

Using Performance Information in Government Budgeting and Reporting

Review of Best Practices

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1. Introduction

All governments wish to show how their programs and expenditures improve the livelihoods of the populace, in the short and long term. This includes improving the economy in which people work and the environment in which they live. But fulfilling this wish is difficult, and there is no simple prescription that gives the right approach. This study reports on some initiatives through which governments are working to measure and report on their results.

Currently, a wide range of approaches are used by governments to translate qualitative information into budget priorities. These approaches, while always subject to change due to political imperatives, may include qualitative methods based on criteria, or quantitative approaches based on the articulation of performance indicators, expected outcomes and efforts required to meet those outcomes. The objective of this review is to learn how several other governments are using performance-based information to inform decision making on annual departmental priorities and budget estimates.

2. Linking Goals to Activities

The issue seems straightforward: governments exist to serve society, so governments set goals for themselves regarding desirable characteristics of the society. These broad goals then drive the design of programs and the allocation of resources within the government, the programs are delivered, and finally the loop is closed when the programs are evaluated for effectiveness. However, this simple representation ignores a much more complex reality. The fact is that there are many other influences on society than those affected by government programs. This is the issue of “attribution”, meaning that it is not possible to attribute the high level social outcomes directly to government program activity. For example, the health of a population depends not only on the quality of the health care system, but also on smoking and eating habits, air pollution that may flow from other jurisdictions, population age, and so on.

The diagram below expresses this chain, from the lowest to the highest levels. Starting at the top, we have a statement of society’s, and the government’s, highest goals, quality of life. They are often stated in broad or directional terms, such as “Albertans will be healthy”, from the Alberta report *Measuring Up*.¹ Below that broad goal statement, there are several levels of increasingly specific results, that can be more clearly attributed to specific actions on the part of the government. Thus the attribution of the result to a specific activity becomes clearer, as we move down the results chain. At the same time, the importance of external influences in the result becomes less. At the bottom of the chain shown in the diagram, the government has full control over the activity, and very substantial control over its direct output. So measuring success is straightforward – did the activity occur, and did it have the planned output? Where the success measure shows a problem, there is a direct feedback loop that can help define a solution.

However, as we go higher up the chain, to intermediate and high-level outputs, measurement and particularly attribution get harder, due to the presence of other influences.

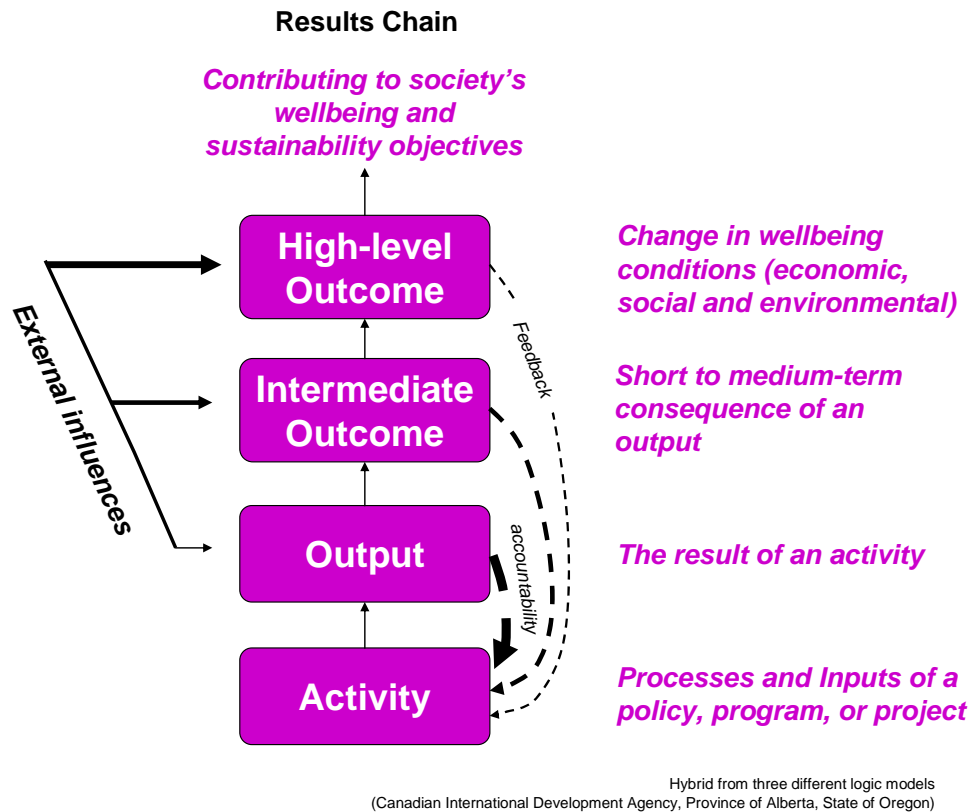


Figure 1: Logic model linking program activity to social goals

The study of outcome based measures and management has generated a good deal of jargon and specialized use of language. The Treasury Board Secretariat of the Government of Canada has developed a good lexicon, available from their web site, at: http://www.tbs-sct.gc.ca/rma/lex-lex_e.asp, and is reproduced as Attachment 1 to this report. In this report, we will use the terminology shown in the above diagram.

3. Government of Canada initiatives

The federal government has two major central institutions with responsibilities for the design and implementation of outcome based management – the Treasury Board Secretariat and the Office of the Auditor General.

The Treasury Board Secretariat is charged with providing financial management and oversight functions for the cabinet committee – Treasury Board – ultimately responsible to Parliament for such matters. At the highest level is the Treasury Board Management Accountability Framework. (http://www.tbs-sct.gc.ca/maf-crg/documents/booklet-livret/booklet-livret_e.asp). This is schematically shown in Figure 2, below.



Figure 2: Management Accountability Framework – Government of Canada

This Framework is “a set of 10 statements summarizing the Treasury Board of Canada Secretariat’s expectations for modern public service management.” It was developed to provide public service managers with a clear list of management expectations within an overall framework for high organizational performance.²

The principles listed as part of the framework in Figure 2 are backed up with indicators and measures. For example, the top box of *Public Service Values* has these indicators:

- Exemplary conduct
- Public service values tailored to realities/culture of department
- Values-based management practices

And it has these measures:

- Customized public service values statement and ethical guidelines regularly discussed with all staff
- Sound advisory and recourse mechanisms in place
- Orientation, learning and other tools to support staff
- Staff assessment of organizational performance against Public Service values and ethics

Full details of the rest of the indicators and measures can be found at: http://www.tbs-sct.gc.ca/maf-crg/documents/booklet-livret/booklet-livret_e.asp

Below the high level goals of the *Management Accountability Framework*, the Secretariat administers the new *Management, Resources and Results Structure Policy*, which came into effect in April 1, 2005. The new policy can be found at: http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/mrrsp-psgrr/mrrsp-psgrr01_e.asp#_Toc90452627.

The objective of the policy is stated as follows:

The *Management, Resources and Results Structure Policy* supports the development of a common, government-wide approach to the collection, management, and reporting of financial and non-financial performance information. In providing a standard basis for reporting to citizens and Parliament on the alignment of resources, program activities and results, the policy reinforces the government’s commitment to strengthen public sector management and accountability, consistent with the *Management Accountability Framework*. The policy will provide departments with the flexibility and discretion they need to design and manage their programs in a manner that best achieves results for Canadians.

This policy fits into a framework that the Secretariat has developed over several years of activity. The previous policy framework, the *Planning, Reporting, and Accountability Structure Policy* dated from 1996, and is covered in more detail at: http://www.tbs-sct.gc.ca/rma/dpr/old-PRAS-vieille-SPRR_e.asp That policy had very similar goals to those quoted above for the newer system.

In addition to these policies, there are many other documents that detail the federal government’s approach to the process of setting goals and managing toward meeting them successfully.

One diagram that captures some important components of the federal approach is reproduced below, and to some degree parallels the Results Chain diagram above. Both diagrams distinguish between the internally controlled activities and outputs, while recognizing that higher level outcomes are the result of both the government activities and many external forces. The diagram below also emphasises the distinction between efficient programs and effective programs. Efficiency refers to producing the outputs with the minimum necessary level of resources. Effectiveness refers to the success of the program in meeting its broader goals.

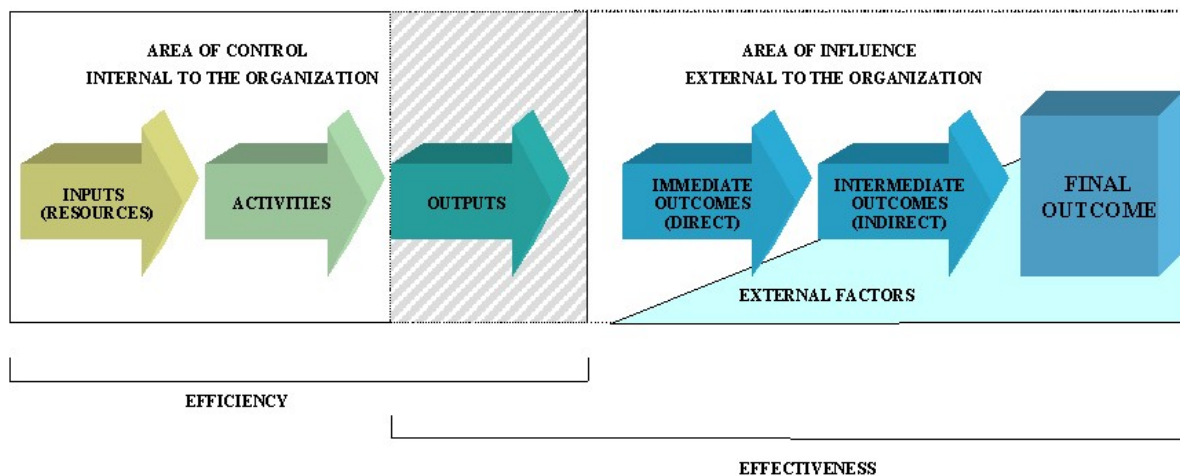


Figure 3: Logic Model

Source: <http://www.tbs-sct.gc.ca/rma/images/a-1.jpg>

The material above is part of a large and comprehensive set of documentation that the Treasury Board Secretariat provides to the rest of the government. The material links the issues of managing for results and reporting to parliament, with a variety of implementation tools. It includes departmental case studies and the results based management lexicon referred to earlier. Among the documents produced is the *Managing for Results Self-Assessment Tool*³, which is designed for departments to help assess their own progress in developing and successfully using a results based approach. The document breaks implementation into five stages: awareness, exploration, transition, full implementation, and continuous learning. A department is expected to go through these stages as it develops its own results-based approach. The tool is useful because it defines the results chain for policy design, as shown above in Figure 1. The tool then provides a series of practical questions that allow the department to assess their own progress through these stages. It is included here as an example of the path that may need to be followed in Manitoba.

<i>Few: 1%–25% Some: 26%–50% Frequently: 51%–75% Routinely: 76%–99%</i>					
	Stage 1 Awareness	Stage 2 Exploration	Stage 3 Transition	Stage 4 Full implementation	Stage 5 Continuous learning
Pivotal characteristic: Using results to manage					
Use of results information in managing	<p>Activity and output information used by managers in a few programs to modify operations.</p> <p>Outcomes play no role in decision making.</p> <p>Limited understanding of how Public Service values and ethics link to achievement of results.</p>	<p>Activity and output information used in some programs to modify operations.</p> <p>Outcome information considered in a few management decisions on modifying operations, re-allocating resources, and revising strategies and policies.</p> <p>Public Service values understood and linked to the achievement of results.</p>	<p>Activity and output information used frequently to modify program operations.</p> <p>Some information on outcomes and the capacity to continue delivering them is analyzed and used in decisions of corporate and line management on modifying operations, re-allocating resources, and revising strategies and policies.</p>	<p>Information on outcomes and the capacity to continue delivering them (as well as the means used to achieve them^a) is frequently analyzed and used in decision making on modifying operations, re-allocating resources, and revising strategies and policies.</p>	<p>Performance information^b on outcomes is routinely and consistently analyzed and used (as a matter of course) for decisions throughout the organization on modifying operations, re-allocating resources, and revising strategies and policies.</p> <p>The type of outcome and related performance information being gathered is reviewed for usefulness and adjusted.</p>
<p>Possible indicators The extent to which evidence and analysis of outcome results are used to support planning, design, delivery and resource allocation decisions.</p> <p>Notes a “Means” used to deliver results include Public Service values and ethics, propriety, stewardship and treating people fairly. b “Performance information,” in addition to results, includes the means used to deliver results and information on the capacity (in terms of people and assets) to continue delivering the results.</p>					

Figure 4 Stages of Departmental Progress

The large amount of material on the federal Treasury Board Secretariat's web site implies a system that is working well. Unfortunately this is not the case. In a recent report, the Auditor General of Canada reviewed the departmental performance reports of Environment Canada, Fisheries and Oceans Canada, and Natural Resources Canada. The reviews were for the fiscal year 2003-04. The Auditor General had also reviewed the reports of these same departments in 1995-96 and in 2003-04. This provided the basis for detailed comparisons of progress over the eight reporting cycles. While the report of the Auditor General⁴ uses careful language, it observes :

While we cannot generalize from the results of rating three reports in each of three years to trends across all government departments, our findings continue to leave us as concerned about the overall quality of reporting as we were in our previous audits and studies. Based on these findings, it is reasonable to suggest that, without greater effort by departments and scrutiny by parliamentary committees, any significant improvements in the quality of performance reporting may take decades rather than just a few years. In our view, this rate of improvement is not good enough for parliamentarians and Canadians to be able to hold departments and agencies to account for their performance.

There are several telling points in the conclusions to the report:

“the basic principles of good reporting are frequently not well understood or applied by departments. This remains a factor, despite the Treasury Board Secretariat's annual guidelines that reinforce the principles of good reporting.

“ performance reporting takes place in a political environment. This continues to be a factor because the value of reporting shortcomings has not yet been widely accepted. Balanced reporting, that is, admitting to shortcomings as well as successes, is apparently not yet part of the management culture of government.

“there are no incentives for good reporting practices or sanctions applied for poor reporting.

“many departments do not consider performance reports to be a high priority. Often, the reports do not get the involvement or attention of senior departmental management that they should. This may be because information in performance reports is neither used by departments to manage for results nor used by the government to manage government-wide initiatives.

“despite initiatives of Parliament and the government aimed at improving the quality of performance reports over the past few decades, in our view parliamentary committees have not taken advantage of the reports in their discussions with the departments audited.”

Finally, the Auditor General observes that “These factors cannot be overcome easily. They can only be addressed by fundamentally changing the management culture of government.”

4. Alberta's Measuring Up Performance Accountability System

The following are reflections on Alberta's Government Performance Measurement and Accountability system (Measuring Up) based on conversations with Murray Lyle, head of Alberta Finance's Performance Measurement team on March 2, 2006 with Mark Anielski.

4.1. Introduction

Alberta was one of the earliest adopters and leaders in government business planning and performance outcome measurement and reporting beginning in roughly 1993 with the introduction of *Measuring Up*, Alberta's performance measurement system to report on high-level government outcome measures of performance. The *Government of Alberta 2004-05 Annual Report* is the eleventh annual performance report that includes both consolidated financial statements and *Measuring Up*, a report to Albertans' required under section 10 of the *Government Accountability Act*. Alberta was one of the earliest pioneers of government performance measurement along with Oregon, Minnesota, Florida and Texas. Other governments since then, including provincial governments and the Canadian Government, have introduced business planning and performance measurement systems.

4.2. Original Structure

The original Alberta's Performance Measurement System was developed to report on the overall performance outcomes of Alberta Government performance in an annual report called *Measuring Up* published by Alberta Treasury as are report to both Treasury Board and Albertans. Originally 23 key performance indicators, called **core government measures**, were selected by Treasury Board and organized according to three core business themes: *people, prosperity and preservation*. Each measure reflected the government's priorities and provides information upon which the public can judge the government's performance. This first tier of performance indicators were reported annually in *Measuring Up* in conjunction with the publication of the public accounts and Alberta's first set of consolidated financial statements. The core measures represent areas that are beyond the direct influence of any one ministry, and are therefore the responsibility of the government as a whole.

These core government measures represent macro level measures and report on high level outcomes that were considered priorities of Albertans, mostly defined by Treasury Board (with some consultation with the public). The core measures tracked the government's performance in its core businesses of *People, Prosperity, and Preservation*, and were used to help ministries focus on the results of their government activities.

An overarching Government Business Plan was developed in 1995 with broad government goals which were aligned with the government's key performance outcome indicators.

Ministries were also required to develop business plans and their own key ministry performance measures. Each ministry selected several (six to ten) **key ministry measures** to provide Albertans with an overview of the ministry's performance for its core businesses. These measures focused on the outputs and outcomes of ministry policies and programs, and provided background information which feeds into the core government measures. While the core government measures reported on the macro picture, ministry measures focused more on the effectiveness of specific programs.

Secondary measures (both in *Measuring Up* and ministry business plans) were included to provide supporting information to help readers understand the key ministry measures, or provide macro level information on non-core businesses.

A third tier of measures, **internal management measures** (i.e. input/activity measures), were developed that provided program-specific information and additional supporting data for the higher level measures. These program-specific and administrative indicators provide management with information on day-to-day activities. They would be used to monitor the performance of "contracted" third party delivery agents.

Societal indicators were part of the first two editions of *Measuring Up* to track important trends in society, such as education, health and wellness, social investment, and human capital. These trends collectively provide information on the overall quality of life. Societal indicators were originally envisioned to track important trends in Alberta society such as information on quality of life: the way we live, work, and do business. They also provided information on Alberta's values and beliefs, the strength of its families, its sense of community, and the importance of its environment. As a reflection of what Albertans value and believe, societal indicators provided an important contextual framework for understanding the portfolio of core government and key ministry measures. Societal indicators reflect who and what Albertans are as citizens, and how they define quality of life, by revealing what is important. Societal indicators were intended to help keep track of these societal trends helping to identify potential future problems and better prepare for change. They were expected to help decision makers understand why government programs are or are not effective, as environmental factors can enhance or negate the effects of government programs.

These societal indicators were dropped from *Measuring Up* in 1996 over concerns by Treasury Board that Albertans might misinterpret the government's capacity to have meaningful influence on these indicators through their policies and programs. While understandable from the perspective of pure government accountability over outcomes, this retraction of societal indicators was unfortunate, since it meant that no other organization or agency in society was responsible for reporting on these quality of life conditions.

The *Measuring Up* report was published every June with the 23 core government performance measures indicating how well the province was doing in achieving certain global goals such as matching Japan's life expectancy rate (number one in the world), sustained economic growth of 4 to 6% annually, and reducing Alberta's crime rate to

below the national average. The measures conveyed to the public and stakeholders in a simple, clear and honest way, the impact government programs were having, and whether they are being delivered in the most efficient and effective way. As overall government performance is a function of individual ministry performance, the core measures in *Measuring Up* reflect the combined influence of all government programs and strategies upon achieving a particular goal

Each year ministries were required to develop business plans with key ministry performance measures and targets that were developed in the context of the Government's overarching business plan and *Measuring Up* (with its own core government measurement targets), reviewed by respective Standing Policy Committees and then budgets/plans finalized by Treasury Board. Ministry business plans, performance targets, and budgets were developed in September and then released in the spring of the following calendar year with the Government's budget. Ministries publish an annual report in the fall of each year following the June release of the Government's overall *Measuring Up* and public accounts reports (now consolidated into a single *Annual Report*). Ministry business plans provide the public with information on which to assess performance. Details on how the ministry's strategies help in achieving stated goals (monitored by the key ministry measures), and how strategies will affect the core government measures, are included. Targets for expected performance are clearly stated, and significant factors that may influence outcomes noted. Future plans may indicate new initiatives to be adopted in response to previous performance results. Ministry annual reports focus on actual versus planned results for ministry goals, as they constitute the accountability side of business planning. They address such issues as: Is the trend positive or negative? Why did the results vary from the target (good and bad)? What external factors influenced the outcome? Within each ministry report, the limitations of public policies and programs can be explained, as well as the options available for improving future performance.

4.3. *Measuring Up* and Government Accountability in 2006

The system of government business planning and performance measurement developed by the Alberta Government in the early 1990s has remained virtually unchanged to this date though continuous improvement has occurred. This is a testament to the design of the system which focused on a use of a few core indicators (23 in *Measuring Up*) rather than many indicators (as Oregon did with over 100 indicators) as well using legislation (the *Government Accountability Act*) to ensure ministries maintained their business planning and performance reporting system over time.

Alberta's performance measurement and reporting system has since developed beyond simply a performance management system to a total governance and accountability system.

Several improvements in Alberta's accountability system has occurred in the past 3 years including:

- Goal-based budgeted and performance reporting

Strategic priority and Cross-ministerial initiative (involving more than one ministry) budgeting and performance reporting.
High-level Societal Indicators reintroduced

4.4. Goal-based Budgeting and Performance Measurement

The most significant improvement in Alberta's governance and accountability system has been the adoption of goal-based budgeting and the expansion of indicators used to measure progress. For example, the *2004-05 Measuring Up* report is organized according to 12 overarching government goals with 76 performance measures established in the *2004-07 Government of Alberta Business Plan*. Goals 1 through 11 are related to the government's overall programs and services while Goal 12 is focused on government-owned and supported infrastructure (i.e. capital). For each goal total expenses are estimated based on the distribution of expenses from the *2004-05 Consolidated Statement of Operations* report. For each goal a set of core government measures are aligned. For example, Goal 1 states "Albertans will be healthy" with core measures including: a) life expectancy at birth; b) participation in healthy behaviour; c) self-reported health status; d) overall quality of health care and e) ease of access to physician and hospital services. Furthermore, budgeted expenditures are reported along with actual expenditures (current year and previous year) for each respective goal. For example the budgeted expenditure for Goal 1 (health) was \$8.41 billion in 2004-05 and actual expenditures of \$9.07 billion (compared with \$7.63 billion in 2003-04).

Alberta Finance noted an important breakthrough for goal-based budgeting came with the realization that Statistics Canada's consistent reporting of government expenditure statistics (by government functions) over time and across provinces were useful for establishing benchmark expenditure data to align with Alberta government goals. Working with Statistics Canada, Alberta Finance was able to pursue a convergence of their respective data sets to ensure consistent expenditure reporting and classification over time. This will make possible the reporting of "return on investments" for each government goal.

For each goal in *Measuring Up* a performance "story" is given that describes the importance of the goal and interprets the performance results as revealed by each of respective family of performance measures used to assess progress.

This shift to goal-based performance budgeting and reporting is a significant maturation of Alberta's governance and accountability system and makes it unique in North America. I know of no other jurisdiction who has made such advances. Its utility is clear: decision makers and citizens can clearly see how much public monies were invested to achieve a given level of performance outcome acknowledging that causality between spending and effort and outcomes is not always clear.

4.5. From Cross-Ministerial Initiatives to Strategic Priority Budgeting

In the late 1990s the Alberta Government began to experiment with the use of cross-ministerial initiatives to tackle long-term public policy issues that intuitively required

more than one ministry to deal with. This led to cross-ministerial budgeting and performance reporting which were then eventually tied to performance remuneration by deputy ministers and other executives involved in such initiatives. A non-ministerial committee was put in charge of reviewing and scoring these initiatives; scores were used to pay performance bonuses to deputy ministers, for example.

Originally the expectation was that these cross-ministerial initiatives would break down ministerial silos and encourage a group of ministries to work more closely together sharing resources and energy. However, experience over time showed that while the spirit of cooperation was beneficial, the process of performance remuneration was less than satisfactory. Indeed, the regular rotation of deputy ministers to different portfolios proved more successful in ensuring cross-pollination of ideas. In addition, ministries had trouble determining the specific allocation of resources to the cross-ministerial initiatives. Thus, eventually performance remuneration tied to cross-ministerial initiatives was withdrawn, specific ministerial budgeting and resource allocation for cross-ministerial initiatives was also no longer required, even while some of these initiatives are still alive operating in the spirit of goodwill.

The cross-ministerial initiatives have recently been replaced by a new **strategic-priority** planning and budgeting system. The process involves the government identifying its top strategic issues for any given fiscal period (with a three-year business planning perspective). Initially no monies have been allocated or targeted although milestones are being established in order to track changes over time. This will ensure that there is continuity in the overall progress made on the government's long-term core goals as well as identifying areas needing strategic focus and attention.

4.6. High Level Societal Indicators Reintroduced

Another change taking place is the reintroduction of some societal measures that had been dropped from the earlier generations of *Measuring Up*. Also, future *Measuring Up* reports will feature 19 high-level measures of societal well-being. At the same time ministries are being encouraged to drop reporting high-level societal measures and focus on reporting ministry output measures with societal indicators as simply supplemental or contextual indicators.

The result will be a revised *Measuring Up* report with 19 high-level societal indicators, along with 60 core government performance measures tied to an expanded 16 goals (up from 12).

4.7. Conclusion

Alberta's government performance measurement system has moved beyond the earlier generations of systems focused on purely performance management (e.g. B.C.'s current system and focus) to one of governance and accountability. The most important step in this direction is the effort of goal/performance-based budgeting and performance measurement which has long been an objective of the Alberta Government. No other jurisdiction has advanced government accountability this far.

5. Health Care: A Case Study

The purpose of this case study is to provide an example of a comprehensive performance-based information system within the health care sector in Canada that includes four pre-defined elements: measurement, reporting, accountability and budgeting. Various literature sources were examined for published articles or reports in the last five years that demonstrated performance measurement, reporting, accountability and the influence on decision making within the health care system. Few documents demonstrated all four pre-defined elements of a performance-based system. Many reflected the use of performance measures, strategic plans and reporting structures, however, the link to decision making with respect to resource allocation and strategic management was not as evident. The linkage of performance measurement to resource allocation is not strong in the literature; it is the current area of development in the Canadian context at many government levels.

The criteria used to identify the example for this case study included: the quality of the article, relevance to the Manitoba context and the four pre-defined elements for the performance measurement system (measurement, reporting, accountability and link to resource allocation). As a result the case study example uses a Canadian example in order to address the following components:

- Describe the system
- Development and implementation of the system
 - Implementation issues
- Describe how performance measures are linked to resource allocation
- Lessons Learned
 - Challenges
 - Successes
- Summary

The Canadian example provides a comprehensive system on all four pre-defined elements. The Canadian example, while at a facility level, demonstrates how it is connected to the government level as well as the success of a strategic management system that links resource allocation to performance driven by strategic direction.

The results identify that a performance-based information system can be very successful when it is not rigid, adapts to change, meets emerging issues, inclusive of all levels, integrates with operating procedures, and links strategic plans to performance measures. The system must be responsive to change and evolve with new information sources and adapt to the strategic and current challenges in both the internal and external environments. These elements are imperative to build a sustainable system linking performance measurement, reporting, accountability and resource allocation.

5.1. Case Study System Description

The Toronto East General Hospital underwent an 18-month process that resulted in a strategic management system. This strategic management system formally links strategic planning to performance measurement, business processes, operating plans, and resource

allocation decisions. This case study is based on a published report by Devitt et al. in 2005 titled Strategic Management System in a Healthcare Setting – Moving from Strategy to Results in journal, Healthcare Quarterly.⁵

Results after the first year are positive and substantial for the organization, community and the government. For example, the hospital has improved on 12 or 15 strategic plan measures as well as improving its efficiency (achieving 1% operating surplus). One of the key components of the system reported is the use of a rolling three-year strategic plan with specific targets for selected measures. Operational plans for programs/departments then align with related measures to support the strategic direction. Each year the plans at all levels are reviewed and re-aligned to reflect changes in the external and internal environments of the hospital. Performance targets are identified and added to the plan for the next three years to ensure relevant, timely and continual progress.

Participation at each respective level (unit, department/program, executive, board and government) in the planning process and identifying performance measures built in a natural process of accountability and responsiveness. One of the critical outcomes for this system is that it ties performance measures to strategy. This facilitated the organization to move from ‘measuring performance’ to ‘managing performance’.

5.2. Development and Implementation of the System

The development of the system began with the core elements of strategic planning: vision, mission, values and success factors. The planning process led to the identification of the areas of highest potential return for success factor improvement. This critical step led to the identification of priorities which were then used to define the success factors.

The next critical steps linked the strategic planning process to performance measurement by developing specific measures with targets, baseline and current benchmarks. A set of measures for each level of the organization were developed that were linked directly back to the priorities in the strategic plan. This led to the development of balanced score cards at each level. Balanced score cards were developed at the board, administration and program levels with an increasing degree of specificity each linking to the overall strategic plan. The balanced score cards are a mixture of outcome measures and performance drivers with an improvement plan and accountability action plan.

A unique feature, the accountability action plan was added to the balanced score cards which included the addition of what actions were being implemented, who was responsible, timelines and the current status of the actions to achieve the targets set out for the measure. As a result, strategic directions were formally and directly linked to performance, accountability and decision making efforts. The outcome of this final step in the system was the alignment of resource allocation decisions back to the strategic directions.

An example provided in the reference was the measure of overall patient satisfaction scores which aligned to the strategic priority of increasing patient satisfaction. This led to the following actions and resource decisions: a communication skill-training program

for all staff and volunteers; and a corporate education program on patient rights and responsibilities, complaint processes and visiting guidelines.

For this organization, the adapted balance scored card, with the unique features of accountability and responsiveness, was the final critical step in the development of their sustainable strategic management system approach.

5.3. Implementation Issues

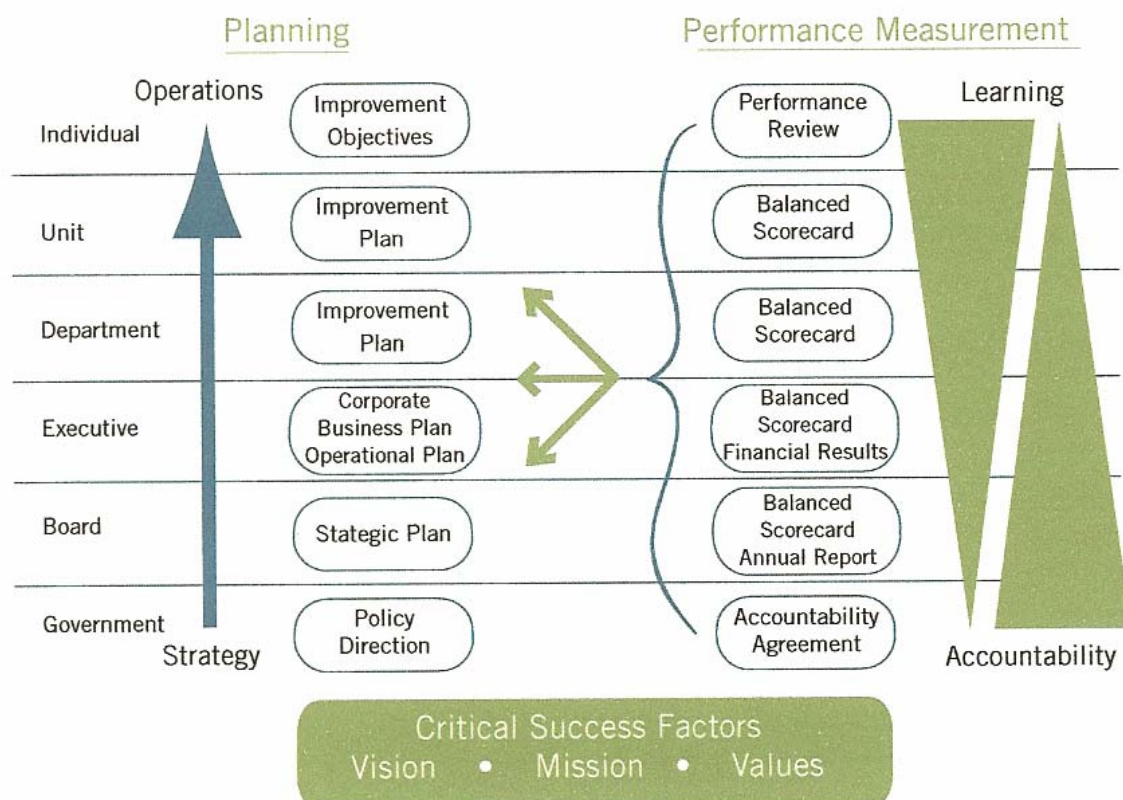
When implementing a system like this, it is imperative that communication and participation are created within all levels of the system. The management identified a number of implementation issues.

An example is the need to demonstrate to all levels the primary reasons for measurement. This can be classified on a continuum that ranges from measuring for learning purposes to measuring for accountability purposes. There is a need to reinforce the reason for measurement at the staff level is for learning purposes, not judgment while at the board level the reason for measurement is primarily for accountability purposes.

5.4. Linking Performance Measures to Resource Allocation

The following model demonstrates the linkages between performance measures, strategies, learning and accountability to the overall strategic management process used by the Toronto East General Hospital.

Toronto East General Hospital Strategic Management System (p.60, Devitt et al., 2005)



Decision-making is directly influenced by the parameters of the strategic management system and aligned directly to the success factors. The balanced score card reflects the performance measurement requirements, however, it is also tied directly to implementation goals and accountability action plans.

5.5. Lessons Learned - Challenges

Turning strategic plans into measurable results and changes in resource allocation has been an ongoing challenge within the healthcare system. Some of the challenges are due to the lack of consistent measures, identification and collection of results-oriented data, constantly changing priorities, reactive rather than proactive management style, a focus on short-term priorities, and other external pressures.

While the current case study has addressed many of these challenges using innovative and well-structured processes, there do remain a few obstacles to which they are working towards. For example, the ability to access timely data to support their measurement needs has limited their ability to move forward into action and accountability in the areas of financial measures such as market share, changes in resource allocation in certain areas, and dollars received for research funding.

Measurement

Some of the measurement challenges were to identify relevant and timely measures for each priority and to ensure that the data required to measure the strategies and priorities identified are available and accessible in a timely manner. For some indicators the data did exist while in others a surrogate measure was adopted using existing data. Regardless the development and creation of a few data sets was required for some indicators.

Reporting

The various organizational levels demonstrated the need for a variety of reporting intervals, from twice a year for board level reporting to 3 to 4 times per year for program level reporting and feedback. Even the measures themselves yield a variety of ideal reporting intervals. For example, some measures were more timely and meaningful if reported quarterly, others were more relevant using an annual reporting timeframe.

Accountability

Another critical challenge for government is the adoption of a system that will respect and be responsive to the accountabilities of each level (staff, program/department, executive, board, and government).

Resource Allocation

With implementation plans and accountability action plans each demanding resources, a process is required to allocate resources tied to the strategic management system so that it will not overburden any one level.

5.6. Lessons learned - Successes

A key principle for effective and efficient performance-based information systems is to make strategies and their implementations a continual and dynamic process. The strategic plan and performance measurement must be evident at all levels of the organization. Each level (government, executive, programs/departments, units and individuals) has a responsibility to ensure the implementation of the strategic management system and is accountable for the resulting outcomes. The “government is responsible for providing policy direction to guide the development of strategy within healthcare organizations and for ensuring that organizations demonstrate accountability.”⁶

This case study uses a rolling three-year plan that is dynamic and reviewed annually as part of the planning cycle as opposed to a more episodic three-year plan that is reviewed and updated at longer time intervals. This ensures that the organization can be responsive to changes and new challenges, is relevant and timely for all levels in the system.

After the first year under this new strategic management system, the organization is able to report improvements in more than half of the measures, with many of the remaining measures waiting for the data. This success includes achieving a targeted 1% operating surplus.

Measurement

Each priority has at least one performance measure that identifies baseline, targets and current benchmarks. The measures have driven the development of new data sets and innovative approaches to obtaining the data required by the measures.

Reporting

Advances in public reporting need to be implemented within the broader context of performance-based information systems. CCAF-FCVI identifies 9 key principles⁷ for what and how a government should report:

- Focus on a few critical aspects of reporting
- Be forward looking as well as retrospective
- Identify key strategic risks
- Disclose and discuss key considerations affecting capacity
- Disclose and discuss any other critical factors
- Integrate financial and non-financial information
- Provide comparative information
- Base reporting on credible quantitative and qualitative information fairly interpreted and presented
- Disclose the basis on which reporting has been prepared

Accountability

Balanced score-cards have been adapted to identify responsibilities, timelines and status of the actions to achieve the targets. This links accountability to resource allocation and responsiveness to the strategic plan. Accountability is driven by the performance measures further strengthening the organization's outcomes.

Resource Allocation

System-wide results have been achieved through the alignment of the operational plans and monitoring processes to the priorities and measures reflected in the strategic plan. The organization now responds to resource allocation decisions using an evidence-based process by connecting measures in the strategic plan to seeking the most advantageous opportunities to improve the measures.

5.7. Summary

In the Canadian context, "A measurement oriented approach is achievable and valuable in terms of accountability and organizational responsiveness"⁸

Successful approaches to performance-based information systems have resulted when there was a shift from a strategic planning approach to a strategic management system approach where the linkage between performance measures, strategies, opportunities for learning, accountability and responsiveness are critical success factors of the system. A sustainable and successful system is based on the foundation of a dynamic strategic focus that leads an organization's measurement, reporting, accountability, resource allocation and decision making actions.

6. Oregon Benchmarks

The Oregon Benchmarks arose from the serious situation the state found itself in the late 1980s (http://www.cedworks.com/files/pdf/free/OB_Final_Report.pdf). The state faced a severe recession, and the then governor, Neil Goldschmidt, established a task force of public officials, business leaders, and others, to develop a strategy that would lead Oregon into the future. In 1989 the document *Oregon Shines* was published. It laid out three goals for the state⁹:

To invest in Oregonians to build a work force that is measurably the best in America by the year 2000, and equal to any in the world by 2100.

To maintain Oregon's natural environment and un-congested quality of life to attract the people and firms that will drive an advanced economy.

Create an international orientation in Oregon's business and cultural life that distinguishes Oregonians as unusually adept in global commerce.

This strategic vision, supported by the governor and a range of important stakeholders, fulfils one of the essential requirements of any performance based measurement or budgeting system: it provides a clear, shared goal. Without a goal against which to measure progress, the system has no anchor.

The *Oregon Shines* document was updated in a large exercise carried out in 1996, when a new *Oregon Shines* reviewed the history of the first initiative, and once again developed a vision for the future. At that time, Oregon was in a very different economic situation than the serious problems of seven years previous. The economy was doing very well, thanks to the high tech boom in the US, which had centres of both software and hardware development in the Pacific North West. So the problem was not economic disaster. On the other hand, the monitoring that had been done against the 1989 goals showed serious problems on other fronts. One review, using the letter grades from the Benchmark Reports, said:

. . . the bad news was most significantly and tellingly located within the data related to the social health of the Oregonian society. Such indications of deep poverty as: homelessness (D+), general crime statistics (F), Juvenile arrests (F), use of illicit drugs (F), Incidence of child abuse (F), families for whom child care is affordable (F), Incidence of elder abuse (F), urban congestion (F), availability of low income housing (D) – all revealed worsening rather than the anticipated improvement over a decade of macroeconomic “progress”.

So the review process revealed deep problems that were not apparent from the summary economic data. As a result of this review and the sobering results, the second task force and the *Oregon Shines* report established three new goals:

- Quality jobs for all Oregonians
- Safe, caring and engaged communities
- Healthy, sustainable surroundings

These are somewhat simpler statements of goals, and somewhat more down to earth, than the earlier set. They remain the goals today.

In addition to developing and publishing the vision in 1989, the governor took two other important steps: he created the *Oregon Progress Board*, and he gave it the responsibility for measuring progress in reaching the *Oregon Shines* vision.

The *Oregon Progress Board* is chaired and appointed by the governor, and is “an independent state planning and oversight agency.”¹⁰ It is “responsible for keeping Oregonians focused on achieving the quality-of-life goals in the state's 20-year strategic vision, *Oregon Shines*. The 12-member panel, chaired by the governor, is made up of citizen leaders and reflects the state's social, ethnic and political diversity.”¹¹ The creation of the *Progress Board* gave an institutional life to what might have otherwise been one more of the many dusty reports on government shelves. The *Board* had, and has, a selection of business, academic, political and government official representatives, bringing together a variety of viewpoints on progress in Oregon. It has a small staff (3 in the early years, for 2005, 1.75 person years and \$400,000 in expenditure authorization), and its main efforts relate to measuring and reporting on progress in accomplishing the above mentioned goals.

A central part of the Board’s mandate is to devise and manage a set of indicators regarding the three goals stated above. Over the years, the set of indicators has evolved, with public consultation, expert input, and advice from state civil servants and politicians. Reports are published every 2 years (Benchmark reports), giving a detailed picture of progress. The tables below outlines some examples from the current set of benchmarks. The three main goals are broken down into seven sets of indicators with a total of 90 benchmarks: quality jobs includes benchmarks regarding the economy (17) and education (12); engaged communities includes civic engagement (8), social support (21), and public safety (7) benchmarks; and healthy surroundings includes community development (7) and environment (15) benchmarks. Each benchmark has a specific definition. The first table below gives the education benchmarks.

Education	
KINDERGARTEN - 12th GRADE	
18	<u>Ready to Learn</u> Percent of children entering school ready-to-learn
19	<u>3rd Grade Reading & Math</u> Percent of 3rd graders who achieve established skill levels a. reading; b. math
20	<u>8th Grade Reading & Math</u> Percent of 8th graders who achieve established skill levels a. reading; b. math
21	<u>Certificate of Initial Mastery</u> Percent of high school graduates who attain a Certificate of Initial Mastery.
22	<u>High School Dropout Rate</u> Percent of students who drop out of grades 9 - 12 without receiving a high school diploma or GED.
POST SECONDARY	
23	<u>High School Completion</u> Percent of Oregon adults (25+) who have completed high school or equivalent
24	<u>Some College Completion</u> Percent of Oregon adults (25+) who have completed some college
25	<u>Postsecondary Credentials</u> Percent of Oregon adults (25+) who have an Associates degree or other occupation-related credential
26	<u>College Completion</u> Percent of Oregon adults (25+) who have completed: a. bachelor's degree; b. advanced degree
SKILL DEVELOPMENT	
27	<u>Adult Literacy</u> Percent of adult Oregonians with intermediate literacy skills a. prose; b. document; c. quantitative
28	<u>Computer/Internet Usage</u> Percent of adult Oregonians who use a computer or related electronic device to: a. create docs/graphics or analyze data; b. access the Internet (% of those with computers at home)
29	<u>Labor Force Skills Training</u> Percent of Oregonians in the labor force who received at least 20 hours of skills training in the past year

Source: Oregon Benchmarks report 2005

Table 1 Oregon Benchmarks on Education

Public Safety

CRIME

61	Overall Crime	Overall reported crimes per 1,000 Oregonians a. person crimes; b. property crimes; c. behavior crimes
62	Juvenile Arrests	Juvenile arrests per 1,000 juvenile Oregonians per year a. person crimes; b. property crimes
63	Students Carrying Weapons	Percent of grade 9-12 students who report carrying weapons in the last 30 days
64	Adult Recidivism	Percent of paroled adult offenders convicted of a new felony within three years of initial release
65	Juvenile Recidivism	Percent of juveniles with a new criminal referral to a county juvenile department within 12 months of the initial criminal offense
66	Cooperative Policing	Percent of counties that have completed a strategic cooperative policing agreement

EMERGENCY PREPAREDNESS

67	Emergency Preparedness	Emergency preparedness - percent of Oregon counties and communities with: a. geologic hazard data and prevention activities in place; b. response and recovery capabilities for all counties, Portland, Beaverton, and Gresham
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Source: Oregon Benchmarks report2002

Table 2 Oregon Benchmarks on Public Safety

Tables 1 and 2 show the level of detail that the 90 benchmarks aim for. They also show that many of the benchmarks have more than one constituent indicator.

Each of the benchmarks is presented in detail in the biennial report. An example page is reproduced below. The presentation includes not only the specific benchmark and any constituent indicators, but also progress over time, and a comparison to the neighbouring state of Washington and to the US as a whole, where the data are available. It also includes a brief written statement of the results, in addition to the graphic presentation. Finally, it includes an assessment of whether the Benchmark shows progress or not.

Chart and Analysis

Percent of Oregon adults (25+) who have an associate's degree or other occupation-related credential

IS OREGON MAKING PROGRESS?
<i>No finding</i>

Oregon has seen steady progress in this critically important strata of the workforce - Oregonians with technical skills. A target for this benchmark will be developed in advance of the 2007 report.

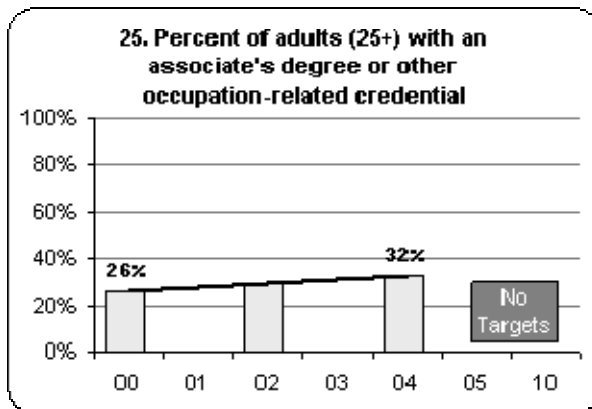


Figure 5 Oregon Benchmarks Charts

These 90 Benchmarks are assessed on the following scale:

- Yes* - definitely on track to achieve the 2005 target
- Yes, but* - headed in the right direction, but with a caveat or concern
- No, but* - little change of achieving the 2005 target, but with signs of progress
- No* - definitely not expected to achieve the 2005 target
- No finding* - lacks either a target or enough data to assess progress

With each Benchmark assessed, they are then rolled up into aggregates, again using the above scale. The end result is a concise aggregate, below which is a great deal of detail.

6.1. Links to Budgets

The Benchmarks system gives a set of state-wide goals and a careful methodology for assessing progress. This system is then linked to the government's budget process through the requirement that government departments report to the Progress Board on which of their programs have an impact on the various benchmarks, and whether those programs are on target or not. Each Oregon agency issues an *Annual Performance Progress Report*, and each agency uses "key performance measure data to describe each agency's progress towards its mission and goals. Many agencies have additional measures for internal management. Oregon Benchmarks are high-level societal measures that gauge how Oregon is doing as a whole. Where agency work aligns with benchmarks, agency performance measures represent stepping stones to achieving Oregon Benchmark targets. Agencies with no direct link to Oregon Benchmarks align their performance measures exclusively with their agency's mission and goals."¹² The biennial report contains details on these reports, and the website links the various departmental and government wide financial reports to the indicators.

In addition, the state government has used the Benchmarks to help set its expenditure priorities. The result is that there are links between the broad societal vision for Oregon and the specific measures taken by government.

6.2. Observations

The Oregon Benchmarks are perhaps the most tightly integrated of the goal setting-budgeting approaches. It starts with a societal vision, which is broader than the governments' alone. It has a large number of specific indicators that have been monitored over the years so that trends can be analyzed. And it links back to specific government expenditure plans. The fact that the system is managed by a small but separate agency has several advantages:

- It gives the system an institutional home, rather than making it an add-on to the responsibilities of an agency that might have many other priorities. This may be the reason for the longevity of the system.

- That longevity has allowed for the evolution of a sophisticated system of measurements and connections.

- It allows for easy partnerships with business organizations and universities.

The various board members retain s degree of independence, despite the fact that the governor is the chair. A good variety of community input can thuas be accessed.

On the other hand, the system is complex and has a large amount of detail. Indeed, the Board is now working to develop what it calls “user friendly reports.” The large number of sub-goals seems to make it difficult to understand the overall trends.

Endnotes

¹ *Government of Alberta 2004-05 Annual Report*, Report to Albertans on Budget 2004: Measuring Up, p 56. Available at: <http://www.finance.gov.ab.ca/publications/measuring/measup05/measup05.pdf> Viewed on March 14, 2006

² From the Treasury Board Secretariat web site, at: http://www.tbs-sct.gc.ca/maf-crg/documents/leaflet-depliant/leaflet-depliant_e.asp, viewed on January 18, 2006.

³ From the Treasury Board Secretariat web site, at: http://www.tbs-sct.gc.ca/rma/account/transmod/tm02_e.asp, viewed on January 18, 2006.

⁴ Report of the Auditor General of Canada April 2005. Chapter 5 *Rating Selected Departmental Performance Reports*.

⁵ Devitt, R., Klassen, W., and Martalog, J. (2005), Strategic Management System in a Healthcare Setting – Moving from Strategy to Results. *Healthcare Quarterly* Vol.8;4:58-65.

⁶ Devitt, R., Klassen, W., and Martalog, J. (2005), Strategic Management System in a Healthcare Setting – Moving from Strategy to Results. *Healthcare Quarterly* Vol.8;4:58-65, page 61.

⁷ Public Performance Reporting - Reporting Principles – Taking Public Performance Reporting to a New Level (2000), CCAF-FCVI Inc. Available: http://www.ccaf-fcvi.com/english/site_additions/archives2002/documents/executive_summary/reporting_principles.pdf (Accessed on Feb. 24, 2006).

⁸ Devitt, R., Klassen, W., and Martalog, J. (2005), Strategic Management System in a Healthcare Setting – Moving from Strategy to Results. *Healthcare Quarterly* Vol.8;4:58-65. Page 58.

⁹ Oregon Shines 1989. Available at: http://www.oregon.gov/DAS/OPB/os_1.shtml

¹⁰ From the Oregon Progress Board's web site, at: <http://www.oregon.gov/DAS/OPB/docs/Glance.doc>

¹¹ From the Oregon Progress Board's web site, at: <http://www.oregon.gov/DAS/OPB/docs/Glance.doc>

¹² From the Oregon Progress Board's web site, at: <http://www.oregon.gov/DAS/OPB/GOVresults.shtml>