Guide to a Balanced Scorecard Performance Management Methodology

*Moving from Performance Measurement
to Performance Management*

Guide to a Balanced Scorecard Performance Management Methodology

Richard H. Hopf
Deputy Assistant Secretary for Procurement
   and Assistance Management
Department of Energy

David J. Litman
Director, Office of Acquisition
   and Grants Management
Department of Transportation

Lloyd W. Pratsch
Procurement Executive
Department of State

Ida M. Ustad
Deputy Associate Administrator
   for Acquisition Policy
General Services Administration

Robert A. Welch
Director for Acquisition Management
   and Procurement Executive
Department of Commerce

Terrence J. Tychan
Deputy Assistant Secretary for Grants
   and Acquisition Management
Department of Health and Human Services

Pauk A. Denett
Director of Administration/Senior
   Procurement Executive
Department of Interior

Preface

The members of the Procurement Executives' Association (PEA) - an informal association of civilian procurement executives - have redesigned their programs for performance evaluation and management of acquisition systems. They have moved from headquarters-based, process-oriented oversight programs to ones which rely more on self or local assessment of performance against departmental or agency expectations. Through the use of assessment approaches based on performance measurement models developed by a federal interagency team chartered by this Association, the participating procurement organizations have fundamentally redesigned performance assessment.

From the very beginning of the transition from the traditional purchasing system reviews to the redesigned assessment approach that replaced them, it was understood that further refinement and continuous improvement was planned. Consistent with that long-term strategy, and building on the originally redesigned federal purchasing assessments, the business system assessment models of the PEA members have evolved to be more aligned with the Balanced Scorecard (BSC) approach to performance measurement and management, which is currently in use by many "world class" private corporations.

This Guide describes the PEA business system assessment program, implementation procedures, evaluation standards, and reporting process. It also establishes the conceptual framework for performance management for PEA agency acquisition system assessments, as well as consistent techniques useful in performing the performance management administration and system oversight functions. In accordance with this framework, each PEA member will integrate into his/her agency's or department's system a balanced scorecard assessment methodology utilizing the core objectives and measures identified in this Guide, and any additional measures that contribute to the accomplishment of the individual agency's strategic goals and objectives.

This Guide is not regulatory. Nevertheless, with its identified core measures and objectives, the program outlined in this Guide represents an assessment approach within which the PEA intends to achieve consistency and uniformity, to the greatest extent practicable.

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Acronyms

BSC	Balanced Scorecard
CAPS	Center for Advanced Purchasing Studies
EC	Electronic Commerce
FASA	Federal Acquisition Streamlining Act
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
GAO	General Accounting Office
GPRA	Government Performance and Results Act
MIS	Management Information System
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OPM	Office of Personnel Management
NPR	National Partnership for Reinventing Government (previously known as the National Performance Review)
PEA	Procurement Executives' Association
PMAT	Procurement Measurement Action Team

Executive Summary

*"One accurate measurement is worth more
than a thousand expert opinions."*
— Admiral Grace Hopper

One of the hallmarks of leading-edge organizations—be they public or private—has been the successful application of performance measurement to gain insight into, and make judgments about, the organization and the effectiveness and efficiency of its programs, processes, and people. However, leading organizations do not stop at the gathering and analysis of performance data; rather, these organizations use performance measurement to drive improvements and successfully translate strategy into action. In other words, they use performance measurement for <u>managing</u> their organizations.

For several decades, there has been interest in measuring government performance and using the results in the budget process. From the Hoover Commission of 1949, which proposed Performance Budgeting, to the efforts of President Johnson in the mid-1960s to implement a Program Planning Budgeting System, to the Carter Administration's attempts to employ a Zero-Based Budgeting System, there have been several efforts to better define government program objectives and link program results to the means of achieving them.

However, it was not until recently, with the Chief Financial Officer's Act of 1990, the Government Performance and Results Act of 1993, the Federal Acquisition Streamlining Act of 1994, the Government Management Reform Act of 1994, and the Information Technology Management Reform Act of 1996 (the Clinger-Cohen Act), that federal agencies were actually required to strategically plan how they will deliver high-quality supplies and services to their customers, and specifically measure their programs' performance in meeting these commitments.

Procurement Executives' Association Initiatives

Over the last few years, several Procurement Executives of federal departments and agencies have been involved in addressing the challenge of both measuring the performance of their acquisition systems and using performance results to improve their processes and practices to better meet the expectations of their customers for higher quality, lower cost, and improved service.

In 1993, the PEA created the Procurement Measurement Action Team (PMAT) to assess the state of the federal acquisition system, to identify innovative approaches for measuring performance, and to develop strategies and recommendations for measuring the health of agency acquisition systems. At that time, most federal agencies were using management reviews to determine compliance with established criteria and to support certification of the adequacy of the system.

This method was found to lack a focus on the outcomes of the processes used and largely ineffective in obtaining dramatic and sustained improvements in the quality of the operations.

The PMAT, through research and site visits to leaders in performance measurement, identified critical success factors for acquisition organizations and developed a performance measurement approach known as the "PMAT Model." Several federal agencies adopted this model and, with data derived from customer surveys, employee surveys, self assessments, and statistics (obtained from the Federal Procurement Data System and other available data systems), were able to assess the overall health of the acquisition organization and to determine how effectively their acquisition systems met organizational performance goals.

In 1998, the PEA chartered an interagency working group (the PEA Team) to create, document, and maintain a strategic performance measurement and performance management framework for acquisition that builds upon the PMAT Model. The framework was designed with sufficient flexibility to address individual agency special needs and have sufficient cohesion and commonality to identify core performance measures and appropriate benchmarks. The PEA Team researched, designed, produced, and will facilitate implementation of the system, processes, and procedures necessary to meet the PEA objectives of an effective purchasing performance measurement and management system in an ever-changing acquisition environment.

Various groups including the National Partnership for Reinventing Government and the Center for Advanced Purchasing Studies found that there were certain attributes which set apart successful performance measurement and management systems, including:

A conceptual framework is needed for the performance measurement and management system. Every organization, regardless of type, needs a clear and cohesive performance measurement framework that is understood by all levels of the organization and that supports objectives and the collection of results.

Effective internal and external communications are the keys to successful performance measurement. Effective communication with employees, process owners, customers, and stakeholders is vital to the successful development and deployment of performance measurement and management systems.

Accountability for results must be clearly assigned and well-understood. High-performance organizations clearly identify what it takes to determine success and make sure that all managers and employees understand what they are responsible for in achieving organizational goals.

Performance measurement systems must provide intelligence for decision makers, not just compile data. Performance measures should be limited to those that relate to strategic organizational goals and objectives, and that provide timely, relevant, and concise information for use by decision makers—at all levels—to assess progress toward achieving predetermined goals. These measures should produce information on the efficiency with which resources are transformed into goods and services, on how well results compare to a program's intended purpose, and on the effectiveness of organizational activities and operations in terms of their specific contribution to program objectives.

Compensation, rewards, and recognition should be linked to performance measurements. Performance evaluations and rewards need to be tied to specific measures of success, by linking

financial and nonfinancial incentives directly to performance. Such a linkage sends a clear and unambiguous message to the organization as to what's important.

Performance measurement systems should be positive, not punitive. The most successful performance measurement systems are not "gotcha" systems, but *learning* systems that help the organization identify what works—and what does not—so as to continue with and improve on what is working and repair or replace what is not working.

Results and progress toward program commitments should be openly shared with employees, customers, and stakeholders. Performance measurement system information should be openly and widely shared with an organization's employees, customers, stakeholders, vendors, and suppliers.

The Balanced Scorecard Approach

Leading organizations agree on the need for a structured methodology for using performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, confirm or change current policy or program directions to meet those goals, and report on the success in meeting those goals.

The PEA has identified the "Balanced Scorecard" methodology as their chosen methodology for deploying strategic direction, communicating expectations, and measuring progress towards agreed-to objectives. A 1998 study by the Gartner Group found that "at least 40 % of Fortune 1000 companies will implement a new management philosophy...the Balanced Scorecard... by the year 2000."

The balanced scorecard is a conceptual framework for translating an organization's strategic objectives into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organization's progress toward achieving its vision; other indicators are maintained to measure the long term drivers of success. Through the balanced scorecard, an organization monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems—its ability to learn and improve.

BALANCED SCORECARD
STRATEGIC PERSPECTIVES

How do our customers see us?

What must we excel at?

CUSTOMER

FINANCIAL

MISSION VISION STRATEGY

INTERNAL BUSINESS PROCESSES

LEARNING AND GROWTH

Do we get the best deal for the Government?

Do we continue to improve and create value?
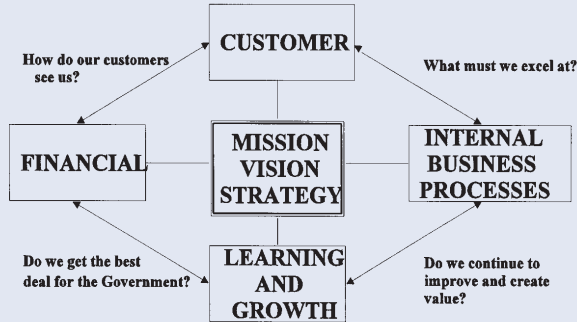
Core Objectives and Measures:

The PEA Team identified several performance objectives common to world-class purchasing systems, both public and private. These performance objectives, and the supporting performance measures associated with them, are considered the "core" for assessing system health and strategic performance. They are listed below within each of the four perspectives:

Customer Perspective	*Internal Business Processes Perspective*
Customer Satisfaction - % of customers satisfied with timeliness - % of customers satisfied with quality **Effective Service Partnership** - % of customers satisfied with the responsiveness, cooperation, and communication skills of the acquisition office	**Acquisition Excellence: Effective Quality Control System** - Ratio of protests sustained by General Accounting Office and Court of Federal Claims **Acquisition Excellence: Effective Use of Alternative Procurement Practices** - Number of actions using Electronic Commerce **Fulfilling Public Policy Objectives** - % achievement of socio-economic goals - % competitive procurement of total procurements
Learning and Growth Perspective	*Financial Perspective*
Information Availability for Strategic Decision-making - The extent of reliable management information **Quality Workforce** - % of employees meeting mandatory qualification standards **Employee Satisfaction: Quality Work Environment** - % of employees satisfied with the workenvironment **Employee Satisfaction: Executive Leadership** - % of employees satisfied with the professionalism, culture, values and empowerment	**Minimizing Administrative Costs** - Cost to spend ratio **Maximizing Contract Cost Avoidance** - Cost avoidance through use of purchase cards - % of prompt payment interest paid of total $ disbursed

The member agencies of the PEA have committed to use, deploy, track, and share results on thecore objectives and the associated measures identified for each in Chapter Three, as part of any acquisition performance management system. These common objectives and measures will facilitate comparative analysis and benchmarking, as well as assist agencies in more effectively and efficiently leveraging knowledge. This does not mean that agencies are not free to employ additional objectives and measures which make sense within their individual agencies, merely that all participating agencies have agreed to utilize these core objectives and measures as the mainstay of their performance management framework.

Implementing the Balanced Scorecard:

To realize the full benefits of the BSC, the PEA encourages the adoption of the BSC for all key agency functions.

- Implementing the BSC agency-wide will provide a common methodology and coordinated framework for all agency performance measurement efforts.

- While implementing the acquisition BSC is an important first step, helping agencies to develop balanced scorecards for additional functions (e.g., program, human resources, finance, IT) will strengthen the link among the acquisition system, those additional functions, and agency missions and goals. This will promote cross-functional coordination of improvement efforts and break down "stovepipes" in the agency.

- Acquisition executives may serve as advocates to promote the benefits of the BSC methodology agency-wide.

- The BSC will provide sound data on which to base business decisions, from allocation of available resources to future direction.

While we believe the Procurement Executive should promote the BSC's benefits and encourage its adoption beyond the acquisition realm, an agency can benefit even if it ultimately decides to adopt the BSC only for its acquisition function. The four perspectives provide a useful framework for assessing how its acquisition system is performing, whether it is meeting its objectives, and whether it is moving in the direction envisioned in the FAR guiding principles. As the key leader for the acquisition BSC, the Procurement Executive is responsible for setting into motion the steps recommended in this Guide.

Procurement Executives' Performance Management Methodology Guide:

The results of the PEA Team analysis are contained in the following Guide, which includes: (1) a summary of the challenge facing senior managers to design and deploy a strategic performance management system; (2) a discussion of how the PEA proposes to address that challenge; (3) a discussion of what the balanced scorecard methodology is and how it can be employed; (4) identification of which "core measures" are important in assessing the health and success of an acquisition system, and why they are important; (5) a discussion of data collection standards and techniques; (6) an explanation of how the Guide will be maintained and shared throughout the

acquisition community, and beyond; and (7) inclusion of several appendices with useful references, resources, tips on survey administration, and a set of optional performance measures that may be appropriate for your organization.

Since agency approaches to performance measurement and management vary greatly in their sophistication, this Guide may be used differently by different agencies. For some agencies that have developed and implemented performance measurement systems, the Guide may be useful for validating the processes and actions currently underway, while at others, it may serve as an impetus for improvement and represent a possible roadmap to follow.

Maintaining a Positive Momentum . . .

This Guide is not the end of the PEA's involvement and interest in performance measurement and performance management, but rather it creates a platform for a wide range of beginnings. One of the consistent themes from a recent performance measurement benchmarking study was that effective performance measurement systems take time: time to design, time to implement, and time to perfect. *A performance measurement system must be approached as an iterative process in which continuous improvement is a critical and constant objective.*

The PEA has created a web site on the Internet, known as "BSC Central," found at "http://www.statebuy.inter.net/bsc.htm". This site includes copies of this Guide, other useful performance measurement tools (including several survey instruments), links to each PEA member's Homepage, as well as links to other web sites on performance management. As part of the PEA commitment to continuously improve this product, we anticipate further expansions of "BSC Central," including hypertext links in the Guide which will take the reader to more fully developed and detailed examples and templates useful for implementing, or expanding, performance management in any organization.

The PEA is committed to maintaining a working group to ensure that this Guide is kept current, and that it includes the latest in performance measurement and performance management thinking, approaches, and successful practices. The BSC Central web site will serve as an electronic platform for continuously improving the Guide, and for disseminating future performance management information, tools, and resources.

Chapter One

Assessment of the Performance Challenge

This chapter introduces the concept of performance assessment in the federal government workplace, and the challenges facing the federal manager in creating an effective assessment methodology.

> *"Balance suggests a steadiness that results when all parts are properly adjusted to each other, when no one part or constituting force outweighs or is out of proportion to another."*
>
> Webster's Third New International Dictionary

Balance—a seven letter word that provides the essence of a healthy organization. Like a mobile that plays a favorite melody, balance is necessary for efficient and effective movement, for the achievement of its rich sound, and for assisting in reaching its fullest potential. In the same way, performance measurement systems must achieve a balance which supports progress against pre-determined objectives, without suboptimization.

Over the recent past the government has tried various methods to create an organization that is healthy and sound. Some methods have worked well and others have failed. Failed, perhaps, in implementation more so than in concept. Looking back, the 1990's can be seen as a time of major organizational reform. In March of 1993, the National Performance Review (NPR-now known as the National Partnership for Reinventing Government) was created to change the government's organizational culture. Its principles included putting the customer first, empowering employees, and cutting red tape. Its ultimate goal—to make government work better and cost less—has made government agencies more accountable to taxpayers and constituents. Outsourcing, and the elimination of government functions, is occurring almost daily. This is the "new government."

To a large extent, the evolution of this "new government" required major changes in how we conduct business. Reconstruction/reengineering of programs was inevitable as a result of the NPR and other major statutory mandates. We have seen the passage of major legislation affecting how we do our jobs including the Chief Financial Officer's Act of 1990, the Government Performance and Results Act (GPRA) of 1993, the Federal Acquisition Streamlining Act of 1994, the Government Management Reform Act of 1994, and the Information Technology Management Reform Act of 1996 (the Clinger-Cohen Act) . The GPRA alone has caused sweeping changes in the way we operate. By requiring strategic

planning and a linking of program activities/performance goals to an agency's budget, congressional decision making and public confidence in federal agency performance is expected to improve.

GPRA is the first statute that clearly and profoundly espouses the use of performance goals and measurement in its pursuit of excellence and government accountability. As a result, we now need to explore how the role of "acquisition" fits into GPRA—a role that uses an agency's business resources in achieving program goals and ultimately contributing to mission attainment. How can "acquisition" be integrated into the strategic planning process and linked to the budget of an agency? In other words, "how do we fit in?"

In the acquisition world we have seen, and continue to see, major changes in the way we do business. Resources are diminishing, regulations are being cut, and the traditional role of overseer redefined into a more positive role. While these steps are necessary in creating innovation and more streamlined processes, they have left many with an uncertain path, confused as to how to proceed in daily contracting operations, and in a seemingly unbalanced state.

This uncertainty, coupled with a continually changing environment, has forced managers to pursue new ways to meet future demands for their organizations. In addition, we are approaching the new millennium which brings its own unique challenges. Consider:

- technology advances beyond our wildest imaginings;
- resources becoming more scarce;
- higher efficiency of government operations demanded by the public;
- discretion rather than rules dominating; and
- outcomes/results-oriented management flourishing.

With the whole world changing around us, we must ask: How do we balance a world of fewer regulations with effective risk management? How can this be accomplished with fewer and fewer resources? What tools can help us meet future challenges while enabling positive cultural change?

Obviously, we have many questions that need answering. We know we must create a strategic management system that integrates acquisition and other similar disciplines in the outcome based management structure of the future. We know we must look at our performance and compare it to others to see where we are and where we need to go. We need a strategic management system that can put these ideas into action, that can create an organization that:

- is healthy, balanced, efficient and effective;
- provides service to its customers as well as its employees; and
- puts value on results.

Enabling agencies to find such a system through their own creative composition is the key to achieving our performance challenge and is the primary goal of this Guide.

This Guide presents a model for strategic performance measurement and management for high

performance organizations. It contains topics that cover the concepts of performance management strategy, the BSC methodology, performance measures, and data collection. Overall, it provides a performance management strategy that any federal agency can follow, regardless of the functional area, and enables an agency to tailor an assessment approach that supports accomplishment of specific, and unique, agency strategic goals. This is your book, your Guide for creating a powerful, efficient, and effective organization—an organization that can meet your present needs while also focusing on future goals.

Chapter Two

Performance Management Strategy

This chapter sets forth the definitional baselines for performance measurement and performance management, provides a brief overview of the goals of a performance management system, and discusses a conceptual framework for performance measurement and management.

1. What is Performance Management?

There are a wide range of definitions for performance objective, performance goal, performance measure, performance measurement, and performance management. To frame the dialog and to move forward with a common baseline, certain key concepts need to be clearly defined and understood, such as:

Performance objective. This is a critical success factor in achieving the organization's mission, vision, and strategy, which if not achieved would likely result in a significant decrease in customer satisfaction, system performance, employee satisfaction or retention, or effective financial management.

Performance goal. A target level of activity expressed as a tangible measure, against which actual achievement can be compared.

Performance measure. A quantitative or qualitative characterization of performance.

Performance measurement. A process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a program activity compared to its intended purpose), and the effectiveness of government operations in terms of their specific contributions to program objectives.

Performance management. The use of performance measurement information to effect positive change in organizational culture, systems and processes, by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals.

Output measure. A calculation or recording of activity or effort that can be expressed in a quantitative or qualitative manner.

Outcome measure. An assessment of the results of a program compared to its intended purpose.

2. Performance Management System Goals

A leading-edge organization seeks to create an efficient and effective performance management system to:

- Translate agency vision into clear measurable outcomes that define success, and that are shared throughout the agency and with customers and stakeholders;

- Provide a tool for assessing, managing, and improving the overall health and success of business systems;

- Continue to shift from prescriptive, audit- and compliance-based oversight to an ongoing, forward-looking strategic partnership involving agency headquarters and field components;

- Include measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, predictive performance management system; and

- Replace existing assessment models with a consistent approach to performance management.

3. The Balanced Scorecard Methodology

Leading organizations agree on the need for a structured methodology for using performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, inform managers to either confirm or change current policy or program direction to meet those goals, and report on the success in meeting those goals.

To this end, in 1993 the Procurement Executives' Association (PEA) created the Performance Measurement Action Team (PMAT). Their task was to assess the state of the acquisition system, to identify a structured methodology to measure and improve acquisition performance, and to develop strategies for measuring the health of agency acquisition systems.

The PMAT found that organizations were using top-down management reviews to determine compliance with established process-oriented criteria and to certify the adequacy of the acquisition system. This method was found to lack a focus on the outcomes of the processes used and was largely ineffective in obtaining dramatic and sustained improvements in the quality of the operations.

The PMAT did extensive research and made site visits to leaders in performance measurement and management in an attempt to identify an assessment methodology appropriate for federal organizations. The model chosen was developed by Drs. David Norton and Robert Kaplan—the Balanced Scorecard (BSC) model. As modified by the PMAT, the measurement model identified critical success factors for acquisition systems, and developed performance measures within the four perspectives discussed below. Agencies which implemented the PMAT model utilized generic survey instruments and statistics obtained from the Federal Procurement Data System and other available data systems to determine the overall health of the system and how effectively it met its performance goals.

The work done by the PMAT has formed the foundation for the BSC methodology presented in this Guide. The lessons learned, and the best practices and strategies resulting from the PMAT experience were used to create an expanded and enhanced BSC model. The PEA believes this revised methodology to be the best for deploying an organization's strategic direction, communicating its expectations, and measuring its progress towards agreed-to objectives. Additionally, a 1998 study by the Gartner Group found that "at least 40% of Fortune 1000 companies will implement a new management philosophy …the Balanced Scorecard…by the year 2000."

The BSC presented in this Guidebook is a conceptual framework for translating an organization's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organization's progress toward achieving its vision; other indicators are maintained to measure the long term drivers of success. Through the balanced scorecard, an organization monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems—its ability to learn and improve.

4. The Four Perspectives of the Balanced Scorecard

Financial: In the government arena, the "financial" perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long-range targets for profit-seeking organizations, operating in a purely commercial environment. Financial considerations for public organizations have an enabling or a constraining role, but will rarely be the primary objective for business systems. Success for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies. Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.

Customer: This perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. In the governmental model, the principal driver of performance is different than in the strictly commercial environment; namely, customers and stakeholders take preeminence over financial results. In general, public organizations have a different, perhaps greater, stewardship/fiduciary responsibility and focus than do private sector entities.

Internal Business Processes: This perspective focuses on the internal business results that lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved.

Learning and Growth: This perspective looks at the ability of employees, the quality of information systems, and the effects of organizational alignment in supporting accomplishment of organizational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. This perspective takes on increased importance in organizations, like those of the PEA members, that are undergoing radical change. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies, and organizational designs that were not available before.

Figure II-l visually depicts the global BSC framework. Appendix C "Federal Sector Characteristics Affecting Performance Measurement" provides a discussion of some of the issues that are unique to the federal sector.

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Do we get the best deal for the Government?

LEARNING AND GROWTH

Do we continue to improve and create value?

5. Implementing a Balanced Scorecard

A. Collaborative Efforts

To realize the full benefits of the BSC, the PEA encourages the adoption of the BSC for all key agency functions.

- Implementing the BSC agency-wide will provide: (1) a common methodology and coordinated framework for all agency performance measurement efforts; (2) a common "language" for agency managers; (3) a common basis for understanding measurement results; and (4) an integrated picture of the agency overall.

- While implementing the acquisition BSC is an important first step, helping agencies to develop BSCs for additional functions (e.g., program, human resources, finance, IT) will strengthen the link among the acquisition system, those additional functions, and agency missions and goals. This will highlight how performance improvement initiatives in one area positively or negatively affect performance in another area. Also, this will promote cross-functional coordination of improvement efforts and help break down "stovepipes" in the agency.

- Acquisition executives may serve as advocates to promote the benefits of BSC agency-wide by advertising successful improvement efforts, and by discussing the BSC methodology in meetings with the Secretary, Administrator, or senior-level managers in other functional areas.

- The BSC will provide sound data on which to base business decisions, from allocation of available resources to future direction. This will enable the agency to manage its activities and its resources more effectively. For example, the BSC could form a common basis to support a business case for more resources.

While we believe the Procurement Executive should promote the BSC's benefits and encourage its adoption beyond the acquisition realm, an agency can benefit even if it ultimately decides to adopt the BSC only for its acquisition function. The four perspectives provide a useful framework for analyzing and understanding how acquisition supports accomplishment of the agency's mission. The information gained will help the agency assess how its acquisition system is performing, whether it is meeting its objectives, and whether it is moving in the direction envisioned in the FAR guiding principles. *As the key leader for the acquisition BSC, the Procurement Executive has a critical role in ensuring its successful implementation and use, and is responsible for setting into motion the steps recommended in this Guide.*

B. Pathway to Success

A federal agency can take several steps to encourage support for BSC activities or any performance measurement and improvement efforts within its organization:

1) *Make a commitment at all levels — especially at the top level.*

Research clearly shows that strong leadership is paramount in creating a positive organizational climate for nurturing performance improvements. Senior management leadership is vital throughout the performance measurement and improvement process. By senior management, we mean the organizational level that can realistically foster cross-functional, mission-oriented performance improvements — from senior operating or functional managers in the various acquisition and program offices throughout a federal agency, to the Secretary or Administrator of the agency. Senior management should have frequent formal and informal meetings with employees and managers to show support for improvement efforts and implementation initiatives. Also, they should frequently review progress and the results of improvement efforts.

2) *Develop organizational goals.*

Goals need to be specified and publicized to provide focus and direction to the organization. Vision Statements and Strategic/Tactical Plans (including systematic ways to evaluate performance) are important for methodically planning acquisition performance improvements. To be meaningful, they must include measurable objectives along with realistic timetables for their achievement. For acquisition measures, it may be appropriate to use or build upon the performance principles and standards set forth in the Federal Acquisition Regulation (FAR) Subpart 1.102 to develop goals, whether they are stand-alone goals or a subset of larger, overarching organizational goals. Providing guidance on the best way to link acquisition goals to annual, mission-oriented GPRA performance plans is also essential. This will demonstrate that the agency is serious about acquisition improvement initiatives.

3) *Offer training in improvement techniques.*

Training should be provided to appropriate personnel to help them properly make process improvements. The scope of training should include the operation of integrated project improvement teams, the role employees play in exercising sound business judgement, and the specific techniques for making process improvements (e.g., flowcharts, benchmarking, cause-and-effect diagrams, etc.). Comprehensive training is needed to expand employees' technical capabilities and to achieve "buy-in" for undertaking meaningful improvement efforts. Use of facilitators can provide "just-in-time" training to members of process action teams.

4) *Establish a reward and recognition system to foster performance improvements.*

In our view, agencies should tie any reward and recognition system to performance improvement as measured by the acquisition BSC. Thus, employee incentives will tend to reinforce the organizational objectives being measured by the acquisition BSC. While handing out rewards to individual employees has its place, group reward and recognition systems are also needed to encourage integrated, cross-functional teams of employees, customers and managers to undertake acquisition performance improvement. Agencies may wish to consult with OPM and OMB for suggestions on the most suitable types of rewards and recognition (e.g, plaques, bonuses, etc.).

5) *Break down organizational barriers.*

To overcome unfounded fears about the perceived adverse effects of performance measurement and improvement, we believe that the official uses of the acquisition BSC need to be spelled out to employees and managers. For example, it might be useful to invite representatives from the National Partnership for Reinventing Government (formerly known as the National Performance Review), Office of Federal Procurement Policy, the PEA Team, and the agency's own senior-level management to speak to key agency personnel on the purpose of undertaking customer surveys, performance measurement, and process improvement. These officials could explain that the performance measurement data is to be used to promote self-assessment, self-improvement, progress in acquisition reform, linkage to overall mission goals, and collaborative cross-agency benchmarking — not to take reprisals against individuals or organizations. Also, we recommend presentation of "success stories" that demonstrate the non-threatening nature of the BSC methodology, including how an agency can target areas most in need of improvement, benchmark against best-in-class organizations, and form integrated project teams to undertake performance improvements. Stakeholders must be shown that a cooperative effort toward performance improvement is the most appropriate course of action — that supporting the BSC is in their best interest.

6) *Coordinate Headquarters and Field Office Responsibilities.*

Implementation should be a collaborative effort between an agency's lead corporate office (such as an acquisition management office at HQ) and its local (or field) offices. The offices should jointly decide on their respective roles and responsibilities relative to the BSC. In most cases, the lead corporate office is in the best position to provide leadership, oversight, and a well-defined methodology. The assignment of other roles and responsibilities will differ based on what is appropriate for the offices' circumstances, such as:

- How centralized or decentralized the offices are.

- The extent to which data are collected from a centralized information system or from local databases.

- The extent to which surveys are conducted centrally or locally.

Some PEA agencies have found that local acquisition offices are best suited for implementing the actual assessment process by generating quantitative data from appropriate sources, and by conducting surveys to obtain the necessary feedback for making procurement system improvements. The lead corporate office provides local offices the tools, training, software programs, and guidance they need to compile and examine their own results. This might include computer templates that help select survey samples, generate mailing labels, enter survey data, track survey data, and analyze survey data. The local offices also provide advice on accessing and compiling quantitative Management Information System (MIS) data; while the lead office encourages the use of existing quantitative data systems for multiple performance measurement purposes.

Under this model, in partnership with the local offices, the lead corporate office:

- Assumes a leadership role in developing and refining the survey instruments to be used.

- Prepares generic cover letters.

- Facilitates the conduct of surveys at the local offices.

- Fosters local improvement initiatives (including benchmarking) resulting from the survey efforts.

- Monitors response rates, compliance with the required statistical methodology, and overall survey administration progress.

With a clearly defined methodology in hand, the local procurement offices in these agencies:

- Develop their own mailing lists.

- Select their own samples.

- Print and mail the surveys.

- Compile their own survey data.

- Track and analyze the office-unique survey results.

- Generate their own management information system quantitative data.

We recommend that there be an agreement among the lead corporate office and local offices to use a set of common measures, instruments, supporting computer templates and improvement strategies in line with PEA tenets. This agreement should rest firmly on a cooperative relationship between the corporate lead office and the local offices, in which both have worked closely together to design and build their BSC-based performance measurement and improvement system. In some cases, the agreement may give local procurement offices the discretion to use additional, office-specific measures.

C. Other Key Steps

What follows are some additional approaches that will help in successfully implementing a performance measurement and improvement system:

Demonstrate a clear need for improvement. If you can't demonstrate a genuine need to improve the organization, failure is a virtual certainty.

Make realistic initial attempts at implementation. If your initial attempts are too aggressive, the resulting lack of organizational "buy-in" will limit your chance of success. Likewise, if implementation is too slow, you may not achieve the necessary organizational momentum to bring the BSC to fruition.

Integrate the Scorecard into the organization. Incorporating performance measurement and improvement into your existing management structure, rather than treating it as a separate program, will greatly increase the BSC's long-term viability.

Change the corporate culture. To achieve long-term success, it is imperative that the organizational culture evolve to the point where it cultivates performance improvement as a continuous effort. Viewing performance improvement as a one-time event is a recipe for failure.

Institutionalize the process. Creating, leveraging, sharing, enhancing, managing and documenting BSC knowledge will provide critical "corporate continuity" in this area. A knowledge repository will help to minimize the loss of institutional performance management knowledge that may result from retirements, transfers, promotions, etc. (For additional information on developing a Knowledge Repository, please see Chapter Seven).

Chapter Three

How to Establish Performance Measures

This chapter provides a methodology for establishing performance measures within the four perspectives of the balanced scorecard approach, and for ensuring that the measures fit within an overall management approach.

"Look to see how performance measures link to the strategic plan. Be sure that they are specific and direct in focus ... Avoid the use of a 'generic' measure."

Dr. Robert Kaplan

How can an organization establish performance measures that make sense? There are many variations to the theme. As indicated earlier, we found the approach presented by Kaplan and Norton to be the most effective, particularly for ensuring that measures relate to the specific vision and mission of the organization. This approach is only one of many. Which method you use will depend on your organization, it's culture, and its mission.

1. Define Organizational Vision, Mission, and Strategy

The BSC methodology, as with most performance management methodologies, requires the creation of a vision, mission statement, and strategy for the organization. This ensures that the performance measures developed in each perspective support accomplishment of the organization's strategic objectives. It also helps employees visualize and understand the links between the performance measures and successful accomplishment of strategic goals.

The key, as pointed out by Kaplan and Norton, is to first identify where you want the organization to be in the near future. Set a vision - a vision that seems somewhat out of reach. In this way, "[t]he Balanced Scorecard ... provides managers with the instrumentation they need to navigate to future competitive success." (Kaplan and Norton)

2. Develop Performance Objectives, Measures, and Goals

Next, it is essential to identify what the organization must do well (i.e., the performance objectives) in order to attain the identified vision. For each objective that must be performed well, it is necessary to identify measures and set goals covering a reasonable period of time (e.g., three to five years). Sounds simple, however many variables impact how long this exercise will take. The first, and most significant, variable is how many people are employed in

the organization and the extent to which they will be involved in setting the vision, mission, measures, and goals.

The BSC translates an organization's vision into a set of performance objectives distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some objectives are maintained to measure an organization's progress toward achieving its vision. Other objectives are maintained to measure the long term drivers of success. Through the use of the BSC, an organization monitors both its current performance (financial, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems - its ability to learn and improve. Figure III-1 at the end of this chapter provides matrices used in the BSC methodology to help develop objectives and measures. The matrices are relatively straightforward and easy to understand. However, developing the contents of each matrix is the hard part.

When creating performance measures, it is important to ensure that they link directly to the strategic vision of the organization. The measures must focus on the outcomes necessary to achieve the organizational vision and the objectives of the strategic plan. When drafting measures and setting goals, ask whether or not achievement of the identified goals will help achieve the organizational vision.

Each objective within a perspective should be supported by at least one measure that will indicate an organization's performance against that objective. Define measures precisely, including the population to be measured, the method of measurement, the data source, and the time period for the measurement. If a quantitative measure is feasible and realistic, then its use should be encouraged.

When developing measures, it is important to include a mix of quantitative and qualitative measures. Quantitative measures provide more objectivity than qualitative measures. They may help to justify critical management decisions on resource allocation (e.g., budget and staffing) or systems improvement. An agency should first identify any available quantitative data and consider how it can support the objectives and measures incorporated in the BSC. Qualitative measures involve matters of perception, and therefore of subjectivity. Nevertheless, they are an integral part of the BSC methodology. Judgements based on the experience of customers, employees, managers and contractors offer important insights into acquisition performance and results.

For example, while an agency will usually need surveys to gauge some elements of customer satisfaction such as timeliness of service, process-oriented measures such as acquisition lead time or contract delivery time may be used as supplemental quantitative indicators - they help explain the underlying reasons for survey performance results. Achieving a balance among quantitative and qualitative factors (as well as among process-oriented and results-driven measures) is crucial in developing a valid BSC methodology.

The evolution of all performance measurements should begin with an organization's Strategic Plan. Figure III-2, "Integrating Performance Measurement with Other Business Strategies," is a model which depicts a timeline for the business strategies/processes and strategic events that

could occur within an organization, and the integration of performance measurement (in this case, acquisition performance measurement) within the process. A synopsis of each follows:

Strategic Plan. The Strategic Plan is a five year Plan that extends (in the model) from FY 1997 to FY 2002. It is the one document that sets forth the overall direction, vision, and mission of the organization and recognizes the requirement to set performance goals and to identify measures to gauge progress towards these goals.

Performance Plan. To accomplish the Strategic Plan, an annual Performance Plan is developed. This plan defines the measures, activities, and goals that, when taken together, indicate how well the organization's overall goals are being achieved.

Budget Process. The budget defines the resources needed to accomplish the strategic goals. Within this process, senior acquisition managers (e.g., procurement heads) develop an acquisition budget strategy which is an integral step to strengthening budgetary requests and obtaining the resources to meet strategic planning and performance goals.

Procurement Performance Measurement Plan. Following down the strategic planning process, more and more refined performance measures are utilized. This Plan can be the document that provides the specific link to the Strategic and Performance Plans. The foundation of the Procurement Performance Measurement Plan stems from the goals, objectives, and measures of the Strategic and Performance Plans.

Many models exist for translating the performance measures of the organization into an individual's performance plan. One of our participating agencies is employing the model shown in Figures III-3 and III-4. Figure III-3 "Performance Management Framework" depicts how strategic initiatives can flow from the agency strategic plan down to an acquisition organization's strategies and then into objectives, measures, targets, and initiatives. This figure becomes the foundation for developing performance plans. Figure III-4 "Employee Performance Management" shows how the performance measures, using the BSC framework, can be developed following the flow-down of strategic guidance from the agency level down to the individual acquisition official performance plan level. By tying an individual's performance appraisal to the organization's strategic goals, it helps employees understand the vision, mission and goals of the organization, and motivates employees to work as a team to support initiatives that directly relate to the corporate goals by rewarding them for organizational accomplishments and not just individual achievements.

3. Evolve With Experience

Finally, it takes time to establish measures, but it is also important to recognize that they might not be perfect the first time. Performance management is an evolutionary process that requires adjustments as experience is gained in the use of performance measures.

Figure III-5, outlined by Dr. J. S. Wholey, shows the key steps in establishing performance measures, and how the use of measures should fit within an overall approach to managing an organization.

Figure III-1

Financial

	"To succeed financially, how should we appear to our shareholders?"	Objectives	Measures	Targets	Initiatives

Internal Business Process

	"To satisfy our shareholders and customers, what business processes must we excel at?"	Objectives	Measures	Targets	Initiatives

Vision and Strategy

Customer

	"To achieve our vision, how should we appear to our customers?"	Objectives	Measures	Targets	Initiatives

Learning and Growth

	"To achieve our vision how will we sustain our ability to change and improve?"	Objectives	Measures	Targets	Initiatives

Figure III-2

INTEGRATING PERFORMANCE MEASUREMENT WITH OTHER BUSINESS STRATEGIES
(A MODEL)

STRATEGIC PLAN AND PERFORMANCE PLANS

FY98 | S O N D J F M A M J J A S
FY99 | O N D J F M A M J J A S
FY00 | O N D J F M A

- FY 99 PERFORMANCE PLAN
- FY97-FY02 STRATEGIC PLAN
- FY 00 PERFORMANCE PLAN
- FY 01 PERFORMANCE PLAN

BUDGET PROCESS

FY98 | S O N D J F M A M J J A S
FY99 | O N D J F M A M J J A S
FY00 | O N D J F M A

- FY 99 DEPT BUDGET TO CONGRESS
- FY 00 DEPT. ACQ. BUDGET STRATEGY W/ PROC. HEADS
- FY 00 PROC. OFF. BUDGET TO SEC. OFFICE
- FY 00 DEPT BUDGET TO OMB
- FY 00 DEPT BUDGET TO CONGRESS
- FY 01 DEPT. ACQ. BUDGET STRATEGY W/ PROC. HEADS
- FY 01 PROC OFF BUDGET TO SEC. OFFICE
- FY 01 DEPT BUDGET TO OMB
- FY 01 DEPT BUDGET TO CONGRESS
- FY 02 DEPT ACQ. BUDGET STRATEGY W/PROC HEADS

PROCUREMENT PERFORMANCE MEASUREMENT PLANNING PROCESS

FY98 | S O N D J F M A M J J A S
FY99 | O N D J F M A M J J A S
FY00 | O N D J F M A

- FY 99 DEPT-WIDE PROCUREMENT PERF. MEAS. W/PROC HEADS
- FY 99 DEPT-WIDE PROC. PERF. MEASURES IN DEPT PERFORMANCE PLAN
- FY 00 DEPT-WIDE PROC. PERF. MEASURES W/PROC HEADS
- FY 00 DEPT-WIDE PROC. PERF. MEASURES IN DEPT PERFORMANCE PLAN
- FY 01 DEPT-WIDE PROC. PERF. MEASURES W/PROC HEADS
- FY 01 DEPT-WIDE PROC. PERF. MEASURES IN DEPT PERFORMANCE PLAN

PROCUREMENT PERFORMANCE MEASUREMENT PLAN

FY98 | S O N D J F M A M J J A S
FY99 | O N D J F M A M J J A S
FY00 | O N D J F M A

- FY 98-99 PROC OFFICE PERFORMANCE MEAS
- DEPT PROC. PERFORMANCE MEASUREMENT PLAN (W/ 99 & 98 MEASURES, 97 RESULTS)
- FY 99-00 PROC OFFICE PREFORMANCE MEAS
- DEPT PROC. PERFORMANCE MEASUREMENT PLAN (W/ 00 & 99 MEASURES, 98 RESULTS)
- FY 00-01 PROC OFFICE PERFORMANCE MEAS
- DEPT PROC. PERFORM. MEAS. PLAN (W/01 & 00 MEASURES, 99 RESULTS)

Performance Management Framework

Figure III-3

Agency Strategic Plan

Administrative Strategic Plan
- People
- Teams
- Supplier Relationships
- Information Management
- Performance Measurement

Procurement Strategic Plan

Policy | Risk Management | Acquisition Systems | Operations

Objectives, Measures, Targets, Initiatives

Figure III-4

Employee Performance Management

AGENCY STRATEGIC PLAN

Strategic Priorities:
•

Programs	Measures

ADMINISTRATIVE STRATEGIC PLAN

Strategic Priorities:
• Risk Management
• Integrated Policy and Planning
• Development and Diversity

Responsibilities

- Information Technology
- Financial Management
- Customer Service

Measures

PROCUREMENT EXECUTIVE PERFORMANCE PLAN

Strategic Priorities:
• Customer Satisfaction
• Effective Service Partnership
• Minimize Administrative Cost

- Acquisition Excellence
- Information for Strategic Decision Making
- Quality Workforce

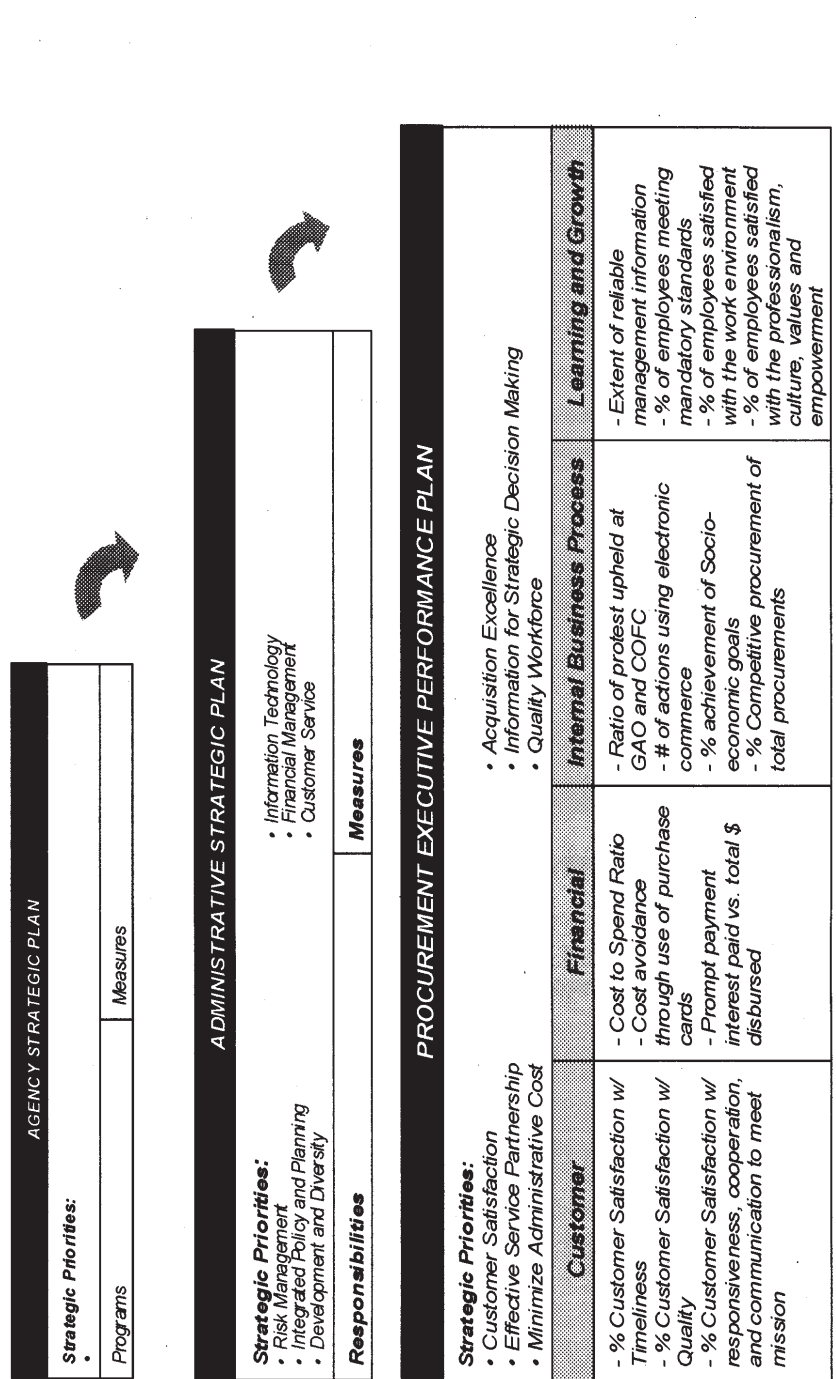| Customer	Financial	Internal Business Process	Learning and Growth
- % Customer Satisfaction w/ Timeliness - % Customer Satisfaction w/ Quality - % Customer Satisfaction w/ responsiveness, cooperation, and communication to meet mission	- Cost to Spend Ratio - Cost avoidance through use of purchase cards - Prompt payment interest paid vs. total $ disbursed	- Ratio of protest upheld at GAO and COFC - # of actions using electronic commerce - % achievement of Socio-economic goals - % Competitive procurement of total procurements	- Extent of reliable management information - % of employees meeting mandatory standards - % of employees satisfied with the work environment - % of employees satisfied with the professionalism, culture, values and empowerment

Figure III-5

1. Define Mission and Goals (including Outcome-Related Goals)
   a. Involve key stakeholders in defining missions and goals
   b. Identify key factors that could significantly affect the achievement of the goals.
   c. Align activities, core processes, and resources to help achieve the goals.

2. Measure Performance
   d. Develop a set of performance measures at each organizational level that demonstrate results, are limited to the vital few, respond to multiple priorities, link to responsible programs, and are not too costly.
   e. Collect sufficiently complete, accurate, and consistent data to document performance and support decision making at various levels.
   f. Report performance information in a way that is useful.

3. Use Performance Information
   g. Use performance information to improve performance
   h. Communicate performance information to key stakeholders and the public.
   i. Demonstrate effective or improved program performance.
   j. Support policy decision making.

4. Sustaining Performance-Based Management
   k. Devolve decision making with accountability for results.
   l. Create incentives for improved management and performance.
   m. Build expertise in strategic planning, performance measurement, and use of performance information in decision making.
   n. Integrate performance-based management into the culture and day-to-day activities of the organization.

Chapter Four

Establishing Measures for an Acquisition System

This Chapter summarizes the process used to establish the core measures, defines each core measure and how it will be used, and provides samples of additional agency-specific measures for acquisition.

The term "core measures" as used throughout this document refers to the common set of measures that the participating agencies agreed would be measured and compared in order to continually benchmark within the federal acquisition arena. The understanding of the PEA Team going into this exercise was that a core set of measures would be developed which would be appropriate for all PEA agencies to use, and for other agencies to consider adopting. A further understanding of the team was that each participating agency would be free to identify and use additional measures based on their own strategic mission and goals.

The core measures were determined by consensus of the participating agencies given two key constraints: the need to minimize development of new systems for collecting and reporting data and the need to have measures which could be used by each of the participating agencies.

The guiding principles of the FAR are:

"1.102 Statement of guiding principles for the Federal Acquisition System.

(a) The vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives. Participants in the acquisition process should work together as a team and should be empowered to make decisions within their area of responsibility.

(b) The Federal Acquisition System will—

(1) Satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service by, for example—

(i) Maximizing the use of commercial products and services;

(ii) Using contractors who have a track record of successful past performance or who demonstrate a current superior ability to perform; and

(iii) Promoting competition;

(2) Minimize administrative operating costs;

(3) Conduct business with integrity, fairness, and openness; and

(4) Fulfill public policy objectives."

To accommodate the first constraint, the team compared the measurement systems being used by the participating agencies and looked for common measures. Since the agencies represented have different programmatic visions and missions, the team looked at the guiding principles in the Federal Acquisition Regulation (FAR) as a standard we could all focus on. Then the team looked at each perspective of the BSC, identified goals, and identified measures that would help us see how well we are progressing toward each goal.

The team also drew upon individual agency experience from using the PMAT assessment model that was developed five years ago. Since its development, each agency has modified the PMAT model to suit its own assessment needs. In preparing the BSC framework, we drew upon the experience of each agency in terms of how each measure was applied, how data was collected, and the effectiveness of each measure used.

As expected, there was no real commonality among the programmatic mission or vision statements of the participating agencies. Nevertheless, the BSC team was able to identify standard core measures that each agency would be able to use in its assessment process.   The core measures are designed to determine if we are performing our basic functions well and whether or not we are accomplishing the guiding principles of the FAR. Although the BSC assessment model has not been created for the purpose of relative comparison among the participating agencies, we believe that the measures do provide an adequate basis for comparing how well each agency's acquisition system is functioning. The core measures and their placement within the BSC are outlined in Figure IV-1 at the end of this chapter. The definitions for these measures, by BSC perspective, are described below.

1. CUSTOMER PERSPECTIVE

For this perspective, "customer" means the government end-user of the contract. This includes direct internal customers and, for multi-agency acquisitions, direct or external customers.

% of customers satisfied with timeliness. This is the customer's degree of satisfaction with the timeliness of the delivery of products or services and other factors affecting the acquisition schedule. The timeliness category may include an assessment of the following:

- Are products and services delivered when needed?
- Are milestones consistently met?
- Is planning performed early in the acquisition process?
- Is communication consistent and effective?
- Does the acquisition office do a good job in preventing problems which may lead to delays?

Data for this measure will come from the customer survey.

% of customers satisfied with quality. This is the customer's satisfaction with the quality of goods and services delivered. "Quality" also includes an assessment of whether or not contractors selected for awards offer the best combination of quality and price. Data for this measure will come from the customer survey.

% of customers satisfied with the responsiveness, cooperation, and communication skills of the acquisition office. The perceptions, choices, and behavior of all participants in the acquisition process affect the outcome of any acquisition. This element is based upon the degree of responsiveness of the acquisition team, the success of mechanisms which support teaming, and the degree of satisfaction with communications and problem solving. Data for this measure will come from the customer survey.

2. FINANCE PERSPECTIVE

Cost to spend ratio. This element represents the cost for each office to spend one dollar of their customer's funds. This figure is calculated by dividing the operating cost of each office by the total obligations of that office. The amount for total obligations is taken from the FPDS feeder system. The cost of operating each office includes: salaries, benefits, training, travel, information technology, and contractor support. (It is recognized that these elements of cost may not capture the entire cost of the acquisition system, but the decision was made not to attempt to quantify the costs of developing statements of work, conducting inspections, making payments, etc.).

In addition, due to the variation in acquisition system organizational structures across the federal agencies, the result of this cost to spend measure may not be directly comparable, one agency to another. Cost to spend measurements should be looked at as only one of the indicators of the current status of the acquisition systems' efficiency. The most important focus should be on improvements themselves. Benchmarking across, and outside of, federal agencies can provide avenues of inquiry for identifying best practices for possible adoption, and should also be one of the techniques used to facilitate performance improvement.

Cost avoidance through use of purchase cards. This element represents the number of purchase card transactions multiplied by the estimated costs avoided by using purchase cards versus issuing a purchase order ($53.77 per action according to OFPP). Data for this measure may be extracted from data reported to the GSA Federal Supply Service.

% of prompt payment interest paid of total $ disbursed. This element represents the amount of interest penalties paid as a percentage of total disbursements by the agency. This element is calculated by taking the total interest penalties paid by each office and dividing by the amount of total disbursements paid. Data for this measure may be extracted from the Treasury's annual Prompt Pay report, or from local financial systems.

3. INTERNAL BUSINESS PROCESSES PERSPECTIVE

Ratio of protests sustained by General Accounting Office (GAO) and the Court of Federal Claims (COFC). This element measures the ratio of protests upheld by the GAO or COFC. For this measure, protest is defined as a written objection by a vendor(s) concerning an acquisition

action. This measure is calculated by dividing the number of protests upheld by the total number of new contract awards as defined in FPDS (Item "C" of Block 9). GAO data for this measure may be extracted from GAO's annual Competition in Contracting Act report to Congress, and COFC data may be extracted from local protest control files.

# of actions using Electronic Commerce. This element represents the total number of acquisition actions through use of electronic commerce required by OMB to be reported quarterly to GSA/ECPO versus total number of award actions.

% achievement of socio-economic goals. This element tracks each agency's achievement of the socio-economic goals established for the agency. This element will comprise several separate measures. For each defined category, the agency's achievements for that category, as reported to the Small Business Administration, is divided by the goal established for that category. The individual measures for the categories are not averaged together. Data for this measure may be extracted from the files of the local Office of Small and Disadvantaged Business Utilization.

% competitive procurement of total procurements. This element assumes that cost savings, greater quality, and/or better sourcing are generally achieved through the use of competition versus non-competition. This element tracks the agency's percentage of competitive procurements as a percentage of total procurements over $25,000. Two data elements will be tracked for this measure. The first is the total number of competitive actions divided by the total number of actions (FPDS Block 29A divided by the Total for Block 29). The second element is the total number of competitive actions plus the number of follow-on actions divided by the total number of actions less the number of actions not available for competition (FPDS Block 29 A&C divided by the Total for Block 29 less 29B).

4. LEARNING AND GROWTH PERSPECTIVE

Extent of reliable management information. This measure captures the extent to which the managers of the procuring activities believe they have timely, accurate, and complete information to make management decisions. The measurement information will come from an appropriate survey instrument.

% of employees meeting mandatory qualification standards. This measure identifies the percentage of acquisition employees (GS-1102 only) that meet the mandatory education, training and experience requirements as identified in the OPM Contract Specialist Qualification Standards. It will be calculated by dividing the number of acquisition employees that meet the education, training, and experience requirements by the total number of acquisition employees in the organization. Data will be derived from the local Acquisition Career Development data system.

% of employees satisfied with the work environment. In order to retain high quality acquisition professionals, and enhance worker performance, the work environment must be pleasant and include the necessary resources for accomplishment of work. This measure represents the employees' degree of satisfaction with items such as tools provided (e.g., information

technology, reference material, etc.) working conditions, and reward mechanisms. Data for this measure comes from an employee survey.
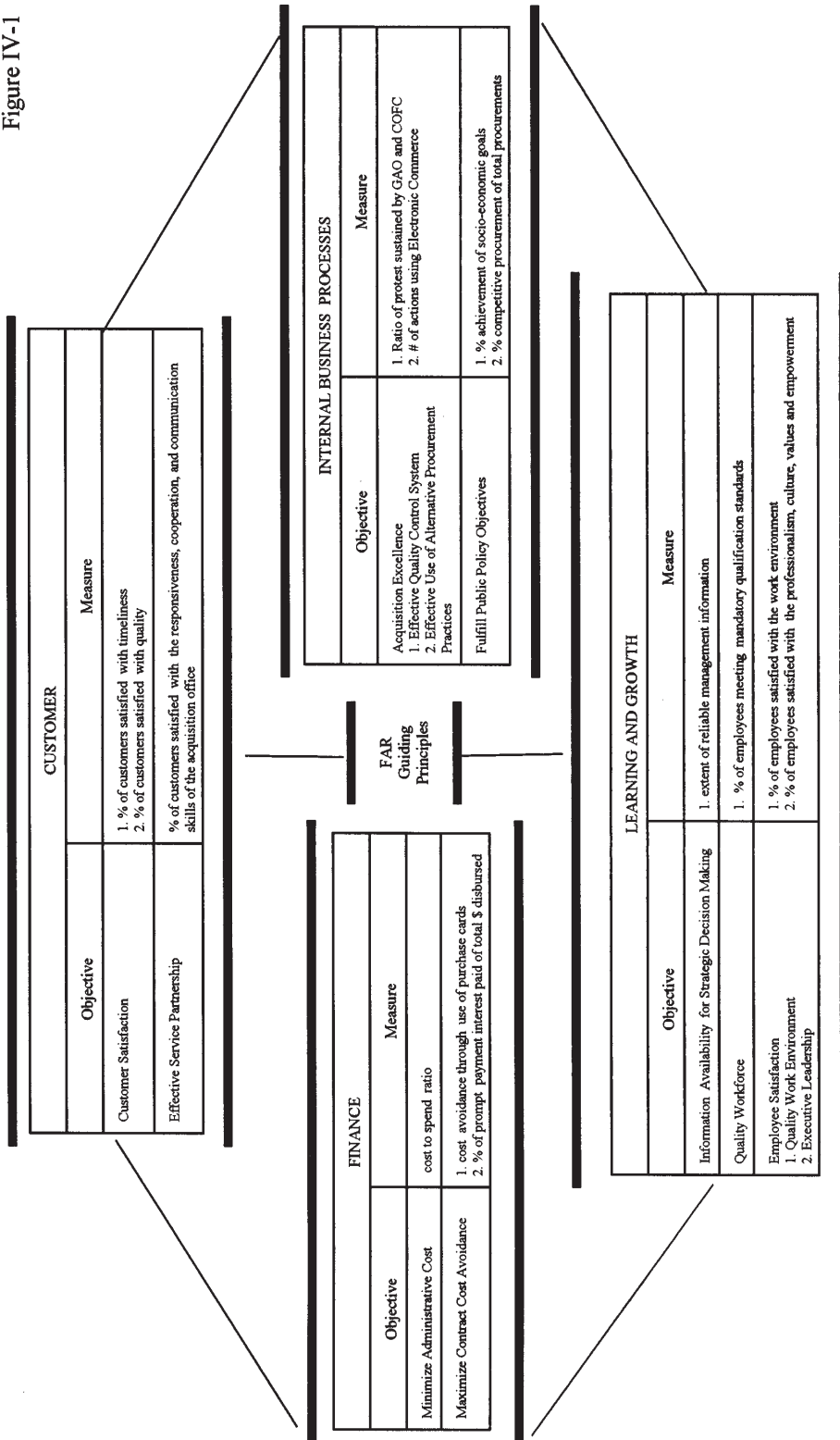
% of employees satisfied with the professionalism, culture, values and empowerment.
Management plays a vital role in the operation of each acquisition team by directing, motivating, and leading their personnel. Acquisition leadership should foster a professional environment that promotes the efficient and effective acquisition of goods and services from responsible contractors. This measure includes an assessment of the employee perception of organizational professionalism, culture, values and empowerment. Data for this measure comes from an employee survey.

Our core measures were shared with the Center for Advanced Purchasing Studies (CAPS). They thought that the measures represented both a good mix, and a reasonable balance, of qualitative and quantitative measures. Most public entities do not have sales, therefore, government financial measures need to use budget as opposed to revenue as used in the private sector.

In addition to the core measures, there are a number of other measures that have been used by the participating agencies. These are provided in Appendix E for your consideration when augmenting the core measures.

Figure IV-1

CUSTOMER

Objective	Measure
Customer Satisfaction	1. % of customers satisfied with timeliness 2. % of customers satisfied with quality
Effective Service Partnership	% of customers satisfied with the responsiveness, cooperation, and communication skills of the acquisition office

FINANCE

Objective	Measure
Minimize Administrative Cost	cost to spend ratio
Maximize Contract Cost Avoidance	1. cost avoidance through use of purchase cards 2. % of prompt payment interest paid of total $ disbursed

FAR Guiding Principles

INTERNAL BUSINESS PROCESSES

Objective	Measure
Acquisition Excellence 1. Effective Quality Control System 2. Effective Use of Alternative Procurement Practices	1. Ratio of protest sustained by GAO and COFC 2. # of actions using Electronic Commerce
Fulfill Public Policy Objectives	1. % achievement of socio-economic goals 2. % competitive procurement of total procurements

LEARNING AND GROWTH

Objective	Measure
Information Availability for Strategic Decision Making	1. extent of reliable management information
Quality Workforce	1. % of employees meeting mandatory qualification standards
Employee Satisfaction 1. Quality Work Environment 2. Executive Leadership	1. % of employees satisfied with the work environment 2. % of employees satisfied with the professionalism, culture, values and empowerment

Chapter Five

Data Collection

*In Chapters Three and Four, we identified a variety of measures that may be used in an
acquisition balanced scorecard. Some of the measures fall within the purview of quantitative
metrics, while others are of a more qualitative nature. In this chapter, we discuss the key ground
rules for collecting reliable performance data to track these quantitative and qualitative
measures.*

1. Basic Principles

Whether data are quantitative or qualitative, applying the two basic data collection principles
identified below will help an agency to obtain reliable data in the most efficient manner. Using
these principles, an agency may find synergies between existing, separate systems. Defining
links where data collection serves multiple purposes can improve efficiency, support
partnerships among organizations, and provide a framework for future system improvements.

A. Use Existing Data Sources to the Extent Feasible

Many agency management information systems already collect reliable quantitative data, which
are useful for acquisition performance measures; and agencies likely have large investments in
these systems. These systems include financial, personnel, and administrative systems, as well
as contractual information systems. Contractual information systems encompass agency feeder
systems to the FPDS, as well as electronic commerce databases (e.g., GSA's Electronic
Commerce On-line Statistics Reporting System).

For example, the agency may already track measures on workforce training and education as
part of a contracting officer warrant program. Also, some data necessary for an acquisition
measure may be regularly captured and reported through a management information system that
supports another agency function, such as finance or small business. An agency's existing
quantitative data typically cover a broad spectrum — from workforce quality, procurement lead-
time and extent of compliance with socioeconomic goals, to the use of electronic commerce,
contract protest records and competition statistics.

Moreover, qualitative data from existing acquisition surveys may be used to support BSC
efforts. Some agencies have designed and already use acquisition-specific surveys. Much of
the data collected by those surveys will be useful for the BSC with little or no change. In some
cases, other agency survey instruments collect acquisition-related data. For example, an agency-
wide employee survey may collect information useful for the learning and growth element if the

acquisition-related information can be segregated. The agency should avoid duplicative surveys and maximize the use of results from a minimum number of surveys.

Data in an automated system should be used directly from that system instead of having to re-enter it into a separate system that supports the BSC. Using existing data sources for multiple reporting purposes improves data reliability by minimizing the potential for errors in repetitive data entry. It also minimizes the burden of data collection and training, thereby promoting greater acceptance of the BSC. Of course, agencies need to ensure that all users have a common understanding of each shared data element.

B. Automate Data Collection Where Possible

While many agencies have management information systems that are partially automated, we encourage the expanded use of automation to compile important quantitative data, where efficient and cost-effective. Moreover, as technology evolves, we expect more and more surveys to be administered electronically (e.g., using e-mail hyper-linked to the Web) with automated qualitative survey results going directly into applications that gauge performance. Automation will tend to save time, reduce error rates, and obviate the need for separate data entry and verification.

However, to ensure the validity of automated surveys, data reliability standards must still be maintained, survey recipients must have equal access to relevant electronic media (e.g., e-mail; Web, etc.), and the corporate culture must be technologically sophisticated enough to make survey participants willing to apply this new medium to surveys. For example, if an agency's contractors were to receive an electronic version of a survey; print it in hard copy; and return the completed hard-copy survey by mail (instead of completing and returning the survey on-line) the advantage of using the automated process would be lessened. More important, if contractors are not receptive to an electronic survey process, they may simply delete the initial automated survey transmission - leading to poor response rates. In light of these factors, we recommend that automation be used on a selective basis for internal surveys (i.e., employee, customer or manager surveys) and only sparingly for external (contractor/vendor) surveys. In addition, e-mail alert notices and reminders will be instrumental in achieving adequate response rates, especially for automated external surveys.

2. Survey Methodology

If the basic principles identified above are followed, agencies will be able to compile management information for quantitative metrics in a rather straightforward fashion. However, since collecting qualitative data is much more demanding, you may wish to avail yourselves of the following overview of survey methodology to help you maintain data integrity.

A. Survey Populations & Instruments

To peruse survey instruments being used by some PEA agencies, please see the Web sites listed in Appendix B of this Guide. As explained in Chapter Four, the PEA has decided to collect

core, common performance data on a variety of measures - some of which are compiled using surveys. The sample survey instruments address core, common performance objectives (e.g., Customer Satisfaction, Employee Satisfaction, etc.). They also build upon the survey instruments developed under the original PMAT model, are basically equivalent to one another in content, and lay a firm, consistent foundation for cross-agency benchmarking. However, each participating agency retains the flexibility to tailor the survey instruments to meet its own needs.

The sample survey instruments address different types of measures, and involve different types of participants. Under the "Learning and Growth" perspective, the Procurement Employee Survey addresses the core measures of Quality Work Environment and Executive Leadership. It reflects questions the agency should ask office employees, supervisors and managers. Under the "Customer" perspective, the Procurement Customer Survey targets the core measures of Timeliness, Service/Partnership and Quality. It reflects questions the agency should ask customers internal to the agency who use items or services delivered by contract (direct internal customers). The questions also apply to customers outside the agency who generate requirements (direct external customers).

In addition, some agencies use a Self-Assessment "survey" to capture qualitative data for the core performance objective of "Information Availability for Strategic Decision-Making" under the "Learning & Growth" perspective, as well as other measures such as Mission Goals or Contract Administration. (It is worth noting that some agencies also include optional quantitative metrics under the Self-Assessment umbrella). The self-assessment survey questions are for contracting office managers, who may call upon lower level supervisors for their contributions. Also, some agencies use a Contractor/Vendor Survey in order to better understand their vendors' (i.e., industry partners') perspective about the efficiency, timeliness, quality and cooperation of agency acquisition and program offices - thus promoting the incorporation of best industry standards into agency acquisition practices.

B. Survey Design

Surveys should be designed in accordance with current research techniques. For example, survey instruments should be brief, with only very basic information requested to measure satisfaction and to obtain feedback on areas that may require improvement. Agencies would do well to: formulate simple and direct questions; avoid open-ended questions; make the questionnaire answerable within 15 minutes; group questions into categories for ease of response; assure anonymous responses; present the questions in a user-friendly booklet form; and pre-test the questionnaire to ensure minimal respondent burden and facilitate as high a response rate as possible. Pre-testing the survey instruments will allow agencies to eliminate or revise questions as necessary, add material that the representative respondents strongly believe should be included, and improve the overall quality and utility of the instruments.

Using a Strongly Disagree to Strongly Agree (or equivalent) rating scale, examples of simple and direct survey questions might include the following:

- "My work schedule is flexible." [Quality Work Environment, under Employee Survey]

- ■ "Customers respect my procurement office" [Executive Leadership, under Employee Survey]

- ■ "Obtains products/services when I need them" [Timeliness, under Customer Survey]

- ■ "Deals with me in a courteous, business-like manner" [Service/Partnership, under Customer Survey]

- ■ "Obtains high-quality products/services" [Quality, under Customer Survey]

Incorporating background questions (e.g., business category; type of product or service) will allow for later multivariate statistical analysis so that an agency may assess whether differences in categories of respondents' backgrounds help explain differences in responses to individual questions (e.g., whether contractor satisfaction varies by type of business organization). This information will help agencies to better target opportunities for acquisition system improvements. Moreover, it is recommend that a "comments" section be added at the very end of the survey for obtaining respondents' observations on good practices and procedures, descriptions of problem areas, and recommendations for solving those problems. A "comments" section often contributes to receiving higher response rates.

C. Statistical Survey Methodology

Survey procedures are needed to make sure that agencies obtain sound statistical data. Reliable data depends heavily on selecting representative survey participants, targeting the proper sample size, and obtaining reasonably high response rates. Thus, the methodology that follows is designed to ensure that individual agencies conduct the BSC surveys according to accepted statistical standards. Since developing and implementing statistical survey procedures is an exacting discipline, please bear in mind that some of the terminology used below may get somewhat technical at times. You may wish to consult with a trusted statistician to guide you through any unfamiliar statistical terrain.

In general, each participating agency should plan to take a 50% sample for populations of 1,000 or fewer — based on a hypergeometric distribution — to achieve precision of plus or minus 3 percent at the 95 percent confidence level. [Unlike a normal distribution, a hypergeometric distribution applies to very small populations]. For example, if we receive survey results indicating that 58% of customer survey participants strongly agree that some acquisition function is performed well, then we can say that between 55% and 61% of customers feel that way - 58% plus or minus a 3% margin of error. Also, the 95% confidence level indicates that our survey results would be obtained in 95 out of 100 cases.

A normal distribution should be used for any populations larger than 1,000. Systematic random sampling (selecting every nth one from an alphabetical list of the population names) should be used to ensure representative survey results. At least a 50 percent survey response rate is needed to obtain the full range of opinions and minimize non-response bias. Relaxing the requirements for response rates, confidence levels, and systematic random sampling would significantly reduce the reliability of survey data - thus, degrading the integrity of the resulting improvement process - including benchmarking within or between agencies.

Agencies may need to stratify their employee, customer and contractor populations to obtain representative samples. Stratified sampling consists of separating the elements of these populations into mutually exclusive groups (called strata) and randomly selecting samples from those strata. Stratification is especially important when it is expected that answers to survey questions may differ significantly from one stratum to another in the population (e.g., commercial firms vs. non-profit organizations, in the contractor population). It would ensure that each employee, customer or contractor stratum is reflected according to its relative size in the population. Sampling from the overall population without stratification is more likely to result in some strata being over-represented and other strata under-represented in the survey. Without stratification, there is a risk of obtaining misleading survey responses and drawing the wrong conclusions.

For example, if an agency's contracting office expects that its contract specialists, purchasing agents, policy staff, supervisors, managers, and clerical staff would basically provide different answers to key Employee Survey questions, then it should stratify its employees by categories for sampling purposes. Also, if employee answers to survey questions are expected to differ between headquarters and field office locations, then the employees should also be broken down geographically for sampling purposes. Stratified sampling is not much more difficult to accomplish than simple random sampling. Neither survey data collection nor analyses are affected by the choice of a sampling procedure.

Please refer to Appendix D for an overview of survey administration procedures, to help in collecting reliable survey data.

D. Using Focus Groups and Point-of-Service Questionnaires

Before bringing this chapter to a close, it would be appropriate to comment briefly on the extent to which focus groups and point-of-service questionnaires play a role in qualitative data collection. As far as point-of-service surveys are concerned (i.e., surveys done at the point where services are provided to customers), we believe that they have a legitimate place in an agency's arsenal of performance measurement tools. However, many agencies use a census to capture this type of performance information - for each and every transaction with a customer. While the information is compiled on a real-time and comprehensive basis, there's a down-side to its use: the process tends to be burdensome on the customers, and response rates tend to be lower than normal. In light of this, we recommend that agencies sample their point-of-service transactions (to reduce burden), as well as follow-up with their point-of-service survey participants (to ensure adequate response rates). Under extenuating circumstances (e.g., inability to achieve adequate response rates), it may be necessary to consider making the completion of the questionnaire a condition of the transaction. However, if the questionnaire is at all burdensome to complete, this contingency may have unintended consequences, i.e., alienation of valued customers.

With respect to focus groups, we feel that it is inherently wrong to use them as a substitute for formal survey efforts. Focus group opinions offer only anecdotal information, and are not necessarily representative of the views of the overall population of customers, employees,

managers or contractors. However, focus groups may complement or support formal survey efforts in a variety of ways. For example, agencies may use them to generate ideas for the development of survey instruments, pre-test survey instruments, implement organizational improvements downstream, etc.

Chapter Six

Moving From Performance Measurement to Performance Management

This chapter provides a discussion of how the BSC assessment methodology can be used to effectively manage organizational performance.

Measurement is not an end in itself, but a tool for more effective management. The results of performance measurement will tell you what happened, not why it happened, or what to do about it.

In order for an agency to make effective use of the results of performance assessment, it must be able to make the transition from assessment to management. It must also be able to anticipate needed changes in the strategic direction of the organization, and have a methodology in place for effecting strategic change. Successful accomplishment of these two tasks represents the foundation of good performance management. Both of these tasks can be greatly facilitated by use of the BSC. In other words, besides simply assessing performance, the BSC provides a structured framework for performance management.

Measurement can provide the basis for an agency to assess how well it is progressing towards its predetermined objectives, help it identify areas of strength and weakness, and decide on next steps, with the ultimate goal of improving organizational performance. It can also provide the data necessary for showing how activities support broader goals, and provide the data necessary for supporting requests for additional resources or for supporting new initiatives. But it is the effective use of this data by decisionmakers at all levels of the agency to aggressively improve products and services for customers and stakeholders, that is the hallmark of leaders in performance management.

Earlier parts of this Guide focused on concepts that are key to proper performance measurement, such as the creation of performance measures that are appropriate to the organization. We now need to look at how to manage assessment results to the benefit of the organization, and how the BSC methodology can be used to guide the agency towards accomplishment of strategic goals.

To effectively move from performance measurement to performance management, two key components need to be in place: 1) the right organizational structure; and 2) the ability to use performance measurement results to actually bring about change in the organization.

1. Right Organizational Structure

In order for an agency to move from performance measurement to performance management, it must possess an organizational structure that facilitates the effective use of assessment results.

An agency needs to be able to deploy a performance measurement and management strategy which includes such attributes as:

Leadership involvement in designing and deploying effective performance measurement and management systems. Clear, consistent, and visible involvement by senior executives and managers is a necessary part of successful performance measurement and management systems. Senior leadership should be actively involved in both the creation and implementation of their organization's systems. In the leading public and private organizations studied, senior management often not only personally articulates the mission, vision, and goals to various levels within the organization, but is also involved in the dissemination of both performance expectations and results throughout the organization.

Effective and open communication with employees, stakeholders/shareholders, and customers in order to share assessment results, and any new initiatives to improve performance. Of all the concepts needed for successful performance management, effective communication is probably the most important. Measuring performance, analyzing the results, and incorporating the results into new management initiatives will be to no avail if the results cannot be suitably communicated both within and outside the organization. Internal communication helps ensure accomplishment of organizational goals, and builds confidence in the minds of employees if the results are favorable. External communication is important in strengthening partnerships with customers and in eliciting favorable support from stakeholders. This is particularly true for a public agency that must coordinate with Congress, OPM, OMB, etc. Plenty of published information exists that provides guidance in terms of how to communicate appropriately to a specific audience, including how to graphically display information in a productive fashion.

Accountability for results that is clearly assigned and well-understood. High-performance organizations clearly identify what it takes to determine success and make sure that all managers and employees understand what they are responsible for in achieving organizational goals. Accountability is typically a key success factor.

Compensation, rewards and recognition that are linked to performance measures. Providing a clear link between achieving a specified performance target and some form of meaningful compensation, reward or recognition serves as a positive performance incentive. This type of linkage is very clear and straightforward. Employees intuitively understand the importance of a performance measure when it is directly tied to financial remuneration or other meaningful reward or recognition. Rewards and recognition provide a positive incentive for managers and employees throughout the organization to align their efforts with the overall strategy. Rewards and recognition may include either monetary awards (e.g., cash awards, fast track awards) or non-monetary commendation (e.g., plaques, certificates, peer recognition). Managers should certainly recognize high performance that meets or exceeds targets. Dr. J. S. Wholey advises managers to also recognize *improved* performance to encourage upward progress.

Targets that are linked to appraisals. This makes managers, teams, and employees at all levels of the acquisition organization accountable for their contributions to achievement of the overall strategy. It will cause them to focus on the local activities that have the most direct effect on the strategic measures and objectives. When first implementing a BSC system, employees may perceive links in individual appraisals as a negative "hammer" and fear retribution if goals are not achieved. Executive management of many organizations have found it helpful to wait until

at least the second year before linking targets to individual appraisals. This lets local managers and employees become familiar with and understand the system prior to assigning accountability. It also provides some time to gain experience with local measures and objectives, assess their effectiveness, and make appropriate adjustments.

A performance measurement system that is positive, not punitive. The most successful performance measurement systems are not "gotcha" systems, but *learning* systems that help the organization identify what works—and what does not—so as to continue with and improve on what is working and repair or replace what is not working. Performance measurement must be a tool that lets the organization track progress and direction toward strategic goals and objectives; it must not be subverted just to identify poor performers or provide sanctions.

Openly showing results and progress toward program commitments with employees, customers, and stakeholders. While sensitive information generally must be protected, performance measurement system information should be openly and widely shared with an organization's employees, customers, stakeholders, vendors, and suppliers to the greatest extent practicable. Information on performance objectives and specific progress toward these objectives can be provided on an organization's Internet and Intranet sites for real-time access by various levels of management, teams, and individuals. Also, organizations can disseminate periodic reports, newsletters, electronic broadcasts, or other visual media to set forth their objectives and accomplishments.

[NOTE: Kaplan and Norton note that using the BSC as the basis for recognition does carry risks. Similar risks also apply when using the BSC as the basis for appraisals. The organization must first identify the right measures. If not, employees may focus their efforts on activities that do not move the organization toward the long term vision. The organization must also have valid and reliable data for the selected measures. Valid and reliable data on the right measures ensure that progress toward the appropriate objectives is real. Finally, recognition and appraisal programs need to anticipate unintended consequences. For example, if an employee can earn a cash reward for outstanding performance on a single measure, that employee may focus activity on that measure and fall short on others. One solution is to establish minimum threshold levels for key measures to encourage more balanced performance.]

2. Using Performance Measurement Results to Effect Change

Obviously, making constructive use of assessment results is critical if the organization is to improve, and perhaps, to survive. There are certain significant aspects of using the results of performance measurement that should be kept in mind when deploying a performance management system:

A. Performance Measurement Systems Must Provide Intelligence for Decisionmakers, Not Just Compile Data.

Performance measures should be limited to those that relate to strategic organizational goals and objectives, and that provide timely, relevant, and concise information for use by decisionmakers—at all levels—to assess progress toward achieving predetermined goals.

Although each organization is unique in how performance results can best benefit the organization, several concepts appear to apply across the board. They include the following:

Assessment results must provide meaningful information. Management needs intelligent information for decision making. If properly constructed, the performance measures selected will result in data that is meaningful to decision makers in terms of improving organizational performance. The data generated should be timely, relevant, and concise. Assessment results should provide information on the efficiency of the production of goods and services, on how well current performance compares to intended programmatic purposes, and on the effectiveness of organizational activities and operations in terms of their specific contribution to program objectives. Numerous factors need to be considered when determining the effectiveness of assessment results. They include the following:

- Does the data indicate any performance trends over time and over projects/functional areas?
- Can the data be used to improve performance in areas other than the one(s) assessed?
- Have the correct performance measures been selected for assessing desired performance?
- Do the measures reflect priorities?
- Do the results reflect an understandable causal relationship between performance effort and performance result?
- If performance targets are not met, what inhibited successful performance?
- If performance targets are significantly exceeded, are there additional benefits to the organization that can be gained in terms of reducing operating costs or improving performance?

Employing Supplemental Information Sources. An agency can leverage the BSC's power by supplementing BSC results with data from other sources that provide information on the "health" and direction of the organization. Such information provides a more detailed picture of an organization's external environment and internal capabilities. It can also identify issues or problems not otherwise reflected in BSC results. This in turn helps the organization to interpret BSC results with a fuller understanding and make appropriate adjustments to its strategies. Useful sources for the acquisition function include:

- Agency protest statistics
- Workforce training and education data
- Performance-based service contract reports
- Debarment and suspension statistics
- Inspector General (IG) reviews
- General Accounting Office (GAO) reviews

Assessment results must be properly analyzed. Understanding what a particular result really means is important in determining whether or not it is useful to the organization. Data by itself is not useful information, but it can be when viewed from the context of organizational objectives, environmental conditions, and other factors. Proper analysis is imperative in determining whether or not performance indicators are effective, and results are contributing to organizational objectives.

B. Results Must Be Used or No One Will Take Them Seriously.

This seems so obvious that it should not need to be stated. Nevertheless, assessments are often followed with little effective analysis of results, or honest attempts at improved performance. The following represent some of the ways that leading organizations, both public and private, use performance information to improve performance, manage risk, and support decision-making:

Gap Management. Performance results can be used to determine gaps between specific strategic objectives and/or annual goals and actual achievement. The root causes of these gaps are analyzed, and countermeasures developed and implemented. Whenever there is a gap between current results and an organization's objectives, it is an opportunity for process improvement. Reengineering and redesign are a frequent response to the identification of gaps between objectives and achievement, and are usually very effective, particularly when they include "process flow analysis" which requires a detailed examination of the existing process(s) and allows for exploration of alternate procedures within a process. Process flow analysis is especially useful when BSC results indicate performance gaps in the areas of timeliness, purchasing costs or efficiency. Understanding which key processes need the most attention, and then aggressively addressing the differences between current performance and the desired end state is a hallmark of successful organizations.

Self-diagnosis. A contracting or purchasing activity can use the information for "self-diagnosis." BSC data together with other reports and statistics can help the activity anticipate and resolve issues before they become problems, or at least minimize the effect of problems by early action. Information from other reports and statistics may also indicate the need to adjust BSC strategies and measures.

Enhancing strategic feedback and learning. Kaplan and Norton recommend that, in addition to tracking progress on past results, managers can use the BSC to learn about the future. Managers should discuss not only how they achieved past results, but also whether their expectations for the future remain on track. Changes in the environment (e.g., new technology, legislative initiatives, etc.) may create new opportunities or threats not anticipated when the managers developed their initial strategies. If an organization followed established strategies, but did not achieve target results, managers should examine internal capabilities and assess whether the underlying strategies remain valid. Based on such analyses, managers may adjust or redirect their strategies or identify new strategies. This focus serves as a foundation for effective process improvement and risk management. It also completes a feedback loop that supports decision-making at all levels of the organization.

Benchmarking. An organization can use the BSC to benchmark its performance against other organizations. Benchmarking helps to get a picture of how the agency acquisition function performs compared to others. It also serves as one input for developing target goals. However, as noted by the International Benchmarking Clearinghouse, the strength of benchmarking is not in identifying best performance, but in learning best practices. That is, the organization should identify, study, analyze, and adapt the "best practices" that led to the "best performance." Understanding the best practices helps managers to make better-informed decisions about where and how to change their organization.

To make valid comparisons, the agency should consider how the other organization is both similar and different. Common factors to consider, whether selecting another agency or an industry for benchmarking, include:

- Is the total size and budget similar?

- Is the amount spent on acquisition comparable?

- Is the percent of total budget spent on acquisition similar?

- Does the other organization have a similar mission or perform work of comparable complexity?

- Are the products and services acquired similar?

Several sources have information available for benchmark comparisons:

- An agency can compare its performance on the core measures identified in this BSC to other federal agencies that use the same measures.

- Other agencies may also have similar supplemental agency-specific measures.

- The Center for Advanced Purchasing Studies (CAPS) reports on 23 industries plus municipal governments and state/county governments on 21 standard benchmarks.

- The FPDS contains information useful for comparing several financial and internal business process measures (e.g., percent of acquisition dollars awarded competitively, percent of acquisition dollars spent on commercial items, etc.).

Oversight and compliance. The Procurement Executive can use the BSC and supplemental data to support oversight and compliance activities. Results of BSC measures and other reports and statistics help highlight areas of concern. If BSC measures are properly aligned with significant objectives, then review efforts should be focused where they will have the most benefit. Reviews should analyze the cause of concern and identify appropriate remedies (e.g., recommending changes in operational practices, clarifying existing or developing new policies, eliminating or revising policies that create problems, eliminating non value-added activities, etc.). The BSC also provides a framework for reporting to the agency head, Congress, and OMB.

Risk Management. Risk management can be defined as an infrastructure within which key decision makers hold operating units accountable for results. This is done by shifting the emphasis to a risk-based approach that diagnoses systemic problems, evaluates effectiveness, and links performance to consequences in order to strike a proper balance between risk and return. In other words, risk management is more strategic, where oversight is more reactive. The BSC fits within the risk management framework by tying results to strategic vision and holding units accountable for results. It is not the only element of risk management, but a key element.

The Business Case. In addition to strategic feedback and learning, managers can also use the BSC to build a strong, sound business case to support proposals for changes or requests for resources. The BSC illuminates links between strategies, measures, and expected outcomes at different levels in the organization, and across different operational components. This provides a framework for explaining how and why a proposed change will benefit the organization and the expected effect on linked components. For example, a contracting activity could use the BSC to demonstrate how a proposed change to processing requisitions would improve its efficiency and also benefit program mission accomplishment.

The BSC also provides the framework for justifying requests for resources. For example, in presenting the annual budget request, a manager can use the BSC to demonstrate the expected results from a given level of funding. Similarly, the manager could use the BSC to defend requests for increases in resources, by showing how additional resources would improve results for one or more measures.

Cross-functional Problem Solving. By illuminating the links between strategies, measures, and expected outcomes at different levels in the organization, and across different operational components, the BSC also encourages cross-functional problem-solving. For example, a Division may identify a Bureau or Department-level policy that impedes its ability to accomplish a certain objective. The Division could raise the issue, using the BSC to demonstrate the cause-and-effect relationship, and work together with the appropriate Bureau or Department management toward a solution. Or an acquisition office may work with finance to establish an electronic system for receiving and processing invoices that benefits the performance of both organizations.

Organizational Improvements. Establishing organizational improvement structures and procedures will help agencies to implement performance improvements, and to make a genuine commitment to performance management. After the acquisition office has analyzed its BSC metrics and survey results, an agency may wish to consider forming project teams for the broad areas of performance targeted for improvement (e.g., "Timeliness," as addressed in the customer survey). The project team should consist of major stakeholders to ensure that all participants in the acquisition process become involved in (and reach consensus on) system improvements. Depending on the performance issue, the team might consist of acquisition employees alone, acquisition employees and customers (cross-functional), or acquisition employees and managers. Project team authority would vary with the scope of the concern. For example, for a simple functional concern (such as adequacy of employee development plans), a team could be given the authority to make recommendations to acquisition management, as well as to implement any changes that management approves.

In addition, if faced with a complex, cross-functional concern (such as adequacy of SOWs, evaluation criteria, etc.), agencies might consider establishing an Acquisition/Project Office Steering Group to: 1) charter the project team (defining the project scope and resources needed); 2) monitor the team's progress (sending a message to the project team that their performance improvement efforts are very important); and 3) approve appropriate team recommendations. A steering group may also be needed to coordinate and integrate multiple project team efforts (even if they are not very complex), thus ensuring that performance initiatives are balanced and

genuinely improve overall results. In the interests of efficiency, steering groups may be formed from existing management committees.

Some PEA agencies find that about five to eight team members allow for optimum team operations. Teams typically meet at least weekly for a designated period. The project leader tends to be well-seasoned in the area requiring improvement, and is often given the authority to select other members of the team. Acquisition management or steering groups often seek the services of a facilitator for "just-in-time" project team-building and training. An acquisition management or steering group representative sometimes attends project team meetings to facilitate communication between the team and the group. It is suggested that acquisition offices initially undertake only a few project team efforts - focusing on improvement initiatives that have strategic importance as well as a high probability of success. Early success establishes momentum for the longer term.

Moreover, an agency-wide executive group may be used to leverage the steering groups' experience and findings by establishing ways to share information across the individual groups. The agency-wide executive group can also contribute toward longer-term strategic planning. In this role, the executive group may consider what the agency wants acquisition practices to look like over the next five or ten years, as well as identify improvement initiatives that will lead in that direction.

Once assessment results have been correctly analyzed, communicated internally and externally, used for development of any corrective action, and for revising performance measures as needed, effective performance management requires that the organization consider strategic goals - i.e., where it expects to be in the not too distant future - and to incorporate these goals into the performance management structure. The BSC as an assessment methodology is unique in its emphasis on placing the organization's strategic vision at the center of the performance assessment structure. In fact, when using the BSC, development of strategic goals is the first step in creating a performance assessment process that is designed to support accomplishment of the strategic vision. Only after the organization knows where it wants to go can it develop the performance measures that will help ensure accomplishment of the strategic vision. By arriving back at the first step of the assessment process, we have essentially completed our brief discussion of the BSC performance assessment methodology and how it contributes to successful performance management. The last chapter of the Guide discusses maintenance of a BSC knowledge repository.

Chapter Seven

Building and Maintaining a BSC Knowledge Repository

In this chapter, we discuss the PEA's strategy for maintaining its acquisition BSC system, solidifying its partnership with participating agencies, and pursuing outreach efforts to expand the use of the BSC.

1. Need for Maintenance

One of the most important features of any performance measurement or management system is that it is dynamic, i.e., it allows for enhancements over time, in light of changing circumstances. While some measurement concepts may seem timeless, the ever-changing character of the federal acquisition system dictates that maintenance of a current measurement model be a priority. The model may need to be updated periodically to reflect statutory or regulatory changes. Also, there may be a need to discard measures that have not proved useful, or to modify existing core measures to enhance their utility. However, any system revisions will be made on a selective basis to ensure that the BSC permits agencies to gauge performance progress against a consistent baseline, and to ascertain and analyze meaningful trends.

2. Agency Flexibility

Although all PEA member agencies agree on the core measures to be used in the BSC, some agencies have developed individualized systems that are separately maintained. For example, the Department of Transportation (DOT) is the keeper of the original "PMAT" or "spider chart" model using Excel software, and much interagency data is housed on DOT's computers. The Departments of Energy, Commerce, Health and Human Services and others have developed their own unique variations on the basic BSC analytic approach, as well as the supporting computer templates. The PEA concluded that it was not desirable to mandate that all member agencies use the identical system. Instead, each agency is afforded the creativity and flexibility to devise its own system, so long as the system builds on the agreed-upon core measures, adheres to our data reliability standards, and is consistent with common overall improvement strategies.

The goal of BSC is not to grade agencies for comparative purposes (which would tend to create unhealthy competition), but simply to improve performance. And improvement is most likely to occur if it is under the auspices of the agency's own measurement system. In this way, the unique qualities of each agency can be taken into account, and "buy-in" among measured offices, prospective clients, and external oversight authorities can be more reasonably achieved.

3. Sharing Best Practices

As explained earlier in the Guide, the PEA established an acquisition BSC Team (comprised of BSC points-of-contact from member agencies) to strengthen BSC implementation among the PEA agencies, promote benchmarking, and develop this BSC Guide. Through this process, the PEA has placed the BSC framework on firm footing by stressing the need to: (i) maintain data reliability using standard statistical procedures; (ii) link BSC results to annual GPRA Performance Plans to reinforce the acquisition function's key role in meeting mission needs; and (iii) establish cross-functional project teams to make acquisition system improvements. In addition to encouraging cross-agency benchmarking to improve acquisition performance, the PEA is committed to making the results-oriented BSC a useful self-assessment, self-improvement, and decision-making tool.

Moreover, the PEA will continue to use the Team to:

- Serve as a central knowledge repository for all BSC matters, including agency variations on the acquisition BSC.

- Share best BSC implementation practices with each other – including survey instruments, implementation guidelines, analytic tools, ways to use survey results to improve acquisition performance, optional performance measures, actual improvements resulting from the BSC, etc.

- Meet periodically at BSC symposiums to share success stories or lessons learned on BSC implementation.

- Promote using the BSC approach in other functional areas such as financial assistance, logistics, finance, property, or program operations.

- Share supplemental review protocols for scrutinizing the type of potential fraud, waste and abuse that may not necessarily be captured by the BSC.

- Arrange for guest speakers from government and private industry to brief PEA on key issues such as quantitative analysis of acquisition efficiency; data reliability, survey design and administration, using cross-functional teams to make improvements, aligning group reward and recognition systems to the BSC, statistical survey analysis, risk assessment, etc.

- Discuss new developments in the field of performance measurement and management including new approaches to the BSC or evolving alternatives.

- Assess the need for changes in the core measures.

- Map any changes in direction that may be appropriate, or develop proposals for consideration by the PEA as needed.

4. Outreach Efforts

Given the historically high risk associated with implementing performance measurement systems, the acquisition BSC approach would be well-served by launching widespread publicity across the government. Oversight agencies (OMB, GAO, Congress, etc.) might also benefit from the dissemination of information about PEA's BSC approach. The PEA is dedicated to helping non-participating agencies learn more about the acquisition BSC.   The following is a list of some available techniques for conducting outreach:

A. Web Site

The PEA hosts a web site on the Internet known as "BSC Central." It may be found at the following URL: http://www.statebuy.inter.net/bsc.htm. The site includes copies of this Guide, other useful documents (including sample survey instruments), and links to each PEA agency web site, as well as other web sites on performance measurement. The preferred method for distribution of written materials related to the BSC will be via this web site. The site has clickable e-mail to allow users to provide feedback or submit inquiries.

B. Briefings

The PEA members will use conferences and other public events, for both acquisition staffs and non-acquisition personnel, to promote the BSC approach and solicit new ideas on performance measurement. PEA members or their BSC Team points-of-contact will be available to speak with other federal agencies on the subject.

C. Other Publicizing Methods

Publicizing the PEA's work with BSC could also be accomplished through the National Contract Management Association or other professional associations; discussion groups or ListServs on the Internet; the Inter-agency Benchmarking and Best Practices Council, etc.

Through the above outreach activities, we hope to forge alliances among both PEA and non-PEA agencies to facilitate the efficient and effective maintenance (or enhancement) of BSC performance measurement and management tools, expand the reach of BSC, and conserve resources.

5. Future Endeavors

We plan to use the BSC Central web site as a tool for further innovation. For example, a more detailed "how to" guide may be written to provide step-by-step instructions to BSC coordinators on how to convert survey performance data (including "spider charts," horizontal bar charts, or

other results) into real organizational improvements. Further, we will explore the feasibility of developing and administering web-based BSC surveys. Comments and suggestions from readers of this Guide are welcomed.

Appendix A: Procurement Executives' Balanced Scorecard Team and Team Charter

Team:

Dept. of Commerce	Mike Sade	(202) 482-4187	msade@doc.gov
Dept. of Energy (Chair)	J. Cavanagh	(202) 586-8257	james.cavanagh@hq.doe.gov
	Steve Logan	(202) 586-9048	steve.logan@hq.doe.gov
Dept. of Health and Human Services	Alan Schoenberg	(202) 690-6361	aschoenb@os.dhhs.gov
Dept. of State	Rob Lloyd	(703) 516-1690	roblloyd@patriot.net
Dept. of Transportation	Elaine Wheeler	(202) 366-4272	elaine.wheeler@ost.dot.gov
General Services Administration	Gloria Sochon	(202) 208-6726	gloria.sochon@gsa.gov

The Team recognizes the helpful guidance and contribution received from Dee Emmerich of the Department of the Interior during the developmental stages of this Guide.

Procurement Executives' Association Balanced Scorecard Team

Charter:

Performance Challenge

The Procurement Executives Association (PEA) seeks to create, document, and maintain a strategic performance measurement and performance management framework for acquisition systems based on a balanced scorecard approach. This methodology will have sufficient flexibility to address individual agency special needs and have sufficient cohesion and commonality to identify core performance measures and appropriate benchmarks.

Purpose of Team

To achieve this objective, the member agencies of the PEA have chartered a self-directed, interagency Balanced Scorecard Team. The Balanced Scorecard Team is established to: (1) research, design, produce, and facilitate implementation of the system, processes, and procedures necessary to meet the PEA Performance Challenge; (2) provide focused communication on performance measurement and performance management issues; and (3) maintain and periodically update the framework to ensure its currency and completeness in an ever-changing acquisition environment.

Responsibilities and Authorities

Chair: The PEA shall identify a Senior Procurement Executive as Chair of the Balanced Scorecard Team. The Chair, or designee, shall call all meetings of the Team, conduct the meetings of the Team, and shall approve establishment, continuation, or termination of sub-teams necessary to achieve the Team's chartered purpose.

Team Members: The members of the Team will consist of PEA member representatives, including the Departments of Commerce, Energy, Health and Human Services, Interior, State, and Transportation, the General Services Administration, and such other agencies as may from time to time be included.

PEA Members: PEA members shall commit the level of staff and other resources necessary to accomplish the Team's chartered purpose.

Approach: The PEA shall from time to time identify such products and/or services as determined necessary to meet their Performance Challenge, and shall provide appropriate expectations and direction to the Chair.

Based on these expectations and directions, the Team will develop, for PEA approval, a Workplan to carry out the direction of the PEA and the Chair. The Team will meet as necessary to carry out the approved Workplan, and to determine the appropriate division of work to accomplish its chartered purpose. The Team will conduct such secondary and primary research as is necessary to accomplish the Team's chartered purpose, including limited travel as approved by the Chair.

The Team will conduct such periodic briefings of the PEA members as the Chair determines necessary to provide them with progress, or to obtain further direction or commitments.

Appendix B: References and Resources

Sources Referenced or Quoted in this Guide:

The Balanced Scorecard: Translating Strategy into Action. Robert S. Kaplan and David P. Norton, Harvard Business School Press, 1996.

Using the Balanced Scorecard as a Strategic Management System. Robert S. Kaplan and David P. Norton, Harvard Business Review, January-February 1996.

Serving the American Public: Best Practices in Performance Measurement. Benchmarking Study Report, National Performance Review, June 1997.

Benchmarking: Leveraging "Best Practice Strategies." International Benchmarking Clearinghouse, A White Paper for Senior Management, based on the internationally acclaimed 1995 study: Organizing & Managing Benchmarking.

Government Manager's Guide for Undertaking Customer Satisfaction Surveys. Logistics Management Institute, July 1996.

Group Reward and Recognition. Logistics Management Institute, August 1997.

Useful References:

Several useful publications are listed here for your reference in initiating or improving your organization's performance measurement and performance management processes.

Executive Guide: Effectively Implementing the Government Performance and Results Act. GAO/GCD-96-118. General Accounting Office, June 1996.

Focusing on Results: A Guide to Performance Measurement. Industry Canada, March 1995.

Guidelines for Performance Measurement. DOE/G/120.1-5. Department of Energy, June 1996.

Guidelines for Strategic Planning. DOE/PO-0041. Department of Energy, January 1996.

A Handbook for Strategic Planning. Publication No. 94-02. Total Quality Leadership Office, Department of the Navy.

NASA Strategic Management Handbook. National Aeronautics and Space Administration, October 1996.

The National Highway and Traffic Safety Administration Case Study: Strategic Planning and Performance Measurement. National Highway and Traffic Safety Administration, August 1996.

Program Performance Measures: Federal Agency Collection and Use of Performance Data. GAO/GGD-92-65. General Accounting Office, May 1992.

Report to Congressional Committees, The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven. GAO/GGD-97-109. General Accounting Office, June 1997.

Serving the American Public: Best Practices in Customer-Driven Strategic Planning. Benchmarking Study Report. National Performance Review, February 1997.

Strategic Management for Senior Leaders: A Handbook for Implementation. Publication No. 96-03. Total Quality Leadership Office, Department of the Navy.

Criteria for Developing Performance Measurement Systems in the Public Sector. Department of Treasury, 1994.

Performance Measurement Guide. Department of Treasury, Financial Management Service, 1993.

Toward Useful Performance Measurement: Lessons Learned From Initial Pilot Performance Plans. National Academy of Public Administration, 1994.

Measures of Purchasing Effectiveness. Center for Advanced Purchasing Studies, 1997.

Web Sites of Interest:

http://www.statebuy.inter.net/bsc.htm	"BSC Central." Contains copies of this Guide and other useful information.
http://www.pr.doe.gov	Department of Energy Balanced Scorecard Homepage
http://www.capsresearch.org	Information from the Center for Advanced Purchasing Studies.
http://www.fpds.gsa.gov	Information on the Federal Procurement Data System maintained by the General Services Administration.
http://www.npr.gov	National Partnership for Reinventing Government.
http://www.gao.gov/new.items/gpra	Information on the Government Performance and Results Act.

Appendix C: Federal Sector Characteristics Affecting Performance Measurement

The ways in which federal departments and agencies plan, allocate resources, collect data, and operate within a political context, all affect the performance measurement process. Several of these characteristics are essentially unique to the public sector with little or no private sector analogy. These are events or influences which should be considered and, to the extent practicable, planned for in designing and implementing performance management systems.

The Federal Budget and Political Process:

Annual planning and budget formulation in the federal government occurs 18-24 months in advance of execution. Federal managers usually must develop performance goals, targets, and measures for two years into the future using the most current data available, which are usually from the previous fiscal year. Therefore, there usually exists a three-year "gap" between what an agency/manager knows and where it believes it wants to go. Further complicating this is the fact that final budget decisions are often made at the beginning of the fiscal year, and occasionally well after the year has already begun.

The uncertainty inherent in the federal budget process and the large data-decision gap affects the ability of agencies to develop solid performance measures and targets. The substance and timing of resource allocation decisions directly affect the efficient and effective implementation of strategies to improve performance and meet mission objectives. Obviously, agency budgets devoted to the acquisition process may also be subjected to various political influences that affect the performance of the acquisition system.

Data Collection Constraints:

Federal agencies face significant constraints and restrictions as to the type and amount of data they may collect. The Paperwork Burden Reduction Act controls both the amount and method of data collection. The process of approving agency data collections often takes six months to a year. This review cycle, coupled with the budget process difficulties, often hampers an agency's ability to make timely adjustments to the array of performance measures it employs.

Results Beyond Agency/Organization Control:

Public agencies and managers are often called upon to achieve outcomes which are influenced directly by actions and activities external to the control of that organization. As a result, there

are often problems with assigning accountability for results and in determining and analyzing the role played by various external factors.

Also, federal programs are often administered through second and third parties (states, grantees, etc). Consequently, many program managers have limited information and data on the true costs to achieve specific results - particularly outcome results that involve these other parties, especially in a joint administrative environment.

In addition to limited control, there is often significant lag-time between program actions (e.g., provision of a specific service) and measurable outcome/changes (e.g., improvement in a population's health, or environmental condition). Since many administrators, overseers, and stakeholders seek rapid results, any apparent slowness in achieving desired outcomes can jeopardize the future availability of resources.

Hiring and Training Constraints:

Although much has been said about relieving hiring and training constraints (and some pilots have been attempted), federal agencies and managers have limited flexibility in hiring and/or training people with needed skills to implement and operate a performance management process. The limits of the personnel system and discretionary budget affect agencies' and managers' ability to react to increased and changing priorities of performance management.

Appendix D: Survey Administration

Many agencies have found it useful to adopt Dr. Donald A. Dillman's Total Design Method for mail surveys, to balance survey costs against the need for adequate response rates. Mail surveys are relatively inexpensive but they often achieve response rates considerably below 50% — a level at which non-response bias is a concern. Survey research has shown that a mail survey, by itself, is often not sufficient for obtaining an adequate survey response rate. Thus, each agency should strive to contact its survey participants several times to ensure high response rates. Also, each should number the questionnaires to keep track of survey responses, so that it may identify those that did not respond initially. We suggest that agencies contact survey participants as follows:

- Post card alerting the selected sample to the upcoming survey.

- Cover letter and survey instrument. (The cover letter would explain the importance of the survey effort, underscore the need for obtaining a representative sample of views, guarantee confidentiality, offer a summary of the survey results to each survey participant, and be signed at a level necessary for obtaining the serious attention of the survey participants).

- Post card reminding recipients to respond to the survey.

Also, the following two additional steps are recommended to obtain an adequate response rate for contractor (external) surveys.

- Second appeal letter and additional questionnaire sent only to non-respondents to urge response.

- Final reminder/thank you card to encourage all those who have not yet responded to do so.

Survey research indicates that a higher response rate may be achieved when using multiple media for contacting survey participants, especially for external surveys. For example, you may wish to "mix and match" by using regular or interoffice mail to send the first survey, and electronic mail for the follow-up survey — or e-mail for alerts and reminders, and regular/inter-office mail for the cover letters and survey instruments — or some other desired combination. However, electronic mail should only be used if: all the survey participants have equal access to this medium; it provides readily legible copies of the survey; and efforts are made to maintain confidentiality. In addition, a self-addressed meter-postage return envelope should be sent to the survey participants for returning the completed survey instrument. Survey research has shown that the omission of postage for returning the surveys leads to somewhat lower response rates.

While the use of a survey booklet format, sampling methodology (as opposed to a census) and survey tracking numbers should be considered for all BSC surveys, it is especially important for

conducting surveys of customers and contractors — since they provide the greatest challenge for obtaining high response rates.

Agency data collection under the BSC should take place periodically (e.g., from once a year to once every two to three years) to: minimize the burden on respondents; obtain timely feedback; and encourage continuous improvement efforts — reflecting the fact that a new round of surveys should be conducted only after improvement efforts from the previous round are complete. To minimize administrative burden, agencies may wish to stagger the implementation of the various surveys.

Please bear in mind that there are special requirements for agencies who decide to take surveys of their vendors. When 10 or more vendors participate in a government survey, the Paperwork Reduction Act requires that an agency obtain an OMB clearance. Through this clearance process, OMB is able to help agencies achieve high standards of data reliability. The five-step Total Design Method described earlier will allow agencies to strive for OMB's 80% target response rate. (An agency need not reach the 80% target, so long as it demonstrates to OMB that it has applied the Total Design Method in good faith).

For more information on survey methodology, please refer to the Logistics Management Institute's (LMI) "Government Manager's Guide for Undertaking Customer Satisfaction Surveys" (dated July 96). Free consultation and advice on the creation of survey questions and survey design is available from the "Joint Program on Survey Methodology," which is a cooperative effort of the Department of Agriculture and the Universities of Maryland and Michigan. Contact Janet Goodwin at (202) 720-5141.

Appendix E: Optional Procurement Performance Measures

The following chart provides "Optional Procurement Performance Measures" from which agencies may choose measures based upon their unique needs, organizational structure, etc. It builds upon the President's Management Council menu of procurement performance measures dated February, 1996.

The chart is structured into four headings—measure category, optional measure, data systems, and the four balanced scorecard perspectives of customer, internal process, financial, and learning and growth.

Measure Category - For ease of use, the optional measures have been grouped into various categories. An agency may choose to redefine these categories to meet its own organizational terminology.

Optional Measure - This column provides an assortment of measures that may be used in any measurement effort. Because no one measure alone is meaningful or indicative of the health of an acquisition system, numerous and varied measures are provided.

Data Systems - Data systems and their accuracy provide the foundation for gauging progress. This column lists some of the data systems that may be available to capture the data for a specific optional measure. Other internal data systems may be available and should be considered when determining how data will be derived.

Customer, Internal Business Processes, Financial, Learning and Growth - These are the four balanced scorecard perspectives presented in this Guide. By reading down through the measures, an "X" indicates which balanced scorecard category applies to that measure. An agency may find that other categories may also apply.

The use of these optional measures enables agencies to structure a balanced assessment of the performance of their acquisition system, to identify their strengths and weaknesses, and to target areas for improvement in order to reach their desired outcomes.

OPTIONAL PROCUREMENT PERFORMANCE MEASURES

MEASURE CATEGORY	SAMPLE MEASURE	DATA SYSTEMS	Customer	Internal Process	Financial	Learning & Growth
A. Customer Satisfaction and Service Partnership						
	A.1. Percentage of time program offices are satisfied with support contractors	Past Performance Eval. Form, PMAT	X			
B. Performance Based Contracting						
	B.1. Percentage of contracts with performance based SOW	MIS, Automated Procurement Sys.		X		
	B.2. Percentage of contractors meeting metrics in performance based SOWs	Past Performance Evaluation Form		X		
	B.3. Percentage of service contract dollars that are fixed price versus total service contract dollars	FPDS		X		
	B.4. Percentage of programs with Program Deviation Reports versus total number of programs	MIS		X		
	B.5. Percentage of contracts with delivery/performance incentives where incentive awards were received	Past Performance Evaluation Form	X			
C. On Time Delivery						
	C.1. Percentage of contracts where initial contractual delivery date meets actual delivery/acceptance date	Past Performance Evaluation Form	X			
D. Procurement Administrative Lead Time (PALT)						
	D.1. Average time from receipt of mutually agreed to starting point (e.g., approved PR) to award	MIS/ Automated Procurement Sys.		X		
	D.2. Average time from issuance of final solicitation to award	MIS/ Automated Procurement Sys.		X		
	D.3. Average time frame from issuance of change order to completion of negotiations	MIS/ Automated Procurement Sys.		X		
	D.4. Number of protests lost versus number of contracts awarded	GAO, FPDS		X		
E. Cost to Spend Ratio						
	E.1. Procure. org. labor/OH costs adjusted for complexity divided by procure. dollars obligated incl. simp. acq. (e.g., purch. cards)	FPDS, MIS			X	
F. Procurement Workload Analysis						
	F.1. Ratio betwn no. of procure. actions processed and/or dollars obligated (adjust. for complexity) and total FTE on board	Surveys, FPDS, MIS			X	
G. Electronic Commerce/Automation						
	G.1. Public RFQ's issued through an electronic commerce system as a percentage of eligible transactions	FACNET, MIS		X		
	G.2. Percentage of POs issued through an electronic commerce system as a percentage of simplified acquisition actions	FACNET, MIS		X		
	G.3. Percentage of vendor payments made through electronic funds transfer	FACNET, MIS		X		
	G.4. Percentage of DO/TOs under indefinite delivery contracts placed electronically	FACNET, MIS		X		
	G.5. Cost of doing simplified acqs. through electronic commerce versus normal simplified acqs.	MIS			X	

OPTIONAL PROCUREMENT PERFORMANCE MEASURES

MEASURE CATEGORY	SAMPLE MEASURE	DATA SYSTEMS	Customer	Internal Process	Financial	Learning & Growth
H. Commercial Items	H.1. Percentage of agency's total obligated dollars spent purchasing commercial items	FPDS, MIS		X		
	H.2. Percentage of dollars spent on commercial software versus dollars spent on developmental or custom software	FPDS, MIS		X		
I. Purchase Cards	I.1 No. of purch. card transactions as a percentage of total simplified acquisitions	Bank Card Holder, MIS		X		
	I.2. Percentage of dollars spent via purch. cards versus total simplified acqs.	Bank Card Holder, MIS		X		
	I.3. Percentage of transactions under $2500 made by purchase cards	Bank Card Holder, MIS		X		
J. Multiple Award IDIQ Contracts	J.1. Percentage of dollars for supplies being awarded under multiple award IDIQ contracts versus total dollars for supplies awarded under IDIQ contracts	FPDS		X		
	J.2. Percentage of dollars for services being awarded under multiple award IDIQ contracts versus total dollars for services awarded under IDIQ contracts	FPDS		X		
K. Negotiated Savings	K.1. Variance (in terms of a percentage or dollars) between the initial proposed amount and awarded amount for any negotiated contract (sole source or competitive), modification, delivery order or task order	MIS			X	
	K.2. Percentage increase from awarded contract amt to contract amt at completion	MIS			X	
	K.3. Variance (in terms of a percentage or dollars) between independent government estimate and final neg. amount at award	MIS			X	
L. Cost Avoidance	L.1. Savings realized by switching from sole source to competitive strategy	MIS			X	
	L.2. Savings to contractors bid and proposal costs from using innovative procurement techniques	Contractor Data			X	
	L.3. Savings realized by switching to a commercial vs. agency unique specification	MIS			X	
	L.4. Savings from multiyear vs. annual buys	Multi year analysis			X	
	L.5. Savings from consolidating or breaking up requirements	MIS			X	
	L.6. Percentage of disallowed costs on interim or final vouchers	MIS			X	
	L.7. Avoidance of cost overruns (percentage of contracts with cost overruns)	MIS			X	

OPTIONAL PROCUREMENT PERFORMANCE MEASURES

MEASURE CATEGORY	SAMPLE MEASURE	DATA SYSTEMS	Customer	Internal Process	Financial	Learning & Growth
	L.8. Savings realized by switching to performance based contracting	MIS			X	
	L.9. Savings to Government (in terms of resources, personnel costs, etc.) from utilizing oral proposals	MIS			X	
	L.10. Benefits derived from favorable terms and conditions (e.g., technology upgrades)	MIS	X		X	
	L.11. Number of VECP's	VE Reporting	X	X	X	
	L.12. Increase in annual savings from VE	VE Reporting			X	
	L.13. Percentage of contracts with cost incentives where incentives were earned	Past performance Evaluation Form	X	X		
	L.14. Price trends for significant supplies or services purchased on a recurring basis	MIS			X	
M. Past Performance	M.1. Percentage of contracts/orders using past perform. as a significant eval. factor	MIS, Automated Procurement Sys.		X		
N. COR/COTR/Proj. Officer Training	N.1. Percentage of individuals receiving COTR training in last 2 years	MIS				X
O. Defaults	O.1. Percentage of contracts resulting in cure notices	MIS or Cont. Admin. Data		X		
	O.2. Percentage of cure notices resulting in default	MIS or Cont. Admin. Data		X		
	O.3. Percentage of contracts terminated for default	MIS or Cont. Admin. Data		X		
	O.4. Percentage cost increase due to defaults	MIS or Cont. Admin. Data			X	
P. Overall Contractor Performance	P.1. Number of warranty claims	Past Perf. Evals. or Cont. Admin. Data	X			
Q. Independent Reviews	Q.1. Percentage of contracts with one or more major adverse findings from independent reviews	GAO/IG Data, PMR's		X		