

Measuring Performance

A Reference Guide

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Alberta
TREASURY

Measuring Performance - A Reference Guide

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This book is not a how-to guide, but rather is intended to be a reference guide on measuring government performance in Alberta. The guide outlines the role and purpose of Alberta's performance measurement system and why Alberta has chosen to report publicly on its performance. The guide also defines some key terms, describes various types of measures, who should use which type of measure and when, the criteria for selecting measures, and guidelines to follow for public reporting.

The guide also discusses the role of performance measures within the context of the government's business planning process, and how measures can facilitate and enhance program delivery and management. This includes outlining the future direction for performance measurement in Alberta.

We want proof that our strategies are working and producing the results we want...spending money is no guarantee of results. Albertans expect that government resources will be directed to programs that work, that achieve the results we set out to achieve. And they deserve to have information so they can judge our actions and hold us accountable for the results.

Treasurer Jim Dinning

Introduction

Albertans have become increasingly concerned about the value they are receiving for their tax dollars. Government has often been portrayed as “wasteful”. Public backlash against increasing taxes and continual budget deficits has forced government to rethink its role and ensure that it is spending tax dollars wisely. The traditional approach of throwing money at problems is no longer acceptable. People increasingly expect fair value for their tax dollars. They also expect the services provided by government to be of top quality and to enhance their quality of life.

But how do we measure quality? In the past, government performance has generally been defined in terms of what it has done (e.g. amount of funding provided, number of kilometres of road paved, number of new hospital beds). But these measures focus on how “busy” government has been, rather than what it has achieved. Claiming success based upon program demand is not a valid indicator as there are usually no alternatives to publicly provided services. And tracking the amount of money spent to provide a service won’t indicate if the government is making progress in solving problems.

To address the fundamental questions of program quality and effectiveness, we need to determine whether government programs are improving Albertans’ quality of life. Determining value in those terms will likely require a qualitative rather than quantitative measure. As a case in point, Alberta has the lowest personal income tax rate in Canada and no provincial sales tax, but many Albertans still feel overtaxed. Determining the quality of Alberta’s transportation network may require assessing the relative ease of getting from point A to point B (in terms of speed, directness of route, road quality, etc.), rather than simply the structural integrity or cost per kilometre to construct and maintain the road.

Thus, assessing performance should focus less on program inputs (e.g. dollars, staffing) and outputs (e.g. grants, medical treatments), and more on the outcomes of government activity (e.g. safe communities, healthy Albertans). In short, we should try to determine what works, what doesn't and why. As we learn more, government services can be adjusted and available resources allocated to the programs that produce the best results. Given the reduction in available resources, it is important that programs be delivered **efficiently**, and imperative that they be **effective** in producing the desired benefits or results.

While this guide will discuss the importance of establishing a proper performance measurement system, performance measurement must be viewed as an integral component of the larger business planning process rather than a stand alone system. We want to know how well we are doing in achieving business plans goals, or at least determine if we're headed in the right direction. Maintaining this focus should improve the overall quality of government services, and thereby maximize the benefits to Alberta taxpayers.

If you don't know where you're going, you'll end up somewhere else.

Agenda '96

What is Performance Measurement?

Performance measurement is simply a method for assessing progress towards stated goals. It is not intended to act as a reward/punishment mechanism, but rather as a communication and management tool.

Performance measurement in government is not a new activity. Many departments already collect a wealth of information on their programs, but this information often focuses on inputs and outputs (e.g. funding per Full Time Equivalent student, monthly client caseloads, grants provided to various organizations). While this is important and useful information, the goal of instituting performance measurement in government is to shift the focus from the amount of resources allocated, to the results achieved with those resources.

Measures can serve a variety of purposes. First, they serve as a vehicle for communication. To the public, they signal the things that government deems important, and how the government should be judged. This is the essence of the government's accountability efforts. Second, they can serve as a motivational tool. To those within the organization, measures signal what is important, and what is necessary for success. Finally, measures can serve as a vital management and decision-making tool, providing information that can be used to make improvements in program design and service delivery.

With the recent major changes in the way government operates and delivers services, many existing evaluation models may no longer provide the information necessary to guide future actions. Therefore, new models may be required to determine whether programs continue to provide the intended benefits, or if remedial action is required. To facilitate that assessment, we need measurement

information to tell us if we're headed in the right direction.

Regardless of the information or insights measures provide, it is important to bear in mind that these are only indicators or gauges of performance. Performance measures are not a substitute for analysis and judgement. Determining the proper corrective action will require detailed

analysis of the process. An increase in the crime rate may not be perceived as significant a problem if all of the increase is in minor assaults, offset by a decrease in more serious offenses. Similarly, a decrease in the crime rate may not be cause for celebration if there is greater percentage of serious violent crimes being committed.

What gets measured gets done, and what gets recognized, gets done best.

Oregon Benchmarks

Why Measure Performance?

Success is often gauged by "we'll know it when we see it". The problem with this method, however, is that it does not provide any guidance for future actions. Also, it may be difficult to recognize success unless the question has been properly defined in advance.

three-year business plans in *A Better Way*. They included a definition of each ministry's core businesses, established goals for each of those core businesses, and presented strategies to achieve the goals. With goals established, a system was needed to indicate success in achieving those goals. That's where performance measures came into play.

Example

The Hitchhikers Guide to the Galaxy is the story of an alien race that builds a super computer named Deep Thought to answer "the ultimate question of life, the universe and everything". Several million years later, the computer announced that it had the answer, but admitted they weren't going to like it. Pressed, it stated the answer was 42. The problem was that the race needed to know the question in order to understand the answer. And determining the question was beyond the computer's capabilities.

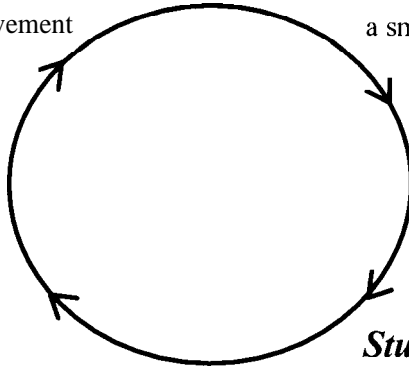
One of the major changes the Alberta government instituted in 1993, was a more business-like approach to government. Part of that change was the adoption of a multi-year business planning process. The 1993-94 Budget marked the release of the first set of

The following figure represents a traditional model for business planning. Performance measures constitute the *Check* phase of this model. The *Check* phase involves studying the results of the initial implementation of plan strategies, and determining what happened.

Plan - Do - Study - Act

Plan a change or test aimed at improvement

Do it (preferably on a small scale)



Study the results. What did we learn?

Act
- Adopt the change
- Abandon it
- Test again

Positive results can lead to full implementation. Mixed or negative results may require deciding whether to stay the course, make changes to the plan, or abandon the strategy altogether.

The circular presentation of the planning cycle is vital to understanding performance measurement. Measuring performance is not an independent activity, but an integral part of the overall

corporate planning/strategic management process. Planning/management should not be regarded as a linear production line process, with a start and finish, but rather as an ongoing continuous cycle.

Previous attempts to measure performance or use business planning have failed due to a lack of integration of the components, and not *Acting* after *Checking* what happened.

Accountability can be defined as an obligation to answer for the execution of one's defined responsibilities

1994-95 Auditor General's Report

Accountability Framework

One of the major reasons for implementing performance measurement in Alberta was the government's commitment to be open and accountable to the public. The government has

followed several recommendations by the Financial Review Commission and the Auditor General, designed to promote the public release of information on the financial condition of the province. This policy direction has since been enshrined in legislation under the *Government Accountability Act* (see Appendix C).

The *Government Accountability Act* sets out certain reporting requirements for the government.

The province must prepare:

- ◆ annual consolidated fiscal plans including consolidated financial statements and the economic assumptions used in developing the plans,
- ◆ three-year consolidated business plans mapping out the goals, performance measures and desired results for each core business,
- ◆ quarterly fiscal reports, and
- ◆ consolidated annual reports showing actual versus planned results.

The key government reports under the *Act* are the business plan/budget (*Agenda '96, Estimates*), the financial reports (quarterly forecasts, *Public Accounts*), and the performance results report (*Measuring Up*).

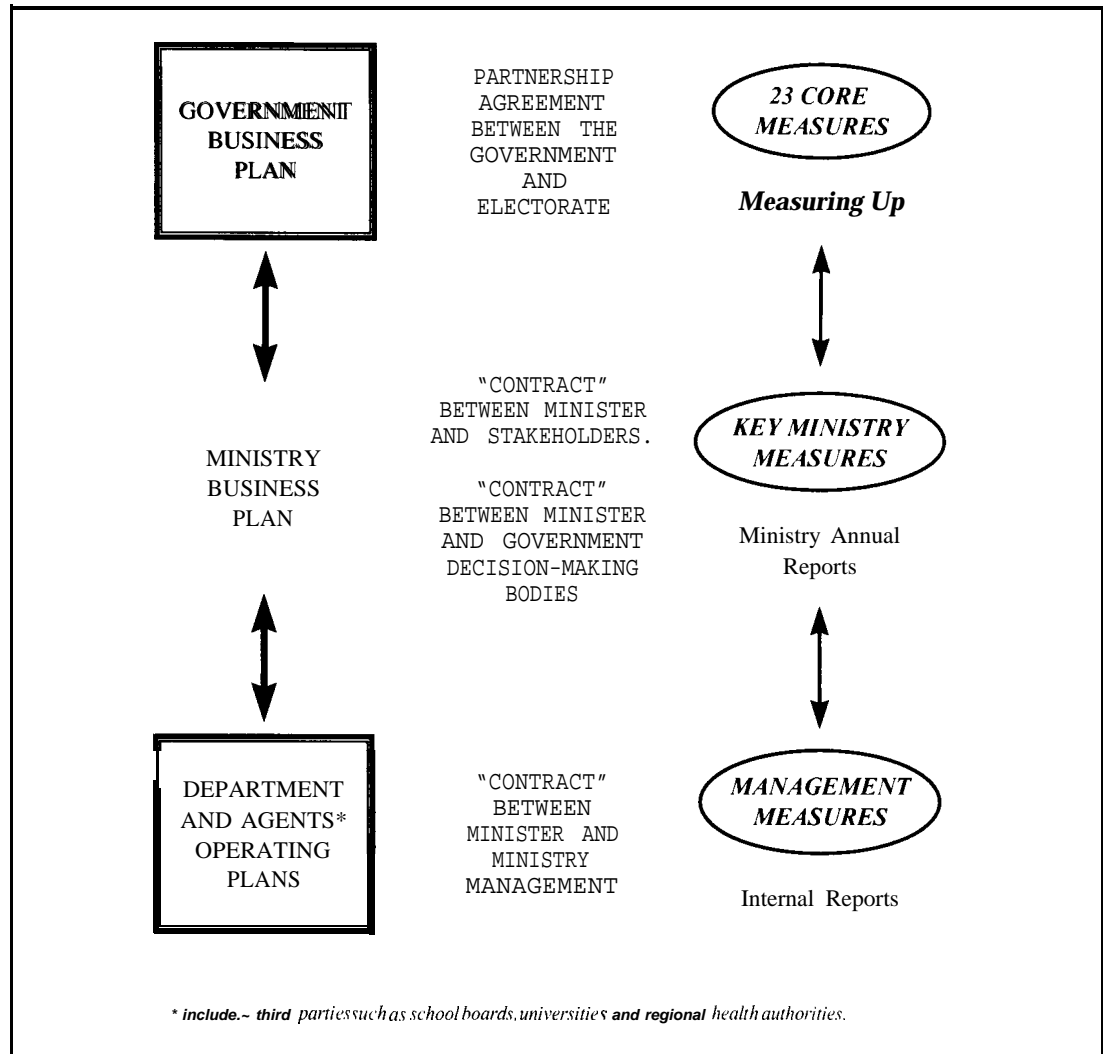
Ministries are required to provide similar information. Ministry business plans are included in the overall government plan (*Agenda '96*), but ministry annual reports are released after the government annual reports and contain both financial and performance results information.

Changes in the way government operates have created new accountability requirements. The government has said that it will “steer” rather than “row” and has transferred the delivery of some services from ministries to various third

party service delivery agents. The government prescribes the policies and standards to be followed by third party agents, and has “contracted” these organizations to deliver certain government services. The government is still ultimately accountable to the public for ensuring that services delivered by third party agents are being adequately provided. For example, the Minister of Education is the Legislature’s and government’s agent for education matters, and is accountable to the people for the education system, even though education programs are delivered by local school boards. This concept of accountability is captured in the middle portion of the framework diagram (see figure on next page).

The Minister regulates the activities of the school boards, in part by setting the curriculum and standards, but the local boards are accountable to the Minister and the public for day to day program/service delivery. From the public’s perspective, failure at this level is still considered the government’s responsibility, so the responsibilities of each party need to be clearly defined for proper accountability. This form of accountability is captured in the bottom portion of the framework.

Finally, the top portion of the framework reflects the traditional form of accountability between the government and citizens under our parliamentary system of government. The various accountability relationships dictate the need for different levels and types of performance measures.



The moment that managers start measuring performance, it will improve. As soon as performance is report, it improves further. We know that measuring and reporting performance will save a great deal of money and improve service.

Alberta Auditor General

Role of the Auditor General

The Auditor General has encouraged and supported the development of performance measures, recommending that the government establish a system for promoting effectiveness measurement. The Auditor General has played an important role in reviewing the first two

editions of *Measuring Up*, to assess the fairness of the reports and to ensure the accuracy of the information and methodology employed.

Currently, the auditor's review does not carry the exactness and precision of regular audits, but has been limited to validating background information, and deciding whether the measures are understandable, relevant and reliable. The Auditor General hopes that audit

procedures will develop to the point where an authoritative opinion can be offered.

To form a formal opinion, the auditor will assess whether the measures meet the basic characteristics set out in the Auditor General's booklet *Government Accountability*. In addition, a report setting out the results of certain special procedures carried out on the core measures included in *Measuring Up* has been published. In the interim, the Auditor General has offered recommendations in his annual report and management letters on the government's efforts to develop performance measures.

As the recommendations contained in the Price Waterhouse report *Financial and Performance Measure Reporting* are implemented by the government, future financial statements may include performance information, either through notes or schedules, or a separate section of the annual report.

The Government Business Plan

Agenda '96 outlines the mission, core businesses, principles and goals of the government. The core businesses are described as:

PEOPLE...helping people to be self-reliant, capable and caring through:

- ◆ lifelong learning
- ◆ excellent schools, colleges, universities and training institutes

- ◆ a healthy society and accessible health care
- ◆ basic support and protection for those in need
- ◆ supportive families and compassionate communities.

PROSPERITY...promoting prosperity for Alberta through:

- ◆ a dynamic environment for growth in business, industry and jobs
- ◆ a highly skilled and productive workforce
- ◆ an effective government that lives within its means
- ◆ an efficient system of roads, highways, utilities and public spaces
- ◆ new ideas, innovation and research.

PRESERVATION...preserving the Alberta tradition of:

- ◆ strong communities
- ◆ a safe society where justice prevails
- ◆ a clean environment
- ◆ pride in Alberta and strength within Canada
- ◆ strong values and culture.

The descriptions under each core business reflect certain desired states for the province, rather than focussing on what government does. Government activities represent "how" it will achieve these desired outcomes. Progress towards these outcomes for each of the core businesses will be monitored by the set of 23 core measures reported annually in *Measuring Up*.

We will shine the spotlight on our strengths and weaknesses. And we 'll use what we learn to get it right . . . to stop doing things that don 't produce the results Albertans want.

Jim Dinning

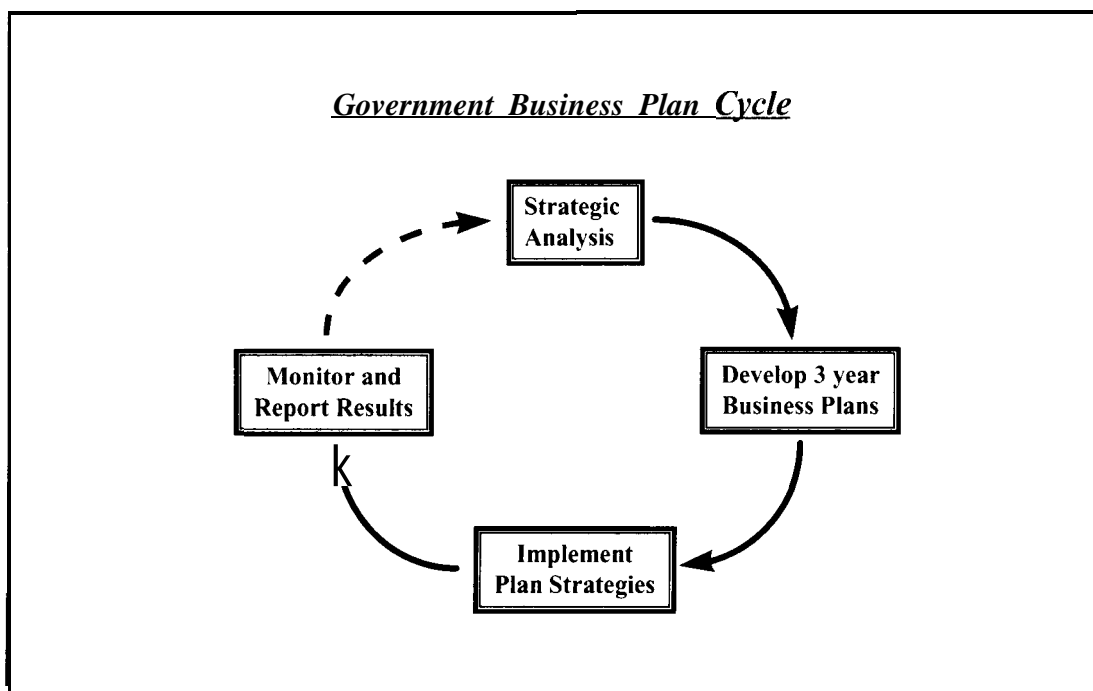
Managing for Results

Up to now we have focused on the accountability/reporting aspect of performance measurement. While it is important to monitor the results of implemented strategies, measurement information should also serve as a program management tool. Performance measures are a method for assessing progress towards stated business plan goals, and form a critical component of the larger business planning process (see figure below).

While Alberta's fiscal performance since 1993 has been impressive, the financial figures only tell part of the story. If government restructuring is to produce positive benefits for Albertans, we need

to ensure that Albertans are receiving the best results and the best value for their tax dollars. That means the quality of priority programs must be as high as possible. To achieve business plan goals and maximize the effectiveness of government programs, we need to know what works, what doesn 't and why. Once we know that, we need to act upon that information.

That means strengthening the link between the monitoring/reporting phase and the strategic analysis/planning phase. by using the results information obtained to enhance the efficiency and effectiveness of government programs. Eliminating the waste of available resources on programs that don 't produce the desired return on investment ensures that remaining programs are effective and efficient,



Measuring Performance

This guide is not intended to be a how-to manual. How to develop specific performance measures will depend upon the activity to be measured. However, here are a few guidelines to keep in mind.

healthy compared to others their own age. The definition of “healthy” is left up to the respondent. While it may be useful to define “healthy”, there are other medically based objective measures available to supplement self-assessed population health (e.g. incidence of disease, life expectancy at birth, disability due to illness). Using the subjective measure of self-assessed health allows us

Checklist

- ✓ Do the measures cover all areas where the government/ministry is trying to achieve results (i.e. its core businesses)?
- ✓ Are the measures easy to understand (would they make sense to the average Albertan)?
- ✓ Will the measurement information help us to make better decisions (do they measure something that matters)?
- ✓ Do the measures focus on success (tell us if the government’s programs are working)?

In developing appropriate measures, it is critical to remember that measures are part of the overall business planning process. Measures should be linked to the core businesses, goals and strategies identified in the business plan. Once the organization has defined what its core businesses and goals are, some measures should develop naturally. For example, if the goal is sound financial management, probably the simplest, most intuitive measure is the annual surplus/deficit.

While creating measures may not be easy, many represent intuitive judgements already made about program quality. Why is this program important? Is this program helping people? What would happen if this program didn’t exist? The difficulty may lie more in quantifying “good” or “helpful”, or selecting a single measure which captures all that information.

For example, population health surveys basically ask people whether they feel

to cut to the heart of the matter and captures all the intuitive judgements people already make about how to measure health, including both the clinical and holistic aspects. In this situation, it may be advantageous to develop a suite of measures to convey population health, of which self-assessed health would represent the overarching measure.

Performance measures are also intended to communicate to the organization what is important or necessary for success, and should be developed by those responsible for the program. The reason for this is twofold. First, those most responsible for a program are also likely to be the resident experts, and the best equipped to determine what constitutes good performance. Second, if the measure is to communicate to and motivate people, the measure should be something they can identify with, something which means something to them. As such, it should in some way define who and what

they are as a unit, and what they believe their program is all about.

But perhaps the most important point to bear in mind is that **developing performance measures is an iterative process**. It is unlikely that suitable measures will be developed on the first try, and will likely require several

revisions to find measures which provide adequate information. Going through the process may be just as important as developing the final measures, as it will serve to clarify people's thinking on the subject and reveal the strengths and limitations of alternative measurement strategies.

Guiding Principles

- ⇒ Focus on results — determine the effects programs are having rather than measuring what has been produced.
- ⇒ A few key measures per ministry — provide a snapshot of the ministry's performance for its core businesses.
- ⇒ Measures developed by ministry program officials — programs officials know their business the best.
- ⇒ Measures owned by ministries — ministries held accountable for the measures they develop and the results they achieve.
- ⇒ Measures should be free from bias — report both good and bad performance.
- ⇒ Work with the Auditor General — to ensure the selection of valid and objective measures.

Types of Measures

There are a number of different ways to measure performance. The four main types of measures fall under the categories of input, process, output and outcome.

Input measures refer to the resources allocated to various programs (e.g., funds, personnel, equipment, supplies). Input measures are important for determining the cost of providing certain services and analyzing the effect on service quality if the level of resources changes. Tracking inputs should enable improved allocation of resources to meet program demands.

Types of Measures

- ◆ **input measures** (number of hospital beds, number of student spaces)
- ◆ **process measures**
 - **activity-based measures** (number of hours worked, number of applications received)
 - **efficiency measures** (cost per medical procedure, cost per student)
- ◆ **output measures** (number of operations, number of graduates)
- ◆ **outcome measures** (healthy Albertans, highly-skilled workforce)
 - **intermediate outcome measures** (improved patient health, graduates employed)

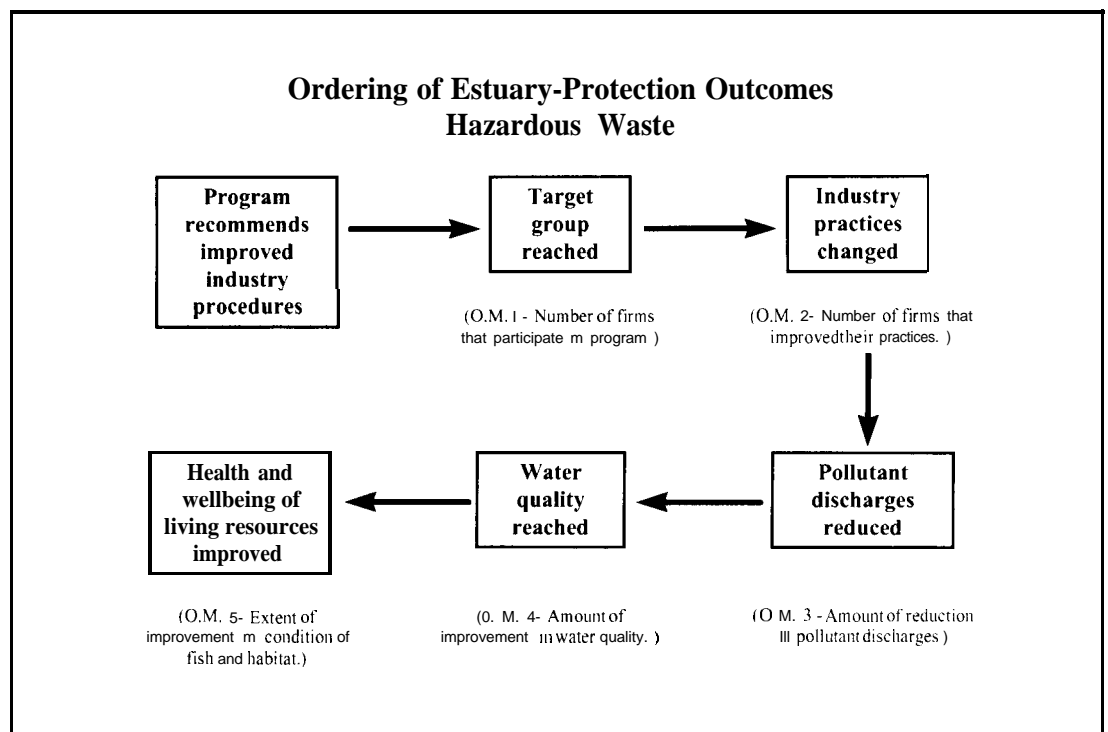
Process measures monitor the organization's activities. **Activity measures** relate to how "busy" the organization is, reflecting the level of demand for government programs. The volume of work and the amount of time required to render service are important in assessing program quality. **Efficiency measures** track the cost of providing service on a per unit basis. Process improvement initiatives typically focus on either speeding up response times or reducing per unit costs. Note that cost efficiency (how cheaply a service can be provided) is not the same as cost effectiveness (which method provides better results at a similar cost).

Output measures represent the level of service provided by a program. These have often been used as indicators of government performance (e.g. kilometres of road paved, number of grants provided). While output measures provide valuable information, they fail to indicate whether the government is achieving broader goals (e.g. good transportation system, safe place to live). To measure success in achieving these

broader goals, we need to look at outcomes. **Outcome measures** focus on the desired results of government actions, (e.g. percentage of Albertans who feel healthy, percentage of Albertans who feel safe from crime).

Developing suitable **outcome measures** can be difficult and complicated by the fact that the results may not be known for several years (e.g. educating children takes thirteen or more years). In these situations, it may be necessary to measure the intermediate steps towards achieving the desired outcome. **Intermediate outcome measures** are short-term oriented and represent "landmarks" to be reached along the way (e.g. percentage completing each grade, percentage achieving acceptable scores on provincial examinations). The figure below illustrates how intermediate measures were used to track the progress of a long-term project to clean up and restore the health of an estuary in Florida.

An alternative to intermediate measures is the use of proxies. Proxies may be used to measure certain outcomes, particularly



where the result is difficult to measure (e.g. students have the knowledge necessary to succeed), or the information is costly to gather. For example, health of an ecosystem can be very difficult to assess given the complexity of the system, but the health of certain plants or animals (e.g. spotted owl), may be directly related to the quality of their habitat and serve as an appropriate barometer for the entire ecosystem.

Finally, a variation on outcome measures is that of the quality of service provided. Service quality has become increasingly

Use of Measures

Each type of measure provides a slightly different perspective on organizational performance and therefore will be important to certain audiences. Selecting the appropriate measure will depend upon the intended audience and their particular information requirements. Determining the proper type of measure will also depend upon the activity being measured. Performance measures typically relate to a particular component of the business process (see figure below).

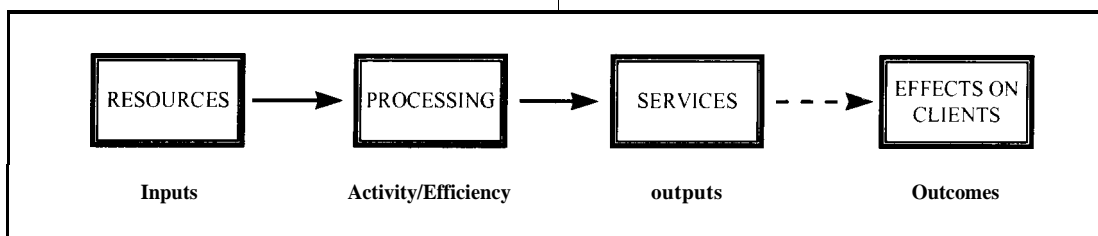
Historically, governments have focused their attention on inputs and outputs as evidence of good government. We want to expand the scope of measures used, so that they reflect all aspects of government performance. Shifting the focus from what government does, to the outcomes of its activities, will hopefully result in successful implementation of the business

important as the government strives to adopt a customer service philosophy. Some of the key measures of customer service are:

- ◆ **Reliability** — consistent performance
- Responsiveness** — timely service
- Credibility** — having customer interests at heart
- Empathy** — attention to customer needs
- Appearance** — physical evidence of service

plan. While government cannot directly control outcomes, it does attempt to achieve certain desired results through the outputs of its various programs.

While the primary focus is on **outcome measures**, the other types of measures play a vital supporting role. **Input measures** describe the resources required to achieve results, while **activity measures** indicate the level of demand for services and can be used to estimate the amount of resources required. **Efficiency measures** describe the costs of achieving a successful outcome on a per unit basis, and **output measures** report on the level of service provided in attempting to achieve certain results. All of these measures taken together provide a comprehensive picture of program performance, which is necessary for program management (see the Alberta Alcohol and Drug Abuse Commission example on the next page).



**Alberta Alcohol and Drug Abuse Commission
Community Outpatient and Education Services**

	Prevention and Treatment	Outpatient Counselling	Adult Day Treatment	Adolescent Day Treatment
Input	\$3,922,827	\$6,342,289	\$748,687	\$894,534
Activity	hours of counselling	hours of counselling	hours of counselling	hours of counselling
Time to Access	On demand	1 week	1 week	Immediate
Efficiency	\$32.84	\$328.21	\$562.50	\$5,082.58
Output	119,452 contacts	19,348 admissions	1,331 admissions	176 admissions
Outcome	Under development	Under development	75% abstinent 68-78% improved functioning 78% very satisfied with services	Under development
Notes:	1. Outputs are expressed in terms of admissions as treatment end points are difficult to determine, but are deemed to be generally equivalent. 2. Time to access is important from a customer service perspective.			

Criteria for Selecting Measures

Selecting which measure to use is part art and part science. The choice of measures will largely depend upon the intended

audience and what they want to know. The key criteria which measures should meet are outlined below.

The primary focus of the government’s performance measures is for public reporting purposes. Therefore, the foremost consideration is that the measures and the information they provide be clear and easy to understand.

Key Criteria

- ⇒ **Understandability** — the measure and information are clear and easily understood by the public, and sufficiently explain how performance is being assessed.
- ⇒ **Relevance** — the measure is an accurate representation of what is being measured. The information presented is timely and directly related to the subject matter.
- ⇒ **Reliability** — the information is free from error, unbiased and complete. Also, the results can be duplicated by others using the same information and methodology.
- ⇒ **Comparability** — results can be compared to other years or to similar organizations.

Measures should be intuitively understandable or provide sufficient background information to enable the average Albertan to see the relationship between what is being monitored and how it is assessed.

The public should have confidence that the measurement information is accurate and has not been manipulated to put the best face on the results. To that end, the Auditor General conducts performance audits to ensure the reliability of the measurement methodology and data. The use of third party information (e.g. Statistics Canada) also helps ensure the objectivity of the data, and can provide comparable data between like situations.

An extension of the reliability characteristic is that the measure should relate closely to what is being measured, rather than what is convenient. For example, funding per student is easy to track, but does not equate necessarily to quality of education. Quality education should relate to what students learn and their level of achievement.

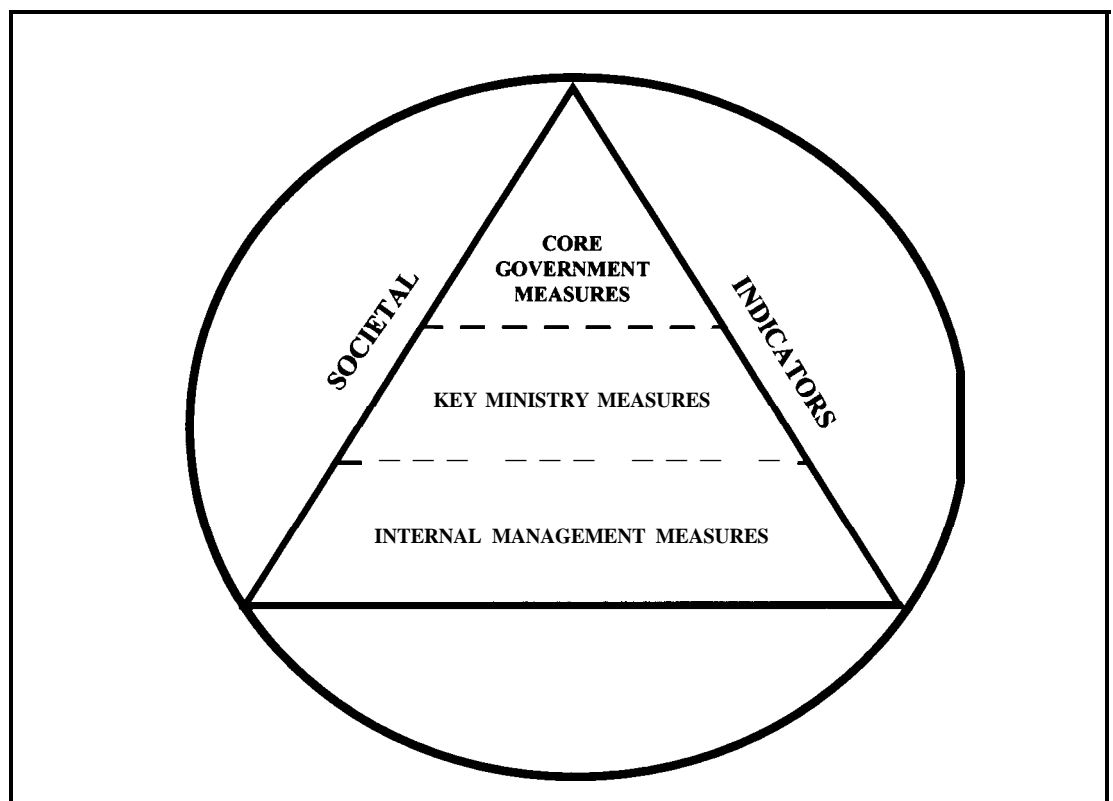
The following criteria should be considered when developing and selecting performance measures. While some measures may not satisfy all of the criteria, especially if they are proxies, they should conform as much as possible.

- ◆ Do the measures relate to the stated core businesses and goals?
- ◆ Does the measure make sense and is the wording understandable?
- ◆ Does the measure really indicate the effects government intends the program to have?
- ◆ Is the outcome measured at least partially within the organization's ability to influence?
- ◆ Can the measure show the extent to which goals have been achieved?
- ◆ Is the data accurate and can the information be collected over time on a consistent basis?
- ◆ Has the data been impartially gathered and analyzed?
- ◆ Will the measures be valid for more than one period without significant changes?
- ◆ Do the measures allow for comparisons with past performance, other organizations, other jurisdictions?
- ◆ Can others using the same data arrive at similar results or conclusions?
- ◆ Is the cost of collecting the information reasonable?
- ◆ Do the measures provide performance information on ministry/government priorities?
- ◆ Will the information be available on a timely basis?

The Structure of Alberta's Performance Measurement System

The province's performance measurement system is structured in a tiered format, with different categories of measures used to report on performance (see figure below).

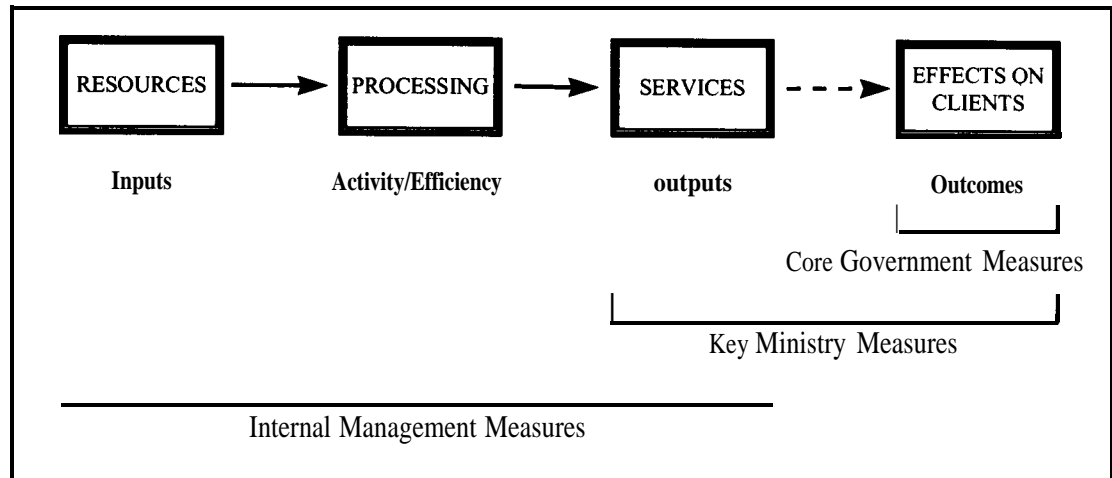
The second tier is the respective **key ministry measures**. Each ministry has selected several key measures to provide Albertans with an overview of the ministry's performance for its core businesses. These measures focus on the outputs and outcomes of ministry policies and programs, and provide background information which feeds into the core government measures. **Secondary measures** may provide supporting information to help readers understand the key ministry measures, or provide macro level information on non-core businesses.



The first tier consists of the **core government measures** which are reported in *Measuring Up*. These represent macro level measures and report on high level outcomes that are priorities of Albertans. The core measures track the government's performance in its core businesses of *People, Prosperity, and Preservation*, and focus on the results of the government's activities.

The third tier is the **internal management measures** which provide 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 may also be used to monitor the performance of "contracted" third party delivery agents.

The figure below presents the “scope” of each level of measure.



Finally, **societal indicators**, form a backdrop for the other measures and provide an overview of Alberta society, tracking important trends about Albertans’ quality of life.

Measuring Up

Measuring Up is the province’s annual accountability report to Albertans on its performance. The report is a collection of 23 core government performance measures indicating how well the province is doing in achieving certain global goals such as matching Japan’s life expectancy rate (currently number one), sustained economic growth of 4 to 6% annually, and reducing Alberta’s crime rate to below the national average. The measures convey to the public and stakeholders in a simple, clear and honest way, the impact government programs are having, and if they are being delivered in the most efficient and effective way.

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. While the core government

measures report on the macro picture, ministry measures focus more on the effectiveness of specific programs. 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. The amount of influence each program will have on a particular core measure will vary widely.

For example, health programs have a major impact on *Life Expectancy at Birth*, but so do workplace safety regulations (Labour), family support programs (Family and Social Services), recreational programs (Community Development), and traffic safety (Transportation and Utilities). While Health may have the most direct impact on this measure, it is not deemed to be solely responsible for the province’s performance in that area.

Measuring Up also includes a series of societal indicators which track important trends in our society, such as education, health and **wellness**, social investment, and human capital. These trends collectively provide information on the overall quality of life in Alberta.

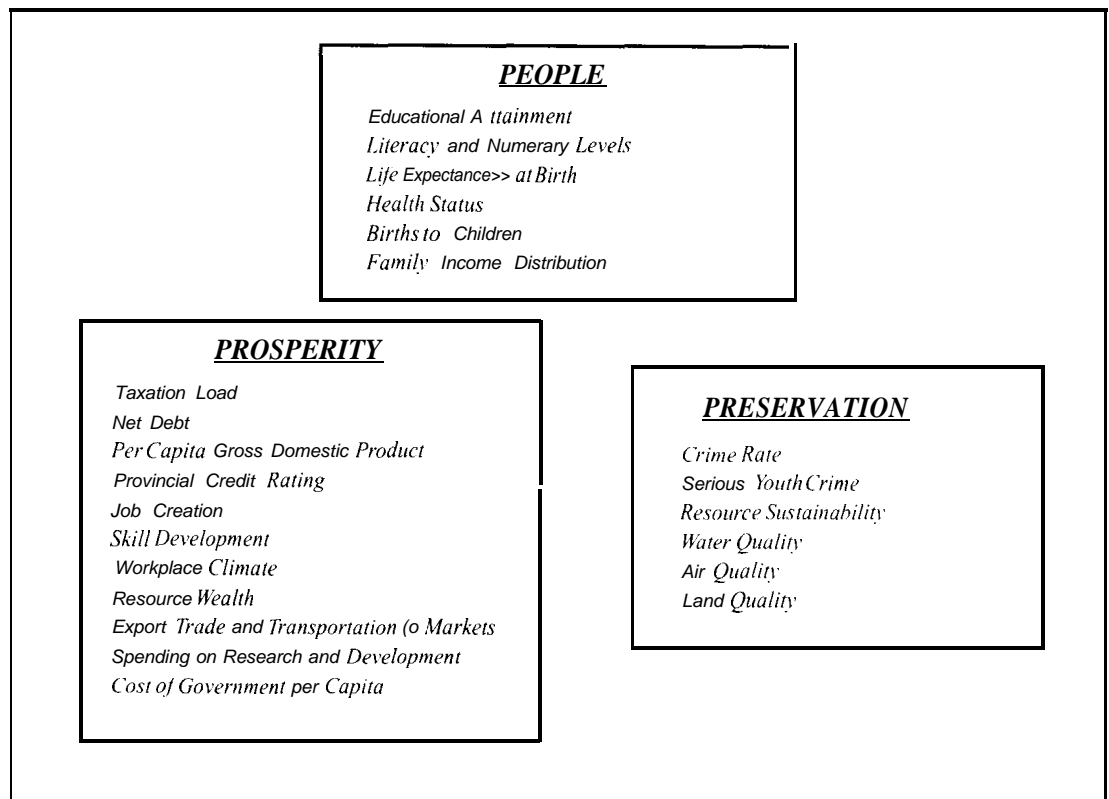
Core (Government Measures

The core government measures are selected by Treasury Board to track the government's performance in achieving its goals under the three core businesses of *People, Prosperity* and *Preservation*. Changes to the set of core measures are reviewed and approved by Treasury Board as part of the annual business plan review process. There are 23 core government measures included in the 1996 edition of *Measuring Up*.

achieved, targets for performance, and the related ministry strategies. The *Life Expectancy at Birth* measure is shown on the next page for illustration.

The core measures provide quick basic information about the government's performance in a particular area. Using this information, decision makers can quickly assess whether programs are on track. The ministry measures included in ministry annual reports provide the more detailed information necessary for decision making if program changes are needed.

Improving government performance in these areas requires a concerted,



Each measure reflects the government's priorities and provides information upon which the public can judge the government's performance. Information provided through the core measures includes statements about which government goal is being measured, a description of the measure, the results

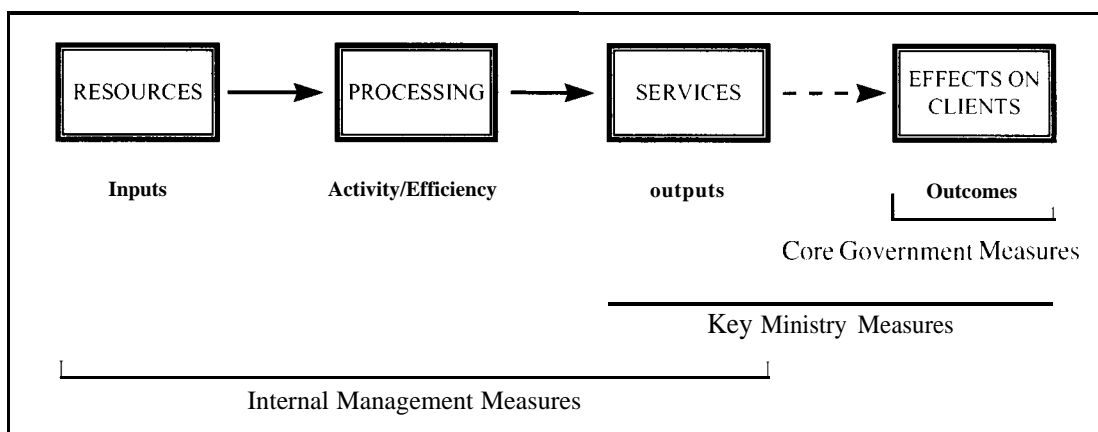
achieved, targets for performance, and the related ministry strategies. The *Life Expectancy at Birth* measure is shown on the next page for illustration. The core measures provide quick basic information about the government's performance in a particular area. Using this information, decision makers can quickly assess whether programs are on track. The ministry measures included in ministry annual reports provide the more detailed information necessary for decision making if program changes are needed. Improving government performance in these areas requires a concerted, coordinated effort by all ministries, particularly with the increase in community-based initiatives involving multiple ministries. Recognizing the action/interaction effects of ministry strategies is expected to improve the overall effectiveness of government programs.

**Deliberately
Blank**

Ministry Measures

Ministry performance measures are developed and selected by ministries as indicators of success in achieving the goals outlined in their business plans. Measuring performance at the ministry level will involve a variety of different types of measures, as there will be a broader audience and greater practical application of this information (see figure below).

information to help readers understand what the results mean, and the policy options available. For example, reporting that 98% of timber harvest area meets provincial reforestation standards only scratches the surface of understanding whether our forest resource is being properly managed. Successful reforestation involves numerous factors such as general climatic conditions, disease, pests, fire, seedling and planting quality, not all of which are within the ministry's control. The information provided by these measures is necessary for informed decision making if the



The **key ministry measures** provide Albertans with a macro level overview of the ministry's performance in achieving the goals laid out in its business plan. Generally, key measures provide important trend and results information for comparison to desired performance targets. These measures focus on the outputs and outcomes of ministry policies and programs, and provide background information which feeds into the core government measures. Monitoring the effects of programs will assist in their management, and may provide vital information in determining the "cost" of alternative strategies if existing strategies prove ineffective.

As the key measures provide high-level information, **secondary measures** may be required to provide supporting

adoption of alternative forest management strategies is under consideration.

The third tier is the **internal management measures** which provide 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 operations. They may also be used to monitor the performance of "contracted" third party delivery agents. Delivery agent performance measures will likely involve a variety of measures, as they often produce the outputs designed to influence outcomes.

Defining appropriate measures for monitoring the performance of third party agents will vary depending upon the

nature of the relationship. Contracted service agencies may only be required to adhere to certain stipulated operating standards and procedures. Others such as regional health authorities may have the discretion to define their own operating procedures, subject to compliance with overall provincial standards. If third party provider funding is based in part upon their performance (e.g. Advanced Education and Career Development's post-secondary institution performance based budgeting initiative), negotiating appropriate measures and standards with the agents is necessary if the measures are to motivate improved performance (just as ministry measures are unlikely to motivate unless developed by those directly affected). Consultation may also enhance the quality of the measures and ensure that they focus on the appropriate issues.

Ministry Performance Reporting

The requirement for ministry reporting is outlined in the *Government Accountability Act*, and includes the release of performance information within the ministry's business plan and annual report.

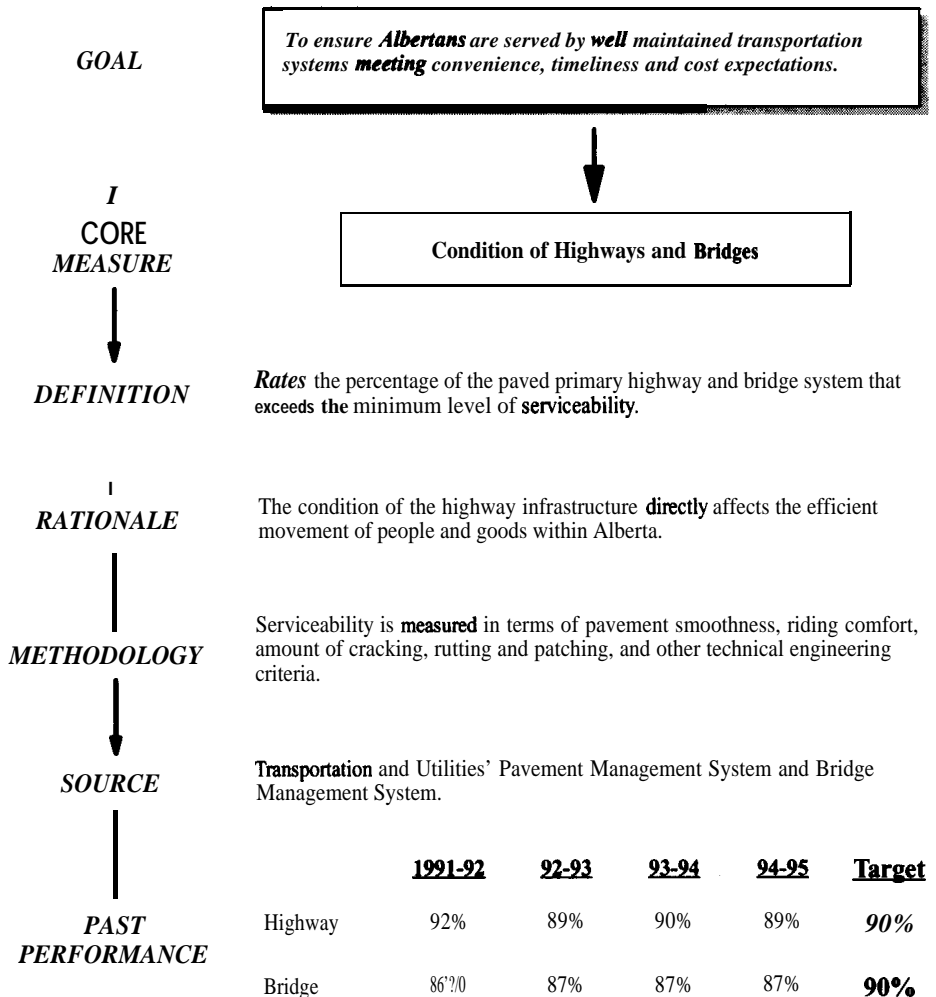
Including performance measures in the business plan provides the public with information on which to assess performance. Details on how the ministry's strategies will help in achieving stated goals (monitored by the key ministry measures), and how strategies will affect the core government measures, should be included. Targets for expected performance should be 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 should focus on actual versus planned results for ministry goals, as they constitute the accountability side of business planning. Is the trend positive or negative? Why did the results vary from the target (good and bad)? What external factors influenced the outcome? Within the report, the limitations of public policies and programs can be explained, as well as the options available for improving future performance.

The table below lists elements which should be incorporated into ministry performance reports to ensure that readers are provided with sufficient information to comprehend the results.

Goals	Define ministry's goals and how they contribute to achieving its mission.
Definition	State what is being measured.
Rationale	State why the measure selected is an appropriate indicator. If the measure is a proxy, state why it is a good proxy.
Methodology	State how the measure was derived or calculated.
Data Source	State where the information was gathered from.
Target	State what the target is and why it has been selected. If the target has not been achieved, explain why and how performance will be improved.
Past Performance	State what the ministry's performance for that measure has been to date.
External Factors	State what external factors may affect the outcome and the extent to which the ministry has "control" over the outcome.

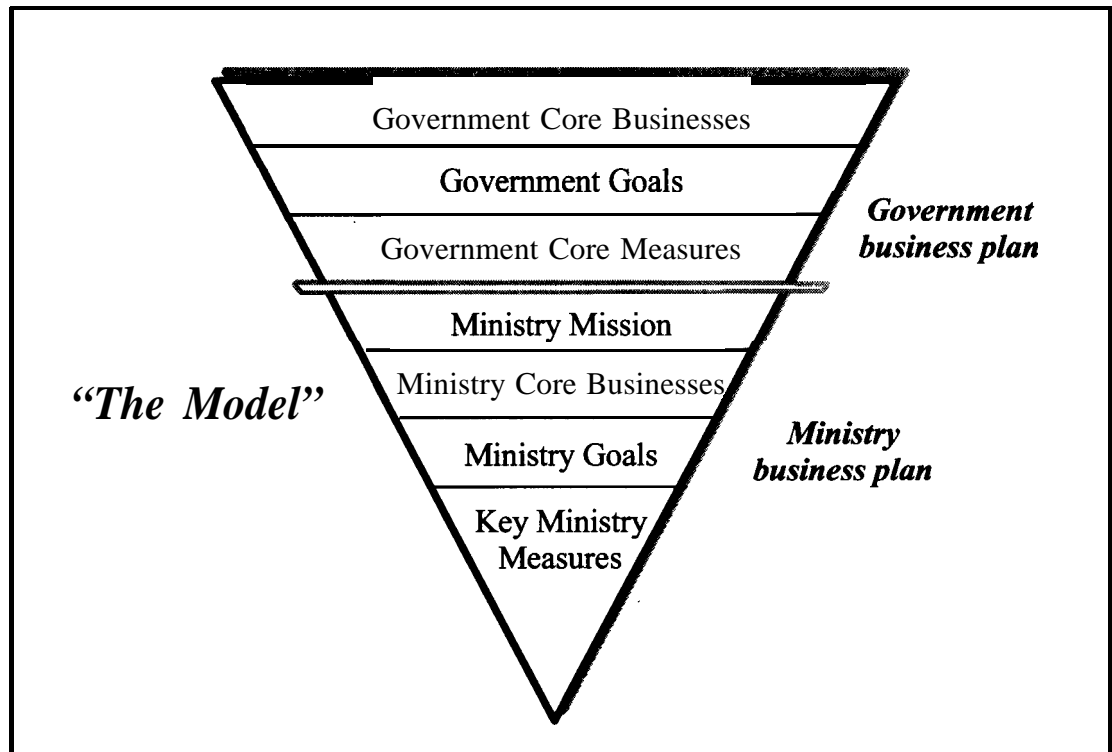
Transportation and Utilities Key Performance Measures



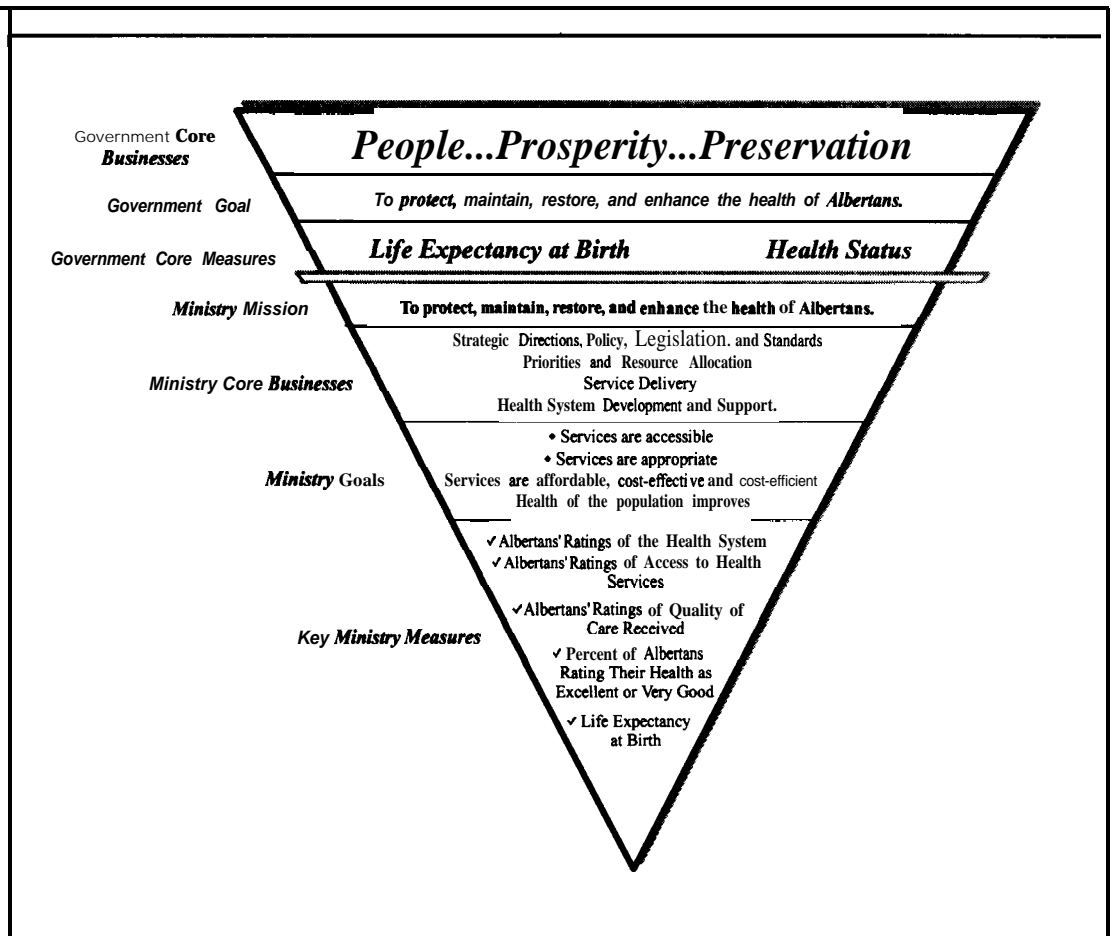
Relationship Between Government and Ministry Business Plans

The figure below illustrates the interrelationship between the government and ministry business plan goals and performance measures.

through a bottom-up synthesis of the ministry plans. However, as the government's priorities and objectives change over time, coordination between the two levels will become increasingly important. The figure on the next page uses the Ministry of Health to illustrate the interrelationship between the government and ministry plans.



Overall government performance is by and large a function of individual ministry performance. Based upon the overall goals adopted by the government, individual ministries are “charged” with implementing certain policies, strategies and programs to achieve the desired outcomes. Therefore, consistency between the levels of plans is essential. Up to now that has not been a problem as the overall plan has essentially evolved



Societal Indicators

Societal indicators track important trends in Alberta society. These trends provide important information about our quality of life, and the way we live, work, and do business. They also provide information on our values and beliefs, the strength of our families, our sense of community, and the importance of our environment. As a reflection of what **Albertans** value and believe, societal indicators provide an important contextual framework for understanding the portfolio of core government and key ministry measures.

Societal indicators reflect who and what we are as Albertans, and how we define **quality of life**, by revealing what is important to us. Just as customs lack significance without a historical context,

so too interpreting performance depends in part upon knowing what society's values are, and the key trends of change that are shaping society.

Keeping track of these societal trends will help identify potential future problems and prepare us for change. It can also help us understand why our programs are or are not effective, as environmental factors can enhance or negate the effects of government programs.

For example, public attitude towards drinking and driving may contribute more to the reduction in alcohol related traffic accidents than Checkstop programs. It may also increase the success of substance abuse programs. Conversely, declining exercise participation rates can have detrimental **effects** upon general **population health**, increasing the demand for **medical** services. General aging of the population will also result in increased

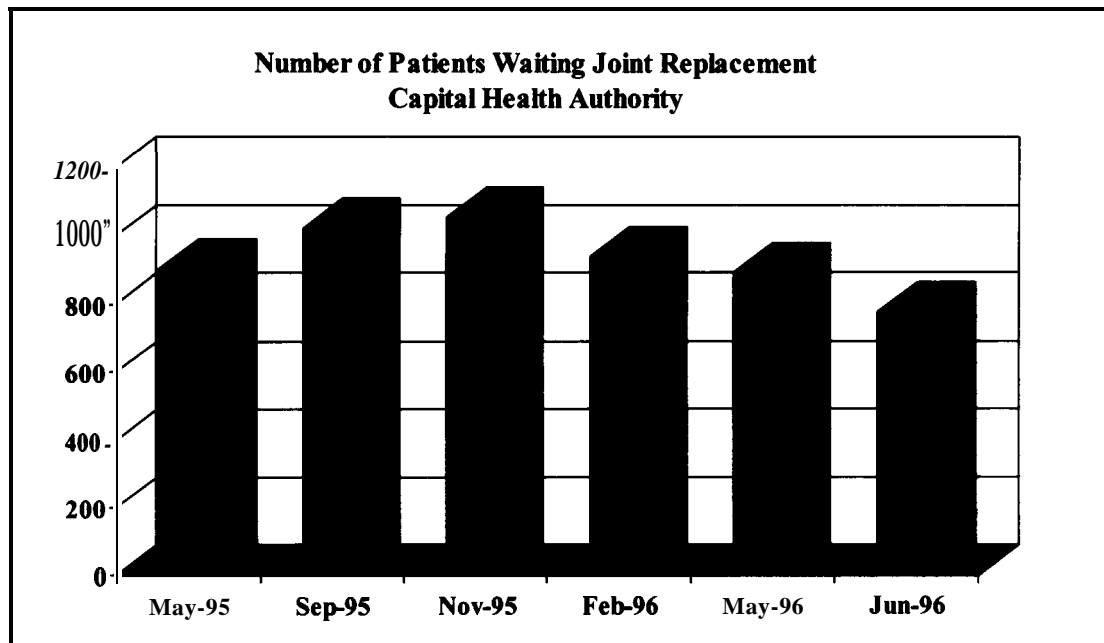
emand for medical services, and may result in a shift in priority from children's programs to adult and elderly programs.

Watchlist Measures

Throughout the process of restructuring government, certain issues like health and education have stood out as being of top priority for Albertans. It is our intention to create a "watchlist" of measures for areas experiencing poor performance where some form of corrective action has been taken, or areas deemed as government priorities. For example, the *Health Status* core measure could become part of a watchlist, as the whole area of health care continues to be a priority for Albertans.

Watchlist measures will typically be drawn from the core government or key ministry measures, as they should encompass most priority areas. However, where measures do not exist, in the case of new and emerging issues, specialized measures may be adopted. For instance, waiting times for certain medical treatments are often cited as being a concern, although neither the government nor the ministry have adopted this as a key measure. That information is currently being reported at the regional health authority level (see graph below).

It is expected that the watchlist will not remain static over time, but will reflect either the success of program changes, or changes in Albertans' priorities. For example, the provincial deficit was a major concern to Albertans in 1993 and would likely have been included in a watchlist at that time, but would likely not warrant such attention in 1997-98,



A perfectly executed process is a waste of time and money if it fails to achieve the outcomes desired.

**Reinventing Government
- Osborne and Gaebler**

Why Focus on Results?

Government has long been faulted for being unable to provide some kind of violence of its performance. Whereas the private sector points to profit as the ultimate measure of its success, government has no such equivalent, except perhaps the government's electoral success. But this indicates almost nothing about the quality of programs provided. In fact, the word quality is rarely associated with the term "government service". So how should the government measure success?

We need to be able to answer two questions, "*Did the program/service make things better for Albertans ?*" and "*Did the government's activities help achieve the desired results?*"

Measuring performance in terms of inputs and outputs can't answer whether government programs are effective in addressing the problems of child abuse and juvenile crime, or whether the quality of health care and education has improved. Therefore, Alberta's performance measurement system was designed from the perspective of focusing on the outcomes of government actions in terms of the effects of programs and policies upon the general populace.

THE BOTTOM LINE

Budget

+ FTEs

+ Program Policies

+ Program Services/Outputs



**DID THE PROGRAM
CHANCES MAKE FOR A
BETTER ALBERTA?**

Example

Part of Transportation and Utilities' mission is to ensure an effective transportation system. But dedicating its resources to paving 1000 kilometres of road each year, may not improve the overall effectiveness of the transportation system, as it would neglect the importance of air, rail and other modes of transportation. Our performance measurement system needs to be able to answer the question, "is paving 1000 km of road each year the most effective way to improve Alberta's transportation network?"

The government's objective is not simply to measure results, but to improve on them.

Using Performance Information

Up to now, the focus for performance measurement has been on accountability. But measures can also provide valuable information that can assist managers in managing their programs. The information they provide is important not just for knowing where we've been, but also for helping to decide where to go from there. By identifying the key determinants of success and their relative influence upon an outcome, appropriate strategies can be designed to achieve our goals

One of the problems encountered as part of government restructuring is that the non-financial effects of restructuring are still unclear. While the level and quality of service for many programs has been redefined, it is still uncertain whether this is the right level. Especially important is determining whether programs are underperforming due to inadequate resources, or if reallocating resources to other programs may be more effective in producing the desired results. Performance based budgeting may assist in this analysis.

Another benefit of performance measurement is that it can help avoid the distraction of multiple objectives. Some programs suffer from trying to be all

Even the best performance information is of limited value if it is not used to identify performance gaps, set improvement targets and improve results.

Agenda '96

things to all people, even to the extent of having conflicting objectives. Clearly defining what is to be achieved and what needs to be done to get there can assist all parties in focusing strictly on the task at hand. As illustrated earlier in the estuary protection program diagram (page 19), a certain "chain of events" needs to occur to restore the health of the habitat. While other objectives may be quite valid and commendable on their own, program efficiency and effectiveness will be maximized by focusing on achieving the landmarks set out in the plan.

Similarly, clearly defined performance objectives will enhance communication for those inside and outside the organization. Internally, staff will know what is necessary for success. Externally, to the extent that others need to cooperate in order to achieve the goals, particularly in the case of partnership initiatives, they will know what actions are desired. An extension of this is that each ministry can identify the strategy interaction effects that will either help or hinder the achievement of their goals. This will be increasingly important given the emphasis on partnerships (both internal and external to government), and the need for cooperative arrangements between government organizations to minimize wasted effort.

Even the best performance information is of limited value if it is not used to identify performance gaps, set improvement targets and improve results.

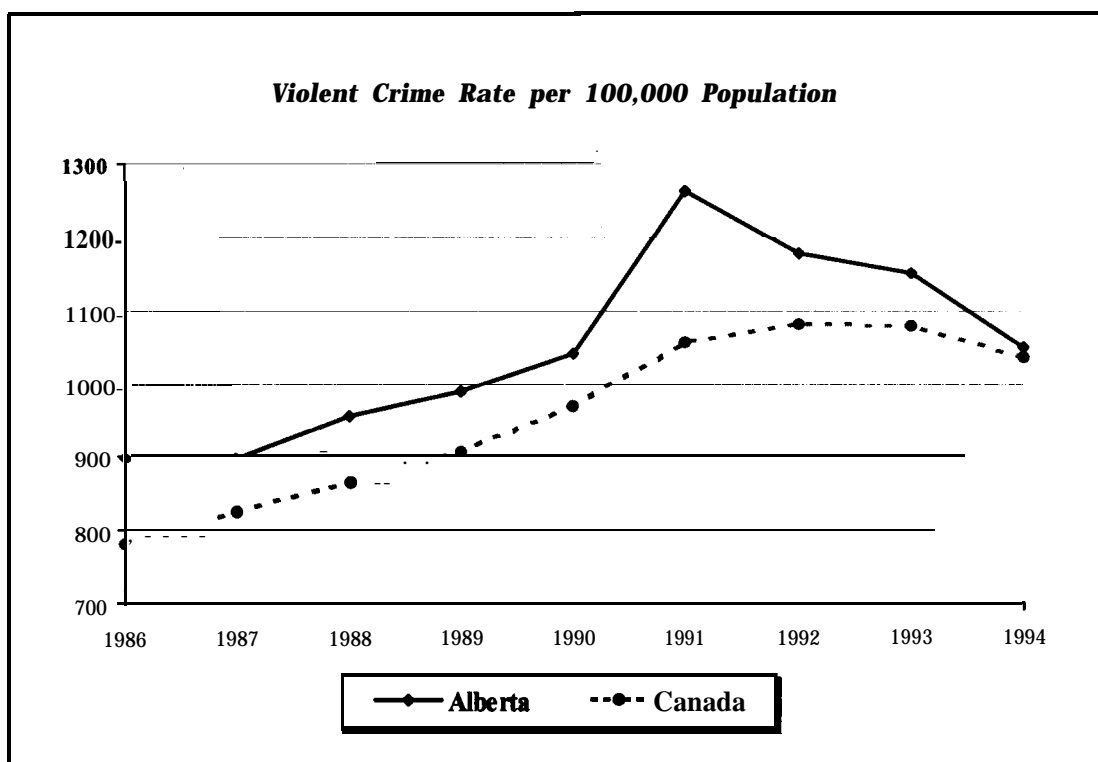
Analyzing Measurement Information

Performance measures are used to report on what has happened in the past. The Public Accounts represent the traditional form of government reporting and provide interesting historical financial information, but its ability to provide guidance for future decision-making is limited without some context.

Measures are used to track progress towards goals. Progress can be monitored in terms of trend direction (increasing/decreasing), amount of change (growth/reduction), or in relation to defined targets (gap between actual and target). Comparing actual performance to what was planned will indicate our progress and provide information upon which to base our future actions.

Measures may be relative to previous performance. Historical information is used to establish a baseline, against which future performance will be judged. In cases where program policies or method of delivery have changed (e.g., Supports for Independence, Registries), monitoring future performance can indicate whether the changes have had a positive or negative effect. This is particularly important given the major restructuring of government services and the significant increase in program delivery by third parties.

In cases where past performance has been poor, trends can show how program and policy changes have improved service. For example, the crime rate core measure from *Measuring Up* (see graph on the next page) shows that violent crime rates have fallen since 1991, after several years of increases. However, Alberta's rate is still above the national average. While we have not yet met our target (to be below the national average), we have managed to close the gap significantly.



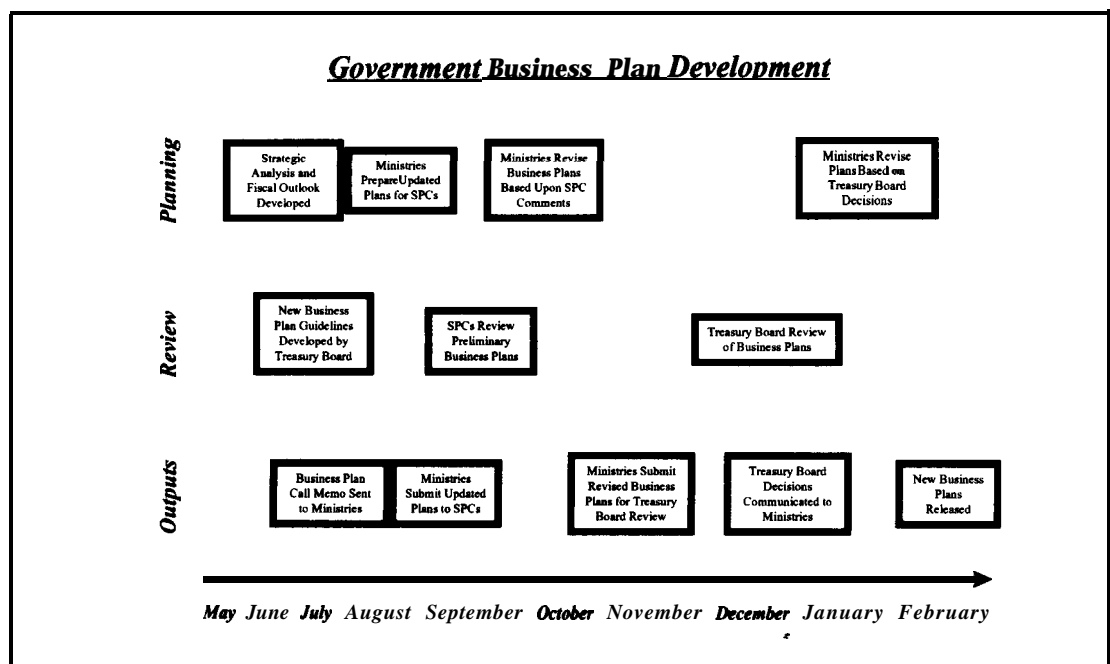
Measures may also compare actual performance to some predefined target. In these cases, the intent is to improve performance, rather than maintain the status quo. The target may represent an “industry” standard, the national average, or best in class performance. Selected targets should be reasonable with some element of “stretch” (in the words of Jack Welch, CEO of General Electric, stretch asks how good can you be?). For example, the target growth rate for per capita gross domestic product is 4 to 6% per year, even though the average for the past five years was less than 3%. Maintaining strong, steady economic growth will be difficult, given the traditionally cyclical nature of Alberta’s economy.

Performance can also be compared to that of similar entities or programs. Several of the core measures involve comparing the relative performance of Alberta to other jurisdictions, **often** in terms of national standards or the national average (e.g. crime rate). Measures may also involve more than one element of comparison. For example, taxation load compares Alberta’s performance to that of the other

provinces, and sets a target of maintaining the lowest personal income tax rate in Canada.

Government Business Planning

Multi-year business planning within the government was introduced as part of *Budget '94*, and the first set of three-year business plans released in *A Better Way*. The plans outlined how the government would change the way it operates to achieve a balanced budget by 1996-97. The plans are updated annually, with an additional year added each cycle. While the planning of government activities is not new (the annual budget is essentially that), the concept that ministries are held accountable for the non-financial effects of their actions represents a new twist on performance evaluation. The figure below presents the development process for government business plans.

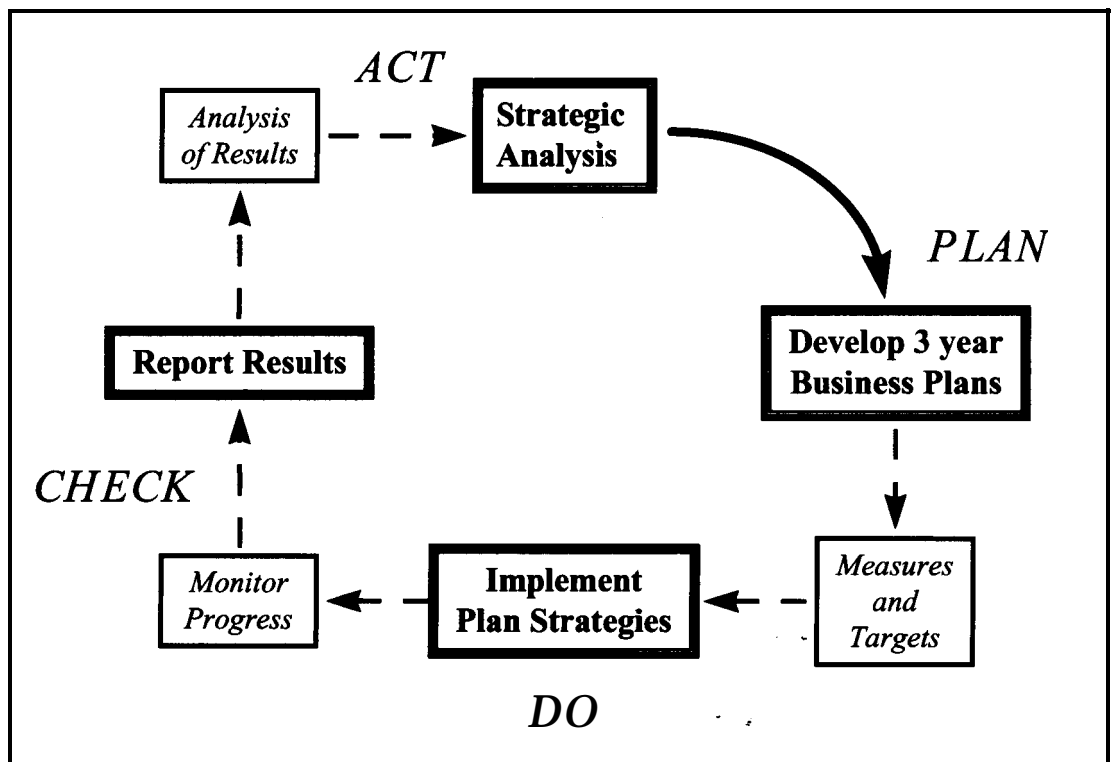


The development process begins with strategic analysis of the current environment, including projections on economic growth, energy prices and the exchange rate. Combined with the legislated spending limits in the *Balanced Budget and Debt Retirement Act*, these factors provide the fiscal boundaries for the new business plans. Also factored into the process is feedback from stakeholder consultations, the public, and changes in government priorities.

Based upon this information, Treasury Board develops guidelines for the preliminary ministry business plans. The updated plans highlight changes to the ministry's core businesses, goals, strategies, or performance measures, and any "pressures" in terms of funding or program demand requirements. The Standing Policy Committees review the draft plans and provide comments and recommendations to the Ministers and Treasury Board. Based upon the SPC reviews, Treasury Board issues more specific program and policy directions to

the ministries. The revised ministry plans are reviewed by Treasury Board, and decisions made on each ministry's planned strategies. Finalized ministry business plans incorporating Treasury Board's decisions are then submitted and published as part of the new year's budget (e.g., *Agenda '96*).

Monitoring of the budget is done on a quarterly basis to determine and address any fiscal plan pressures (*Quarterly Budget Reports*). After the fiscal year, the government's fiscal performance is reported in the *Public Accounts*, program performance in *Measuring Up*, and ministry performance in their respective annual reports. However, until now, reporting usually represented the final application of results information. To gain the potential management benefits from performance measurement, we need to bridge the gap between reporting and future planning by applying the principles contained in the *Plan-Do-Check-Act* business planning model (see figure below).



By building upon the traditional Plan-Do-Check-Act business planning model, the intent is to use what was learned from the previous years' experience and ensure that the programs are functioning as well as they can. In the future, such

information will become an integral part of reviewing proposed business plans and determining appropriate resource allocations. The section on performance based budgeting will address this concept more fully.

Don't Panic

The essence of any learning process is a mistake process.

Dr. Peter Senge
- author of the Fifth Discipline

... spending money is no guarantee of results.

1994 Budget Speech

Performance Based Budgeting

As stated in the previous section, information obtained from performance measurement can be used to facilitate resource allocation decisions. However, this may create anxieties among some organizations that this is just another way to justify additional budget cuts. That is not the intention. Performance based budgeting is not envisioned as a reward and punishment system based upon level of performance, but rather as an approach to evidence-based decision making. The key intended benefit is to shift the focus and debate away from the level of program inputs, and focus on the results. From there, the discussion can address whether the current allocation of resources is the most efficient and effective way to achieve goals.

Performance based systems work best where there is direct accountability or a clear cause and effect relationship between what an agency does and what happens. Clearly defining the key determinants of success will help in determining whether poor performance is due to the sheer complexity of solving particular societal problems, rather than ineffective strategies. If the current level of results is unacceptable, the reasons for poor performance should be examined. If performance is suffering due to inadequate resources, the decision making process should take that into consideration. If current strategies are ineffective, program changes may be necessary. However, if the results are due to poor management, corrective action may be taken.

Characteristics of Performance-Based Budgeting Systems

- ⇒ clearly established mission and goals
- ⇒ performance measures included in government budget/business plan information
- ⇒ linkages established between strategies and expected results
- ⇒ managers are held accountable for program results but are given the flexibility to reallocate available resources among programs
- ⇒ use of performance measures to report on program outcomes
- ⇒ consideration given to how information will be used and systems needed to collect information

Several jurisdictions in the United States are attempting to adopt performance based budgeting as an “extension” of their performance measurement systems. Performance based budgeting in the U.S. has been defined as a system wherein managers are provided with the flexibility to utilize agency resources as required, in return for their commitment to achieve certain performance targets. This was the fundamental underlying philosophy of the business planning process adopted by Alberta in 1993. Ministries were provided with fixed resource allocations and expected to fulfil program obligations within those parameters. In exchange, financial controls were relaxed and the authority to reallocate funds among programs was delegated to ministries.

Allocating resources based on past results is not the only role for performance budgeting. Performance based budgeting may contribute to justifying the introduction of a new program, curtailing an existing program, or enhancing a program. What needs to be spelled out are the relative merits and shortcomings of alternative strategies, and the costs associated with adopting alternative strategies. One way of doing that is to estimate the results achievable with a given level of resources. Another approach would be to assess the costs of

achieving similar results by reallocating resources from one program to another. However, doing that will require knowing the cost of results.

Up to now, there has been little attention given to the cost of achieving goals. As outcomes are achieved through program outputs, knowing the cost of alternative outputs will be vital for managers and policy makers. Unless the costs of achieving varying levels of results can be identified, the effect of resource changes on outcomes cannot be assessed. With managers increasingly being held accountable for results, they will need information on the resources required to maintain or improve service quality, and thereby results.

Similarly, information on the cost of achieving certain levels of results will help decision makers to decide if the desired outcome is appropriate given the costs involved. Many issues are viewed from the perspective that any problem can be solved with enough money. The question then becomes, how much is too much. Performance based budgeting should help in part to answer that question. Costing outputs will link inputs with outcomes and provide decision makers and taxpayers with information on the relative cost of certain outcomes.

Benchmarking

Benchmarking involves studying the business processes of organizations which are considered the best in the world in their field, and adapting their processes to your organization. The intention of benchmarking is to pursue continuous improvement. Through the benchmarking process, the organization can identify performance gaps and use that information to set performance targets that will motivate the organization to improve. These targets represent “benchmarks” for desired performance. A common form of comparison within the public sector, is comparing your jurisdiction’s performance/situation to that of another, with the goal of being number one.

However, benchmarking is more than just copying other organizations’ best business practices. The processes of successful organizations are designed to meet their particular situation and operating environment, and may not be effective if simply copied. That’s why any benchmarking study needs to identify why their processes are the best, to allow the process to be adapted.

While benchmarking implies best business practices, it does not require immediate improvement to the level of the best. Rather than trying to emulate the best in the world, it may be sufficient to meet certain national or professional standards. In that sense, an intermediate performance goal of meeting the national standard would be considered a target, with the international standard representing an optimal level of performance. For example, in the field of international athletic competition, the benchmark (world record time) is clearly known by all. But part of developing as an athlete may be trying to improve to an Olympic qualifying time or national record time.

The following appendices provide:

- ◆ a list of definitions of important performance measurement terms
- ◆ an illustration of the integration of business planning and performance measurement using the government’s business plan
- ◆ a copy of the Government Accountability Act

APPENDIX A

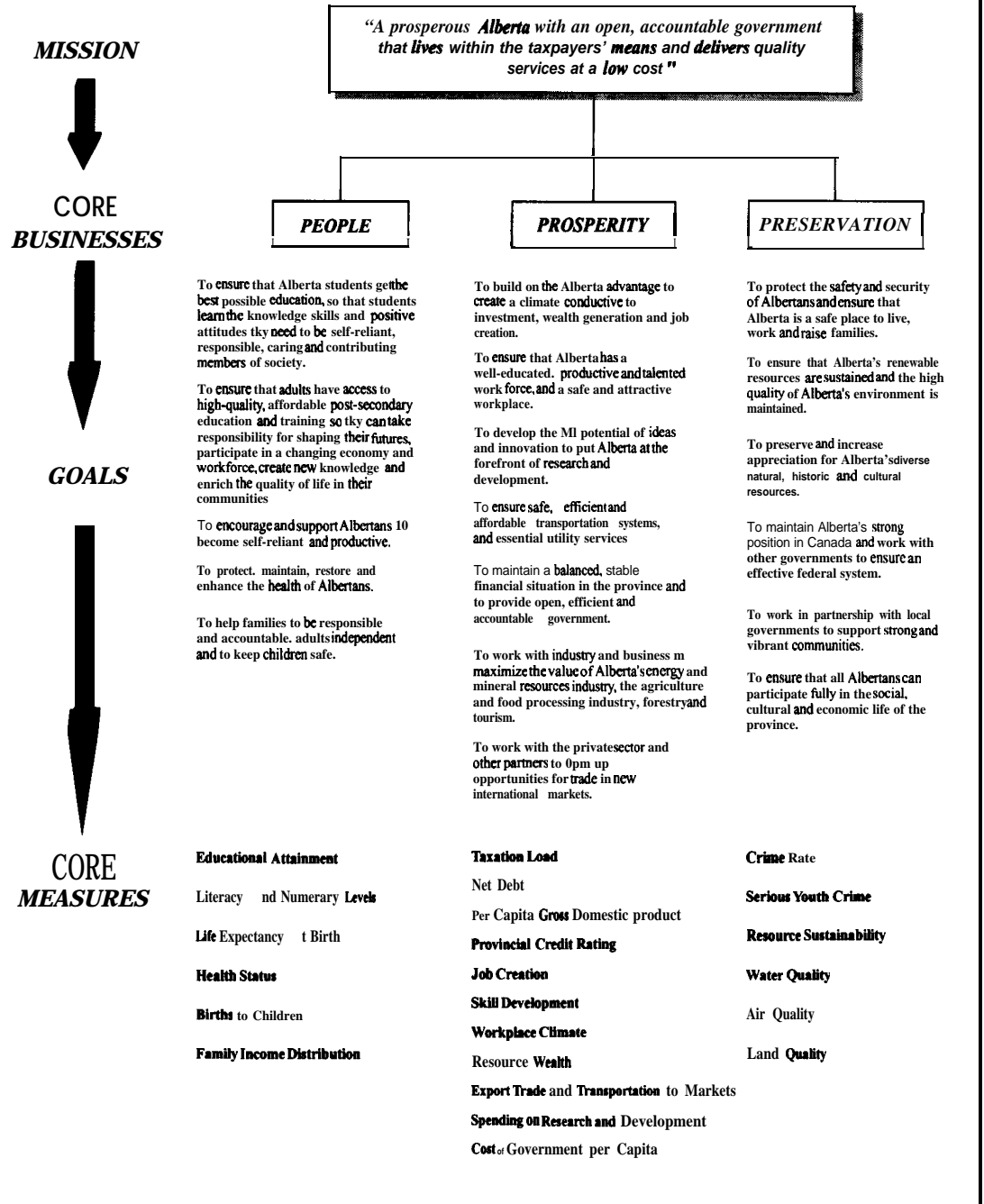
Glossary

Activity Measures	Provide information on workload/volume of business (e.g. number of applications, grants).
Baseline	A set of data used as a base to measure the impact of changes over time.
Benchmarking	Best business practices indicating superior performance. Benchmarks are adopted as targets for optimal organizational performance.
Core Business	Broad statements of purpose that set out the role of the organization. A central activity of the organization.
Core Measures	High level indicators giving an overview of government performance with respect to its core businesses. Reflects the impact of all government programs related to a particular goal.
Cost-effectiveness	Minimizing the cost of achieving an intended result through a certain strategy.
Cost-efficiency	Minimizing the cost per unit of good/service produced.
Efficiency Measures	Provide information on how well the organization used its resources to produce certain goods and services (e.g. cost per operation, cost per applicant).
Goals	Broad issue-oriented statements that reflect what the organization wants to achieve in fulfilling its mission/mandate.
Input Measures	Track the amount of resources consumed in producing outputs.
Intermediate Outcome Measures	Provide short-term “markers/indicators” of progress towards a longer term outcome.
Key Ministry Measures	High level indicators of ministry performance with respect to its core businesses.

Mission	Identifies an organization's business, purpose and reason for existence.
Outcome	The effect of the outputs of government programs on client groups. The expected results or impacts resulting from government actions.
Outcome Measures	Measure the effects of government outputs on the client groups.
Output Measures	Track the goods and services produced or provided through government programs as part of the ministry's business.
Societal Indicators	"State of the state" or "quality of life" indicators.
Strategies	Key actions/initiatives to be taken to achieve the organization's goals.
Targets	Specifies the desired level of performance for that program, typically involving some increment of improvement over the current state.

APPENDIX B

Integration of Business Plans and Measures



APPENDIX C

Government Accountability Act

To order a copy of the Government Accountability Act,
visit the Queen's Printer website at
<http://www.gov.ab.ca/~pab/qp/index.html>