

Evolving Role of Performance Measurement

Integrity - Service - Excellence

Meeting Fiscal Constraints: The Evolving Role of Performance Measurement



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Overview

- Background
- Performance Measurement Landscape
- BSC in Action
- Leading, Concurrent, and Lagging Performance Measurement
- When the Ax Falls...
- Conclusion



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Background

- **This paper reviews current literature as it relates to cost-based strategic planning and strategy mapping at universities and institutions of higher learning. Applying concepts from the Balanced Scorecard approach to cost analysis and budgeting, this paper offers effective cost metrics and performance measures for the critical implementation of strategy maps which link many of the intangible measures of higher education effectiveness with tangible cost budget, and performance measures. This look at leading, concurrent, and lagging indicators may be helpful for managers facing potential budget constraints.**

- ***“In the last two years, largely due to sequestration, induced hiring freezes and attrition measures...non-postal Federal Agencies have shed 100,000 positions”*** Government Executive, Apr 2015



Background (cont)

- Performance measurement tools can reflect the strategic intent of management and help them prioritize initiatives to meet strategic objectives. In fiscally austere times, the Balanced Scorecard can help organizations address these tough decisions. Applying concepts from the Balanced Scorecard to cost analysis and budgeting, this paper develops an integrated aligned system of strategic goals, performance metrics, and cost parameters at a university facing pressure to manage costs. There may be lessons learned for the DoD.
- Sequestration Chips Away at Readiness, General Says: *“The American people expect their Air Force to respond to the crisis of the day...They should be a little concerned because the abrupt mechanism of sequestration made that impossible.”* Gen Mark A. Welsh, III Oct 2014



Linking Strategy and Performance Measurement

- Overall strategy should focus and align the organization
- Performance measurement should support and enhance strategy formulation and implementation
- Many performance measurement system tend to focus on short-term, easily available measures
 - Peanut butter cuts
- More effective systems will link organizational strategy and performance measurement
- We contend that performance measures and metrics should be viewed as leading, concurrent, and lagging in nature
- Ultimately leads to Holy Grail of “performance-based budgeting”



Universities as Exemplars

- **Focus on mission**
- **Typically develop formal strategies and strategic plans**
- **Recent history of rapidly growing costs**
- **Balanced Scorecard is being implemented in a significant number of university systems**



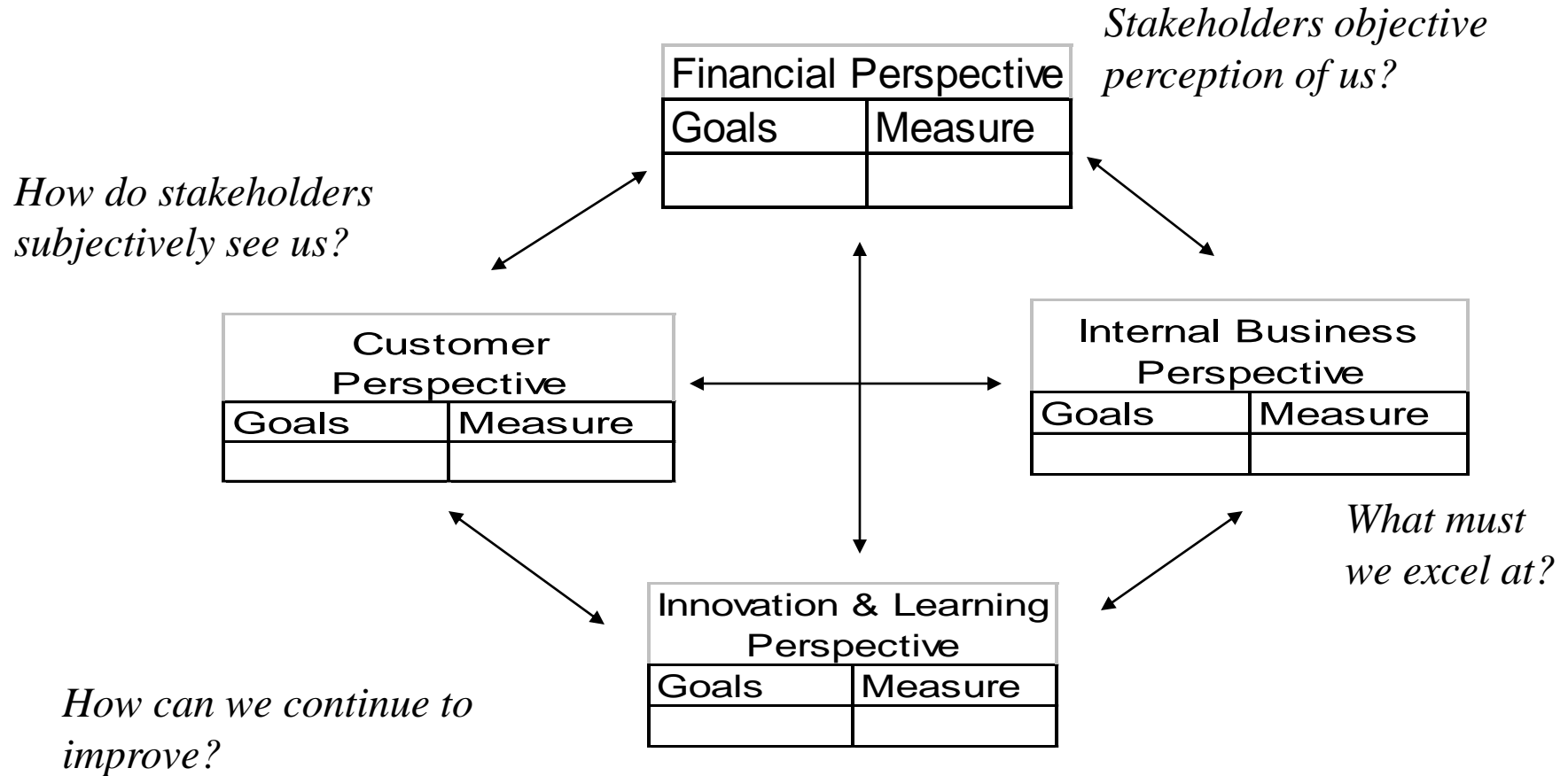
Strategic Planning and Balanced Scorecard

- Well known and respected methodology for strategic planning and resource management
- Commonly used in for-profit businesses, non-profit organizations, and government agencies
- Begins with vision and mission and aligns activities to the vision and strategy of the organization
- Improves internal and external communications
- Stresses measurement of organization performance towards meeting strategic goals





Balanced Scorecard: Kaplan-Norton





Desired Characteristics

- **Integrate strategic measures and encourage cost and performance benchmarking**
 - **Use leading, concurrent and lagging metrics**
- **Leading and lagging measures offer strategic perspective**
- **Concurrent measures focus on immediate results**
- **Together, they support multi-dimensional perspective**
- **Provide insights into physical, stakeholder, and intangible assets to provide strategic perspective**



Implementation of Performance Measurement

- **Be clear about the primary audience for the Balanced Scorecard**
- **Identify a Balanced Scorecard “Champion” to advocate for the methodology**
- **Links to the organizations mission statement**
- **Performance indicators are carefully selected and represent leading and lagging in measuring strategy**
- **Concurrent performance measures are mapped to strategic outcomes for better alignment**
- **Visual representation supports implementation**



Measurement for Academic Institutions

- **Perspectives**
 - Financial, customers, internal processes, innovation and learning
- **Objectives**
 - External measures
 - Internal measures
- **Measures**
 - Performance results
 - Drivers of future results
- **Leading, concurrent and lagging measures are often misapplied**



Case Study: USAFA Integrated Strategic Planning

- Academy-Wide Strategic Plan
- Mission and Vision Driven
- Focused on Mission Outcomes
- Linked to Financial Realities
- Using Integrated Mission Elements
- Balanced Scorecard
- Mapping Strategy
- Establishing Metrics and Benchmarks





Mapping Strategic Outcomes and Performance Measures

- Mapped Strategic Outcomes to the Performance Measures in the Balanced Scorecard
- Mission Outcomes
 - Stakeholders
- Financial Goals and Limitations
 - Budget Process
- Operational Objectives
 - Internal Processes
- Developing and Supporting People
 - Learning and Growth





Financial Resources Measurement System

- **Secure and Manage Financial Resources**
- **Key Objective Points**
- **Measurement Statement**
- **Previous Status**
- **Current Status**
- **Trend**
- **Forecast**





Mapping and Measurement Developing Quad Charts

- Academy-Wide Approach
- Used by all Mission Elements
- Basic Information
- Target Information
- Metric Description
- Measures of Success





Template: Quad Charts

Objectives, Outcomes, and Development

BASIC INFO:

- Balanced Scorecard Area:
- Strategic Goal:
- Level of Review:
- Frequency of Measure:
- Suggested Responsible Office for Tracking the Metric:

METRIC DESCRIPTION:

- Describe Measurement
- Explain Expectations
- Discuss Data Collection Approach

RESOURCES NEEDED/ TARGET INFO:

Measure Statement	Target	Current
		Color Coded

MEASURES OF METRIC SUCCESS:

- Specific:
- Measureable:
- Actionable:
- Relevant:
- Timely:
- Already Measuring:



BSC Metric Recommendation

BASIC INFO:

- BSC Area: TBD
- DF Strategic Goal: #4
- Level of Review: DF
- Freq of measure: Annual
- Suggested DF office responsible for tracking the metric: DFER

METRIC DESCRIPTION:

- Number scholarly contributions made by USAFA research and teaching faculty
- Compare research production and scholarship at USAFA with other universities or USAFA goals
- Maintain record of number or peer review status of faculty scholarly publications or presentations

TARGET INFO: TBD

Measure Statement	Target	Current
Faculty Scholarship and Research Productivity	#, % or peer review status	Green

MEASURES OF METRIC SUCCESS:

- Specific: yes
- Measureable: yes
- Actionable: yes
- Relevant: yes
- Timely: yes
- Already measuring: yes (in some departments)



BSC Metric Recommendation

POC: Heppard

BASIC INFO:

- BSC Area: M.1/O.3
- DF Objective or Initiative Supported:
- Level of Review: DF
- Freq of measure: Annual
- Suggested DF office responsible for tracking the metric: DFE

METRIC DESCRIPTION:

- Major Field Area Test
- Nationally administered test in major (and core or general education if available) allows measurement of specific knowledge and allows comparison to other institutions
- Obtain test from ETS or other testing source

TARGET INFO: TBD

Measure Statement	Target	Current
Major Field Area Tests	Top 10%	Green

MEASURES OF METRIC SUCCESS:

- Specific: yes
- Measureable: yes
- Actionable: yes (allow for feedback on content learning by students and comparison to national norms)
- Relevant: yes
- Timely: yes
- Already measuring: yes (in some departments)



BSC Metric Recommendation

POC: Heppard

BASIC INFO:

- BSC Area: M.1
- DF Objective or Initiative Supported:
- Level of Review: USAFA
- Freq of measure: Annual
- Suggested DF office responsible for tracking the metric: A9

METRIC DESCRIPTION:

- Alumni rating of program effectiveness
- Direct feedback from graduate customers on how the USAFA program has prepared them provides valuable customer feedback
- Graduate Survey

TARGET INFO: TBD

Measure Statement	Target	Current
Alumni Preparation Survey	Very satisfied	Green

MEASURES OF METRIC SUCCESS:

- Specific: yes
- Measureable: yes
- Actionable: yes (allow for qualitative feedback to be included with quantitative)
- Relevant: yes
- Timely: 3-yr cycle
- Already measuring: yes (but not sure of details or how problems are addressed)



When the Ax Falls...

- **How does using the BSC help when budgets are cut?**
 - **Systematic review of leading, concurrent and lagging indicators**
 - **Helps prioritize reductions by strategic impact**
 - **Allows a credible assessment of these strategic impacts to directly address sequestration, furloughs and other budget cuts**
 - **Too often cuts are made that cause long term damage**
 - **Cuts are based on concurrent and lagging performance measurement information**
 - **Don't cut down the saplings!**
 - **Lesson learned for the DoD**



Conclusion: A Balanced Approach

- **University-Wide Strategic Plan**
- **Mission and Vision Driven**
- **Focused on Mission Outcomes**
- **Linked to Financial Realities**
- **Using Integrated Mission Elements**
- **Balanced Scorecard**
- **Mapping Strategy**
- **Establishing Metrics and Benchmarks Including Leading, Concurrent and Lagging measures**
- **Consider Using BSC as a Budgeting Tool**

