

**Committee on Performance Excellence**

**Report to the Governor, Legislature and Public**

**January 2010**

**Committee Members:**

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CPE website: <http://www.oregon.gov/DAS/BAM/CommPerfExcel.shtml>

### **Special Thanks**

The Committee on Performance Excellence (CPE) would like to express its appreciation for the technical assistance and staff support provided by former Statewide Performance Management Coordinators Rick Gardner, Budget and Management Division of the Department of Administrative Services, and Dawn Farr, Legislative Fiscal Office. This staff support was instrumental in CPE members gaining a comprehensive knowledge for the current state of performance excellence in state government and the completion of this report.

## **Statutory Charge**

Senate Bill 1099 (2008) established a nine member Committee on Performance Excellence (CPE) consisting of executive, legislative and judicial branch, union, and business members. CPE is charged with creating a “process that will oversee the journey to excellence and encourage the most vital aspects of Oregon state government to be managed at a world class level.” The bill provides CPE with the authority to make grants to promote performance excellence, should the legislature provide grant seed money. This first CPE report provides a high-level summary of challenges, efforts underway, and requirements to advance state government performance excellence.

CPE defines performance excellence as:

*Government performance excellence is characterized by effective leadership, a results orientation, a commitment to continuously improve, transparency, accountability, and effective stewardship of public resources.*

## **The Landscape of Current Challenges**

State agencies are experiencing increasing pressure to deliver more services and higher levels of quality with fewer resources. Many agencies are cutting or reallocating resources that support management infrastructure and training so they can minimize reductions to services. The ability of agencies to actually make sustained improvements in effectiveness and efficiency is seriously handicapped by system challenges that have been part of the political, mental and physical infrastructure for many, many, many years. These challenges include:

- ❖ The lack of a shared and supported vision for performance excellence between the legislative and executive branch which makes it difficult for state agencies to quantify their performance results in ways that support accountability and performance management.
- ❖ Limited financial incentives for improving agency performance, and few opportunities to recognize agency efforts to create efficiencies.
- ❖ Inadequate education, training, and consulting support to build the knowledge and skills required to pursue world class performance and, thus, future opportunities for performance improvement are dramatically limited.

Despite these challenges, not all is dim. Efforts are underway to improve performance excellence with different strategies and actions being piloted. Attachment A summarizes the improvement efforts that CPE reviewed during 2009, and Attachment B characterizes CPE’s observations about existing performance management practices.

## **Actions for Accelerating Progress**

Sponsorship, education, collaboration and motivation are the most critical needs for state government agencies to accelerate progress on the journey toward excellence.

- ❖ **Sponsorship** - broader and more sustained top-level knowledge, vision, commitment and support for performance excellence. This includes a steadfast commitment and budgetary investment in performance excellence projects.
- ❖ **Education** – in depth, tiered training for all branches of government that builds the skills required to achieve continued performance improvements, efficiencies and results.
- ❖ **Collaboration** - greater communication, engagement, and encouragement among the three branches of government in setting shared performance goals and quantifying results in ways that support agency accountability, performance measurement and a focus on performance results.
- ❖ **Motivation** - the right mindset and meaningful rewards or incentives to improve performance. Agencies that create efficiencies need to be recognized, encouraged to share best practices, and supported in future efforts.

## Keeping Focused on Excellence

In an environment characterized by a need to do more for less, integrating excellence into the equation can be challenging. Seasoned leaders adapt while at the same time keep their attention on the pathway toward excellence. As new issues emerge adept leaders gather intelligence to inform them on their decision-making rather than leaping immediately into action. While it is difficult to generalize about the right questions to ask, there are some key “what” and “who” questions that agency leaders, elected officials, and citizens can ask that will help keep them focused on performance excellence:

- ❖ **WHAT:** What’s the desired result? What’s the added value? What’s really doable? What are your key indicators of success? What’s standing in your way?
- ❖ **WHO:** Who’s impacted or affected? Who needs to be involved? Who’s ultimately accountable? Who should be rewarded?

## CPE’s Future

CPE is a relatively small committee without ex-officio members, so the Committee created a “Friends of the Committee” designation to broaden CPE’s sphere of influence and to allow key stakeholders within the system the opportunity to influence CPE’s efforts (*see Attachment C*).

CPE and Friends of the Committee envision influencing state government performance excellence by working with the Governor, legislative leadership and agency leaders to establish a shared vision and definition for performance excellence in state government. Specific functions CPE will perform are:

- ❖ Continuing to be honest in reporting to the People of Oregon, the Governor and the Legislative branch, as directed by SB 1099, what we see and what needs to be done.
- ❖ Recognizing outstanding efforts already underway and promoting performance management, identifying resources, encouraging investments in education, and providing a forum for sharing ideas and best practices (*see Attachment D*).
- ❖ Educating elected officials and leaders about what they can do to advance performance excellence.

### 2009 Summary of Oregon's Performance Improvement Efforts

Over the last year, the Committee on Performance Excellence (CPE) met with change champions, agency directors, and legislators to learn more about efforts underway to improve performance excellence in state government. CPE did not set out to inventory actions underway to improve state government performance, however, it became clear fairly quickly that there are a number of different projects and processes occurring through executive orders, legislation implementation, auditing, and agency leadership that promote improved performance management. One of the key charges of CPE is to recognize performance excellence, so this document summarizes activities and lessons learned from the performance improvement examples shared with CPE in 2009. Besides shining the light on current efforts, CPE hopes this document will become a resource for individuals and organizations beginning their journey toward excellence and a place for more seasoned explorers to go to link to and leverage existing efforts and past successes. Activities described in this summary include:

- Agency Transformation Initiatives
- Pockets of Excellence in State Government
- State Agency Performance Audits
- Agency Performance Measurement and Management Activities
- Execution of Governor's Executive Orders
- Implementation of 2009 Legislation
- Coordination Across Agencies

#### Agency Transformation Initiatives

The factors that drive an agency to commit to full-scale organizational transformation and the strategies employed are unique, however, the desired results are similar: to create a new agency culture that sustains best management practices, efficient business processes, and satisfied employees and customers. What follows is a short summary of four agency transformation initiatives currently underway.

##### Department of Human Services (DHS):

DHS has been leading other state agencies in committing to full-scale agency transformation by building on the Lean<sup>1</sup> pilot completed in DHS' financial services division. DHS' transformation initiative seeks to transform DHS operations over a 3- to 4-year period to become a world-class health and human services organization with improved service delivery, increased efficiency, and enhanced effectiveness in meeting the agency's mission. DHS has over 500 employees directly involved in transformation efforts and 80 initiatives planned for 2009. Some results achieved to date include:

- Reducing the waiting time for adoptions from between 200 - 400 days to no more than 45 days
- Reducing the time required to recruit a qualified nurse from 80 to 20 days, adding 1,124 days of RN capacity
- Reducing time for nutritional consults at OSH from 150 days to seven days
- Reducing the time it takes to amend county contracts from 84 to 30 days
- Improving service on food stamp applications to same day rather than two weeks

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<sup>1</sup> "Lean, is a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination."

[http://en.wikipedia.org/wiki/Lean\\_manufacturing](http://en.wikipedia.org/wiki/Lean_manufacturing)

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- Eliminating red tape and redundancies in practices ranging from purchasing and travel authorizations to freeing up discretionary dollars used for foster children and to keep children from needing foster care

Some DHS lessons learned include:

- Management must buy in and lead transformation
- Set Big Hairy Audacious Goals (BHAGs)
- Staff the transformation with people you can't spare
- Key team members must be in place prior to starting a phase
- Use of Project Management is essential
- Communicate as often and as soon as you can – celebrate successes
- Importance of Change Management
- Conduct regular progress reviews

### Department of Environmental Quality (DEQ)

DEQ is committed to transforming the organization to become a leader in environmental stewardship and an employer of choice. DEQ's Director admits to being inspired by organizations where employees live and breathe shared values, so attention is being placed on ensuring that DEQ's executives and managers demonstrate values in action, and support new employees to understand and embrace DEQ values. In addition to efforts to cultivate leadership skills in managers, DEQ uses Office Kaizen<sup>2</sup>, a rapid process improvement technique. Some successes achieved to date include:

- Enforcement processing time reduced by eliminating 50% of the process steps, and reduction of a 12 month case backlog to no backlog
- Laboratory analysis turnaround time was decreased by 50% through adding an efficient barcode system which improved quality and freed up time to focus on improved customer service
- Business System Development significantly reduced program process steps which increased user efficiency and provided easier access to business systems and staff

Some of the keys to DEQ's approach to date include:

- Having an Agency Director who is accessible to staff and walks the talk
- Focusing Senior Management work on Organizational Health
- Recommitting to infrastructure and common business practices
- Celebrating successes at all levels—project completions, individual accomplishments, etc.
- Setting a clear expectation that “management” means managing people, not things
- Empowering staff to make decisions, for example, approval of Kaizen team recommendations as long as they don't cost more money and are legal
- Building capacity to continue offering training and Office Kaizen events, despite budget reductions pressures
- Setting clear expectations and managing workload through individual and section work plans
- Having measures with targets that guide the agency to service delivery improvements that result in the best environmental and public health decisions

### Department of Administrative Services (DAS)

DAS' Wall-to-Wall initiative launched this fall and seeks to visibly and measurably transform DAS so that it can effectively and efficiently meet the policy and service needs of its stakeholders and customers. In the longer-term DAS plans to offer support statewide to agencies wanting to transform. DAS' approach is focused on:

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<sup>2</sup> Kaizen is a Japanese word for continuous improvement.

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- Increasing the capacity to deliver value to customers and stakeholders
- Defining activities that lead to cultural change
- Using proven tools to improve organizational performance
- Focusing on “breakthrough” and incremental changes
- Using the Voice of the Customer to establish priorities and pain points
- Building expertise for use throughout state government

### Department of Revenue (DOR)

The DOR transformation initiative began about a year ago with a comprehensive review of the agency mission and values which produced a vision and seven high-level goals for the organization. In the 1980s, DOR had ‘state of the art’ business systems that supported business efficiency and effectiveness, however, DOR’s key business systems have not kept pace with technological advances. DOR recently contracted with a vendor for a comprehensive system analysis that will help the department develop a plan for bringing its collections systems and business processes back to world class levels. Ultimately, this effort will require an investment; so the Department is working to gather good baseline data to demonstrate need and potential returns on this investment. This effort reinforces DOR’s commitment to becoming a data centered organization; one where all employees are mindful of process efficiency and effectiveness.

### **Pockets of Excellence in State Government**

Targeted efforts to improve performance excellence are more difficult to find. CPE heard from three entities that were looking to positively impact key business processes by looking at process maturity, process efficiency, and technology. CPE will actively pursue more examples of pockets of excellence in 2010.

### The Enterprise Security Office (ESO)

ESO provided an overview of their Information Security Business Risk Assessment using the Capability Maturity Model as a tool for assessing and reporting on enterprise security as represented by 12 diverse state agencies. The ESO manages statewide efforts to protect state government’s information. The ESO creates policies, guides and tools to help agencies protect and secure state information assets. The Office gathered baseline process maturity data for participating state agencies in 2007 and then reassessed the same agencies in 2008. Results showed participating agencies improved their enterprise security process maturity across the cumulative categories, which sums to improved information security. The ESO added two more agencies in 2008 and another two agencies in 2009 to the assessment process. ESO plans to involve more agencies in future years.

### Workers Compensation Division (WCD)

The WCD of Department of Consumer and Business Services presented their institutionalized approach to structured process improvement and organizational development. Key points that support this programs success are:

- Leadership commitment and focus—they have 12 years of relatively stable leadership
- A consistent methodology (in this case, Deming-based TQM)
- Training—TQM tools and Team Skills (for both leaders and staff)
- Small steps and hypothesis testing at each step
- Inclusion of non-programmatic functions (IT, HR, etc.)
- Develop the internal capacity to collect data from stakeholders on needs and perceptions of service quality
- Story Books—analysis of each project, capturing and generalizing what was learned – both positive and negative

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### iLearnOregon Statewide Initiative

The iLearnOregon program team, located in DAS, provided an overview of an automated “learning management system.” This system is designed to make training more accessible as attendees can participate online at their own pace and time schedule. The system has the capacity to deliver a variety of training types, including performance management. The system also includes employee performance management tools and features such as competency/skill based individual development plans, skill assessments and performance evaluations. This tool has the potential for making performance management accessible and measureable across state government. There are currently 24 state agencies and public partners actively using the system.

### **State Agency Performance Audits**

In June 2009, Secretary of State Kate Brown hired a new Director of Audits, Gary Blackmer. Historically, the number of annual performance audits completed has been a small percentage of total audits, and these performance audits have not been a very effective tool for improving agency performance. Mr. Blackmer anticipates increasing the number of performance audits completed each year, and selecting performance audits based on an agency’s priority outcomes. The goal is to ensure that performance audits provide objective information to improve performance, reduce costs, facilitate decision making, and contribute to public accountability. In addition to the Secretary of State audits, many larger state agencies have internal auditors completing audits that provide performance management data for agency leadership. As the volume and quality of performance audits improves, CPE anticipates beginning to receive meaningful reports from agencies on the performance enhancements achieved through implementing audit recommendations.

### **Agency Performance Measurement and Management Activities**

CPE spent several meetings reviewing information about Oregon’s performance measurement and reporting system. Since the 2001 legislative session, Oregon state government has had a two tiered performance reporting system governed by ORS 291.110 where state agencies link key performance measures (KPM) to Oregon Benchmarks. Management and reporting on Oregon Benchmarks has historically been overseen by the Oregon Progress Board, which also had the responsibility to periodically update Oregon Shines, Oregon’s strategic vision document. Agency KPM are expected to be outcome oriented, mission focused measures that align with an agency’s mission and strategic priorities. Each biennium legislators approve a set of agency KPMs as part of the budget development process. DAS Budget and Management (BAM) and Legislative Fiscal Office (LFO) work together to continue to support and improve the KPM system. Key priorities of this function are:

- Educate and help state agencies increase the utility of performance measurement data as a tool for improving performance results—working to advance the KPM process from being a performance reporting to a performance management tool
- Oversee statewide processes related to the key performance measurement (KPM) system to ensure that agencies are completing required reports and developing more meaningful measures
- Manage projects to improve the KPM system such as automating KPM system, reviewing KPM data integrity, or piloting standardize KPMs for health licensing boards
- SB 1099 directs BAM and LFO to provide professional staffing to the Committee on Performance Excellence which has become another function supported by the statewide KPM Coordinators in both BAM and LFO.

The 2009 Legislature eliminated funding for the Oregon Progress Board, so, it is unlikely that reporting on Oregon Benchmarks will continue. This is a clear setback to Oregon’s reputation as a leader in performance reporting, and an impediment to continuing to drive Oregon’s performance measurement reporting system towards performance management. The KPM system that exists today is a mix of

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output, process, and outcome measures that address legislative requests for information rather than as tools for agency decision-making or reporting. As a result, agency leaders struggle with having the KPMs being anything other than a reporting exercise, and most legislators find the system to be an inadequate source of information for defining agency performance results. Last biennium BAM and LFO KPM coordinators worked with select state agencies to develop more meaningful KPMs, however, many state agencies have cut performance management resources or eliminated PM programs during the 2009-11 biennium. Because of budget reductions and a vacancy in the BAM KPM coordinator position, CPE is concerned that little progress will be made in this area this biennium.

### Execution of Governor's Executive Order

CPE heard from Governor Kulongoski's policy staff on the vision for the Governor's [Reset Cabinet Executive Order](#) (EO) which was signed in September 2009. The purpose of the Reset Cabinet is to advise the Governor on "options for restructuring state government in order to preserve and improve critical services for Oregonians in the context of limited state revenues, restrictive state mandates and both increasing responsibilities and diminishing resources from the federal government. These options shall address:

- The prioritization of core functions, including the consolidation and elimination of boards and commissions; and,
- Improving outcomes, controlling costs, and maximizing efficiencies by consolidating service delivery and providing greater flexibility, where needed."

Four subcommittees have been formed: K-12 Education, Higher Education, Health and Human Services, and Public Safety. By February 1, 2010, the Cabinet shall forward short-term recommendations to the Governor, and a final report is due June 30, 2010. CPE will be watching this process as it unfolds.

### Implementation of 2009 Legislation

CPE has identified three bills that were passed by the 2009 legislature that target state agency infrastructure and have a goal of improving government efficiency and effectiveness:

- [HB 2920](#) – Establishes a twenty-one member Task Force on Effective and Cost-Efficient Service Provision that is charged with reviewing opportunities to provide services that are jointly administered by the state and counties in the most effective and cost-efficient manner. The bill also directs the task force to analyze assessment and taxation, elections, human services, and criminal justice. An interim report from the task force is due to the Legislative Assembly no later than November 30, 2009 and the task force shall submit its final report to the Legislative Assembly no later than October 1, 2010.
- [HB 2500](#) – Directs the Department of Administrative Services (DAS) to develop and make available to the public the Oregon transparency website, and establishes a nine-member Oregon Transparency Advisory Commission to advise and make recommendations to DAS regarding creation, content, operation, and enhancements to the website. The website will provide state agency information on revenues and expenditures, compensation, contracting and subcontracting information, funding categories, program information, Oregon Progress Board information, and copies of any audit report issued by the Secretary of State. The information provided is subject to public record and confidentiality laws. The commission will report to the Legislative Assembly no later than January 15 of each odd-numbered year. The operative date for the website establishment is January 1, 2010.
- [HB 3139](#) – Requires that executive branch state agencies who meet specified criteria have an internal audit function and produce a risk assessment of the entire agency that conforms with

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nationally recognized audit standards. The risk assessment is to be used as a basis for at least one internal audit per calendar year. The measure also requires agencies to audit a component of their governance and risk management processes at least once every five years and file a report with DAS.

One of the challenges that CPE noted with each of these bills is that they all passed without any defined source of funding. The expectation that improvements to performance management infrastructure be made within the constraints of shrinking resources is a challenge that CPE heard from almost all the presenters that came before the committee. To change within existing resources requires that something that is currently being done be delayed or eliminated. CPE plans to explore in more detail in 2010 the kinds of activities that agencies would trade-off to create capacity to improve.

### Coordination Across Agencies

The Committee identified a number of peer groups that work across agency lines to solve shared problems and find ways to improve government efficiency and effectiveness. There are also a number of professional organizations that are focused on improving government management infrastructure that CPE has tapped into as potential resources for leveraging performance excellence in Oregon.

#### State government Peer Groups or Communities of Practice

- [Risk Management Advisory Council](#) provides a forum for stakeholders to exchange information, generate ideas, and make recommendations to DAS Risk Management in accordance with the Advisory Council Operating Guidelines.
- Information Security Council was formed to provide state agencies with an avenue to participate and assist in the development of strong agency and enterprise information security.
- Statewide Audit Advisory Council ([SAAC](#)) was created in 2004 to promote excellence and professional standards in internal auditing for state government. The committee serves as an advisor to the DAS Director.
- Chief Information Officers Council ([CIO Council](#)) was formed in 2002 to provide statewide leadership and a forum for all agencies to collaborate in the management of information resources across state government.

#### Professional Associations

- Oregon Public Performance Measurement Association ([OPPMA](#)) which provides performance measurement and management support to practitioners working in the public sector. The group holds an annual conference in July.
- Public Managers Association ([PMA](#)) offers public managers opportunities to collaborate and share experiences, improve performance and enhance their skills by sponsoring programs and events that focus on management in government.
- Institute of Internal Auditors ([IIA](#)) is an international professional association of more than 150,000 members. The IIA is recognized as the internal audit profession's leader in certification, education, research, and technical guidance.
- Association of Government Accountants ([AGA](#)) serves government accounting professionals by providing quality education, fostering professional development and certification, and supporting standards and research to advance government accountability.

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### Observations on Performance Management Practices

Over the course of 2009, CPE members, CPE Friends, and staff received a number of presentations and reviewed state and national materials to learn about performance management and continuous improvement activities in state and local government. Over time CPE began to observe themes about current challenges and a vision for excellence in action. The table that follows organizes member observations into six categories:

- ❖ Government Systems and Culture
- ❖ Sponsorship for Excellence
- ❖ Rewards and Incentives
- ❖ Education and Know-How
- ❖ Performance Measurement
- ❖ Change Management

Each of these categories provides a variety of opportunities for improvement. At a high-level, CPE concluded that the following needs occur for sustained performance excellence to take hold in Oregon:

- ❖ Government systems and culture need to change to support continuous improvement
- ❖ Sustained sponsorship for excellence must be established
- ❖ Recognition needs to be focused more on rewarding performance results and efforts to improve state agency efficiency and effectiveness
- ❖ Investments need to be made in education and skills that build system capacity to pursue and sustain performance excellence
- ❖ State government needs a common language and framework around performance management and measurement
- ❖ Change requires engagement of all key players and change management planning to help ensure success

#### Summary Performance Management System Observations

Current Challenges	Excellence in Action
<b>Government Systems and Culture</b>	
<ul style="list-style-type: none"> <li>• Government is dispersed and operates in silos.</li> <li>• Collaboration occurs, but is not the norm.</li> <li>• Government culture is more oriented to programs and activities than results.</li> <li>• Leaders in state government exist within a management framework that's more reactive than proactive, e.g. problems drive actions rather than strategic or critical thinking.</li> <li>• The culture is not oriented towards data-based decision making.</li> <li>• There is no strategic human resource development function (workforce planning, organizational development), training and development, succession planning, alignment with agency strategic planning, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>• Work that crosses agency boundaries is coordinated, and there are systems for sharing information and measuring performance across program areas.</li> <li>• Government process and reporting is oriented toward results and outcomes.</li> <li>• Informal government systems and norms encourage appropriate risk taking.</li> <li>• People inside and outside of the enterprise are working to co-create a vision of what "success" looks like.</li> <li>• The public is vigilant in expecting accountability to the shared vision, and government workers embrace and live the shared vision every day.</li> </ul>

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Current Challenges	Excellence in Action
<b>Sponsorship for Excellence</b>	
<ul style="list-style-type: none"> <li>• There is not a clear, single sponsor of performance management within state government.</li> <li>• Within some agencies and across the system there is relatively little agreement on what results to seek (or priorities) and who's really accountable.</li> <li>• There is no one place to go to “get the mandate” to implement process re-engineering or a continuous process improvement program.</li> <li>• There is a critical leadership void and lack of clarity for who is responsible for efficiency and effectiveness in government.</li> </ul>	<ul style="list-style-type: none"> <li>• There is clear and cooperative sponsorship for excellence. It is part of the culture.</li> <li>• Sponsorship and leadership roles in performance management systems are clearly defined, made accountable, and communicated appropriately.</li> <li>• There is a call to action and consistent conversation on many fronts so the importance level around performance excellence is high.</li> <li>• There is a clear “line of sight” between high-level outcomes and the work being executed on the ground.</li> </ul>
<b>Rewards and Incentives</b>	
<ul style="list-style-type: none"> <li>• There is little general awareness and publication of agency continuous improvement efforts, projects and successes.</li> <li>• The system does not provide meaningful recognition or incentives for performance improvements, e.g. money saved can lead to reduced budgets.</li> <li>• There are few rewards for “managing” well.</li> <li>• There are few rewards for performing well.</li> </ul>	<ul style="list-style-type: none"> <li>• We celebrate, publicize and validate what is working.</li> <li>• Meaningful incentives and rewards are in place.</li> <li>• Incentives support improvement in management processes and provide acknowledgement for good efforts.</li> <li>• Incentives encourage appropriate risk taking and innovation.</li> </ul>
<b>Education and “Know-how”</b>	
<ul style="list-style-type: none"> <li>• Terminology and knowledge about excellence concepts vary across agencies and branches.</li> <li>• Education and training budgets are the first things to be cut when budgets are reduced.</li> <li>• Management skill deficits exist.</li> <li>• There is little formal information on work force skill sets (we don’t know what we have).</li> <li>• There is a paucity of analytic and process improvement skill sets at all levels.</li> </ul>	<ul style="list-style-type: none"> <li>• We have a comprehensive Human Resource Development plan and process.</li> <li>• We conduct and maintain critical skills inventories.</li> <li>• We have a modern, flexible, and equitable classification and compensation system.</li> <li>• We recognize and develop talent.</li> <li>• Basic training content for management skills is widely available in a variety of formats.</li> <li>• Users are trained on tools of quality, performance measures, benchmarks, statistics, etc.</li> <li>• We are constantly seeking “best practices” benchmarks and are open to finding new processes, techniques and tools that improve efficiency and effectiveness.</li> </ul>

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Current Challenges	Excellence in Action
<b>Performance Measurement</b>	
<ul style="list-style-type: none"> <li>• Many agencies perceive the KPM system to be primarily a budgetary compliance process, and not substantially aligned with how they actually manage. Some agencies perceive they have no authority and control over their own performance measures, and (correspondingly) don't buy into the KPM system.</li> <li>• KPM system lacks flexibility to allow customized methods of reporting and more varied and complex types of measures and displays.</li> <li>• There are different types of KPMs in the system, and there aren't clear, commonly shared definitions for the various measures and their intended applications of a KPM that produces just one kind of measure.</li> <li>• The legislation that governs Oregon Benchmarks and KPMs does not reflect what is currently occurring in the system.</li> <li>• Focusing on performance measures may be the wrong lever to establish improvement in core management processes such as strategic planning, budgeting, managing and evaluating.</li> <li>• Many agency information systems do not support performance management or measurement.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a shared understanding for what defines performance management—concepts and terminology.</li> <li>• Research, processes and metrics are developed to continuously justify value.</li> <li>• Information Technology provides data banks that managers can easily access and use in order to define what is or is not happening.</li> <li>• Leaders have reliable and valid information and data systems that they can use to make program and policy decisions.</li> <li>• We have a structure for establishing baseline data and measuring progress.</li> <li>• Leaders are clear about what they expect, and measurements are aligned with these expectations and employee performance plans.</li> <li>• Agencies have multi-tiered performance measurement data that informs on results and continuous improvement activities.</li> <li>• The attention of state agencies is on core management processes.</li> <li>• Agencies have formal methods for process improvement, and they see the utility using data to drive decision-making.</li> </ul>
<b>Change Management</b>	
<ul style="list-style-type: none"> <li>• Change initiatives are often isolated, fragile and run counter to desires of powerful individuals and groups (who often benefit from key elements of the <i>status quo</i>).</li> <li>• Government is nonprofit (making it different from business), but it does provide products and seeks to achieve results (making it similar to business). The political system's checks and balances slow things down, so they can be more thoroughly vetted. This needs to be understood and made more efficient without sacrificing commitments to fairness and public input.</li> <li>• Some people are apathetic or resistant to change (some reports indicate greater resistance from upper and middle management than from line workers).</li> <li>• Performance is not a functional criterion for retention decisions.</li> <li>• We lack a governance structure, plans and outcomes that influence changes toward greater flexibility, support for performance management and investments in business process improvements, and creation of an educated, empowered workforce.</li> </ul>	<ul style="list-style-type: none"> <li>• By investing in and focusing on agencies that are positively engaged in structured improvement efforts (and that want to move forward), we put our limited resources where they are most likely to produce positive impact.</li> <li>• Change may be inspired by a critical mass and/or a "tipping point" event that creates movement toward performance excellence.</li> <li>• Budget notes and performance-based leadership may help to drive engagement.</li> </ul>

### Process for Adopting Friends of the Committee

#### Introduction

The Committee on Performance Excellence (CPE) was created to support, encourage and enable performance excellence in Oregon state government. The committee recognizes that there are many other organizations and individuals who have common interests and goals. The committee believes that it can better achieve its purpose by actively seeking out these natural partners, and by creating an expanded network of Friends of the Committee.

#### Identifying Potential Friends

Friends of the Committee are organizations or individuals who exhibit the following characteristics:

- A passion for performance excellence
- Expertise in performance management or performance measurement
- Willingness to collaborate with others to advance knowledge of and support for performance excellence in government

#### Roles for our Friends

Friends of the Committee may serve one or more of the following roles:

- Attend meetings and inform the committee's discussion and deliberation
- Partner on special projects or activities
- Advocate for support of performance excellence in other forums
- Collaborate on strategies for increasing awareness of and support for performance excellence

#### Selection of Friends

Any member of the Committee for Performance may nominate an individual or organization who exhibits the characteristics described above, and who has indicated a willingness to perform one or more of the roles identified, as a Friend of the Committee. Nomination may be made orally or in writing. A Friend is adopted upon majority vote of the members of the committee.

#### Term of Friendship and Status of Friends

Friends of the Committee will continue in that status indefinitely. If the committee or a Friend concludes that the relationship is no longer mutually rewarding, either may end the relationship by written notice to the other. Friends will be honored and respected partners, although they will not be voting members of the committee.

#### Current Friends

- ❖ Gary Blackmer, Audits Division Administrator at the Secretary of State
- ❖ George Naughton, Department of Administrative Services (DAS) Budget and Management Division Administrator
- ❖ Oregon Public Performance Measurement Association (OPPMA), Dr. Ken Smith, Willamette University Professor
- ❖ Pamela Stoebel Valencia, DAS Internal Audit Chief Audits Executive

## Performance Management Overview

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### What is Performance Management?

Performance management is an ongoing, systematic approach to improve results through evidence-based decision making, continuous organizational learning, and a focus on accountability for performance.

### Why pursue Performance Management?

The pursuit of excellence requires efficient utilization of resources, a focus on results, and a commitment to performance improvement. Embracing a performance management framework provides state agencies with guideposts to focus efforts on results, demonstrate "bang for the bucks," and create greater levels of transparency and accountability. It also establishes a common conceptual framework and language for best management practices in state government.

### When to apply Performance Management?

The questions that form the basis for effective performance management can be asked agency-wide, for a project, or to justify a new investment. Further, as you apply performance management at different levels, you want to ensure there is alignment between agency goals, division priorities and program activities to create a line of sight between higher-level outcomes and the work happening on the ground.

## Performance Management Cycle

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National Performance Management Commission Framework <http://pmcommission.org/>

### Performance Questions to Ask

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#### Planning—Focusing

- Why do we exist; what value is added?
- What results do we want to achieve--goals?
- What's not working that we need to fix?

#### Budgeting—Resourcing

- What resources/inputs are needed?
- What happens if resources are reduced/increased?

#### Management—Executing

- What are key activities or actions?
- What risks or challenges need to be mitigated?

#### Evaluation—Adjusting

- What are critical performance milestones?
- How does the plan differ from actual performance?

#### Measurement & Reporting—Informing

- Who's the audience; what's their interest?
- What's the use of the measure or report?

### Performance Measures and Reporting

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#### Selecting Performance Measures

Oregon's performance measurement hierarchy consists of three levels: Oregon Benchmarks, agency specific Key Performance Measures (KPMs) and agency internal measures. By definition, Oregon Benchmarks measure societal level performance such as water quality. Agency KPMs provide data on key outcomes that an agency may influence such as permit compliance levels. Agencies also need a number of internal measures to support management decision making such as permit renewal numbers, data on permit issuance backlogs, and number of permits issued. When selecting performance measures agencies will need to consider:

- What is the agency working to accomplish?
- What factors influence or drive performance?
- What data is readily available?
- What is the data going to support (i.e. evaluation, decision making, reporting)?

#### Spotlighting Success

The [Committee on Performance Excellence](#) is looking for success stories to feature on the Committee's web-site and in the Committee's Annual Performance Report to the Governor and Legislature. If you have a story to share, please contact Fred King at [fredking@fredkingandassociates.com](mailto:fredking@fredkingandassociates.com).