

2009 Key Performance Measurement (KPM) Cycle New System Definitions

Definition of a KPM

What is a KPM? It seems an easy question, yet when you look more closely the answer is not all that simple. ORS 291.110 directs agencies to develop performance measures that “*quantify desired organization intermediate outcomes, outputs, responsibilities, results, products and services, and where possible, develop unit cost measures for evaluating the program efficiency.*”

The Oregon Progress Board worked with Legislators, the Secretary of State, Legislative Fiscal Office (LFO) and state agencies to create guidance related to performance measurement which defines a KPM as a “*performance measure, shared with the legislature and the public, which shows how the agency is achieving its goals and objectives.*” The Guidelines establish eight KPM criteria which are a list that is as much about the “how” of a KPM as the “what”:

- 1) Key performance measures should gauge progress toward achieving agency goals, mission and pertinent high-level outcomes, including Oregon Benchmarks.
- 2) Key performance measures should focus on the key indicators of agency success.
- 3) Key performance measures should embody Governmental Accounting Standards Board definitions.
- 4) Key performance measures should have targets.
- 5) Key performance measure data should be accurate and reliable.
- 6) Key performance measures should link to specific organizational units.
- 7) Key performance measures should include customer service indicators.
- 8) Key performance measures should allow comparisons with others wherever possible.

Based on this legacy, the current working definition for a KPM is:

KPMs are a set of metrics that state agencies report on annually to the Governor, Legislature, and citizens that help inform on their progress toward achieving the agency’s mission, goals, and pertinent high-level outcomes (including Oregon Benchmarks).

The definition of a KPM is relatively broad, so Budget and Management (BAM) and LFO KPM Coordinators have focused on four key messages when working with agencies:

- KPMs should provide meaningful information to agencies (not just the Legislature); information that helps an agency evaluate progress, improve processes, and demonstrate results.
- Optimally, KPMs should be outcome oriented; however, there are times when a critical output is an appropriate KPM such as when it supports continuous improvement.
- When reporting on a KPM where the agency has limited control, include in the analysis information about the key drivers and agency specific actions intended to influence improved performance.
- When reporting on KPMs put more emphasis on analysis and informing the reader about key findings and specific actions to be taken based on this analysis.

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Current KPM Categories

Not all KPMs are the same; meaningful and important distinctions exist. Currently, there are three basic “types” of KPM’s, each with unique characteristics:

Reporting Measures

Reporting KPMs are outcome-oriented statistics that provide high-level information on system, policy and program effectiveness. For example: the percentage of Oregonians at risk from toxic air pollutants; the percentage of species listed as threatened or endangered; or, the number of fatal crashes per 100 million miles traveled. Agencies reporting on these types of measures may influence performance results to some degree; however, typically there are significant drivers or factors which may also influence results, but are outside the agency’s control. The most significant potential benefit of these kinds of measures lies in the level of analysis that accompanies the report on the metric. It is one thing to report a number, and quite another to provide a cogent explanation of what the number might mean.

Agency Performance Measures

This category of KPM typically includes both output and outcome measures that inform on specific results directly controlled by an agency. For example: the number of cases upheld upon appeal; the number of energy audits completed; or, the percentage of customers who rate overall services as good or excellent.

Agency Efficiency Measures

Efficiency KPMs are process-based measures that typically inform on issues related to processing activities. For example: percent of permits that are current; percent of cases processed within timeliness standards; or, average time to process applications. There are very few measures in the current system that inform on the cost to benefit ratios of specific investments, such as costs per transaction or cost per output. And, there are very few KPMs that speak to organizational functioning (quality and effectiveness of processes), and where they exist, there is little use of this information to support process improvement efforts.

KPM Expressions

Much of discussion on performance measures to date as been focused on outcome verses output measures. Rather than simply having one or the other (output versus outcome) KPM’s might also be distinguished by the way in the metric is constructed. In looking at enhancing the richness of information provided by a KPM, new metric expressions are being explored. The goal of this would be to have more freedom in expressions so KPMs better support management decision-making processes and reporting needs.

Single Dimension KPM

The most common measurement expression in the system is a single dimension KPM, which informs on one dimension such as number of teen pregnancies, plotted over time.

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Multiple Dimension KPMs

A multiple dimension KPM is one that includes several sub-measures that inform or critical elements in a given area. For example, the customer service KPM provides a metric expression for six dimensions of service: timeliness, accuracy, helpfulness, expertise, information availability, and overall quality.

Indexed KPMs

This metric expression addresses a single desired outcome (result) as informed by multiple metrics, such as the Consumer Price Index. Indices are specifically designed to inform more completely on complex processes and function primarily as a more sophisticated computational formula that may combine both like and unlike elements (and with relative weighting) to form a more complete picture. The water quality index, reported on by DEQ, is an example within the Oregon system.

Composite KPMs

Composite measures are comprised of several elements and may have an embedded operational strategy. For example the proposed Department of Revenue composite Taxpayer Assistance KPM has a strategy to shift lower complexity inquiries to the more cost-effective web system which allows call center staff to focus on more complex inquiries. Composite measures allow agencies to have sufficient complexity to address a few key drivers without the additional complication and aggregation of a true index.

System Measures as KPMs

One very noteworthy variation of a composite measure is when elements of the measure are held by different entities. For example, there is a KPM being proposed jointly by three agencies, the Permanency of Placement KPM. This KPM would require data gathering and reporting coordination between Department of Human Services, the Judicial System, and the Commission on Children and Family Services in order to work. This type of measure is really different because it informs on system or program performance rather than on a specific agency.

The process of creating system measures opens an important doorway to looking at measurement beyond the traditional “silo-ed” approach. Feedback from policy makers and agency leaders suggests that expanding the system to include more system-oriented measures is a critical next step in Oregon state government’s performance measurement evolution.

Other Important Definitions

Performance Measurement: A system of measures that inform management decision-making and/or about high level performance results.

Performance Management: A formal, comprehensive set of business processes and tools, including: effective leadership, strategic planning, performance measurement, and continuous process improvement to ensure more efficient and effective management operations and practices.

Continuous Improvement: A set of actions designed to continually improve performance either in a specific targeted area or across all level of the agency through the use of various forms of quantitative process analysis and structured problem-solving.