Mitigating risks through Performance Management

Planning from the top down and executing from the bottom up

PI **The Performance Institute**

Contact information:

Jon Desenberg
Policy Director

The Performance Institute
805 15th Street, NW, 3rd Floor
Washington, DC 20005
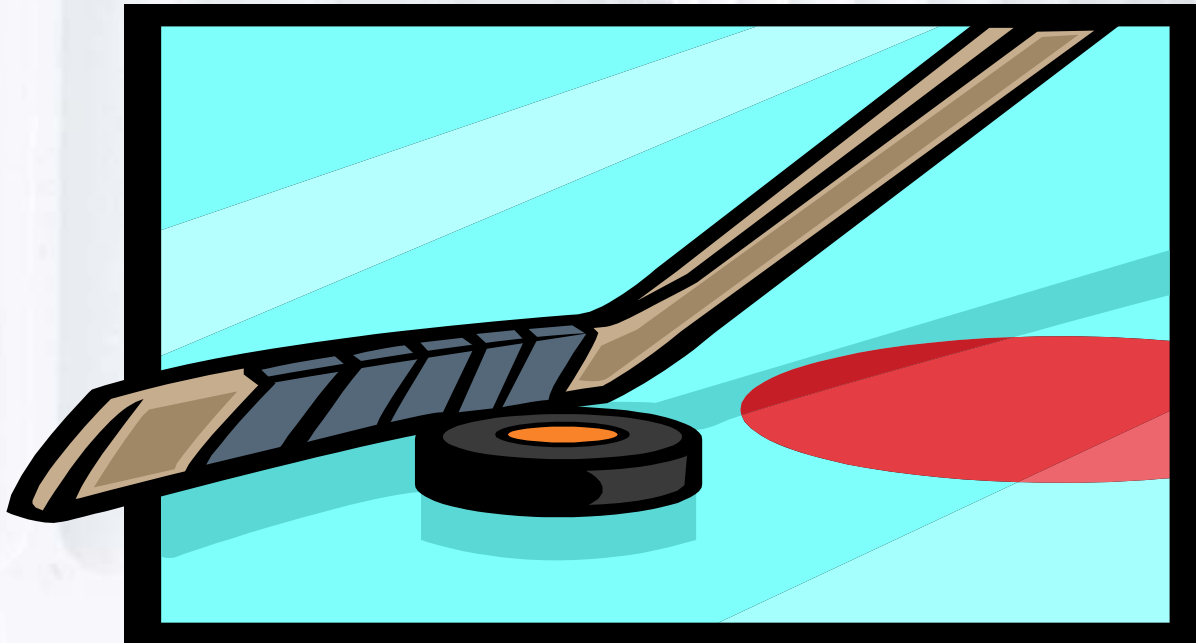**202-739-9642**

Jon.Desenberg@PerformanceInstitute.org

Did your last planning process mitigate risk…

- Did your last strategic plan and planning process give you insight into risk?

- Did the plan or the process diminish risk?

- What more could have been done?

Risk is ever-evolving

"I skate to where I think the puck will be."

Wayne Gretzky

Why do we continue to see the "Black Swan"?

The Vision Barrier
Only 5% of the work force understand the strategy

The People Barrier
Only 25% of managers have incentives linked to strategy

9 of 10 companies fail to execute strategy

The Management Barrier
85% of executive teams spend less than one hour/month discussing strategy

The Resource Barrier
60% of organization don't link budgets to strategy

Forbes Magazine, 2010

Using analytics for Risk Mitigation

- Increases goal attainment
- Ensures effective use of resources
- Serves as a communication tool for all stakeholders
- Facilitates mid-course correction by focusing on end goals
- Fosters the development of realistic program and project plans

Creating the "not-to-do" list…

- Tabling the ineffective activities or programs
- Developing new programs
- Altering organizational structure
- Reallocating resources to critical areas
- Rethinking required employee skill sets
- Adopting new data collection and management tools

Critical leverage points to minimize risk

High-Performance Organizations

- Performance Management
- Financial Management
- Streamlining & Technology Management
- Strategic Management of Human Capital
- Competitive Sourcing

All 5 Pillars are Inter-Related.   PERFORMANCE is the Common Thread.

Listening, not micro-management to foresee the unexpected

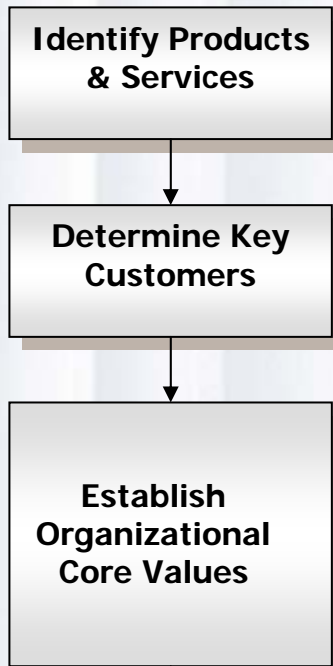- To plan?
- To comply?
- To manage?
- To optimize?
- To innovate?

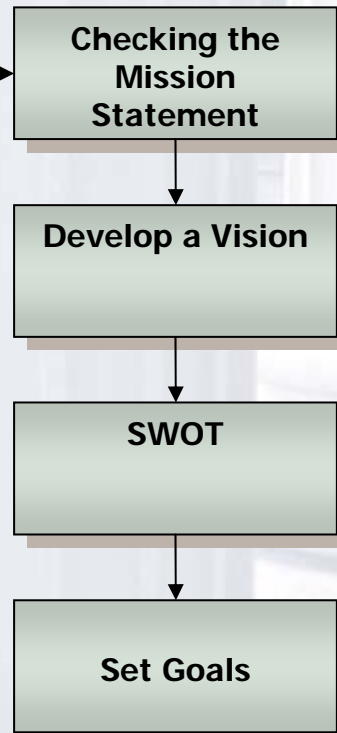"**What gets measured gets done.**"
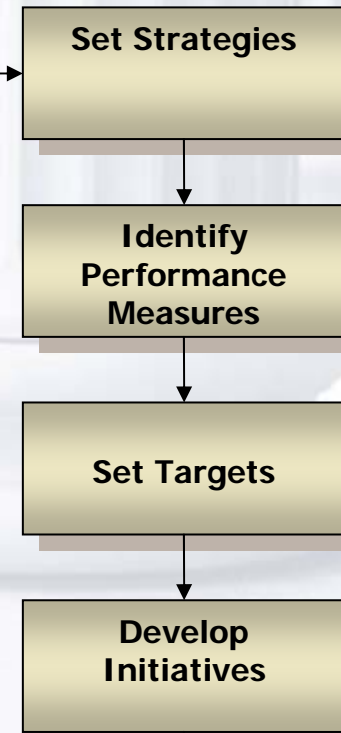– *Peter Drucker*

Setting strategies only with real input
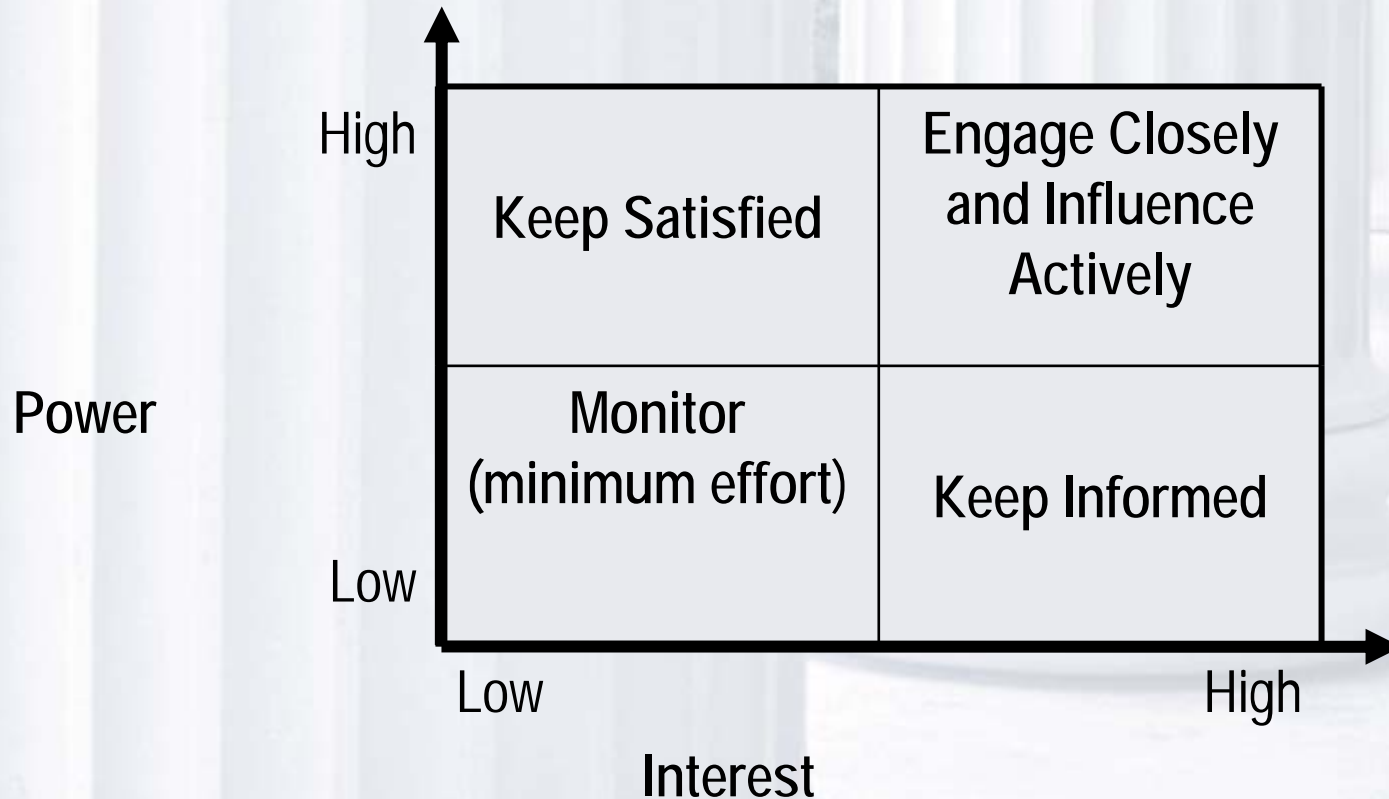
Where you are

Identify Products & Services

↓

Determine Key Customers

↓

Establish Organizational Core Values

Your destination

Checking the Mission Statement

↓

Develop a Vision

↓

SWOT

↓

Set Goals

Road to get there

Set Strategies

↓

Identify Performance Measures

↓

Set Targets

↓

Develop Initiatives

CHECK-IN Evaluate the Plan

Anticipating risk through better engagement

	Low Interest	High Interest
High Power	Keep Satisfied	Engage Closely and Influence Actively
Low Power	Monitor (minimum effort)	Keep Informed

Power

Interest

Analysis reveals priorities and sharpens focus using Strategy Development Matrix

		External Analysis	
		Opportunities 1. 2. 3.	Threats 1. 2. 3.
Internal Analysis	Strengths 1. 2. 3.	SO Strategies Use strengths to take advantage of opportunities	ST Strategies Take advantage of opportunities by overcoming weaknesses
	Weaknesses 1. 2. 3.	WO Strategies Use strengths to avoid threats	WT Strategies Defensive strategies to overcome weaknesses and avoid threats

Strategy development is grounded in under-standing of current and future attitudes, behaviors and conditions

Strategies for reducing teen smoking

Attitudes: Increase awareness of negative health effects of smoking

Behaviors: Decrease number of "new" smokers ages 12-15

Conditions: Reduce the amount of cigarettes sold to underage smokers

Risk lies in the center of gravity

1. What attitude, behavior or condition needs to change to achieve the outcome goals? (Target)

2. Identify who possesses the critical capability to cause the change or achieve the end outcomes. What must they do? (Who & What?)
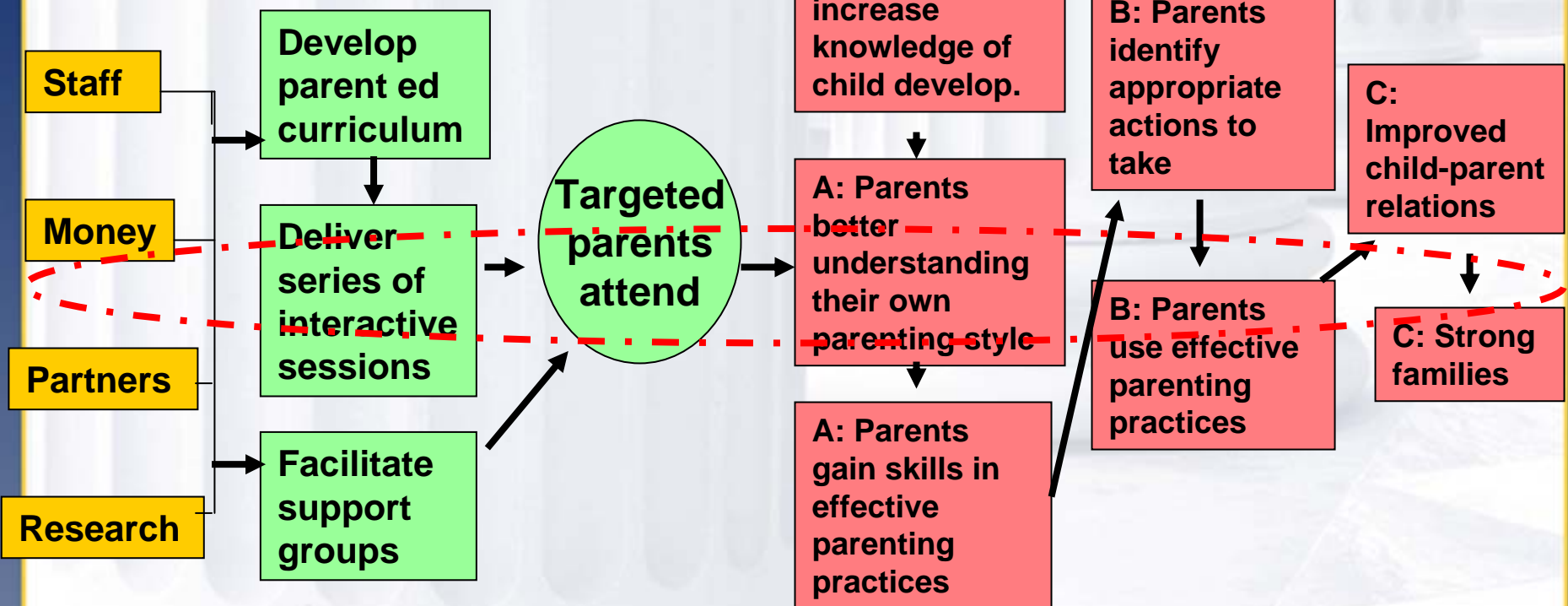
3. How can you get them to do that? (How?)

Emphasizing the center of gravity

SITUATION: During a county needs assessment, majority of parents reported that they were having difficulty parenting and felt stressed as a result

INPUTS

OUTPUTS

OUTCOMES

Staff

Money

Partners

Research

Develop parent ed curriculum

Deliver series of interactive sessions

Facilitate support groups

Targeted parents attend

A: Parents increase knowledge of child develop.

A: Parents better understanding their own parenting style

A: Parents gain skills in effective parenting practices

B: Parents identify appropriate actions to take

B: Parents use effective parenting practices

C: Improved child-parent relations

C: Strong families

Moving from tactical to strategic

If you could wave a magic wand and make your wishes come true, what would it look like?
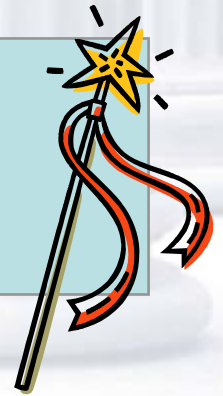
Strategies outline what must be done to achieve mission and outcome goals

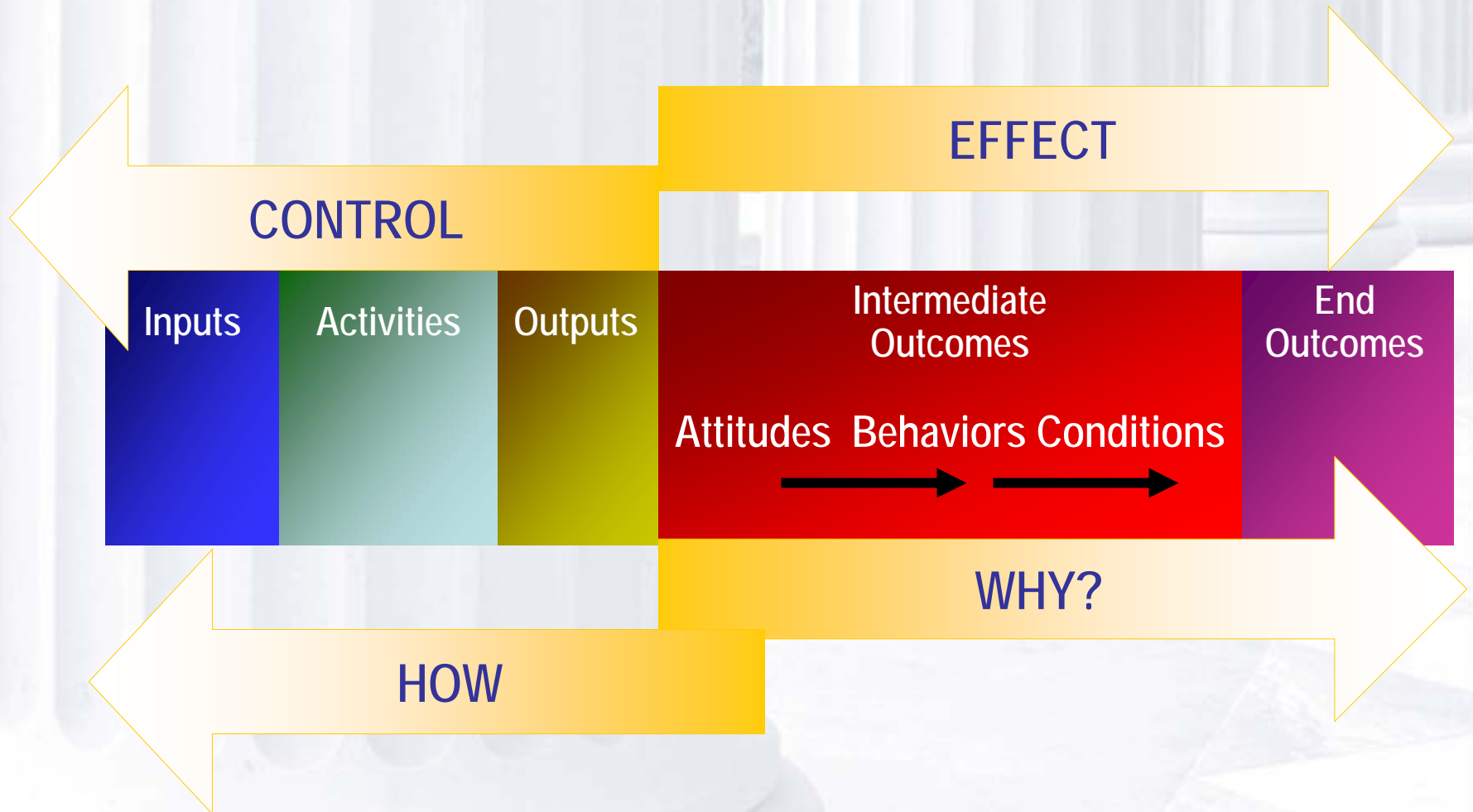**Strategy IS result-focused, outcome-oriented**

↓

Increase the amount, quality, and scope of information provided to prosecutors and courts

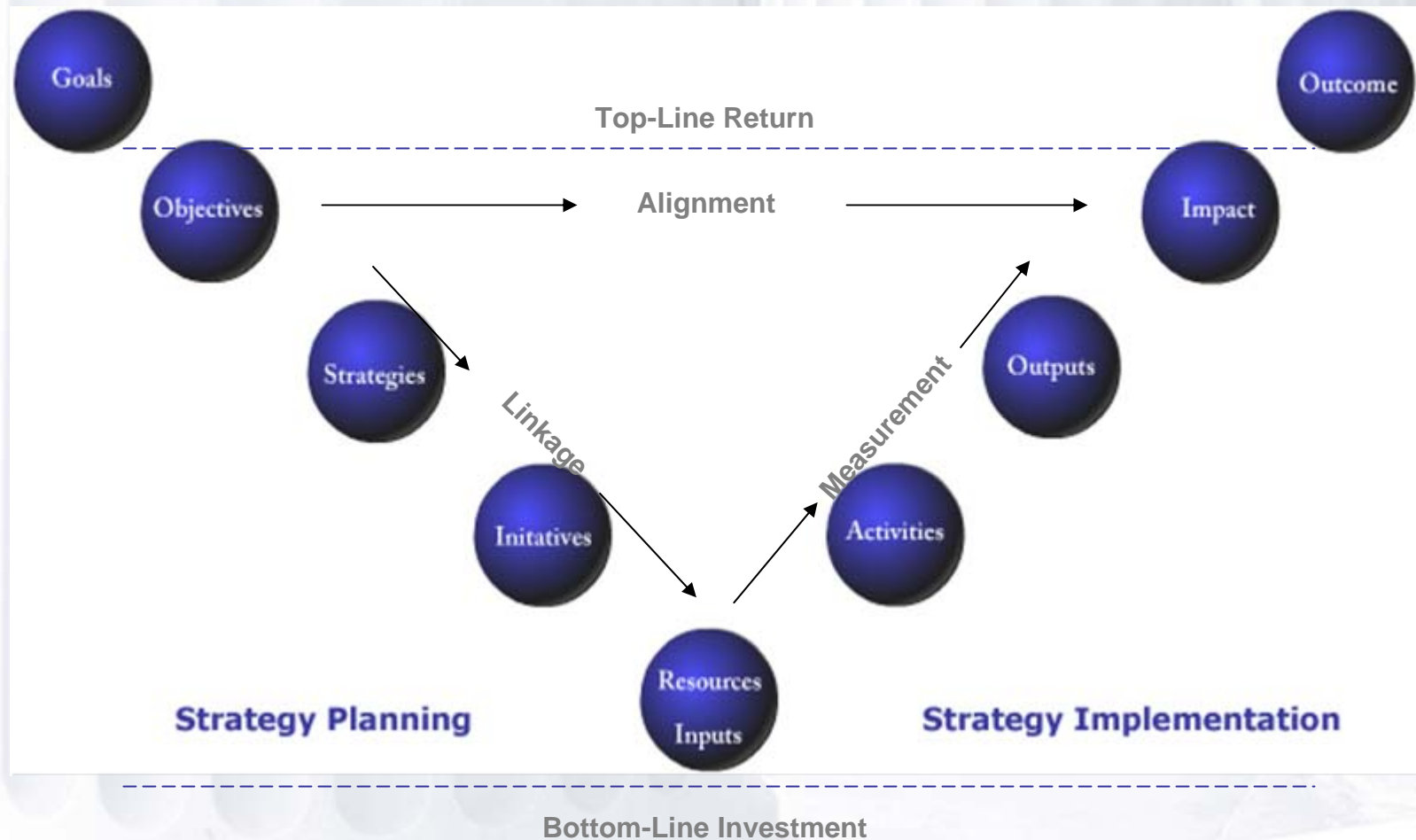**Strategy IS NOT activity or a series of "doings"**

↓

Provide quality, useful, and comprehensive information to prosecutors and courts
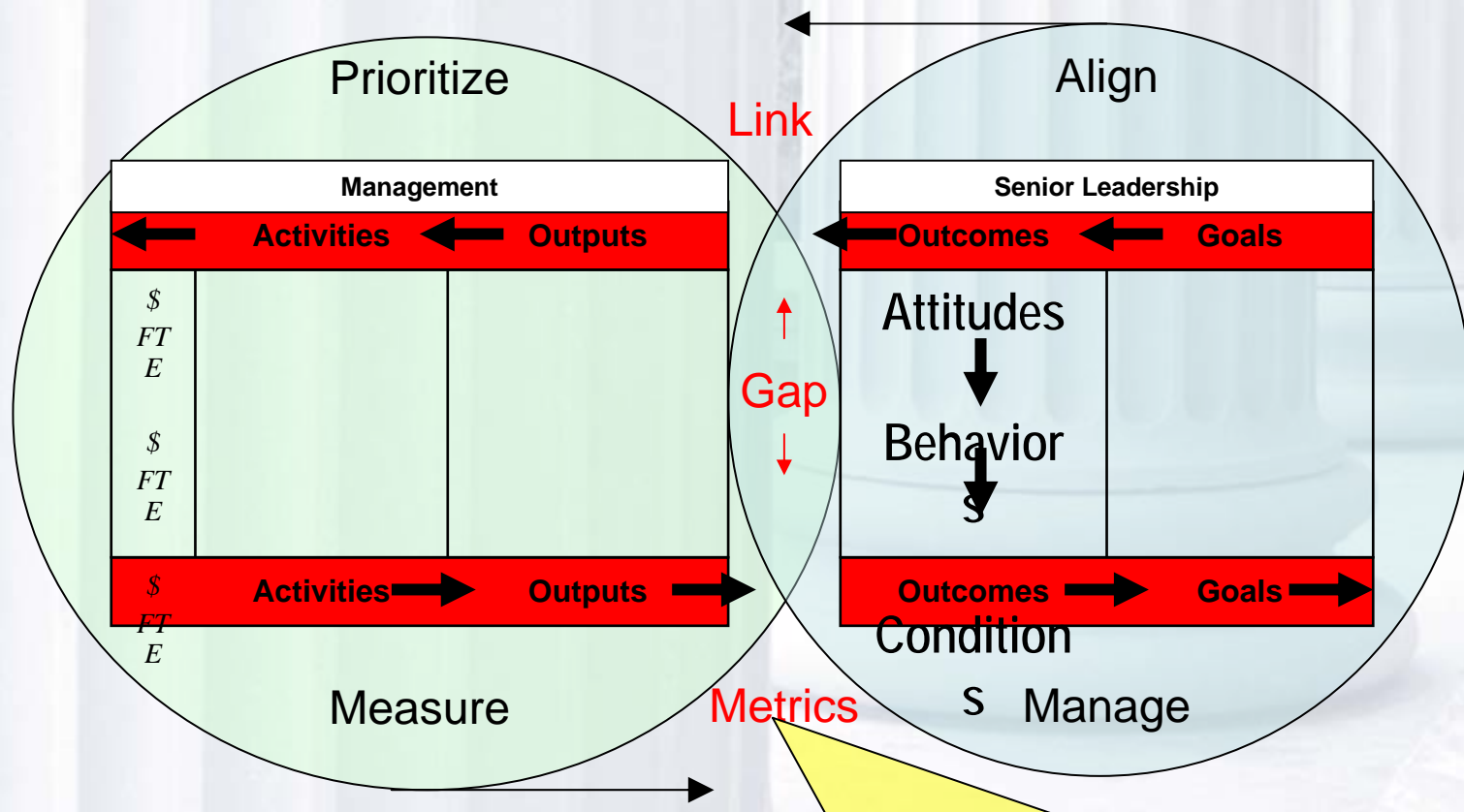
Better utilization of the Performance Logic Model

EFFECT

CONTROL

| Inputs | Activities | Outputs | Intermediate Outcomes | End Outcomes |

Attitudes Behaviors Conditions

WHY?

HOW

Logic Model "V"

Goals

Outcome

Top-Line Return

Objectives

Alignment

Impact

Strategies

Linkage

Measurement

Outputs

Initatives

Activities

Resources Inputs

Strategy Planning

Strategy Implementation

Bottom-Line Investment

Driving Analytics to bring together senior leadership and operational staff

Prioritize

Link

Align

Management		
← **Activities** ←	**Outputs**	
$ FTE		
$ FTE		
$ FTE	**Activities** →	**Outputs** →

Measure

↑ Gap ↓

Metrics

Senior Leadership		
Outcomes ←	**Goals**	
Attitudes ↓ Behaviors		
Outcomes →	**Goals** →

Conditions

Manage

Comment: This does not represent a physical breakout of the Logic Model, but rather an illustration to distinguish the differing level of key stakeholders (e.g., agency-program, executive-manager, congress-agency, etc).

Setting the right targets: Increasingly important for decreasing risk

An easily achievable or inconsequential target will do little. The target must be significant. It must require real effort.

- Bob Behn, Harvard University, School of Public Policy

Sample satisfaction "model"

Outputs

| Store Look and Feel |
| Merchandise |
| Associates |
| Customer Service Desk |
| Checkout |

Evaluation →

Outcomes

| Likelihood to Recommend |
| Frequency of Recommend |
| Share of Wallet |
| Buy Again |

Where to improve
Where to invest next

?

Pension Benefit Guaranty Corporation

> Evaluated key customer touch points including:

– Automated phone system – Rated Poorly

– Customer care staff – Rated Average

– Written communications – Rated Average

- Where should PBGC target Measurable Improvement?

Pension Benefit Guaranty Corporation

> Determined that written communications provided <u>greatest leverage</u> for improving customer satisfaction

> Solution was must less costly than investing in the automated phone system, which was the <u>lowest scoring area</u>

The Performance Institute

Target setting for long-term risk mitigation

- Most organizations do some sort of target setting with some regularity

- Many organizations limit their efforts to targeting a period-on-period improvement

Making benchmarks matter to the citizen

- Industry averages versus internal insight
  - Averages are, well, average; facts are better
  - External benchmarks may be incompatible with internal goals

Rethink benchmarking

- Citizen experience considerations

  – Studies correlate the citizens experience with behavior (e.g., loyalty, understanding, trust)

  – Citizen expectations can guide benchmarks

Spend right

- Budgets are tight
  - Spending smarter is an imperative
  - Avoid over spending—and under spending in the wrong areas
- Satisfaction guides spending
  - Customer satisfaction data can help set accurate targets
  - Get maximum gains for minimal investments

Too simple to be accurate (?)

Chart — Y-axis: **Expected Change in Outcome** (0, 50, 60, 70, 80, 90, 100). X-axis: **Driver Change (e.g., Service Level)** (65, 70, 75, 80, 85). Diagonal line labeled **Statistically estimated leverage**.
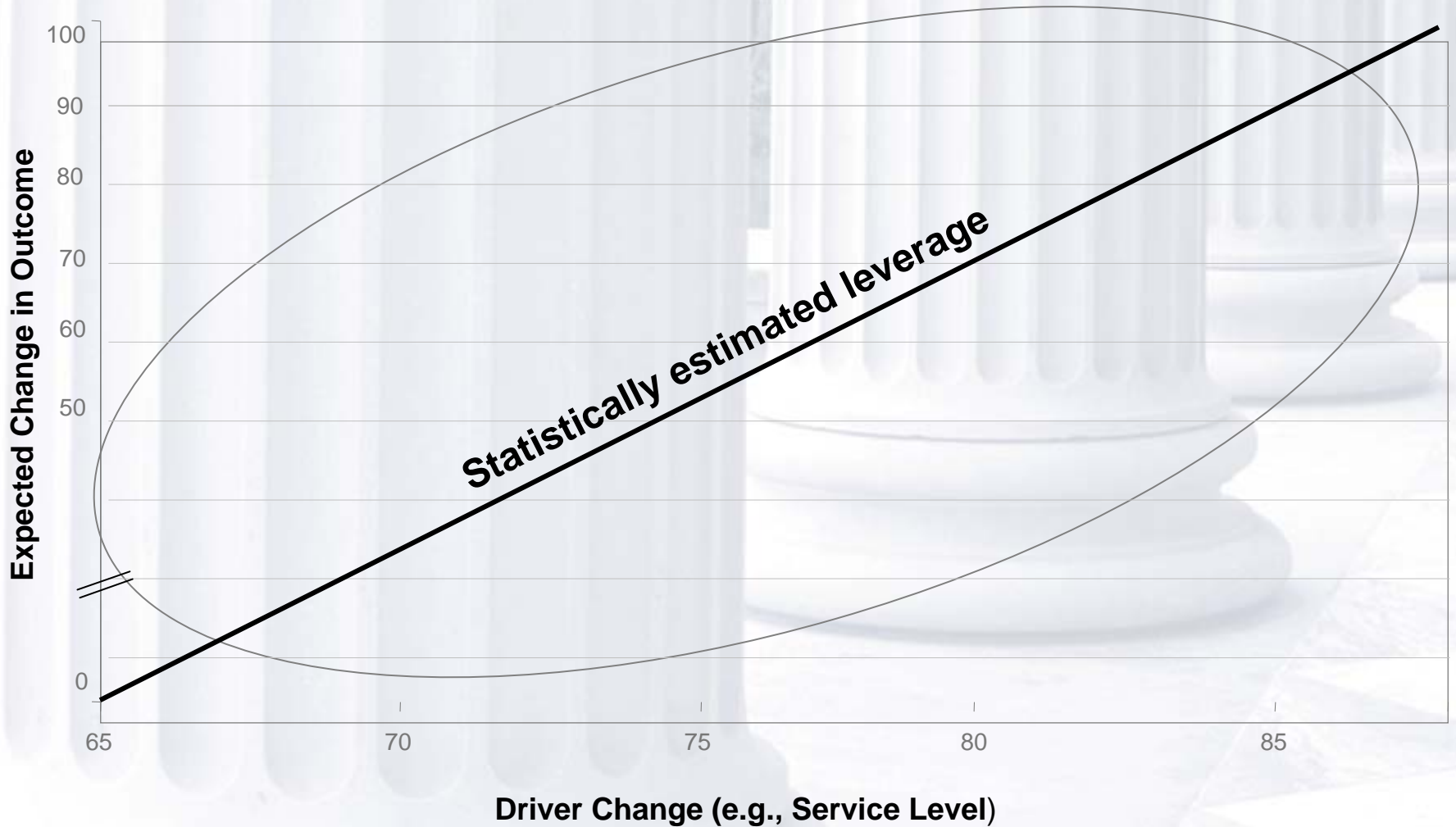
Too simple to be accurate (?)
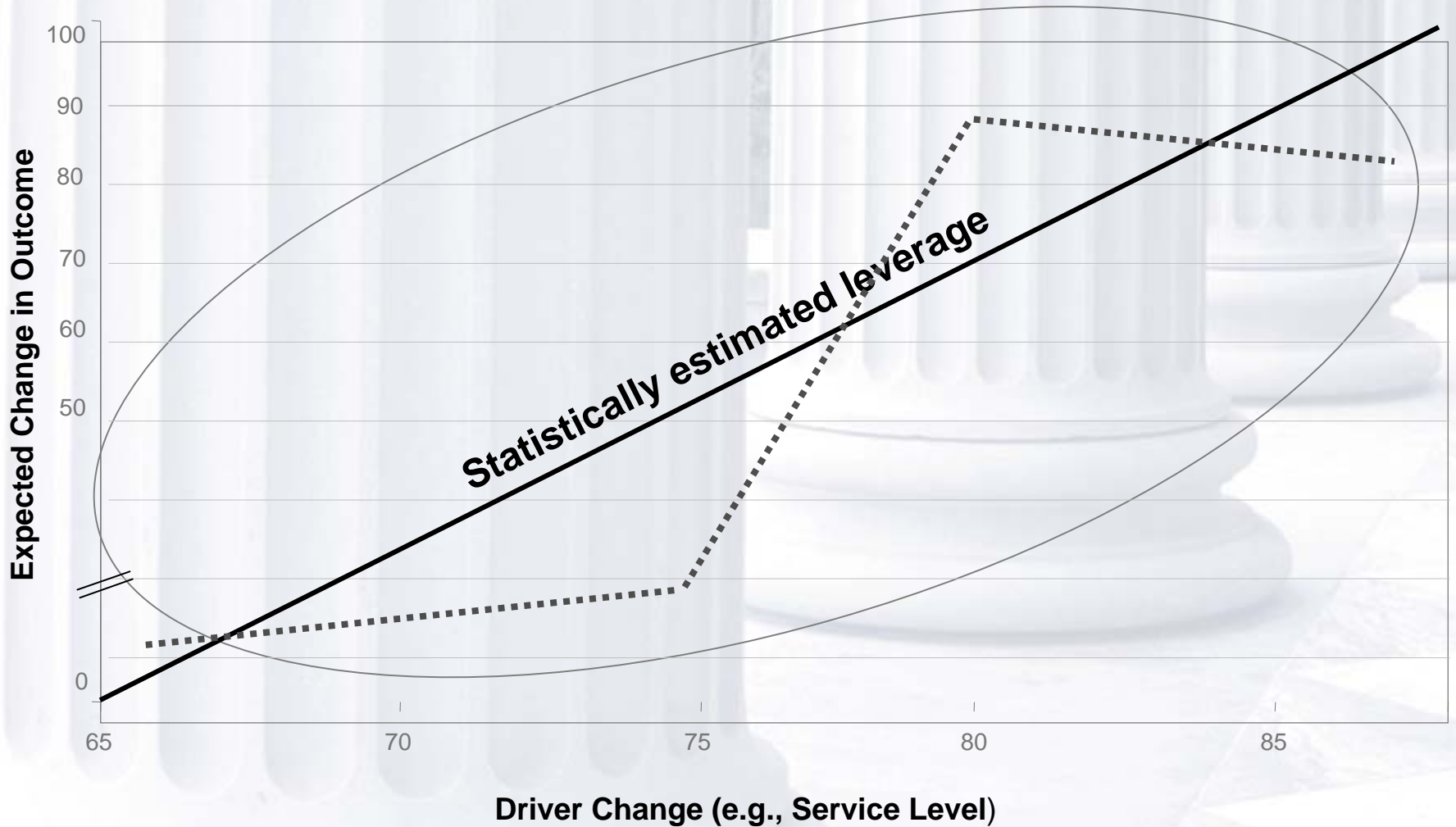
Over- or under-spending creates operational risk

- Complex situations create opportunities to over invest or under invest

Negative outcomes:
- Wasted resources
- Lost opportunity, credibility
- Failure to achieve organizational mission

Optimizing Contact Center metrics

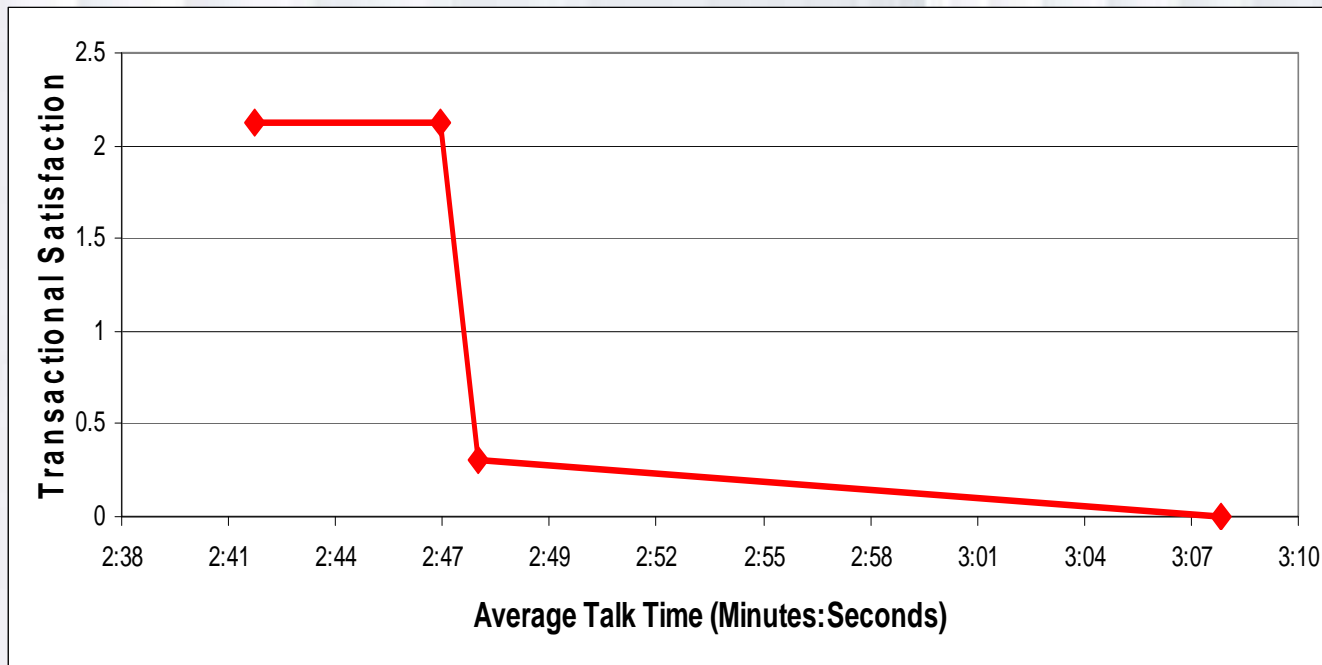Qualitative "best practice" indicated 5% was a good target.
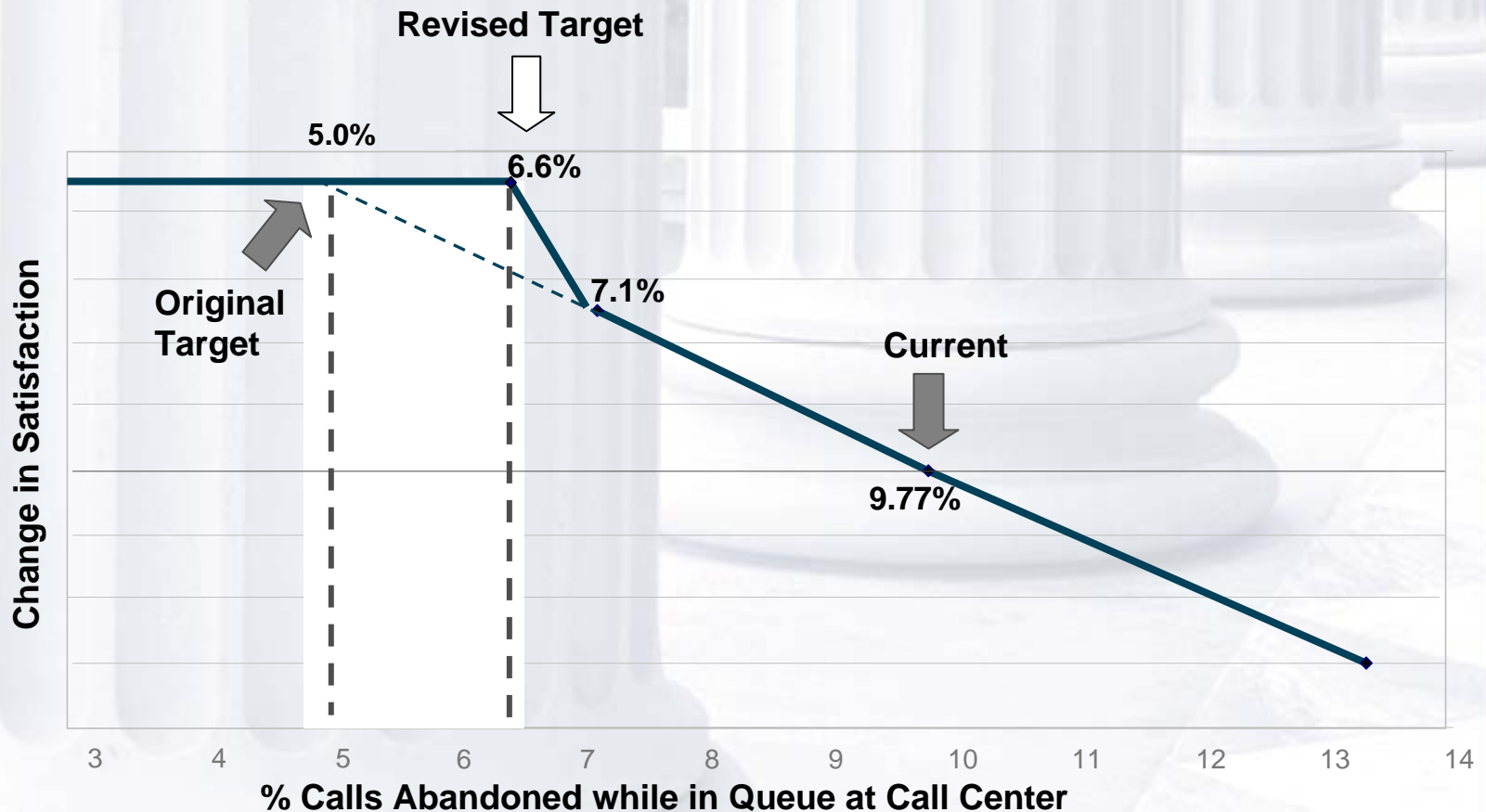
Multiple interpretations: What does this say?

Aggregate-level results
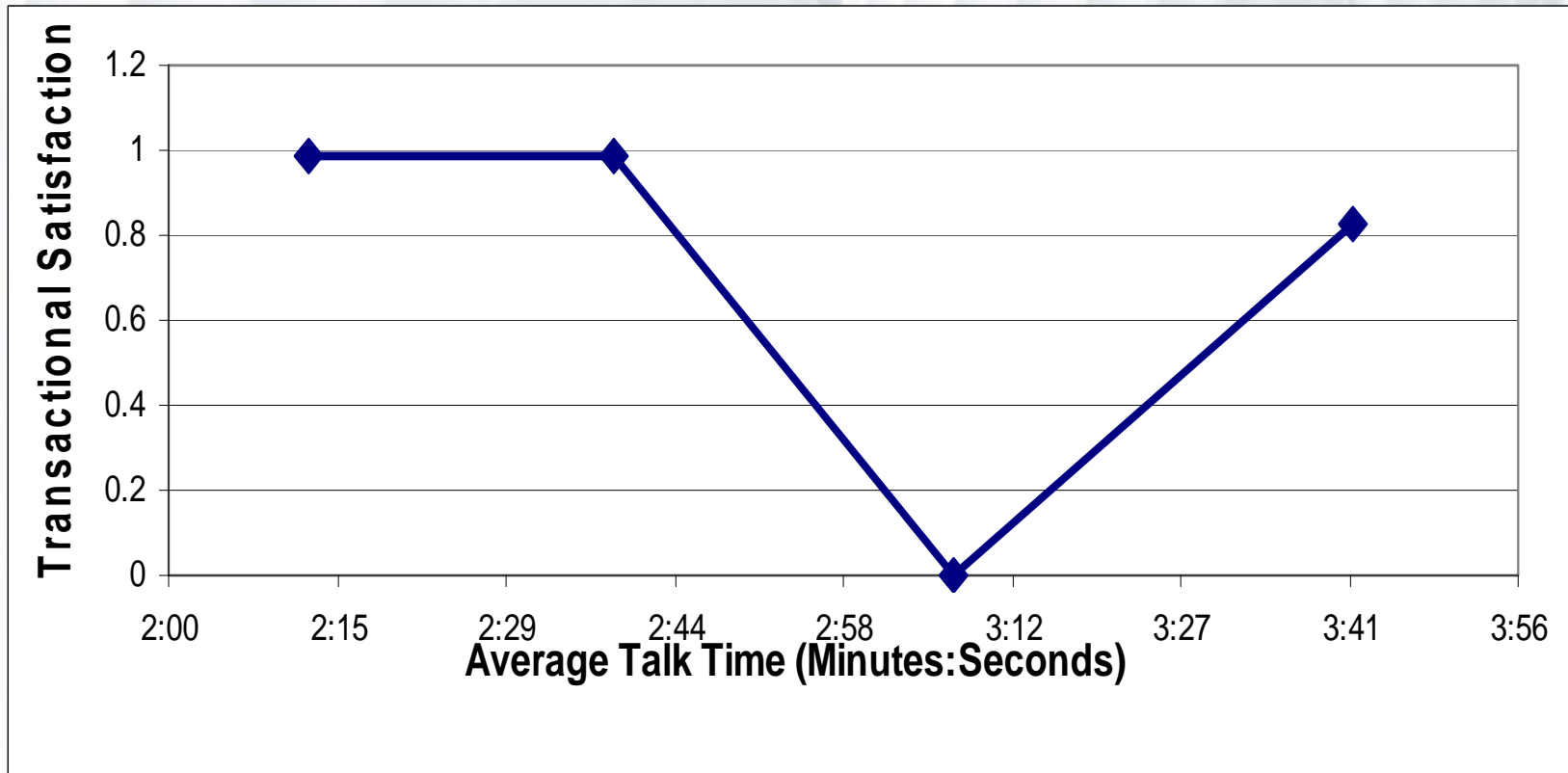
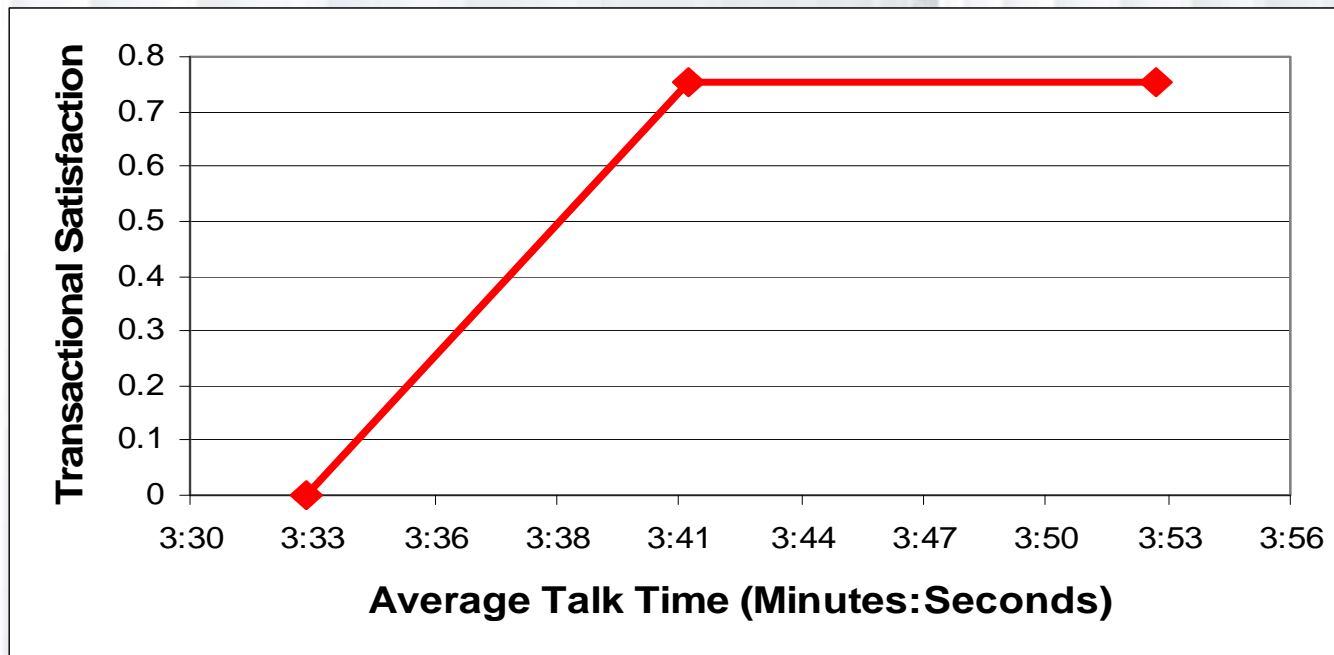# Some interactions require a speedy resolution…

Angry benefits calls

During interactions that the beneficiary considers to be a nuisance satisfaction benefits from a speedy resolution.

…while others need more care

Desperate beneficiary requests

For certain types of calls, however, citizens expect to spend a certain amount of time to properly address the issue.

These calls also tend to be more complex and inherently longer.

Cutting the call off early leaves the citizen feeling short changed and as if their issue wasn't taken seriously.

Four attributes of a quality target

1. Clear
2. Credible
3. Celebrates progress
4. Sets direction for positive change
5. Reflects the culture of the organization

Target setting: Four aspects

1. Systems approach

    The importance of targets to any performance system

2. Process

    The Role of Stakeholders in target-setting

3. Destination?

    Where are your targets taking you?

4. The purpose of target setting

    Examining the function and utility of targets

Selecting your measures
The Program Performance Assessment Window™
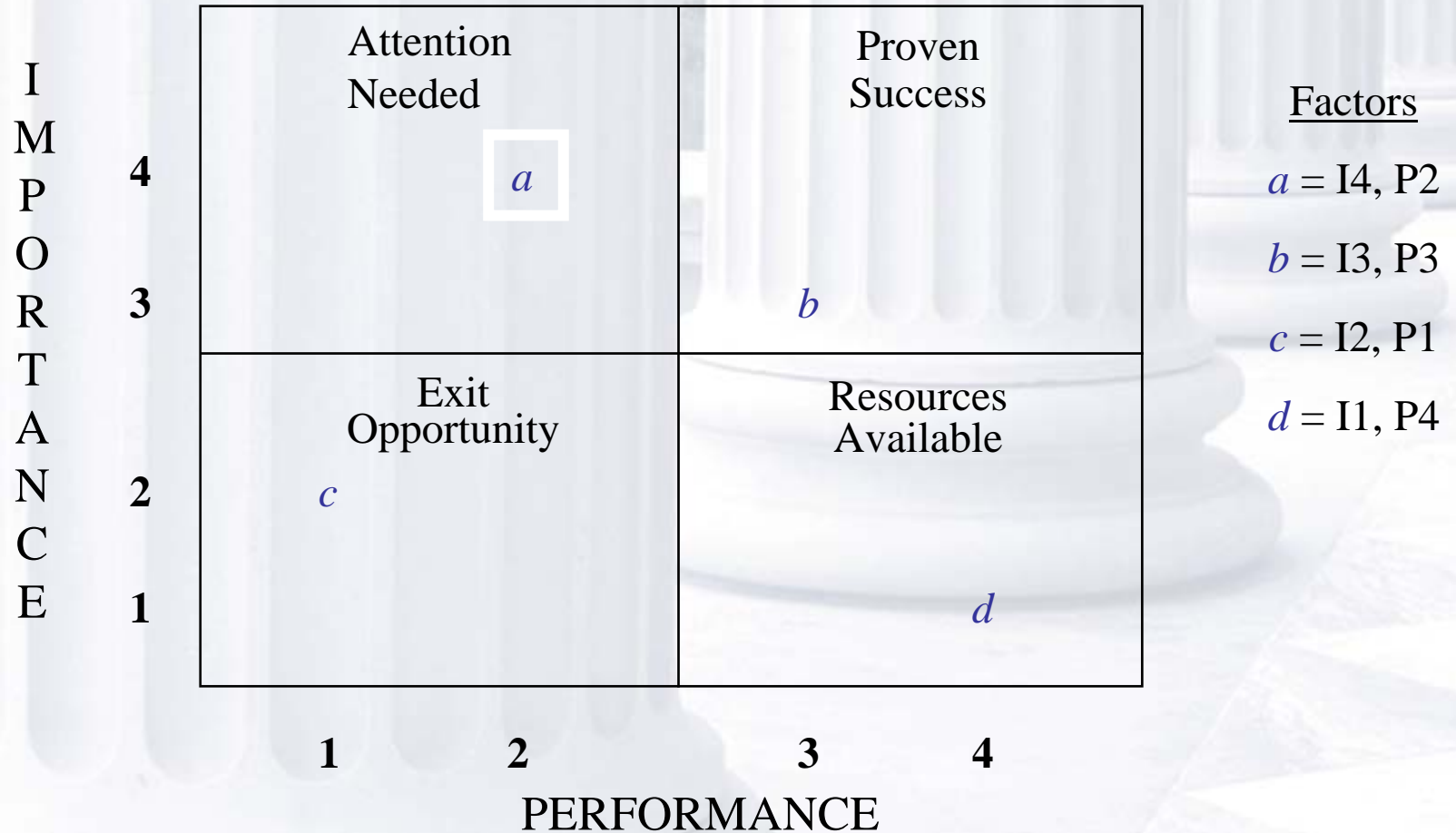
Analytics and Risk Mitigation means embracing experimentation

Think of:

- Trial programs, pilot studies, and small experiments, and about the inferences that can be drawn from them.

- Does the Government embrace experimentation?

Measurement Maturity Index

- In order to have a good idea of your organization's measurement progress the index will give a score up to a maximum of 300 in 4 key areas
- Continue to assess your organizations over time to understand their progress and help them understand where to focus

Four Maturity Themes

1. Interaction
   - Discussion, feedback, pilots, learning
   - <u>Actionable</u>

2. Integration
   - Cross-functional understanding
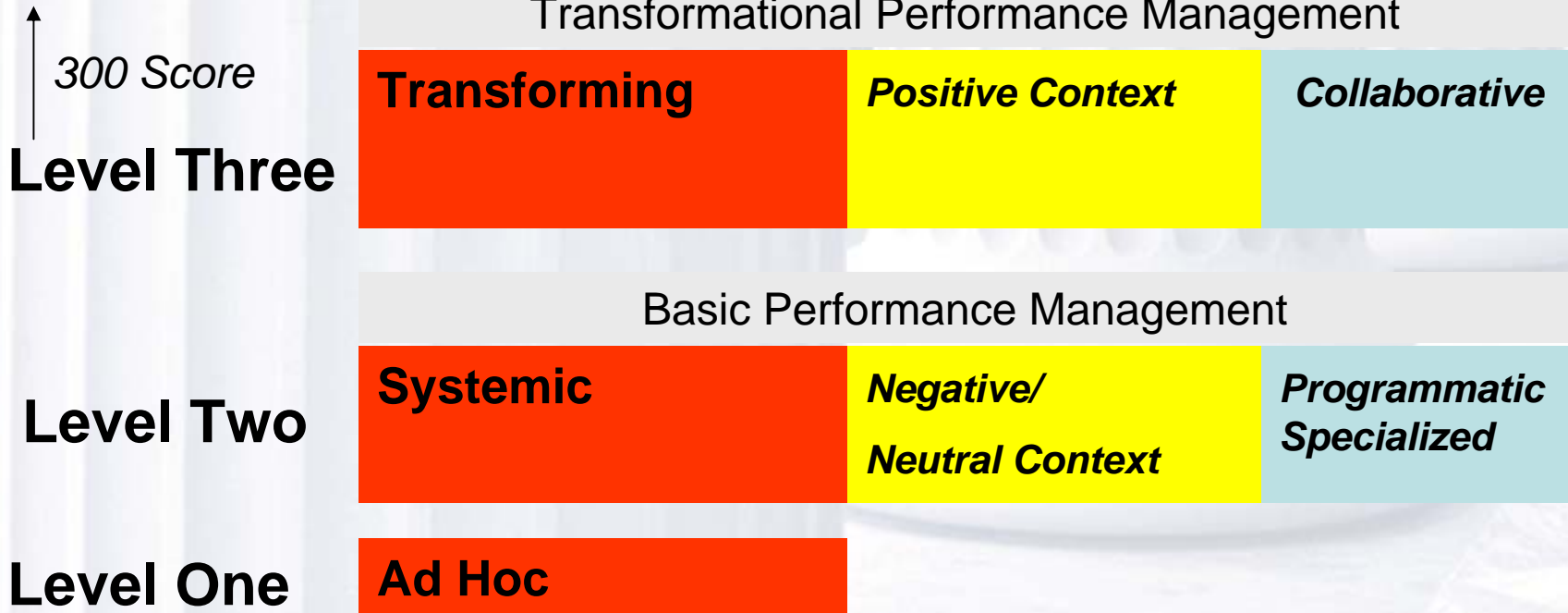   - Casual relationships explored

Four Maturity Themes

3. Focus
   – Results-focus, critical and strategic
   – The routine measures are eliminated for the high-leverage

4. Context
   – Widely-used, valued, trusted
   – No fear, positive and motivating

PI **The Performance Institute**

Selecting your measures
The Program Performance Assessment Window™

	Attention Needed	Proven Success
4	*a*	
3		*b*
	Exit Opportunity	**Resources Available**
2	*c*	
1		*d*

IMPORTANCE

PERFORMANCE 1   2   3   4

Factors

a = I4, P2

b = I3, P3

c = I2, P1

d = I1, P4