



SUSTAINING PERFORMANCE IN STATE AND LOCAL GOVERNMENT

A White Paper Summary of the August 8th, 2008
Executive Dialogue in Philadelphia, Pennsylvania

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About ActiveStrategy

ActiveStrategy takes a practical approach to helping public sector agencies improve strategic results. Depending on each organization's needs, we create a custom combination of Baldrige-based management consulting and ActiveStrategy Enterprise (ASE) software to deploy and lock-in the methodologies. ASE is flexible, web-based software that automates and enables performance excellence by leveraging such methodologies and frameworks as Balanced Scorecards, process management, performance improvement, strategic measurement (KPIs), and strategic dashboards.

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Executive Summary

Shifting from Spreadsheets to True Performance Management

Even in the best of economic times, choosing how to allocate budgets and non-financial resources is a challenge for state and local governments, who must balance competing political and environmental pressures with diverse constituent needs. Today's slowing economy, which puts further constraints on everyone from individuals and families to private corporations and public sector organizations, makes choices about where to spend limited money and time more crucial – and more difficult – than ever.

According to Stateline.org, 25 states are already facing combined budget shortfalls amounting to nearly 34 billion dollars, and between 35 and 40 states could potentially face budget cuts as a result of this economic situation. Cities and counties, resting on smaller populations, may see even wilder swings in revenues.

How can state and local governments maintain and improve the quality of the service they deliver to their citizens during such times of crisis? How can Performance Management drive results in the face of adversity? ActiveStrategy, in partnership with The Performance Institute, organized an Executive Dialogue in August of this year in Philadelphia, Pennsylvania to foster discussion on this issue.

A panel of four experts from different levels of government led a group of more than 50 attendees representing numerous government organizations. The panel featured:

- Jeff Friedman, Deputy Director of Performance Management for the City of Philadelphia
- Mark Freeman, Performance Management Coordinator for the City of Columbus, Ohio
- Steve Marchand, the former mayor of Portsmouth, New Hampshire
- Chris Heflin, representing the City of Coral Springs, a 2007 Baldrige Award winner

Key initiatives

Having to do more with less is nothing new; State and Local Governments have been dealing with it as long as there have been states and localities. Now, though, as governments across the nation face the daunting task of surmounting widespread economic downsizing, how can they push through this challenge and continue to move forward in the aftermath? Not just survive, but thrive?

• Doing More With Less:

With economies sputtering and many budgets being cut, how can government organizations best weather the storm? How can they move through times of crisis while continuing to grow and improve quality of service?

• Utilizing Organizational Performance Management:

Do governments on the State and Local level leverage strategic measures, Balanced Scorecards, and true Performance Management to their fullest, especially during challenging times? Or do these fall by the wayside during the tough times?

• Earning Organizational and Political Buy-in:

Introducing and maintaining performance management in the public sector may present many challenges that can only be addressed through effective leadership and sustained commitment. How are executive advocacy and stakeholder buy-in achieved?

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Introduction

What is Performance Management?

When discussing the role Performance Management plays in helping governments succeed during a sluggish economy, it is important to first understand what the term “Performance Management” means to leaders working at the state and local level.

Approaches to the subject can vary, but consensus at the Dialogue was that Performance Management is a method for identifying needed results and delivering them at an affordable cost. This is no easy feat within the sometimes complicated world of government. During the interactive forum, several high-level best practices emerged from the discussion:

- Ensure that Performance Management is an enterprise-wide and long-term initiative, understood and embraced from the top to the bottom of the organization.
- Always begin with a well thought-out strategic plan based on community input and data on important community trends and develop measures of progress.
- Cascade these strategic goals and measures throughout the organization and regularly review performance to drive results.

Agreeing on measurable results that the organization is aiming to achieve permits governments to refine systems, apply systematic process improvement techniques, and produce results at the lowest possible costs. This is never more important than during times of reduced revenue and increased service responsibilities.

Doing More With Less

A struggling economy usually means shrinking budgets since tax revenues stagnate or decline. Meanwhile, citizens also hit hard by the economy often look for additional government assistance, putting more pressures on many programs. Still, according to The Pew Center on the States, tight budgets have recently forced governments to scale back even critical and widely popular initiatives. For example, nine states are cutting a total of 36 million dollars from important Pre-Kindergarten programs, and many other programs with strong public support are facing similar cuts.

Attendees and panelists agreed that ideally, a government budget should be based on an objective evaluation of what services a community needs and its residents’ priorities for improvements. However, budgets tend to be built incrementally or without such analysis. Too often, the sole basis for future funding is historical precedent, rather than need, importance, or effectiveness. By contrast, if results from existing programs can be effectively and objectively measured, budget requests can be rationally prioritized – and the community will get more of whatever is important to them for every dollar spent.

Community surveys are an important tool for measuring constituent support, needs, and program effectiveness. This information is essential to identify “lower impact” cuts. To help establish true priorities, survey questions must be phrased to “force” choices, which a well-developed survey will do. In addition to helping governments make choices that are in-line with constituents’ needs, surveys can also help minimize the negative impact of program cuts and help the community understand that governments, just like families, must make hard choices in hard times.

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Sharing Performance Data with the Public

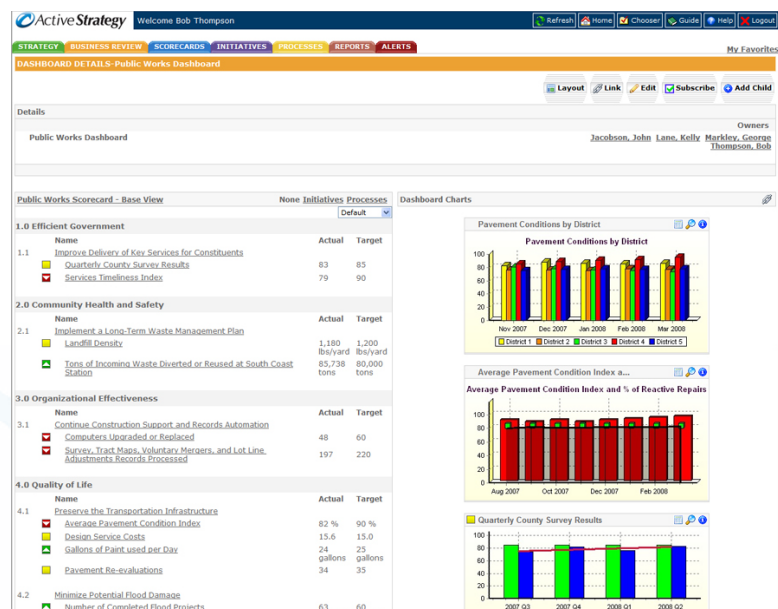
All of the panelists agreed that communication with the public was central to good management during times of scarcity. Governments have a number of options when looking to manage public perception and maintain buy-in. The best option is to present accessible and complete information on the situation, including explanations of the potential trade-offs that are on the table.

“Transparency” promotes public support, so performance information can and should be made available to the public. Letting constituents know the “state of the locality” through data is important to good governing, even when the news is bad. Managing expectations through information and credible data, rather than propaganda and assertions, builds trust and alliances that will help the community move through hard times.

Government budgets can be complex, so making sure that this type of information is properly explained and contextualized is important. To keep the public informed, some localities have taken the step of creating a public relations function within their organization. These units can facilitate the timely flow of accurate information. For government, ‘of and by the people,’ this is money well spent.

Organizing & Automating a Performance Management Framework

A strong Performance Management framework must be well-conceived and well-organized to ensure its sustainability, consistency, and effectiveness. This involves determining a process for developing measures, collecting data, and making reports available to employees and the public. Management frameworks like the Balanced Scorecard are now widely used to communicate and report results to employees and taxpayers. The Balanced Scorecard is enormously helpful in communicating objectives and measures in a way that illustrates how governments are considering the various perspectives of resident needs: the locality’s tax burden, the employees and the environment, as well as impact on other stakeholders.



Balanced Scorecard software applications allow quick access to all pertinent performance information, trends on key measures, and updates on related projects, and serve as a “single source of truth” when monitoring progress.

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In addition to using Balanced Scorecards to showcase multiple areas of progress to the community, many localities base their entire management system on a framework of “cascaded” Balanced Scorecards. Scorecards are developed for the various levels of management; measures at each level are “linked.” This type of framework helps the entire organization focus and align efforts to the top-level strategy. It allows an organization to manage lower-level drivers of high-level outcomes, and help instill both greater accountability and transparency.

Many governments pursue a software solution to help deploy and maintain their Balanced Scorecards or strategic dashboards. These applications allow quick access to all pertinent performance information, trends on key measures, and updates on related improvement projects, and serve as a “single source of truth” when monitoring and discussing progress. When key staff have clear, concise, and accessible information displaying current performance and goals, the organization as a whole is more agile, informed, and likely to stay on target.



A cascaded framework helps the entire organization focus and align efforts to the top-level strategy.

“You don't want your performance measurement system to become a political football.”
– Chris Heflin

Stakeholder Buy-In for the Framework

Part of organizing a performance framework on a large scale is earning stakeholder buy-in, including that of elected officials and their constituents. Leaders working in elected positions need accurate, concise, and complete data. They would like to report to voters that they have been good stewards and can clearly demonstrate that efficiency and service levels have improved on their watch.

However, there is justified trepidation on the part of the elected officials regarding Performance Management. If measures identify a problem, incumbents may get criticized for the deficiency rather than praised for having identified the problem and initiating corrective action. Chris Heflin, a panelist who has worked in every level of government, suggests governments avoid delivering new data during a campaign period. “You don't want your performance measurement system to become a political football. Right after a new administration is elected, provide them with base-line performance data that they can work to improve during their tenure.” Offering this small degree of protection can encourage elected officials to participate in the process.

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Securing buy-in from the community (i.e. “selling the process to the taxpayers,”) is just as important. Constituents can be brought into the fold if governments make a concerted effort to educate them about how the process works and what their role is within the system. By holding forums and meetings to establish the public’s seat at the table and making information easily available, constituents can be integrated into the system and convinced on a large scale of the value of Performance Management. Increased public participation in government is often an ancillary benefit of Performance Management and good measurement.

Governments on both the state and local level rely on working partnerships with a number of outside organizations, and as part of the system, these organizations – unions, non-profits, and important government suppliers and contractors – also need to make Performance Management a priority. Engaging these partners early and often in the development and evaluation of performance improves results while promoting good labor relations and collaboration. Outside agencies can become partners in excellence.

Concluding Thoughts

During times of economic uncertainty, improving efficiency and maximizing the level of service offered to constituents, whether on the state level or local level, becomes more important than ever. Utilizing a well-developed Performance Management methodology, which can include tools like Balanced Scorecards and technology-enabled dashboards, can help organize, facilitate, and sustain the process over the long-haul. Good measurement, combined with strategic thinking and solid strategy execution, helps increase efficiency, tie efforts to the most critical needs, and build the credibility a government needs to successfully push through a crisis.

For more information, please visit www.ActiveStrategy.com.

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