

Performance Management Guide

**State of Alaska
Office of Management and Budget
2023**

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Alaska's Performance Management Guide

Alaskans expect an efficient government that produces results. *Alaska's performance management* is designed to help State agencies proactively achieve results while documenting and communicating progress in meeting Alaska's needs. It is based on the premise that government must produce results with limited resources and therefore must focus on results, balance efficiency with effectiveness, and diligently plan and monitor its operations.

This guide is intended to be a reference document to help State agencies apply the concepts of performance management within the State's system. Included is a description of Alaska's performance management and instructions on how to develop one in a State department. For technical information regarding the mechanics of inputting information into the Performance Website, please refer to the Alaska Budget System Performance User Guide.

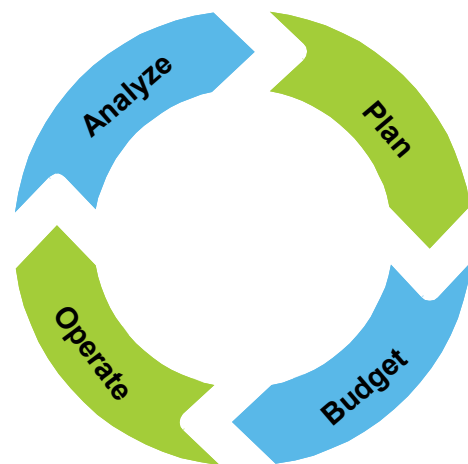
Agencies are not required to abandon planning and performance efforts currently underway just to go through the steps outlined here. These guidelines are flexible to allow agencies to apply them where needed in various stages of the performance management process.

Performance Management

Performance Management is a systematic approach to achieving results that emphasizes the use of quantified objective evidence to support planning, budgeting, and operations. This cyclical approach, composed of four equally important steps – planning, budgeting, operating, and analyzing – is an ongoing effort to achieve meaningful results. It is important to understand that this process is a long-term effort with payoffs that increase over time.

The *Performance Management Cycle* is an iterative process to achieving results in which organizations:

1. develop a plan,
2. budget for that plan,
3. implement/operate according to the plan,
4. analyze their situation, and
5. go back to step 1.



Making the Connections

Over the years, policy makers incrementally refined the State’s budget process in an effort to encourage good management of public programs. This guide attempts to put Alaska’s performance management and budget development system into perspective.

Here is how steps in the Performance Management Cycle contribute to Alaska’s current budget development:

- **Planning** includes developing missions, core services, and performance measures that are all input into the Office of Management and Budget’s (OMB) Performance Website and are automatically loaded into the Alaska Budget System (ABS) for inclusion in the Budget Book Narrative. Planning also incorporates a 10-Year Fiscal Plan.
- **Budget** requests and resource allocations based on departmental plans are input into ABS for inclusion in the 10-Year Plan and the Budget Book.
- **Operations** implements policy and designs services to achieve results efficiently and accomplish departmental goals. Accomplishments are included in the Budget Book.
- **Analysis** of departmental progress and challenges form the basis of program and process improvement and are included in the Budget Book as support for the department’s budget request.



Performance Management Steps



Plan

Planning is essential to consistently achieving success. It allows one to manage the future, rather than be managed by it. Good planning is a deliberate and rational process that begins with the end in mind. It starts with a clearly defined purpose and a thoughtfully chosen direction for the organization. It then systematically designs a set of the most cost-effective activities to achieve desired results.

Departmental planning is a top-down process – in terms of both the responsibility and the method. Departmental planning is the responsibility of the department’s executive leadership. The results of planning efforts will commit the department and its resources to a set of priorities, desired results, core services, and expected levels of success. Do not relegate it to an administrative group such as the budget or planning section.

Planning from the top down also has the added benefit of a trickle-down effect on the rest of the organization. Each organizational level benefits from the planning done by the level above it. Since the upper level has already set the direction, articulated desired results, and defined the method to measure success, lower organizational levels can focus on their contribution to that success and plan accordingly.

Top down planning also refers to the method of systematically working through the organization’s purpose and desired results, and then developing strategies to achieve them. That is, first determine the ends, and then decide on the means. Start by reviewing the department’s constitutional and statutory authority and develop a mission statement that succinctly defines the reason for its existence. Next, identify the mission results. A mission result is an observable condition that occurs when the organization is achieving its purpose. Next, develop a series of actions the organization can take to improve its results. The organization’s core services are the fundamental actions taken to produce the most impact on the results. Finally, develop measures to monitor progress toward mission results and to ensure core services are implemented and operating properly.

Typically, missions, core services, and desired results are stable and only change after a major shift in the department’s direction. Once the mission, core services, and results are developed, an iterative process of assessment and strategy development begins.

An assessment of the department’s abilities, environment, and future, bolsters strategic decision-making. Assessment information ensures agencies make the most effective use of their resources by proactively addressing obstacles and exploiting opportunities. An accurate assessment sets the stage for the development of the most effective strategies.

Good strategy development often leads to new investments, redirection of funds, organizational change, and process improvements. Although the responsibility for strategic choices lies with leadership, strategy development is not necessarily a top-down process. Good strategies often come from employees at the operational level and even from customers and stakeholders.

Consider gathering input directly from employees, customers, and stakeholders during strategy development.

To choose the most effective set of strategies, start with a rich range of alternatives. Consider how they interact with each other, the cost/benefit ratio of each, and other requirements like a change in legislation. Do not forget to consider long-term costs. Agencies need to know whether out-year increments are necessary for their strategies' success before they weigh the cost/benefit ratios of alternative strategies.

To be clear, core services are the primary services provided by the organization and, as such, are the organization's main strategies to achieve its desired results. They are not the only strategies. Strategies come in all sizes, from the broad core services to the minutely focused unit action plans. Agencies must distinguish between strategies important for external reporting in a results-based performance system and those best used for internal management direction.

After articulating missions, desired results, and core services, input them into the Alaska Budget System Performance Framework. The Performance Framework communicates the results of departmental planning and downloads it into ABS for inclusion in the Budget Book Narrative. However, please understand that the real benefit of planning is not the plan, it is the periodic process of confirming goals, assessing progress, evaluating what is effective and what is not, and adjusting strategies to improve performance.



Budget

Budgeting identifies the resources needed to conduct a department's activities. Budgeting follows closely behind planning. In fact, strategic planning addresses some budgeting when evaluating strategies. When preparing a department's budget, be sure to address the needs identified during strategic planning. A department's budget request that is aligned with its strategic plan may be easier to justify and more likely to fare well under scrutiny.

Results Based Budgeting is a method of allocating resources to best achieve specific results. It recognizes that state resources are scarce and considers return on investment and costs versus benefits to make decisions about resource allocation and program management. Results based budgeting emphasizes program effectiveness and bases decision making (whether for continuation or enhancement of a strategy) on results rather than inputs. That is to say, the effectiveness of a strategy is evaluated by its impact on the desired result, not by its ability to meet its target.

To be clear, results based budgeting does not advocate the elimination of a result simply because we are disappointed in our progress toward it. (Imagine if a state cut funding to Public Safety because the crime rate increased.) Rather, results based budgeting promotes evaluation of the investment in a chosen set of actions employed to achieve the result. It asserts that the swiftest way to achieve a result is to regularly review and adjust strategic investments to those that provide the most benefit for the least cost.

Operate

It is important for departments to implement and operate according to their strategic plan in an efficient and effective manner. Poorly implemented plans or inefficient operations can give the impression that a strategy is ineffective. Operations must be well managed in order to accurately evaluate strategic direction.

Process management is a systematic approach to making an organization’s workflow more effective, efficient, and adaptable to change. A *process* is a series of steps designed to produce a product or service. It includes all the activities that deliver particular results for a given customer (external or internal). Processes are strategic assets that departments must understand, manage, and improve upon in order to deliver valuable products and services to customers.

Process management can be performed on processes of any size that produce any product. Core services are often process oriented. Agencies should periodically scrutinize their processes, as inefficiencies tend to accumulate. Complex organizations with broad core services may choose to tackle several small discrete processes rather than try to improve the entire system with the goal of compounding the benefits as they progress through the organization.

Analyze

The *Analyze* step in the performance management cycle distills performance data, insights, and experience into actionable information. It is when departments ascertain why they are, or are not, making progress. Analysis also forecasts obstacles and opportunities. It is when departmental leadership considers conditions that may affect future performance. Examining the interaction between measured progress and environmental conditions provides the necessary information to make informed decisions.

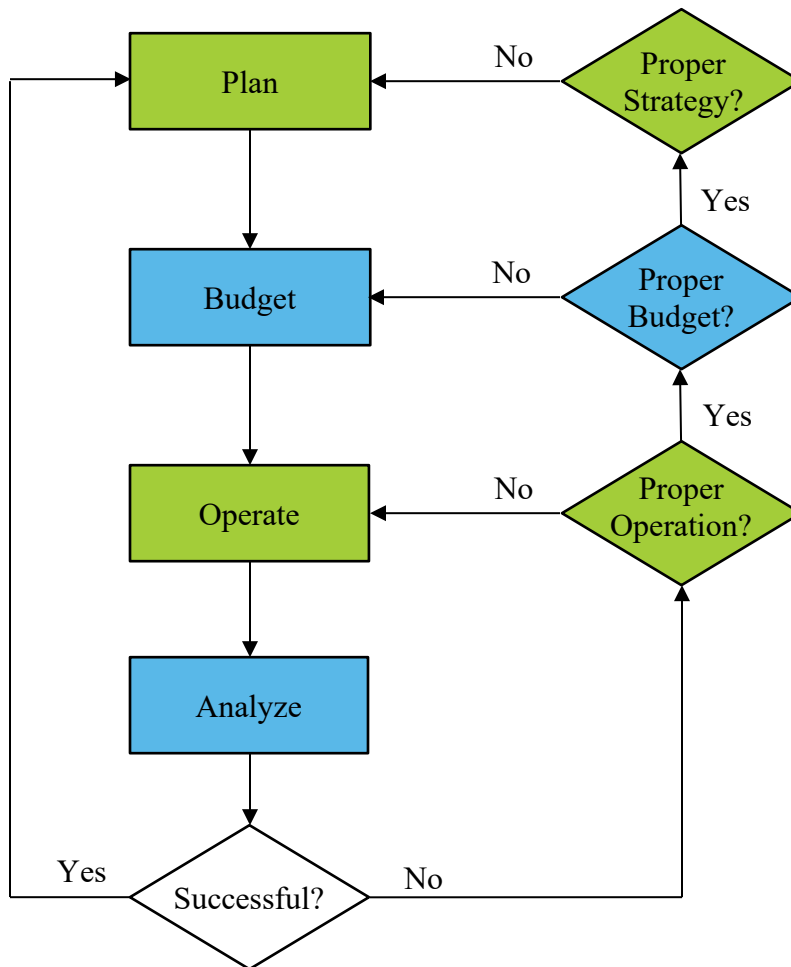
Analysis begins with measurement. The more objective relevant information examined, the better the analysis will be. Good measures with good data are essential to managing performance. Although *Results* and *Quality* measures are more valuable to managing performance than *Inputs* and *Outputs*, all measures with good data serve a purpose in the analysis phase.

Analysis is not merely measurement. Measurement simply shows what the department achieved and where it has been. Analysis is about “why.” Analysis looks beyond measurement to understand the reasons for progress. Knowing “why” is the key to improvement and sustainability. This deeper understanding of the past and careful predictions of the future greatly improves planning and operational decisions.

Performance Measures and the Budget

Performance measures are not the only inputs into budgetary decisions and cannot, by themselves, determine whether a budget change is warranted. Measures only indicate what occurred. Underperforming agencies should identify the likely cause of the poor performance and address it or develop and recommend an alternative strategy. Sometimes the best alternatives require an increase in the budget and sometimes not. A low-cost redesign of the department’s

processes often outperforms an expensive program replacement. A Performance Management Cycle flowchart illustrating the steps to diagnose poor performance is below.



The Analyze step begins with an examination of the department’s performance measures to verify last period’s performance. If performance is below expectations, diagnosis begins with operations. Poorly implemented programs or inefficient operations can hinder performance and mask a strategy’s true value. If operations are running properly, the next step is to determine whether the strategy was adequately budgeted for the expected performance. Reexamine budget assumptions and analyses to determine whether the budget was sufficient to achieve the expected performance. If the program is operating properly, budgeted adequately, and underperforming, return to the Plan step and reconsider the strategy.

Reporting Performance

Performance Website

The Performance Website houses the Performance Framework and is the State’s method for the standardized presentation of departmental plans and results. It collects performance data from the Alaska Budget System and posts the results of departmental planning and operations on the OMB Performance Website as well as in the Budget Book Narrative released each December. For technical information regarding the mechanics of inputting information into the Alaska Budget System, please refer to the Alaska Budget System Performance User Guide.

Performance Framework

The Performance Framework is the hierarchical structure in which departmental plans and performance information reside. Performance Framework elements include all missions, mission results, core services, core service measures, and measure details. Measure details include the target/title, data table, graph, methodology/source, links, and key performance indicator selection. Although not all the information input into the Performance Framework is included in the Budget Book Narrative, it is publicly viewable on the Performance Website so take care to complete the information.

The Performance Framework is an opportunity for a department to present its purpose, desired results, and planned approach for achieving its desired results to individuals and organizations that have an interest in, or an effect upon, the department’s programs – e.g. Legislature, interest groups, and the public.

Focus planning on achieving the department’s mission and contributing to State priorities. Departmental frameworks will act as a guide for future budget decisions. It creates a logical, deliberate path from the department’s results to the money necessary for their production. Budget requests that show a clear link to the governor’s priorities and the department’s results will likely fare better in the budget process.

Performance Framework Elements

The **department-level** Performance Framework is comprised of the following items:

1. Mission
2. Core Services (also known as Department Priority Programs)
3. Core Services Current Capacity represented by the Management Plan budget dollars
4. Core Services Key Performance Indicators

The **RDU and component-level** Performance Framework is comprised of the following items:

1. Mission
2. Mission Results
3. Mission Result Measures
4. Core Services
5. Core Services Measures

Department Level Performance Framework Elements

Mission

The department's mission is a broad comprehensive statement that conveys the department's purpose. It must be consistent with constitutional and statutory authority and include citations for each. The mission distinguishes the department from all others while encompassing its structure and activities. Articulate missions simply, clearly, and succinctly. They must communicate the organization's purpose in a manner that is understandable to the public.

Changing Missions

Contact your OMB analyst for approval and input of mission changes. Please recognize that the Budget Book is a recommendation to the Legislature and departmental missions are ultimately subject to Legislative approval.

Core Services

Core services are the major functions that support achieving the mission and desired results. They are the primary strategies employed by the organization to realize its mission most efficiently and effectively. The simplest way to identify departmental core services is to ask, "What are the department's main strategies to achieving its desired results?"

Depending on the size and scope of departmental operations, the number of core services will vary. Typically, a department will have between 2-7 core services. A core service may include the strategy of a single program area or could encompass the scope of several divisions or the entire department.

Core services are public-focused, that is, they are what the public gets from the department. List the department's core services in priority order and in simple, clear, and succinct language. They must briefly communicate the organization's main strategies.

Note: Administrative functions within a department are department-focused and are therefore not core services in Alaska's Performance Framework. Admittedly, achieving a department's mission without the support of administrative functions would be close to impossible; however, in Alaska's Performance Framework core services are those functions that benefit the public. A department that performs administrative functions meant for all other departments is the exception to this rule and may include them as the department's core service.

Core Services Current Capacity

Core services current capacity prioritizes departmental programs and associates current budgeted capacity with those programs. This presents a better link between results achieved and budgeted resources and shows the alignment between the distribution of resources and departmental priorities.

Changing Department-Level Core Services

Changing department-level core services is a more involved process than changing RDU or component-level core services. Since the Performance Website and the Budget Book Narrative present funding and positions by department-level core service, department-level core services

are administered in ABS in order to track their funding and positions changes. Please refer to the [Alaska Budget System Performance User Guide](#) for help with department-level core service changes.

Key Performance Indicators

Key performance indicators are a short list of measures that best demonstrate progress in achieving the department's core services. Assign each core service at least one, but no more than five, key performance indicators. Be prepared to explain how improvement in the key performance indicators will help achieve the department's mission. The organization should be making progress toward its mission if all core services are operating optimally, as evidenced by their key performance indicators.

Note: Departmental core services are typically broad and can encompass multiple programs. In these instances, treat each core service independently and try to find measures that best indicate progress in the more encompassing issue rather than simply picking measures from lower levels of the Performance Framework. However, it is sometimes appropriate to assign measures from lower levels in the organization to the department's Key Performance Indicator list.

RDU and Component Level Performance Framework Elements

Mission

The mission for an RDU or component is a broad comprehensive statement that conveys the RDU or component's purpose. It must be consistent with constitutional and statutory authority. The mission distinguishes the RDU or component from all others while encompassing its structure and activities. Articulate missions simply, clearly, and succinctly. They must communicate the organization's purpose in a manner that is understandable to the public.

Changing Missions

Contact your OMB analyst for approval and input of mission changes. Please recognize that the Governor's Budget Book is a recommendation to the Legislature and departmental missions are ultimately subject to Legislative approval.

Mission Results

Mission results occur only at the RDU and Component levels. A mission result is a short description of the observable condition that occurs when the organization is achieving its purpose (mission). They are the ultimate goals toward which agencies and programs direct their efforts.

Mission Result Measures

A result measure is the result's observable condition quantified. Develop and select measures that best quantify progress toward the mission result. Refer to the Measurement section of this document for further discussion on developing performance measures.

The term "measure" is synonymous with "target" in Alaska's Performance Management system. Alaska's Performance Management system expresses measures in the form of a target to communicate both departmental direction and the method for measuring progress in a single statement.

Core Services

Core services are the major functions that support achieving the mission and desired results. They are the primary strategies employed by the organization to realize its mission most efficiently and effectively. The simplest way to identify departmental core service(s) is to ask, "What are the department's main strategies to achieving its desired results?"

Depending on the size and scope of departmental operations, the number of core services will vary. Typically, an RDU or component will have between 1-7 core services. A core service may include the strategy of a single program area or could encompass the scope of several programs or the entire department.

Core services are public-focused, that is, they are what the public gets from the department. List the core services simply, clearly, and succinctly. They must briefly communicate the organization's main strategies.

Note: Administrative functions within a department are department-focused and are therefore not core services in Alaska's Performance Framework. Admittedly, achieving a department's mission without the support of administrative functions would be close to impossible; however, in Alaska's Performance Framework core services are those functions that benefit the public. Administrative functions meant for all other departments are the exception to this rule and may be included as the department's core service.

Changing RDU or Component-Level Core Services

Changing RDU or component-level core services is much less involved than changing department-level core services. With RDUs and components, agencies change core services in the Alaska Budget System at their discretion.

Core Services Measures

Core services measures help monitor the proper implementation and operation of core services. A core service measure quantifies the specific effect of the service. It should answer the question, "how well are we doing in providing this service?" The organization should be making progress in its mission results if all core services are operating optimally, as evidenced by their measures.

Target Details

Target details on the Performance Website include the measure's target/title, data table, graph, methodology/source, analysis, and key performance indicator selection.

Target/Title: The measure expressed in the form of a target. The term "measure" is synonymous with "target" in Alaska's Performance Management system. Measures expressed in the form of a target communicate both departmental direction and the method for measuring progress in a single statement.

Data Table: A table that contains the measure's data – preferably enough to show a trend. Making the data table viewable on the website is optional. The website allows for public viewing of the target's table and graph simultaneously.

Graph: A graph based on the data table. Each target must have a graph. The Budget Book presents only the graphs from the Target Detail. See the [Performance Graphing Guidelines](#) section for help developing graphs.

Methodology/source: A brief description of the measure's data source and methodology for its collection and calculation.

Analysis: A brief description of the measure, why it is important, the reason(s) for its recent trend, and the department's response.

Key Performance Indicator selection: The assigned department-level core service for which the measure is a key performance indicator. Not all measures are key performance indicators.

Links: The related Links section provides URLs to other web sites that contain related information about the target. Examples include the department's public website, the program's related federal website, and other topic-specific informational websites.

Budget Book Narrative

The Budget Book includes both narrative and financial information at the department, RDU, and component levels. The Budget Book Narrative includes missions, core services, measures, accomplishments, challenges, and significant changes to be delivered. The Budget Book Narrative does not include all performance information input into the system. Below is a table of the Narrative and Performance Website content.

Budget Book Narrative

- Department Mission
- Department Core Services
- Department Core Services Current Capacity
- Key Performance Indicators by Core Service
- Major Department Accomplishments
- Key Department Challenges
- Department Significant Changes in Results
- RDU Mission
- RDU Mission Results
- RDU Core Services
- RDU Core Services Measures
- RDU Accomplishments
- RDU Challenges
- RDU Significant Changes
- Component Mission
- Component Mission Results
- Component Core Services
- Component Core Services Measures
- Component Accomplishments
- Component Challenges
- Component Significant Changes
- Component Statutory/Regulatory Authority

Not in the Budget Book Narrative

- Department Details page
- Target Name
- Target Data Table
- Methodology/source
- Analysis
- Links

Major Accomplishments

Briefly list the department/RDU/component's major accomplishments. Major accomplishments are usually a culmination of a variety of tasks or lengthy work effort, not a detailed listing of every task completed. Report accomplishments on a calendar year basis, since only four to five months' worth of information is available for the current fiscal year.

Key Challenges

List the department/RDU/component's key challenges to successfully achieving results in the budget year. These include long-term and systemic challenges as well as challenges anticipated to encounter only during the budget year. This is a short list of the primary obstacles to performance. Do not compile a detailed list of everything that impedes progress.

A lack of resources is not a challenge in this context. Challenges are the obstacles that resources address. The Budget Book is not the place to complain about a lack of resources or litigate prior budget decisions. Carefully consider challenges that contain a reference to the department's resource level.

Significant Changes in Results to be Delivered

List the expected significant changes in results if the department receives its requested budget. It is appropriate to expect no significant changes in results. Significant changes usually derive from a budget change, the continuation of a significant initiative, or a change in operations.

Narrative Guidelines

The narrative section in the Budget Book is the department's opportunity to advocate for its programs to the legislature and public. Develop narrative to inform readers with limited or no background in the department's operations as to what its programs do and why they exist. This increased understanding sets the stage for more informed and productive discussions among Alaskans about what government does and how we allocate our resources.

These suggestions point toward a single goal: clarity. The following guidelines will help keep narrative clear, concise, and straightforward, which is important for holding the audience's attention and communicating issues effectively.

Do not just copy last year's narrative

Every year, challenges, accomplishments and needs of the department change. Make sure the narrative accurately reflects where the organization is today, not last year or the year before.

Speak Plainly

Keep the audience in mind. Legislators and the public may not know the acronyms, jargon, or technical terms people in the department use daily.

Be Brief

Be aware of the limited time the audience has, so make the point clearly and move on.

Acronyms

When using an acronym for the first time, spell the phrase out and follow it with the acronym in parentheses. Once defined, the acronym may be used by itself for the rest of the section. Please note that readers of the Budget Book may only read one section – department, RDU, or component – so the acronym rule applies to each. Also, be consistent – make sure to use the same acronym across the department. Remember, readers may be unfamiliar with the acronyms departments use daily.

Use the Active Voice

Besides being livelier and more interesting, the active voice identifies who is responsible for getting the job done, a key point for lawmakers and the public.

Passive Voice: A five-percent increase in the number of satisfied clients will be sought.

Active Voice: The program seeks to increase the number of satisfied clients by five percent.

Avoid Repetition

Do not simply repeat all the accomplishments, challenges, and changes in results listed in each component at the RDU level. Instead, summarize the components' contribution to the RDUs, and the RDUs' contribution to the department.

Finalizing Narrative

OMB Budget Analysts review the narrative and work with departments regarding suggested edits. OMB will restrict editing of the Performance Website and lock ABS when departments finalize their Budget Book Narratives. Work with your OMB Budget Analyst to determine when the department's narrative is final so they can restrict the Performance Website editing and lock ABS.

Narrative Submission

The ABS Department Authorized User (usually the department budget analyst) submits narrative via the ABS drop down menu under Tools, Narrative Submit.

Measurement

Measuring performance is essential to managing performance. An effective set of performance measures provides useful, credible information for assessing capacity, efficiency, work quality, and results. Any level in an organization can measure its performance – department, division, office, program, and work group.

Performance Measurement uses quantifiable evidence to determine progress toward specific results. It objectively tallies the results of departmental efforts and leads to informed decisions regarding the best use of resources. Developing performance measures does not automatically produce better results for management. Managers that use measures, along with a whole host of other tools, produce results.

Performance measurement is also a communication device. Since, as the saying goes, “what gets measured gets done,” performance measurement clarifies what is important to the department and provides direction to staff. It focuses employee effort by providing a clear understanding of their contribution to departmental results and a method to monitor their progress.

Performance measures are critical to each step in the performance management cycle. They are part of **planning** - when assessing internal capacity and external environment, and indicating how the department plans to measure progress. They are used in **budget** requests to show how the State’s investment will pay off. They are monitoring tools to track progress and guide improvement of program **operations**. They are integral to **analyzing** progress toward results and examining the success of services.



Performance Measures are indicators, not explanations

High performing organizations use performance measures to indicate progress and identify program areas to examine. Performance measures never completely capture the richness and complexity of a system so they never fully explain a department’s performance. They might provide the truth, but they never provide the whole truth or reveal the cause of an outcome.

The proper initial response to finding disappointing results in a performance measure is a thorough analysis. Observations and experience apply context to performance. Include examinations of internal and external events that influenced progress and a rigorous assessment of the future to round out the analysis. Full analyses determine whether course corrections are warranted and, if so, provide better-focused responses.

Performance measures are quantifiable indicators that inform agencies of their progress toward their desired results. Effective performance measures are management tools developed to help monitor work performed and results achieved.

Effective performance measures inform their users of valuable information that can be used in a practical way. Effective performance measures need to be:

- Relevant – Measures need to be significant and directly related to the department’s desired results and services.
- Quantifiable – Measures need to be counted or calculated and compared to other time periods or organizations.
- Unidirectional – Measures must show progress as a single direction. Good is either up or down, not both. A measure that can be interpreted as ‘good’ regardless of the direction it is moving indicates nothing.
- Actionable – Measures must assess that which someone can act to improve. Agencies must at least have influence on the direction of the measure; however, they do not need full control.

Level of Control

Most organizations do not have control over everything that influences progress toward their results – natural disasters, accidents, individual choice, – but departmental funding is provided under the expectation that the department can at least influence the intended results.

Types of Measures

There are a number of different types of performance measures. Here are the five most common types in order of their value to an organization’s performance management:

1. **Result** – outcome achieved
2. **Quality** – effectiveness
3. **Efficiency** – how well resources are used
4. **Output** – activities completed
5. **Input** – resources used

Agencies should continue to work towards developing good result measures for every mission and core service in their Performance Framework. In the meantime, apply and monitor proxy measures with the most value to the performance management.

1. **Result measures** address the ultimate goal to which the department strives. They are public focused in that they measure the benefit provided to Alaskans. Program managers, policy makers, customers, and stakeholders are generally most interested in measures of results because they are the most indicative of the success of an organization in meeting

the needs of its customers. Result measures look to the future to the desired eventual condition, while the other performance measures look at history. Both intermediate (*Core Services*) and long-term (*Results*) progress can be evaluated using result measures. Intermediate measures can be useful in assessing early effects when the results will not be realized for several years. Information about the result may not always be readily available. In these instances, agencies may choose to use a proxy or surrogate measure, but they should attempt to develop appropriate mechanisms to collect and report true result measures whenever possible.

Results Measures Examples:

- Regional air quality
- Incidence of measles
- Discharged patients living independently
- New businesses attracted to the State
- Increase in tourism
- Recidivism for adult and juvenile offenders
- Number of students increasing earning capacity upon graduation from adult literacy program
- Incidence of substance abuse
- Traffic fatalities per 100 million annual vehicle miles traveled

2. **Quality measures** reflect the effectiveness in meeting the expectations of customers and stakeholders, and in meeting program objectives. They differ slightly from results. Quality measures relate how well agencies deliver services whereas results show how well their efforts produce desired outcomes. Measures of quality include reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the product or service provided. Quality measures in state government can sometimes effectively be results measures. This happens when an outside entity, typically the federal government, pays for outputs rather than results. Quality measures also serve as temporary proxy measures until agencies find a better way to produce good results measures.

Quality Measures Examples:

- Percent of accurate processing
- Rating on a standard scale
- Customer satisfaction
- Cost associated with processing errors
- Percent of computer network down time
- Accreditation of institutions or programs

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

Efficiency Measures Examples:

- Cost per mile of highway resurfaced
- Cost per sample processed
- Ratio of clients served to number of staff
- Cycle time for fulfilling information requests
- Cost per vehicle in the motor pool
- Average cost per day per State inmate
- Revenue return on every advertising dollar spent promoting tourism
- Ratio of clients served to clients eligible

4. **Output measures** represent the amount of goods and services provided, in other words the number of activities completed. These are usually presented to show the amount of work accomplished by the program, for instance, paperwork completed, audits performed, people trained, permits issued. Output measures are useful for monitoring what a program produces in order to determine its capacity and whether it is operating properly. However, they are limited because they do not indicate whether the program accomplished its outcomes, nor do they reveal anything about the quality or efficiency of the services provided.

Output Measures Examples:

- Number of police reports filed
- Number of applications approved
- Number of patients treated and released
- Number of vaccinations given to school-age children
- Number of registered autos inspected
- Number of permits issued
- Number of people trained
- Number of claims audited
- Number of samples taken

5. **Input measures** identify the number of resources used to provide a particular product or service. They include staff, labor, equipment, and supplies. Sometimes they are demand factors like characteristics of a target population, caseload size, and problems reported. Input measures are useful in planning and monitoring because they reveal potential workload, demand for services, total cost of providing services, amount of resources used for one service in relation to other services. However, they do not convey much about the quality and efficiency of the services or the results of the program.

Input Measures Examples:

- Number of FTEs (Full-time Equivalent Positions)
- Number of clients eligible for the program
- Number of customers requesting service
- Number of child abuse reports received
- Number of students enrolled in adult literacy program
- Number of applications received
- Number of counselor hours available
- Number of buildings owned or leased
- Number of inmates in correctional facilities
- Number of vehicles in motor pool

Things to Consider When Developing Performance Measures

Vital Few vs. Compelling Many

All measures are important, but not all measures will rise to the level of being included in the Performance Website. A department may have several distinct narrow sets of tasks each with several operational measures. In this instance, a department can accumulate numerous measures – too many to be monitored at the department level. Similarly, the usefulness of a measure may be crucial to the product of one manager and have no bearing on the product of any other. Excluding a measure like this from the Performance Website minimizes neither the importance of the measure nor the work effort being measured. It is simply a practical decision recognizing a limit to the number of measures one can effectively monitor. Agencies must distinguish between measures important for internal management and those best used for external reporting in a results-based performance system.

Iterative Process

Developing good performance measures is an iterative process. Rarely does an organization identify the perfect measures and have just the right mechanisms and processes in place to appropriately collect and report the data in a format usable for staff at all levels. Just as rare is the state department that must invent all of their measures. Most states aim for similar results and many have performance measures to monitor them. Resist the temptation to invent measures prior to surveying what other city, state, and federal government organizations are measuring.

Strive to continuously improve the value of the department's performance measures. Initial performance measure choices may have been made simply because the data are easily produced. Reexamine the strengths and weaknesses of each measure annually during the analyze step and use the information to filter and refine them during strategic planning.

Cost/Benefit

Be aware of the data collection and reporting costs versus their benefits. Developing good measures is like developing good strategies. As with strategies, make sure the cost of the operation does not outweigh the benefit of the product. Weigh the advantages, disadvantages, predicted effectiveness, and the costs versus the benefits of each alternative. Also, continuously strive to improve the quality and efficiency of collecting and reporting performance information to minimize the staff time taken away from performing their duties.

The best performance measurement system is one in which information is collected as part of the natural course of doing business and is automatically compiled and reported at, and is available to, all levels of the organization. Keep performance measurement in mind while engineering your operations in order to minimize data collection and reporting activities. Data input time is time taken away from the activities to which staff are otherwise assigned. The same goes for time spent finding, collating, compiling, and interpreting reports. Make reports as digestible as possible so their information can be timely acted upon by staff at each level of the organization.

Unintended Consequences

When a result is difficult to measure or a data collection is immature, agencies often resort to a proxy measure; one that measures progress toward a similar result or measures a process thought to be vital to achieving the result. This can lead to unintended consequences. Since we know that which gets measured gets done, departmental results may be at risk as programs adjust to improve their performance in relation to the proxy measure. For instance, if a person's goal is to be healthy and they use weight loss as a proxy for being healthy, the most efficient and effective strategy to achieve results using this measure is to stop eating. This might help achieve their weight goal (proxy target) but ultimately put their health (result) at risk.

Minimize unintended consequences when using proxy measures by choosing more than one proxy measure to balance their effect, monitoring the activities designed to achieve results closely, and explaining how achieving proper results are more important than, and not always directly consistent with, reaching the proxy targets.

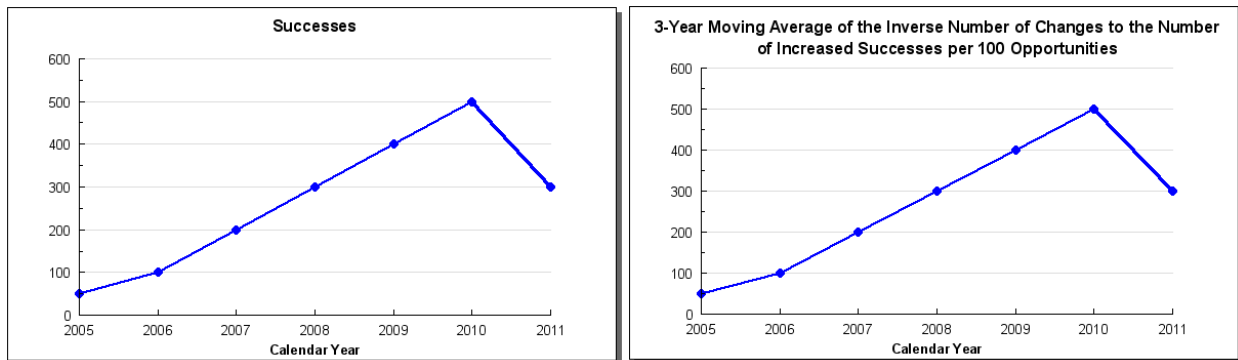
Performance Graphing Guidelines

The purpose of printing graphs in the Budget Book is to communicate performance efficiently. Graphs make performance information easier to understand by converting several data points into a single picture. Printing only graphs in the performance section of the Budget Book balances the need for results information while not overwhelming readers with all the detail.

A Budget Book graph describes the department's performance at a glance. The main point is obvious within a few seconds of seeing the graph and in context with the recent past. Here are some guidelines for efficiently communicating performance information using graphs.

Keep the measure simple.

A direct measure of the direct result is best. The more complicated the measure, the less efficient the message.



Make sure the title is clear.

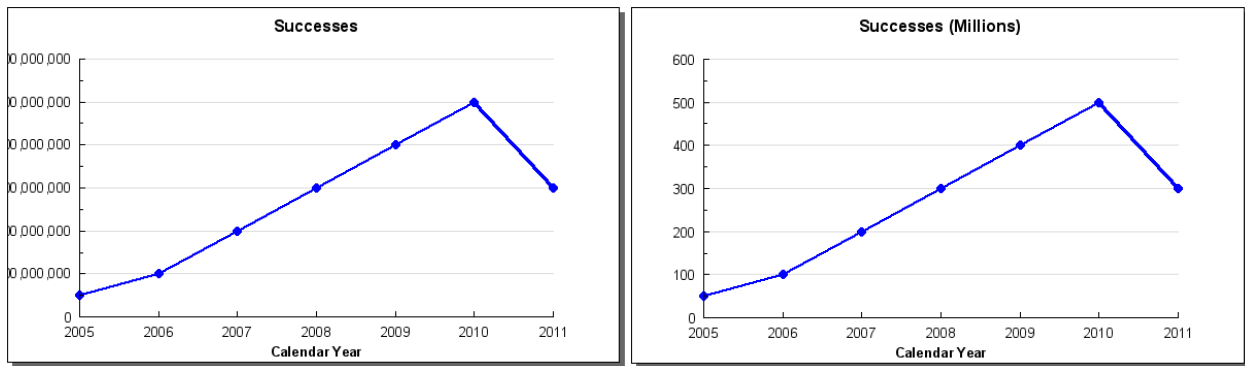
Use the shortest title that communicates the main idea. The title does not need to communicate all the caveats. Titles can be up to 255 characters and will automatically be wrapped to two or more lines when necessary. Capitalize the first word of the title, the last word of the title, and all proper nouns and key words in the title. Acronyms should seldom, if ever, be used. Write out the words "Percent" or "Number" rather than use the symbols % or #. Include the units in the title if necessary.



Format the vertical axis labels properly.

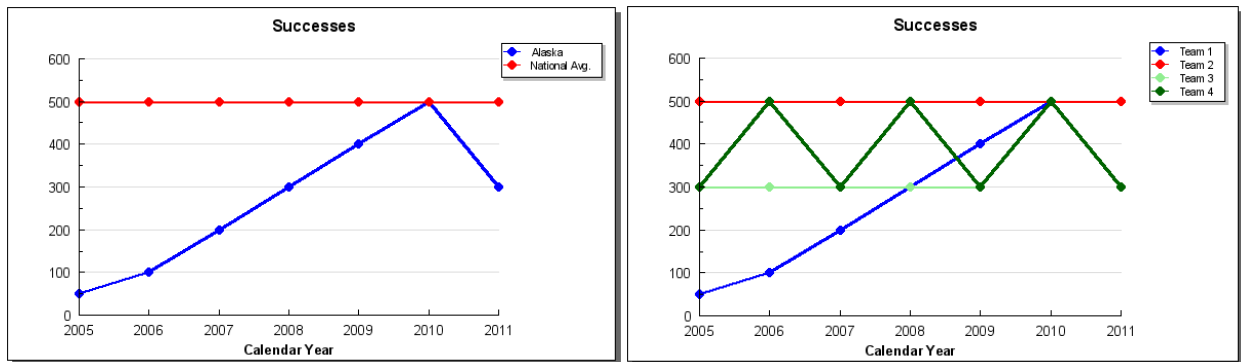
There is limited control over the formatting of the numbers on the vertical axis. The format of the numbers in the data table sets the formatting of the vertical axis. A percent symbol, dollar sign, or decimal in the data sets the graph’s vertical axis format. Removing the percent symbol or dollar sign removes them from the vertical axis formatting. Changing the number of decimal places in the data changes the number of decimal places in the vertical axis labels. If there are too many decimal places in the vertical axis numbers, round the data in the table to the desired number of decimal places.

The number of digits in the data also determines the number of digits in the vertical axis labels. If the vertical axis cuts off the labels because they have too many digits, add a label in the title, like “(Millions),” and reduce the number of digits in the table appropriately.



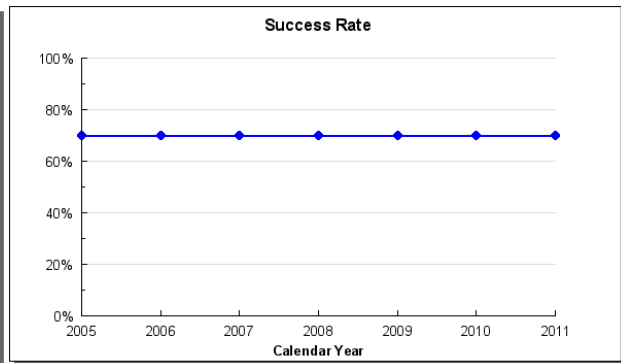
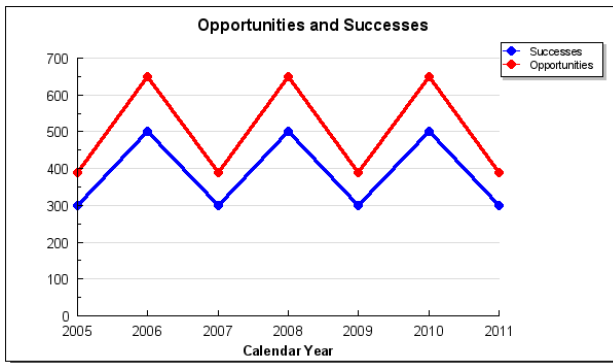
Avoid too much information.

Include as few data series as possible to put the information in context. Notice how each additional data series increases the complexity of the graph below. Adding a data series like a target, a baseline, or other state or national figures might increase understanding. Adding too many will have the opposite effect.



When to use number vs. percent.

There is no standard rule regarding the use of number or percent in performance measurement. Generally, it is more appropriate to use percent when the number of success opportunities widely varies from one data point to the next and the number of successes greatly depends on the number of opportunities. However, neither way always tells the whole story. For instance, both performance graphs below can be true about the same system. The format choice depends on the preferred message.



Include enough data points to show a trend.

Five data points is good; ten is better. Include as many data points as necessary to put the system’s recent performance history in context. Two data points are not enough information to identify a trend. All four graphs below describe a program that had 500 successes in FY2010 and 300 successes in FY2011. Consider the incorrect performance interpretations of each program presented below if described by just the last two data points.

