Concepts, techniques and tools that support performance budgeting

Mini-course 17A/B Decision Support Level 2

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www.nps.edu/drmi

DRMI Organization

- Sponsored by Secretary of Defense

  - Department of Defense (DoD) Instruction 5010.35

- Established in 1965 at the Naval Postgraduate School (NPS)

  - Uses NPS faculty to teach analytical and business approaches to make the best use of defense resources

"As an Army, we often focus on budget execution independent of outcomes and without accurate understanding of the true costs of our processes. This approach leads to bad business practices, a reluctance to establish measures of effectiveness and efficiency, "use or lose" fund execution, and harvesting savings from commands who find new and innovative ways to operate."

Patrick J. Murphy, on Army Directive 2016-16 (Changing Management Behavior: Every Dollar Counts)

Can Performance Information Help?

- Accurate performance information could improve our understanding of the **relationships among expenditures, outputs, and outcomes**

- Accurate performance information could reveal the **total costs associated with achieving performance goals**

- Ideally, we could use performance information to **improve program design and management**

An Old Idea

- Hoover Commission (1949)
  - "... that the whole budgetary concept of the Federal Government should be refashioned by the adoption of a budget **based upon functions, activities, and projects.**"

- Frederick Mosher (1959)

  "The central idea of a performance budget ... is that the budget process be focused on program functions: that is, **accomplishments to be achieved, work to be done.**"

Government Performance and Results Act of 1993 (Public Law 103-62)

- Part of a series of laws in the 1990s aimed at improving federal government management

- Required federal agencies to develop
  - **strategic plans** with long-term goals
  - **performance plans** with annual goals and measures
  - **performance reports** on prior year performance

- Also required a **government-wide performance plan,** intended to provide a single, cohesive picture of federal performance

GPRA Modernization Act of 2010 (Public Law 111-352)

- Created a new government-wide framework including

  - long-term federal government priority goals

  - revised federal government performance plan requirements

  - quarterly priority progress reviews

  - a government-wide performance website

New Trump Management Mandates: Workforce Transformation and Program Restructuring

In an April 12, 2017 Memo, OMB instructed every federal program manager to prepare plans for:

- Near-Term and Long-Term Workforce Reductions
- Employee Performance Optimization
- Agency Reorganizations
- Government-Wide Reorganization Plan
- **Program Performance Tracking and Accountability**
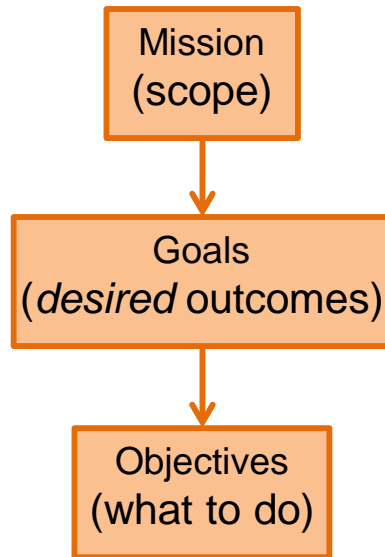- **Performance-Based Budget Justifications**

New Trump Management Mandates: Workforce Transformation and Program Restructuring
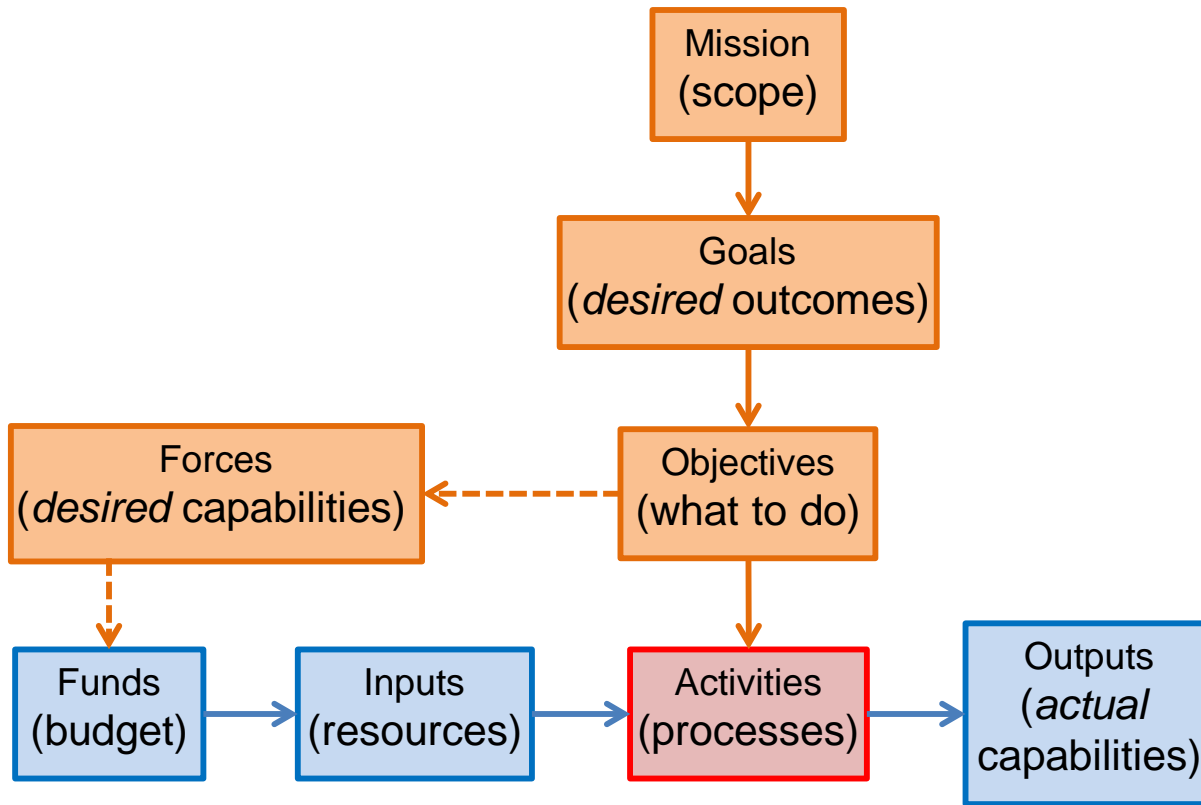
Update

Content on Performance.gov is being reviewed based on the transition in Administrations, and will be updated to reflect the new policy and management priorities. Information on agency performance can be found on agency websites, including in their Annual Performance Reports. Please check back periodically for updates.
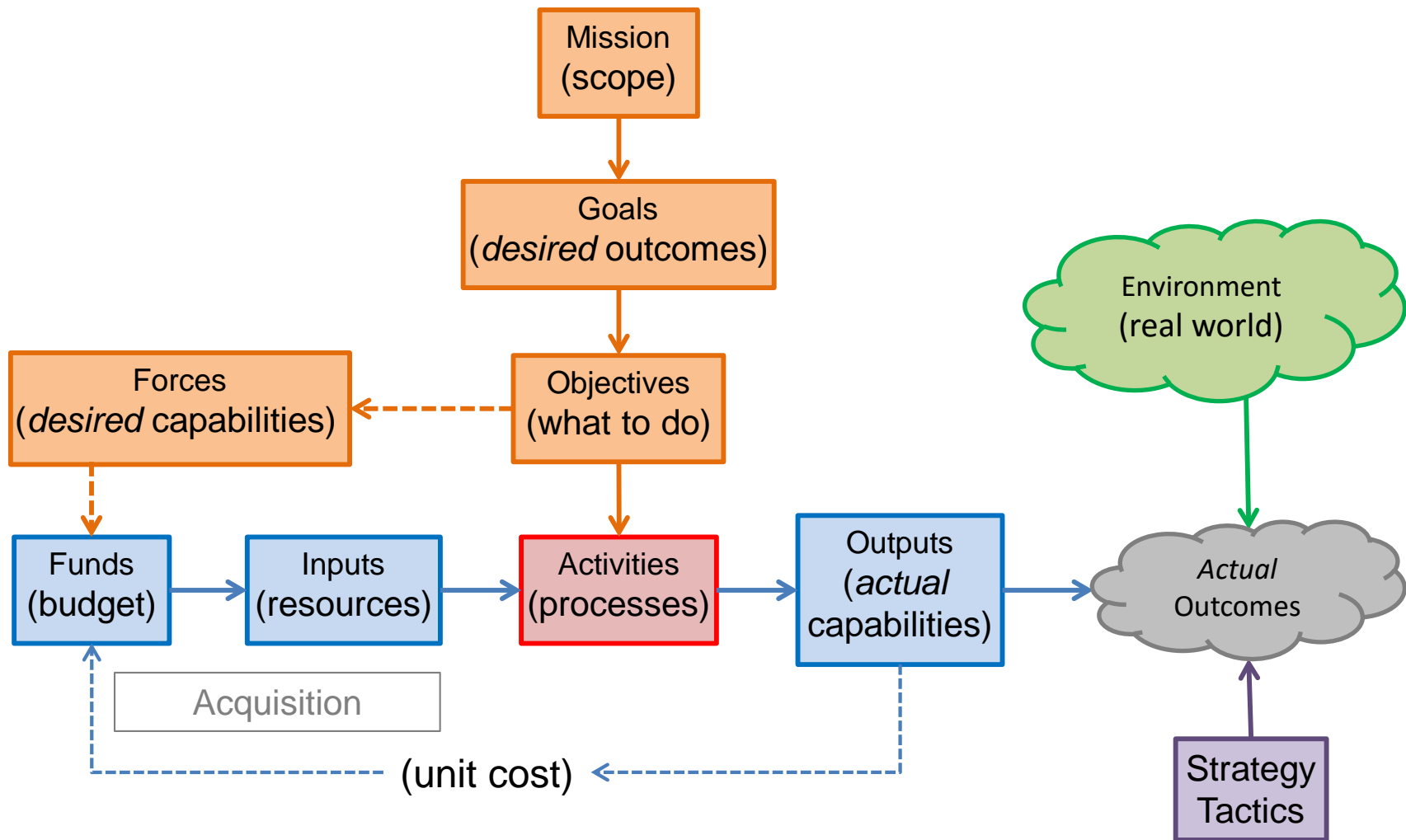
PERFORMANCE BUDGETING: FRAMEWORK FOR THINKING

Mission
(scope)

↓

Goals
(*desired* outcomes)

↓

Objectives
(what to do)

```
                        Mission
                        (scope)
                           │
                           ▼
                         Goals
                  (desired outcomes)
                           │
                           ▼
  Forces                Objectives
(desired capabilities) ◄- - - (what to do)
       │                      │
       ▼                      ▼
  Funds ──► Inputs ──►  Activities ──►  Outputs
 (budget)  (resources) (processes)    (actual
    ▲                                 capabilities)
    │      Acquisition                      │
    └ - - - - - - - - (unit cost) ◄- - - - -┘
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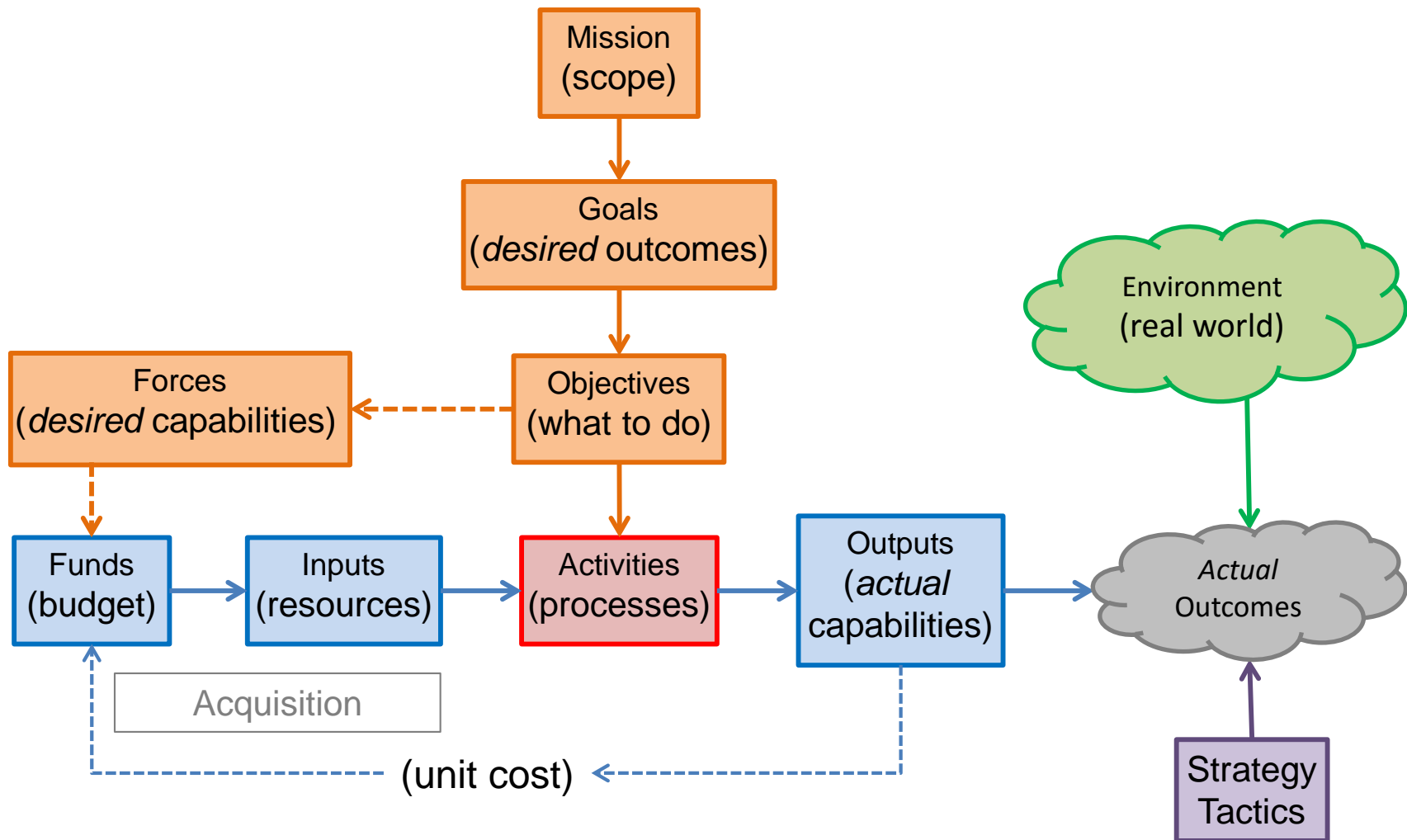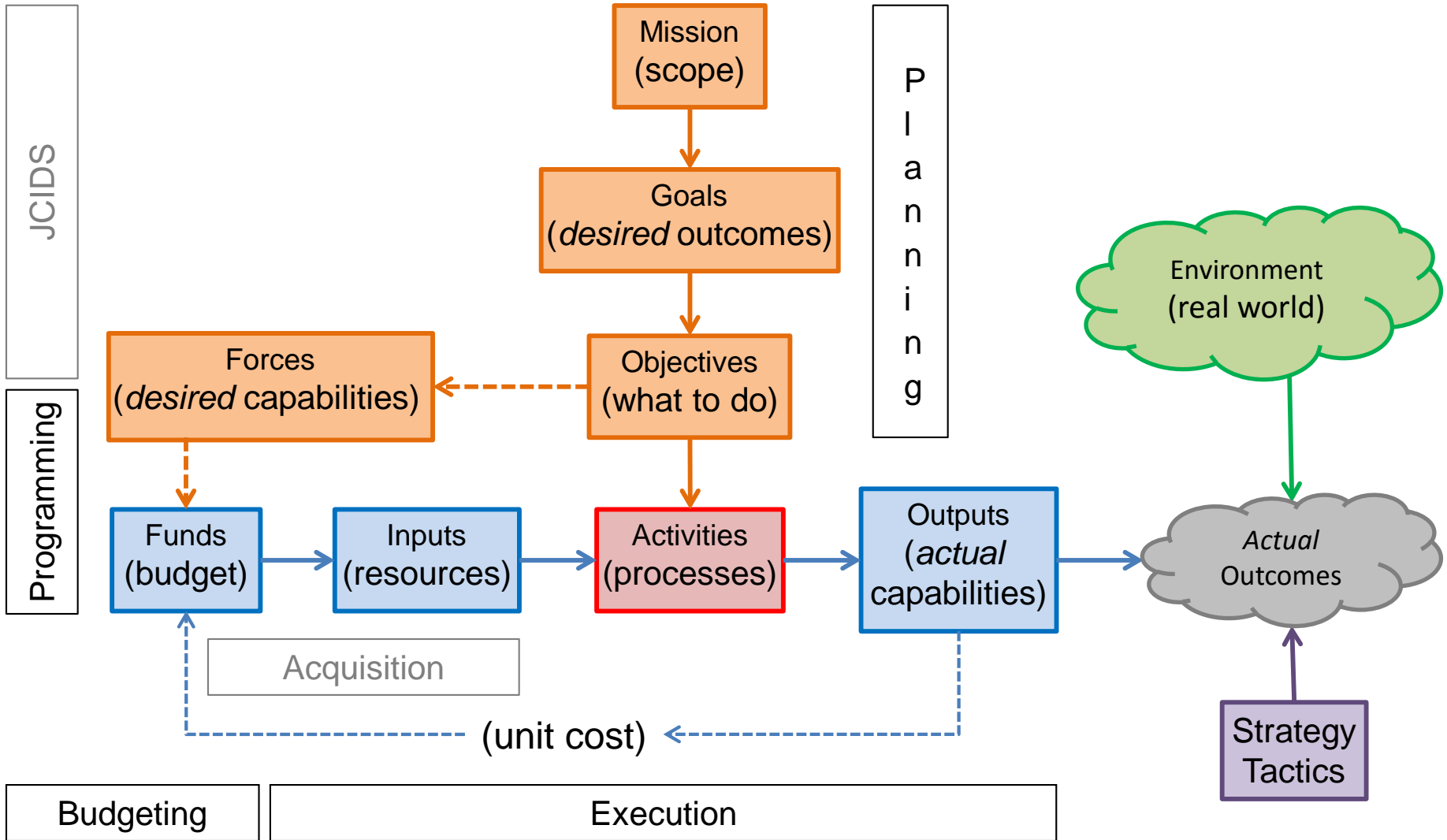
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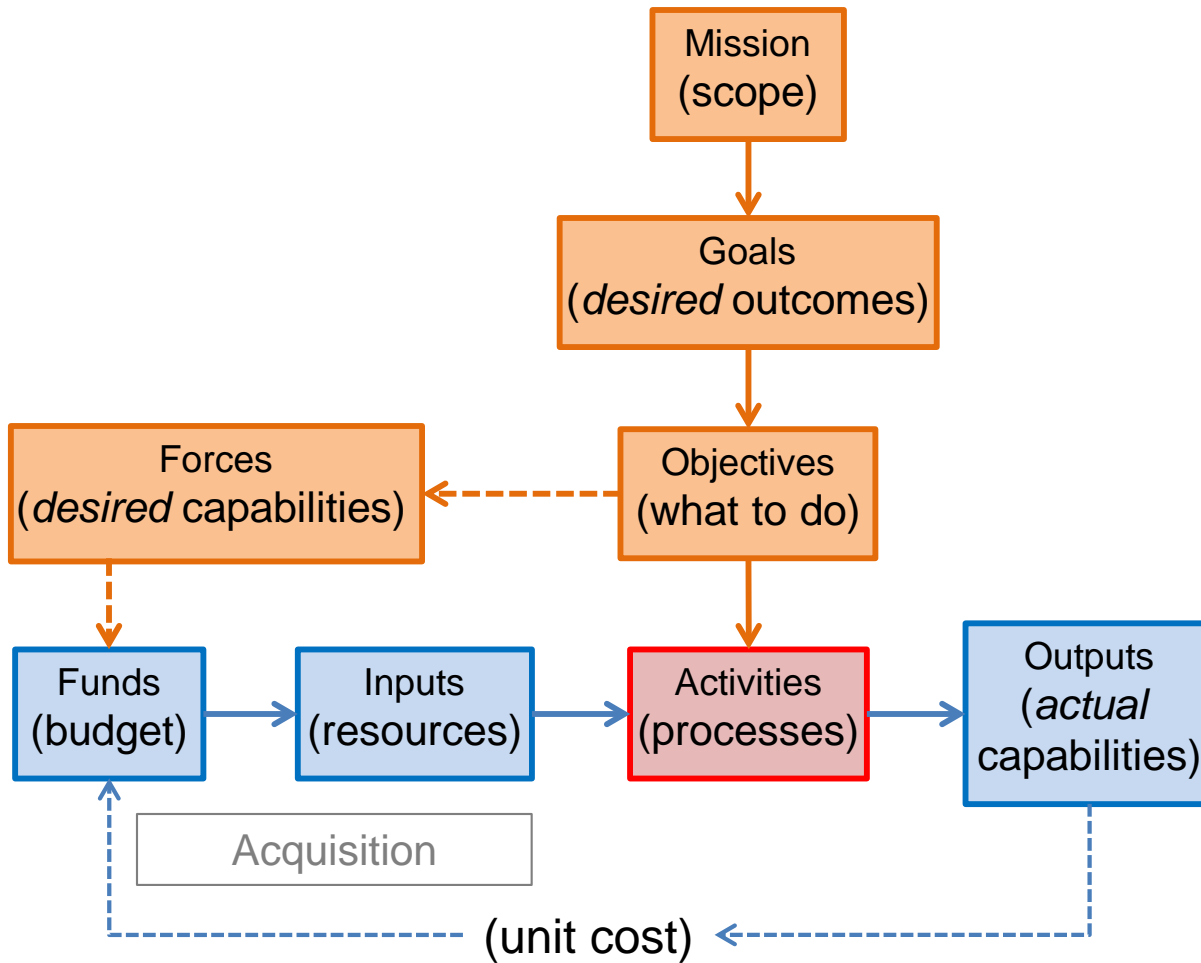
What are we supposed to do? For whom?

WHERE TO BEGIN? WHAT INFORMATION DO WE NEED?

Where to Begin?

- Perhaps counterintuitively, forget about metrics for a while
- Ask:
  - What is the purpose (mission) of the organization?
  - What is the vision?
  - What and whose needs do we serve?
  - Short- and long-term, what **outcomes** (results, impacts, achievements, benefits, effects or end-states) are we funded to provide?
- WHAT ARE WE SUPPOSED TO DO?

What do your Customers Want? End Outcomes

- Outcomes are linked to the program's overall mission—its reason for existing.

- What events, occurrences, or changes in conditions, behavior, or attitudes indicate progress toward achievement of the mission and objectives of the program?
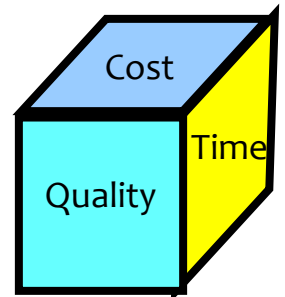
What do your Customers Want? DoD End Outcome examples

- Improved security of a base
- Fewer compromises of national security information
- **Auditable financial statements**
- Increased successful missions
- **Professional, certified workforce**
- Less equipment out of service for repair
- Properly trained personnel
- **Bills/payroll properly paid**

What do YOUR customers want?

What information might we need?

- End and Intermediate Outcomes (Effects, Results, etc.)
- Outputs
- Processes (Workload or Activities)
- Inputs
- Efficiency and Productivity Measures (use inputs and outputs)
- Workload Characteristics
- Explanatory Information

Cost

Time

Quality

Adapted from Hatry, H.P. 2002. in *Quicker, Better, Cheaper: Managing Performance in American Government*.

Intermediate Outcomes

- Outcomes expected to lead to the ends desired but are not themselves ends

- Example: Service quality characteristics—based on characteristics important to the customers:
  - Timeliness of service
  - Accessibility and convenience of the service
  - Accuracy of the assistance
  - Courteousness of service delivery
  - Adequacy of assistance
  - Condition and safety of facilities
  - Customer satisfaction with delivery of service

Cost

Time

Quality

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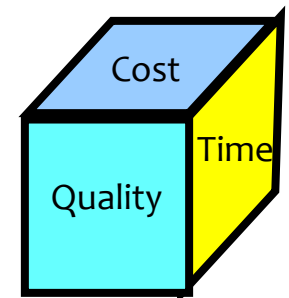
Outputs

- The things that the program's personnel have done, not changes to the outside of the organization or changes that outside organizations have made.

- Examples:
  - Number of completed maintenance actions
  - Number of students who completed course
  - Number of payments made
  - Number of reports generated

Processes
(Workload or Activities)

- The amount of work that comes into a program or is in process but not completed

- Workload data can be used to produce outcome data, e.g., the size of the backlog in processing travel vouchers may be a proxy for delays of service to customers (an intermediate outcome)

Cost

Time

Quality
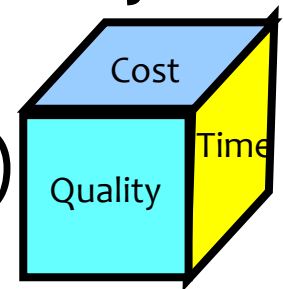
Inputs

- The amount of resources actually used, usually expressed as the amount of funds or the number of employee-years or both.

- When related to outputs or outcomes, inputs produce indicators of efficiency or productivity.

Workload Characteristics

- Complexity of workload, types of work coming in perhaps including desired outputs and outcomes or location of work

Explanatory Information

- Qualitative or quantitative information to help you interpret a report, performance indicator or estimate

- "an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives."

https://www.whitehouse.gov/sites/default/files/omb/performance/title-5.pdf

EFFICIENCY AND EFFECTIVENESS

(New "Green" Navy) Efficient...Effective?

Efficiency

Effectiveness

Mission (scope) → Goals (desired outcomes) → Objectives (what to do) → Activities (processes)

Forces (desired capabilities)

Funds (budget) → Inputs (resources) → Activities (processes) → Outputs (actual capabilities) → Actual Outcomes

Environment (real world)

Acquisition

(unit cost)

Strategy Tactics
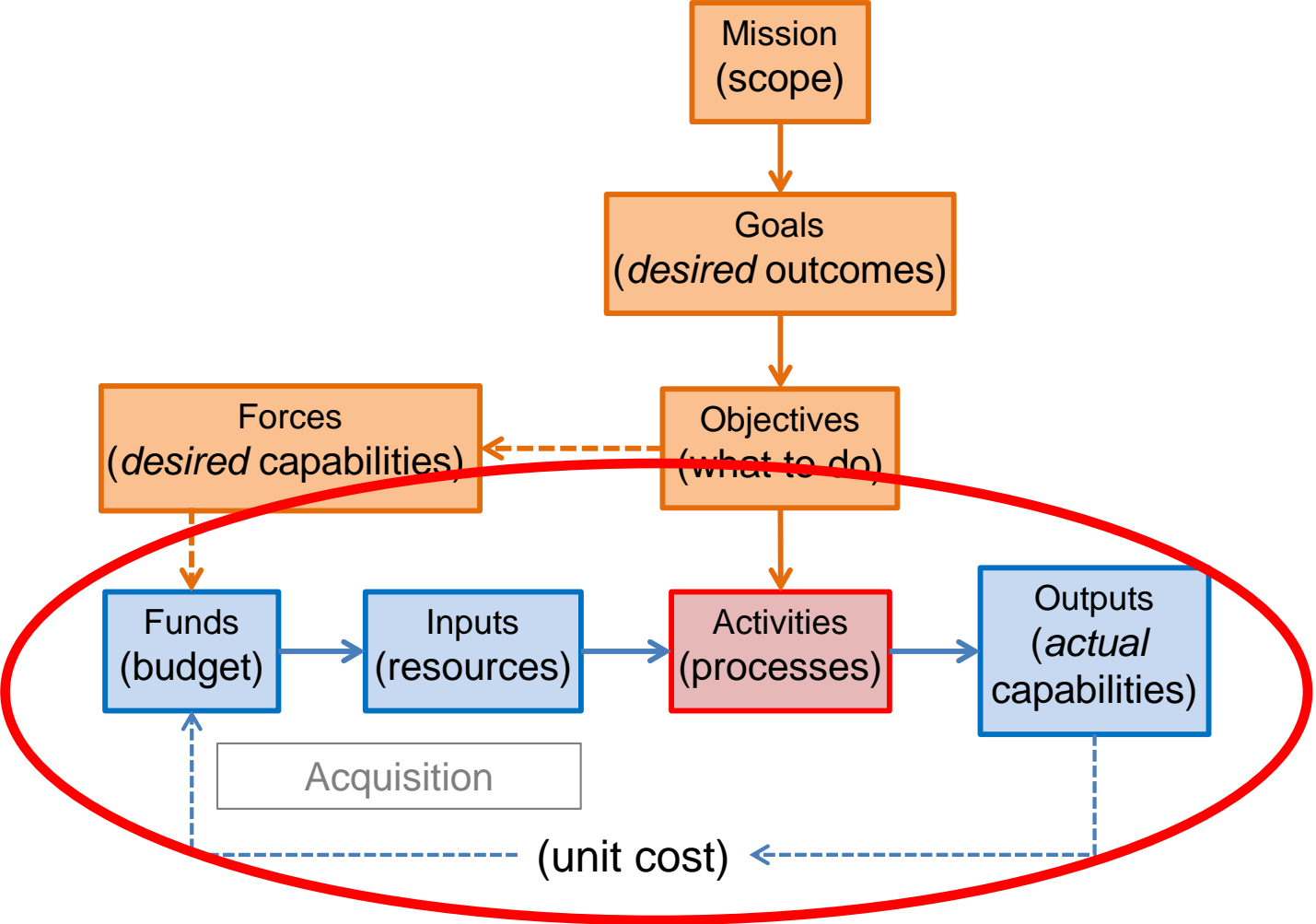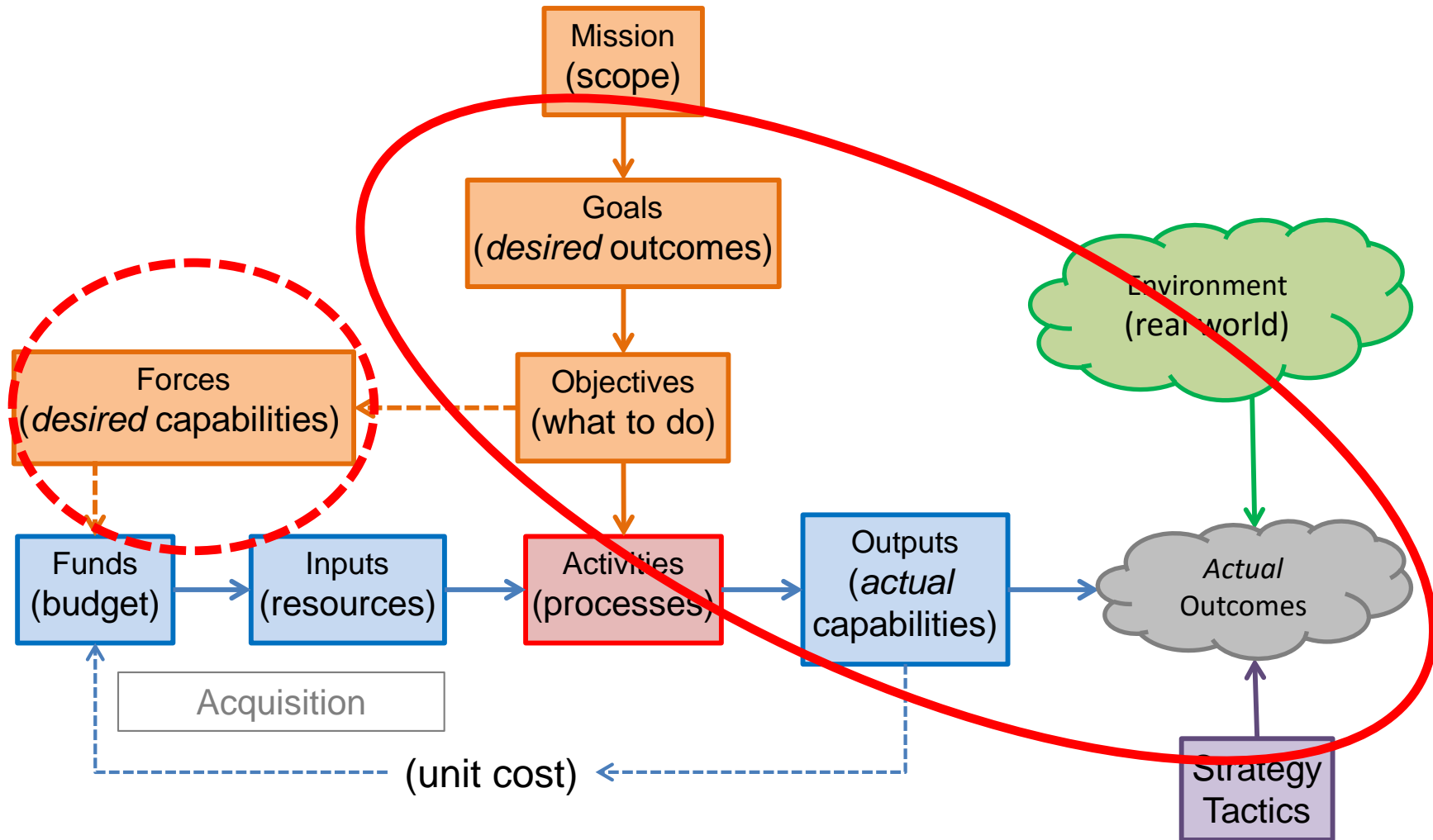
PERFORMANCE HIERARCHIES:

A TOOL TO STRUCTURE THE PATH TO DESIRED OUTCOMES

Performance Hierarchies:
What will Achieve the Desired Outcomes?

- Begin with desired end outcomes: the **"what to do"** outcomes

- Follow with **"how to do"** desired outcomes – often intermediate outcomes

- Work down the hierarchy until you know what to measure.

Avoid Metric Madness!

Cascade desired outcomes
one tier
at a time

❶

❷

❸
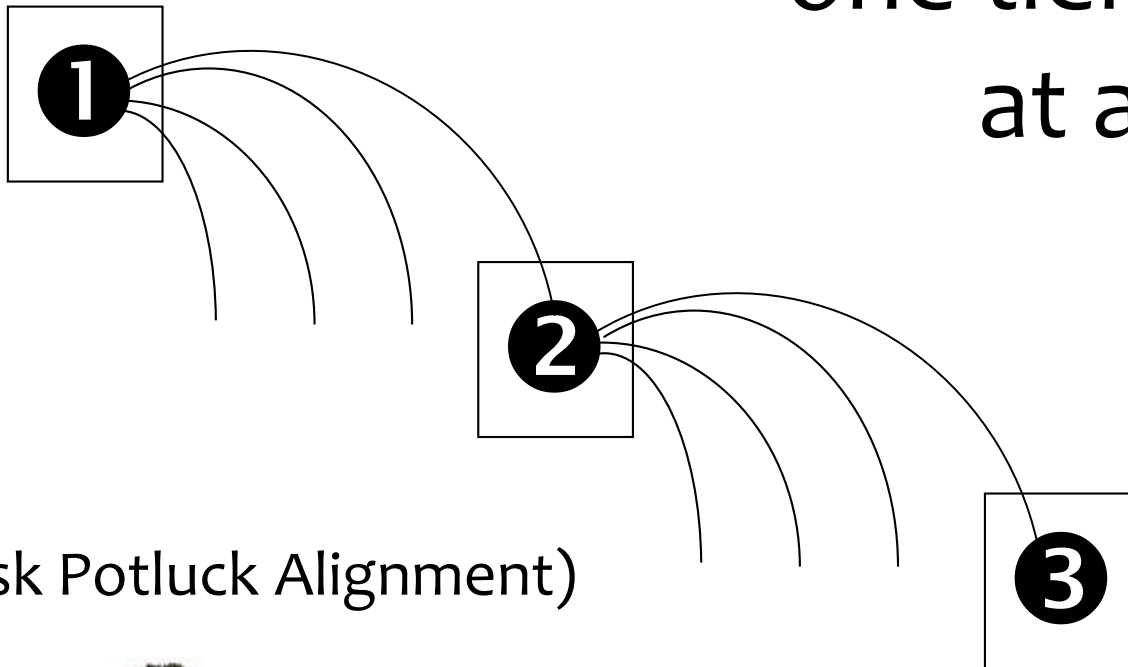
(Else, risk Potluck Alignment)

Framework: A Performance Hierarchy

Stakeholder's Desired Outcome

Effectiveness
(Quality, Time,
Service
characteristics)

Time

Cost

Quality

Efficiency
Unit Cost or other
Productivity /
Efficiency measure
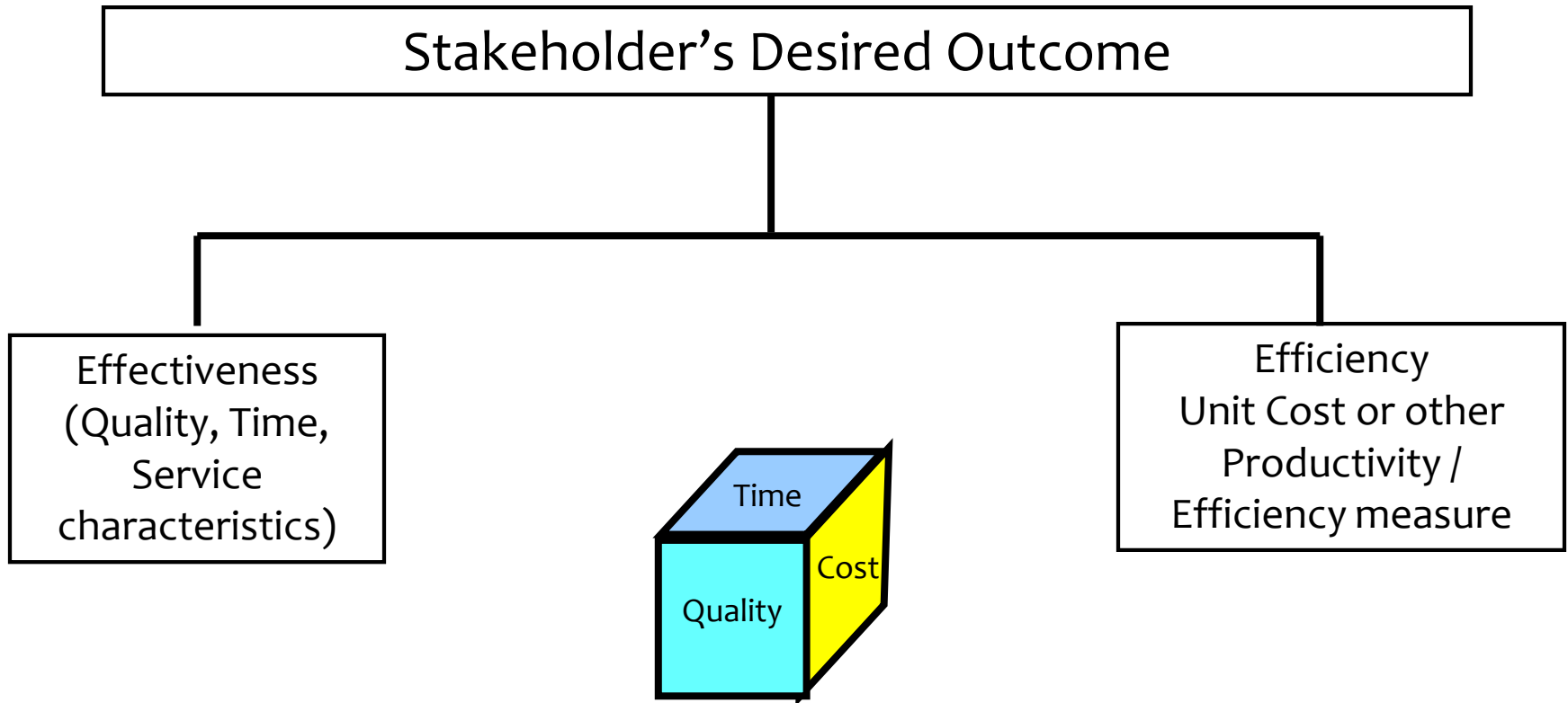
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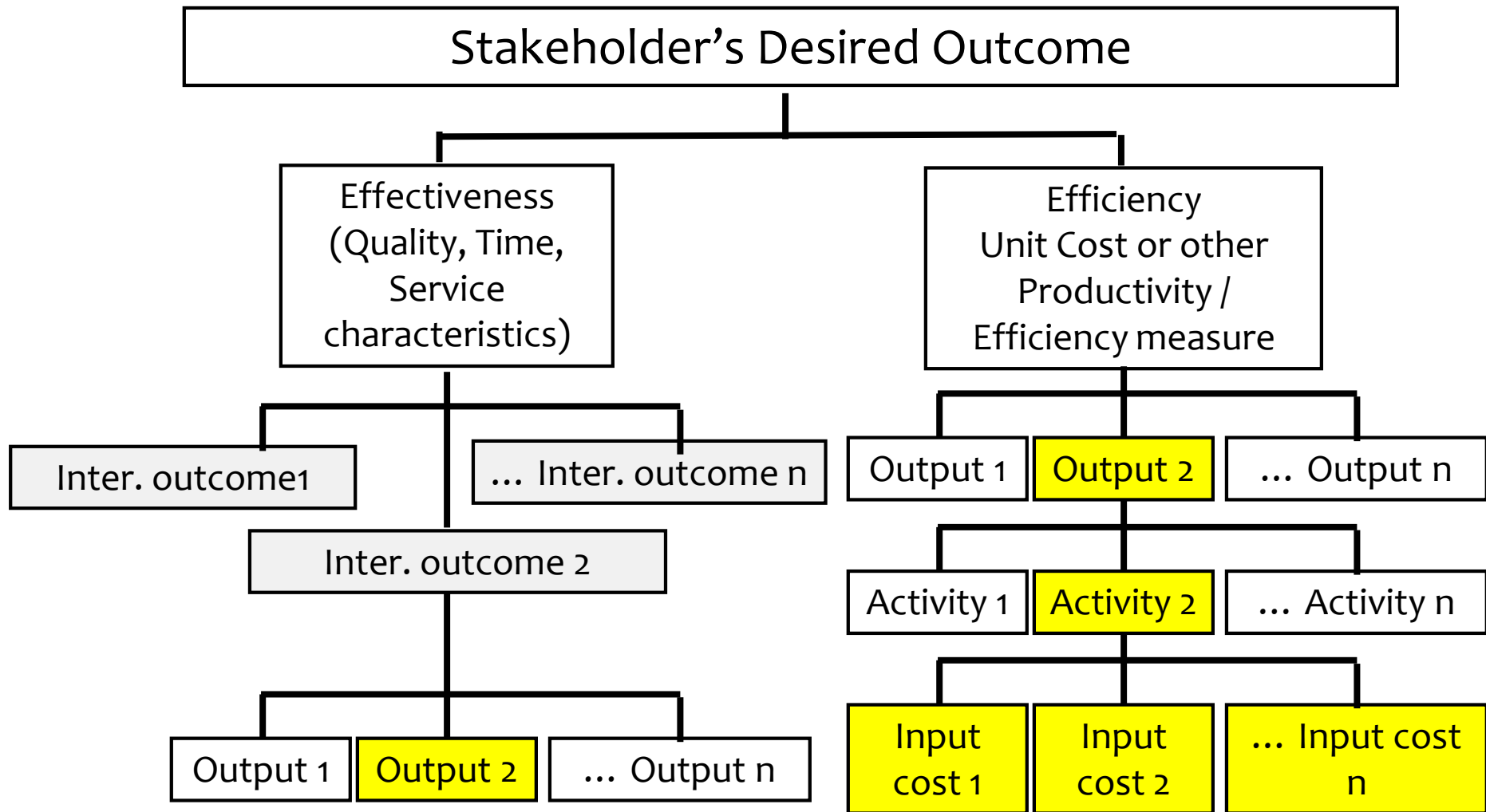
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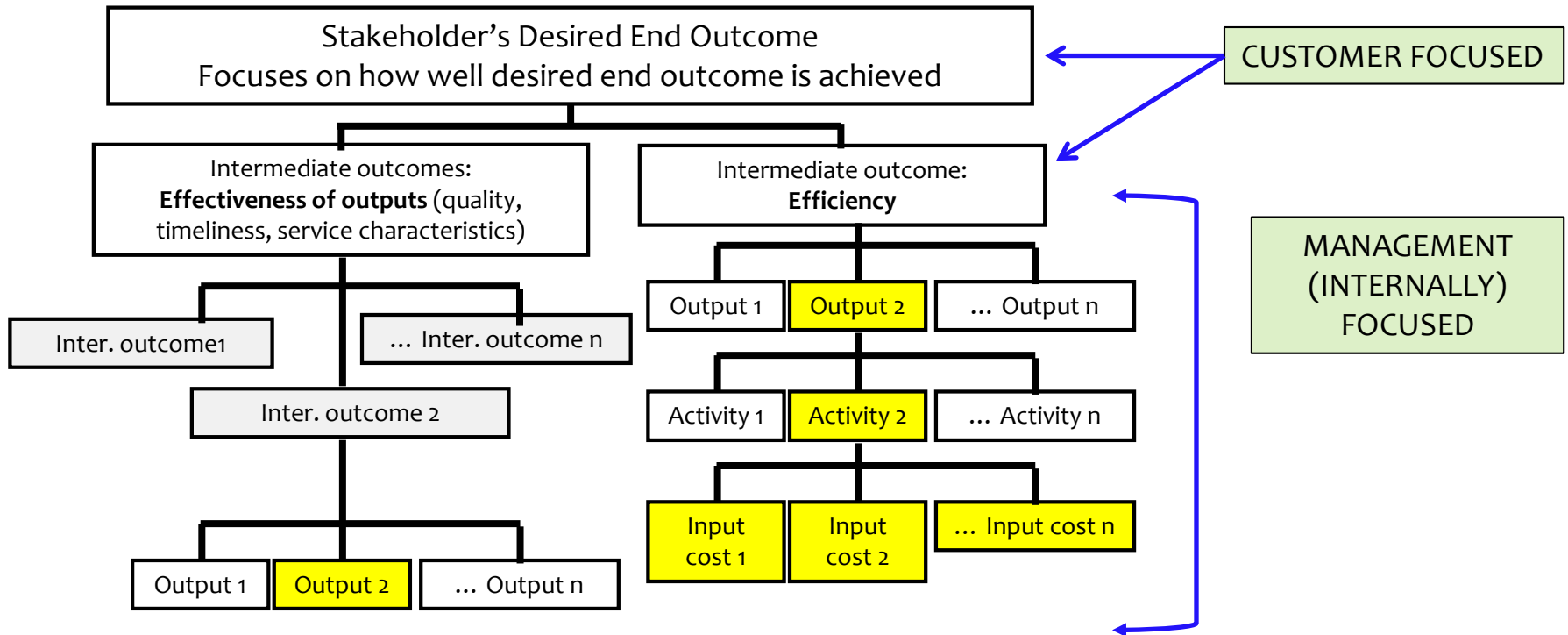
A Performance Hierarchy

- Can provide vertical alignment – internal to the organization

- Allows those at any level to see how their work fits into the bigger picture

- Helps distinguish what customers want (what to do) from internal actions (how to do)

Efficiency

PERFORMANCE BUDGETS USING UNIT COST

Efficiency: Unit Cost

- The relationship between the cost of inputs and the amount of outputs.

- Could be another productivity / efficiency measure (rather than unit cost)

- You must know:
  - The cost of all the inputs
  - How the outputs are produced (activities)
  - Amount and kind of outputs

Efficiency

Mission (scope)

Goals (*desired* outcomes)

Forces (*desired* capabilities)

Objectives (what to do)

PLANNING

Environment (real world)

JCIDS

Programming

Funds (budget)

Inputs (resources)

Activities (processes)

Outputs (*actual* capabilities)

Actual Outcomes

Acquisition

(unit cost)

Strategy Tactics

Budgeting

Execution

42
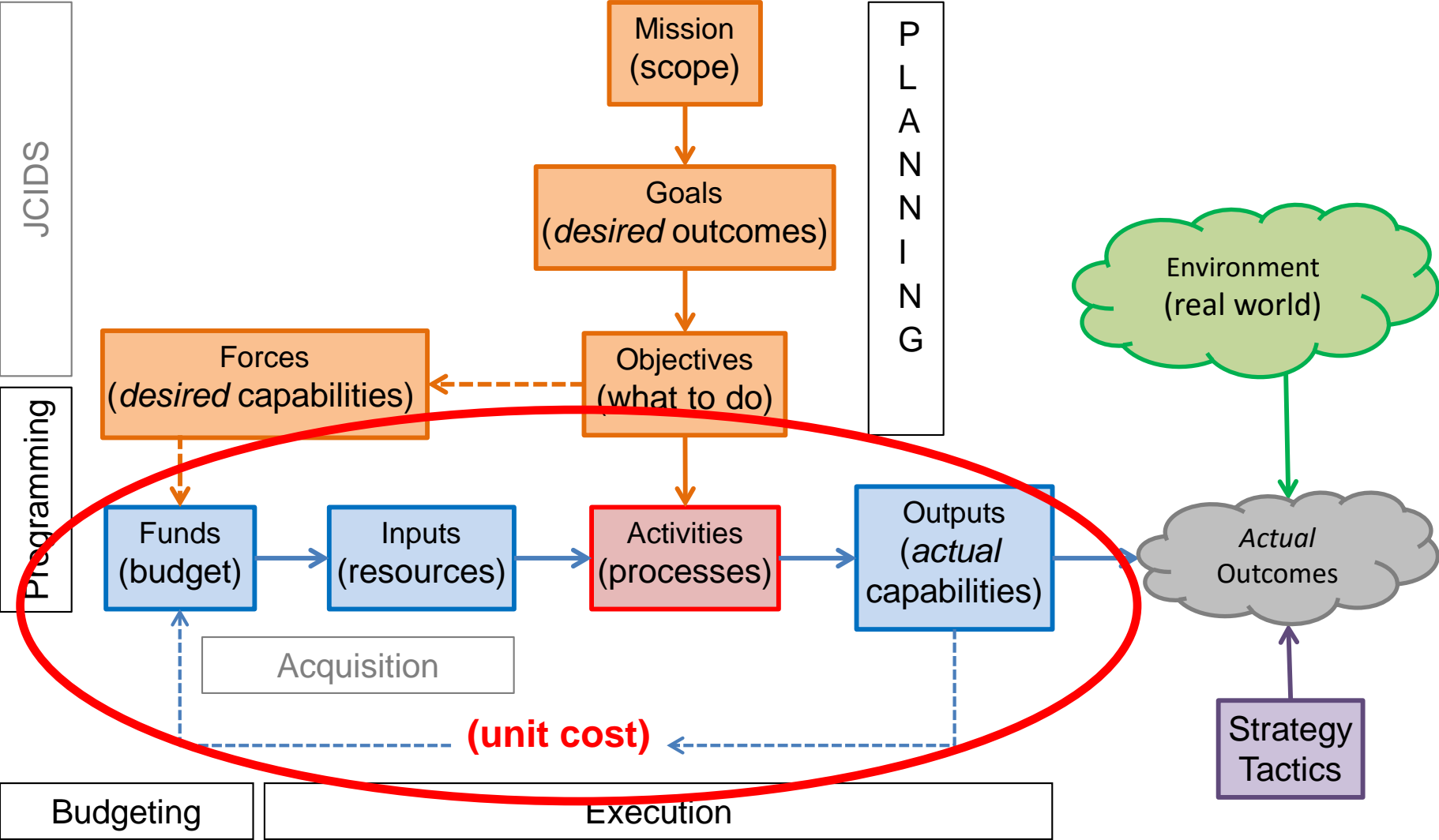
Spreckels Union School District
Fiscal Year 2016 Revenue

Revenue	Budget	Actual	Balance
LCFF Revenue	6,921,464	4,648,972	2,272,491
Federal Revenue	202,899	8,232	194,667
Other State Revenue	750,249	555,513	194,915
Local Revenue	697,628	310,749	386,878
Total Revenue	**8,572,420**	**5,523,467**	**3,048,952**

LCFF = Local Control Funding Formula

Source: Adapted from Spreckels Union School District, Fund Balance Summary, Through 29 Feb 2016, Numbers May Not Sum Due to Rounding

Spreckels Union School District
Fiscal Year 2016 Budget

Expenditures	Budget	Actual	Encumbrance	Balance
Credentialed Personnel	3,298,592	2,105,270	1,212,006	72,315
Support Personnel	1,161,677	753,768	376,075	31,833
Benefits	1,644,560	1,074,245	570,938	(624)
Books and Supplies	237,108	147,103	29,266	60,737
Services/Operations	1,147,497	659,617	274,286	213,593
Capital Outlay	0	57,197	0	(57,197)
Other Outgo	429,866	233,555	0	196,310
Total Expenditures	**7,919,300**	**5,030,757**	**2,371,573**	**516,968**

Cost, Inputs, Outputs, and Outcomes

- **Total (BUDGET) expenditures = $7,919,300**

- What are the inputs?

- What are the outputs?

- What outcomes are of interest?

Costs and Inputs

Category

- Cost (budgeted inputs)
  - $7,919,300

- Inputs
  - 29 Teachers
  - 12 Full Time Staff
  - 5 Part-Time Staff

Measure

- The total cost of operations is equal to total revenue plus transfers from reserves

- Expenditures
  - Personnel
  - Books and Supplies
  - Services / Operations
  - Capital Outlays
  - Other

Budget Estimate I
Based on Input Unit Cost

Input Unit Cost

- Total input cost perspective
  - $7,919,300
  - 46 full and part-time employees

- Unit cost
  - $172,158.70 per employee

Input Budget Estimate

- Using the unit cost estimate, we can construct a budget estimate for next FY

- Assume 48 employees next year, input budget estimate is **$8,263,618**

Problems

- The input unit cost estimate "mixes" different categories of employees

  – Instruction and support

  – Full and part-time

- The greater the level of aggregation, the less precision in the unit cost estimate

- What inputs are directly related to output?

Budget Estimate II
Based on Input Unit Cost

Input Unit Cost

- Credentialed personnel
  - $3,298,592 (salaries)
  - 29 employees
  - **$113,745 per employee**

- Support Staff
  - $1,161,677 (salaries)
  - 17 staff members
  - **$68,334 per staff member**

- Benefits
  - $1,644,560
  - 46 employees
  - **$35,751 per employee**

- Other costs
  - $1,814,471 in other costs
  - **$39,445 per employee**

Input Budget Estimate

- Assume that next year, we will have 30 credentialed personnel and 18 staff members

- What is the new budget estimate?

- $113,745*30 + $68,344*18 + ($35,751 + $39,445) *46 = **$8,101,378**

Outputs

Category

- Outputs
  - Average Daily Attendance
  - 961 Students (Total)

Measure

- The number of students in attendance on average is a measure of output

Unit Cost

- Budgeted Expenditures= $7,919,300

- Estimated students = 961

- Average Cost per Student = **$8,240.69**

Output Budget:

- Average Cost per Student = $8,240.69

- Assume 2% Cost Growth and 970 students

- Budget estimate = 970 * (1.02*8240.69)

- Budget estimate = **$8,153,336**

Performance Budgets

Basis

- Budget based on aggregated input unit cost

- Budget based on input unit cost

- Output budget

Estimate

- $8,263,618

- $8,101,378

- $8,153,336

BREAK!

Performance Budgets

UNINTENDED CONSEQUENCES

Budget and Performance Drivers

- Any issues with using average daily attendance to budget?

- Could it drive "bad" behavior?

- **Possible performance measure: Maintain average daily attendance of 98% of students enrolled in the district**

Spreckels Union School District
Fiscal Year XXXX

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Total Revenue	**8,572,420**	**5,523,467**	**3,048,952**

LCFF is largely dependent on average daily attendance:

Possible performance measure: Maintain average daily attendance of 98% of students enrolled in the district

Source: Adapted from Spreckels Union School District, Fund Balance Summary, Through 29 Feb 2016, Numbers May Not Sum Due to Rounding

Side effects

- Performance measures include side effects, whether intended or not and whether beneficial or detrimental. If the program recognizes in advance that such side effects can occur, it should design the performance measurement process to regularly measure them.

Adapted from H. P. Hatry, 1999

"Bounded Targets"

- A "bounded target" has two parts:
  - What is desired, stated as a measurement
  - What cannot happen (restrictions)

a measurement
+ what's good enough
+ *what must not happen*

From performance metrics to "bounded target"

a measurement
+ what's good enough
+ *what must not happen*

Bounded Target

Maintain average daily attendance of 98% of students enrolled in the district, assuming

- Children who have a fever over 100F or other contagious illness (properly defined) stay home.

- School staff spend no more than x hours per day following up with families whose child(ren) are tardy/absent from school.

- 95% of parents report (on a survey) that they feel the reasons for their students' absences are respected by the school district.

Objective

Maximize average daily attendance.

Metric

Average daily attendance

Adapted with permission from Executive Learning Group, www.elg.net

"Bounded Targets" assure vertical AND horizontal alignment

- They avoid situations where clear goals and motivation for one individual or organization have unintended negative consequences for others.

Performance Budgets

IMPROVING OUR BUDGET ESTIMATES

Output Budget:
What about Next Year?
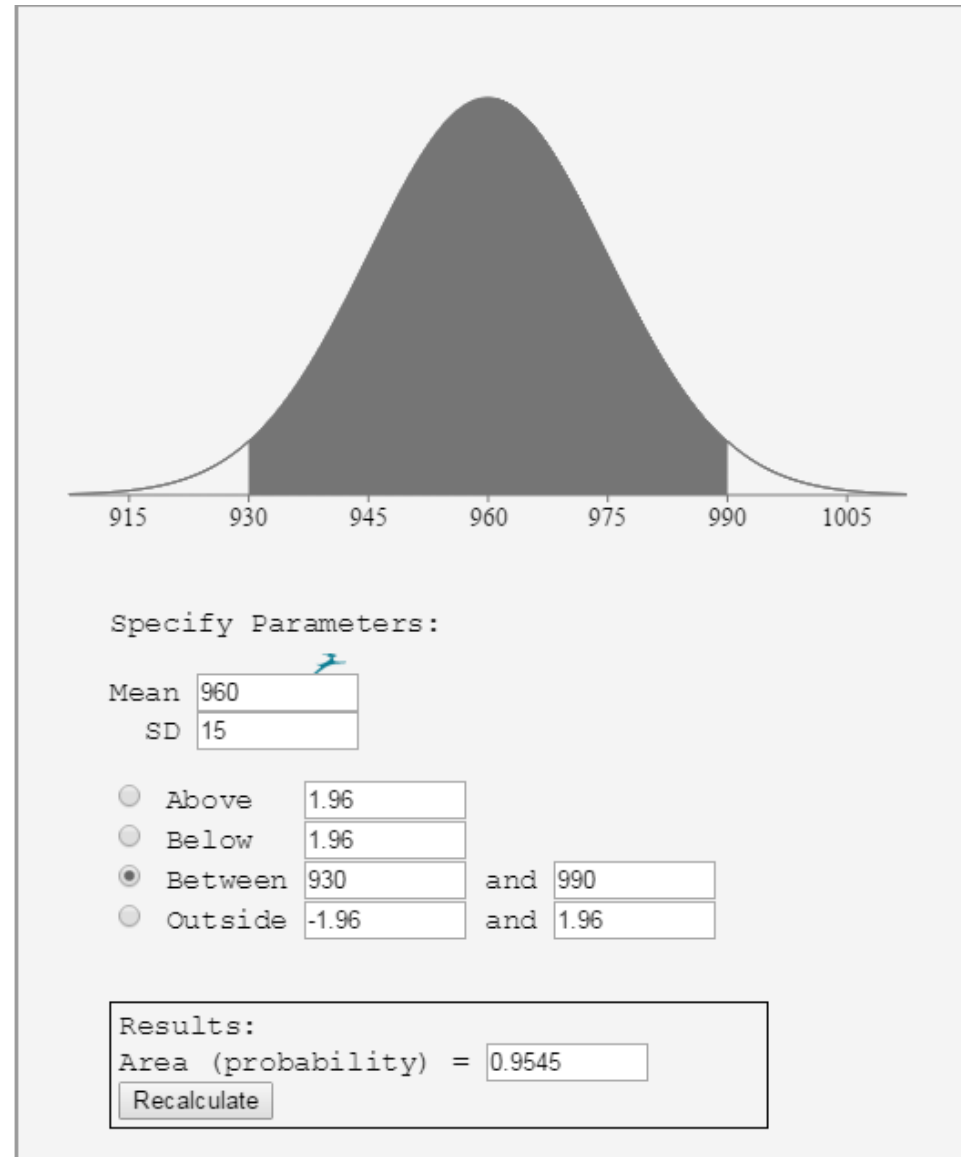
- Average Cost per Student = $8,240.69

- Assume 2% Cost Growth and 970 students

- Budget estimate = 970 * (1.02*8240.69)

- Budget estimate = **$8,153,336**

What about next year?

- Let's assume that the number of students is distributed normally

- The mean number of students is 960

- The standard deviation is 15

- How can this information help you construct a budget estimate?

What about next year?

- What is your risk tolerance?
- What could go wrong?
  - Not having sufficient funds for instruction and services
- How likely is it?
  - 960 = 50%
  - 975 = 34%
  - 990 = 2.5%
  - 1005 = 0.5%
- What are the consequences?
  - Insufficient funding could lead to reductions in staff, crowded classrooms, etc.
- How would you "feel?"
  - Insufficient funding would lead to angry parents (and taxpayers)
  - You would prefer to avoid having insufficient funds

Specify Parameters:

Mean 960
  SD 15

○ Above   1.96
○ Below   1.96
● Between 930   and 990
○ Outside -1.96 and 1.96

Results:
Area (probability) = 0.9545
Recalculate
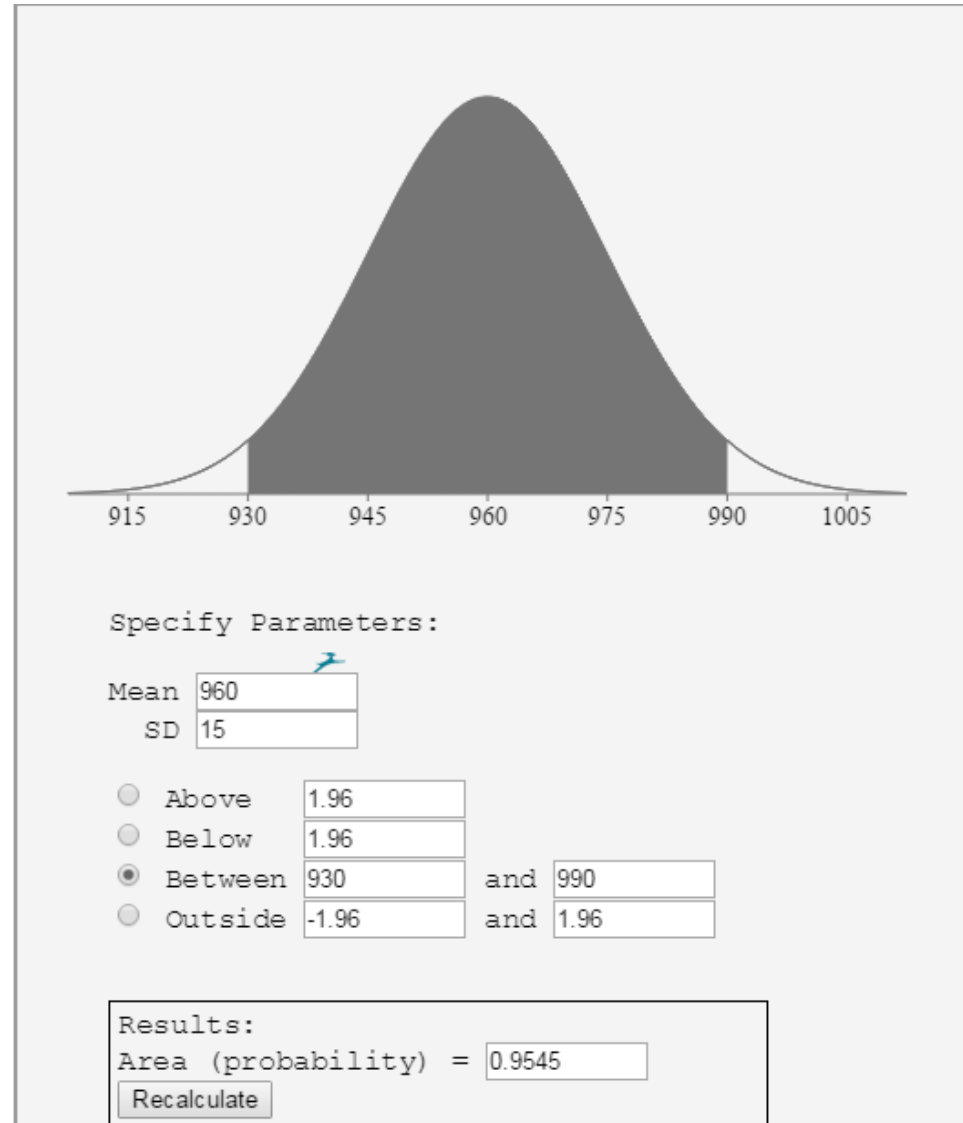
Wait a Minute…

- Are all the outputs the same?

- If not, what differentiates the outputs?
  - Age
  - Mode of instruction
  - Intensity of instruction

- As output heterogeneity increases, the precision of a single measure of unit cost decreases

What Are the Main Activities that Generate the Outputs?

- General Instruction

- Special Education

- Administrative Services and Other Operations

- Management

Crosswalking Unit Cost

Activities	Instruction	Special Ed Svcs.	Admin Svcs & Ops	Manage-ment	
Expenses					
Certificated Personnel					$3,298,592
Classified Personnel					$1,161,677
Benefits					$1,644,560
Books and Supplies					$237,108
Services/Operations					$1,147,497
Capital Outlay					$0
Other Outgo					$429,866
Total Expenditures					**$7,919,300**
Unit Cost (per student) 961 students					**$8240.69**

What is the relationship among activities and inputs?

Crosswalking Unit Cost

Activities	Instruction	Special Ed Svcs.	Admin Svcs & Ops	Manage-ment	
Expenses					
Certificated Personnel	$2,758,968	$263,887	$0	$275,737	$3,298,592
Classified Personnel	$811,898	$152,294	$0	$197,485	$1,161,677
Benefits	$1,316,625	$153,451	$0	$174,483	$1,644,560
Books and Supplies	$217,433	$18,475	$0	$1,200	$237,108
Services/Operations	$13,530	$91,800	$1,028,075	$14,092	$1,147,497
Capital Outlay	$0	$0	$0	$0	$0
Other Outgo	$257,920	$34,389	$64,480	$73,077	$429,866
Total Expenditures	**$5,376,374**	**$714,297**	**$1,092,555**	**$736,074**	**$7,919,300**
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Crosswalking Unit Cost

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Crosswalking Unit Cost

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	67.9%	**9.0%**	**13.8%**	**9.3%**	

What if Management is a principal paid at $275,737, two assistants paid $98,742 plus benefits plus office expenses and debt service/transfer of $88,369?

Crosswalking Unit Cost

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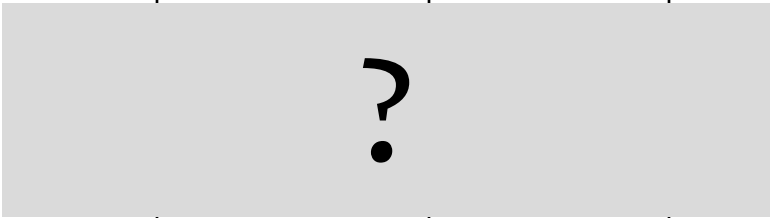**What if Services / Operations are dominated by contracts with the County for extra special education assistance?**

Crosswalking Unit Cost

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Benefits	$1,316,625	$153,451	$0	$174,483	$1,644,560
Books and Supplies					
Services/Operations					
Capital Outlay					
Other Outgo					
New Computers					1,000,000
Total Expenditures					$7,919,300
Unit Cost (per student) 961 students					$8240.69

What if the District purchased $1m in new computers with saved funds at the end of the school (fiscal) year? Are they part of the output??

Crosswalking Unit Cost

Activities	Instruction	Special Ed Svcs.	Admin Svcs & Maint	Manage-ment	
Expenses					
Certificated Personnel	$2,758,968	$263,887	$0	$275,737	$3,298,592
Classified Personnel	$811,898	$152,294	$0	$197,485	$1,161,677
Benefits					$1,644,560
Books and Supplies		?			$237,108
Services/Operations					$1,147,497
Capital Outlay					$0
Other Outgo					$429,866
Total Expenditures	**$5,376,374**	**$714,297**	**$1,092,555**	**$736,074**	**$7,919,300**

Efficient but Effective?

- Now that you have unit cost and a budget estimate, how will you measure performance?

  - Number of graduates or percentage graduating?

  - Test scores?
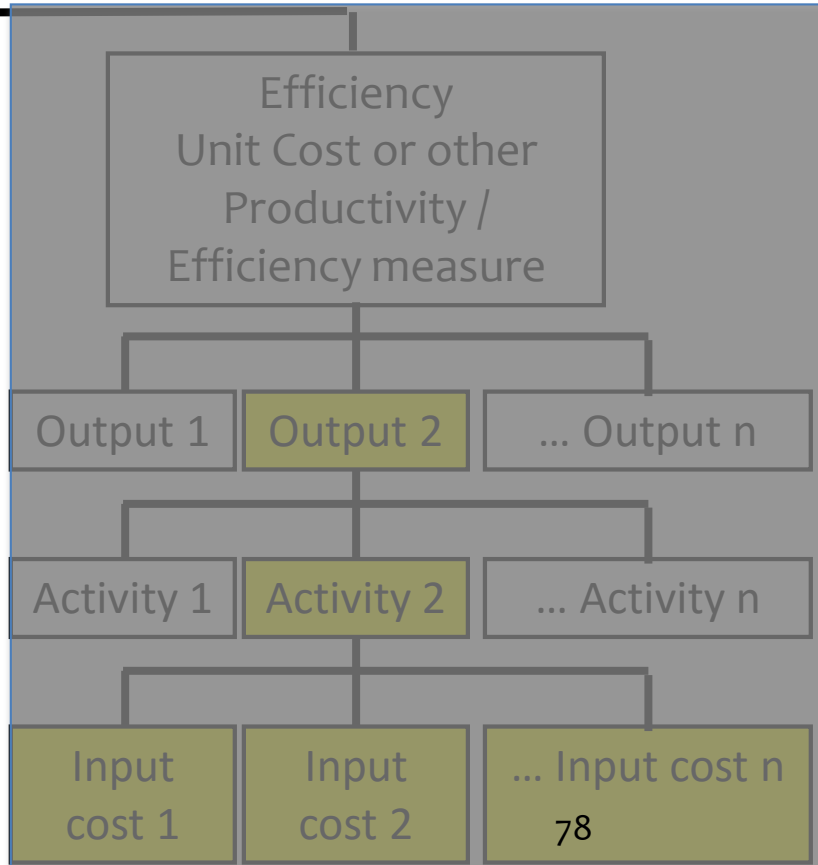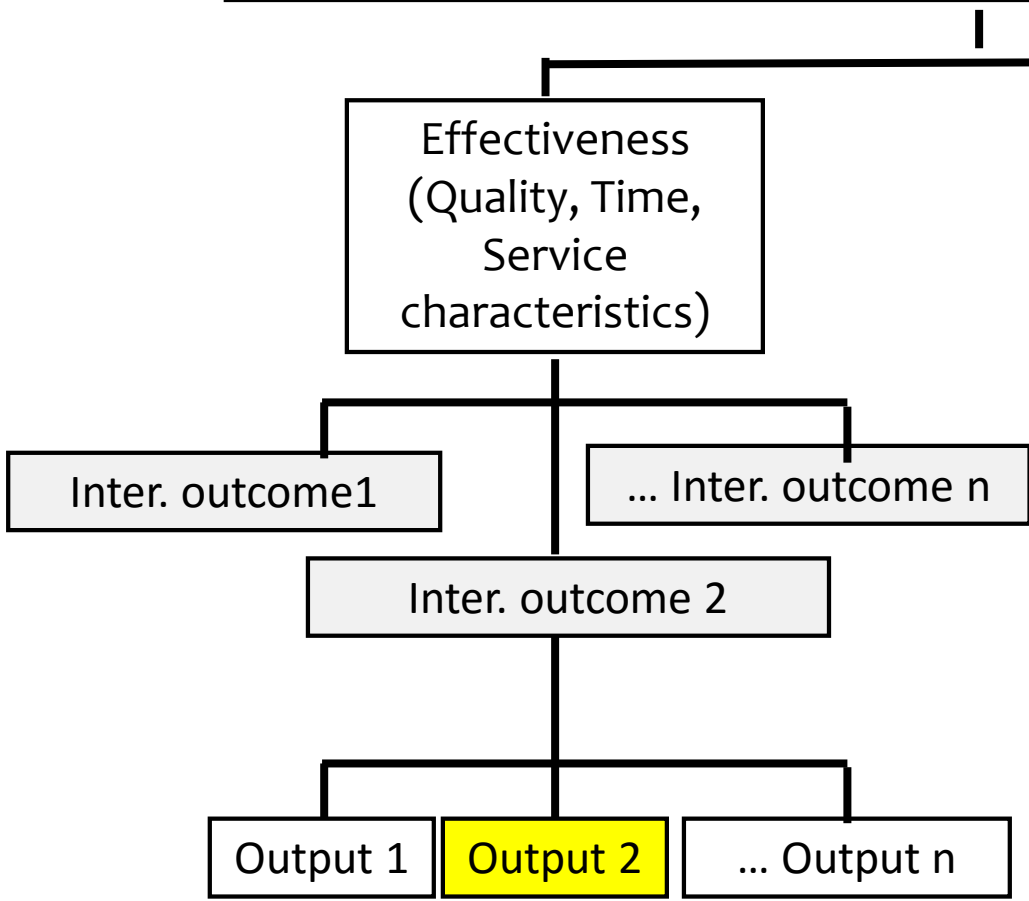
  - Survey measures?

  - All of the above?

Effectiveness

HOW WELL DID WE DO?

Framework: A Performance Hierarchy

Outputs and Outcomes

Category

- Outputs
  - Average Daily Attendance
  - 961 Students (Total)

- Outcomes
  - Are there natural measures?
  - Can we use proxy measures?

Measure

- The number of students in attendance on average is a measure of output

- Outcomes
  - Student performance (testing)
  - Parent satisfaction (surveys)
  - Number of graduates or percentage graduating?

Outcome Measures

The "Percent of Enrolled Students Tested" showing on this Web site is not the same as "participation rate" for federal accountability purposes.

Overall Achievement

	3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade	11th Grade	All
Number of Students Enrolled	90	108	111	N/A	N/A	N/A	N/A	309
Number of Students Tested	88	105	106	N/A	N/A	N/A	N/A	299
Percent of Enrolled Students Tested	97.8 %	97.2 %	95.5 %	N/A	N/A	N/A	N/A	96.8 %
Number of Students With Scores	88	103	106	N/A	N/A	N/A	N/A	297
Mean Scale Score	**2436.3**	**2477.8**	**2511.1**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
■ Standard Exceeded	22 %	30 %	22 %	N/A	N/A	N/A	N/A	25 %
■ Standard Met	32 %	18 %	33 %	N/A	N/A	N/A	N/A	27 %
■ Standard Nearly Met	32 %	29 %	24 %	N/A	N/A	N/A	N/A	28 %
■ Standard Not Met	15 %	23 %	22 %	N/A	N/A	N/A	N/A	20 %

English Language Arts/Literacy Scale Score Ranges

80

Areas

Reading: Demonstrating understanding of literary and non-fictional texts

		3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade	11th Grade	All
	Above Standard	23 %	25 %	19 %	N/A	N/A	N/A	N/A	22 %
	At or Near Standard	56 %	45 %	50 %	N/A	N/A	N/A	N/A	50 %
	Below Standard	22 %	30 %	31 %	N/A	N/A	N/A	N/A	28 %

Writing: Producing clear and purposeful writing

|		3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade	11th Grade	All
	Above Standard	20 %	28 %	33 %	N/A	N/A	N/A	N/A	28 %
	At or Near Standard	58 %	50 %	47 %	N/A	N/A	N/A	N/A	51 %
	Below Standard	22 %	22 %	20 %	N/A	N/A	N/A	N/A	21 %

Listening: Demonstrating effective communication skills

		3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade	11th Grade	All
	Above Standard	20 %	21 %	11 %	N/A	N/A	N/A	N/A	18 %
	At or Near Standard	72 %	64 %	75 %	N/A	N/A	N/A	N/A	70 %
	Below Standard	8 %	15 %	13 %	N/A	N/A	N/A	N/A	12 %

Research/Inquiry: Investigating, analyzing, and presenting information

		3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade	11th Grade	All
	Above Standard	19 %	15 %	32 %	N/A	N/A	N/A	N/A	22 %
	At or Near Standard	63 %	50 %	55 %	N/A	N/A	N/A	N/A	55 %
	Below Standard	18 %	17 %	13 %	N/A	N/A	N/A	N/A	16 %

Defense Example:
NATO Medium Lift Utility Helicopter (management perspective)
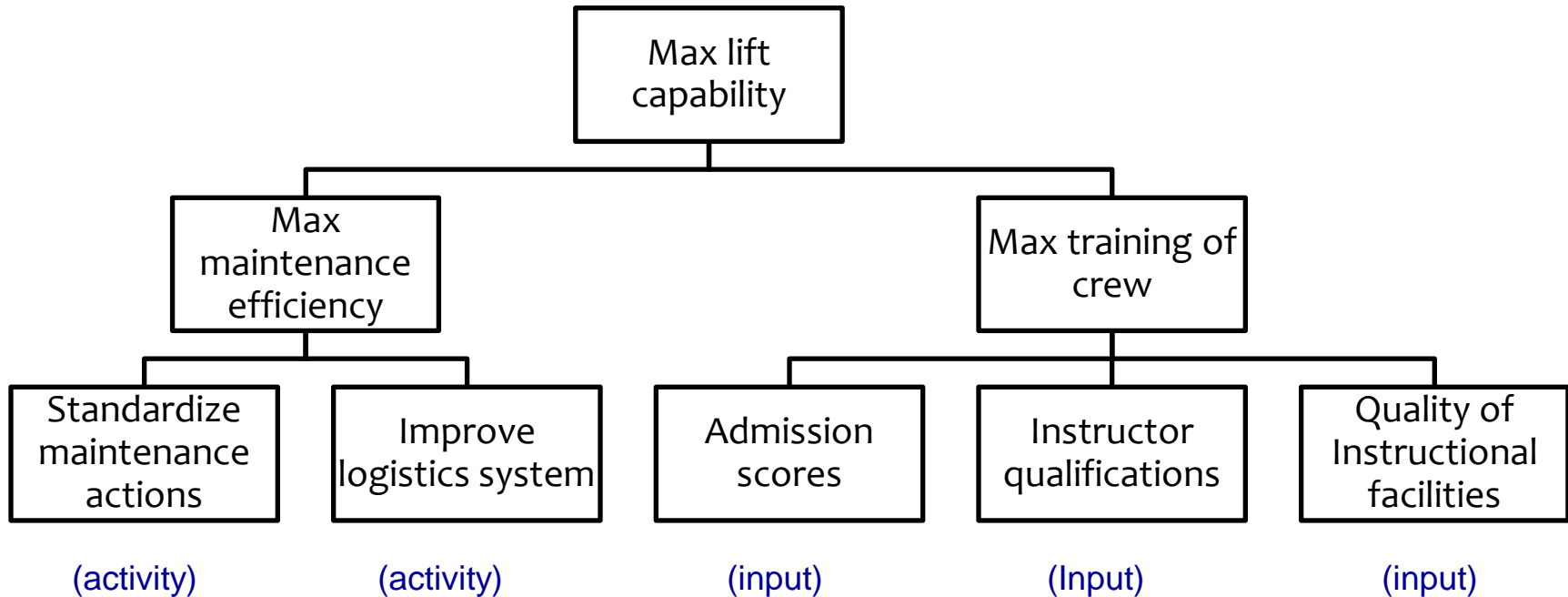
Does the customer care about these measures?

Example:
NATO Medium Lift Utility Helicopter
(customer perspective)
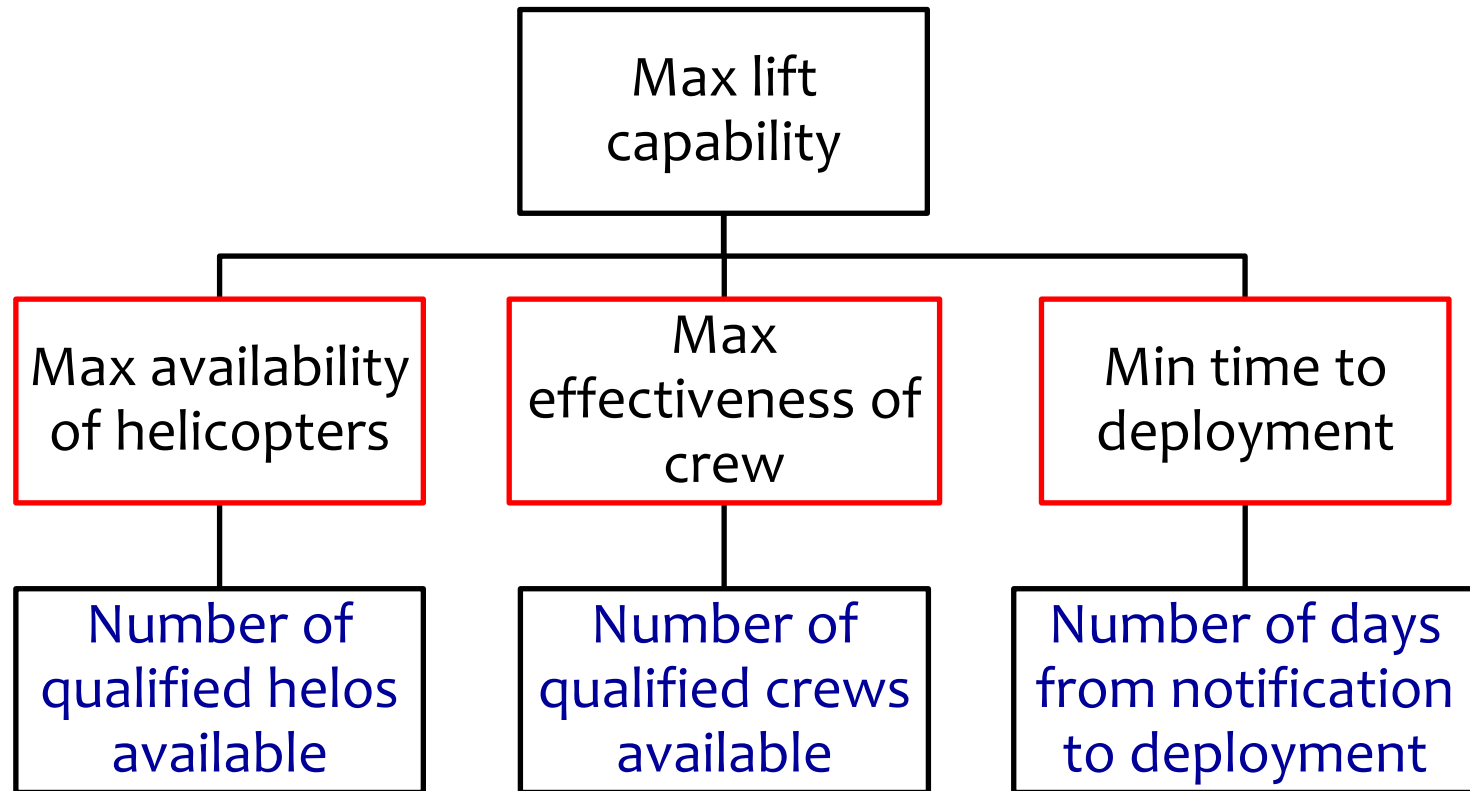
The customer cares about these measures!

Defense Example: Effectiveness for U.S. Navy Surface Warfare
(responsible for preparing ships for missions)

Navy Desired Outcome: win wars, deter aggression and maintain freedom of the seas

Intermediate outcomes:
SWE Desired Outcome: Provide combat- ready ships

Intermediate outcome:
Be efficient: Keep unit costs of processes and outputs as low as possible

| Personnel | Equip. (Maintenance) | Supplies | Training (crew) | Ordnance |

**Intermediate outcomes:
Readiness measures**

Maintenance Effectiveness

STATUS	UNIT	Overall Effectiveness		Mission Area 1	Mission Area 2	Mission Area 3	:	:	:
DEPLOYED	1	89.4		98	95	61	96	96	88
	2	91.8		98	98	90	91	96	78
	3	94		95	96	94	92	96	89
	4	72.3		94	88	23	84	94	87
	5	74.2		68	55	72	89	91	89

Ship Readiness by Mission

STATUS	UNIT	Overall Readiness	Mission 1	Mission 2	Mission 3	⋮	⋮	⋮
DEPLOYED	1	🟦	🟩	🟩	🟥	🟩	🟩	🟩
	2	🟩	🟩	🟩	🟩	🟩	🟩	🟩
	3	🟩	🟩	🟩	🟩	🟩	🟩	🟩
	4	🟨	🟩	🟦	🟥	🟦	🟩	🟩
	5	🟨	🟥	🟥	🟨	🟦	🟩	🟩

Customer Feedback

- The customer's perspective often requires getting feedback (surveys, etc.) from the customer

- These can be the best measures of whether the actual outcome met the desired or expected outcome

Creating a Performance Hierarchy:
What will achieve the desired outcomes?

The <u>desired outcome</u> from the CUSTOMER'S PERSPECTIVE →

Increased efficiency and effectiveness of graduates

The <u>intermediate outcomes</u> "What to do" from the customer's perspective ↘

High student satisfaction

Increased knowledge / Useful in practice

Competitive but reasonable cost

Timely courses / workshops

Convenient / accessible locations with reasonable facilities

Learning environment for multiple types of learners

Professional, courteous service

Creating a Performance Hierarchy:
How to measure the desired outcomes?

The <u>desired outcome</u> from the CUSTOMER'S PERSPECTIVE

Increased efficiency and effectiveness of graduates

Increased knowledge / Useful in practice
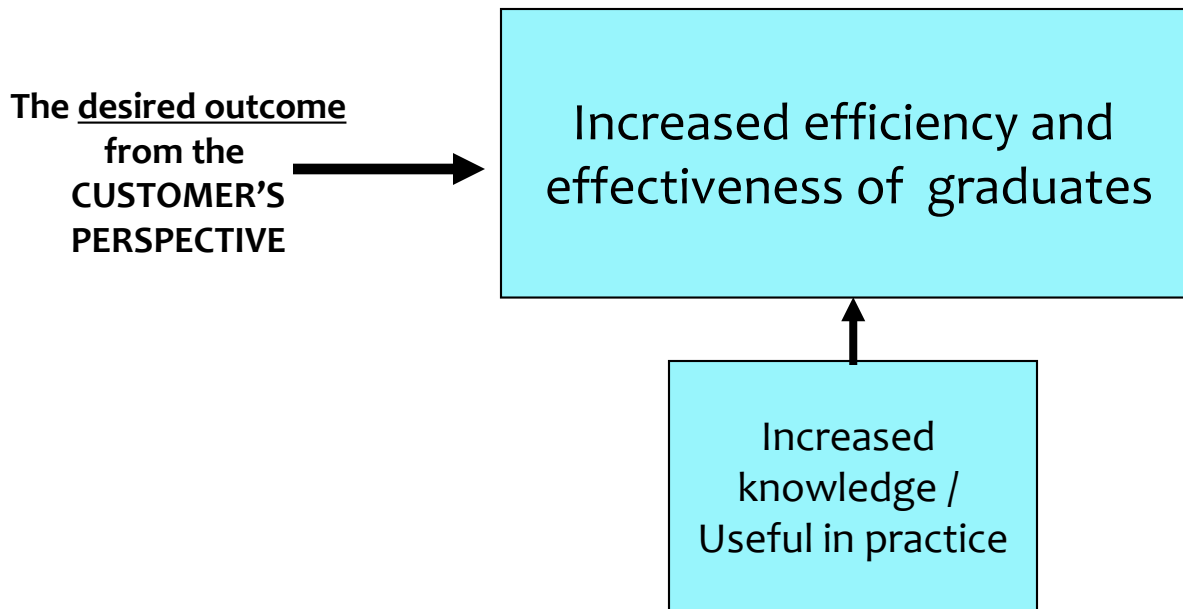
Could use course and instructor surveys to critique and improve

Desired outcome:
At least 85% of U.S. participants' **supervisors** respond with a 4 or 5 (1-5 scale; 5 is best) that **the course participant exhibits increased knowledge and/or what the participant learned was useful in practice**

Creating a Performance Hierarchy:
How to measure the desired outcomes?

The <u>desired outcome</u> from the CUSTOMER'S PERSPECTIVE →

> **Increased efficiency and effectiveness of graduates**

> Increased knowledge / Useful in practice

> Could use course and instructor surveys to critique and improve

> Desired outcome:
> At least 85% of U.S. **participants** respond with a 4 or 5 (1-5 scale; 5 is best) that **the course participant exhibits increased knowledge and/or what the participant learned was useful in practice**
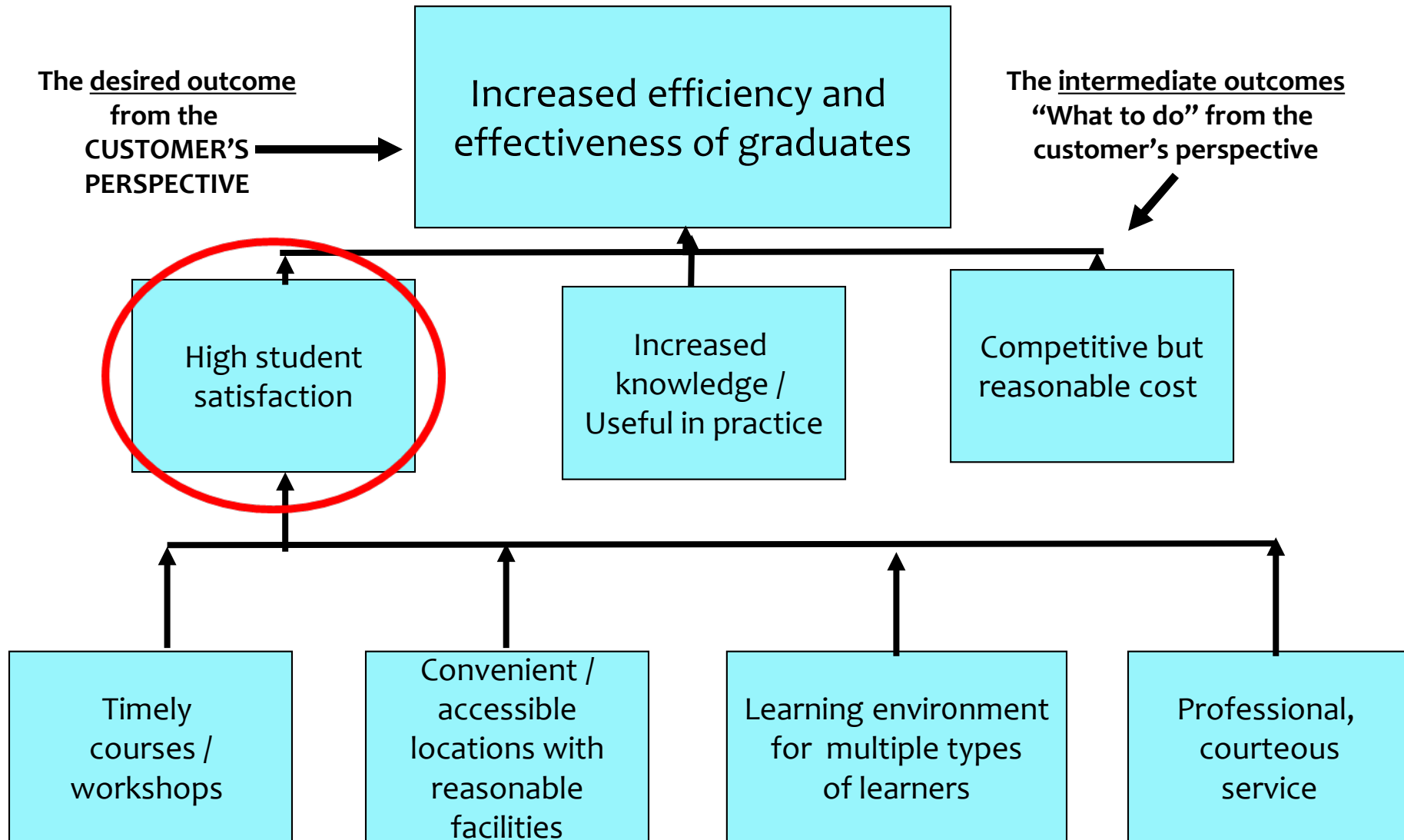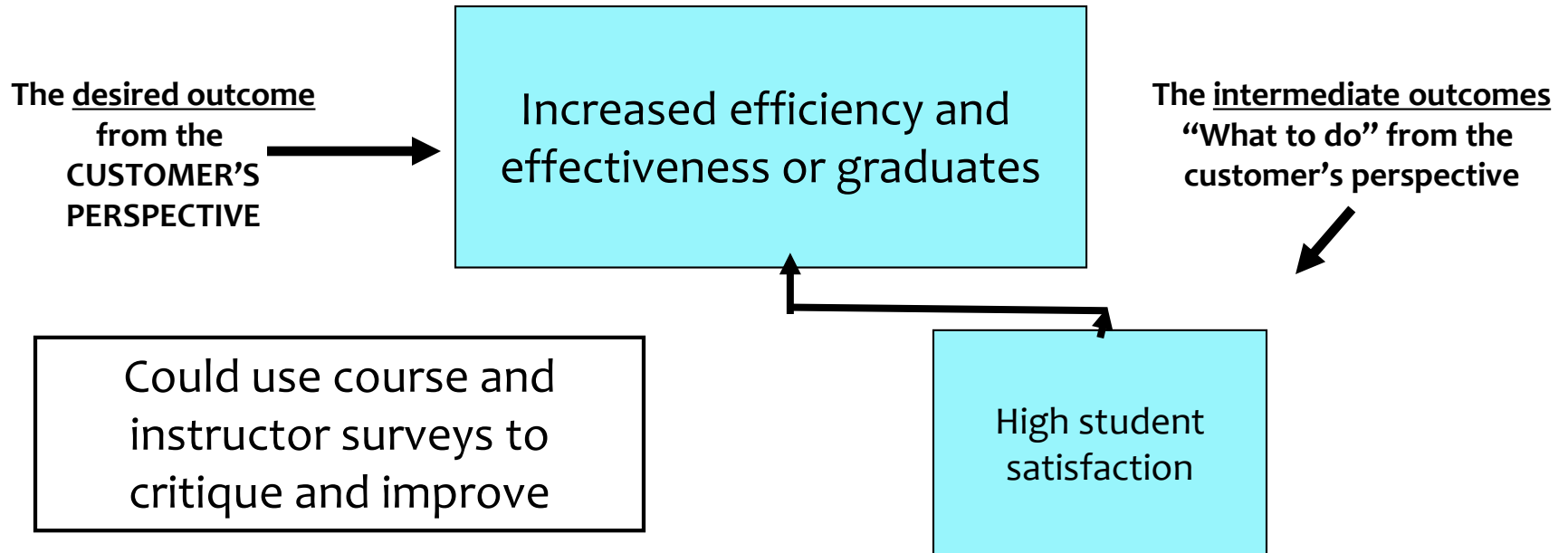
90

Creating a Performance Hierarchy:
What will achieve the desired outcomes?

The <u>desired outcome</u> from the CUSTOMER'S PERSPECTIVE

Increased efficiency and effectiveness of graduates

The <u>intermediate outcomes</u> "What to do" from the customer's perspective

High student satisfaction

Increased knowledge / Useful in practice

Competitive but reasonable cost

Timely courses / workshops

Convenient / accessible locations with reasonable facilities

Learning environment for multiple types of learners

Professional, courteous service

91

Creating a Performance Hierarchy:
What will achieve the desired outcomes?

The <u>desired outcome</u> from the CUSTOMER'S PERSPECTIVE

Increased efficiency and effectiveness or graduates

The <u>intermediate outcomes</u> "What to do" from the customer's perspective

Could use course and instructor surveys to critique and improve
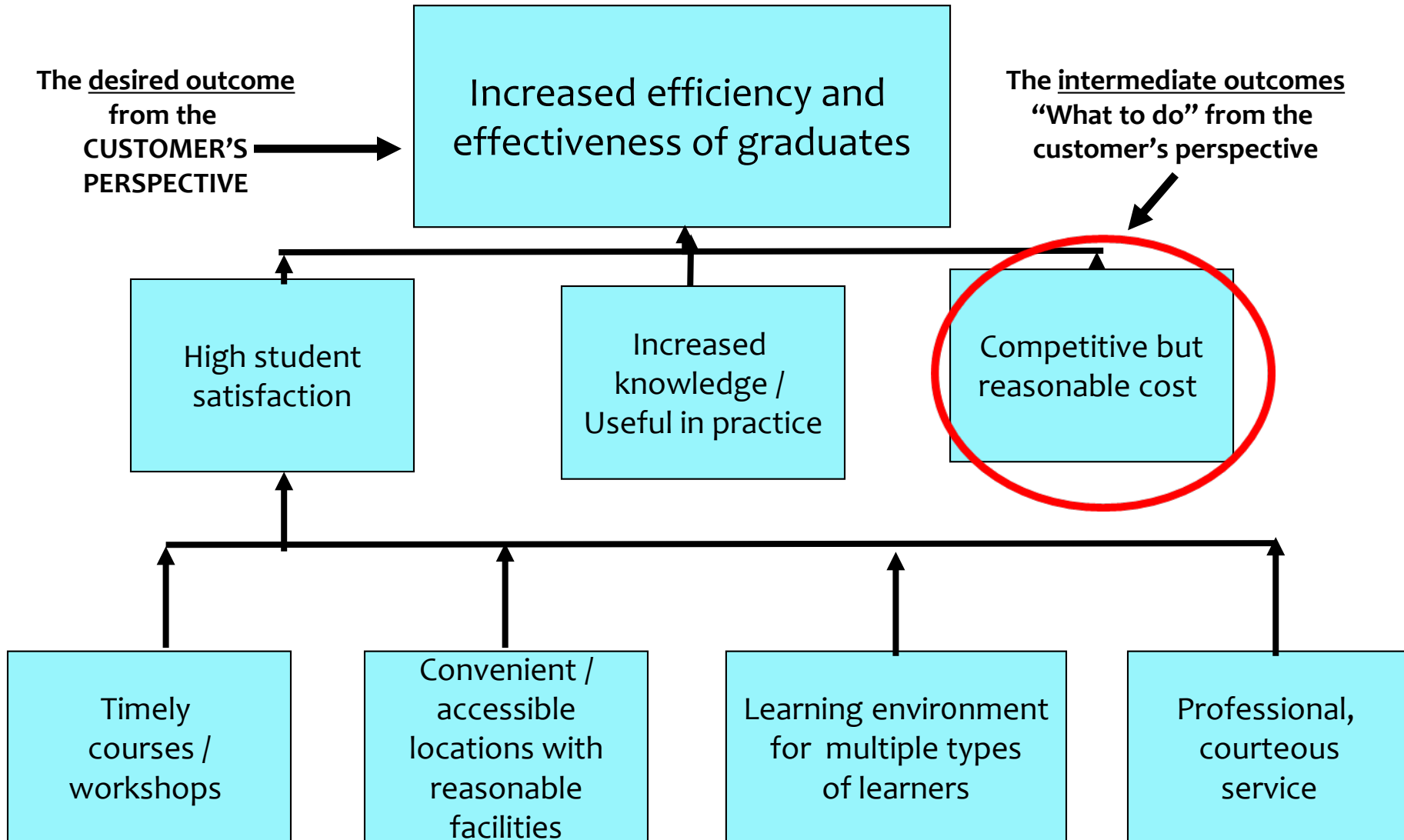
High student satisfaction

Desired outcomes:
At least 95% of U.S. participants' respond with a 4 or 5 (1-5 scale; 5 is best) that
1. The course was taught in a way conducive to my learning
2. The course was held in a convenient / accessible location
3. Faculty and staff were professional and courteous

Creating a Performance Hierarchy:
What will achieve the desired outcomes?

The **desired outcome** from the **CUSTOMER'S PERSPECTIVE**

Increased efficiency and effectiveness of graduates

The **intermediate outcomes** "What to do" from the customer's perspective

High student satisfaction

Increased knowledge / Useful in practice

Competitive but reasonable cost

Timely courses / workshops

Convenient / accessible locations with reasonable facilities

Learning environment for multiple types of learners

Professional, courteous service

IMPLEMENTATION ISSUES

Planning and Management* Systems used in Governments

- Planning, programming and budgeting (PPB, PPBS, PPBES, PPBEAS, etc.)
- Zero-based budgeting (ZBB)
- Management by objectives (MBO)
- Program budgeting
- Management information systems (MIS; computerized)
- Performance measurement, reporting and monitoring
- Balanced Scorecard

- Total quality management/leadership (TQM/TQL)
- Quality circles (extended to Baldrige, etc.)
- Program analysis (prior to program approval)
- Program evaluation (after program approval)
- Forward year projection of expenditures and revenues
- Results-based leadership
- Values-based leadership

*And sometimes, resourcing (Adapted from Botner, S. B. 1985. The Use of Budgeting/Management Tools by State Governments. *Public Administration Review*, 45(5):616-620.)

All organizations institute performance based management and budgeting systems with "good" intentions to connect strategic goals to performance measures

Why don't they work so well?

Believe the "system" will do the hard work for you

The concept of a performance "system" is deceptively seductive. The system is like an engine. You push the start button, and the system does all of the work. Sorry. It doesn't work that way. There is no system, no start button.

Measure the wrong things

"The management law "What gets measured gets done" has a corollary. "What doesn't get measured doesn't get done." This is particularly true if other tasks are getting measured. If we measure performance in math but not history, history won't get done."

"Metric Mania"

- Too many measures at wildly varying strategic levels to even contemplate using them to allocate individual accountability for results, thus, no one is responsible.

- The only real accountability is for collecting and reporting on metrics. Those measuring become weathermen describing the world but not changing it.

Casey, Peck, Webb & Quast, 2008

Disclose Everything

"How can an agency obfuscate while at the same time respond to the demands for transparency? Simple. Don't just provide the requested data. Don't just provide the key data. Instead, provide all of the available data. This is obfuscation by disclosure."

Focus on the wrong things

'Over a century ago, Friedrich Nietzsche wrote, "**Forgetting our objectives** is the most frequent act of stupidity." Yet, so often today, managers in all three sectors select a management tool without first asking: "**What purpose are we trying to achieve?**"'

Key Elements to "Successful" Performance Budgeting

- Define expectations clearly

- Address structural alignment between plans, budgets and total costs

- Increase the supply of credible outcomes, measures, and information

- Promote demand for information used by actors with different needs

"Linking performance information to budgeting carries great potential to improve the budget debate by changing the kinds of questions and information available to decision makers."

David M. Walker
U.S. Comptroller General
1998-2008

BACKUP