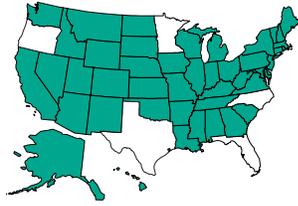




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# Governing for Results and Accountability



## Strategic Planning and Performance Measurement

Pat Dusenbury

The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target.

**G**overnment has adopted the private sector's strategic planning approach to help set priorities and allocate scarce resources in a changing environment. Too often, however, public-sector strategic planning is an event—or worse, just a document. A state's strategic plan is presented with much fanfare and then just fades away. Or an agency prepares a strategic plan to meet executive or legislative mandates but does not use the plan to direct agency activities.

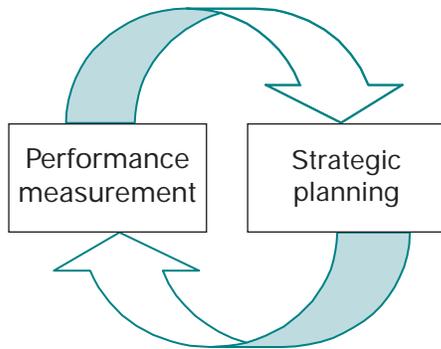
Strategic planning is a continuous process that requires constant feedback about how the current strategies are working. The market tells the private sector how it is doing. Profit levels, return on investments, and sales trends let businesses know when they need to adjust their strategies. Performance measurement provides the public sector with comparable information.

Strategic planning looks ahead toward desired goals; performance measurement looks back at achievements. Combined, strategic planning and performance measurement form a circle—a continuous process of governing-for-results (figure 1).

The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target. The connection strengthens both processes:

This is the fourth report resulting from the Urban Institute's Governing-for-Results and Accountability Project, an examination of performance management that looks at strategic planning, program budgeting, and citizen involvement in the states. The Urban Institute team conducted extensive discussions in North Carolina, Minnesota, Florida, Oregon, and Texas. UI will issue a final report on the study in Fall 2000.

**Figure 1**  
**The Circle of Strategic Planning and Performance Measurement**



Performance measurement relies on specified end outcomes—not just activities, but the results of those activities. The strategic plan’s goals and objectives focus performance measurement on outcomes and help define appropriate performance indicators.

Strategic plans must regularly revisit and “truth test” goals, objectives, and outcome measures. Circumstances change. Periodic reporting of performance indicators provides the information necessary to guide adjustments in strategic plans. This information keeps strategic plans on target and able to accommodate environmental changes.

Among the most innovative and effective programs encountered during our site visits were those that integrated strategic planning and performance measurement. The examples described below are from Florida, Oregon, and Minnesota—and they are diverse. One involves all state agencies; another is a program within a state agency. Two of the programs target environmental issues—one is a state agency, while the other is a multi-agency, public-private partnership involving all three levels of government. The programs’ perspectives vary on exactly *how* strategic planning and performance management are integrated, but each demonstrates the power of integrated strategic plan-

ning and performance management to support results-based governance.

### **STATE OF FLORIDA**

Florida Statute 186.002, enacted in 1984, requires Florida’s executive departments to produce five-year agency strategic plans (ASPs) that align with the State Comprehensive Plan. Agencies must update their ASPs annually, including an internal assessment of (a) program strengths and weaknesses and (b) opportunities and threats likely to affect program goals.

Administrators interviewed during the site visit agreed that some agencies quickly saw the advantage of strategic planning and performance management, while others did not (the Department of Transportation was an early convert, and an example from that agency is described in more detail below). Only when the ASPs were linked to the budget process, using performance indicators, did all agencies take the strategic planning requirement seriously.

The connection between strategic planning and performance measurement has improved the understanding and use of both processes. For example, the Department of Law Enforcement’s 2000–2004 ASP restates several goals from the 1999–2003 version by using measurable terms. The phrase “Provide quality, useful, and comprehensive information to prosecutors and courts” has become “Increase the amount, quality, and scope of information provided to prosecutors and courts.” The revised goal enables the department to quantify performance and track progress.

The Department of Community Affairs Coastal Management Program (CMP) is another good example. CMP has used performance information to evaluate alternative strategies and select the one likely to be most effective. Because of its work on performance indicators, CMP has shifted its focus (a) from the broad environmental issues affecting the Florida coast to those issues where the agency can make a difference and (b) from statewide projects to demonstration projects, which usually operate at a smaller number of sites. Rather than issuing

mandates, CMP is providing technical assistance and training to support the local agencies.

## **Results**

The integration of strategic planning and performance measurement by Florida executive agencies has improved management and provided a foundation for additional results-based governance activities—most notably a performance-based program budget (PB squared) effort.

Administrators report that each iteration of the agency strategic plan review process has increased understanding of strategic planning and performance measurement. The ASPs are evolving and improving from one year to the next—in format and in substance.

The agencies that had successfully implemented strategic planning and performance management also acted as pilot agencies for performance budgeting. Under the new governor, performance-based program budgeting has expanded to all agencies.

Agency strategic plans, which now use common program categories, enable compilation of a program budget for the state.

## **THE OREGON PLAN**

The Oregon Plan is a collaborative (federal-state-local, multiagency, and public-private) effort to enhance watershed health and restore native fish—salmon and steelhead and cutthroat trout—to Oregon waters. It began with a commitment from the partners to work together toward the common goal of restoring the native fish. Realization of that simple goal, however, requires a complex web of actions to reestablish the fish's natural habitat: improving stream water quality, enhancing stream flows, removing barriers (culverts, dams, irrigation diversions, and some fish ladders) to fish migration, restoring wetlands, and protecting riparian land. There is also ongoing research into the dynamics of watersheds. The plan itself is the organizing frame-

work for collaboration and cooperation among the government agencies and citizen and business volunteers needed to accomplish these tasks.

A second and very important commitment came from plan organizers who pledged to operate in a continuous cycle of planning and performance measurement. Monitoring is integral to the Oregon Plan and will continue throughout its implementation. This monitoring produces vital performance indicators on the status of water quality and fish populations. A scientific review panel adds credibility to the monitoring process. Based upon this information, strategies are developed and revised. The commitment to results and strategies based upon science is the glue holding together a diverse coalition, including some parties with conflicting interests.

Because the native coho salmon is an endangered species, the Oregon Plan has to conform to the federal Endangered Species Act in defining (a) recovery and (b) an environment that supports a species. In addition, about half of the Oregon Plan deals with meeting federal Clean Water Act requirements. Both the Endangered Species and Clean Water Acts require performance indicators that are specific to species and water basins, and monitoring produces this information. These indicators are then connected through a hierarchy of performance indicators to Oregon Benchmarks, which drive the state's planning process.<sup>1</sup>

The Governor's Natural Resources Office is the lead agency for the Oregon Plan, and many diverse state and federal agencies actively implement it (table 1). In addition, the Department of Education supports the effort with special curricula, and Oregon State University participates through its extension and Sea Grant programs.

Key state regulatory agencies involved in implementing the Oregon Plan are the Oregon Water Resources Department (OWRD) and the Oregon Fish and Wildlife Department (OFWD). Both began strategic planning when it became clear that state government agencies needed strategic plans to link their activities to the outcomes described in the Oregon Benchmarks.

**Table 1**  
**State and Federal Agency Partners in the Oregon Plan**

**State of Oregon Agencies**

Watershed Enhancement Board  
 Department of Fish and Wildlife  
 Water Resources Department  
 Department of Environmental Quality  
 Division of State Lands  
 Department of Forestry  
 Department of Agriculture  
 Marine Board  
 Department of Geology and Mineral Industries  
 Department of Transportation  
 Department of Land Conservation and Development

**Federal Agencies**

Environmental Protection Agency (EPA)  
 National Oceanic and Atmospheric Administration  
 U.S. Fish and Wildlife Service  
 Bureau of Land Management  
 USDA Forest Service  
 Lower Columbia River Estuary Program  
 Bureau of Reclamation  
 Corps of Engineers

Setting priorities rather than just responding to complaints is a new approach for OWRD. Implementation of the Oregon Plan requires OWRD to communicate with the public. To do this, OWRD has had to develop easily understood performance indicators for measuring the stream flows necessary to support healthy watersheds and fisheries. The Oregon Progress Board is helping OWRD identify intermediate outcomes that link OWRD activity measures to the Benchmarks.

A third key agency, the Oregon Watershed Enhancement Board (OWEB), is not a regulatory agency. Its role is to encourage people and companies to do *more than the law requires* to restore watersheds and streams. The board works with more than 90 local watershed councils composed of landowners, corporate representatives, conservation groups, field workers from state agencies, and local government officials. Many of these councils receive OWEB funding for a full-time staff person and for monitoring and developing a work plan that addresses the problems identified by the monitoring. Extensive citizen outreach publicizes monitoring results and describes what citizens can do to help restore the native salmon, steelhead trout, and cutthroat trout populations. OWEB also funds the scientific review panel.

**Results**

The *Oregon Plan Implementation Report 1999* summarizes progress thus far: “State and federal agencies have modified existing programs, established new programs, and identified new measures that rectify factors that have contributed to the decline of salmon populations.” Citizen and business interests have also developed projects, such as removing impediments to stream flow or reducing harmful runoff that pollutes streams.<sup>2</sup>

The combination of strategic planning and performance measurement that characterizes the Oregon Plan (and the Benchmarks that drive it) has proven to be an effective framework for organizing the interagency cooperation necessary for such a complex undertaking. For example:

OWRD and OFWD jointly established priorities for stream-flow enhancement, which are now incorporated in the strategic plans of both agencies as well as in their methodologies and schedules.

Information about permitting activities is circulated among relevant agencies, and OWRD helps the Department of Land

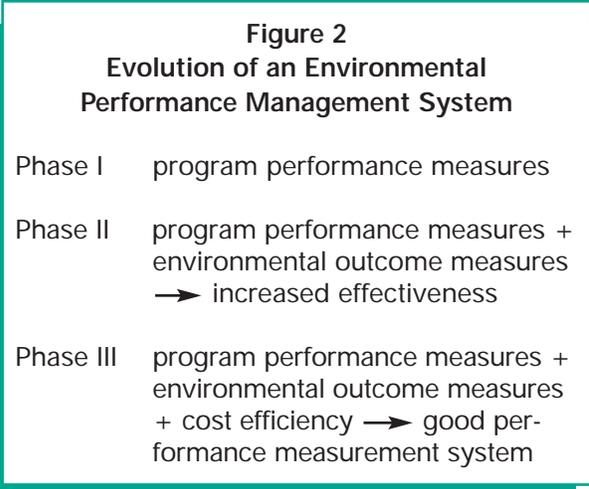
Conservation and Development with planning at the local level. The Departments of Agriculture and Environmental Quality developed models now used to produce water quality management plans for river basins.

**MINNESOTA POLLUTION CONTROL AGENCY**

For the last 10 years, the Minnesota Pollution Control Agency (MPCA) has developed and implemented strategic plans for agency operation and environmental protection. In addition, MPCA has contributed environmental quality measures information to Minnesota Milestones.<sup>3</sup> As it gained experience with planning, MPCA concluded that its media-based organizational structure (air, land, and water) was not compatible with a multimedia, outcome-based performance measurement system. In 1999, the agency reorganized from media-based to geographic divisions, shifting all 800 personnel positions within MPCA.

State environmental planning faces additional hurdles because it occurs within the context of the National Environmental Performance Partnership System (NEPPS) agreement with the federal Environmental Protection Agency (EPA). EPA's Performance Partnership Grant (PPG), which accounts for half of federal environmental funds allotted to Minnesota, is effectively a performance contract between EPA and MPCA.<sup>4</sup> NEPPS uses core performance measures that are negotiated by EPA and ECOS (the Environmental Council of the States). The approximately 40 measures are predominantly outputs but include some outcomes. MPCA prefers to report outcomes but recognizes that outputs are the building blocks of outcomes.

Despite the difficulty of making changes within the NEPPS context, the MPCA agency strategic plan is evolving from using process measures to using outcome measures. In 1994, the agency strategic plan included eight priorities. By 1996, MPCA had developed GOAL 21, a plan with just four broad strategies: shared goals, environmental outcomes, situational alliances, and willingness to adapt to change. Figure 2 shows the MPCA vision



of the evolution of an environmental performance management system.

MPCA is institutionalizing periodic reporting as an aid to executive-level decisionmaking. The agency's upper management has begun to focus on strategic decisionmaking based upon environmental outcome information. To encourage a similar approach at the program level, management of performance measures has been distributed throughout MPCA. In addition, the agency produces a quarterly performance report that covers all its programs.

The data needed to comply with all the reporting requirements—by media (air, land, and water), geography (ecosystem and river basin), industry, and other sources of emissions (point and non-point)—calls for a sophisticated data management system. MPCA is investing \$8 million in a data system that will support program performance management. This is an initial step in the change to an outcome-focused, geographically based operating structure.

**Results**

MPCA is being reorganized by geography rather than by media in order to implement its strategic operational plan, GOAL 21, and to use outcome measures more effectively. This shift is designed to foster multimedia priorities and translate these priorities into the budget and, ultimately, into action.

Work is under way to redesign MPCA business processes, develop a performance management system, and revamp the human resources system to make them consistent with the new organization and GOAL 21 strategies. In the future, the agency expects to develop rolling five-year strategic plans, updated annually, that reflect the agency's priorities.

### ***FLORIDA DEPARTMENT OF TRANSPORTATION—MAINTENANCE DIVISION***

The Florida Department of Transportation (DOT) describes its planning process as a continuous cycle of policy, finance, work program/project delivery, and performance monitoring. The Florida Transportation Plan has a three- to five-year period, is updated annually, and guides development of the DOT work program, budget, and performance evaluation reports. The Maintenance Division, which has used performance measures since the first Florida Transportation Plan was developed in 1985, illustrates how this cycle works at the operating level, where the focus is on activities (outputs) that contribute to desired outcomes.

The Maintenance Division central office develops and reviews policies and procedures. With input from the regions, it establishes goals and objectives for the agency strategic plan. Then the DOT database of the road system is used to construct an annual maintenance workload. A factor ranging from 100 percent for safety-related work to 50 percent for purely aesthetic activities is applied to the annual workload in order to reach an average of 80 percent. DOT has set achieving this 80 percent of aggregate workload as its goal for the Maintenance Rating Program (MRP) performance indicator.<sup>5</sup>

In each of the seven DOT geographic regions, there is a maintenance yard overseen by a professional engineer. (An eighth "region" is the turnpike.) Each regional yard manages its own operations and plans work based upon achieving a performance measure of at least 80 percent in its MRP. To develop annual operating plans, regional

engineers use the previous years' MRP scores to redirect resources from areas of roadway exceeding the 80 percent standard to areas not meeting the 80 percent standard. Increasingly, regional engineers are using the performance information to decide which tasks could be done more efficiently by outside contractors. In the last few years, contracting out has allowed DOT to reduce staff by 411 positions and saved the cost of associated equipment and materials.

During the year, regional staff monitor outputs (production) to ensure that work is being performed properly. These monitoring reports are compiled into MRP reports three times a year and distributed to the regional engineers, enabling them to shift resources to address low-performance areas. This information is also provided to DOT management, allowing it to track performance in the districts.

### ***Results***

DOT's Maintenance Division has improved production, and surveys indicate that the public views road conditions more positively—an important outcome measure. Furthermore, the integration of planning and performance measurement has created the foundation for performance budgeting, performance contracting, and, to a limited extent, human resource management.

The Maintenance Division operates under a zero-based budget tied to performance; it has been using performance budgeting since 1991. Furthermore, the systematic development of the budget has enabled DOT to receive requested funds from the Florida state legislature.

The Maintenance Division has been contracting out certain jobs on an activity basis, but in 1999 it received an unsolicited proposal for the maintenance of a stretch of roadway with an MRP score of at least 80 percent. In other words, the private firm proposed an outcome-based contract rather than using traditional bidding methods.

Each regional manager has a performance contract with the central office and is personally responsible for achieving an MRP score of at least 80 percent in his or her region.

## Conclusions

The examples demonstrate the synergy achieved when strategic planning and performance measurement are used in combination. The whole is greater than the sum of its parts because each process reinforces and strengthens the other.

In Florida, the agency strategic plans required by the legislature and the lessons learned from producing them have built a foundation for performance budgeting.

The Oregon Plan uses performance measurement to hold together the diverse interests required to implement the initiative.

The Minnesota Pollution Control Agency has reorganized to better use performance measurement in strategic planning.

The Florida Department of Transportation cycle of planning and performance measurement has enabled the Maintenance Division to improve performance and evaluate contracting options.

The model of integrated strategic planning and performance measurement not only improves management. Once in place, it is also the foundation for implementing results-based budgeting, contracting, and human resource management. For a state determined to get results, integrating strategic planning and performance measurement is step one.

## Notes

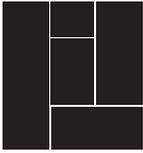
1. Oregon Benchmarks are performance indicators that measure progress toward the goals of

Oregon Shines, the strategic plan for the state of Oregon.

2. The full report can be found online at <http://www.oregon-plan.org>.
3. Minnesota Milestones, the state plan for Minnesota, reports goals and indicators that measure progress toward those goals.
4. Although EPA provides only 16 percent of funding for MPCA, it gives program directions.
5. The goal is 80 percent because there is a geometric increase in cost associated with moving toward higher standards.

## Upcoming Final Project Reports

1. *Making Governing-for-Results and Accountability Work*—a final report for state officials, managers, and others. It highlights findings and recommendations for our study of approaches to managing for results.
2. *Governing-for-Results in the States*—a short report for legislators, highlighting issues most important to them, that will include an appendix with model legislation.
3. *The Governing-for-Results System—A Systems Approach*—a monograph describing how the separate techniques of governing-for-results work together to achieve an effective, performance-based system.



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