

Executive Summary

Innovations in Creating and Maintaining a Comprehensive and Systematic Performance Measurement System

The Arizona Department of Administration (ADOPA) has developed and implemented a comprehensive and systematic performance measurement system. Measuring performance began in earnest in 1992, and the types and caliber of measures, the linkage to the agency's strategic planning process, and the process of tracking and reviewing performance has evolved over the years.

To ensure understanding of the organization's direction and alignment of resources at all levels of the agency, ADOA implemented its performance measurement system following three basic steps:

- 1) Developed a framework so that every ADOA employee can better understand how he/she is working toward the common goals of the entire organization.
- 2) Selected and integrated performance measures that would allow ADOA to evaluate operational performance as well as assess overall organizational performance on a regular basis.
- 3) Implemented a systematic process for tracking and reviewing the performance measurement data that would facilitate and encourage the use of information to drive improvement of performance.

Key strategies from following these three basic steps included:

- Identifying and defining all the major services ADOA provides to its customers.
- Assessing every major service based on the necessity of the service to the customer.
- Establishing and monitoring performance measures at the service delivery level.
- Systematically and monitoring performance measures at the process level.
- Utilizing a common and simple-to-use tracking mechanism (electronic spreadsheet) to capture all performance measures.
- Reporting and reviewing performance measures on a regular basis.

As a result, ADOA has been successful in the following areas:

- Employees are more involved in establishing strategic plans and performance measures for the areas in which they work.
- Employees are more familiar with what their work unit is being measured on, and there is an increased alignment with the work unit plans and measures to employee performance appraisal plans.
- ADOA is able to prioritize the allocation of the agency's resources and focus on those areas most critical to the customer.
- Employees are involved in the identification of how work flows, and are more empowered in changing the way business is conducted.
- ADOA has a very robust view of the effectiveness and efficiency of service delivery.

ADOA's performance measurement system has evolved over the years and is expected to continue to evolve. The challenge faced by ADOA is to continue to improve upon the existing system and enhance the deployment and usability of the data.

The Arizona Department of Administration (ADOA) developed and implemented a comprehensive and systematic performance measurement system. ADOA began measuring its performance in 1992. However, the types of measures, the linkage to the agency's strategic plan and the process used to review and analyze performance data has evolved over the years. The performance measurement system is now at a level that can serve as a model to other local, state, and federal organizations.

Overview of Agency

The primary customers of ADOA include Arizona State government agencies (consisting of approximately 100 state agencies, boards, and commissions) and Arizona State employees. Even though it is minimal, ADOA does provide some direct service to the public.

ADOA is comprised of the Director's Office and seven divisions including Financial Services, General Services, Human Resources, Information Services, Management Services, Strategic Administrative Services, and Capitol Police. Today, ADOA employs 976 employees within these areas of the organization.

ADOA's Mission

To provide effective and efficient support services to enable government agencies, state employees, and the public to achieve their goals.

ADOA's Vision

ADOA: A great place to work that delivers "knock-your-socks-off service"

ADOA's Goals

1. To increase customer satisfaction
2. To develop a high-performance workforce
3. To improve organizational effectiveness and efficiency.

Measuring Performance and Managing the Organization

Several years ago, ADOA identified weaknesses with the existing process that was in place for planning and measuring performance within the organization. Some of these weaknesses included:

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- Many employees had never seen a strategic plan and did not know what their work units were being measured on.
- In most cases, there was no connection of the Strategic plans and the performance measures that were being tracked and monitored to employee performance plans.
- There was little employee involvement in establishing the plans and measures.
- Decisions were not always being made based on facts/data; e.g. often process improvement teams were being formed with no supporting data indicating a need for improvement.
- With the diversity of the services **ADOA** provides, it was difficult for senior management to focus on a few key measures.
- There was no mechanism for senior management to review performance on a frequent basis.
- Most measures that were being monitored were established with no input from the customer.

To ensure understanding of the organization's direction and alignment of resources at all levels of the agency and to address the areas for improvement as described above, **ADOA** established a systematic approach to measuring its performance and managing the organization. This was accomplished through a series of steps including 1) developing a framework 2) selecting and integrating measures and 3) establishing a process for tracking and reviewing the data.

The **first step** was to achieve organizational alignment, which entailed developing a framework so that every **ADOA** employee can better understand how he/she is working toward the common goals of the entire organization. With the help of its employees and feedback from its customers, **ADOA** expanded its traditional framework of divisions and programs, which represented segmentation based on types of functions, e.g. human resources, facilities management, etc. The expanded framework now includes services and processes.

Developing a Framework

Developing a framework required having every program (program management and staff) identify and define the major services it provides to its customers. This resulted in the identification of 76 major services that are provided to external customers and another 33 services that are provided internally to **ADOA**. In addition of defining these 109 services, **ADOA** further assessed them based on the necessity of the service to the customer. This was accomplished by having customers rate the degree of importance for each of the 109 services. If the service is critical to the customer's ability to function, it has been defined as an enabling service. If the service enhances the customer's ability to conduct business, it has been defined as an *enhancing* service. Of the 109

services, 23 are enabling services and the remaining 86 services are enhancing services.

Now that all programs have a clear definition of the services they provide to their customers, **ADOA** requires that strategic plans be developed and performance measures be established and monitored at the service delivery level. During the strategic planning process, the service providers go through a very systematic process in developing their measures. Part of the process includes:

- 1) determining customer requirements. This requires contacting the customer, through telephone or one-on-one contact, to ask a series of questions such as "What do you expect from our unit in providing the service of XX?", "How do you measure if we met your expectations?", and "Are we currently meeting your expectations? Please explain why or why not?"
- 2) establishing performance measures based on customer requirements. Using the information gathered from the customer, performance measures are established.

This approach has brought the practice of strategic planning and performance measurement out of the philosophical realm and made it practical for virtually all employees of the agency. Employees are now more involved in establishing the strategic plans and performance measures for the areas in which they work. Consequently, they are now more familiar with what their work unit is being measured on, and there is an increased alignment between the work unit's plans and measures and the individual employee's performance plans and performance standards, i.e. their performance appraisals. The measures are also driven by customer expectations, which provides focus and alignment with the agency goal "*Increase customer satisfaction*".

Defining services as enabling or enhancing has helped prioritize the allocation of the agency's resources and focus on those areas most critical to the customers. Senior management of the agency monitors performance of the enabling services on a regular basis. When forced to prioritize or reallocate resources, performance data supports a more objective approach. For example, during recent business continuity planning, the agency was able to segment its services into different tiers allowing for a phased approach over time, focusing first on those services most critical to the customer. Similarly, initiating process improvement efforts are now based on supporting data rather than subjective opinions.

While there was great value in identifying and defining the services, ADOA has taken organizational alignment one step further to the process level. To be successful, it required the involvement of the management and employees that delivered the service to the customers. Beginning with the 23 enabling services, (ADOA focused their effort on those services critical to their customer's ability to function), each work unit systematically identified all the processes that made up the service. This resulted in the

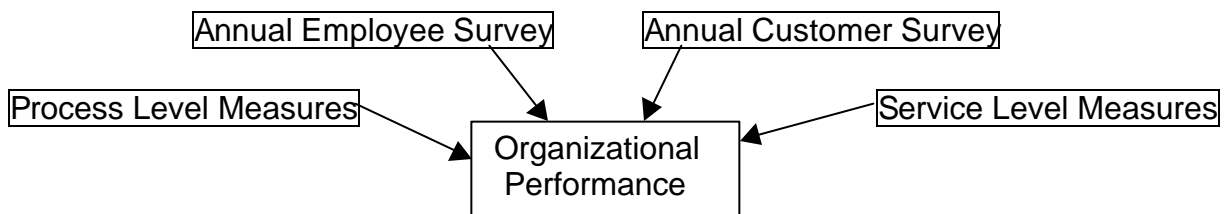
identification of 93 processes. In addition to defining these 93 processes, ADOA further assessed them based on the necessity of the process in the delivery of the service. If the process is required in order to deliver the service to the customer, it has been defined as a *core* process. Conversely, if the process is not required but rather makes the service more efficient or effective, it has been defined as a *support* process.

Now that all of the enabling services have a clear definition of the processes that make up each service, ADOA requires that performance measures be established and monitored at the process level. Although ADOA is still in the early stages of monitoring performance measures at the process level, benefits are already being realized. More than ever before, front-line employees are involved in the identification of how work flows. By involving them in the creation of performance measures, employees are educated about their alignment with the agency's strategic direction, and they are more empowered in changing the way business is conducted. Measures at this detailed level also provide a robust assessment of the effectiveness and efficiency of service delivery, and when taken together with other performance measures such as customer satisfaction, provide the supervisors, managers, and senior management with the data needed to effectively manage the agency. This effort (gathering performance measures at the process level) has provided the focus and alignment to agency goal *Improve organizational effectiveness and efficiency*".

After the first step of organizational alignment was achieved, the **second step** was to select and integrate measures and indicators that would allow ADOA to evaluate operational performance as well as to assess overall organizational performance on a regular basis. This required collecting performance measurement information at all levels of the framework.

Selecting and Integrating Performance Measures

ADOA selected a balanced set of results-based performance measures. The following figure illustrates that the measures used to assess organizational performance are derived from four key sources:



Sources of Performance Measures

The table below provides information on each of the sources including the purpose and brief description of the data source, the frequency in which the data is collected, the owner of the source, and how the results are used.

Employee Survey

Purpose

The purpose of capturing performance measurement information from the employee survey is to assess employee perceptions of the work life within ADOA.

Description

To better understand the needs of employees, ADOA categorizes the questions into seven different categories: morale, communication, recognition, training, supervisory support, upper management support and working conditions. The survey consists of 53 questions using a Likert rating scale ranging from Strongly Agree to Strongly Disagree and a section for open-ended comments.

Frequency

ADOA has been assessing employee satisfaction on annual basis every year since 1992.

Owner

Each year, the survey is distributed by an internal consulting group to every ADOA employee.

Results

The response rate has been nearly 60% every year, with a 71% response rate this past year. The data is collected, compiled and analyzed at the program, division and agency levels. The results are shared with every employee through a number of different methods including newsletter, townhall meetings and strategic planning sessions. The results are also compared with other Arizona state government agencies. All of this information is used to assist in the development of strategic plans.

Customer Survey

Purpose

The customer survey helps ADOA identify the services that are important, or even critical, to its customers' operations. Also, the surveys tell ADOA how well it has been performing those services.

Description

An internal survey is distributed to determine satisfaction and importance of the 33 services provided internally to ADOA, e.g. Budgeting, Accounting, Payroll, Purchasing, etc. An external survey is distributed to the customers that are external to ADOA, the 100 state agencies, boards and commissions, to determine their level of satisfaction and degree of importance of the 76 services provided externally to ADOA.

Frequency

ADOA has been conducting a comprehensive customer satisfaction on annual basis every year since 1994.

Owner

Similar to the annual employee survey, the customer survey is distributed by an internal consulting group.

Results

The response rate for the internal survey has been 85% and higher and for the external survey has ranged from 58% to a high of 74%. The data is collected, compiled and analyzed at the service level. Similar to the employee survey, the customer survey results are shared with every employee. The results are used to assist in the development of strategic plan.

Service Measures**Purpose**

The purpose of capturing performance measurement information from the providers of services is to assess on a frequent basis operational performance. The key is on a frequent basis.

Description

Performance measures are tracked and monitored at the service level, and primarily focus on outputs, quality, and outcomes. Examples include; percentage of payroll payments requiring rework, cycle time for invitation for bids, customer satisfaction, cycle time to establish new positions, cycle time to issue a hiring list.

Frequency

The data is collected daily, weekly, monthly or project-by-project, depending on the type of measure.

Owner

The providers of the services.

Results

The measures are compiled and analyzed by the service providers on an on-going basis. They are also reported monthly to the internal consulting group. The internal consulting group prepares display charts, and the senior management team reviews measures on a monthly basis (discussing those measures that missed the target greatly and those that significantly exceeded the target). Key measures and indicators are published in the monthly employee newsletter.

Process Measures**Purpose**

The purpose of capturing performance measurement information from the processes is to assess opportunities for process improvement.

Description

Measures at the process level tend to be focussed internally and reflect HOW the process is working. Common measures are the timeliness of various portions of the process, and efficiency measures (work expended per unit).

Frequency

The data is collected daily, weekly, or monthly, depending on the type of measure.

Owner

Process owners

Results

The measures are compiled and analyzed by the process owners on an on-going basis. They are also reported monthly to the internal consulting group to be analyzed to assist process owners in the identification of process improvement opportunities.

After the first step of organizational alignment and the second step of selecting and integrating measures and indicators was accomplished, the **third step** was to actually use the information to drive improvement of performance. This required implementing a systematic process for tracking and reviewing the performance measurement data.

Tracking and Reviewing the Data

A common and simple-to-use tracking mechanism was established to capture all of the performance measures. By the 15th of each month, the divisions report the current levels of performance on an electronic spreadsheet and submit the data to the internal consulting group. This group is responsible for compiling the data into a master list and extracting the necessary reports to be provided for subsequent reviews by various parties. For example, each month ADOA reports to the Governor ten performance measures that indicate how well ADOA is performing and in some cases, how well state government is doing, e.g. state employee turnover rate. Senior management is also provided reports on a monthly basis, including measures aligned to the three agency goals, the measures reported to the Governor, and the measures for each of the enabling services. To provide management and its employees with a few key measures that indicate how well ADOA is doing overall, the performance measures for all 109 services it provides are rolled into two overall measures. These two measures are *percent of enabling service performance measures meeting targets and percent of enhancing service performance measures meeting targets*.

The diverse nature of ADOA and the variety of services that are provided makes the timely review of performance measures essential. This is accomplished by graphing performance measures in a standardized manner on charts. The charts are electronically linked to the master spreadsheet, therefore the data can be input quickly and easily, and the charts are automatically updated. Targets are established for each measure, and with a quick glance, anyone can see which measures are meeting their targets or falling short, and more importantly, detect trends of performance.

Every month, as a regular agenda item, senior management meets to discuss and review the performance measures. This is accomplished in a timely manner because group discussions only center on those areas where performance greatly exceeds the targets (internal sharing of best practices) or where targets are being missed (collaborative problem solving).

To ensure employees are kept aware of progress toward goals, key performance measures are published in the monthly employee newsletter and the Director also discusses them monthly in one of the weekly e-mails, which is distributed to all ADOA employees.

Conclusion

ADOA's performance measurement system has evolved over the years and is expected to continue to evolve. The challenge now is to continue improving upon the measures and enhance the deployment and usability of the data. Each year, through the strategic planning process, work units are challenged to improve their performance measures. Their goal is always the same: "What information do you need to manage the delivery of your service?" Consequently, there is a continual evolution of performance measures and the information becomes more and more relevant to the work units, the managers, and senior management. The agency is also in the process of converting the master spreadsheet of performance measures into a robust database that will allow all employees with access to the Local Area Network the ability to review performance of any work unit with a few clicks on the computer.