Whitepaper:

Becoming a High Performing Organization

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ANALYTICS ANALYSIS ADVICE

Introduction

> *Leadership in the public sector must understand the difference between "output" performance measures and "outcome" performance measures. An "output" measure is internally focused while a performance "outcome" is the primary focus of external stakeholders.*

Accountability in the public sector is paramount and it is a necessity for government agencies to understand the key drivers of their performance and develop a method to communicate results to their citizens. This concept of accountability defines what is required to be identified as a performance-focused open government that meets the demands of the public. Most government agencies who desire to improve their performance measures do not feel they are being used effectively in making improvement decisions throughout their departments. In fact, 61% of executives acknowledge that their organizations struggle to bridge the gap between strategy formulation and its day-to-day implementation.[1] So why does this dichotomy exist? There is a significant difference between performance measuring and reporting and performance management.

What is Performance Management?

Performance management is a governance process for setting organizational goals, monitoring initiatives implemented to achieve those goals, and administering strategic change initiatives if desired goals are not achieved. The objective of performance management is to ensure that an organization and its systems (processes, departments, human resources, etc.) are executing at an optimal level to achieve the desired outcomes. The data collected provides an indicator on how the organization is performing in comparison to its goals and objectives. The resulting analysis gives insight to organizational leadership to make evidence-based decisions.

An organization can implement a performance management governance model by simply administering the following activities:

- Identify and prioritize organizational goals
- Establish a method to measure progress toward organizational goals
- Standardize units of measure for system (processes, departments, programs, human resources, etc.) outcomes
- Track and measure progress toward organizational goals
- Establish continuous feedback and collaboration between management and individuals/teams working on initiatives
- Administer periodic performance reviews (monthly, quarterly, semi-annual, annual, etc.)
- Reinforce best practices through training initiatives
- Implement course correction activities to improve progress when needed

[1] The Economist. Intelligence Unit 2013. "Why good strategies fail: Lessons for the C-suite". Project Management Institute

Why Do Government Agencies Need to Measure Performance?

The process of managing performance is critical to understanding if your organization is performing at an optimal level. Citizens today are demanding more from their government and the tax dollars that they spend. In the spirit of such scrutiny, government is under pressure to provide transparency and performance results to the public. For this reason, measuring performance of programs, process, systems, and customer service is a means to demonstrate successful outcomes to the community. There are a variety of reasons why government should measure performance:

1. Remove any ambiguity between perceived results and actual results
2. Baseline current performance in order to monitor improvement over time
3. Make decisions based on evidence
4. Demonstrate how change leads to improvements
5. Enable performance comparisons
6. Accountability
7. Recognition of success

Establishing a Performance Management Culture

Implementing performance management requires a culture change and executive sponsorship. Introducing change is very challenging however if the desire is to become a performance-based organization, certain transformative milestones must be accomplished before an organization fully adopts and governs itself as an accountable and performance based entity.

Organizational leadership must clearly communicate the vision and mission of performance management. This is the only way to establish fully committed employees. Employees will have to support and drive the change. When introducing change to an organization, it is natural to prejudge its value, as noted in Figure 1 - Organization's Perceived Value of Strategy. Individual staff members transition through the adoption curve in three phases – Fear, Acceptance, and Adoption. In order to drive this mind shift, quantifiable results have to be achieved and observed by the organization. When introducing change, the initial result will be fear. Employees will initially feel as though they are adding more tasks to their current responsibilities; participating in an initiative to either remove or reduce their role in the organization; or just going through another phase that will soon pass as yet another failed initiative. However, after the initial opposition, the staff will begin to see tangible results. They will see that the change has not just helped the organization but them individually to make their job more efficient and effective. As more results are received, full adoption will take place. At this point, the employee is now an advocate for the process.

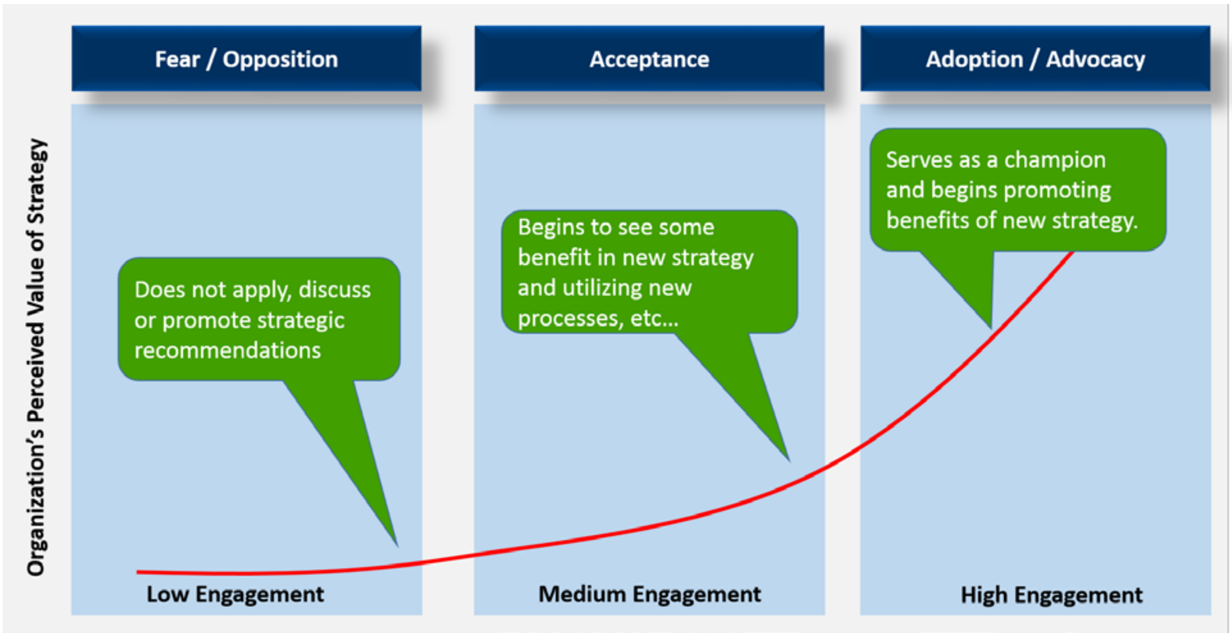


Figure 1 - Organization's Perceived Value of Strategy

In order to move the entire organization's staff along the adoption curve, executive leadership must establish "Change Champions" at the onset of the initiative. Change champions reinforce the desired behaviors even when the results are not generated initially. At the onset of any initiative, these individuals help gain traction until tangible results are realized.

Through the assistance of Change Champions, executive leadership must identify and communicate how the performance information will be utilized. Before an organization decides what to measure, it must determine what the measures will be used for. Each department, division, business unit, etc. has an internal mission that contributes to the overall organization. Once you have determined why the organization is implementing performance management, you can then identify which processes will be affected. When you have identified the processes affected, the organization must evaluate and extract performance measures that will support decision making. In many cases, an organization may have to modify existing processes or create new processes to provide performance information. The modification of business processes is an important foundational step in the performance management effort.

In addition, to implement a successful performance management governance model, an internal division or business unit should be established for checks and balances. This division or business unit would provide complete oversight of the management and monitoring of performance measures and reporting across the organization or agency. This functional area should be led by a Chief Strategy Officer (or Director) that reports directly to the head of the Department. The structure must take place before implementing the performance management process. It must be managed as it is completely driven by the value perception of staff members. A successful change management implementation to establish a performance-based culture must observe the following steps:

- Assess the organization's capacity for change
- Assess the risk to implementing change
- Assign responsibility to promote and adopt change (i.e. change champions)

- Establish a communications process
- Implement performance management training (group and individual)
- Communicate successful accomplishments and milestones as they are achieved

The Performance Management Process

Now that we have established a change management plan to create a performance-based organizational foundation, we are ready to implement the performance management process. Best-in-class government agencies focus on how they use data and translate it to information. In fact, utilizing data provides an evidence-based performance management approach to identify whether an organization's current system is working and what happens as a result of implementing course-correction initiatives. We call this unit of measure the performance improvement indicator **PI²**. Leadership in the public sector must understand the difference between "output" performance measures and "outcome" performance measures. An "output" measure is internally focused while a performance "outcome" is the primary focus of external stakeholders.

There are three areas of focus to establish a foundation for performance improvement:

- Performance measures – data elements used to provide an organization with a series of measures that quantify the outcomes of systems, processes, and programs.
- Performance measurement – process an organization implements to collect and analyze data to monitor systems, processes, and programs.
- Performance management – process used to regularly check the progress of goals and the action taken by the organization based on the variance between a performance measure and the targeted goals.

Performance management is composed of six (6) steps

Step 1: Evaluate Organizational Priorities

The organizational goals and objectives are the focus when measuring performance. Government agencies should ask themselves the following questions:

- What services do we want to provide to citizens?
- What needs of the citizens should we address?

- How can we use our resources (financial, technology, human capital, etc.) to serve the citizens in the most efficient way?

This process is successfully implemented through the creation of a Strategic Plan. The strategic plan is coupled with performance management as it is continuously monitoring progress to positively impact KPIs of the organization. Through the establishment of a strategic plan, the organization understands its vision, mission, values, and goals. The Strategic Plan helps establish major project initiatives to accomplish the goals and provides the high-level work plan for the organization.

For example, when developing their Strategic Plan, a government client in the state of Florida identified one of the needs of its citizens as providing public safety. The client desired to achieve this by the objective of reducing the prison population through providing prevention initiatives, rehabilitation treatment, and job opportunities. They identified increasing resources for Community Support Services to aide in the accomplishment of these services.

Step 2: Choose Performance Measures

After determining organizational priorities, it is important to know what your organization should measure. Performance measures serve as indicators on how well your processes, systems, programs, etc. are performing. When making this decision, include your team because they will be involved in the implementation of performance initiatives. You should start with existing measures that are currently available. For example, this includes performance data aggregations such as the number of customer service calls per month, number of training sessions provided per week, application processing time, financial indicators (gross revenue, net profit, etc.), customer feedback data, employee retention rates, and many more. This data should currently reside in existing systems along with business processes that produce data output. The organization should create a database that extracts and consolidates the performance data into one repository that is retrievable by a Performance Management System.

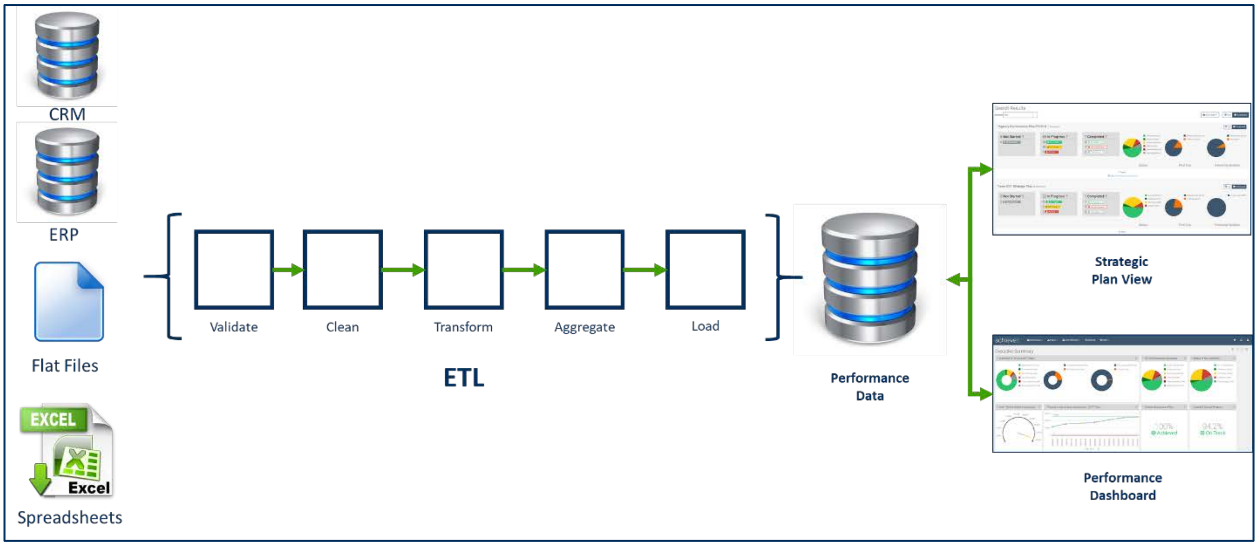


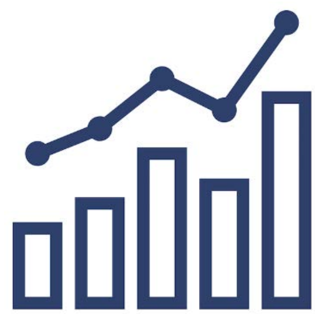
Figure 2 - Performance Data Consolidation

Once you have identified existing processes or programs along with their performance measures, the performance management team should identify the gaps that exist due to lack of tracking or quantifiable outputs. If gaps exist, as they often do, the performance management team should create its own measures based on their goals/desired outcomes derived through the strategic planning process and determine what should be targeted. These target measures should be

1. **Relevant.** The performance measure should be frequently occurring or have a great impact on the organization.
2. **Quantifiable.** The performance measure must equate to a unit of measure.
3. **Accurate.** The performance measure must follow acceptable guidelines agreed upon by management.
4. **Feasible.** The identified target measure must be realistic given the resources available.

Business processes that are imperative to the target goals and objectives of the organization may require modifications if they are not currently quantifiable. This step is part of creating a performance measuring process. What gets measured gets managed (and improved). By utilizing a Performance Management System, measures that are not existing can be manually entered and stored for continuous tracking, monitoring and reporting.

Step 3: Determine Performance Baseline KPIs



Once performance measures have been identified, your organization should collect the current-state data (baseline) for each corresponding measure. This data is a snapshot of where your organization is currently performing. This data will be the basis of comparison for all subsequently collected data as you move forward with the implementation of your strategic plan.

When determining the baseline, it is important that the organization explain, teach, and re-evaluate the steps taken to calculate the measure for future retrieval and use (e.g. recalibration). This process should be tested and replicated to prove the methodology is reliable. For each measure, you must record the following:

- Data source
- Method or process used to collect the data
- Frequency of the data collection (daily, weekly, monthly, quarterly, etc.)
- Resource responsible for managing the measuring process

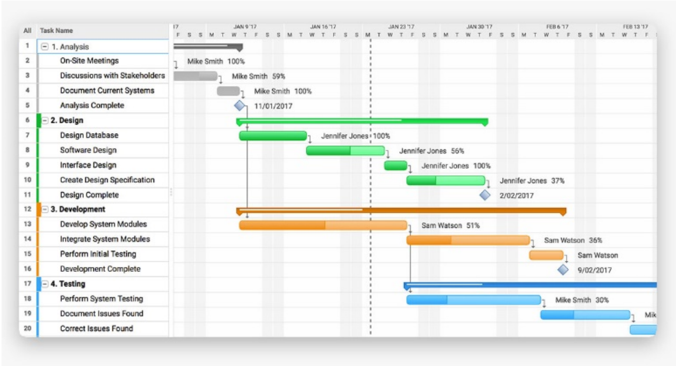
Step 4: Evaluate Performance

When you have created a baseline for your KPIs, it is up to the organization to evaluate each measure and determine the desired performance outcome. At this time, an organization may compare their performance against the industry best practices or develop their own objective targets through the process of strategic planning.

Benchmarking provides a method of unbias analysis of performance and identifies the organization's strengths and weaknesses in comparison to its peers. It is a good barometer when determining targeted goals.

In fact, benchmark analysis keeps an organization grounded and realistic when determining desired performance.

Step 5: Develop Implementation Plan



An implementation plan is a high-level roadmap that identifies desired outcomes and initiatives. Each initiative should spawn a series of projects to organize the workflow. Each project will be assigned a project manager that will drive a grouping of tasks set forth to accomplish the desired outcome. The project manager will develop an implementation (i.e. project) plan containing scheduled tasks, assign resources, and project milestones. The project manager will drive the tasks to completion and hold the assigned resources accountable for managing and recording KPIs. Once the milestones in the plan are achieved, the resource member will enter their assigned measures into a performance management system. The performance management system will organize the KPIs against the baseline where the team can build reports and create real-time dashboards.

Step 6: Monitor Ongoing Performance

Once your organization begins to implement their improvement strategy, it is imperative that performance is monitored on an ongoing basis. Some processes occur more frequently than others, however each completed outcome should be recorded and compared against both the baseline and the target. If performance results are not being achieve, it is time for leadership to make the necessary adjustments by revisiting the plan and implementing course correction activities.

For an initial consultation on how KLS&A can assist you in becoming a High Performing Organization contact

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About Us

K.L. Scott & Associates LLC (KLS&A) is a certified minority owned and operated management and information technology (IT) consulting firm headquartered in the Historical Downtown District of Atlanta, Georgia. KLS&A provides a variety of services for its clients. We specialize in strategic planning, market research and benchmark analysis, and business process management and reengineering. Our objective is to empower our clients with a deep level of understanding of their people, processes and data to make informed business decisions and/or corrective actions. KLS&A has a three-tiered approach to providing results for our clients – **Analytics** • **Analysis** • **Advice**.

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