous 3 years and Stretch target is 10% increase in conversions over Base.

- Simpler
- Easy to read
- Clear explanation, including definition of base and targets
- More focused
- Provides base and stretch targets
- *Could a comparison to other states help define what "good looks like"?*
- *Should the volume be included too to prevent "gaming" of metrics (e.g., could decrease activity to increase success rate)?*



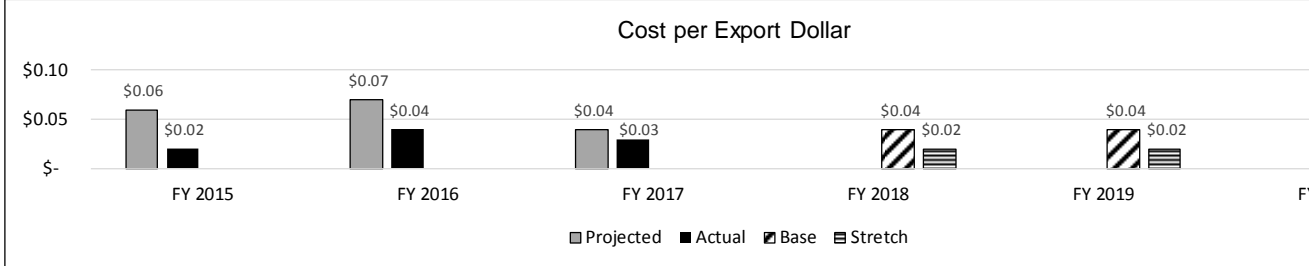


Improvement example: DED International Trade – after (2/2)

PROGRAM DESCRIPTION

Department: Economic Development
Program Name: International Trade and Investment Offices
Program is found in the following core budget(s): International Trade and Investment Offices

7b. Provide an efficiency measure.



- Simpler
- Easy to read
- Clear explanation, including definition of base and targets

Note 1: Chart depicts the cost of the Foreign Offices to bring back \$1 in export transactions to Missouri businesses.
 Note 2: Base target is aligned to FY 2016 Actual and Stretch target is 50% reduction in Base.

7c. Provide the number of clients/individuals served, if applicable.

	FY 2015		FY 2016		FY 2017		FY 2018	FY 2019
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Projected
Amount of Export Sales	\$25.75M	\$48.9M	\$28.33M	\$45.46M	\$44.87M	\$66.7M	\$80.04M	\$86.71M
Export Work Orders	441	265	485	508	362	595	484	530
FDI Leads Generated	107	95	95	172	114	125	144	156

Note 1: Export Sales include exports facilitated by DED's International Team; Missouri's total export volume was \$13.9B in 2016.
 Note 2: Export work orders are specific activities done on behalf of Missouri companies seeking to export.
 Note 3: Projected amounts are calculated by incremental increases near or above 10%.

- Unclear why significant variations between projected and actual
- Unclear how to understand some of the numbers (big or small?)

7d. Provide a customer satisfaction measure, if available.

	FY2015		FY2016		FY2017		FY2018	FY2019
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Projected
Customer Satisfaction	94%	95%	94%	92%	94%	96%	95%	94%

Note: Customer Satisfaction Rating is derived from the Client Impact Statement; a satisfaction survey completed by each client upon the completion of each work order.

- Unchanged: Simple, clear





Examples of where we are heading...and where to look for inspiration

Washington: <http://www.results.wa.gov/>

Wisconsin: <https://performance.wi.gov/>

Oklahoma: <http://okstatestat.ok.gov/>

Indiana: <http://www.in.gov/itp/2334.htm>

▪ Your teams and program leaders should leverage the best work of other states in developing measures, targets, and dashboards





Program Description Forms – they matter

Cabinet members

- Present program information at budget hearings
- Respond to questions from legislators

General Assembly

- Understand what the program does and its objectives, the program's costs and trends (i.e. stable, increasing, or decreasing)
- Assess program's effectiveness and efficiency
- Inform budget decisions

Budget and planning staffs (GA & Departments)

- Understand what the program does and its objectives, the program's costs and trends (i.e. stable, increasing, or decreasing)
- Assess program's effectiveness and efficiency
- Inform budget decisions
- Provide reference document for technical information

Citizens

- Understand what the program does and its objectives, the program's costs and trends (i.e. stable, increasing, or decreasing)
- Assess program's effectiveness and efficiency





Program Description Forms – suggested improvements

- Clarify how the program helps to achieve the department’s overarching goals and delivers impact to Missouri’s citizens
- Ensure that the program is accurately and succinctly described and written for a lay audience (i.e. without acronyms and jargon)
- Include activity measures that are of interest to the General Assembly
- Ensure that measures of the program’s quality and impact assess what the program is intended to achieve
- Include benchmarks wherever possible
- Eliminate duplicative measures wherever possible
- Improve communication through better formatting (e.g., bullets, spacing, underlining, etc.) and visual display of data (e.g., graphic charts vs. dense data tables)





Program Description Forms – revised format

PROGRAM DESCRIPTION	
Department _____	HB Section(s): _____
Program Name _____	
Program is found in the following core budget(s): _____	
1a. What strategic priority does this program address?	
1b. What does this program do?	

2a. Provide an **activity** measure for the program.

2b. Provide a measure of the program's **quality**.

2c. Provide a measure of the program's **impact**.

PROGRAM DESCRIPTION	
Department _____	HB Section(s): _____
Program Name _____	
Program is found in the following core budget(s): _____	
2d. Provide a measure of the program's efficiency .	
3. Provide actual expenditures for the prior three fiscal years; planned expenditures for the current fiscal year; and, when available, the Governor's recommended funding for the upcoming fiscal year. <i>(Note: Amounts do not include fringe benefit costs.)</i>	
<div style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Program Expenditure History</p> </div>	
4. What are the sources of the "Other " funds?	
5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)	
6. Are there federal matching requirements? If yes, please explain.	
7. Is this a federally mandated program? If yes, please explain.	



Critical roles to get work done by October 1

- Chief Operating Officer and OA Budget & Planning team**
 - Support Governor's Office review
 - Develop and implement training, feedback, and additional work sessions
 - Provide coaching and problem solving support

- Performance Working Group (comprised of department planning, budget, and measures leads)**
 - Role model by learning core elements and mastering approach
 - Participate actively in PWG sessions
 - Lead communication to "home" department

- Department-level and division-level leadership**
 - Reinforce importance and expectations of quality measures
 - Participate in final review and refinement of Program Description Forms/measures before submission

- Department-level budget and performance improvement teams**
 - Participate in work sessions to improve performance measures
 - Provide coaching and problem solving support to department program managers
 - Coordinate internal department reviews, quality assurance, and transmission of documents

- Department program managers**
 - Participate in work sessions to improve performance measures
 - Research other states' examples of measures, targets, etc.
 - Review and update all Program Description Forms with focus on identifying priorities, clarifying program design, and improving measures and targets



Initial 2018 planning calendar

May 4 – Performance Working Group: “Continuous improvement – performance measures” (10:00 - 11:30 am)

- Location: James C Kirkpatrick State Information Center Interpretive Center
- Audience: Key department staff
- Objective: Reinforce and elaborate upon expectations and core concepts, with examples

May – OA B&P updated program description form finalized and then available

May to June – OA B&P calls/meetings with each department to review measures and targets

June to September – Departments refine and improve their measures and targets

- Participants: Department staff, in dialogue with OA Budget and Planning Analysts
- Objective: Refine and improve performance measures to achieve quality measures

June to September – Team support: Problem solving help to finalize Program Descriptions

- Location: TBD or via conference call
- Audience: Any department teams who want help on specific issues in their program measures
- Objective: Provide opportunity for focused problem solving to address any particularly challenging issues with measures

October 1 – Deadline: Departments transmit initial FY20 requests to OA B&P and the General Assembly



Questions?



Contact information

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Questions for OA Budget and Planning:
Contact your Department's assigned Budget Analyst



APPENDIX



Administrative Measures – update

Measures to be used by all Departments

- 1. Ratio of administrative expenses to total PS & EE** (Each department will calculate their total administrative expenses; they should include the Director’s Office, Division of Administration and administrative costs in each division)
- 2. Ratio of administrative employees to total employees**

Additional Measures to Consider

Personnel

- Decrease turnover rates
- Increase retention rate for new employees
- Reduce the hiring process time

Operational Efficiency and Effectiveness

- Reduce the processing time for administrative services (refunds, certifications, approvals, etc.)
- Reduce error rates on documents processed
- Increase the number of vendor payments made on time/Improve vendor payment processing times
- Reduce mailing costs
- Increase the number of state services offered online



Program types EXEMPT from performance measures

1.	Transfer Outs (only include performance measures for the appropriation receiving the transfer of funds)
2.	Refunds
3.	General grant making authority
4.	Donated funds/trusts
5.	Federal Medical Assistance Percentage (FMAP) New Decision Items (NDIs)
6.	New programs might have some Not Applicable (N/A) designations.
7.	NDIs that represent increased federal or other fund authority (more grant funding was authorized) to do the same mission
8.	Pass through programs (i.e. all we do is forward the funding from the feds to the recipient)
9.	Cores that represent client accounts (foster care, Department of Mental Health [DMH] residents, Division of Youth Services [DYS])
10.	Accounting mechanisms
11.	Upper Payment Limits (UPLs)
12.	Intergovernmental Transfers (IGTs)
13.	Provider taxes
14.	Payments to Safety Net Hospitals
15.	Federal payments like claw back



Notes

