Using a Balanced Scorecard to Tie the Results Act to Your Day-to-Day Operational Priorities

September 2004
Institute for the Study of Public Policy Implementation
Overview

- Background Behind the Results Act
- How the Balanced Scorecard Approach Can Help
- Agencies That Have Used a Balanced Scorecard to Link Front-Line Performance to Results
  - Patent and Trademark Office
  - Bureau of Land Management
  - Defense Finance and Accounting Service
  - Federal Student Aid
- Are You Ready to Develop Measures?
- Initial Steps
- Resources
The Government Performance and Results Act

- **Simple vision**
  - *Create useful performance measures that are used*

- **Legislation required:**
  - Strategic plan
  - Annual performance plan
  - Annual performance report
  - Governmentwide performance plan
In the Past Two Years, the World Has Changed

- **Budget deficits have returned**
  - Revenues down 9 percent, spending increased 12 percent
  - Deficits in $500-$600 billion range

- **Structural pressures increasing**
  - Baby boom starts retiring in 4 years
  - Health care costs continue to climb faster than inflation

- **Budget outlook bleak**
  - Resources mobilized to fight terrorism
  - Congress pushing freeze on all non-Defense discretionary spending
Suddenly, Performance Matters . . .

- **OMB Program Assessment Review Tool (PART)**
  - Assess 20 percent of programs each year – are they making a difference?
  - Half programs assessed in FY2003 – could not demo results
  - OMB attached consequences to many of the scores
Performance Matters . . . .

- **Individual Performance Management**
  - Senior executives
    - Balanced scorecard, meaningful distinctions in performance
  - Line staff
    - $500 million performance fund instead of COLA
    - DHS and DOD civil service reforms focus on pay for performance
How the Balanced Scorecard Approach Can Help

- A Balanced Scorecard is a method to:
  - Define an organization’s strategy
  - Create targets and initiatives to implement the strategy
  - Measure the results of implementing the strategy
  - Create an ongoing redefinition of strategy based on feedback from the measures
- It identifies the drivers of future success through four perspectives:
  - Customer
  - Internal Processes
  - Learning and Growth
  - Financial
The Balanced Scorecard framework provides insight into four critical dimensions of organizational performance.
The “cause-effect” chain differs between public and private sectors

GOVERNMENT

MISSION

CUSTOMER

INTERNAL PROCESSES

LEARNING & GROWTH

FINANCIAL

COMMERCIAL

FINANCIAL

CUSTOMER

INTERNAL PROCESS

LEARNING & GROWTH
Two Levels of Balanced Scorecards

- **Organizational Scorecards**
  - Part of strategic plan, Service Level Agreements
  - Measures, benchmark targets already exist for many processes involved
  - Creates awareness of potential success or challenges but does not provide ability to do anything about the results

- **Individual or Team-Level Scorecards**
  - Many programs have individual-level measures in annual performance agreements for staff, and in some cases for political and SES leaders
  - Oftentimes measures are unrelated to agency goals, performance assessment and rewards structures
  - High performing organizations create “line of sight” links down to individual or team level
US Patent and Trademark Office: Strategy Map

- Mission: Promote industrial and technological progress by granting exclusive rights to inventors through patents and trademarks.
- # Employees: 6,000
- Budget: $1 billion
- Fully fee-funded operation, located in Crystal City, VA.
- 75 percent of employees have direct customer contact.
- 275,000 patent, 300,000 trademark applications
The mission of the United States Patent and Trademark Office is to promote industrial and technological progress in the United States and strengthen the national economy.

**Mission**

**Operational Strategies**

**Goals**

**Results**

**Accountability**

**GOAL 1**
- Maintain and grow our domestic and international leadership roles in intellectual property rights policy

**GOAL 2**
- Provide our customers with the highest level of quality and service in all aspects of USPTO operations

**VOICE OF CUSTOMERS**
- Quality of services

**VOICE OF EMPLOYEES**
- Employee satisfaction

**VOICE OF BUSINESS**
- Quality of products
- Timeliness

**Funding Initiatives**

**Enhanced quality of patents and trademarks**

**Enhanced quality of services**

**Improved timeliness of product and service delivery**

**Satisfied workforce**

**Source:** PTO
Bureau of Land Management: Link to Financial

- Mission: Multiple-use, sustained yield land agency in the business of managing public lands for present and future generations.
- # Employees: 9,800
- Budget: $1.7 billion; manages 262 million acres in 12 states.
- Organization was so decentralized that unit managers set their own priorities and it was difficult to focus on organization-wide priorities.
<table>
<thead>
<tr>
<th>STRATEGIC GOALS</th>
<th>GOAL 1: Serve Current &amp; Future Publics</th>
<th>GOAL 2: Health of the Land</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission Goals</strong></td>
<td><strong>01.01 Provide Environmentally Responsible Recreation Opportunities</strong></td>
<td><strong>02.01 Understand the Condition of Public Lands</strong></td>
</tr>
<tr>
<td><strong>Work Processes</strong></td>
<td><strong>01.02 Provide for Environmentally Responsible Commercial Activities</strong></td>
<td><strong>02.02 Restore At-risk Resources &amp; Maintain Functioning Systems</strong></td>
</tr>
<tr>
<td><strong>Begin</strong></td>
<td><strong>01.03 Preserve Natural &amp; Cultural Heritage</strong></td>
<td><strong>01.06 Provide Economic &amp; Technical Assistance</strong></td>
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<tr>
<td><strong>Beg</strong></td>
<td><strong>01.04 Reduce Threats to Public Health, Safety &amp; Property</strong></td>
<td><strong>01.05 Provide Land, Resource Title Info</strong></td>
</tr>
<tr>
<td><strong>PEs</strong></td>
<td><strong>A 1. Provide Outreach/ Customer Service</strong></td>
<td><strong>None</strong></td>
</tr>
<tr>
<td><strong>B</strong></td>
<td><strong>2. Assess/Inventory Condition/Status</strong></td>
<td><strong>None</strong></td>
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<td><strong>C</strong></td>
<td><strong>D 3. Perform Planning</strong></td>
<td><strong>None</strong></td>
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<td><strong>D</strong></td>
<td><strong>E 4. Authorize Use</strong></td>
<td><strong>None</strong></td>
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<td><strong>E</strong></td>
<td><strong>F 5. Implement BLM-initiated Actions</strong></td>
<td><strong>None</strong></td>
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<td><strong>F</strong></td>
<td><strong>G 6. Perform Monitoring</strong></td>
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<td><strong>G</strong></td>
<td><strong>H 7. Manage Compliance</strong></td>
<td><strong>None</strong></td>
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<td><strong>H</strong></td>
<td><strong>I 8. Manage Work</strong></td>
<td><strong>None</strong></td>
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<td><strong>I</strong></td>
<td><strong>J 9. Sustaining the Organization</strong></td>
<td><strong>None</strong></td>
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<td><strong>J</strong></td>
<td><strong>K 10. Develop People</strong></td>
<td><strong>None</strong></td>
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<tr>
<td><strong>K</strong></td>
<td><strong>L 11. Develop Processes</strong></td>
<td><strong>None</strong></td>
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<td><strong>L</strong></td>
<td><strong>M 12. Develop Systems</strong></td>
<td><strong>None</strong></td>
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<td><strong>M</strong></td>
<td><strong>N 13. Develop Workforce</strong></td>
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<td><strong>N</strong></td>
<td><strong>O 14. Develop Infrastructure</strong></td>
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<td><strong>O</strong></td>
<td><strong>P 15. Develop Tactical Skills</strong></td>
<td><strong>None</strong></td>
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<td><strong>P</strong></td>
<td><strong>Q 16. Develop Strategic Skills</strong></td>
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<td><strong>Q</strong></td>
<td><strong>R 17. Develop Leadership</strong></td>
<td><strong>None</strong></td>
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<td><strong>S 18. Develop Innovation</strong></td>
<td><strong>None</strong></td>
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<td><strong>S</strong></td>
<td><strong>T 19. Develop Reputation</strong></td>
<td><strong>None</strong></td>
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<td><strong>T</strong></td>
<td><strong>U 20. Develop Organizational Culture</strong></td>
<td><strong>None</strong></td>
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<td><strong>U</strong></td>
<td><strong>V 21. Develop Change Management</strong></td>
<td><strong>None</strong></td>
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<td><strong>V</strong></td>
<td><strong>W 22. Develop Learning &amp; Development</strong></td>
<td><strong>None</strong></td>
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<td><strong>W</strong></td>
<td><strong>X 23. Develop Talent Management</strong></td>
<td><strong>None</strong></td>
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<td><strong>X</strong></td>
<td><strong>Y 24. Develop Execution</strong></td>
<td><strong>None</strong></td>
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<td><strong>Y</strong></td>
<td><strong>Z 25. Develop Growth</strong></td>
<td><strong>None</strong></td>
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<td><strong>OA</strong></td>
<td><strong>None</strong></td>
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**Pro-rata:** XX, XA, XB, XC, XD, XE, XF, XG, XH, XI, XJ, XK, XL, XM, XN, XO, XP, XW, XX, XZ
Defense Finance & Accounting Service:

- Mission: Provide responsive, professional finance and accounting services for the people who defend America.
- Budget: $1.4 billion
- No. of Employees: 15,000 government, 1,000 contractors
- Organizational Structure: 5 major business centers and 22 field sites
- 82 percent of staff classified as “commercial in nature”
- Organization was created in 1991 from separate finance functions across Defense; never saw self as one organization
- Began scorecard in 2000, in part to create a unifying effect across DFAS components
DFAS: Investing in Making Scorecard Real

- Put in place a governance structure
  - Strategic plan steering group, balanced scorecard team, strategy planning team
  - Produces and reports metrics and analysis
- Conducts regular customer surveys, employee surveys
- Leadership team (top 106 managers) does an off-site for 2-3 days every six months to review progress, rethink strategy.
- Uses scorecard to communicate corporate strategy to frontline managers – pushes accountability down to front line
- Uses scorecard to make strategy and resource allocation decisions
- Invests 4 percent of budget in training
- Conducts regular business case analyses on each of the 13 major business lines
Office of Federal Student Aid

- Mission: We help put America through school
- Operating Budget: $740 million (to administer $84 billion grants and loans)
- No. of Employees: 1,200 employees, 3,800 contractors
- Organizational Structure: organized into three “channels” around its customers:
  - Student
  - School delivery
  - School eligibility
- Organization was converted into a “performance-based organization” in 1998.
- Began scorecard in 1999.
Federal Student Aid: Link to Individual Teams

**Approach** -- Set challenging three-year goals:

- Cut operating costs by 19 percent
- Be equal or better than financial industry on the American Customer Satisfaction Index (University of Michigan)
- Rank in top 5 in employee satisfaction among federal agencies

**Results**

- Set interim annual targets on the way to the 3-year goals
- On track in cutting costs and improving customer satisfaction ranking; changed employee metric because already exceeded goal
Team-Based Scorecards

The Loan Arrangers

**Reviewer**
Barbara Anderson (C) 308 EHS Team Members
Denise Lefkato (C) 20 FPA Team Members

**Performance Score**

<table>
<thead>
<tr>
<th></th>
<th>Last Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
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<tbody>
<tr>
<td>Customer</td>
<td>AQST</td>
<td>71</td>
<td>71</td>
<td>72</td>
<td>74</td>
<td>74</td>
<td>74</td>
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<tr>
<td>Satisfaction</td>
<td></td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Employee</td>
<td>SATISFACTION</td>
<td>3.8</td>
<td>3.8</td>
<td>4.2</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
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<tr>
<td>Unit Cost</td>
<td>UNIT COST</td>
<td>$18.03</td>
<td>$17.50</td>
<td>$18.50</td>
<td>$18.50</td>
<td>$18.50</td>
<td>$18.50</td>
</tr>
</tbody>
</table>

**Contributions**
- Increase loan consolidations filed electronically by 50%
  On target (reaching 120% increase)
- Complete consolidations processing in 50 days or less
  On target
Are You Ready to Develop Measures?

- Are mission and goals clear?
- Are strategies to pursue the goals clear?
- Can you sort out results from activities?
- Do data exist to measure your progress or success?

- What’s missing? Can it be easily collected?
Are You Ready (continued)?

- Once metrics are agreed upon, do data already exist or do systems have to be created to collect them?
- Are there existing standards or benchmarks that can be used to set targets for the different metrics?

**Bottom Line:** Is this something that helps clarify “what constitutes good performance?”
Initial Steps

- Ensure program-wide measures are in place (PART can help!)
- Establish a results-oriented set of program measures that balance the “voice” of mission, customer, stakeholder, and employees
  - Mission: purpose for existence
  - Customer: direct recipient of services provided
  - Stakeholder: someone who can grant or withhold permission to act
  - Employees: those delivering services
- Define strategies for achieving goals set for each of these dimensions
- Establish “line of sight” accountability
  - at all levels of the program, for strategies and performance by creating clear expectations among customers, stakeholders, and employees
- Collect, analyze, and use data on a regular basis to inform day-to-day decisions
Resources

- Balanced Scorecard Interest Group
  - [http://aspaonline.org/balancedscorecard](http://aspaonline.org/balancedscorecard)

- President’s Management Agenda Resource Center

- IBM Center for The Business of Government
  - [http://www.businessofgovernment.org](http://www.businessofgovernment.org)

- John Kamensky, 202-515-4102
  - john.kamensky@us.ibm.com