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I. OVERVIEW

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A. HOW TO USE THIS GUIDEBOOK

This guidebook has been developed to assist State agencies and departments (hereafter referred to as agencies) in planning to achieve results, in measuring program performance, and in continuously improving effectiveness in serving Maryland citizens. The measurement of performance is most relevant in the context of a plan. Agencies which have already gone through a planning process will be ready to build upon those efforts and go to the next step - developing performance measures to assess progress toward identified goals and objectives.

Those agencies which have not yet or not recently engaged in planning efforts will find it necessary to do so prior to moving into performance measurement. This is because performance measures are based upon well defined missions, goals, and objectives which are developed during a planning process.

The *Managing for Results* process is to be used as a guide in your agency planning efforts, but agencies are not required to abandon planning and performance measurement efforts underway. **Agencies are not required to start over just to go through the steps outlined in the *Managing for Results* process.** These guidelines are flexible to allow agencies with successful planning processes, or in various stages of a planning process, to apply them where they need additional guidance. It is important to keep the overall process as simple as possible, as well as tailor it to your particular agency and political environment.

This guidebook provides a standard set of definitions which are to be applied by all agencies to their planning, performance measurement, budget reporting, and related efforts. This will bring consistency to terminology which is used throughout all State agencies. This guidebook is intended to be a detailed reference document and contains numerous examples and how-to sections. Worksheets and checklists have been developed to help agencies apply the concepts of *Managing for Results*. They are included in each applicable section as well as in the Appendices. There also are helpful hints for small agencies. Agency examples of the elements of the *Managing for Results* process are hypothetical and only for illustration.

B. INTRODUCTION TO *MANAGING FOR RESULTS*

***MANAGING FOR RESULTS*: A future-oriented process that emphasizes deployment of resources to achieve meaningful results. The desired results are based upon identified needs of customers and stakeholders, and are used to improve the quality and cost-effectiveness of programs and services.**

Managing for Results constitutes the overall framework for continuous improvement within which planning, process analysis, accountability, and budgeting take place.

To manage for results, government must:

- anticipate the future and plan ahead;
- make effective policy decisions;
- measure progress toward results; and
- continuously monitor and use results to improve.

Therefore, *Managing for Results* involves planning for results. Planning for results is a future-oriented process of producing fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. **The product of the planning process is a:**

PLAN for RESULTS: A practical, action-oriented guide which is based upon an examination of internal and external factors, and which directs goal-setting and resource allocation to achieve meaningful results over time.

Planning is an essential managerial tool which allows for change in increasingly complex environments. Planning allows you to manage the future, rather than being managed by it.



KEY
POINT

Agencies are being asked to include a focus on the results of processes/activities in addition to the processes/activities themselves. The *Managing for Results* process is more evolutionary than revolutionary. It is important to recognize and emphasize that *Managing for Results* is a long term effort with payoffs that increase over time.

The elements of the “*Managing for Results*” process are shown in **Exhibit 1**. The process is divided into four phases which pose four questions:

- ① *Where are we now?*
- ② *Where do we want to be?*
- ③ *How do we get there?*
- ④ *How do we measure our progress?*

Hypothetical examples of the key elements of the *Managing for Results* process are illustrated in **Exhibit 2** for three types of programs, and the elements are illustrated in each applicable chapter. A step by step summary of the process is included in **Chapter VI**. **The *Managing for Results* process applies to both the agency-wide level as well as the program level as summarized in Chapter VI.**

C. CHARACTERISTICS OF A SUCCESSFUL PLANNING PROCESS

Planning for Results is a participatory process which requires the full support of agency leadership. To be successful, a planning process should:

- clearly define responsibilities and timetables, and be coordinated by someone who has the "big picture";
- rely on careful consideration of an organization’s capacities and environment, and lead to significant resource allocation decisions which take into account personnel issues, overall fiscal conditions, budgetary trends, and the political environment;
- establish and ensure accountability for results by setting targets for performance, incorporating ways to check progress, and providing guidance for ongoing operational and capital plans and budgets; and
- integrate meaningful performance measures with overall agency strategies to bring about positive change.

Exhibit 1

Recommended Managing for Results Process

Where Are We Now?

Internal/External Assessment

- Situation inventory/environmental scan
- Customer analysis
- Quality assessment
- Strategic issues



Mission and Guiding Principles

- Broad, comprehensive statement of the Organization's purpose
- Core values, actions to achieve mission
- Employees and management involved



Where Do We Want to Be?

Vision

- When combined with mission and principles, identifies organization's uniqueness
- Compelling image of desired future



Goals and Objectives

- The long-term desired results
- Specific and measurable targets for accomplishment
- Leads to quality goals and objectives



How Do We Get There?

Strategies and Action Plans

- Used to accomplish goals and objectives
- Detailed work plans
- Leads to resource allocation



Performance Measures

- Methods used to measure program performance
- Methods used to measure results
- Ensures accountability and continuous improvement-linked performance targets



How Do We Measure Our Progress?

Monitoring, Tracking & Reporting

- Systems to monitor progress
- Compiles management information
- Keeps plan on track
- Provides information for resource allocation
- Periodically revisit mission, vision, goals, objectives, and performance measures and make needed adjustments

Exhibit 2

Hypothetical Examples of Elements of *Managing for Results*

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal	To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile	To provide health benefit plans that are affordable to both our members and state agencies	To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems
Objective	By the year 2000, eighty percent (80%) of state highways will be in excellent condition	By 1999, limit the average rate of cost increase to the rate of increase of our state's regional health care cost index, or less	By 1999, ensure a compliance rate of 99% for all contaminants for the population served by public water systems
Strategy	By 1997, complete an evaluation and status report on the condition of maintained highways; develop and implement a repair and maintenance schedule	By 1997, hire an independent claims auditor to verify claims payment accuracy by vendors	By 1998, conduct an additional 6 comprehensive performance evaluations at surface water treatment facilities, increasing from 28 in January of 1997 to 34 in January of 1998
Performance Measures:			
Input	Funding for all positions, materials, equipment, contracts, and administrative costs associated with maintenance activity	Number of claims audits completed during fiscal year	Number of samples taken at each facility
Output	Miles of state highway that are resurfaced, repaired, or assessed as not needing repair	Number of claims audited	Total number of facilities that meet Federal and state standards
Efficiency	Cost per mile of highway resurfaced or repaired	Administrative cost per claim	Cost per sample; total cost per facility; number of staff for each performance evaluation
Outcome	Road condition rating for each section of state highway as tested by machine or trained rater	Ratio of the average rate of cost increase in premiums to the rate of increase in our state's regional health care cost index	Number of additional water supplies and citizens protected
Quality	Citizen survey ratings about the quality and results of highway maintenance	Claims payment accuracy	Percent increase in compliance rate at each facility

D. PARTICIPANTS IN THE PLANNING PROCESS

Planning is a team effort which obtains perspectives from many levels and sources, both within and outside the organization. Customer and stakeholder involvement is important to the *Managing for Results* process, and is discussed throughout this guidebook. **Appendix 1** summarizes this involvement.



KEY POINT

Some leaders will be tempted to pay lip service to the *Managing for Results* planning process. Others will be tempted to prepare the whole plan on their own. Leaders must recognize their own role in the plan as well as the roles of others in the organization. This is necessary to send the message that planning is important, as well as to get the entire organization's commitment to the plan.

Although planning begins at the top, leaders should seek and reflect the input of middle managers, program managers, supervisors, and front-line employees who may know their customers and services best, and will carry the planning process into the program level. In addition, financial or budget managers, facility managers, and information technology system managers should analyze the impacts on their areas of responsibility of implementing potential strategies. Members of boards and commissions can play an important policy making role, and Continuous Quality Improvement (CQI) Coordinators can help to ensure that the planning and CQI efforts are integrated. Both a planning coordinator and a facilitator will help to move the planning process forward and keep it on track.

There should be an Executive Management Team, consisting of the agency's top management and other staff, who will use their knowledge of services and functional areas to: (1) work with the agency head in crafting the agency-wide vision, defining the agency's mission, and expressing its principles; (2) set goals to provide direction for the whole organization and address identified issues, problems, and opportunities; (depending on the size of the agency, agency-wide goals may not be set; if agency-wide goals are set, senior executives may set objectives and strategies as well) and (3) monitor overall progress and results. The team should include knowledgeable individuals from all programs or services operated by the agency, yet not become so large as to be cumbersome. The size of the planning team will vary with the size and complexity of the agency.

E. WHY PLAN FOR RESULTS AND MEASURE PERFORMANCE?

Performance measurement leads to:

- efficiency - doing the right things with the best use of resources; and
- effectiveness - doing the right things well; which in turn improves program performance.

The primary benefactors of planning for results and measuring performance are public managers, employees, customers and stakeholders. The focus is on results, not on a narrow set of guidelines and procedures.

In Reinventing Government, David Osborne and Ted Gaebler make the important point that “**What gets measured gets done.**” **Measuring performance is good management:**

- It clarifies what is important to the organization and provides direction for the future.
- It enables agencies to improve program performance. Results of programs are monitored and improved. Activities not contributing to desired results are often eliminated. Innovation is promoted through benchmarking.
- It helps agencies to improve customer service. Planning and resource allocation are based on customer needs. Partnerships with the community and cooperation among other State agencies are promoted. Program results are communicated to the public.
- It strengthens accountability for State government’s use of tax dollars, which helps build public support. Customers, stakeholders, policy makers, and senior management have a better understanding of what is to be accomplished, and where programs stand in meeting expectations. It helps public managers and legislators make decisions about resource allocation.

- It empowers employees. The focus is on results, not activities. Employees have a clearer understanding of how they contribute to achieving goals and objectives. Managers have more autonomy to manage their programs and plan for improvements.

Creating good performance measures should not be an end in itself, but a means for improving decision making, program performance and public accountability. Setting, reporting, and using performance measures is in practice a complex and difficult process, and it will take time to perfect performance measurement.

F. COMMUNICATING AND MARKETING THE PLAN

Successful implementation of the strategic plan depends on effective communication of the plan both internally and externally. **Internally**, the plan should be communicated at all organizational levels. Managers and staff need to have a clear understanding of the plan and their roles in it. **It must form the basis for daily action throughout the agency.**

Externally, the plan should be communicated to individuals and organizations that have an interest in, or an effect upon, the agency's programs (for example, the Governor, Legislature, local governments, interest groups and the public).

There are a number of means of communicating the plan including:

- printing the mission on letterhead and business cards and prominently displaying it at your place of business;
- discussing it in press releases and internal agency newsletters; and
- distributing both full and condensed versions of the plan.

G. RELATIONSHIP OF *MANAGING FOR RESULTS* TO OTHER MANAGEMENT INITIATIVES

The linkages between *Managing for Results* and other management initiatives are described below. **Although these management initiatives are often viewed as separate and distinct, in practice they should be integrated since quality and excellence in government is the bottom line. They should not be treated as stand-alone activities.**

Continuous Quality Improvement (CQI)

The fundamental elements of Continuous Quality Improvement and *Managing for Results* are the same. Both are systematic approaches to identifying problems and opportunities which:

- promote customer-focused services and products;
- emphasize employee involvement and teamwork;
- link agency vision, mission, goals, and objectives;
- use customer-focused, outcome-based performance measures;
- focus on results;
- rely on data collection and interpretation;
- support management based on facts; and
- involve efficient and effective resource allocation and management.

Managing for Results works best in an atmosphere of quality management. Quality principles must be integrated with management tools and techniques to result in quality and excellence in government (that is quality products and services, and satisfied customers). Neither *Managing for Results* nor Continuous Quality Improvement replace each other. They are not stand-alone management initiatives. However, the planning elements of *Managing for Results* can be successfully employed as the vehicle to introduce quality concepts in agencies which are just starting a Continuous Quality Improvement process. Agencies should use Continuous Quality Improvement as one vehicle for promoting a “culture of performance” whereby agencies develop a results-based approach to administering programs and allocating resources to improve performance.

Since *Managing for Results* and Continuous Quality Improvement share so many elements, the concepts and techniques of both have been integrated in this guidebook.

Strategic Planning

Strategic planning is a process used in *Managing for Results*. Agencies which recently have done or are currently doing strategic planning should incorporate

into their planning activities the standard definitions which are provided in this guidebook. The *Managing for Results* guidebook is not intended to be a comprehensive text on strategic planning, and therefore use of supplemental resources may be necessary during agency planning.

Benchmarking

The *Managing for Results* process includes benchmarking as a means to establish performance targets. In the section on setting objectives, this guidebook provides a standard definition for benchmarking which is to be used by all State agencies.

Budgeting

In the *Managing for Results* process, budgeting is an integral component of planning. Planning charts direction and allows for setting of priorities. Budgeting provides resources to implement the plans. Operating budgets are used to set financial targets and continuously provide resource information. The internal/external assessment component of the planning process should be used in identifying trends, demand factors, and strategic issues to support budget development. In the end, cost alone should not be the major issue. Government must consider what returns there are on its investments, and whether there is effective use of resources. Knowing the results (the degree of success) of programs is key to making budget decisions. **Also, well conceived plans, with missions and goals that emphasize accomplishment of meaningful results in a constrained fiscal environment, provide strong justification for allocation of resources.**

Experience has shown that it is a good idea to gain experience in using performance measurement as a management tool before using it for budgeting or resource allocation. Through *Managing for Results*, Maryland will set the stage for a more explicit and systematic use of performance measures - with a focus on results - in the budget analysis process. Agencies will be required to report more relevant program performance data with their budget submissions. **Initially reporting requirements will be phased in over a three year period. The reporting requirements are summarized in Exhibit 17 in Chapter V.** Detailed instructions for reporting of performance information will be included in the annual Budget Instructions issued by the Department of Budget and Management.

The Maryland Performance Planning and Evaluation Program (PEP)

The Performance Planning and Evaluation Program is the logical extension of the *Managing for Results* process. Measurable and objective performance standards (which include expected results, objectives, goals, outcomes, and work products) are to be developed for each employee, and should be directly linked to the results expected through the *Managing for Results* process. Continuous Quality principles such as customer service, work quality, cooperation, teamwork, and professional development also are to be included in the employees' ratings.

Performance evaluation is the measurement of results accomplished by each individual. If managed properly, supervisors and managers can hold each employee, from the top of the organization to the front line, accountable for their contributions toward the achievement of results. PEP is a performance management tool - a mechanism used to manage for results - in that it:

- links the performance expectations for an individual with the performance expectations for the agency, as well as with the performance expectations for programs or processes for which that individual is responsible;
- holds employees accountable for their contributions to the achievement of organizational results;
- identifies areas for change, in relation to quality improvement, for the good of the agency and its customers and stakeholders; and
- promotes individual and group behaviors that are consistent with the agency's missions and values.

Program Evaluation

Critical elements of the *Managing for Results* process are the measuring, monitoring, evaluating, and reporting of progress in achieving missions, goals, and objectives. Results information for operational planning and control is not a substitute for program evaluation, but good results information can assist in program evaluation by:

- providing a baseline for various types of analysis;

- supplying a time series of performance data; and
- identifying program which need to be evaluated.

Program evaluation should consist of:

- validating the program mission, vision, goals, and objectives;
- determining the extent to which the program has achieved its mission, goals, and objectives over time;
- determining the appropriateness and effectiveness of the agency's strategies in moving the agency toward achievement of its mission, goals, and objectives;
- enumerating program benefits and relating these to program costs;
- identifying intended and unintended consequences; and
- considering program delivery alternatives, and developing corrective action plans when needed.

Contracts and Grants Management

Performance targets and measures can guide management of government contracts and grants. Governments are increasingly contracting for many services. Incorporating performance requirements into contracts and grants management procedures can be a very effective way of increasing the quality of service provided to the State's customers. Specific financial incentives for meeting or exceeding well defined performance goals is an excellent strategy for improving contractor performance. Contracting for results works best when agencies:

- precisely define performance requirements;
- establish good procedures for monitoring and measuring contractor performance; and
- provide financial incentives for meeting desired results.

Information Technology (IT) Management

Agencies should include in their planning for IT resources what will be required to accommodate the data collection and management for program performance measurements. Some agencies may need to reconcile existing accounting and data systems with new requirements.

H. CREATING AN ENVIRONMENT THAT SUPPORTS *MANAGING FOR RESULTS*

A *Managing for Results* process cannot simply be imposed on top of the existing bureaucracy. In order to create and sustain an environment that supports results-oriented management, it is necessary to:

- obtain and maintain visible commitment from top management;
- adopt a supportive organizational structure and management style, including a commitment to continuous quality principles;
- increase communication among those involved, including customers and stakeholders;
- go slowly and resist the temptation to do everything at once;
- provide extensive training and technical assistance; and
- work towards some early successes which are publicized, celebrated, and built upon.

This guidebook will help public managers create an environment which supports *Managing for Results* by increasing knowledge of the process and the benefits of planning for results and measuring progress. Extensive training will be provided, and internal agency resources will be developed.

II. THE “WHERE ARE WE NOW?” PART OF THE PROCESS

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A. Internal/External Assessment - An analysis and evaluation of internal conditions and external factors that affect the organization’s efforts to achieve its mission.	16
B. ✓ Mission - A short, comprehensive statement of the reason for an organization’s existence. It succinctly identifies what an organization does (or should do), and for whom it does it.	28
C. Guiding Principles - Core values and philosophies that describe how the organization conducts itself in carrying out its mission.	34

Note: A check mark ✓ before a planning component means that it is a required element of the agency’s annual budget submission. Instructions for reporting are provided in the annual Budget Instructions produced by the Department of Budget and Management.

A. INTERNAL/EXTERNAL ASSESSMENT

INTERNAL/EXTERNAL ASSESSMENT: An analysis and evaluation of internal conditions and external factors that affect the organization's efforts to achieve its mission.

Before an organization attempts to chart its future course, it must gauge conditions inside and outside the organization, and answer the question "*Where are we now?*"

The internal/external assessment supports the "*Where are we now?*" part of the planning process by providing a baseline assessment of the organization. **The results of the assessment will be the basis for all other phases of the *Managing for Results* process.** Agencies will find that they will revisit the internal/external assessment throughout the *Managing for Results* process. In reality, assessments must be included in an ongoing planning cycle in order to obtain quality results.

The results of the internal/external assessment will be the basis for development of the strategic orientation for the entire organization. Each agency will:

- set direction through mission, vision, guiding principles, goals, and objectives (including developing benchmarks);
- determine how to pursue that direction both internally among various agency programs, and externally with other organizations; and
- develop management control systems such as monitoring, evaluation, and reporting (including the use of performance measures).

Development of the mission and guiding principles are discussed in this chapter. **Chapter III** covers the development of a vision, goals, and objectives. **Chapter IV** discusses strategies and action plans, and **Chapter V** discusses performance measures, tracking, monitoring, and reporting systems.

The internal/external assessment is a basic management tool that not only is used in planning for results but also in Continuous Quality Improvement, policy

development, and problem solving. **The process of conducting an assessment is often referred to as a SWOT analysis because it involves reviewing an organization's:**

- **Strengths** (internal to the organization);
- **Weaknesses** (internal to the organization);
- **Opportunities** (external to the organization); and
- **Threats** (external to the organization).

By gaining a thorough understanding of both internal and external factors, planning teams are able to most advantageously position the organization to respond to its operating conditions.

Internal/external assessments are done at both the agency-wide level and the program level. Management within each agency will need to determine how to best organize and conduct an internal/external assessment. **Ideally, assessment is a team exercise.** An honest and accurate picture of the organization and the forces that affect it will emerge when it is viewed from as many different perspectives as possible. Typically, both managers and employees are involved in collecting and analyzing the data to enhance their understanding of the organization. **Input also should be sought from customers and stakeholders.**

The two techniques used to conduct an internal/external assessment are the situation inventory and an environmental scan.



NOTE

It does not really matter whether the internal situation inventory or the external environmental scan is done first, as long as both are done.

HELP

1. HOW TO Conduct a Situation Inventory

Situation Inventory - an internal assessment of an organization's position, performance, problems, and potential; in other words, its **strengths and weaknesses**.

Questions answered by a Situation Inventory include:

- a. **Who are your customers and stakeholders, and what do they need and want?**

Customers are the people the organization serves. Customers may be internal or external. Internal customers are units or persons (employees) in an organization whose work depends upon another unit or person within the same organization. External customers are end users of the organization's products or services.



**KEY
POINT**

Quality service to customers is the key element in the *Managing for Results* process. For some organizations this will mean a shift from an emphasis on inputs (number of calls, number of applicants, dollars, etc.) to a focus on meaningful quality results.

Organizations have many different customers. A government department or program may serve a specific clientele as well as the common good of all State residents. For example, an adult correctional institution must care for the offenders in its custody while at the same time ensuring the safety of the public.

One organization may be the customer of another; one may be dependent upon the services provided by the other. For example, State agencies rely upon the State Procurement Office in the Department of Budget and Management to assist them in procurement of outside products and services. The customers who use the Office of Planning population data include not only the general public, the business community and outside organizations, but also other State agencies and program managers.

On the other hand, **stakeholders** are organizations, groups or individuals that have a vested interest or expect certain levels of performance or compliance from the organization. However, stakeholders do not necessarily use the products or receive the services of a program. For example, they can also be advocates. Stakeholders are sometimes referred to as expectation groups.

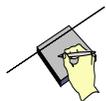
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Customers and Stakeholders for a water quality program:

Internal: Related environmental control programs, agency head, employees
External: Other state, local, and Federal governmental environmental control and resource protection programs; area citizens; surrounding localities; business entities
Stakeholders: Governor, legislature, advocacy groups

To identify and understand customers and stakeholders, ask:

- Who receives the goods or services produced by the agency or program?
- Are there multiple customers? Is a specific clientele served as well as the general public?
- Who are the internal and external customers?
- What is the market?
- What do customers need from the program? What else do they want?
- Do customers have other choices to obtain similar products or services? If so, what are the other choices?
- Who are the stakeholders?
- What results do stakeholders expect from the organization or program?



NOTE

The best way to find out what customers think is to ask them. A number of techniques can be used to get customer input, for example: customer surveys, focus groups, comment forms, interviews, personal visits, customer advisory committees, and public meetings and hearings.

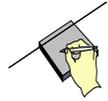
Once customers and stakeholders have been identified, the agency can better evaluate the organization's position and performance. Other questions to ask in conducting a situation inventory include:

b. Where is the agency now? What services and products do you provide? How well are you meeting the needs of your customers? To answer these questions, explore the following:

- Identify current programs, and products and services provided by those programs. Does the existing structure of programs make sense? What are the statutory mandates for those programs or activities? Why are the programs or activities needed?
- Do existing programs or activities support one another? Are any in conflict?
- Do existing programs or activities support those programs in other State agencies? Are any in conflict?
- Are programs integrated? Should they be? Can they be?
- What are the accomplishments of current programs or activities? How successfully are the customers' needs being met? What is being done well? What is being done poorly? What is the public perception of current programs? What do customers think? What do stakeholders think?

c. What are the strengths and weaknesses in the agency's capacity to meet customers' needs and expectations? How well do your processes work - are they capable of meeting customer needs? To answer these questions, explore the following:

- What are the constraints in meeting the customers' needs and expectations?
- What is the organization's capacity to act? What advantages or strengths exist? What disadvantages or weaknesses? How can we build on our strengths and overcome our weaknesses?



NOTE

Processes are the methods used to get results. They are required to convert ideas and resources into products and services. The processes should not be so prescriptive or rigid that they get in the way of action. *Managing for Results* uses processes to accomplish quality results for customers. Your situation inventory is a general assessment of performance, problems, and potential for improvement in meeting your customers' needs. It is important to look at processes that create services and products during this phase of planning.

d. What are the opportunities for positive change? Address the following questions:

- How are the needs and expectations of customers changing? Does the plan accommodate that change?
- What is the state of the art? How effective are the best known programs?
- What new technologies not in use could be used?
- What improvements (practice changes, process alterations, or better techniques) could produce more positive results?
- What resource allocations are most likely to be beneficial?

A Situation Inventory reveals the patterns or beliefs and values that comprise the organization's current principles, and drive (or disrupt) current operations. It throws light on administrative or managerial policies and procedures that help or inhibit quality.



It can be intimidating to honestly confront an organization's internal situation (warts and all). To minimize fear, managers should be briefed on the purpose and methodology for the inventory. **Keep in mind that the point in doing an internal assessment is not to punish failures, but rather to motivate improvement.**



2. HOW TO Scan the External Environment

Environmental Scan - an analysis of key external elements or forces that affect the environment in which an organization functions.

This is commonly referred to as the organization's **opportunities and threats present in the current environment, and anticipated changes in the future environment.**

Questions answered by an Environmental Scan include:

a. What is the current external environment and what elements help or impede the agency in meeting customers' needs and expectations?

To answer these questions explore the following:

- What elements of the current external environment are relevant to the organization? How?
- Which of these elements are the most critical, and likely to help or impede the organization?
- What are the major current issues or problems? Are these local, statewide, regional, national, or global in scope? Why are these issues or problems of such importance?

b. How may the environment differ in the future? To find out, explore the following:

- What critical forces are at work that might affect or alter key elements of the environment, and what are the implications? Are trends likely to continue or are changes expected?

- What major issues or problems are anticipated? What effects could they have on the organization?
- What are the most likely scenarios for the future?
- What are the biggest external opportunities?

<p>E X A M P L E</p>	<p>"Government" at all levels may be a critical external factor in many programs. Therefore, questions that should be asked about current and anticipated governmental developments include: (1) How do Federal policies, rules, regulations, laws, or court actions affect the organization and its mission? (2) How do State policies, rules, regulations, or laws affect the organization and its mission? (3) How do changes in local government policies or local participation in state programs affect the organization and its mission? (4) What future trends or developments may directly influence the organization and its mission?</p>
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**KEY
POINT**

One of the biggest environmental factors for State agencies, institutions, and programs is the State's fiscal status. No discussion of an organization's operating environment would be complete without an understanding of the State's revenue and expenditure estimates. **The State's financial outlook must be taken into account when planning for the future.**

3. Possible Internal and External Factors

The following list of internal and external factors in **Exhibit 3** may be helpful to agencies which are developing their first internal/external assessment. Agencies are not required to use this outline, nor is this an exhaustive list of all the factors that may be relevant or appropriate for a particular agency and its programs. Use it to stimulate discussion of potential **Strengths - Weaknesses - Opportunities - and Threats.**

Exhibit 3

Internal/External Assessment

Internal Factors: Strengths and Weaknesses

1. Overview of Agency Scope and Functions

- Statutory basis (enabling State and Federal statutes)
- Historical perspective (date created, significant events)
- Expectations of customers and stakeholders, public image
- Structure of programs
- Agency accomplishments
- Availability of performance measures

2. Organizational Aspects

- Size and composition of workforce (number of employees, minority composition, professions vs. technical vs. clerical, exempt vs. classified positions, etc.)
- Organizational structure and processes (divisions/departments, adoption of Continuous Quality Improvement, management style, key management policies/operating characteristics)
- Geographical location of agency (main office, field offices, travel requirements, etc.) and location of service/regulated populations
- Human resources (training, experience, compensation/benefits, turnover rates, morale)
- Capital assets, capital improvement needs
- Information resource management (degree of agency automation, telecommunications, quality of the agency Information Technology Master plans, data collection, tracking and monitoring systems)
- Key organizational events and areas of change and impact on organization; organization's responsiveness to change

3. Fiscal Aspects

- Size of budget (trends in appropriations and expenditures, significant events, etc.)
- Method of finance (role of Federal funds, non-appropriated funds, fees, etc.)
- Comparison of operating costs with other jurisdictions
- Relationship of budget to program and subprogram structure
- Degree to which budget meets current and expected needs
- Internal accounting procedures

Exhibit 3 (Continued)

External Factors: Opportunities and Threats

1. Population Demographics (focus on customers and stakeholders)

- Historical characteristics
- Current characteristics (size, age, education, geographic, special needs, impact on State's economic/political/cultural climate, etc.)
- Future trends (population shifts, emerging demographic characteristics, etc.)

2. Economic Variables

- Identification of key economic variables (unemployment rate, interest rate, etc.)
- Extent to which customers and service populations are affected by economic conditions
- Expected future economic conditions and impact on agency, customers and service populations
- State fiscal forecast and revenue estimates
- Agency response to changing economic conditions

3. Impact of "Other" Government Statutes and Regulations

- Historical role of other government involvement (key legislation, key events, etc.)
- Description of current government activities (identification of relevant government entities, relationship to State entities, impact on operations, etc.)
- Anticipated impact of future government actions on agency and its customers (agency-specific Federal mandates; court cases, Federal budget, general mandates; i.e., Americans with Disabilities Act, etc.)

4. Other Legal Issues

- Impact of anticipated State statutory changes
- Impact of current and outstanding court cases
- Impact of local government requirements

5. Technological Developments

- Impact of technology on current agency operations (products/services in the marketplace, management information systems, telecommunications, etc.)
- Impact of anticipated technological advances ("information highway," etc.)

6. Public Policy Issues

- Current events
- Highly visible issues (juvenile crime, children, family issues)

Small Agency



Helpful Hint

While this may look like a huge list of factors, not all of them will apply to small agencies. However, you can use the outline as a checklist to identify potential **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. This can be done without a major data collection effort. One very productive technique is to gather key staff, board members, and those who utilize agency services, and brainstorm to generate a list of factors. It's amazing how much pertinent information can be generated in a half day session.

4. Sources of Information for the Internal/External Assessment

There are many other sources of data that can be used to conduct an internal/external assessment. Some are listed below:

Data Sources for **Internal** Situation Inventory

- Quality Assessment Surveys
- Employee surveys
- Customer surveys
- Policy development files
- Internal data bases
- Performance measurements
- Budget requests
- Annual reports
- Annual progress review meetings
- Program evaluations
- Agency audit recommendations

Data Sources for **External** Environmental Scan

- Court decisions and actions
- National and regional professional organizations or associations
- Interest or advocacy groups
- Media (both broadcast and print)
- University and college resource centers
- Agency advisory and governing boards
- Federal, State, and local government statistical reports and data bases
- Federal, State, and local government legislation, regulations, executive orders or actions, budgets, policy statements, and special studies



Resources are available to support assessment efforts. The Center for Continuous Quality Improvement in the Department of Budget and Management has information on customer analysis and organizational quality self-assessment. The Department of Budget and Management has information on revenue forecasts and fiscal assumptions. The Maryland Department of Business and Economic Development has economic information, and the Office of State Planning has census data. The Maryland Department of Budget and Management, Information Technology Division, has information on technological trends and the State Information Technology Master Plan.

5. High Priority Issues

The results of the internal/external assessment may not reveal any immediate or serious problems or opportunities. On the other hand, participants may identify high-priority issues that merit special attention. These critical or strategic issues may be described as the "make you or break you" kinds of issues.



KEY POINT

Strategic issues are those concerns of critical importance to the organization. The strategic issues should contain only the vital few concerns of the organization. The optimal number of strategic issues for a large organization is around five, not to exceed ten. Often these strategic issues impact several or all of the programs in a budget unit. Identifying these few critical concerns can help the budget unit focus on high priority goals for the organization as a whole.

Examples of strategic issues:

- An agency may discover that it has not done a good job of serving its customers in the past, and that as a result, customer approval ratings are low. Addressing customer concerns becomes a strategic issue for the agency.
- Juvenile crime has emerged as a high-profile public policy issue, which has received extensive media coverage. The public is demanding action, and lawmakers are considering various proposals to address this problem. Juvenile crime would be a strategic issue for those agencies with youth-related programs.

The agency can more easily address new strategic issues when the direction of an agency has been identified through the planning process. Knowing the mission, goals and objectives and the resources needed to accomplish them ensures that an agency will be able to quickly and efficiently respond to reallocating existing resources to handle the unexpected issues which arise after the results-based plan has been completed.

The next step in the “*Where are we now?*” part of the process is to craft a **mission**.

B. MISSION

MISSION: A short, comprehensive statement of the reason for an organization’s existence. It succinctly identifies what an organization does (or should do), and for whom it does it.

√ **Agency and program missions are to be included in the annual budget submission.**

The mission statement is an invaluable tool in directing, planning, and implementing agency efforts. It provides the basis for future action and embodies the agency's guiding principles. **It is all encompassing, rarely changed and the ultimate rationale for the existence of the agency and program.** Missions are developed at both the agency-wide and program levels. Program missions should be consistent with the agency-wide mission.

Small Agency



In a small agency with only one program, the agency mission and the program mission will be the same.

Helpful Hint



KEY POINT

A mission statement answers these questions:

- What do we do?
- What should we do?
- Who are our customers and stakeholders?

Address these questions by looking at the agency and program from the outside from the customers’ and stakeholders’ points of view.

Examples of mission statements are as follows:

E X A M P L E	<u>Poorly Written Missions</u> (Narrow focus; customers and purpose obscure)	
	➤	To efficiently administer State highway programs. <i>(mission of a Highway Maintenance Operation)</i>
	➤	To manage the health benefits fund <i>(mission of a Health Benefits Division)</i>
	➤	Our mission is established in the Environmental Article which assigned it responsibility for planning, monitoring, controlling and regulating. <i>(mission of a Water Management Administration)</i>
	<u>Well Written Missions</u>	
	➤	To provide citizens with a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel. <i>(mission of a Highway Maintenance Operation)</i>
	➤	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care. <i>(mission of a Health Benefits Division)</i>
	➤	To improve and maintain the quality of the state’s water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy. <i>mission of a Water Management Administration)</i>
	➤	To work in partnership with blind and visually impaired citizens by helping them obtain the information they need to make informed choices, and by providing them with access to services that increase their opportunities to live as they choose. <i>(mission of a Commission For The Blind)</i>
	➤	To provide a safe and supportive environment for women and their children who are victims of domestic violence and to assist them in becoming self-sufficient. <i>(mission for a Domestic Abuse Program)</i>
	➤	To provide for the governance, oversight, planning and coordination of our community college system, in order to provide an integrated statewide system of community colleges that satisfies the differing educational needs of all citizens. <i>(mission for a Higher Education Agency)</i>

Agency examples of selected *Managing for Results* elements which have been discussed in this chapter are shown in **Exhibit 4**.

Exhibit 4

Hypothetical Examples of Missions

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision			
Goal			
Objective			
Strategy			
Performance Measures:			
Input			
Output			
Efficiency			
Outcome			
Quality			



1. HOW TO Define the Mission

There are six steps in defining the mission:

- ① **Identify the purpose of the agency or program.**
 - What functions, products or services are or should be provided?
 - What mandates - constitutional, legislative, executive, judicial or others - have been assigned to the program?
 - Why do we exist? What problems were we created to address?
 - Why are public resources devoted to this endeavor?
- ② **Identify the agency or program customers and stakeholders.** You will have done this as part of the internal/external assessment.
 - Who receives the goods or services produced by the organization or program? Who are the internal or external customers?
 - Who else is interested in the organization or program (stakeholders)? How are they affected and what results do they expect from the organization or program?
- ③ **Identify current and emerging needs or distinct problems.**
 - How do current expectations differ from the original purposes identified above?
 - What are the primary needs, issues or problems that need to be addressed?
 - What emerging issues and needs do you anticipate to be addressed in the future?

Note: Most of the questions under ①, ②, and ③ were addressed during your internal/external assessment.

- ④ **Review and revise existing mission statements and draft new statements as appropriate, based upon the previous questions and the questions below.**
 - Has the mission changed since it was originally established?
 - Are program missions compatible with the agency mission?
- ⑤ **Use the Checklist for Mission Statements (Checklist 1) on the following page as a good way to check if your mission statement meets the criteria of a good mission.** Revise the mission statement as needed.
- ⑥ **Get consensus by reviewing the draft mission statements with employees, customers, and clients.** Revise the mission as necessary.

The next step in the “*Where are we now?*” part of the process is to develop **guiding principles**.

Checklist 1

Checklist for Mission Statements

Mission: A short, comprehensive statement of the reason for an organization’s existence. It succinctly identifies what an organization does (or should do), and for whom it does it.

For each program, indicate if the mission statement meets the criteria of the Checklist. Complete one column for each mission statement. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your mission statements as necessary.

CHECKLIST FOR MISSION STATEMENTS					
Budget Unit Name:	Agency*	Program	Program	Program	Program
Test Question		#	#	#	#
Does it clearly state what business you are in?					
For the agency mission, is it sufficiently broad so that everyone in the organization can see how they contribute?					
Is the mission rarely changing?					
Can the mission survive changes in administration?					
For the program mission is the ultimate rationale for the program's existence clear? Does it articulate the ultimate outcomes you want?					
Will it make sense to the average citizen if they see it on your office wall?					
Does it answer the questions, “what do we do (or should do), and for whom?”					
Is it obvious why we spend public dollars on such an effort?					

Note:* Check your agency mission in the first column, and program missions in the remaining columns.

C. GUIDING PRINCIPLES

GUIDING PRINCIPLES: Core values and philosophies that describe how an organization conducts itself in carrying out its mission.

Guiding principles are human factors which drive the conduct of an organization and function as a guide to the development and implementation of all policies and actions. Guiding principles are developed at the agency-wide level. Guiding principles may be developed at the program level as long as they enhance the agency-wide guiding principles. Often an organization's guiding principles are implicitly understood, but it can be helpful to explicitly state them. **Guiding principles are the bridge between where we are and where we want to be.**

Guiding Principles are important in planning for results because they:

- put a foundation of beliefs behind the vision and mission;
- guide decisions, choices, and the selection of strategies;
- express common beliefs and values that can be embraced by the whole organization, and express basic beliefs about the conditions under which people work best; and
- can be powerful instruments for changing organizational culture and motivating employees.

Examples of guiding principles are shown below.

E **A Department of Economic Security**

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A Department of Economic Security has the following **guiding principles**:

- Leadership: Leaders are inspiring and lead by example. Leadership exists at all levels. We coach, counsel and mentor, creating a high-trust culture where decisions are made at the level that is more responsive to the customer.
- Human Resource Development and Management: People are paramount. We recognize and reward quality performance. We promote and encourage a highly trained and professionally developed team with equal career advancement and retention occurring at all levels. High morals are essential to our quality workplace.
- Measurement and Results: We manage by facts. We continuously measure and report factors critical to achieving our mission. Performance measures are customer-focused, outcome-based, comprehensive and clear.
- Process Improvement: Continuous process improvement is the cornerstone of our quality initiative. Critical processes are identified and made efficient, effective and responsive to customers.
- Customer Relationships: We have excellent relationships with our customers. We work with them in a compassionate and effective manner. We recognize and respect mutual responsibilities in promoting self-sufficiency.

A Department of Transportation

A Department of Transportation demonstrates a commitment to the **guiding principles**:

- To provide products and services of quality and integrity to all customers.
- To communicate with the public and individuals within the agency openly, honestly, and respectfully.
- To demonstrate equality and fairness in all activities and interactions with others.

**E
X
A
M
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E**

A Department of Administration

A Department of Administration has the following **guiding principles**:

- **EMPLOYEES** ...We care about each other, we encourage growth, and we recognize accomplishments.
- **CUSTOMERS** ...Our first priority is to satisfy our customers.
- **QUALITY** ...We do the right things right the first time.
- **IMPROVEMENT** ...We do the right things even better the next time.
- **INTEGRITY** ...We are committed to the highest standards of ethical behavior.
- **TEAMWORK** ...TOGETHER, We Make It Happen



1. HOW TO Express Guiding principles

Not only should the guiding principles reflect the values and philosophy of the agency head and the executive management team, but they also should address organization-wide values and assumptions which are embraced by the entire organization as well as customers and stakeholders.

There is a great deal of leeway in the articulation of an organization's guiding principles. Length and format may vary. Sometimes guiding principles are expressed in terms of responsibilities - an organization's responsibilities to its customers, its employees, its environment (the community in which it operates or the physical environment as a whole), and its stakeholders. Sometimes guiding principles are expressed in terms of quality or excellence in management and production of goods and services.

a. Criteria for Guiding Principles

Generally, the best statements of guiding principles express the organization's attitude and values about three things:

People: The way in which people inside and outside the organization - employees and customers - are treated.

Process: The way in which the organization is managed, decisions are made, and products or services are provided.

Performance: Expectations concerning the organization's responsibilities and the quality of its products and services.

b. Steps for Developing Guiding Principles

To express an organization's guiding principles, it is important to clarify and reach consensus on both individual and organizational values:

- ① **Identify, clarify, and resolve differences in values and personal expectations of individuals in the executive or management group.** For example, some executives or managers may be more open to change and may pursue more risky opportunities while others may prefer low-risk, low-threat actions. Such differences may have profound implications for planning and decision-making processes. Unless they are identified, clarified, and resolved early in the planning process, there may be continual disagreement between the personal expectations and priorities of individual executives or managers and the overall future direction of the department or program.
- ② **Identify and examine organizational values.** All organizations have values, but it is not always easy to identify them. However, any planning process that ignores organizational values is very likely doomed to fail.

Values often become part of the system in subtle ways, without official sanction or explicit statement. Some organizational values come from a particular executive or manager who has had such a profound impact upon the organization that his or her personal values and expectations have been assumed by the organization. For example, the values and style of an especially dynamic manager or of a manager who has been in the organization for years may become ingrained. Some organizational values unofficially reflect a value, expectation, or management style held by the majority of executives or managers. If, for example, the majority of managers are not risk takers, then the organization itself may become rigidly opposed to new ideas. However, regardless of their source, an organization's values affect every aspect of its operations.

Organizational values or assumptions should be examined in terms of their current validity or relevance. Those that are accurate and pertinent should be included in the agency's statement or list of guiding principles. Those that are faulty or outdated should be discarded.

Once you have decided upon the agency's guiding principles, use the **Checklist for Guiding Principles (Checklist 2)** on the next page to ensure that your principles meet the criteria. Revise the guiding principles as needed.

Now that you have completed the “*Where are we now?*” part of the process, you must answer “*Where do we want to be?*”

Checklist 2

Checklist for Guiding Principles

Guiding Principles: Core values and philosophies that describe how an organization conducts itself in carrying out its mission.

Indicate if the guiding principles meet the criteria of the Checklist. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your guiding principles as needed.

CHECKLIST FOR GUIDING PRINCIPLES		
Test Question	YES	NO
Can the principles act as a foundation for the mission and vision?		
Are values included which can be embraced by every employee in the organization?		
Do the principles promote employee excellence?		
Do they describe the way customers should be treated?		
Do the principles clarify expectations for quality performance?		

III. THE “WHERE DO WE WANT TO BE?” PART OF THE PROCESS

	<u>Page</u>
A. ✓ Vision - A brief and compelling description of the preferred, ideal future.	41
B. ✓ Goals - The general ends toward which an organization directs its efforts. Goals clarify the mission, provide direction, but do not state how to get there.	46
C. ✓ Objectives - Specific and measurable targets toward accomplishment of a goal.	55

Note: A check mark ✓ before a planning component means that it is a required element of the agency’s annual budget submission. Instructions for reporting are provided in the annual Budget Instructions produced by the Department of Budget and Management.

A. VISION

VISION: A brief and compelling description of the preferred, ideal future.

√ **The agency vision is to be included in the annual budget submission.**

Creating a vision can help State agencies redefine how services are provided and prepare the organization to meet the demands of the future. It is a critical ingredient for positive change.

1. Characteristics of a Vision

A good vision statement is:

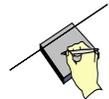
- a global, continual purpose for the organization;
- not bound by time and not quantified;
- about greatness - it inspires and challenges;
- idealistic - the ultimate standard toward which progress is measured;
- brief and memorable;
- descriptive of future service levels; and
- appealing to all stakeholders.

Its structure is less important than its effect on the values and behaviors of every member of the organization.

Vision, when integrated with mission and guiding principles, comprises the "organizational identity" of an agency - its "uniqueness." Linking vision, mission and guiding principles creates a powerful synergy. Together, they define a desired future, the accomplishments needed to get there and the principles that will guide future choices. Each is important.

If an organization has developed a "vision of excellence" as part of its quality initiative, it should be linked with the results-oriented vision, mission and guiding principles.

Visions are created at the agency-wide level. Although they are seldom created at the program level, some programs create their own visions which are consistent with the agency-wide vision.



NOTE

Acknowledging, articulating, and sharing the organizational identity is a unifying process. In state government, it may be easy for management and staff of a particular program to have a pretty good idea of what their identity is, but they may never really take the time to think about what the vision, mission, and principles might be for the whole agency. Planning provides an opportunity for everyone to sit down in a disciplined and thoughtful manner to look at the total picture together.

Examples of vision statements are as follows:

**E
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E**

A Department of Administration

- ... Of paramount importance is caring about our employees; satisfying our customers.
- ... The department of administration is a place where people want to work.
- ... A place where people come to do business.
- ... Provides innovative ways to foster positive change.

A Governor's Office for Excellence

- ... We are a catalyst for excellence.
- ... We will be instrumental in instilling a culture in government committed to quality, excellence and continuous improvement. We will be recognized and emulated as a model of success.
- ... Continuous improvement is a way of life.

Agency examples of selected *Managing for Results* elements which have been discussed to this point are shown on **Exhibit 5**.

Exhibit 5

Hypothetical Examples of Missions and Visions

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal			
Objective			
Strategy			
Performance Measures:			
Input			
Output			
Efficiency			
Outcome			
Quality			

HELP

2. HOW TO Craft the Vision

Great visions are conceived through partnership between top management and all levels of the organization - in other words, those who will be implementing the vision. By sharing the vision, management establishes mutual ownership and commitment to the overall vision with employees at all levels.

The following questions should be considered in crafting a vision:

- What are our aspirations? What do we desire to accomplish? What principal opportunities do we want to pursue?
- How do we wish to be known by our customers, members and our community?
- How will our organization enhance the quality of life for those who use our services/products?
- What will our organization look like in the future? What is our ideal future?

After you have written your vision statement, check it by using the **Checklist for Vision Statements (Checklist 3)** on the next page. Revise your vision statement as necessary.

The next step in the “*Where do we want to be?*” process is the development of **goals** that support the mission and vision.

Checklist 3

Checklist for Vision Statements

Vision: A brief and compelling description of the preferred, ideal future, including the conditions and quality of life.

Indicate if the vision statement meets the criteria of the checklist. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your vision statement as necessary.

CHECKLIST FOR VISION STATEMENTS		
Test Question	YES	NO
Does the vision statement provide a clear picture of the organization's ideal future?		
Is the vision statement inspiring and challenging?		
Is the vision statement brief enough to be remembered?		
Will achievement of the mission help make the vision a reality?		

B. GOALS

GOALS: The general ends toward which an organization directs its efforts. Goals clarify the mission and vision, provide direction, but do not state how to get there.

√ **Key agency goals are to be included in the annual budget submission. Also report program goals if they are different from agency goals.**

Goals are broad statements that describe desired outcomes. Goals more clearly define the direction set by the mission and vision, and therefore provide a framework for more detailed levels of planning. Without goals, organizations do not clearly know where they are going. Goals are set at both the agency-wide and program levels. Program goals must be consistent with the agency-wide mission, vision, guiding principles, and goals. Depending on the size and structure of the agency, program goals may be the same as the agency-wide goals.

Goals stretch and challenge an organization, but are realistic and achievable. The goals fulfill or help to fulfill the vision and carry out the mission.



KEY POINT

Agency goals represent strategic direction for the organization as a whole. In contrast, program goals address improvements associated with the most important customer needs, products, and services. Program goals are aligned with the agency goals. In some instances - particularly in smaller agencies - program goals will be identical to agency goals.

1. Criteria for Goals

- Goals support and clarify the agency mission and vision, and program missions by defining and elaborating on the general, broad concepts contained in them.
- Goals address priorities and the results of the internal/external assessment, and may be developed in response to strategic issues.
- Goals represent a desired program result, and lead to development of objectives, performance targets, and performance measures.

- Goals chart a clear direction for the agency and programs, but do not determine specific ways to get there. Objectives, strategies, and actions plans do that.
- Goals are general and not quantified, and do not express specific targets for achievement. Objectives express the specific achievement targets. By achieving the objectives which support the goals, you can be fairly sure that you have achieved your goals.
- Each goal addresses a single priority, whereas objectives can address more than one priority.
- Goals tend to remain essentially unchanged until a shift in the environment under which they were created occurs. Focus and priorities may change over time, which should then be reflected in new goals.



**KEY
POINT**

Each program must have at least one goal, yet the number of goals should be limited to a manageable number. In some agencies, the agency and program goals will be the same. Since objectives and performance measures will be developed for each goal, the number of goals has a cascading effect on the amount of information that must be tracked and managed. So, concentrate on agency priorities when developing goals.

Examples of goals are on the following page.

Poorly Written Goals

- To provide good roads.
(program goal for a Highway Maintenance Operation; too general, does not clarify the mission)
- To continue to serve our customers.
(program goal for a Health Benefits Division; not challenging, does not sufficiently clarify the mission)
- To reduce by 15% the amount of contaminants in drinking water by the year 2000.
(program goal for a Water Management Administration; time bound and too specific - more appropriate as an objective)
- To research available rental units.
(program goal of a Commission For The Blind; unclear purpose, may be more appropriate as part of a strategy or action plan)

Well Written Goals

- To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile.
(program goal for a Highway Maintenance Operation)
- To provide health benefit plans that are affordable to both our members and state agencies.
(program goal for a Health Benefits Division)
- To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems.
(program goal for a Water Management Administration)
- To assist citizens who are blind to live as independently as possible consistent with their capabilities.
(program goal of a Commission For The Blind)
- To assist blind or visually impaired citizens to secure or maintain employment in careers consistent with their skills, abilities, and interests.
(program goal of a Commission For The Blind)

Agency examples of selected ***Managing for Results*** elements which have been discussed to this point are shown in **Exhibit 6**.

Exhibit 6

Hypothetical Examples of Missions, Visions, and Goals

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal	To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile	To provide health benefit plans that are affordable to both our members and state agencies	To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems
Objective			
Strategy			
Performance Measures:			
Input			
Output			
Efficiency			
Outcome			
Quality			



2. HOW TO Set Goals

Goal-setting identifies the general changes or results that must be achieved over the long term in order to fulfill an agency's vision and carry out the mission. Setting goals enables an agency to establish the overall direction and the course for programs.

For the agency that has never gone through a planning process, goal-setting should be a joint effort of the agency head, key staff and representatives from program or service areas. Each agency will determine the participants of this planning group, but it should be small enough to facilitate effective problem-solving. The agency head's assertive leadership is essential to ensure that the goals will fulfill or help to fulfill the agency's mission.

The following eight steps will assist in developing or revising agency and program goals:

① Explain the process

Establish the importance of the process. Review and discuss the goal-setting process, its place in the overall planning process, identify participants, define terminology, establish time frames and clarify expectations.

② Review internal and external assessment data

Prior to beginning the actual goal-setting exercise, background information should be distributed and reviewed by the participants. Compilation and distribution of this information will set the stage for formulating goals. (Refer to the section on Internal/External Assessment for more information.)

The following information from the internal/external assessment should be considered when developing or refining goals:

- Customer/Stakeholder Analysis
- Strengths and Weaknesses

- Opportunities and Threats
- Planning Assumptions
- Strategic Issues

③ **Set direction to achieve desired results**

Based on the results of the internal/external assessment, determine if the agency is headed in the right direction, or if minor or major changes will be necessary. By asking questions like the following, the course can be set:

- If we continue in the same direction, will we be able to address the issues or problems that have been identified?
- If we continue in the same direction, will our strengths continue to be strengths?
- If we continue in the same direction, will we be able to meet the needs of our external and internal customers? Will we be able to improve our service to our customers?
- What are the critical success factors for fulfilling the vision and achieving the mission? What will have to change considering the agency culture, required knowledge, current technology and processes?
- Where are there gaps between where we are and where we need and want to be in order to fulfill the vision and achieve the mission?
- Do we need to change current programs and/or activities? Are there some that should be added? eliminated? expanded? How much expansion do we need, want, or can we handle?
- What lines of communication, coordination, and cooperation should be developed within our programs or activities? between our programs? with other State and/or local government agencies? With other organizations?

④ Draft and refine goals

- Based on the internal/external assessment and the discussion on direction, review goals developed previously and develop proposed goal statements for the planning cycle. **Make sure that you collaborate with other State and local agencies where there are relationships between agencies and programs.** For example, agencies with shared goals such as environmental, agricultural, and natural resources should collaborate in developing goals.



KEY POINT

When writing goals, clarify the mission by identifying the broadly stated, key concepts in the mission statement. **These key concepts should include the most important customer needs, products and services.**

- If it is not obvious who the intended recipient is or who will benefit in the goal statement, add language to clarify.
- Determine if the goals are feasible. Consider the factors or conditions that will facilitate or hinder goal achievement. Revise goal statements as necessary.
- Check to see if you have too many goals. Review all goals and determine if related or duplicated goals can be combined and/or eliminated. Eliminate goals that do not address agency priorities or are not key to fulfilling the mission.
- **As a final check, determine whether or not the proposed goals meet the criteria for goals.** If a goal can be accomplished in less than three years, it is probably an objective. Use the **Checklist for Goals (Checklist 4)** found on the next page. Revise goal statements as necessary.

Checklist 4

Checklist for Goal Statements

Goal: The general end toward which an organization directs its efforts. Goals clarify the mission, provide direction, but do not state how to get there.

For each program, indicate if the goal statements meet the criteria of the Checklist. Complete one column for each goal statement under a particular program. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your goal statements as necessary.

CHECKLIST FOR GOAL STATEMENTS					
Agency Name: Budget Unit Name:	Program Name & #				
	Goal #				
Test Question	#1	#2	#3	#4	#5
Does the goal support the mission?					
Is it consistent with your legislative authority?					
Does the goal deal with just one issue?					
Does the goal represent a desired <i>result</i> that can be measured?					
Does the goal reflect a <i>primary</i> activity or <i>strategic</i> direction?					
Is the goal challenging, but still realistic and achievable?					
Does the goal encompass a relatively long period, i.e., generally at least three years?					
Is there at least one key goal for each program, but not more than you can reasonably manage?					
Is the goal important to management?					
Is the goal important to policy-makers and customers?					
When taken collectively, will your goals reflect most of your program budget?					
Will someone unfamiliar with the program understand what the goal means?					

⑤ **Get consensus**

Reach consensus among all participants on the goal statements and be committed to the completion of the goals.

⑥ **Number goal statements**

Number goal statements to make tracking easier (see the section on **How to Organize an Action Plan** for further information on numbering goals).

⑦ **Establish priorities in achieving goals**

Priority ranking of goals is important because it helps set priorities for allocation of resources and provides a framework for implementing, tracking, and evaluating performance and progress.

⑧ **Select goals to include in the annual budget submissions**

- Review all the goals developed for the agency and for each program.
- Select those key goals that represent the most important activities and customer needs.
- Consider what would be most informative to a policy maker, customer, or stakeholder. For example, a strategic goal might be "to improve internal communications." While this management goal might be important for an organization's internal operations, it might not be reported on external documents.

Now that the goals are developed, the next step in the “*Where do We Want to Be?*” process is the development of **objectives** which support the goals. Objectives are more specific, quantified and time-bound than the goals they support. The next section will introduce the criteria for developing objectives.

C. OBJECTIVES

OBJECTIVES: Specific and measurable targets for accomplishment of a goal.

√ **Key program objectives are to be included in the annual budget submission.**

Objectives complete the "*Where do we want to be?*" part of the planning process. In contrast to the broad, general statements of goals, objective statements are specific - they quantify and specify time frames for a desired result. As such, objectives represent milestones or intermediate achievements necessary to realize goals.

Objectives are developed at the program level as opposed to the agency-wide level. The program objectives must support both the agency-wide and program goals.

1. Criteria for Objectives

Good objectives are SMART. That is, they are:

Specific: Objectives should specify the results that you want, but not how to accomplish them. All objectives should lead to specific strategies or actions. An objective should be detailed, understandable, and give clear direction to others.

Measurable: An objective must be measurable so that you can determine when it has been achieved. Measurement helps track progress and is useful in evaluating the accomplishments of a program. Accountability should be built into the planning process.

Caution: A method for measuring an objective must be in place before work actually begins. Objectives and performance measures are interactive. (Refer to the section on Performance Measures for more information).

Attainable: Objectives are standards for achievement. Therefore, they should challenge, but not demand the impossible. Objectives should be realistic and attainable. For example, it would be reasonable to reduce highway accidents but not to eliminate them. Objectives also should be consistent with resources available.

Result-oriented: Objectives should specify a result or outcome, not just an activity. An example of a result would be "Respond to 75 percent of all correspondence within thirty days with an annual average response of 21 days or fewer". An example of an activity would be "To increase service to the public through improved correspondence content and turnaround".

Time-bound: A time frame should be specified for meeting objectives. Each objective should be attainable within a relatively short time period from a few weeks to a few years. Objectives are, after all, milestones on the way to accomplishing long-range goals.

Examples of objectives are on the following page.

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Poorly Written Objectives

- To improve highways by the year 2000.
(objective for a Highway Maintenance Operation; not specific or measurable)
- To eliminate highway deaths.
(objective for a Highway Maintenance Operation; too broad, not realistic)
- To limit cost of health benefits.
(objective for a Health Benefits Division; not specific, measurable or time-bound)
- To provide every state resident with drinking water that contains no more than a defined level of contaminants per gallon.
(objective for a Water Management Administration; not specifically quantified, not time bound)

“SMART” Objectives

- By the year 2000, 80% of highways will be in excellent condition.
(objective for a Highway Maintenance Operation)
- By 1999, limit the average rate of cost increase to the rate of increase of our state’s regional health care cost index, or less.
(objective for a Health Benefits Division)
- By 1999, ensure a compliance rate of 99% for all contaminants for the population served by public water systems.
(objective for a Water Management Administration)

Agency examples of selected *Managing for Results* elements which have been discussed to this point are shown in **Exhibit 7**.

Exhibit 7

Hypothetical Examples of Missions, Visions, Goals, and Objectives

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal	To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile	To provide health benefit plans that are affordable to both our members and state agencies	To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems
Objective	By the year 2000, eighty percent (80%) of state highways will be in excellent condition	By 1999, limit the average rate of cost increase to the rate of increase of our state's regional health care cost index, or less	By 1999, ensure a compliance rate of 99% for all contaminants for the population served by public water systems
Strategy			
Performance Measures:			
Input			
Output			
Efficiency			
Outcome			
Quality			



2. HOW TO Formulate Objectives

The art of setting objectives is to create a challenging but achievable target. This results in organizational improvement, and builds employee pride and confidence.

There are seven steps in formulating and revising objectives:

① Review the mission, vision, and goals to ensure that:

- the mission and vision are clear;
- the customers and stakeholders have been identified; and
- the intent of the goals is understood.

② Clarify your goals.

In a manner similar to how you clarify your mission and vision through goals, goals are clarified through objectives. Key concepts from the goals are expressed as desired results in the objective statements.

Break down the goals in terms of measurable results/outcomes, not in terms of processes. Objectives which are stated in terms of positive outcomes imply action rather than reaction.



NOTE

Make note of processes that you discuss while developing your objectives, and keep them for later reference when putting together strategies and action plans.

One objective can address more than one goal and/or more than one key concept from the goal. **Objectives should address the most important customer needs as expressed in the goals.**

Remember, objectives are SMART!

③ Determine the baseline performance level

Before you can specify a measurable, time-bound result in the form of an objective, it is necessary to determine the current status of program performance. This is setting your baseline. In other words, you need to quantify what the present level of performance is. **This quantified level of performance gives a point of reference - a baseline - against which future results are planned and evaluated.**

A baseline is established with data collected at the beginning of an improvement process so that it can be compared with future data to measure progress and improvement. If historical data is available, it can be used to determine the baseline. The baseline is usually derived from the most recent one year period, or a shorter time frame if data is unavailable. If no data is available, sometimes industry averages can be used. Otherwise, data will need to be collected to establish the initial baseline.

For example, if you work in a Water and Wastewater Treatment Administration and know from historical data that only 70% of replacement and/or upgrades to the current infrastructure are completed, it would be unrealistic to define an objective which plans to complete 100% of replacement and/or upgrades within the next 12 months. That would be impossible within current financial and human resources. **Only by knowing the current status of program performance, can you realistically quantify plans for improvement.**

④ Use benchmarking to establish performance targets

Benchmarking has its roots in the private sector, but clearly offers real benefits for public management. In fact, governments have historically compared various aspects of their operations with other State programs, other governmental agencies, and private enterprise. Integrated into results-based planning efforts, benchmarking can provide reference points that illuminate and validate proposed objectives, strategies, and action plans.

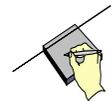
One of the basic challenges to implementing benchmarking in the public sector is that not everyone defines benchmark in the same way. **To bring**

consistency to the benchmarking efforts of Maryland agencies, the “*Managing for Results*” initiative defines benchmark as follows:

Benchmark: A standard or target by which an organization measures its performance. Benchmarking is the process by which an organization rates its practices, processes, and products against the defined performance targets and strives to meet the targets.

The foundation for benchmarking was established during the internal/external assessment. Agencies may use “best practices” of other State agencies, other states, the private sector, or its own past performance, to help establish desired performance targets. Statutory requirements or professional, national, or accreditation standards also can be the basis for benchmarks.

The agency must identify the specific process(es) for benchmarking, and the Maryland agencies, other state agencies, and/or private sector businesses which they wish to use as a “benchmarking partner(s).”



NOTE

A combination of phone interviews, questionnaires, document review, and site visits are the usual means for gathering information about your “benchmarking partner.” If an agency chooses to use external organizations in its benchmarking, it is wise to spend some time becoming familiar with internal processes before focusing on the outside organization which your agency has chosen to “benchmark”. This is necessary in order to develop a clear sense of your external information needs. You will have gained substantial knowledge about your organization through your internal assessment.

After comparing your agency’s baseline performance status and the data discovered in the benchmarking process for a particular program or service (where available), managers and staff know how far the organization must go to achieve the desired or ultimate level of performance which is called the performance target. The difference or “gap” between the performance target and actual program performance represents room for improvement.

Once you have determined the baseline performance levels, and made the comparison with the performance target which resulted from benchmarking, you can decide on how much change you want and how much you can handle. Benchmarking offers an organization a chance to aim for the top and to provide ideas on what it needs to do to get there.

When defining your performance targets, you should consider:

- What variables or factors may influence the result?
- What specific levels of achievement or solutions are already mandated by external elements (such as Federal or State legislation or court order)?
- Whether the proposed results are consistent with gubernatorial, legislative, and organization policies, guiding principles, and priorities?

The Performance Targets should:

- represent realistic expectations of changes that can be made;
- be developed by those who will be held accountable, ideally with input from customers and stakeholders;
- enhance productivity;
- be adjusted based on experience; and
- enhance morale, not demoralize program workers.

Performance targets also should include what the organization has to do, how much it has to do, and when it has to do it, which can be determined through process analysis.



**KEY
POINT**

A key to successful benchmarking is the identification of factors that account for the superior performance of the organizations/programs being studied. The focus then shifts to determining appropriate performance targets, keeping in mind the differences in organizational cultures and operations. This requires creative adaptation rather than simple substitution of one procedure for another.

⑤ **Set a time frame for achieving results.**

It is important to decide how much realistically can be accomplished within the planning period with current financial and human resources. Consider the following questions:

- How critical is immediate action? What are the opportunities to act now versus later? What are the consequences of action now versus later?
- Are specific time frames or deadlines already mandated by external elements (such as Federal guidelines or mandates, court orders or consent decrees, State statute or constitutional provision)?

Establish milestones. Milestones are points along the way that indicate progress towards achieving a goal. The incremental steps toward achieving the goal each year become the annual performance targets. By definition, the performance target for an objective is specified within the objective statement (objectives are quantified and time bound).

⑥ **Put the objective into words and check against the criteria for objectives.**
Now is the time to check your objectives against the following **Checklist for Objectives (Checklist 5)**.

⑦ **Rethinking objectives**

Rethink objectives periodically. Ensure that they are **SMART**. Be sure that the performance target is realistic yet challenging. If over time it becomes apparent that an objective is too ambitious, reset and make it realistic. This does not mean, however, that performance targets should automatically be scaled back to make your job easier. Find the balance between discouraging and killing initiative, and building employee pride and confidence. Conversely, if a target has been set too low, stretch the target some more.

Now that you know where you want to be, the next step in the planning process is determining **“How do we get there?”** The next section will introduce **strategies**, and the criteria for developing strategies and action plans to support the goals and objectives.

Checklist 5

Checklist for Smart Objectives

Objectives: Specific and measurable targets toward accomplishment of a goal.

For each goal, indicate if the supporting objectives meet the criteria of the check list. Complete one column for each objective under a particular goal. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your objectives as needed.

CHECKLIST FOR SMART OBJECTIVES					
Goal #:	Program Name & #:				
	Objective Number:				
Test Question	#1	#2	#3	#4	#5
Does the objective reflect <u>specific accomplishments that are desired</u> ?					
Can progress towards completion of an objective be <u>measured</u> ?					
Is the objective aggressive and challenging, yet realistic and <u>attainable</u> within the planning period and available resources?					
Does the objective specify a <u>result</u> rather than an activity or process?					
Is there a specific <u>time frame</u> for completion of the objective?					
Have you identified who will be accountable for meeting the objective?					
Will completion of the objective lead to goal attainment?					
Is there at least one objective for each stated goal or set of goals?					
Will someone unfamiliar with the budget unit or program understand what the objective means?					

IV.
THE “*HOW DO WE GET THERE?*”
PART OF THE PROCESS

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A. STRATEGIES

STRATEGY: A specific course of action that will be undertaken to accomplish goals and objectives. A strategy reflects budgetary and other resources.

Development of strategies provides a clear understanding of how an agency will fulfill its mission through accomplishment of goals and objectives, and how it will deal with strategic issues. Strategies consider internal agency programs as well as external organizations. Strategies determine the amount and type of resources that must be allocated to achieve goals and objectives. More than one strategy may be needed. Different types of strategies will apply to different types of operations. For example, strategies may include:

- expansion of programs and/or services;
- reduction in or elimination of programs and/or services;
- collaboration with other agencies to combine resources to achieve a shared goal (such as natural resources, agricultural, and environmental agencies working together to reduce pollution in local tributaries; and family services agencies working together to strengthen and preserve families); and
- positioning of a program(s) to be competitive in the market when the same type of service(s) is provided by the private sector (such as the Injured Workers' Insurance Fund positioning itself competitively in the workers' compensation market; and the Department of Human Resources positioning itself competitively to provide adoption services).

Strategies also are designed to improve the organization's capacity, resources, and/or influence. Strategies are developed at both agency-wide and program levels.

1. Characteristics of Strategies

- Strategies are processes.
- Strategies, like objectives, are **SMART** (**Specific, Measurable, Attainable, Results-oriented, and Time bound).**
- Strategies are linked in a logical way to your goals and objectives, and may lead to the accomplishment of more than one goal and more than one objective.
- More than one strategy may be needed to accomplish a particular goal or objective.

Agency examples of selected *Managing for Results* elements which have been discussed to this point are shown in **Exhibit 8**.

Exhibit 8

Hypothetical Examples of Missions, Visions, Goals, Objectives, and Strategies

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal	To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile	To provide health benefit plans that are affordable to both our members and state agencies	To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems
Objective	By the year 2000, eighty percent (80%) of state highways will be in excellent condition	By 1999, limit the average rate of cost increase to the rate of increase of our state's regional health care cost index, or less	By 1999, ensure a compliance rate of 99% for all contaminants for the population served by public water systems
Strategy	By 1997, complete an evaluation and status report on the condition of maintained highways; develop and implement a repair and maintenance schedule	By 1997, hire an independent claims auditor to verify claims payment accuracy by vendors	By 1998, conduct an additional 6 comprehensive performance evaluations at surface water treatment facilities, increasing from 28 in January of 1997 to 34 in January of 1998
Performance Measures:			
Input			
Output			
Efficiency			
Outcome			
Quality			



2. HOW TO Build Strategies

Managers, supervisors, and front line employees must determine how to achieve desired results. Utilizing Continuous Quality Improvement problem solving teams to develop strategies and action plans is a good approach.

It is important to consider several alternative strategies for each objective. When formulating strategies, you should consider:

- barriers to as well as opportunities for achieving the goals and objectives;
- the costs, merits, and anticipated consequences of alternative courses of action;
- the external factors that may affect costs and effectiveness;
- your internal capacities (personnel, training, facilities, hardware, software, other equipment, budget) and how you will obtain the needed resources if they are not currently available;
- the time frame for implementing a particular strategy; and
- the processes that are the most effective and efficient ways to accomplish specific goals and objectives.

Strategies may be identified through a number of ways:

- **Evaluate strategies already in place.** Other units or sections in your agency may have implemented similar goals and objectives. They may have procedures in place that you can borrow, and experience and knowledge that you can use. The situation inventory portion of the internal/external assessment should have identified what the organization is doing well, where improvements are needed, and organizational strengths and weaknesses. Program evaluations and internal audits should also be used to review current strategies.

- **Brainstorm how to achieve results.** Brainstorming generates and encourages innovative ideas and identifies opportunities for coordination and cooperation.
- **Research what works.** Researching successful programs in other State agencies and private sector organizations provides useful information. The results of your benchmarking process also will have identified the “best” and how it got that way (see the section on objectives for more information on benchmarking).
- **Look at processes that you identified while forming your objectives.** Most likely you talked a lot about process while forming your objectives. Now is the time to consider those processes as the starting points for strategies that you may want to refine.

Before you reach a decision about the method you will use to achieve your goals and objectives, weigh each alternative. **Some additional considerations include:**

- If this course of action is implemented, is it plausible that the goals and objectives will be reached? How do we know?
- Will this course of action have a positive or negative impact on any other goals and objectives? Is it dependent upon the successful implementation of any other goal or objective?
- Are we organized to implement this course of action? If not, what must be changed to accommodate implementation?
- If changes are necessary, how long will they take? Are there other constraints that will occur as a result?

Once the costs, benefits, possible constraints, time frames and resources have been analyzed, a strategy(ies) can be selected. Selection of the strategy(ies) can be based on the following additional evaluation criteria:

- acceptance by customers and key stakeholders;
- positive relationship to the agency’s vision, mission, and values;
- clear linkage to accomplishment of a goal and objective;

- integration with other strategies;
- technical feasibility;
- staffing and training requirements;
- facility requirements;
- short term versus long term impact;
- legal authority; and
- political considerations.

It is preferable to begin with a small number of strategies and build the organization's capacity to deal with the changes that will be required to implement the full action plan which supports the strategy(ies).

Next, you will identify the necessary steps to successfully implement the strategy(ies) in order to achieve the goals and objectives. These are the action steps that will appear in the action plan. Examples of action plans which support strategies are shown at the end of the section on **Action Plans**.

B. ACTION PLAN

ACTION PLAN: A detailed description of how a strategy will be implemented.

An action plan puts a strategy into action. Action plans are geared toward operations, procedures, and processes, and describe who does what and when. An action plan details what steps must be taken to implement a strategy. Action plans are developed at the program level.



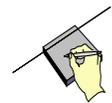
1. HOW TO Develop and Manage an Action Plan

When developing the action plan, consider the following:

- What are the steps necessary to support the strategy and implement this action plan, and how long will each step take?

- Once the action plan is implemented, will procedural changes be required? If so, what impact will they have on the agency?

Action plans should contain as much detail as each level of management feels is important. The section or individual who is responsible for implementing each objective will need the most detail. However, upper management may only want to know that the objective is being implemented on schedule and not want to know the status of each step of the action plan that supports the strategy.



NOTE

Although some strategies may be obvious or mandated, selection of others may not be final until the action plans are developed. It may take that level of detail to reveal the best of several alternatives. The action plan process may reveal flaws in the strategies for which the action plans are developed. In those cases, feedback from action plan development should be used to adjust the strategy.

To successfully develop and manage an action plan, follow the five steps below:

- ① **Assign responsibility for successful completion of the action plan.**
- ② **Set a time frame for completion of the action plan.**

In the overall context of the strategy, decide when the action plan as a whole should be completed. Be sure that the time frame for the action plan as a whole is consistent with individual time frames projected for steps within the action plan.

Note: In practice, it may be necessary to detail the action plan steps and time frames before the time frame for the action plan as a whole is set.

- ③ **Detail the action plan in steps.**

The individual or team responsible for completion of the action plan should detail the action plan further in steps (that is, define the steps that must be finished in order to fully complete the action plan). Steps should be briefly described, indicate who is responsible for completion of the step, and have expected start and finish dates.

④ **Determine the fiscal impact of the action plan and the resources necessary to carry it out.**

The individual or team responsible for completion of the action plan should determine fiscal impact and identify human, physical, information, and financial resources to carry out the plan. The action plan becomes the basis for developing requests for capital and operating budgets, as well as to support human and information technology resource management.

⑤ **Review and check your strategies and action plans.**

Make sure you are addressing unmet customer needs by reviewing the results of your internal/external assessment. Consider whether you can combine any of your strategies. Ensure that your action plans and overall implementation plans include:

- specific anticipated results and milestones;
- roles and responsibilities of the implementers;
- specific action steps;
- schedules;
- resource requirements and sources;
- a communication process;
- a review and monitoring process; and
- accountability processes and procedures.

After you put your strategies into action through your action plans, they may have to change if:

- new problems arise;
- priorities change, therefore changing goals and objectives; or
- your strategies are not achieving your objectives.

Before you change your strategies, go back and review your goals and objectives. This will help to clarify your direction. Use the same steps in reviewing your strategies as you did in reviewing your objectives in the “*Where do we want to be?*” part of the process.

Now as a final check, test each of your action plans against the **Action Plan Checklist (Checklist 6)** on the following page. If necessary, revise your action plans.

Checklist 6

Checklist for Action Plans

Action Plan: A detailed description of how a strategy will be implemented.

For each program, indicate if the action plan meets the criteria of the Checklist. Complete one column for each action plan under a particular program. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise your action plan as necessary.

CHECKLIST FOR ACTION PLANS					
Goal Number: Objective Number:	Program Name & #:				
	Action Plan for Strategy #:				
Test Question	#1	#2	#3	#4	#5
Does the action plan contain a time frame for completion?					
Is the action plan broken down into important steps (e.g. have operations, procedures and processes been included)?					
Has responsibility for successful completion of the action plan been assigned?					
Are additional resources needed to accomplish the action plan? Have arrangements been made for additional resources?					
Does the action plan contain sufficient detail to track milestones?					
Does the action plan relate to/will it help to achieve the objective?					
Does the action plan relate to the goal?					



2. HOW TO Organize an Action Plan

A numbering or lettering system is recommended for ease in identifying each particular goal, objective, strategy, and performance measures.

A typical method for organizing a results-oriented plan is to tier a numbering system from goals down to strategies. For example, goals could be numbered 1, 2, 3. Objectives could be numbered to correspond to each goal: 1.1 or 1-1 would represent the first objective under the first goal, 1.2 or 1-2 would represent the second objective under the first goal. Strategies would be numbered to identify which goal and objective they support. For example, 1.1.1 or 1-1-1 would be the first strategy which supports the first objective, and first goal. Performance measures would be numbered to correspond to goals, objectives, and strategies. For example, 1.1.1.2 would indicate the second measure which supports the first goal, objective and strategy.

The numbering system does not necessarily have to represent the importance of the goal or objective, unless the agency has decided to prioritize elements of the plan.

Small Agency



Helpful Hint

Since much of the information included in the action plan will also be used for the tracking and monitoring document, agencies may want to design one format to accomplish both purposes. An example is shown in **Exhibit 16**.

A sample format for action plans and examples of completed action plans are provided in **Exhibits 9, 10, and 11** on the following pages.

Exhibit 9

SAMPLE FORMAT FOR ACTION PLANS WHICH SUPPORT STRATEGIES

PROGRAM NAME AND # _____

DATE _____

Goal # _____	_____	_____	_____
Objective # _____	_____	_____	_____
Strategy # _____	_____	_____	_____
Action Steps to Support Strategy	Persons Responsible	Time Table	Resources Needed

Exhibit 10

SAMPLE ACTION PLAN

PROGRAM NAME AND #
DATE

AFDC 0000.00
FY 1996 7/1/95

Goal # 1: _____ To provide benefits in correct amounts and in a timely manner.

Objective #1.1: _____ By June 30, 1996, to process 99.7% of AFDC applications within 45 days.

Strategy #1.1.1: _____ Target specific offices with timeliness problems/issues

Action Steps to Support Strategy	Persons Responsible	Time Table	Resources Needed
1. Identify barriers to processing applications: A. Program Barriers B. Client Barriers	Program Administrator, QA Manager, Eligibility Determination (ED) Staff/Policy/Procedures	July 1, 1995, to November 30, 1996	Workgroup, QA staff, ED staff, and Policy staff ; applications data
2. Review QA reports to identify offices	Workgroup leader	December 1, 1996, to January 1, 1997	Data for each local office
3. Develop solutions to timeliness issue, including resources, FTEs and cost-benefit analysis	Workgroup and program Managers for X, Y, & Z offices	January 1, 1997, to March 31, 1997	Personnel, cost, and budget data
4. Institute solutions developed by designated personnel	Program Administrators and Program Managers	March 31, 1997, to June 30, 1997	Detailed Policy and Procedures

Exhibit 11
SAMPLE ACTION PLAN

PROGRAM NAME AND # Highway Maintenance Operation 0000.00
DATE FY 1996 7/1/95

Goal # 1:	<u>To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile.</u>		
Objective #1.1:	<u>By the year 2000, 80% of state highways will be in excellent condition.</u>		
Strategy #1.1.1:	<u>By 1997, complete an evaluation and status report on the condition of maintained highways; develop and implement a repair and maintenance schedule.</u>		
Action Steps to Support Strategy	Persons Responsible	Time Table	Resources Needed
1. Update inventory of state maintained highways by region	Program Administrator, Planning & Engineering staff	July 1, 1996, to August 31, 1996	Workgroup, highway maps, Consolidated Plan data
2. Regional Offices assess available personnel for survey crews	Area managers & their senior staff	August 1-31, 1996	Personnel lists, work schedules, regional project schedules
3. Distribute updated inventory to area engineering managers	Program Administrator	September 1, 1996	Clerical support
4. District Offices assign survey crews to assessment tasks	Regional managers & their senior staff	September 1-30, 1996	Inventory of State maintained highways, list of available personnel and equipment
5. Regional survey teams conduct assessment of highway quality	Survey Team personnel	October 1, 1996, to February 28, 1997	Survey teams, State highway maps, road testing equipment, vehicles
6. Regional Office staff collect survey results and forward them to Headquarters	Regional managers, senior staff, survey teams	March 1-15, 1997	Survey Team reports
7. Analyze survey reports to develop a status report and ranking of all state maintained highways	Program Administrator, Planning & Engineering staff	March 15 - April 30, 1997	Survey Team reports

Now that you have completed the “*How do we get there?*” part of the process, you must now determine “*How do we measure our progress?*” This will involve development of management control systems such as **performance measures, monitoring, evaluation, and reporting.**

V.
**THE “HOW DO WE MEASURE OUR PROGRESS”
PART OF THE PROCESS**

	<u>Page</u>
A. ✓ Performance Measures - The system of customer-focused, quantified indicators that let an organization know if it is meeting its goals and objectives.	81
B. Tracking, Monitoring, and Reporting Systems - Systems that monitor and report progress on achieving goals and objectives.	108

Note: A check mark ✓ before a component means that this is a required element of the agency’s annual budget submission. Instructions for reporting are provided in the annual Budget Instructions produced by the Department of Budget and Management.

A. PERFORMANCE MEASURES

PERFORMANCE MEASURES: The system of customer-focused, quantified indicators that let an organization know if it is meeting its goals and objectives.

- √ **Key agency-wide and program performance measures are to be reported in the annual budget submission**

The final stage in the *Managing for Results* process includes measuring performance, monitoring progress, evaluating programs, assessing customer satisfaction, and implementing corrective action. Although this is considered the “final” stage, *Managing for Results* is a continuous cycle.

“What gets measured gets done.” Performance measures are management tools that measure work performed and results achieved. These same measures form a basis for managers to plan, budget, structure the organization, and control results. A successful planning process always builds in accountability for results. Measurement of performance helps to ensure continuous provision of efficient and effective government services and products.

Performance measurement provides a different way of thinking about government functions, as well as provides a means for conducting regular, periodic evaluations of programs. Government functions are seen in terms of achieving desirable results, not just as processes. Performance measurement is designed to assess program performance, not to point fingers at individuals.

Performance measures are developed at the program level. A limited set of key measures which are indicative of the degree to which the agency as a whole is meeting its mission and goals may be selected from the program measures, or developed separately. Agency-wide measures should focus on outcomes.

1. Characteristics of Good Performance Measures

Good performance measures **inform** their users with **valuable** information that can be used in a **practical** way. The most important characteristics of performance measures are underlined in the list below.

Performance measures:

- **are informative:**

- **clear** - they can be understood by anyone; professional or technical terms are defined;
- **simple** - easy to calculate and interpret;
- **comprehensive** - include all key aspects of program performance;
- **responsibility linked** - matched to people and organizational units responsible for achieving the performance targets;

- **communicate valuable information:**

- **meaningful** - significant and directly related to the mission, goals, and objectives;
- **organizationally acceptable** - valued by those within the organization;
- **customer-focused** - reflect the point of view of the customers and stakeholders;

- **are practical tools:**

- **valid** - information is sound; it measures what you want it to measure; and provides the most direct and accurate measure;
- **balanced** - includes several types of measures, for example input, output, outcome, efficiency, and quality measures;
- **timely** - uses and reports data in a reasonable time frame;
- **reliable** - based on accurate data which provides the same information time after time;

- **cost effective** - based upon acceptable data collection and processing costs;
- **compatible** - integrated with existing financial and operational systems; and
- **comparable** - useful for making comparisons with other data over time.

2. Uses for Performance Measures

There are many reasons to use performance measures. When mature, performance measures can be used:

- **to enhance the quality of services through evaluation of programs:** Performance measures provide the basis to assess whether a program is working through quantitative fact-based information. Program staff know how well customer needs are being met, and the levels of customer satisfaction. Measures make it possible to identify actions to improve quality and reduce cost.
- **to improve management practices and accountability:** Performance measures create a way to rate performance. Once measures are agreed upon, staff can be freed to manage their own activities to achieve the desired result. This motivates employees, reduces the tendency to micro-manage, and makes everyone more accountable.
- **to aid in budget development and review:** Performance measures are valuable in the budget development process. They allow for more accurate assessment of resources needed to support activities. They also help identify what level of product or service will be provided for the amount of funding available.

3. Types of Performance Measures

There are a number of different types of performance measures which can be used to gauge government programs. The types most commonly used in Federal, state, and local governments are:

- **inputs:** resources used
- **outputs:** activities completed
- **outcomes:** results achieved
- **efficiencies:** how well resources are used
- **quality:** effectiveness.

Each is designed to answer a different question and must often be used in combination to analyze agency and program results. It is not always necessary to use all of the types of measures to determine if an objective(s) has been achieved. Use only that combination of measures which best assess performance.

For years agencies have reported some performance measures in agency budget requests, but most reporting has focused on inputs (resources) and outputs (activities), with some efficiency measures. There has been little reporting of outcomes (results). **The most telling and important measure is the outcome measure because it is the most indicative of the success of an organization in meeting the needs of its customers.**

Each type of performance measure will be discussed below:

INPUT Measure: answers the question “What resources will we have and need to do the job?”

Input measures identify the amount of resources used to provide a particular product or service. Inputs include labor, materials, equipment and supplies. Inputs can also represent demand factors such as characteristics of target populations. Input measures are useful in showing the total cost of providing a service, the mix of resources used to provide the service, the demand for services, and the amount of resources used for one service in relation to other services.

Examples are shown below:

E X A M P L E	<u>Input Measures</u>
	➤ <u>Highway Maintenance Operation</u> : Funding for all positions, materials, equipment, contracts, and administrative costs associated with maintenance activity.
	➤ <u>Health Benefits Division</u> : Number of claims audits completed during fiscal year.
	➤ <u>Water Management Administration</u> : Number of samples taken at each facility.
	➤ Other : Number of FTEs (Full-time Equivalent Positions) Number of clients eligible for the program Number of customers requesting service Number of child abuse reports received Number of students enrolled in adult literacy program Number of applications received Number of counselor hours available Number of buildings owned or leased Number of inmates in correction facilities Number of vehicles in motor pool

OUTPUT Measure: answers the question “What will we produce, and what activities will we complete?”

Output measures represent the amount of goods and services provided, in other words the number of activities completed. Outputs focus on the level of activity in providing a particular program. Workload measures, which are designed to show how staff time will be allocated to respond to service demand, are most commonly reported. Outputs are useful in defining what a program produces. **However, they are limited because they do not indicate whether the program goals have been accomplished, nor do they reveal anything about the quality or efficiency of the service provided.**

Examples are shown below:

E X A M P L E	<u>Output Measures</u>
	➤ <u>Highway Maintenance Operation</u> : Miles of state highway that are resurfaced, repaired, or assessed as not needing repair.
	➤ <u>Health Benefits Division</u> : Number of claims audited.
	➤ <u>Water Management Administration</u> : Total number of facilities that meet Federal and state standards.
	➤ <u>Other</u> : Number of police reports filed Number of AFDC applications approved Number of patients treated and released Number of vaccinations given to school-age children per year Number of registered autos inspected Number of permits issued

OUTCOME Measure: answers the question “What results will be achieved?”

Outcome measures address the results an organization achieves and the benefits customers get from the organization. An outcome indicates to what extent goals are achieved. Outcome measures look to the future, while the other performance measures look at history. Both intermediate and long-term outcomes can be evaluated. Intermediate outcomes can be useful in assessing early results when the primary goals will not be realized for several years.

Program managers, policy makers, customers, and stakeholders are generally most interested in outcome measures because they are the most indicative of the success of an organization in meeting the needs of its customers. Yet information about the ultimate result is not always available or practical to measure. In these instances, it may be necessary to use **proxy** or surrogate measures. For example, completion of the twelfth grade is not the same as literacy, but it may be the measurement that comes closest. By focusing on outcomes, improved measurement techniques may be developed. As an example, a minimum competency test as a requirement of high school graduation can provide a better indication of literacy. Government often has to settle for proxy measures, but should strive to find true outcomes whenever possible.

Examples of outcome measures are shown below:

E X A M P L E	<u>Outcome Measures</u>
	➤ <u>Highway Maintenance Operation:</u> Road condition rating for each section of state highway as tested by machine or trained rater.
	➤ <u>Health Benefits Division:</u> Ratio of the average rate of cost increase in premiums to the rate of increase in our state's regional health care cost index.
	➤ <u>Water Management Administration:</u> Number of additional water supplies and citizens protected.
	➤ Other: Percentage reduction in auto emissions Percentage improvement in regional air quality Reduction in incidence of measles Percentage of discharged patients living independently (versus homeless or on public assistance) Percent of decrease in repeat complaints to a regulatory board Percent of increase in new businesses attracted to the state Percent of increase in tourists (especially new target markets) Percent of reduction in recidivism for juvenile offenders Number of students increasing earning capacity upon graduation from adult literacy program Number of highways with satisfactory levels of peak hour service



**KEY
POINT**

Output measures are often mistaken for outcome measures. Outcomes assess how effective or successful the program has been. Outputs alone cannot tell management how successful the program has been. How much work a program does is different from how well a program is working.

The following illustrates the difference between outputs and outcomes.

- **Output:** number of patients discharged
is not the same as
- **Outcome:** number of discharged patients living independently
- **Output:** number of vaccines given
is not the same as
- **Outcome:** reduction of incidence of disease

EFFICIENCY Measure: answers the question “How well will we use our resources?”

Efficiency measures indicate how well an organization uses resources to produce goods or services. They are also known as **productivity measures.** **Efficiency measures show the relationship between unit cost or productivity, and a given outcome or output.** Cost can be expressed in terms of dollars or time per unit of output (or outcome). Efficiency measures can also be portrayed as the relationship of outputs (or outcomes) to inputs. Ratios are often used to express these relationships between different performance measures to convey more information about the productivity and cost effectiveness of a program.

Examples of efficiency measures are shown below:

E X A M P L E	<u>Efficiency Measures</u>	
	➤	<u>Highway Maintenance Operation:</u> Cost per mile of highway resurfaced or repaired.
	➤	<u>Health Benefits Division:</u> Administrative cost per claim.
	➤	<u>Water Management Administration:</u> Cost per sample; total cost per facility; number of staff for each performance evaluation.
	➤	Other:
		Output/Input:
		<ul style="list-style-type: none"> • Number of students graduating to number of students enrolled • Number of clients receiving services to number of case workers
		Output/Time:
		<ul style="list-style-type: none"> • Turnaround time for processing applications • Cycle time for fulfilling information requests • Length of time to settle complaints
		Output/Cost:
	<ul style="list-style-type: none"> • Cost per inmate • Cost per vehicle in motor pool • Cost per pupil 	
	Outcome/Cost:	
	<ul style="list-style-type: none"> • Cost per patient released and rehabilitated • Cost per new business attracted to the state • Cost per reduction in infant mortality rate 	

QUALITY Measure: answers the question “How well did we meet the expectations of our customers?”

Quality measures reflect the effectiveness in meeting the expectations of customers and stakeholders, and in meeting program objectives. Measures of quality include reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the product or service provided.

Lack of quality costs money. Resources devoted to performing rework, correcting errors, or resolving customer complaints can also be important to track. Thus, the cost of quality can also be a type of quality measure.

Quality measures are essentially a type of outcome measure. However, because quality management is important in Maryland State government, quality measures have been separately identified to reflect this emphasis on quality improvement.

Examples of quality measures are as follows.

E X A M P L E	<u>Quality Measures</u>
	➤ <u>Highway Maintenance Operation:</u> Citizen survey ratings about the quality and results of highway maintenance.
	➤ <u>Health Benefits Division:</u> Claims payment accuracy.
	➤ <u>Water Management Administration:</u> Percent increase in compliance rate at each facility.
	➤ Other: Number of defect-free reports compared to number of reports produced Number of course ratings in highest category related to total number of course ratings Percentage accuracy of information entered in the data base Cost associated with errors in licenses requiring recall or cancellation

Exhibit 12 follows with more examples of performance measures.

Agency examples of selected *Managing for Results* elements which have been discussed to this point are shown in **Exhibit 13**.

Exhibit 12

EXAMPLES OF PERFORMANCE MEASURES

INPUT	OUTPUT	OUTCOME	EFFICIENCY	QUALITY
Number of adults eligible for literacy course	Number of adult students completing the course	Number of students able to read at the sixth grade level upon completion of course Percentage reduction in rate of illiteracy	Cost per student Number of students completing course compared to number of students enrolled	Percentage of students satisfied with the instructor and content of the course
Number of clients eligible for service	Number of clients served	Percentage of clients rehabilitated	Cost per client served Number of clients rehabilitated compared to number of eligible clients	Average satisfaction rating for courteous service
Number of permit applications received	Number of permits issued	Number of entities in compliance with requirements	Processing time for permit applications Cost per permit issued	Percentage reduction in processing errors
Number of employment counselors	Number of people served	Percentage of people placed in jobs above minimum wage Percentage reduction in unemployment	Number of people served per number of employment counselors Counseling hours per person served	Percentage of people indicating that counseling was responsive to their needs

Exhibit 13

Hypothetical Examples of Missions, Visions, Goals, Objectives, Strategies and Performance Measures

ELEMENTS	HIGHWAY MAINTENANCE OPERATION	HEALTH BENEFITS DIVISION	WATER MANAGEMENT ADMINISTRATION
Mission	To provide a state highway system that provides people and goods with a safe, convenient, efficient, and pleasant roadway system on which to travel	To provide cost-effective health benefits that meet the reasonable needs of state employees for health care	To improve and maintain the quality of the state's water resources to a level that supports a balanced population of aquatic resources; protects public health; and sustains a strong statewide economy
Vision	A state which provides citizens with an excellent highway system	A state in which all state employees are provided with high quality, cost-effective health benefits and customer services	A state in which the ground and surface waters support a high quality of life for all citizens and living resources
Goal	To provide road surfaces that ensure a smooth and comfortable ride for people and goods traveling in the state by automobile	To provide health benefit plans that are affordable to both our members and state agencies	To ensure safe drinking water quality for all citizens of our state and those served by public water supply systems
Objective	By the year 2000, eighty percent (80%) of state highways will be in excellent condition	By 1999, limit the average rate of cost increase to the rate of increase of our state's regional health care cost index, or less	By 1999, ensure a compliance rate of 99% for all contaminants for the population served by public water systems
Strategy	By 1997, complete an evaluation and status report on the condition of maintained highways; develop and implement a repair and maintenance schedule	By 1997, hire an independent claims auditor to verify claims payment accuracy by vendors	By 1998, conduct an additional 6 comprehensive performance evaluations at surface water treatment facilities, increasing from 28 in January of 1997 to 34 in January of 1998
Performance Measures:			
Input	Funding for all positions, materials, equipment, contracts, and administrative costs associated with maintenance activity	Number of claims audits completed during fiscal year	Number of samples taken at each facility
Output	Miles of state highway that are resurfaced, repaired, or assessed as not needing repair	Number of claims audited	Total number of facilities that meet Federal and state standards
Efficiency	Cost per mile of highway resurfaced or repaired	Administrative cost per claim	Cost per sample - total cost per facility. Number of staff for each performance evaluation
Outcome	Road condition rating for each section of state highway as tested by machine or trained rater.	Ratio of the average rate of cost increase in premiums to the rate of increase in our state's regional health care cost index	Number of additional water supplies and citizens protected
Quality	Citizen survey ratings about the quality and results of highway maintenance	Claims payment accuracy	Percent increase in compliance rate at each facility

4. HOW TO Develop Performance Measures

Prior to developing performance measures, your agency's mission, goals, and objectives should be developed. If you have not already done so, refer to the prior sections of this book for guidance in developing them. If your agency's mission, goals, and objectives were developed some time ago, you should examine them by using the checklists in the Appendices. If you need to revise them, refer to the appropriate sections of this guidebook.



KEY
POINT

Creating good performance measures ought not be an end in itself. It is important to ensure an on-going connection between the performance measurement process and service performance, decision making on important issues, and public accountability.

a. Establishing Performance Measures

When developing your objectives, you identified your current performance - your baseline - with which you will compare future performance. You also established your performance targets through the benchmarking process (see the section on the “*Where do we want to be?*” Part of the Process). When planning how to measure progress in achieving performance targets, the key challenge is determining exactly what to measure.

It is important to choose only critical activities to be measured. Critical activities are those that significantly impact total process efficiency, effectiveness, quality, timeliness, productivity, or safety. Critical activities are also those that significantly contribute to achievement of the mission and goals and result in desirable outcomes. At the management level, critical activities impact management priorities, organizational goals, and program goals. Every critical activity should relate to the ultimate goal of customer satisfaction. Critical activities will have been determined during the internal/external assessment and process analysis.

Priority should be placed on measuring the actual results - the outcomes - of programs. When implementing performance measurement you should:

- build on your results-based plan;
- focus on results;
- choose a limited number of meaningful measures; and
- involve in the development of appropriate measures those who will be expected to use performance data - customers, stakeholders, public managers and employees - as well as those who will collect the data.

You will develop performance measure(s) for each objective by following the ten steps below:

- ① **You must translate “What do I want to know?” into a performance measure. Be sure that the answer to this question will generate useful information rather than just generating data. Remember that the purpose for gathering performance measurement data is to use it in making sensible decisions about your services, products, and processes. Once you have answered this question, you must decide how to say it in numerical terms.**

One way to do this is to identify objectives that have obvious indicators associated with them. Often objectives are stated in terms of increasing or reducing certain rates (for example infant mortality rates, unemployment rates, highway death rates), or improving certain scores or rankings (for example, college testing scores, national rankings for economic development, per capita expenditures). Review other objectives as well.

- ② **Identify indicators (performance measures) that will best answer the question about your organization’s performance toward that objective.** Refer to the questions answered by each type of performance measure as discussed on the preceding pages, and as shown below.

- **Input - What will we need?**
 - **Output - What will we produce?**
 - **Outcome - What results will we receive?**
 - **Efficiency - How well will we use our resources?**
 - **Quality - How much will we improve?**
- ③ **Review your performance targets and define what changes are expected. Decide what information is needed to tell whether expected changes are occurring.**
 - ④ **Review performance information that is already collected.**
 - ⑤ **Use the brainstorming process to find the best way to measure success.** Different types of performance measures may be necessary for different levels of detail or focus. Ideally, performance measures are established by program managers and staff with feedback from customers and policy-makers.
 - ⑥ **Identify the raw data that will generate the performance measure.**
 - ⑦ **Determine where to locate the raw data.**
 - ⑧ **Identify the measurement instrument that will collect the data for the performance measures.** The measurement instrument is what or who will do the measuring or data collection. In most cases this will be obvious, but you need to consider the degree of accuracy and precision needed for the measures. This may rule out some measurement instruments. There must be a measurement instrument for each raw data element.
 - ⑨ **Determine how often to calculate the measurements.** Measures are generally taken and reported on some regular or repeating time interval. You will need to decide how often measurements must be made/data taken to ensure statistical significance and believable results.

- ⑩ Use the **Worksheet for Developing Performance Measures** on the following page in **Exhibit 14** to develop the initial list of measures (also called indicators). Be sure to complete the data source and benchmark (performance target).

When establishing performance measures you may also want to:

- Ask key decision makers what they most want to know about the program in question.
- Find out what data is repeatedly requested by budget analysts, legislative analysts, and legislative budget committee members.
- Look at how other organizations measure similar programs activities.

Inputs are generally easiest to collect; outcomes tend to be the most difficult. Keep in mind that efficiency measures can be expressed as ratios of outputs and outcomes to inputs.



**KEY
POINT**

Most programs over-collect input and output data. When evaluating the types of measures you need, be sure to maintain some input and output measures but not at the expense of other types of measures. Measures cannot be considered in isolation because they are interrelated.

Remember that the outcome measures are the most significant indicators of program performance. Strive to define a balance of different types of measures for each objective, making sure to include outcomes, efficiency and quality measures. Do not make the mistake of having too many measures. Select only those that will be meaningful.

After you have completed your initial set of indicators, select the key performance measures which are the most indicative of program performance. Select those that are most important based upon the mission and goals.

Once you have selected your key measures (indicators), it will be helpful to complete the **Performance Measures Checklist (Checklist 7)** which follows the **Worksheet for Developing Performance Measures (Exhibit 14.)**

Exhibit 14

WORKSHEET FOR DEVELOPING PERFORMANCE MEASURES

What numbers or statistics can be used to report whether this objective has been achieved?					
	KEY FEATURES			EVALUATING THE MEASURES	
Measures Already Used	How is the Measure Defined?	Source of data and Numbers Availability Develop Baseline	Frequency of Data Collection	Advantages	Limitations
Possible New Measures					

Checklist 7

Checklist for Performance Measures

Performance Measures: The system of customer-focused, quantified indicators that let an organization know if it is meeting its goals and objectives.

For each program, indicate if the performance measures meet the criteria of the Checklist test. Complete one column for each performance measure under a particular program and objective. If the response to the Test Question is Yes, place a "Y" in the box; if the response is No, place a "N" in the box, and revise the measure(s) as necessary.

CHECKLIST FOR PERFORMANCE MEASURES					
Goal Number: Objective Number: Strategy Number(s):	Program Name & #:				
	Performance Measure:				
Test Question	#1	#2	#3	#4	#5
Does the performance measure relate to the objective it represents?					
Does it measure what you want it to measure (is it valid)?					
Can the measure provide the same information time after time (is it reliable)?					
Is it understandable to a variety of people (is it clear)?					
Will it be cost-effective to gather data for this measure?					
Will the data be available when needed?					
Is this measure part of a set of balanced indicators?					
Is this measure a result of some activity that you can control?					

b. Defining Performance Measures

Good performance measures need to be specifically defined. General terms must be defined by specific actions, procedures, and computations so that there will not be individual interpretations. Clear explanations of what is being measured, the source of the information, and how the value is being calculated need to be documented.

To define how each of the performance measures will be calculated, ask:

- Have the terms been clearly explained and understood? (for example, "poverty")
- What is the source(s) of the data? (You may not know this until you determine your data requirements as discussed in section c. below).
- How is the number calculated? What formulas are used?

For example, a defined performance measure for the quality performance indicator of the % of on-time deliveries per month is:

$$\left(\frac{\text{Number of on-time deliveries per month}}{\text{Total number of deliveries per month}}\right) \times 100 = \text{the percent of on-time deliveries per month}$$

Data needed includes:

- delivery dates on the vendor contracts;
- dates deliveries were made;
- computation if deliveries were on time (“On-time” is defined as the delivery date on the contract that was awarded to the vendor); and count of on-time deliveries; and

- total deliveries per month for each vendor.

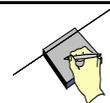
This measure will help to answer the question, “How well are vendors meeting contract delivery dates?”

c. **Determining Data Requirements**

You must identify the raw data that you will need to generate the performance measures (see step a.⑥). Data collection for straight forward measures is a simple process. However, complex or high-level performance measures may require many raw data from numerous sources. Complex measures require that many lower level measures be taken and “rolled up” into the higher level measure. Performance measures are rarely generated directly in a single measurement or from a single source. They usually consist of some combination of raw data elements as in the example of a defined performance measurement in section **b.** above.

When planning for data collection, ensure that your plan will result in gathering useful information by considering:

- What question(s) do we need to answer?
- How will we recognize and communicate the answers to the question?
- What data-analysis tools (such as Pareto diagram, histogram, bar graph, control charts, etc.) do we envision using?
- What type of data do the data-analysis tools require?
- At what step in the process can we get this data?



NOTE

Note: The measurement point is usually at or near each critical activity that you have identified. This is generally the case if your performance measure is measuring an activity within a process rather than the overall process. For performance measures that assess some overall aspect of a process, the collection point usually occurs at the culmination of the process.

- From what physical location, and from whom in the process can we get this data? Performance data should be collected at the sources of services and/or products because:
 - those closest to program services/products know the program best;
 - service deliverers can identify collection problems very quickly;
 - service deliverers often have the best solutions to solving collection problems; and
 - it may be too costly to train someone else to collect the data.
- How can we collect these data from people with minimum effort and chance of error?
- What additional information do we need to capture for future analysis, reference, and tractability?

Information used to measure performance can take different forms. It can be **financial** (e.g., cost per application processed) or **non-financial** (e.g., infant mortality rate).

To determine what data you need to collect, ask:

- What information do we currently gather? Will it meet our needs? At what effort and cost?
- What new information will be collected?
- What problems might be encountered if data are collected this way?

- Can data collection efforts be layered onto existing collection efforts?
- What existing data collection should be discontinued? Why?
- What computer hardware and software exist to assist data collection and analysis?
- What new (or modified) forms will be needed to collect data?
- What resources will be needed to manage performance data?
- What are the constraints to changing data collection? (For example, funding, technology, tradition, politics, privacy, etc.)
- How frequently will the data be collected? Monthly? Quarterly? Annually? Continuously?

When selecting the best data, keep in mind the most important characteristics of performance measures:

- **clear;**
- **meaningful;**
- **valid;**
- **timely;**
- **reliable; and**
- **cost effective.**

The data collected needs to be accurate. One troublesome and common source of error is bias. If you allow for bias in the development and implementation of a data collection system, you can reduce it. Design of data collection forms and processes are ways to reduce bias. Some types of bias that may occur include:

- **exclusion** - some part of the process or the data has been left out of the data collection process;
- **interaction** - the data collection itself interferes with the process it is measuring;
- **perception** - the data collector distorts the data;
- **operational** - the data collection procedures were not followed or were specified incorrectly or ambiguously;
- **non-response** - some of the data are missing or not obtained;
- **estimation** - statistical biases; and
- **collection time period** - the time period or frequency selected for data collection distorts the data, typically by missing significant events or cyclic occurrences.



**KEY
POINT**

- Be patient while employees learn to collect new types of performance data.
- Don't institute automation until you're sure the data you're collecting are the data you need.
- Don't create incentives that undermine measurements.
- Don't add unnecessary steps in data collection and analysis.
- The more the data file has to be cleaned, manipulated and reformatted to fit particular agency or program needs, the longer it will take to analyze and the less useful it will be.

Data analysis will be the most useful to managers in monitoring program performance and improvement when:

- the data is in a usable and meaningful format (performance data is often more easily understood when presented in a graphic format).
- there is sufficient time to absorb the meaning of the results;

- training is instituted to help managers use performance data; and
- managers know what kinds of performance data to request for reports.

d. Assigning Responsibility

To continue the performance measurement process, responsible employees and decision makers must be identified for:

- the collection of data;
- analysis of data to determine and report actual performance;
- comparison of actual performance to the objective and performance target;
- determination of corrective action as necessary;
- and implementation of changes.

Each responsible person should:

- know what the goals and objectives are;
- know what the baseline and actual performance are; and
- have the authority to implement changes if performance does not conform to goals and standards. Giving responsibility without authority undermines success.

e. Measuring and Assessing Actual Performance

Before drawing conclusions from the data that you have collected, you should consider the following questions:

- Does the data collected still appear to answer the information questions that were originally asked?
- Is there any evidence of bias in the data collection process?
- Are the number of observations collected equal to the number specified in the data collection plan? If not, why not?
- Do you have enough data to draw meaningful conclusions?

Once the raw data are collected and verified, it is time for analysis. Most of the time, the recorded data are not the actual performance measurement because the measures are usually formulated based on more than one raw data. Therefore, you need to assemble the raw data into a performance measurement.

The next step in data analysis is deciding how you are going to present or display the data. Usually data should be grouped in a form that makes it easier to draw conclusions, using forms such as tabulation, graphs, or statistical comparisons. After you summarize your data, you develop a report of your analysis. Be sure that you connect the analysis to the goals and objectives you are trying to achieve, and make use of data summaries. At this stage, the report is intended to be a transfer of information to the responsible decision maker for the process. Therefore, the report will likely consist of sets of tables or charts that track the performance measures, supplemented with basic conclusions.

For each performance measure, you will compare actual performance with the proposed performance level, and report the results. Any variances or changes must be analyzed, and subsequent actions must be planned as needed.



What if our data shows poor performance? The reason that you are measuring performance is to ensure that your products and services are meeting your customers' needs. If not, you know that changes are needed to improve performance. See it as a positive thing. Keep in mind that measuring performance also recognizes accomplishments.

f. Determine if Corrective Action is Necessary

After you have compared actual performance against your goals and objectives, you have several alternatives:

- Leave things as they are.
- Develop and implement corrective action.
- Challenge the goals and objectives.

If the variance between your performance measure and your performance target is small, your process is probably ok, but you should re-evaluate your goals and objectives to make them more challenging.

If the variance is large, you may have a problem with a process and will need to develop and implement corrective action to bring performance in line with the performance target. To address problems with process, you can form a quality improvement team to do a root cause analysis. If you make changes in a process, you will need to re-evaluate your goals and objectives to make sure that they are still viable.

The purpose of implementing corrective action is to:

- remove defects (this is often controllable by employees);
- remove the cause of defects;
- attain a level of process performance that will prevent defects from happening; and
- enhance the efficiency and effectiveness of the process.

g. Reviewing and Updating Performance Measures

Developing good performance measures is an evolving process that improves with time. Measures will need to be reviewed on an ongoing basis and changed as necessary based on experience. **To review and update performance measures ask:**

- What adjustments, if any, should be made to the measures currently used?
- What developments in the past year will influence current performance measures?
- What problems have been encountered in trying to measure performance in the past year?
- What changes should be made in the way data are collected and analyzed?
- Is the measurement information useful to program management and staff, executive management, the organization's financial unit, customers, and stakeholders?
- How could performance reports be clarified and simplified?
- Do we have too many measures, or are additional measures necessary?



**KEY
POINT**

Be careful that performance measures do not lead to wrong incentives.

For example, if the focus is on the number of cases processed, employees might have the incentive to accept only the easiest cases in order to generate the highest ratings. A balance of measures can help overcome this potential shortcoming. Another approach is to disaggregate measures for internal purposes, such as by type of client, customer or by geographic area to reflect workload difficulty.

Management must be ever vigilant in developing, updating, and reporting performance measures. Remember to keep the viewpoint of the customers and stakeholders in mind at every step of the process. Accept that the process is evolutionary, and that measures will likely improve with experience. The steps in developing quality performance measures can be used for big and small agencies alike.

B. TRACKING, MONITORING, AND REPORTING SYSTEMS

**TRACKING, MONITORING, AND REPORTING SYSTEMS:
Systems that monitor and report progress on achieving goals and objectives.**

Performance data must be tracked, monitored and reported to:

- provide program managers with the information that they need to assess the degree of success of programs and initiatives; and
- communicate both internally and externally how well programs and initiatives are doing.

Agencies are encouraged to develop tracking, monitoring and reporting systems that collect data continuously and report on a regular schedule. Without tracking, responsibility and accountability are lost and the results-based plan is just a document. As discussed in Section A. of this chapter, tracking will normally be a bottom-up process. The individual or team responsible for completion of the action plan will be the first line in the monitoring process.

After you have summarized your data during the analysis process as discussed previously, you will develop a report. Performance data will be reported both internally to agency executives, program managers and staff, and externally to customers, stakeholders, policy makers, and other agencies. Each Agency will determine its own internal reporting requirements, as well as provide performance data upon request to external sources. External reporting is discussed in number 2. of this section.

Ideally, in order to ensure that progress is being made, internal agency monitoring reports should be produced on a regular basis. Quarterly or monthly reports are preferable. Reported performance data can be aggregated and incorporated into annual reports. Agency annual reports provide an opportunity to report progress on planned accomplishments. Progress reports on performance measures can be in the form of data tables or presented in charts or graphs. Whatever format is used, the report should be concise and "boil-down" the information to help participants make sense of the data.



1. HOW TO Develop a Tracking Document

Elements for a workable tracking document should include:

- goals;
- objectives;
- strategies/action plans;
- identification of the position, unit, section and/or division responsible for implementation;
- room for comments and an explanation of the action taken to date; and
- information on current status.



**KEY
POINT**

The tracking document is only as useful as the information it contains and provides to management. Remember that this report will be a tool that management will use not only to evaluate progress toward achieving the goals and objectives, but also to react quickly and effectively to the unexpected.

Both progress and non-progress should be reported, for example:

- If steps in the action plan are being completed ahead of schedule, include that information in the report.
- If action plans are being implemented on schedule, report on whether the expected result occurred.
- If things are not progressing according to plan, report the reasons, whether due to lack of resources, a critical strategic issue that has taken precedence, or perhaps the original time frame was unrealistic.

Again, reporting a problem will allow management to decide what steps to take to correct the situation. Remember, the point of monitoring performance is not to punish, but to ensure the best performance in meeting the needs of your customers.

Use of short, easy-to-recognize codes (for example, "OS" for On Schedule) will facilitate use of the report. Ample space should be included for comments. Program managers should be encouraged to include as much or as little comment as is necessary to give complete information to upper management. A sample Monitoring and Tracking Document is included on the next page in **Exhibit 15**. Some agencies may want to combine into a single document the Action Plan and the Monitoring and Tracking document. An example is shown in **Exhibit 16**.

Exhibit 15

Example of a Monitoring and Tracking Document for a Department of Revenue

GOAL 2: To ensure conscientious collection, safekeeping and disposal of unclaimed property.

I.D. #'s	OBJECTIVES/STRATEGIES	STATUS	COMMENTS	DIVISIONS
94-2-5	Ensure the best level of service to owners of unclaimed property by increasing refunds from 19.5% in FY 1994 to 21.5% by FY 1995			
94-2-5-1	As part of a trial program, identify 50 businesses that are holders of unclaimed property and encourage them to submit reports via electronic media to reduce keying of data by staff and free up section resources.	OS	Received over 3,000 accounts from holders using AZARS. This has saved over 80 hours of manual input by temporaries and special entry of accounts. Have entered over 26,200 accounts for advertising while handling 87% increase in phone calls from last year. Walk-ins increased by 229 or 104% compared to the same period last fiscal year. 4,000 more claims have been processed this fiscal year to date over the same period last fiscal year. This represents a 248% increase.	Administrative Services
94-2-5-2	Monitor progress of trial program to ensure that freed-up resources are used to increase to 21.5% the gross unclaimed property revenues refunded during the fiscal year.	OS		Administrative Services

STATUS CODES: OS: On Schedule AOS: Ahead of Schedule DL: Delayed CA: Canceled PS: In the Planning Stages

OTHER:

Exhibit 16

COMBINED ACTION PLAN AND MONITORING AND TRACKING DOCUMENT

PROGRAM NAME AND # _____
DATE _____

Goal #: _____

Objective #: _____

Strategy # _____

Action Steps to Support Strategy	Persons Responsible	Time Table	Resources	Status	Comments

STATUS CODES: OS: On Schedule AOS: Ahead of Schedule DL: Delayed CA: Canceled PS: In the Planning Stages
OTHER:



KEY
POINT

Effective communication is the critical link between performance and accountability. Multiple factors can influence outcomes, many of which are beyond the control of the program manager. Therefore, explanatory information can give a context for interpreting performance results, especially when outcomes fall short of goals and objectives. It is important to present credible, meaningful, customer-focused, timely, and balanced data with relevant explanatory information.

E
X
A
M
P
L
E

Sample excerpt from an internal monitoring report on performance measures from a Fraud Control program.

<u>Performance Measure</u>	<u>Targeted FY 1997 Performance</u>	<u>Actual First Quarter Performance</u>
Number of Investigations Concluded	223	14
Number of Cases Referred for Prosecution	77	4

Explanatory Information

Performance measures for this strategy did not meet their anticipated levels for the first quarter. Agency efforts to automate investigative procedures diminished the amount of staff time that otherwise would have been directed towards field work. Staff responses indicated confidence that this automation will allow the agency to meet or exceed its targets for all measures in this area in the future.

Comparison of actual performance, as reported in the monitoring document, to the "planned" performance (that is, the performance target) provides the basis for periodic evaluation of the results-based plan and the planning process. Management should use the results of the quarterly or monthly reports to identify reasons for not meeting expected results and use this information to review and revise policies, procedures, goals and objectives, as necessary.



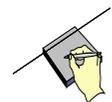
NOTE

Once again, the plan document is not the end of the planning process. The planning process never ends; it is continuous. All of the information gathered during the reporting process should be analyzed for inclusion in the next results-based plan update. Analyzing year-end progress is an "end," but the information from the analysis is a "starting point" for the next planning cycle.

2. External Reporting of Performance Data

External reporting to customers and stakeholders may include the Governor, other Maryland agencies, Federal and local government agencies, the legislature, private organizations, and businesses.

Agencies will report with the annual budget submissions to the Department of Budget and Management, some of the elements of the *Managing for Results* process as indicated in the definition boxes in this guidebook. Agencies have historically reported with the budget submission objectives, and program and performance statements; and have focused on input, output, and efficiency measures in reporting of Units of Measurement. Agencies will continue to report this type of information, with the addition of and a focus on outcomes (results) and quality measures. Information that is reported must comply with the definitions of terms contained in this guidebook. For example, visions, missions, goals, and objectives must comply with the standard definitions in this guidebook. Agencies also must ensure that reporting of data complies with budgetary reporting requirements of the Department of Budget and Management as provided in the annual instructions for budget submissions. Reporting of *Managing for Results* information will be phased-in over a three year period as indicated in **Exhibit 17**.



NOTE

Inevitably there will be adjustments in performance targets and measures as agencies gain more experience and expertise in performance measurement. Once a solid set of measures is in place, performance data provided in the annual budget submission should be consistently reported each fiscal year.

When deciding what to include in external reports:

- For each program, review the list of measures which you will be using for internal accountability purposes. From those, identify which are the vital few measures from a policy-maker's perspective. These key measures will be reported on external planning documents, including the annual budget submission.
- Strive to obtain a balance in presenting this quantitative information about the program. Recognize that outcome, efficiency, and quality measures will be most useful to decision-makers.

- Reports for policy-makers should be clear and concise.
- Reports often are easier to read if the data are presented graphically. Include explanatory information to put results into context.

When reporting to an external group, the narrative should be written with the assumption that the reader has no knowledge of the program, what it does, who it serves, why it is needed or how it works. Think about how to best describe what is being done in terms they can understand. Develop a paragraph that clearly summarizes the purpose of the agency and/or program by including language that further explains the mission. This program description provides the context within which performance measurement data will be interpreted.

The use of technical terminology, abbreviations and acronyms should be avoided. If technical terms or jargon cannot be avoided, these terms must be clearly defined.

An example of a program description which could be used to introduce performance information is shown below.

E X A M P L E	Program Mission:
	To assist the citizens and governmental agencies in the identification, planning and management of significant heritage resources for the public benefit and enlightenment of current and future generations.
	Program Description:
	The state Historic Preservation Office is responsible for the identification, evaluation and protection of prehistoric and historic heritage resources. The program staff represent various areas of expertise, including prehistoric and historic archaeology, historic architecture, history, architectural history and grants management. The programs and services provided to the public and private sectors include local government assistance, national and state Registers of Historic Places, survey and planning of heritage resources, preservation tax incentives, compliance with Federal and state laws, Federal Historic Preservation Fund pass-through grants, Heritage Fund Pass-through grants, and preservation awareness.

Program goals, objectives, and performance measurement data will round out the data reporting.

Exhibit 17

**MANAGING FOR RESULTS
REPORTING REQUIREMENTS**

The following elements of the *Managing for Results* process are to be reported with your annual budget submissions. Revised reporting will begin with Fiscal Year 1999, and be phased-in over a three year period.

MANAGING FOR RESULTS	YEAR 1 FY 1999		YEAR 2 FY 2000		YEAR 3 FY 2001 and thereafter	
	Agency	Program	Agency	Program	Agency	Program
Vision	M	-	M	O	M	O
Mission	M	-	M	M	M	M
Key Goals	M	-	M	M	M	M
Key Objectives	-	-	-	M	-	M
Key Performance Indicators	O	-	M	M	M	M
Measurement Data for Key Performance Indicators	O	-	O	O	M	M

NOTES:

- √ M - reporting is mandatory
- √ O - reporting is optional
- √ Key Goals: 1 to 5 key goals should be reported at both the agency-wide and program levels.
- √ Key Objectives: A total of 1 to 10 key objectives which support the set of key goals should be reported at the program level.
- √ Reporting of Key Performance Indicators and Performance Measurement Data at the agency-wide level is to include outcomes only.
- √ Reporting of Key Performance Indicators and Performance Measurement Data at the program level is to include a balanced set of indicators, but must include outcome, quality, and efficiency measures.

VI. BRINGING IT ALL TOGETHER

Managing for Results is a planning process for improved decision making, program performance, resource allocation, customer satisfaction, and public accountability. State employees at all levels from executives to front line employees, as well as customers and stakeholders, will benefit from this process. It is important to keep the overall process as simple as possible, as well as tailor it to your particular agency and political environment.

Each step of the *Managing for Results* process is summarized below for both the agency-wide level and the program level. The terms highlighted in bold correspond with the relevant sections of the guidebook.

Agency-Wide Level:

“Where are we now?”

Chapter II The agency head and the planning team conduct an **internal/external assessment** with input from various levels of the agency, as well as external customers and stakeholders.

The agency head and the planning team define the agency **mission** and express the **guiding principles** for the agency as a whole, based on external factors and internal capacities which were revealed in the internal/external assessment.

“Where do we want to be?”

Chapter III The agency head articulates a **vision** for the agency which will be shared by everyone in the organization. The agency head and the planning team establish agency **goals** based on consideration of external factors and internal capacities which were revealed in the internal/external assessment. The agency head and the planning team communicate the agency mission, guiding principles, vision, and goals to every level of the organization.

“How do we get there?”

Chapter IV The agency head and the planning team establish various **strategies** which support the vision, mission, guiding principles, and goals.

“How do we measure our progress?”

Chapter V A limited set of key **performance measures** which are indicative of the degree to which the agency as a whole is meeting its mission and goals may be selected from the program performance measures (discussed below), or developed separately by the agency head and the planning team. Agency-wide measures should focus on outcomes.

Program Level:

“Where are we now?”

Chapter II The program managers and their key staff/program planning team (which may include budget managers and key fiscal staff, facility managers, human resource managers, information systems managers, and front-line supervisors) conduct an **internal/external assessment** with input from various program staff and external customers and stakeholders.

Program managers and the program planning team define program **missions** that are consistent with the agency-wide mission, vision, and guiding principles, and based on the internal/external assessment.

“Where do we want to be?”

Chapter III Program managers and the program planning team establish program **goals** that are consistent with the program mission and the agency-wide mission, vision, guiding principles, and goals. The program goals are also based on the internal/external assessment including a consideration of resources needed for achievement. Depending on the organizational structure and the size of the agency, program goals may be the same as the agency goals.

Program managers and the program planning team define **performance targets**, and develop measurable program **objectives** which support the agency-wide and program goals. Intermediate performance targets that represent incremental improvement may be established for each objective.

“How do we get there?”

Chapter IV Program managers and the program planning team establish various **strategies and action plans** to support the program mission and goals, and identify resources necessary to implement the strategies and accomplish objectives at the program level. However, performance targets, objectives, and strategies should be considered "tentative" or "proposed" until input is received from the front-line personnel who will bear the responsibility for carrying out strategies and implementing them through action plans.

“How do we measure our progress?”

Chapter V The program managers and program planning team develop a balanced set of key **performance measures** for the program objectives.

The program manager and planning team communicate the performance targets, program objectives, strategies, action plans, and performance measures to program staff for input.

Small Agency



Helpful Hint

In small agencies with one or two programs, these program plans may be the agency strategic plan. The next step for small agencies is to put the agency plan into action

Feedback and roll-up begin. Within each program, plans are submitted to the next higher management level for review and coordination. After revisions if any are made, the approved elements are incorporated into the appropriate portion of the program plan. During feedback and roll-up it may be necessary to revise objectives or strategies originally proposed. For example, input from front-line levels may show that the time-frame or

resource allocation originally projected for a particular strategy should be changed. As strategies are "fleshed-out," it may become apparent that the time frame or degree of change proposed in an objective should be altered. Performance measures may be aggregated as they move to higher levels.

Program managers submit their results-oriented plan to the agency head and the agency planning team for review and coordination.

The agency head and planning team review the program plans. They identify opportunities for coordination among program plans, and with other agency programs where there are shared goals. They pinpoint the efforts they must make to support program plans and break down barriers to accomplishing objectives. They may also modify the plan for the agency as a whole based upon the program plans.

The entire organization puts the agency and programs results-oriented plans into action and uses a **tracking and monitoring system** to measure progress. The plan guides both operational planning and budgeting, and capital outlay planning and budgeting. Plans and performance are regularly evaluated through the use of performance measures, and the plan is revised accordingly. Successes are celebrated and rewarded. Lack of progress is analyzed, lessons are learned, and appropriate changes made. The planning process is a continuous cycle through these steps.

Appendix 1

CUSTOMER AND STAKEHOLDER INVOLVEMENT IN THE *MANAGING FOR RESULTS* PROCESS

*Terms highlighted in bold correspond to the relevant sections of this guidebook.
The appropriate chapters are indicated.*

Customer: The person or organization served.

Stakeholder: The organization, group, or individual who has a vested interest in or expects a certain level of performance or compliance from the organization.

Customer and stakeholder involvement are important from the beginning to the end of the *Managing for Results* process as summarized in the following steps:

- Chapter II** √ During the **Internal/External Assessment** customers and stakeholders should be identified.
- √ Customer needs and wants are identified through a number of methods including customer and stakeholder surveys, focus groups, public forums, comment forms, personal interviews, and customer advisory committees.
- Chapter II** √ When determining your organization's **mission**, customer needs and wants should be revisited to obtain information not gotten through the Internal/External Assessment, or to update your list of customer needs and wants.

Appendix 1 (Continued)

- Chapter II** ✓ When developing **guiding principles**, you must insure that they are acceptable to, compatible with, comfortable, and convincing for everyone inside and outside of the organization, including your customers and stakeholders.
- Chapter III** ✓ The development of **goals** requires the organization to focus on the most important customer needs. Customer needs are partially identified through the Internal/External Assessment.
- Chapter III** ✓ **Objectives** take into account customer needs in that they support the goals which are based on the most important customer needs.
- Chapter III** ✓ Ideally, **performance targets** should be developed with input from customers and stakeholders.
- Chapter V** ✓ **Performance measures** reflect the point of view of customers and stakeholders. Customer and stakeholder feedback should be obtained after performance measures have been developed.
- Reporting of performance measurement data provides information to customers and stakeholders about how tax dollars are being spent, and the degree of success of government programs.

Appendix 2
MANAGING FOR RESULTS
GLOSSARY OF SELECTED TERMS

TERM	DEFINITION	NOTES
Action Plan	A detailed description of how a strategy will be implemented.	Action plans break strategies into manageable parts for coordinated implementation, and achievement of objectives. Task specification includes staff assignments, material resource allocations, and schedules for completion. Action plans are often referred to as operational, tactical, or implementation plans.
Baseline	The level of performance identified at the beginning of an improvement process that can be used to set improvement goals and provide the basis for assessing future progress.	
Benchmark	A standard by which an organization measures its performance. Organizations may use 'Best practices' of other Maryland agencies, other states, the private sector, or its own past performance to help establish desired outcomes. Also, statutory requirements or professional, national, or accreditation standards can be the basis for benchmarks.	The benchmark defines the desired or ultimate level of performance, in other words the performance target. Targets should include what the organization has to do, how much it has to do, when it has to do it, and what quality measure the organization has to meet. Benchmarking is a process by which the organization rates its practices, processes, and products against the performance targets and strives to meet the targets.

TERM	DEFINITION	NOTES
Budgeting for Results	An approach to budgeting which uses performance measurement data to make decisions about resource allocation and program management.	
Continuous Quality Improvement	A strategic, integrated management system for achieving customer satisfaction which involves all managers and employees, and which uses tools and techniques to continually assess and improve an organization's services and processes. It is a way of viewing every interaction with the customer as a business process which can be measured and continuously improved through the proper use of data.	A significant part of this on-going process involves establishing customer-focused, outcome-based performance measures, and monitoring and analyzing those performance measures as a means of making improvements on an ongoing basis.
Customers	The people the organization serves.	Customers may be both inside or outside of the organization. Internal customers are units or persons in an organization whose work depends upon another unit or person within the same organization. External customers are end users of the organization's products or services.
Efficiency Measure	How well an organization uses resources to produce goods or services; in other words, the cost of doing business.	Efficiency measures show the relationship between unit cost or productivity, and a given outcome or output.
Goal	The general end toward which an organization directs its efforts. Goals clarify the mission and vision and provide direction, but do not state how to get there.	A goal describes the desired result which supports the organization's mission and vision, and the priority being addressed. Goals are long term, general, and not quantified. Goals are challenging, realistic, and achievable.

Appendix 2.2

TERM	DEFINITION	NOTES
Guiding Principles	Core values and philosophies that describe how an organization conducts itself in carrying out its mission.	Formalized guiding principles are optional.
Input Measure	Amount of resources used to provide goods and services.	Inputs include people, money, equipment, materials, and other resources.
Internal/External Assessment	An analysis and evaluation of internal conditions and external factors that affect the organization's efforts to achieve its mission.	An internal/external assessment provides a baseline assessment of the organization, which will be the foundation for all other phases of the <i>Managing for Results</i> process.
Managing for Results	A future oriented process that emphasizes deployment of resources to achieve meaningful results. The desired results are based upon identified needs of customers and stakeholders, and are used to improve the quality and cost-effectiveness of programs and services.	Managing for Results constitutes the overall framework within which planning, accountability, and continuous improvement in program performance and budgeting take place.
Mission	A short, comprehensive statement of the reason for an organization's existence. It succinctly identifies what an organization does (or should do), and for whom it does it.	A mission statement reminds everyone - the public, the Governor, legislators, the courts, and organization personnel - of the unique purposes promoted and served by the organization. An organization may include in its mission statement where it wants to be in the future in lieu of developing a separate vision statement.
Objective	Specific and measurable targets for achievement which are necessary to realize goals.	Objectives describe the exact results desired, and include a degree of change and a timetable for accomplishment. They are directed to a shorter term than are goals. Objectives are SMART . They are S pecific, M easurable, A ttainable, R esults-oriented and T ime-bound.
Outcome Measure	The results an organization achieves and the benefits customers get from the organization; an outcome indicates to what extent goals are achieved.	Outcome measures are the most indicative of the success of an organization in meeting the needs of its customers.

Appendix 2.3

TERM	DEFINITION	NOTES
Output Measure	Amount of goods and services produced; in other word the number of activities completed.	State agencies frequently report outputs, but the outputs are not indicative of the degree of success of programs. It is the outcome measures that show whether the program is achieving desired results.
Performance Indicators	Indicators are synonymous with performance measures. The indicators express in quantified terms the various types of performance measures.	See Performance Measures.
Performance Measures	<p>The system of customer-focused, quantified indicators that let an organization know if it is meeting its goals and objectives. These same measures form a basis for managers to plan, budget, structure the organization, and control results.</p> <p>See specific definitions for the 5 types of measures: input, output, outcome, efficiency, and quality measures.</p>	<p>Examples of performance measures:</p> <ul style="list-style-type: none"> • Input: number of certified teachers; number of students enrolled • Output: number of students graduating • Outcome: number of students accepted into academic honor societies • Efficiency: average cost per student (input/output) • Quality: the level of parent and student satisfaction with courses of instruction.
Performance Target	The desired or ultimate level of performance. Targets should include what the organization has to do, how much it has to do, when it has to do it, and what quality measure the organization has to meet.	One way to establish performance targets is through benchmarking.
Planning for Results	A future oriented process of producing fundamental decisions and actions that shape and guide what and organization is, what it does, and why it does it. Planning involves development of a mission, vision, goals, objectives, and performance targets; and building of strategies and action plans to achieve those goals and objectives. Progress towards achieving goals and objectives is assessed through the use of performance measures.	<p>Planning for Results answers four basic questions:</p> <ul style="list-style-type: none"> • “Where are we now?” • “Where do we want to be?” • “How do we get there?” • “How do we measure our progress?”

Appendix 2.4

Processes	Methods used to get results. They are required to convert ideas and resources into products and services.	<i>Managing for Results</i> uses processes to accomplish quality results for customers.
Quality Measure	Effectiveness in meeting expectations of customers and stakeholders, and in meeting program objectives.	Quality measures may reflect reliability, accuracy, courtesy, competence, responsiveness and completeness associated with a service or product.
TERM	DEFINITION	NOTES
Stakeholders	Organizations, groups or individuals who have a vested interest in or expectations of certain levels of performance or compliance from the organization.	Stakeholders do not necessarily use the products or receive the services of a program. Stakeholders are sometimes referred to as expectation groups. For example, stakeholders include legislators, advocacy groups, policy makers, and taxpayers.
Strategic Plan	A practical, action-oriented guide which is based upon evaluation of key factors - both internal and external to the agency - which influence the ability of the agency to carry out its mission. The plan directs goal-setting and resource allocation to achieve desired results over time.	A strategic plan is the result of a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. Because strategic planning is a team effort that builds consensus on a future direction for an agency, the process is more important than the resulting document.
Strategy	A specific course of action that will be undertaken to accomplish goals and objectives. A strategy reflects budgetary and other resources. An action plan puts a strategy into action.	Different types of strategies will apply to different types of operations. Strategies may include expansion of programs and/or services; reduction in or elimination of programs and/or services; collaboration with other agencies to combine resources to achieve a shared goal; and positioning of a program to be competitive in the market.
Vision	A brief and compelling description of the preferred, ideal future, including the conditions and quality of life.	A vision statement should be focused on what will happen in the State if we are successful, <u>not</u> what the State government will look like.

Appendix 2.5

Resources:

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Manageware. A Practical Guide to Managing for Results, Louisiana Office of Planning and Budget, Division of Administration, January 1995.

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Oregon Benchmarks: Standards for Measuring Statewide Progress and Institutional Performance, Oregon Progress Board, December 1994.

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Resource Guide of Results-Based Accountability Efforts: Profiles of Selected States, Harvard Family Research Project - Results-based Accountability Project, August 1996.

Results-Oriented Government, A Guide to Strategic Planning and Performance Measurement in the Public Sector, Southern Growth Policies Board and the Southern Consortium of University Public Service Organizations, 1996.

Starting From a Strong Foundation, Missions to Measures, Maryland Department of Budget and Fiscal Planning 1995.

Appendix 3

RESOURCES AND REFERENCES

The following resources and references were either used in the development of this guidebook, or are good sources of information for further learning about planning, budgeting, and performance measurement.

ORGANIZATIONS

- Alliance for Redesigning Government
- American Society of Public Administration (ASPA)
- Congressional Budget Office (CBO)
- Council of Governor's Policy Advisors (CGPA)
- Government Accounting Standards Board (GASB)
- Government Finance Officers Association (GFOA)
- Inter-Agency Benchmarking & Best Practices Council
(U.S. Government Sponsored Web site <http://192.26.48.130/fedsbest/index.htm>)
- National Academy of Public Administration (NAPA)
- National Association of State Budget Officers (NASBO)
- National Conference of State Legislators (NCSL)
- National Governor's Association (NGA)
- Southern Growth Policies Board
- U. S. Department of the Treasury, Financial Management Service
- U. S. General Accounting Office (GAO)

Appendix 3 (Continued)

OTHER STATES

Other states that provided valuable information on and have implemented strategic planning, performance measurement, and/or performance based budgeting include:

- Arizona
- Louisiana
- North Carolina
- Texas
- Florida
- Minnesota
- Oregon
- Virginia

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Brizius, Jack and the Design Team. *Deciding for Investment: Getting Returns on Tax Dollars*. Alliance for Redesigning Government, National Academy of Public Administration. 1994.

Bryson, John M. *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*. San Francisco, CA: Jossey-Bass, 1988.

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Hatry, Harry P. *Determining the Effectiveness of Government Service*. Handbook of Public Administration, James L. Perry Edition. San Francisco, CA: Jossey-Bass, 1989.

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