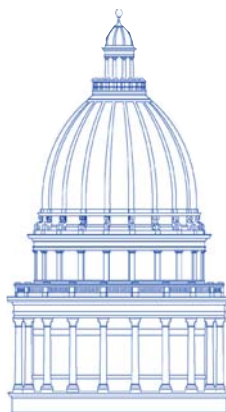# Best Practices for Good Management

prepared by the
Office of the Legislative Auditor General
John M. Schaff, CIA
State of Utah

Getting Started

As you begin operations, it can be easy to get caught up in the day-to-day round of activities needing attention. However, it is also important to focus on some larger, ongoing issues that are important to the success of your program. These ongoing activities are often called best practices.

The purpose of this brochure is to outline some proven practices that should occur within the planning, implementing, and evaluating phases of the management control cycle shown below.

The figure provides a conceptual framework for the following discussion. The circle emphasizes the ongoing nature of the management process. As the initial cycle is completed, you turn to planning for the next cycle—incorporating improvements based on lessons learned during evaluation. This iterative planning/improving process is in itself a best practice.

Of particular interest to legislators are your policies, data collection, and performance measurement activities. Policy is implemented in your day-to-day activities. Data collection is an ongoing process as well, one that flows into the evaluation phase. We will discuss performance measurement as part of both planning and evaluating.

Management Cycle

Plan

Implement

Evaluate
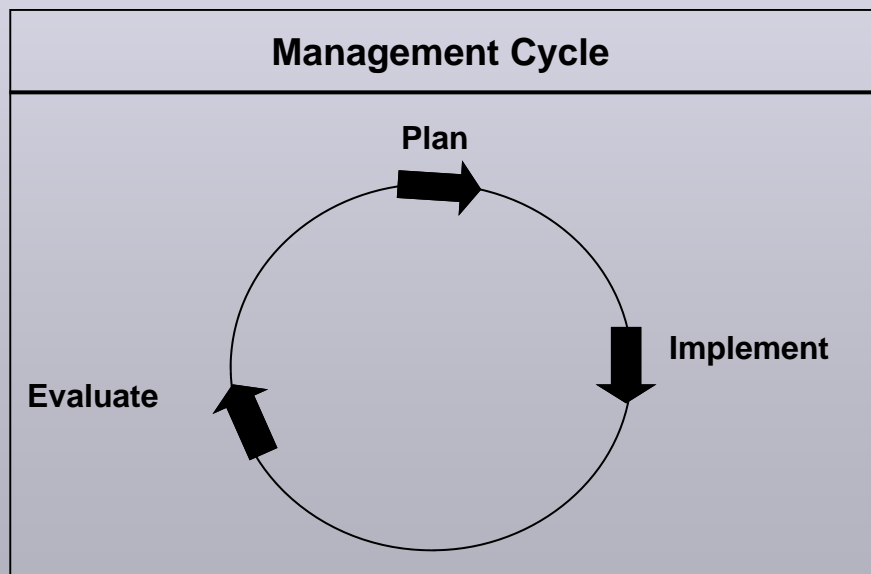
The federal Government Accountability Office (GAO) stated in a report on the Government Performance and Results Act that organizations successfully implementing management reform had taken three key steps in common. "These were to (1) define clear missions and desired outcomes, (2) measure performance to gauge progress, and (3) use performance information as a basis for decision making." These key steps are the essence of the best practices discussed in this guide.

Planning Is the Important First Step

"Begin with the end in mind." — Stephen Covey

Planning should be your first step; it then becomes an ongoing activity that includes revising your goals and objectives as progress is made. Also, develop a strategic plan for the long term and an annual budget for the short. Planning should also include the development of a performance measurement system.

The development of strategic plans, goals, and objectives should be the starting point for a program's performance measurement efforts. Build accountability into the process by reporting progress to the Legislature and the Governor. Remember—planning is a continuous process that involves making adjustments along the way as you strive to achieve your goals and objectives.

Recommended Best Practices

- Develop a strategic plan that includes long- term goals, refining them as needed. This should be a specific, quantifiable action plan driven by the agency's objectives. The strategic plan is an evolving document and is regularly being updated.

- Develop and prioritize goals and objectives for each year; plan activities to meet those goals.

- Identify who your stakeholders are and involve them in the development of your goals and objectives to get their assistance in defining what you need to accomplish.

- Identify and be guided by legislative intent by reviewing statutory mandates at both the state and federal levels.

- Learn about and adapt the methods other similar programs (local or in other states) have taken when planning and setting up their programs.

- Consider these three questions when writing a mission statement:
    - What is our purpose?
    - What products/services must we deliver to meet that purpose?
    - How will we accomplish our purpose?

Audit Findings

A common concern we have identified in audits is that a mission has been redefined. Some agencies refocus their efforts to the point that they no longer address functions assigned by the Legislature in statute.

- Sometimes a program expands responsibilities and does more than was intended at costs that outweigh benefits to their clients.

- At the other end of the spectrum, sometimes a   program defines its mission so narrowly that a statutorily-assigned function is neglected.

Research the law and determine legislative intent for your program when developing a mission statement.

Key Definitions

Mission Statement: describes the overall role of the agency; clearly identifies what the organization does, and why and for whom it does it.

Goals: broad statements of long-range purposes, qualitative but not yet quantified; achievement of goals will help fulfill the mission.

Objectives: clear targets for specific action; specific, quantified, time-based statements of desired outcomes or accomplishments; must be realistic and attainable.

The examples in the box below (and others as well) can be found in the workbook titled *Performance Measurement: Concepts and Techniques*, issued by the American Society for Public Administration.


**Examples of Well-Written
Goals and Objectives**

Goals
- To enhance the participation in society of people with disabilities
- To improve the living conditions of children
- To sustain above-average economic growth

Objectives
- To reduce the theft rate 35% by the end of the year
- To reduce waiting time by 15% by April
- To increase the number of stolen bikes recovered by 50% within five years

---
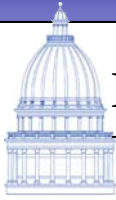
Implementing Good Policy and Procedure

"Even if you're on the right track, you'll get run over if you just sit there." — Will Rogers

Daily implementation of your written policies provides guidance and defines acceptable program practices to staff. Procedures operationalize policies, giving guidance while allowing for discretionary decision making within the confines of the policies already set.

Recommended Best Practices

- Adapt statewide policy to the needs of your program. Examples of statewide policies already in place include the following:
  - Disbursements and purchasing
  - Human resources and payroll
  - Fixed assets and inventory
  - Sexual harassment policies
  - Equal opportunity
  - Data processing controls
  - Travel
  - Acceptable uses of information technology

- Develop policy specific to your program's goals and objectives as well.

- Be certain that policies are consistent with statutory provisions.

- Get advice from your executive director and department staff as you develop policy statements.

- Once policies are set, develop procedures to guide your staff in the implementation and day-to-day decision making relevant to your program's goals and objectives.

- Keep procedures updated.

- Perhaps the most important advice that comes out of our performance audit experience is that program policies:
  - need to be in writing,
  - need to be distributed and readily available to all interested parties,
  - need to be kept current through regular review and updating, and
  - above all, need to be adhered to.

Audit Findings

We have often identified concerns related to policies and procedures.

- One agency specified in policy how bonuses were to be handled, but ignored the policy in awarding the director repeated large bonuses.

- Some staff in a second agency followed "informal policies" that, while written, had not been authorized by their director. Other staff worked without any written guidance.

- A third agency's written policies were not provided to recently hired staff.

Implementing Good Data Management

"If you don't keep score, you're only practicing." — *Tom Malone, President, Milliken Co.*

Data's value is in usefulness. To assess performance, you will probably use input, output, and outcome data. Input data quantify your resources (staff, equipment, funding). Output data show what you have produced with your resources and help you assess whether you are achieving short-term goals. Outcome data show the end results or effect of your efforts and help assess progress toward long-term performance goals.

Recommended Best Practices

- Determine what data are needed to accurately reflect program operations over time and to assist management in making good decisions.

- Collect data that facilitate performance measurement and evaluation.

- Data collection activities should:
    - Provide needed data in a reliable, timely manner
    - Contribute to making good management decisions
    - Be linked to your goals and objectives
    - Be protected by physical and electronic security controls

- Balance the cost of data collection efforts against the need to ensure that data are complete, accurate, and consistent.

Some Audit Experiences

Data management is increasingly important in the Information Age. A reliable, secure system that provides needed information in a timely manner is indispensable.

- We were asked to conduct an audit of a complex state agency's data because legislators needed more trust in the data's accuracy and reliability when making funding decisions.

- Another state entity with multiple service locations was unable to produce data showing whether millions of dollars in designated funding had been spent appropriately.

- Use collected data to assess efficiency (input vs. output) and effectiveness (outcomes).

- Evaluate performance data and make needed interim changes to meet goals and objectives.

- Promote accountability by providing performance data to the legislative and executive branches, clients, and customers.

Remember that these are ongoing processes that should recur after your performance measurement system is put in place.

Implementing Human Resource Management

"The job of management is not supervision, but leadership."— Dr. W. Edwards Deming

It has been said that employees are the most crucial resource in state government. Keep this in mind and develop and follow good human resource management policies and procedures.

Recommended Best Practices

• Work with your HR representative or with the state's Department of Human Resource Management to determine the following:
- The specific skills needed for your program to succeed
- The skills and capabilities needed to cope with external factors affecting your program
- The level of qualifications of your current staff relevant to accomplishing goals and objectives
- The staffing levels needed to optimize efficiency
- The skills to look for in recruits

• Determine what recruitment, retention, and separation strategies are needed to maximize program success.

• Develop a comprehensive program of human resource management to guide the screening and hiring, training, developing, and compensating of your employees.

Audit Findings

• In one audit we found the agency director hiring relatives, including his children (nepotism); employee morale and effectiveness were adversely affected.

• Another audit found unqualified relatives being hired and then promoted above other qualified applicants. This action lowered employee morale and productivity.

• In a third agency, poor training and a lack of management direction resulted in inadequately prepared case workers, reducing effectiveness and productivity.

• Implement a clear, fair, and systematic employee performance appraisal program.

• Develop employee and management training programs based on a needs assessment of program personnel.

• Consider career development programs that benefit both employees and the organization.

• Maintain access to counseling and employee assistance programs and develop appropriate discipline policies.

• Consider quality of work-life approaches, such as flexible schedules, work teams, or participative management as ways to increase productivity and decrease employee turnover.

Evaluating Means Measuring Performance

"There is nothing so useless as doing efficiently that which should not be done at all."
— Peter F. Drucker

Using collected data to measure how well the program is achieving its goals and objectives is the central best practice in the evaluation stage of the management control cycle. Remember that your data must be relevant, sufficient, and reliable.

Key Definition

Performance Measurement: The American Society of Public Administration (ASPA) defines performance measurement as "a method of measuring the progress of a public program or activity in achieving the results or outcomes that clients, customers, or stakeholders expect." Performance measures are indicators of how well the organization is achieving a specific goal or objective. Performance measures also show where programs are strong and where improvements are necessary. ASPA states that performance measurement is an important aspect of accountability in government.

Some Audit Recommendations Related to Performance Measures

We have sometimes recommended that a program develop performance measures to better assess how well it delivers its services to the public.

• In an audit of a recently created agency, we recommended the agency identify the performance standards needed to measure the effectiveness of its programs.

• This report also recommended that customers be surveyed and the feedback incorporated into the agency's strategic planning to improve service provision.

• Another recent report found that a customer service program within an agency needed to develop performance measures to foster improvements in timeliness and in customer satisfaction.

Measuring Performance

Here are some characteristics of good performance measures. Ideal measures should be:

• Results oriented (focus on outcomes)
• Relevant (logically and directly relate to objectives)
• Responsive (reflect changes in performance)
• Valid (capture the information intended)
• Reliable (provide accurate, consistent data over time)
• Economical (justify the cost of collecting the data)
• Useful (provide information of value to the program)
• Comparable (allow direct comparison of performance with performance at different points in time)
• Compatible (match data included in existing systems)
• Clear (present information so that it is understood)

Recommended Best Practices

• Monitor program performance on a continuous basis.

• Choose the essential few measures and focus your efforts there.

• Determine whether you are meeting the standards or benchmarks of similar programs. If not, analyze why.

• Evaluate whether the program is achieving its objectives. What effect would various interventions have?

• Assess whether the program is operating efficiently, effectively and in compliance with legislative intent.

• Develop methods to assess program productivity.

• Determine whether the program's financial benefits outweigh the costs. What is the return on investment? Conduct life-cycle cost analysis over the life of the program.

• Implement process analysis to assess whether the system operates efficiently per expectations. Flow chart or document processes; identify opportunities for improvement or streamlining.

• Use customer satisfaction surveys/comment cards to see if customers are satisfied. Conduct regular surveys. What about focus groups, interviews, or other methods for feedback?

Performance measures are tools that can help improve your effectiveness and efficiency. Use the best practices above to evaluate your performance and accomplish your goals and objectives.

Benefits of Performance Measurement

The following benefits of measuring program activities are some of the significant results of performance measurement. Performance measurement does the following:

• Enhances decision making

• Improves internal accountability

• Enhances public accountability

• Supports strategic planning and goal setting

• Allows entities to determine effective resource use

To Complete the Cycle . . .

"We cannot direct the wind, but we can adjust the sails." — Anonymous

This brochure has described some important best practices that occur within the planning, implementing, and evaluation phases of the management control cycle.

It is important to remember that this cycle should foster continuous improvement in each iteration. As you work through the various parts of the cycle and as you repeat the cycle, your agency should increase in efficiency and productivity.

Remember that planning includes setting performance measures and evaluating performance (using those measures you developed). Implementing includes putting your policies to work on a daily basis and also collecting the data you will use in performance measurement. And finally, evaluating puts those performance measures and data to use as you assess your performance to date and determine where you can improve.

Management Cycle

Plan

Implement

Evaluate
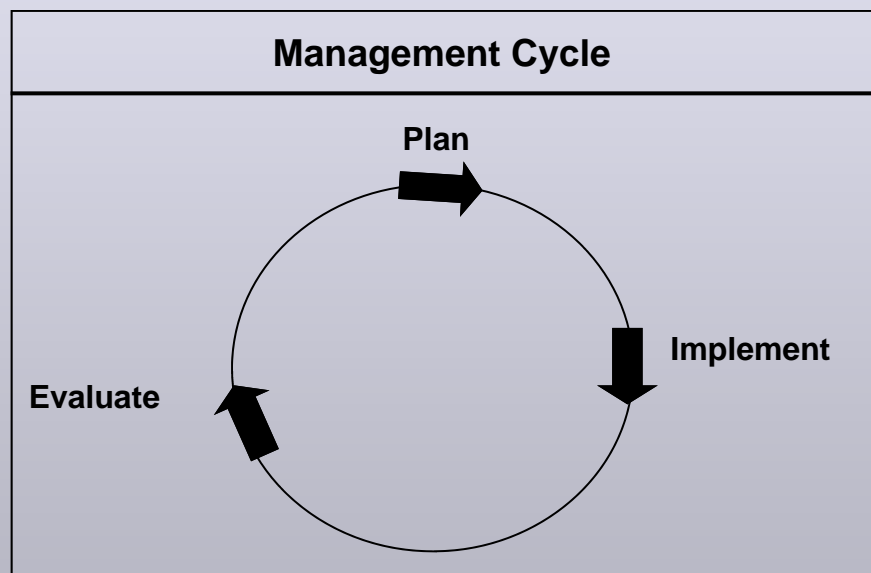
We hope this booklet has been helpful to you and your agency. If you have any questions concerning the pamphlet or the review, please call us at the Utah Legislative Auditor General's Office between 8 a.m. and 5 p.m. at (801) 538-1033.

An Example of a Performance Measurement System

Here is a performance measurement system used by the federal Department of Energy. Information on this system (and others) can be found on the "Additional Resources" page at the end of this brochure.

1. **Identify the process flow.** This is the first and perhaps most important step. If your employees cannot agree on their process(es), how can they effectively measure them or utilize the output of what they have measured?

2. **Identify the critical activity to be measured.** The critical activity is that culminating activity where it makes the most sense to develop a metric and define an individual performance measure within a process.

3. **Set performance goal(s) or standards.** All performance measures should be tied to a predefined goal or standard, even if the goal is at first somewhat subjective. Having goals and standards is the only way to meaningfully interpret the results of your measurements and gauge the success of your management systems.

4. **Establish performance measurement(s).** In this step, you continue to build the performance measurement system by identifying individual measures.

5. **Identify responsible party/parties.** A specific entity (as in a team or an individual) needs to be assigned the responsibilities for each of the steps in the performance measurement process.

6. **Collect data.** In addition to recording data, pre-analyze data in a timely fashion to observe any early trends and to confirm the adequacy of your data collection system.

7. **Analyze/report actual performance.** The raw data are formally converted into performance measures, displayed in an understandable form, and disseminated in the form of a report.

8. **Compare actual performance to goal(s).** In this step, compare performance, as presented in the report, to predetermined goals or standards and determine the variation (if any).

9. **Are corrective actions necessary?** Depending on the magnitude of the variation between measurements and goals, some form of corrective action may be required.

10. **Make changes to bring performance back in line with goals.** This step only occurs if corrective action is necessary. The actual determination of the corrective action is part of the quality improvement process, not the performance measurement process. This step is primarily concerned with improvement of your management system.

11. **Are new goals needed?** Even in successful systems, goals may need to be revised to establish ones that challenge an organization's resources, but do not overtax them. Goals and standards need periodic evaluation to keep up with the latest organizational processes.

Additional Resources

The following resources provide additional information on the topics discussed in this booklet.

Arizona Governor's Office of Strategic Planning and Budgeting, www.ospb.state.az.us. See especially "Strategic Planning Materials" for ideas on how a nearby state counsels agencies in strategic planning efforts.

Broom, Cheryle, Marilyn Jackson, Jody Harris, and Vera Vogelsang-Coombs. *Performance Measurement: Concepts and Techniques*, 3rd edition. American Society for Public Administration (ASPA) Center for Accountability and Performance. A practical discussion of techniques. See also www.aspanet.org for information and a variety of links to other helpful sites.

Florida Office of Program Policy Analysis and Government Accountability (OPPAGA). http://www.oppaga.state.fl.us. See especially "Florida Government Accountability Report."

Holzer, Marc, and Kathe Callahan. *Government At Work: Best Practices and Model Programs*. SAGE Publications, Inc. Thousand Oaks CA, 1997. Includes multiple illustrations of best practices activity in the public sector.

Keehley, Patricia, and Neil Abercrombie. *Benchmarking in the Public and Nonprofit Sectors: Best Practices for Achieving Performance Breakthroughs*, 2nd edition. Jossey-Bass Publishers, San Francisco, 2008. Discusses public sector benchmarking as a tool for change and improvement.

Tesoro, Ferdinand, and Jack Tootson. *Implementing Global Performance Measurement Systems: A Cookbook Approach*. Jossey-Bass Pfeiffer, San Francisco, 2000.

U.S. Department of Energy. *How to Measure Performance: A Handbook of Techniques and Tools*, http://www.orau.gov/pbm/documents/handbook1.html. An excellent guide with examples provided to illustrate points. See "Section 1.1: Process Overview" for the example shown on page 10 of this booklet.