Linking Budget to Performance

“Using Scorecard Measures To Reward Good Performance”

Thomas Tolley
September 28, 2004
GSA/PBS’s Measures Program

- President’s Management Agenda
- President’s Scorecard
- OMB Program Assessment Rating Tool (PART)
- GPRA – Performance Plan/Budget
- General Performance Review Process (GSA)
- Linking Budget to Performance (PBS)
Performance Measures

Linking Budget to Performance Program is PBS’s “home grown” measurement program.

We call it LB2P!
LB2P – What and Why

- What is LB2P?
  - Allocation of budget dollars to our PBS regions based on performance

- Why do we use it?
  - Measures increase attention to customer satisfaction and program efficiency
  - Emphasis on the areas PBS can and should do better
  - Encourage more consistent outcomes
LB2P – What and Why

- LB2P was put in place to:
  - Help Regions focus on performance
  - Instill accountability for performance
  - Foster financial discipline
  - Establish clear links between resource allocation and performance

- Measure Selection
  - Key measures that drive our business
  - Measures that need special attention
Benefits of LB2P

Has Yielded “First Year” Income and Savings of Over $850 Million!
$850 Million Equates to...

Boston Courthouse

Tucson Courthouse

Denver Courthouse

Oakland FB & Courthouse
How the Program Works

- PBS associates seek to meet or exceed performance goals on 9 measures
- Regions are awarded with increased budget; individuals with cash
- “Good/Best Practice” sharing
- Continual reinforcement of twin messages: Innovation Matters & Performance Pays!
Keys to the 2004 Program

- Allocation pool of $53 million
- Concentrate on a few key measures
- Emphasis on the areas PBS can and should do better
# The “Big 9” Measures

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Weight</th>
<th>Target</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Satisfaction Survey</td>
<td>10.0%</td>
<td>Regional</td>
<td>Customer</td>
</tr>
<tr>
<td>Customer Mission Index</td>
<td>15.0%</td>
<td>National</td>
<td>Customer</td>
</tr>
<tr>
<td>Customer Relations Index</td>
<td>15.0%</td>
<td>National</td>
<td>Customer</td>
</tr>
<tr>
<td>Data Accuracy</td>
<td>15.0%</td>
<td>Regional</td>
<td>Customer &amp; Financial</td>
</tr>
<tr>
<td>Construction, On-Schedule</td>
<td>7.5%</td>
<td>Regional</td>
<td>Financial</td>
</tr>
<tr>
<td>Construction, On-Budget</td>
<td>7.5%</td>
<td>Regional</td>
<td>Financial</td>
</tr>
<tr>
<td>Funds from Operations</td>
<td>15.0%</td>
<td>Regional</td>
<td>Financial</td>
</tr>
<tr>
<td>Vacant Space</td>
<td>7.5%</td>
<td>Regional</td>
<td>Financial</td>
</tr>
<tr>
<td>Repairs and Alterations</td>
<td>7.5%</td>
<td>Regional</td>
<td>Financial</td>
</tr>
</tbody>
</table>
Space in the PBS Inventory
Producing No Revenue

Sep 98 Total 335.6 Mil RSF
Sep 98 NRPS 43.4 Mil RSF 12.9%

Sept 03 Total 340.4 Mil RSF
Sept 03 NRPS 23.4 Mil RSF 7.9%
Funds From Operations
PBS Total Inventory

<table>
<thead>
<tr>
<th></th>
<th>FY97</th>
<th>FY98</th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>$840</td>
<td>$861</td>
<td>$1,188</td>
<td>$1,163</td>
<td>$1,337</td>
<td>$1,408</td>
<td>$1,478</td>
</tr>
</tbody>
</table>

FY97 FY98 FY99 FY00 FY01 FY02 FY 2003
Customer Satisfaction Scores


- 1994: 74%
- 1995: 80%
- 1996: 85%
- 1997: 90%
- 1998: 95%
- 1999: 100%
- 2000: 74%
- 2001: 85%
- 2002: 90%
- 2003: 89%
Direct Impact on People

- Our associates know what is expected
- Every one knows, up front, what their performance targets are and what it means
- They know where their performance stands
- They know who is doing better / who to ask for best practices
- They see a direct link between effort & organizational success
The Bonus Pool

- Money that a region doesn’t earn, goes into a bonus pool.
- Regions whose performance in a measure exceeds a national goal earn some of the bonus pool.
Linking Budget “Real World” Lessons:

- Measurement systems designed to drive behavior are more human motivation programs than “metrics” programs
- Perceived Fairness > Statistical Significance
- Understandable > Precision
- The best motivational measures are those founded solidly in 5th grade math.
- Our worst motivational measures were often our most comprehensive, elegant and technically superior measures
Linking Budget “Real World” Lessons:

- The perfect is the enemy of the good
- The people/organizations measured, should be as involved as possible in the development and targeting of a measure
- The best use of contractors is to provide research, facilitate and support measure develop by your associates
Linking Budget “Real World” Lessons:

- Set aside enough $$ to get people’s attention
- But don’t set aside so much that customers in any of the regions are short-changed
Linking Budget “Real World” Lessons:

- Establish the measures you need to effectively manage by, and then get the data you need
- Don’t avoid a measure just because the data you need is not easily available
- Always look for a better way to measure: No change takes you backwards and only change can take you forward
Linking Budget “Real World” Lessons:

- Set internal targets aggressively to ensure that some real effort needs to be made to reach them.
- Don’t set targets so aggressively that a region gives up on a measure before they try.
Linking Budget “Real World” Lessons:

- Customize targets for your business units so that they are viewed as fair and reasonable by all.
- Primary competition should be against self, not others.
- Change measures as business needs change, performance improves towards optimum levels.
What Gets Measured Gets Done

if...