THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: **CHIEF EXECUTIVE OFFICE**

BOARD AGENDA # __B-17__

Urgent_____ Routine __X__

AGENDA DATE __April 10, 2001__

CEO Concurs with Recommendation YES _Rw_ NO____
(Information Attached)

4/5 Vote Required YES____ NO____

SUBJECT:

APPROVAL OF THE BALANCED SCORECARD PERFORMANCE MEASURES, APPROVAL OF THE KEY SUCCESS FACTORS, AND APPROVAL OF THE REVISED VISION/MISSION/VALUES/PRIORITIES STATEMENT

STAFF
RECOMMEN-
DATIONS:

1. APPROVE THE BALANCED SCORECARD PERFORMANCE MEASURES
2. APPROVE THE KEY SUCCESS FACTORS
3. APPROVE THE REVISION OF THE VISION/MISSION/VALUES/PRIORITIES STATEMENT

FISCAL
IMPACT:

The performance measures outlined in the Balanced Scorecard allow staff to identify target goals for performance and to increase efficiency based on those goals.

BOARD ACTION AS FOLLOWS:

No. 2001-270

On motion of Supervisor __Blom_____, Seconded by Supervisor __Mayfield_____
and approved by the following vote,
Ayes: Supervisors:_Mayfield, Blom, Simon, Caruso, and Chair Paul_____
Noes: Supervisors: None_____
Excused or Absent: Supervisors:_None_____
Abstaining: Supervisor:_None_____
1) __X__ Approved as recommended
2)_____ Denied
3)_____ Approved as amended
Motion:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk   By: Deputy   _Christine Ferraro_   File No.

DISCUSSION: If you are going to drive across country on a trip with your family and you could choose to have one gauge on your car's dashboard, which one would you choose? What information will be missing if you are only able to use the one gauge you selected? How will your driving be affected by your decision?

When driving a car, the driver periodically glances at the dashboard gauges/indicators to be reasonably assured that the car is operating effectively. When one of the gauges changes, the driver can then choose to look under the hood of the car and/or elsewhere on the car to collect additional information and to respond accordingly. What's important is to select a few meaningful indicators that alert the driver to significant changes in the operation of the vehicle. This allows the driver to be focused on the progress and destination of the journey rather than spending time checking under the hood to confirm the vehicle is operating properly.

Effective organizations operate very similarly to the car analogy. Executives need to have a dashboard which allow them to monitor the overall effectiveness of an organization (usually 12-20 gauges). Management and mid-management provide the "under-the-hood" information which supplies information to the dashboard of the organization. Operational staff then supply the "exhaust pipe" information that is aligned with the hood of the dashboard measurements, thus the entire organization is measuring similar items at different levels. For example, if an organization wanted to improve its overall turnaround time in responding to customers, each level of the organization would identify how it would achieve that goal and would measure it accordingly.

Many organizations measure their performance based solely on financial indicators synonymous with the driver only watching the gas gauge. These same organizations typically measure past data omitting the potential of the future. [See MGB financial indicator chapter] An effective dashboard depicts a "balance" of indicators to provide the driver with an overall picture of the cars' operations. Therefore, effective organizations realize the importance of including such indicators as (1) customer satisfaction, (2) service quality, (3) employee satisfaction, (4) financial performance, (5) process and operational performance, (6) supplier performance and measuring each of these categories' past, present and future potential. Thus, all levels of the organization can measure and monitor its effectiveness through the tool known as the dashboard or the "balanced scorecard."

"Companies say it is important to remember three critical factors:
      * do not mistake data for information

* you are what you measure; and
* what gets measured gets managed.

"It is important to avoid measuring things just because they have always been measured.   Generating too much information of the wrong sort is a common complaint. Managers recommend measuring only things which are *actionable and will lead to enhanced performance.*

The Conference Board Report Number 1118-95-RR

The process for designing a balanced scorecard approach occurs in several phases over the period of a few years.   Prior to the initiation of constructing the scorecard, key Stanislaus County leaders from every department received training and consultation from a Baldrige expert, Mark Graham Brown.   Following the training, a design team was selected to review key documents of the organization. For example, in May of 1996, Stanislaus County first established its vision, mission and values statement as a method of conveying its philosophy and intent to all employees as well as to the community. As more employees and community members became involved with the County's philosophy, continuous feedback was received to simplify the document and to define key terms so everyone could better understand the direction the County was heading. The design team modified the vision, mission and values statement and included the Board of Supervisors priorities with definitions.

Additionally, the design team identified success factors which would differentiate Stanislaus County from other government organizations. Based on the premise that most people perceive that government entities are bureaucratic, unapproachable and internally focused, the team determined that what made Stanislaus County different from other public sector organizations was it's ease of access, credibility and ability to develop creative partnerships. The team developed the following key success factor statement:

Stanislaus County will know it is successful when it:
1) Is easy to business with: access and credibility
   a)   Access: How easy is it for customers to access/receive services?
   b)   Credibility: Do we do what we say we will do?
2) Has established partnerships with the community/others.
       What partnerships do we create with other agencies/companies and the community?

By focusing on these key factors, Stanislaus County would be able to distinguish itself.

According to David Norton, co-author of <u>Balanced Scorecard</u> and consultant to several firms, Balanced Scorecards are clearly a fad that companies felt compelled to adopt in order to stay current. Half of the 60 companies surveyed by Hackett claimed to be using Balanced Scorecards, yet for the majority of these users, almost three-quarters of their performance measures were still financial. What is surprising is that they would use the term "balanced" to describe their scorecards, given the predominance of financial measures. An independent study conducted by Best Practices, LLC in 1998 analyzed the scorecards of 22 organizations that had successfully implemented Balanced Scorecards. They found the number of measures to be distributed as follows:

Financial	20%
Customer	24%
Internal Processes	37%
Learning & Growth	18%

Balanced Scorecard Report Volume 2, Number 2, pg 13
Harvard Business School Publishing

Based on the training and consultation, the design team recommends an initial county-wide scorecard which includes six broad categories measuring the past, present and future viability of the organization. Past and present measures focus on actual data. Future measures help predict success beyond the next month or next quarter such as projected revenue. In developing the six broad categories, the design team incorporated the appropriate mix of financial and non-financial measures. The measures selected by the team support the practical approach of establishing SMART goals: **S**pecific, **M**easurable, **A**ttainable, **R**esult-oriented, and **T**ime Bound. This team is aware that as the organization continues to learn about effective measurement, the scorecard will be continually improved.

The framework for the Stanislaus County organization-wide scorecard includes the following:

Financial Results
County Economic Index
Asset/Liability Ratio
New/Future Revenue
Expenditures/Budget

Customer/Stakeholder: Taxpayers, Residents, Visitors
Customer Satisfaction
Cycle Time

Cultural Service Competency

Human Resources
Turnover Index
Employee Satisfaction
Employee development
Safety Index

Department Specific/Operational
Quality of Life
Community Health Measures
Healthy Environment
Proactive vs. Reactive Processes

Innovation/Growth
Partnership Index
New Services/Products to the Community
External Recognition

Supplier/Partner: Acquired Supplies (External to the County)
Product Performance
Vendor Service Performance
Vendor Quality

Supplier/Partner: Acquired Services (Between Departments)
Service Satisfaction

While the scorecard is constructed in its entirety, the measurement will occur in a phased approach. For example, all departments will be expected to measure some of the financial results and the department operational results within six months; however, a year will be provided in measuring employee satisfaction results as the organization and the departments have just begun the process of measuring employee satisfaction.

According to Mark Graham Brown, the author of Keeping Score, fixing the measurement system by itself is not a magic bullet that will solve all of an organization's ills. No single change initiative or program will immediately transform a company from being mediocre to being world-class. Coming up with a good balanced set of performance metrics will

save many hours of wasted time and make it more likely that an organization is kept on track in the journey toward reaching its visions and long-term goals.

Although many of the benefits of an improved scorecard or set of metrics will not be realized until later years, Mark Graham Brown shared examples of benefits that were realized more quickly including:

→ An 80 percent reduction in the volume of reports that were generated on a monthly basis by a corporate finance function

→ More than 50 percent reduction in the amount of time spent in monthly senior management meetings

→ A 60 percent reduction in the pounds of reports that were printed each day, reporting performance data

→ An increased ability to focus on both the long- and short-term success of the organization

→ A better balance between meeting the needs of customers, shareholders, and employees

→ The elimination of up to an hour each day spent by managers reviewing and attempting to interpret unimportant performance data

→ A way to make the vision and values real to employees and to track progress toward achieving the vision and living the values

Summary: A Balanced Scorecard provides a simple method for the Board of Supervisors and County leaders to know whether or not they are on target. If they are not on target, action plans can be developed to change course. Once the Scorecard process is fully implemented, the Board of Supervisors and the Chief Executive Officer will have an opportunity to review results on a regular basis.

"Perhaps the most critical ingredient for scorecard success is the leadership style of the senior executives. The individuals who led the successful adoption of the Balanced Scorecard felt that their most important challenge was communication. These individuals knew that they could not implement the strategy without gaining the hearts and minds of all their middle managers, ...front-line employees. The leaders did not know all the steps required to implement the strategy. They had a good vision about what success would look like and the outcomes they were trying to achieve. But they depended on their employees to find innovative ways to accomplish the mission." *Balanced Scorecard Report, Volume 2, Number 5 , pg 3*

POLICY
ISSUES:

The Balanced Scorecard supports all six of the Board of Supervisors' priorities. The Balanced Scorecard provides a measurement system that determines the past and present levels of performance in meeting the Board priorities and provides a framework for projecting future goals for supporting these priorities.

STAFFING
IMPACT:

None

Vision

....a county that is respected for its service in the community and is known as the best in America.

Mission

Stanislaus County serves the public interest by promoting public health, safety, welfare and the local economy in an efficient, cost-effective manner.

Board of Supervisors
Priorities

Ensure a safe, healthy community.
Facilitate economic development.
Deliver excellent community services.
Promote efficient government operations.
Achieve multi-jurisdictional cooperation.
Model community leadership.

Values

We: respect each other.
partner with our customers.
encourage ideas.
focus on prevention.
create leaders.
take pride in our work.
share our learning.

Stanislaus County
Smart Government

BOARD OF SUPERVISORS PRIORITIES DEFINED

Ensure a safe, healthy community
    where people have physical, mental, spiritual, environmental, economic
    and social/cultural well being

Facilitate Economic Development
    by promoting activities that support prosperity throughout our community

Deliver excellent community services
    by giving the right service to the right person at the right time in the right manner

Promote efficient government operations
    by assuring prompt service, streamlined work systems, and inter-departmental sharing of resources

Achieve multi-jurisdictional cooperation
    by working with interested persons, groups and institutions as partners to achieve common
    community goals

Model Community Leadership
    by individually and collectively taking initiative to create new and more possibilities that promote
    these priorities

KEY SUCCESS FACTORS

...business that sets us
...competitors and m...

Stanislaus County will know it is successful when it:
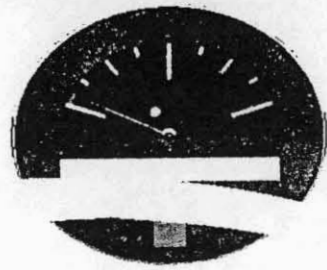
Is easy to do business with: access and credibility
   a. Access: How easy is it for customers to access/receive services?
   B. Credibility: Do we do what we say we will do?

Has established partnerships with the community/others.
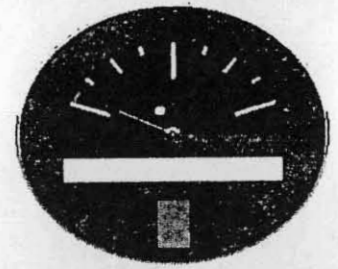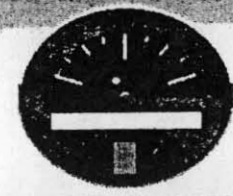   What partnerships do we create with other agencies/companies
   and the community?
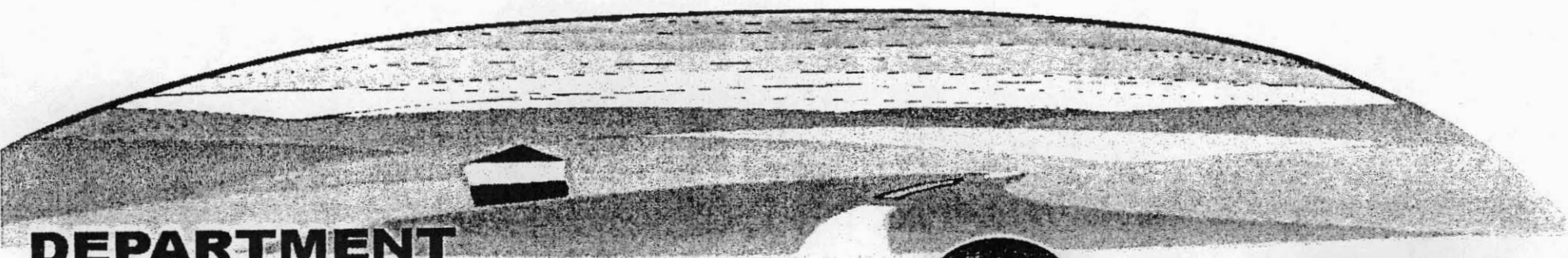
DEPARTMENT SPECIFICS

CUSTOMER/ STAKEHOLDER

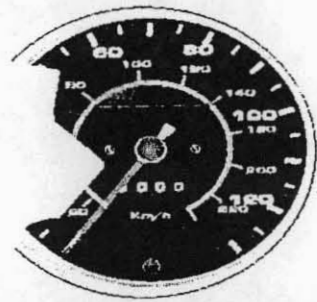INNOVATION

SUPPLIER/ PARTNER

HUMAN RESOURCES

FINANCIAL

A DASHBOARD

STANISLAUS

USING THE RIGHT METRICS TO DRIVE PERFORMANCE

SUMMARY OF THE COUNTY SCORECARD

Financial Results
County Economic Index
Asset/Liability Ratio
New/Future Revenue
Expenditures to Budget

Customer/Stakeholder: Taxpayers, Residents, Visitors
Customer Satisfaction
Cycle Time
Cultural Service Competency

Human Resources
Turnover Index
Employee Satisfaction
Employee Development
Safety Index

Supplier/Partner: Acquired Supplies (External to the County)
Product Delivery
Vendor Performance
Vendor Quality

Supplier/Partner: Acquired Services (Between Departments)
Service Delivery

Department Specific/Operational
Quality of Life
Community Health Measures
Healthy Environment
Proactive vs. Reactive processes

Innovation/Growth
Partnership Implementation Index
New Services/Products to Community
External Recognition

STANISLAUS COUNTY BALANCED SCORECARD
1/2000

Financial Results				
Metrics:	Weight	Past	Present	Future
County Economic Index Definition: The level of opportunity for employment for residents in Stanislaus County. Example: Unemployment, net new jobs, new businesses, median income		X		
Asset/Liability Ratio Definition: The ratio providing creditors information regarding the County's ability to withstand losses without impairing the interests of creditors. Example: Debt to Total Assets = Debt/Total Assets		X	X	X
New/Future Revenue Definition: New sources of revenue not previously received and not budgeted. Example: Taxes, revenues from new services, grant funding, public fees				X
Expenditures to Budget Definition: The difference between actual expenditures and revenue. Example: Net county costs (general fund departments); net income (internal service and enterprise funds); capital project delivered; fund balance available (+/- by each fund).		X		

Customer/Stakeholder: Taxpayers, Residents, Visitors				
Metrics:	Weight	Past	Present	Future
Customer Satisfaction Definition: The customer's perception of the County's service. Example: Customer survey satisfaction results.	☐		X	
Cycle Time Definition: (1) The total time it takes a customer to access a service and/or (2) The total time it takes to provide a service to a customer. Example: (1) Access: The time a patient calls for an appointment to the actual appointment. (2) Providing a service: The total time it takes from the time a customer requests a permit to the time the customer receives the permit.	☐	X		
Cultural Service Competency Definition: (1) The ability for customers to access services in their native language (2) The diversity of the County is represented in the County. Example: (1) Percent of bilingual FTE staff to total FTE's. (2) The extent of staff by ethnicity compared to the percentage of the same ethnic population in the County.	☐			X

Human Resources: Employees				
Metrics:	**Weight**	**Past**	**Present**	**Future**
Turnover Index Definition: The amount of voluntary employee termination from County service weighted by the impact to the organization. Example: Number of voluntary terminations weighted by seniority, level in the organization, replacement/recruiting cost, etc.	☐	X		
Employee Satisfaction Definition: The rating employees attribute to their work environment. Example: Employee survey satisfaction results; absenteeism; complaints/grievances.	☐		X	
Employee Development Definition: The continued (1) required training, (2) education and (3) development opportunities provided for employees. Example: (1) Continuing education units offered for Public Health Nurses to maintain license; (2) Attendance at Institute courses such as Leadership 2000; (3) Number of internal promotions.	☐			X
Safety Index Definition: The claims frequency and severity of injured workers. Example: Severity rates; frequency rates; claims costs.	☐	X		

Supplier/Partner: Acquired Products/Supplies (External to County Operations)				
Metrics:	Weight	Past	Present	Future

Product Delivery
    Definition: The correct quality product is provided in a timely manner for a good value.
 	
    Example: Office equipment delivered and installed according to time specified in the contract.
		X		

Vendor Performance
    Definition: Stanislaus County's perception of services provided by the vendor.
 	
    Example: Stanislaus County employee (i.e., purchaser and/or receiver of product/service) survey satisfaction rating.
			X	

Vendor Quality
    Definition: The number of supplier contracts with vendors who use high quality standards (i.e. Baldrige criteria).
 	
    Example: 10/100 supplier contracts.
				X

Supplier/Partner: Acquired Services (Between Departments)				
Metrics:	Weight	Past	Present	Future

Service Delivery
    Definition: The receiving department's perception that the correct service is provided in a timely/effective manner by the providing department.
 	
    Example: Performance against standards.
			X	

Department Specific/Operational				
Metrics:	Weight	Past	Present	Future
Quality of Life Definition: The ability for county residents to experience physical, mental, spiritual and social/cultural well being. Example: Literacy; housing availability/costs housing; access to transportation; skill level of workforce; fairness in the marketplace; recreational and cultural opportunities; crime rate.		X	X	
Community Health Measure Definition: The ability for county residents to experience a safe, healthy community. Example: Access to healthcare; incidences of unintentional injuries such as car accidents, falls, pesticide exposures, etc.			X	
Healthy Environment Definition: The ability for county residents to experience environmental well being. Example: Air quality; water quality; land quality; food products quality.				X
Proactive vs. Reactive processes (preventive vs. corrective) Definition: The percent of time, money and resources spent on effective prevention programs/processes versus on corrective programs/processes. Example: Community education/consultation versus citations; immunizations versus disease care.				X

Innovation/Growth				
Metrics:	Weight	Past	Present	Future
Partnership Implementation Index Definition: The implementation of partnerships which improve community service. Example: E.L.S.E. Program; Ag Center; Behavioral Health Services; 10th Street Place; Families in Partnership; Mentoring Program				X
New Services/Products to Community (within past 2 years) Definition: Services introduced to the community within the past 2 years. Example: Stanislaus Homeless Outreach Project; Mentally Ill Offender Program				X
External Recognition Definition: Organizational/department/program excellence as recognized by external agencies. Example: Accreditation's; awards; grants; benchmarking by others.				X

SUMMARY OF THE COUNTY SCORECARD

Financial Results

.5	1	1.5	2	
X				County Economic Index
X				Asset/Liability Ratio
X				New/Future Revenue
X				Expenditures/Budget

Customer/Stakeholder: Taxpayers, Residents, Visitors

.5	1	1.5	2	
	X			Customer Satisfaction
			X	Cycle Time
	X			Cultural Service Competency

Human Resources

.5	1	1.5	2	
		X		Turnover Index
	X			Employee Satisfaction
	X			Employee Development
X				Safety Index

Supplier/Partner: Acquired Supplies (External to the County)

.5	1	1.5	2	
			X	Product Delivery
			X	Vendor Performance
			X	Vendor Quality

Supplier/Partner: Acquired Services (Between Departments)

.5	1	1.5	2	
	X			Service satisfaction

Department Specific/Operational

.5	1	1.5	2	
X				Quality of Life
X				Community Health Measures
X				Healthy Environment
			X	Proactive vs. Reactive processes

Innovation/Growth

.5	1	1.5	2	
		X		Partnership Index
		X		New Services/Products to Community
		X		External Recognition