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Focus on Accountability: Outcome Based Measures

IN SEARCH OF EXCELLENCE:
Performance Management in a Competitive World

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Increasing focus on accountability

A key trend across the Public Sector (all levels)

Old Focus: Program Throughput

- Statistical measures – ***how many?***

New Focus: Program Results

- Results- or Outcome-based measures – ***what impact?***
- Analytical / actionable measures – ***what do I need to do?***

Key drivers of the trend

Impact of the financial crisis and resulting recession:

- Post stimulus world:
 - Ballooning government deficits at all levels
 - Increasing budgetary pressures
 - Programs must “justify their existence”
- Public demand for better service at lower costs

An illustrative example

Situation:

- Aging infrastructure of technology and applications that support service delivery in the public sector
- A “near miss” triggered the need for action
- Multi-million \$ allocation for modernization over 5 years
- Initial measurement system focused on “how many applications at risk” and mandated outcome was on “reducing risk”
- New mandate requires demonstration of results across a broader spectrum of perspectives

The Process

1. Define the performance measurement framework
2. Define the metrics
3. Integrate into the broader performance management framework
4. Continuous improvement

Primary focus today is on Steps 1 and 2

Step 1: Defining the measurement framework

Performance Measurement Framework

“The Ultimate Goal”: The end result you are trying to achieve in the long term

Strategic Objectives: The outcomes across multiple “perspectives” that, once achieved, will confirm you have met the ultimate goal

Critical Success Factors (CSFs): The activities or capabilities that drive the outcomes – things you can actually change

Balanced Scorecard: How you will measure progress (can focus on objectives, CSFs or some combination of both)



Redefining the “ultimate objective” (a.k.a. Vision)

Ultimate Goal:

Improve the overall health of the portfolio of business applications

A healthy portfolio of business applications is one that:

- Provides functionality that supports the delivery of efficient, high quality public service;
- Is user-friendly, reliable, sustainable and cost-effective across the entire portfolio;
- Reduces the risk of service disruption due to technology failure; and
- Provides the required levels of security and privacy protection.

Step 1: Define the performance measurement framework

Defining multiple perspectives

Need for a “balanced” approach:

“Standard” Perspectives	Actual Perspectives that were defined
Financial	Investments (managing the money entrusted to them)
Clients	Programs & Services (people that deliver them)
Operational	Technology (hardware/software) & Operations (support)
People	People (that implement and manage the portfolio)

Step 1: Define the performance measurement framework

Objectives (Outcomes) by Perspective

Programs and Services	Investment
<ul style="list-style-type: none">• Make it easier for public sector people to do their jobs• Help public sector people to provide better public service	<ul style="list-style-type: none">• Invest in the right areas (prioritization and selection of initiatives)• Invest effectively (value for money)
Technology and Operations	People
<ul style="list-style-type: none">• Minimize technology risk and complexity• Improve technology operations	<ul style="list-style-type: none">• Create APM skills across all public sector technology groups• Motivate effective usage of APM methodology• Help technology users adapt to change

Step 1: Define the performance measurement framework

***Key Drivers / Critical Success Factors
(by Objective within each Perspective)***

Two Examples:

Programs and Services	
Make it easier for public sector people to do their jobs	Help public sector people to provide better public service
<ul style="list-style-type: none">• Make business applications easy to use through seamless integration and adoption of a common look and feel across user interfaces• Reduce manual tasks so that public sector people have more time to devote to public service• Improve system reliability – reduce downtime• Improve flexibility to accommodate changes in policy and business rules	<ul style="list-style-type: none">• Provide better business applications that deliver the functionality employees need• Provide intuitive and efficient workflow that speeds up service to the public• Facilitate collaboration and information sharing (e.g. integrated case management)• Employ system controls that help prevent errors• Provide effective reporting that helps public sector people make better, fact-based decisions

Step 1: Define the performance measurement framework

The complete performance measurement framework

“The Ultimate Goal”

“Support the vision and mission by improving the overall health of the portfolio of business applications that support delivery of service to the public.”

Definition – A healthy portfolio of business applications is one that:

- Provides functionality that supports the delivery of efficient, high quality public service;
- Is user-friendly, reliable, sustainable and cost-effective across the entire portfolio;
- Reduces the risk of service disruption due to technology failure; and
- Provides the required levels of security and privacy protection

Programs and Services	Make it easier for public sector people to do their jobs <ul style="list-style-type: none"> • Make business applications easy to use through seamless integration and adoption of a common look and feel across user interfaces • Reduce manual tasks so that public sector people have more time to devote to public service • Improve system reliability – reduce downtime • Improve flexibility to accommodate changes in policy and business rules 	Help public sector people to provide better public service <ul style="list-style-type: none"> • Provide better business applications that deliver the functionality people need • Provide intuitive and efficient workflow that speeds up service to the public • Facilitate collaboration and information sharing (e.g. integrated case management) • Employ system controls that help prevent errors • Provide effective reporting that helps public sector people make better, fact-based decisions 	
	Invest in the right areas (prioritization and selection of initiatives) <ul style="list-style-type: none"> • Create a roadmap for improving overall portfolio health, based on good data about the existing portfolio • Define quantified improvement targets for overall portfolio health, and measure progress against targets • Define and consistently apply a clear set of investment criteria (financial and non-financial) for evaluating and prioritizing initiatives in the context of the overall roadmap 	Invest effectively (value for money) <ul style="list-style-type: none"> • Utilize effective procurement practices • Utilize effective life-cycle cost management practices 	
Technology and Operations	Minimize technology risk and complexity <ul style="list-style-type: none"> • Proactively identify risks to the health of specific business applications and the overall portfolio, create awareness, and recommend mitigation • Maintain an up-to-date understanding of emerging technologies and vendor roadmaps • Promote enterprise-wide solutions wherever feasible 		Improve technology operations <ul style="list-style-type: none"> • Leverage good practices across initiatives • Promote reuse of solutions and components • Manage capacity effectively
	Create APM skills across all OPS tech. groups <ul style="list-style-type: none"> • Develop and deliver APM training • Provide support for APM implementation across clusters 	Motivate effective usage of APM methodology <ul style="list-style-type: none"> • Define and communicate the benefits of APM in improving overall portfolio health • Develop effective and easy to use templates and reference sources • Measure and report on the use of APM and the benefits achieved 	Help technology users adapt to change <ul style="list-style-type: none"> • Define and communicate the benefits of improved portfolio health from the end-user perspective (“what’s in it for me?”) • Require effective change management approaches when evaluating technology initiatives
People			

Step 2: Define the metrics

Leading practices considerations:

Metrics are the qualitative measurement of the qualitative elements of the framework

The scorecard design should be “fit for purpose”

- Who will use the metrics?
- What will they be used for?

There can be multiple scorecards for multiple purposes, but all must link to and measure appropriate parts of the framework

- Results-focused scorecards will focus on measuring outcomes
- Analytical scorecards focus on the drivers of those outcomes

Each scorecard should have only a few (8-12 maximum, 5-7 is better)

Metrics or “KPIs” (Key Performance Indicators)

Guiding principles

- KPIs should support achievement of “the ultimate goal”
- KPIs should be “fit for purpose” – support the needs of the primary users for the purposes identified
- The KPIs, as a group, should provide for a balanced overall view of performance including inherent tradeoffs between cost, quality, risk, timeliness, etc.
- KPIs should be more than mere “statistics” – typically, KPIs have a numerator and a denominator that allow for meaningful trending or comparisons over time
- KPIs should be S.M.A.R.T.

The initial scorecard

Users and purpose

Key Users

Primary (immediate):

- Treasury Board and Cabinet
- DMs, ADMs and Corporate CIO
- Cluster CIOs
- Public Sector (broadly speaking)
- Audit / Auditor General

Secondary (future):

- Portfolio management office

Used for What?

Primary (immediate)

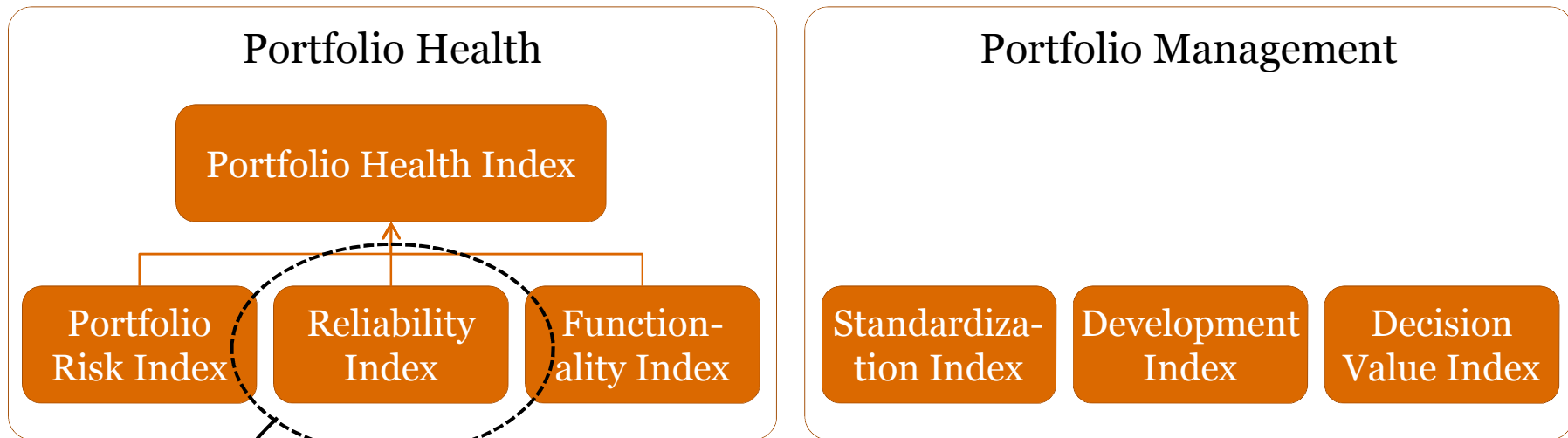
- Demonstrate results (outcomes of infrastructure funding program)
- Demonstrate that results have been achieved in a cost effective manner (value for money)
- Demonstrate contribution of APM to those outcomes
- Gain support for a permanent APM program

Secondary (future):

- Proactive identification of emerging issues and opportunities
- Diagnosing root causes of issues

Step 2: Define the metrics

The initial scorecard - simple conceptually But the underlying math can be complex



$$\frac{\sum_{i=1}^N \text{NumberOfUsers}_i \times \text{Met_SLA}_i}{\sum_{j=1}^N \text{NumberOfUsers}_j}$$

Where:

N

NumberOfUsers_i

Met_SL A_i

is the number of applications in the portfolio

is the number of users for the ith application

(i.e. "Number of Users – OPS" + "Number of Users – External")

is 1 if application i has met its SLA/SLO or deemed SLA/SLO target over the last quarter and 0 otherwise (a detailed description of how to computer this is listed below)

Future enhancements

- Outcome measures are generally “lagging” in nature (with some exceptions)
- Lagging KPIs tell you how well you did in the past, but don’t tell you how well you are likely to do in the future
- To assist in proactive decision making, a different kind of scorecard is needed - KPIs should be analytical and diagnostic in nature
- To do this, the same framework is used, but KPIs focus on the critical success factors that support each outcome or objective
- Next step for this client is to build an analytical scorecard

Key learning points

- KPIs and Balanced scorecards need to be “fit for purpose”
- Trend towards greater accountability for results in the public sector, means you will see more “outcome-based” scorecards
 - Leading indicators aren’t necessarily always better than lagging
- Always make sure the scorecard has an appropriate balance between cost, quality and risk
- The methodology to design either type of scorecard is the same, but the end result is always different

Questions...

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