Managing for results

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Main points

During 1999-2005, the Government invested public resources to guide department managers to change their management processes. Managers were asked to focus on results—both actions and outcomes. We anticipate this change will occur at varying rates across government and within departments.

We audited the results-based management processes of two leading departments to identify how they focus on results. We appreciate the full co-operation given to us by the Department of Corrections and Public Safety and the Department of Highways and Transportation.

We found these leading departments had increased their focus on results. Both departments use some innovative management processes. Both continue to experiment to gain perspective on their planned outcomes.

We concluded that as of August 31, 2005, these two departments had adequate processes to achieve planned results except for monitoring results. We recommended both departments improve their processes to analyze and report quarterly to executive managers the departments' progress toward planned outcomes.

To support further progress, we set out some of the key steps that could help any agency improve its performance management processes.

Background

In 1999, the Government adopted a results-based management approach for use by departments. Exhibit 1 describes the Accountability Framework that departments use to guide a focus on results. Focusing on results is an effective management approach used worldwide.

Previously, our Office examined the planning and reporting parts of the Framework in Exhibit 1. This audit examines the central "performance management" part. Performance management includes managing to achieve specific outcomes in addition to managing activities or services. It requires a focus on results.

We use the term "results" to mean both activities completed and outcomes achieved. Managing activities is short term, most often within one year. Managing outcomes requires a longer term perspective. In the public sector, it often takes several years to achieve the planned outcomes. Outcomes are the consequence of activities; they describe the public benefit achieved through services (e.g., reduced crime, safer roads).

Exhibit 1—Accountability Framework
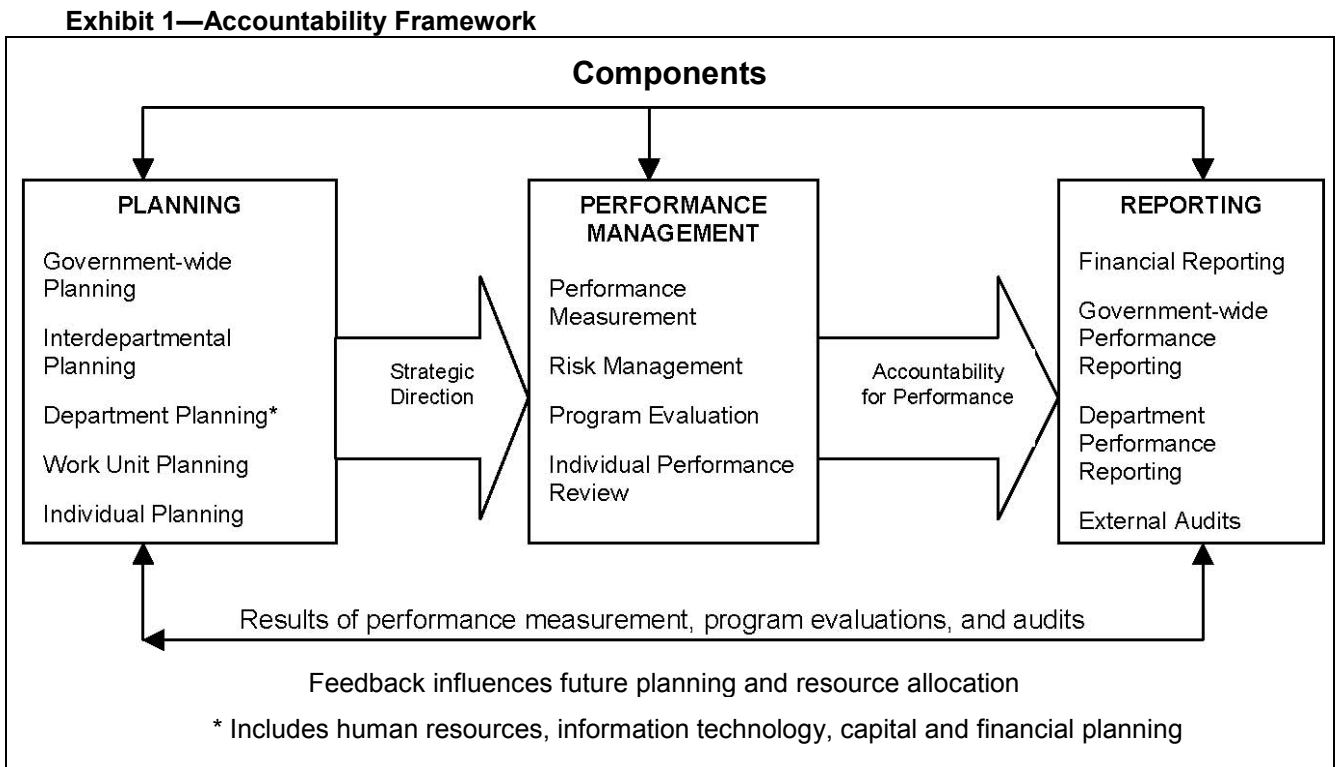
Source: Department of Finance www.gov.sk.ca/finance/accountability/

In 2005, all departments used the Accountability Framework. The Department of Finance (Finance) coordinates how departments use the Accountability Framework. Finance sets guidelines for planning and reporting. It communicates expected timing, format, and content of performance plans, reports, and measures. Finance is responsible for helping departments implement the Accountability Framework.

As with any major change, full use of the Framework may take several years. We expected that some departments and work units would adopt performance management faster than others.

We asked Finance and the Public Service Commission to identify government departments that are leaders in performance management. We invited two departments to help us identify important practices that focus on managing outcomes. The Department of Corrections and Public Safety and the Department of Highways and Transportation (the departments) volunteered to participate in this audit. We thank both departments for their time and co-operation.

These observations describe the progress made toward management practices that focus on outcomes. To support further progress, we also recommend actions to strengthen management and accountability.

Our audit objective and conclusions

Our audit objective was to assess the adequacy of management processes to achieve planned outcomes as used by two government departments at August 31, 2005.

We based our criteria on international literature and the work of other auditors listed in the selected references. Finance and the two participating departments, the Department of Corrections and Public Safety (Corrections) and the Department of Highways and Transportation (Highways), agreed with the criteria in Exhibit 2.

We used these criteria as a guide to assess whether these two departments had reasonable processes to achieve planned outcomes. How departments apply performance management may not be uniform. Some departments work closely with a large number of partners. The work environment varies among departments and among work units

within departments. These factors may influence departments' planning, managing, and reporting processes.

Exhibit 2—Audit criteria for processes to achieve planned outcomes

To have adequate processes to achieve planned outcomes, departments should have processes to:

1. Show leadership commitment to achieve planned outcomes
    1.1. Involve executive team in leading the focus on outcomes
    1.2. Provide learning opportunities to support focus on outcomes

2. Make expectations clear
    2.1. Assign responsibility for outcomes
    2.2. Set targets for outcomes
    2.3. Set out action plans
    2.4. Communicate significant changes to the performance plan

3. Monitor results
    3.1. Measure results
    3.2. Analyze results
    3.3. Report results regularly to managers

4. Use performance information to support decisions
    4.1. Align resources with expectations
    4.2. Realign strategies with outcomes
    4.3. Manage risks that could prevent achieving outcomes

At August 31, 2005, the Department of Corrections and Public Safety and the Department of Highways and Transportation had adequate processes to achieve planned outcomes except for monitoring results.

1.   **We recommend the Department of Corrections and Public Safety and the Department of Highways and Transportation analyze and report quarterly to executive managers the departments' progress toward planned outcomes.**

Managing for results—key findings

This section describes for each of our criteria what we expected (in italics) and our audit findings. We followed the *Standards for Assurance Engagements* established by The Canadian Institute for Chartered Accountants.

Committed leaders show the way

We expected executives of departments to lead the focus on outcomes by involving managers throughout the department and communicating their rationale for and success with an outcomes focus. We also expected departments to provide staff with learning opportunities to support the focus on outcomes.

Overall, in both participating departments, committed individuals took action to lead the change to a new management style. These leaders involved managers throughout each department and communicated in ways that sustained momentum toward outcomes. The departments directed learning opportunities to departmental objectives, and not to learning about performance management or managing for outcomes.

To engage managers in a focus on outcomes, each of the departments involved managers in the strategic planning process. The departments started the planning process about 12 months before the beginning of the year being planned. This early start gave the departments time to involve managers and many staff as well as external partners. Starting early also gave executive managers time to consider feedback and revise the plan.

Corrections held Management Forums in April and September to involve managers in planning for outcomes. At these meetings, executive managers explained the current economic and environmental context and set the strategic direction. The attending program and regional managers challenged the existing plan and identified improvements. These managers brought comments from their staff to help improve the plan.

Highways also involved staff from throughout the department to update its strategic plan. Presentations at strategic planning and other staff meetings reinforced the rationale for focusing on outcomes and the role of each staff member in achieving them. Some meetings discussed management style and monitoring results to support decision-making.

Both departments used newsletters and e-mails to communicate with staff throughout the year. The newsletters updated staff on significant projects, highlighted results, and recognized the role of individuals in achieving results. In both departments, the Deputy Minister and senior managers

communicated directly with staff in e-mails that highlighted achievements and recognized staff contributions throughout the year.

Another communications tool used by Highways was its Business Planning Guide. The Guide explained the rationale for focusing on outcomes in plans and reports. In addition, Highways communicated successes in achieving outcomes through its Employee Recognition Program and its Innovation Registry.

Both departments had a learning policy or framework that aligned with the departments' performance plans. The departments helped individuals to list in 'development plans' their learning needs related to the departments' objectives including professional courses, mentorship programs, etc.

During meetings with their managers, both departments informally explained the performance management process (i.e., plan, manage, and report results—activities and outcomes). Neither department provided learning resources or encouraged managers to seek training about performance management. We encourage departments to consider ways to increase the expertise of their managers to measure and monitor results that could support their management decisions.

Clear expectations include targets

To provide guidance and accountability, we expected departments to assign responsibility to managers and to set targets for outcomes. We expected departments to develop action plans that align with public performance plans. We anticipated departments would communicate with stakeholders and staff regarding significant changes to their performance plans.

Overall, both departments made their expectations clear. They assigned responsibilities for actions to work units or individuals. With very few exceptions, they aligned their public performance plans, operational action plans, and individual work plans. Both departments set targets for outcome-oriented performance measures. Both departments discussed possible major changes to their performance plans with staff and partners.

Both departments used operational action plans to assign responsibilities to individuals. These action plans showed how daily activities help achieve the outcomes of the work unit, division, and department. Corrections' branch plans also indicated timeframes to complete actions.

Every deputy minister receives from the Deputy Minister to the Premier an "expectations letter" for the year that sets out priorities for the Government, the department, and the individual. The Deputy Minister of Highways assigned the expectations in this letter to his senior managers. These senior managers reported quarterly to the Deputy Minister on their progress in achieving the expected results. The Deputy Minister of Corrections asked senior managers to include items from the expectations letter in their individual performance plans and operational action plans.

Both departments' operational action plans were consistent with their public performance plans. These operational plans helped the departments monitor progress in completing activities that will lead to outcomes. Also, managers in both departments had individual performance plans linking their actions to planned outcomes. Senior executives monitored managers' performance semi-annually.

Both departments set internal targets for the measures in their public performance plans. For most measures, the target was short term (12 months or less). Highways incorporated their short-term targets into their operational action plans. For a few measures, the departments set longer-term targets (e.g., 10-year targets for road conditions, 5-year target for reduced auto thefts). Realistic, long-term targets can motivate managers to use resources in innovative ways to achieve outcomes.

The annual performance plans of both departments highlighted changes from the prior year's plan. Corrections discussed possible changes in its performance plan with key stakeholders such as its Union Management Committee. Highways explained its performance plan to stakeholders annually. During the year, both departments held regular meetings with staff and key stakeholders about changes requiring redirection of resources to achieve the planned results.

Monitoring results uneven but evolving

We expected departments to monitor results (i.e., activities and outcomes) because daily activities should lead to planned outcomes. We expected departments would measure results to provide comparable, reliable information at regular intervals. We anticipated departments would analyze results by comparing to baselines, trends, action plans, and targets. We expected regular reports to managers would enable them to monitor results (i.e., both activities and outcomes), and would explain why if results differed from plans.

Overall, both departments faced challenges in monitoring results, particularly with respect to analyzing and reporting results to managers. Both departments measured results for all objectives. Quarterly reports emphasized completed activities; there was insufficient information about outcomes. Differences from the plan were not explained consistently.

Both departments selected relevant, comparable measures to help them monitor results. To make their measures more comparable, they consulted research and other jurisdictions. Where possible, they selected measures that are used internationally.

Both departments had some processes to help them collect reliable information. Highways defined key terms and the calculation methods in general for every measure. Corrections' Performance Measures Committee reviewed the relevance of its performance measures and the reliability of baseline data. Both departments need to improve their definitions to specify what to measure and document exactly how to calculate each measure.

Both departments used some controls to protect data quality (e.g., training staff, data entry by a different person than the one doing reasonability checks, periodic internal audits). These controls are far less effective without precise definitions of what to measure. Neither department had assessed if the controls adequately protected the accuracy and completeness of their performance information.

Analyzing outcomes was challenging for both departments. Both departments regularly analyzed what actions were complete compared to

their plans. They did not use this activity information to explain progress towards outcomes.

For both departments, a reasonable proportion (40-60%) of measures in the 2005-06 performance plan were outcome oriented. Both departments had annual, short-term targets for these measures (internal). They did not use the targets to analyze their progress and explain results. Analyzing outcomes was difficult as some data were not available until the end of the year.

Both departments experimented with reporting results to managers, but did not relate completed activities to planned outcomes. Highways gave middle managers activity and output reports monthly. These reports explained some differences from planned activities but not outcomes. Corrections used a reporting system for branch statistics, risk assessments, and successes. Managers received monthly and quarterly reports of activities that compared a few results to internal short-term targets. Corrections also gave their executive a quarterly narrative report that primarily described activity trends, but did not explain progress toward outcomes, for example by comparing outcomes to targets.

Analyzing and reporting results compared to targets was not yet an established practice in these two leading departments.

Managers use some performance information

We expected departments would align resources to achieve planned outcomes. In addition, we expected departments would realign their strategies as required (e.g., when progress is slow). We anticipated departments would manage risks that could prevent achieving outcomes.

Overall, managers in both departments used performance information to align resources and realign strategies to achieve outcomes. The departments also managed major risks to their outcomes.

Both departments aligned resources to achieve outcomes. In their annual budget requests, both departments used performance information to support their funding requests. Highways' budget request also used its performance measures to explain the impact that different funding levels

would have on its outcomes. Both departments also used performance information to reallocate financial and human resources.

The departments used coordinated program evaluations to help them realign strategies. Using research, program evaluations, and other evidence, the departments evaluated if their programs would achieve their planned outcomes and if alternative strategies would be more effective. Conclusions reached in the program evaluations led to budget and work plan revisions.

Both departments managed risks that could prevent them from achieving outcomes. The departments identified risks through environmental scans, program evaluations, and analysis of selected issues (e.g., need for capital construction, succession planning). They discussed their risks in the trends and issues section of their performance plans.

Both departments used ad hoc reports combining financial and non-financial information to make decisions regarding major risks or opportunities. Both also identified optional ways to achieve outcomes. Both departments used work plans to set out their strategies to reduce risk to an acceptable level.

Highways monitored risks through its project management system. Corrections monitored risks in quarterly narrative reports. Both departments discussed risk at regular operational meetings.

Steps to help focus on results

In this section, we set out four key steps that could help any agency to improve its performance management practices.

1.   Set clear outcomes

The first step in managing for results is to focus on outcomes rather than on activities or services. Objectives are most useful when they focus on what benefit the public should expect—the outcome. For example, the objective may be to reduce crime. Various strategies may help achieve that objective, including education, building secure correctional centres, and providing programs proven to reduce reoffending.

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When objectives focus on the activity or strategy planned, the agency commits itself to act in one particular way. This reduces attention on the desired outcome or public benefit. Including strategies in the objective reduces opportunities for innovative solutions. Managers can no longer adjust their strategies to suit the situation. Reallocating resources also becomes more difficult for these "how to" objectives. Whenever possible, it is best to avoid "how to" objectives.

2.   Select performance measures carefully

Performance measures make it possible to monitor progress and take timely corrective action to achieve results. Poor performance measures waste public money and lower public trust. Selecting measures carefully reduces the time and effort used to report them. It also avoids the confusion of frequent changes in measures.

Performance measures are most relevant when they clearly relate to the objective (the planned outcome) and can help to explain the results. Performance measures with precise definitions make more sense to users. Meaningful definitions explain all key terms, the precise time-period covered, why the agency chose the measure, and what the measure means.

Definitions clarify what to measure. They help make measurements consistent and comparable. Specific definitions ensure that simple issues do not cause complex problems.

For example, many agencies survey client satisfaction with the Government's services. Such surveys could measure many different aspects of satisfaction. A definition of client satisfaction should specify which aspect to measure:

♦   quality (ease of getting information, understandable advice, usefulness of service, expected results obtained)

♦   timeliness (timely access to service, prompt response to questions, rapid receipt of refunds)

♦   courtesy (service provider states name, explains service, gives opportunity to ask questions, is helpful)

♦   competence (right service, skilled and knowledgeable service)

3. Document methods used to calculate measures

Describing in detail how management calculates each performance measure helps agencies to report performance accurately. Writing down the exact method keeps calculations consistent from year to year. This detail should include the assumptions that influence the calculations.

Managers need to find ways to calculate each measure so that the data is available as frequently as required. For example, if managers do not measure an outcome (or related activity) until the year's end, they may not make timely adjustments to manage the results. To help monitor progress within a fiscal year, managers could monitor the results for each quarter compared to their plan or their results in the same quarter in prior years. Alternatively, managers could calculate a rolling average for the 12 months prior to the reporting date. These methods would help managers to analyze progress toward planned results and take action where necessary.

Managers should approve the written methods used to calculate each measure. Approving the specific calculation methods reduces the risk that the agency's performance will be misrepresented, inaccurate, or inconsistent.

4. Put results in context

Agencies should report all results in context. Context makes performance information more useful to managers. Failure to put results into context can mislead users of the information.

Comparing results to what the agency achieved last year or in the last few years is a good beginning. Reporting a percentage instead of a simple count also adds context. Another way to put results into context is to compare the result to the agency's target for the year (short-term), for three to four years (medium-term), and for five to ten years (the long-term).

More helpful, but also more difficult, is to compare results to those of a similar program, another province, or a national benchmark. To compare results, agencies should measure the same indicator in the same way.

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That is, the agencies must agree how to define and calculate the measure.

Building capacity requires ongoing commitment

Both participating departments used a variety of ways to focus their attention on results. We thank them for sharing their successes and challenges with us.

To build capacity to manage for results requires effort. It requires managers who are willing to commit to open and transparent governance with clear plans and reports. It requires using research and program evaluations to inform decisions. And, it requires managers with the insight and freedom to manage strategically to achieve the planned results.

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