

Strategic Use of Financial Indicators: Performance Measurement and Strategy

AOHC Conference

October 23, 2008



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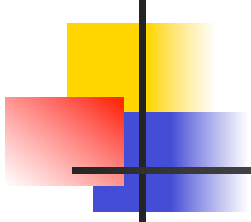
US Department of Health & Human Services

Cheryll D. Lesneski, DrPH

William N. Zelman, PhD

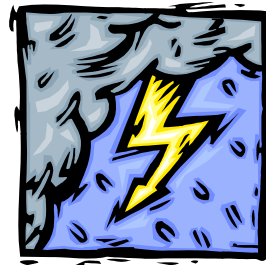
University of North Carolina at Chapel Hill

The Perfect Storm: Performance Measurement Systems are In!



**Process
Improvement
Movement¹**

**Balanced
Scorecard
Movement⁴**



**Performance
Measurement²**

**Accountability
Movement
(Government)³**

Google Hits 10/17/08

1. Process Improvement ~18,000,000
2. Performance Measurement ~ 9,860,000

3. Government Accountability ~3,710,000
4. Balanced Scorecard ~ 2,790,000

Key Requirements of a Financial Performance Measurement System

Help to Identify and Communicate:

- Current status
- Trends
- Possible problems
- Possible solutions

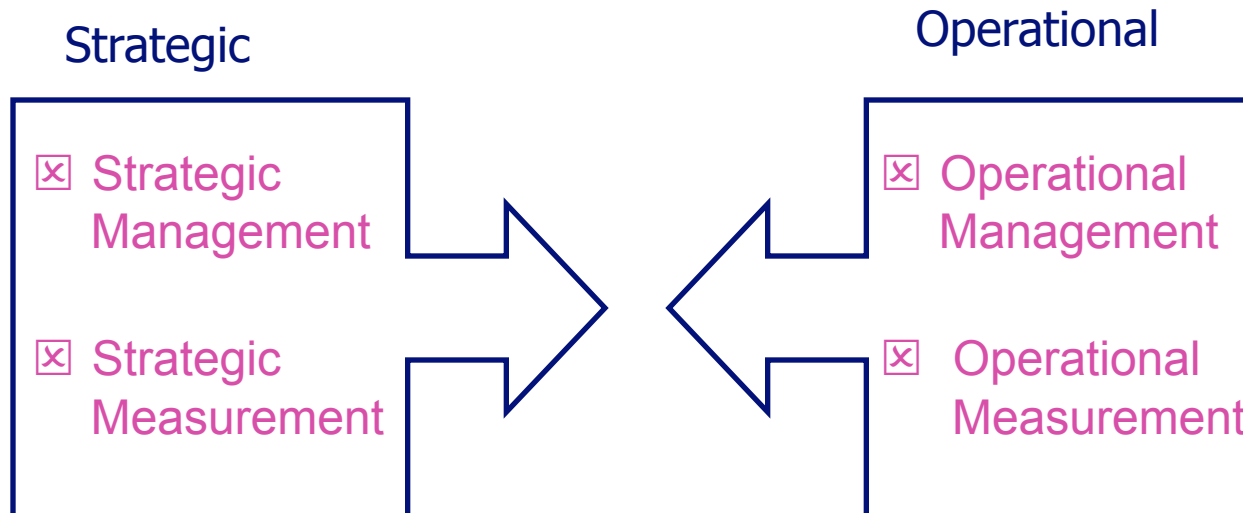


Help to plan future activities



See for instance: Doug Ishigaki, Effective Management Through Measurement, May 14, 2004 <http://www.ibm.com/developerworks/rational/library/4786.html>

Performance Measurement Systems



The goal is to manage for the short term while continuing to dream for the long term.



Performance Measurement Systems

Operational

Mantras:

Long term goals are made up of short-term wins.

What gets measured, gets managed.

☒ Operational Management

☒ Operational Measurement

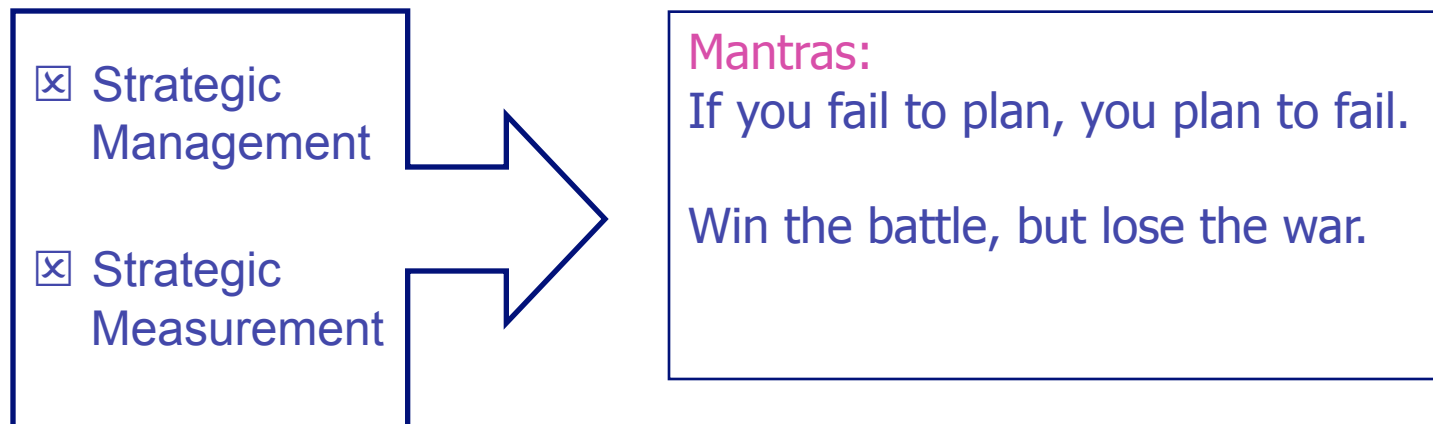
Definitions of Operations:

- A series of actions or activities designed to achieve a result.
- Often used with the modifier day-to-day



Performance Measurement Systems

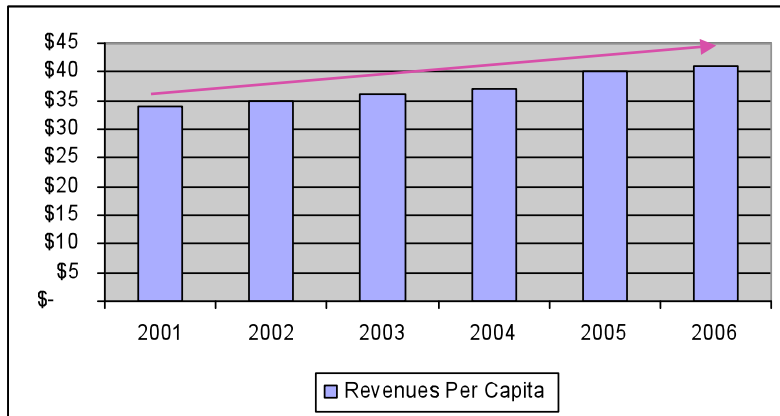
Strategic

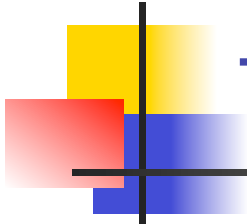


Definitions of Strategic:

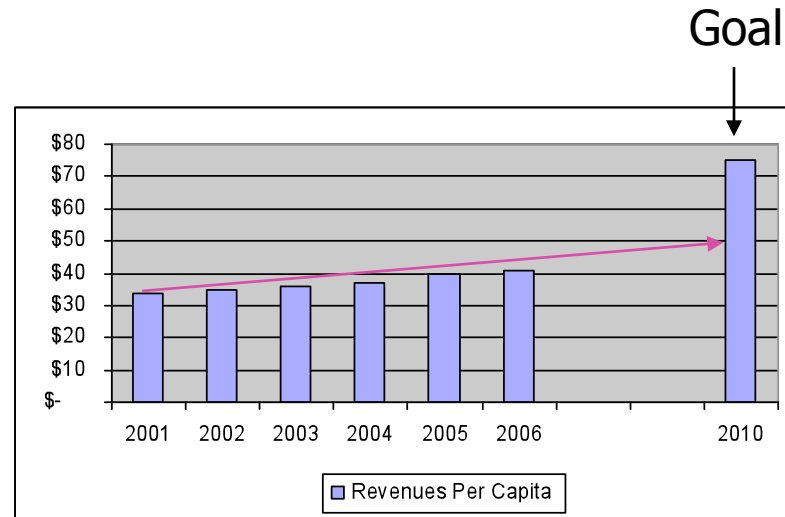
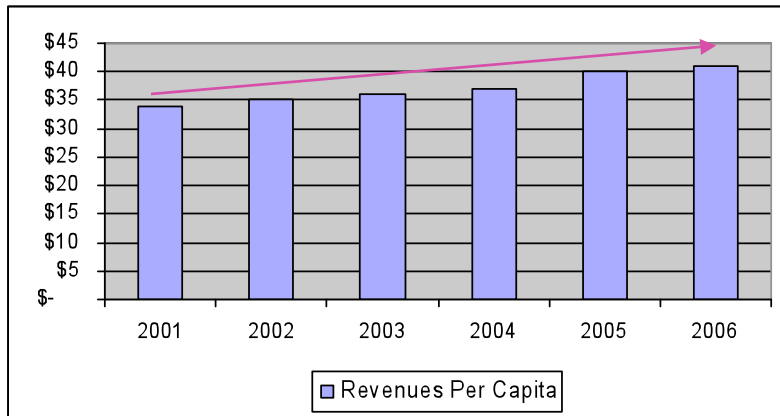
- A management buzzword that's often misunderstood.
- A **long term** plan...
- **Key** success approaches (vs. tactics and activities)

The Problem.... Illustrated

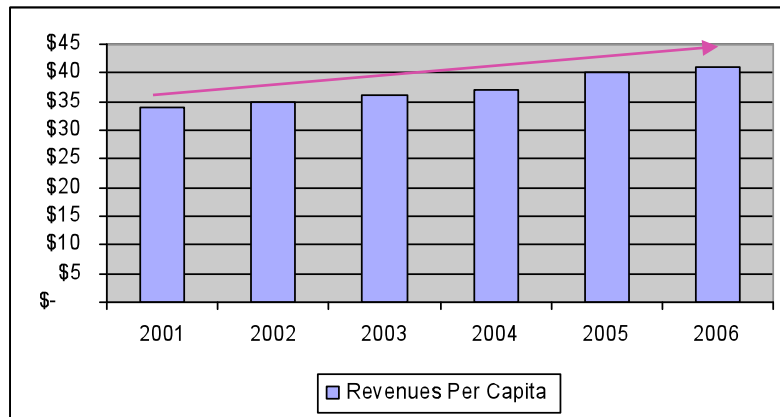




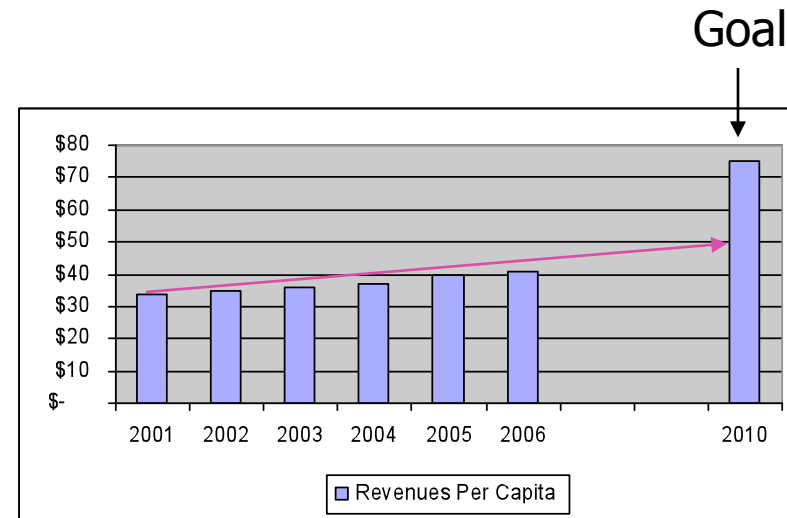
The Problem....Illustrated



The Problem....Illustrated



Here: 2001-2006 are **lagging indicators**. They tell us where we've been.



Here: 2001-2006 are **leading indicators**. They help tell us how we are progressing toward our goal.



Factors Mitigating Strategic Financial Management in Public Health Departments¹

- Dependence on governmental funding
- Annual budgeting
- Categorical funding
- Line item budgeting
- Focus on annual performance
- “0” Surplus
- Competition with other priority services
- Other

1. No order implied

The Relationship Between Revenues, Services and Resources

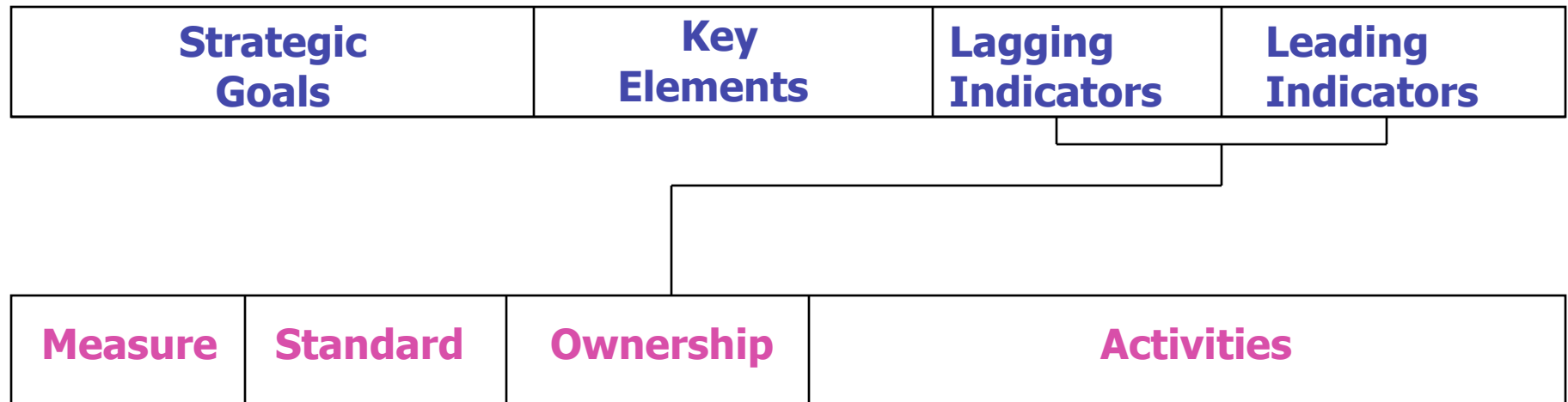
Services



Revenues/Funding

Expenses/Resources

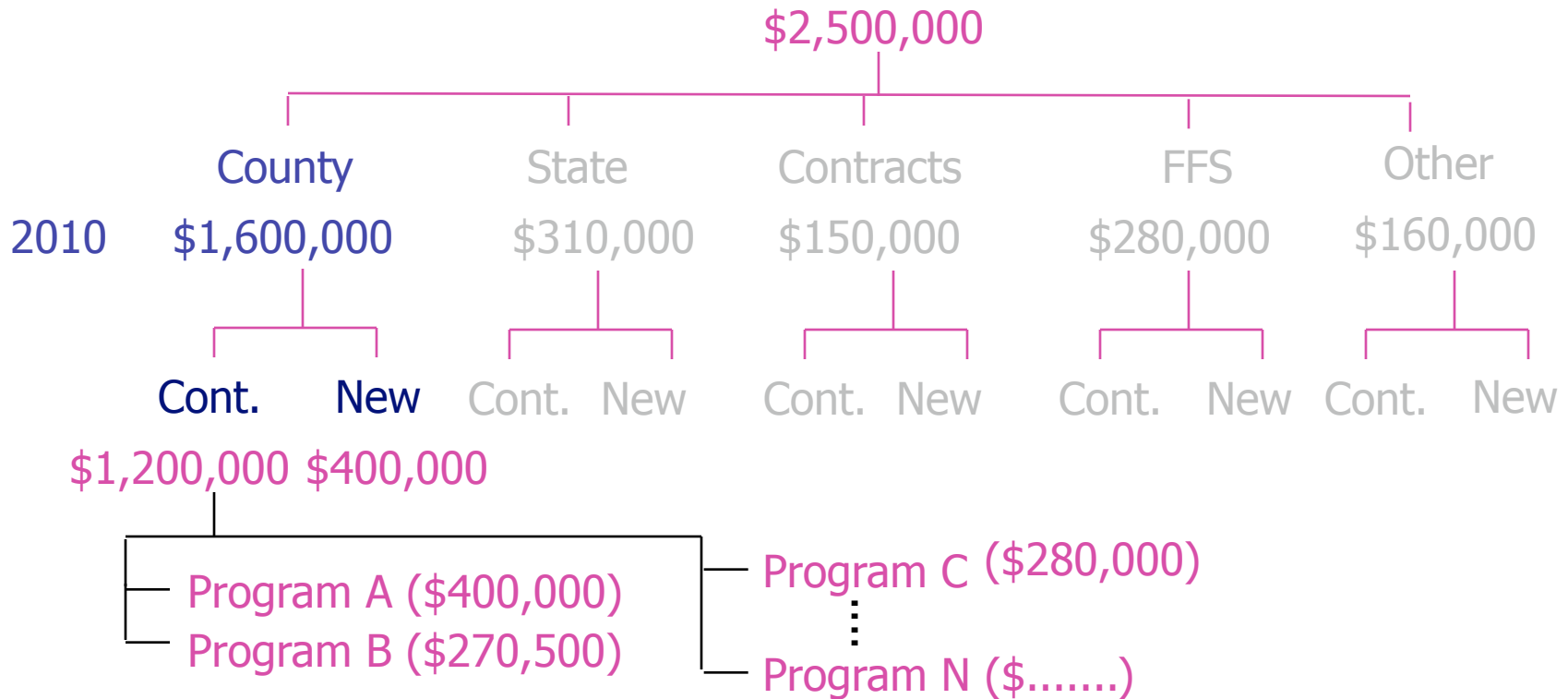
Performance Measurement Systems: Leading and Lagging Indicators, Measuring and Managing



Desired Sources of Funds: 2010

Current Budget: \$1,800,000

Goal: \$2,500,000 by 2010





Leading and Lagging Indicators

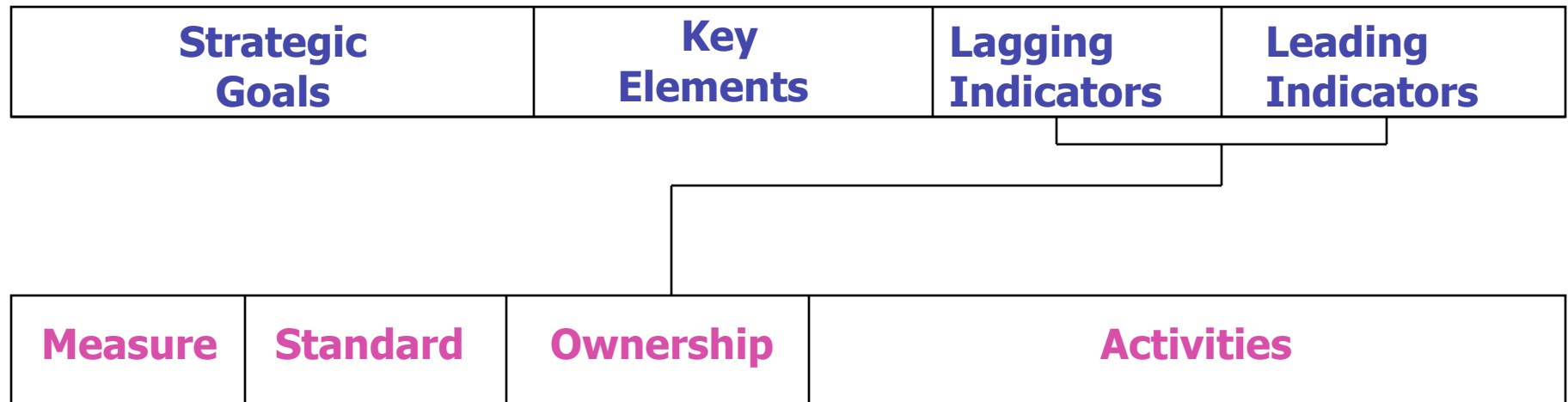
Strategic Goals	Key Elements	Lagging Indicators	Leading Indicators
<p>Goal 1. To Increase Revenues to \$2,500,000 in by 2010.</p>	<ul style="list-style-type: none"> • Existing Programs • Existing Sources • New Programs • New Sources 	<p>\$Actual Revenue/ \$2,500,000 target by 2010</p>	<p>\$ from continuing sources/annual target</p> <p>\$ from new sources/Annual target</p>

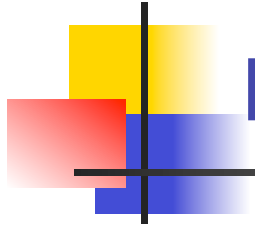


Leading and Lagging Indicators

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Performance Measurement Systems: Leading and Lagging Indicators, Measuring and Managing





Leading and Lagging Indicators

Goal 1. To Increase Budgeted Revenues to \$2,500,000 by 2010

Measure	Standard	Ownership	Activities
\$Raised/ Target \$	90%	Position Name	<ol style="list-style-type: none">1. Increase line item in County Budget2. Grant proposals submitted3. Contracts signed4. Etc.



Exercise: Leading and Lagging Indicators

Strategic Goals	Key Elements	Lagging Indicators	Leading Indicators
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Exercise: Leading and Lagging Indicators

Measure	Standard	Ownership	Activities
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**AOHC Financial Officers Meeting
October 23, 2008**



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