




Performance Management for Government Finance

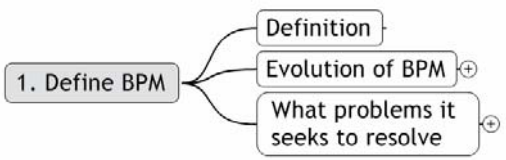




Agenda

- What is Business Performance Management (BPM)
- A BPM-centric Government
- Best Approach to BPM
- BPM in Government Finance
- Leveraging BPM for Government Finance
- Best Practices (in implementing BPM)
- A Day in the Life




Definition of BPM

What is BPM?


Business Performance Management (BPM) was defined in 2001 by Gartner Research as:

“an umbrella term that describes all of the **processes, methodologies, metrics** and **systems** needed to measure and manage the performance of an organization”




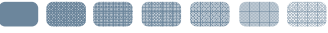
What is BPM?

- The goal of BPM is to have all of an organization’s business information in one place
- This means collation, transformation and distribution of internal and regulatory information within the **one “portal” of business information**
- The resulting information is then made available to relevant stakeholders within the organization or external constituents



What is BPM?

One of the key benefits of BPM is the move away from the traditional, historical type of reporting to a modern, **forward-looking** way of analyzing and understanding data.

What is BPM? - An Integrated Solution

This diagram illustrates BPM as an integrated solution made up of various components.

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What is BPM? – Technical Evolution

- Mainframe
- DOS --> Spreadsheets
- Client Server
- Centralized Web-based – Zero Footprint

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What is BPM? – Problems it Seeks to Solve

- Aggregation of disparate information for **effective decision-making**
- Enable **what-if** scenarios
- **Easier** compliance reporting
- **Strategy driven** Performance Management

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Fictional City Government

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Fictional City Government

Specific Challenges

- No link between program budgets and overall budgeting and reporting budget to actual results
- Little intervention of risky programs
- Poor strategy-execution linkage
- Reporting is time-consuming
- Inaccuracy due to spreadsheet use
- Poor audit trail

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Fictional City Government

Other general challenges:

- Difficulty adhering to regulation & compliance
- Poor visibility of information
- Changing customer demands

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Fictional City Government – Strategic Goals

- To be a results-driven organization
- Improved customer service
- Increased quality of service
- Justify projects/programs

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Best Approach to BPM

```

    graph LR
      A[3. Best Approach] --- B[Very Senior Project Champion]
      A --- C[Strategic leadership & vision]
      A --- D[Mythical Example]
  
```

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Best Approach to BPM

- Chief Financial Officer as champion
- Buy-in on goals and strategies from government executive/supervisor
- Vision communicated to all levels of management
- Corresponding operational goals communicated to all staff

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BPM in Government Finance

```

    graph LR
      A[4. BPM in Govt Finance] --- B[Issues facing government finance]
      A --- C[How BPM might help]
  
```

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BPM in Government Finance

- Facilitating the implementation of best practices in budgeting as recommended by the NACSLB
- Easy creation of CAFR in conformity with GAAP
- Seamless creation of “popular” reports from CAFR
- Creating multi-year capital planning
- Adhering to the new financial reporting model (GASB 34)
- Managing Capital Assets

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BPM in Government Finance - Issues

- Need to improve the budgeting process
- The challenge of new financial reporting requirements
- Difficulty assembling the disparate information around the organization required for informed decision-making
- Difficulty adhering to regulatory compliance
- Data inaccuracy
- Difficulty reflecting organizational changes in system
- Over-reliance on spreadsheets and the resulting difficulties making and tracking changes
- Difficulty forecasting the future – versus today’s actuals
- Poor audit trail

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BPM in Government Finance - How does BPM help?

- Providing an **integrated solution** that addresses issues like the new financial reporting requirement, budgeting etc. within the one platform
- **Production of accurate, consistent and timely financial information** to support planning, evaluation and decision-making
- Collection of operational data from different systems (e.g. payroll, finance, property etc.); analyze and present that data to key users for effective performance management
- Having a single "portal" to access all of your information

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BPM in Government Finance - How does BPM help?

- Using simple data visualization tools to measure performance, **detect early problems**, and manage the organization
- Using compliance ready software
- Having robust databases and applications that **ensure accuracy**
- Supplying flexible tools that allow changes easily to the organizational structure and then **seeing the effect instantly**

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Leveraging BPM

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Leveraging BPM - Processes

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Leveraging BPM - Technologies

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BPM Technologies – Performance Management

- Reporting and Budgeting tools are used for financial reporting and the budgeting process
- They employ modern technologies like web-based data collection and distribution
- They are **compliance ready**, and offer **robust data collection, transformation and profile-based reporting**

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BPM Technologies – Performance Management

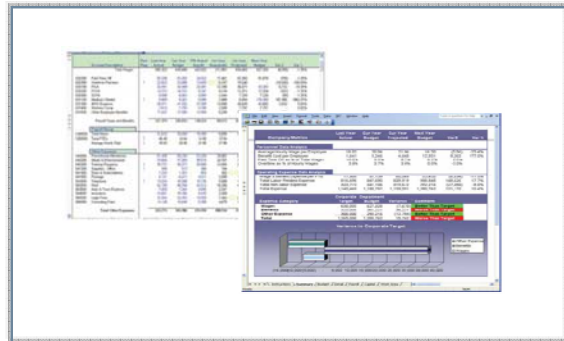


- Forecasting & planning tools enable you **look into the future**
- They take a set of business drivers and model the impact on the business due to changes to those drivers
- They help ask questions such as what public services would we be unable to support if we collect 10% less taxes and receive 5 % less grants

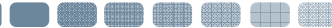
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Example – Reporting and Budgeting



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BPM Tool – Business Intelligence

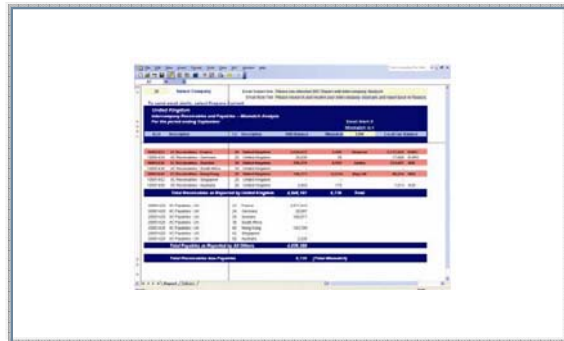


- Business Intelligence (BI) allows an organization make **better business** decisions based on their data
- The power of BI is that it enables the gathering, and analysis of **structured & unstructured data** from disparate data sources
- It then makes this data available to users in an **easy-to-use format**

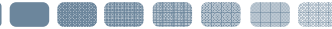
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Example – Business Intelligence



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BPM Tool – Dashboard & Scorecards



- Dashboards and Scorecards enable the **visualization of complex data**
- They use simple analytics like a thermometer, barometer, traffic lights. maps etc.
- The colors are used to indicate the status of the measurement

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Example – Dashboard & Scorecard



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BPM Tool – Portals



- Portals are similar to internet portals that **aggregate similar information** in one place
- So for example you could have your budgeting, financial reporting, dashboards and scorecards in the one portal.
- That way you could **review your financial information all in one place.**

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Example – Financial Portal



Research Accounting and Analysis				Operational Performance Dashboard				As of JUNE 2005			
Process - Measure		Actual	Target	Process - Measure		Actual	Target	Process - Measure		Actual	Target
Customer Perspective				Financial Perspective							
K1 CUSTOMER SATISFACTION		95.0%	95.0%	K1 BILLING		\$2.0M	\$2.0M	K1 AGED RECEIVABLES		10.1%	11.5%
K2 REVENUE		100.0%	100.0%	K2 CREDIT		\$1.0M	\$1.0M	K2 OVERHEADS		100.0%	100.0%
K3 REVENUE CENTERS		100.0%	100.0%	K3 STAFF SATISFACTION		42%	42%	K3 COLLABORATION		90%	90%
K4 REVENUE CENTERS		100.0%	100.0%	K4 TRAINING & KNOWLEDGE		90%	90%	K4 INNOVATION		90%	90%
Internal Business Process Perspective				Learning and Growth Perspective							
K5 CASH APPLIED		100.0%	100.0%	K5 COLLABORATION		90%	90%	K5 INNOVATION		90%	90%
K6 CASH APPLIED		100.0%	100.0%	K6 COLLABORATION		90%	90%	K6 INNOVATION		90%	90%
K7 CASH APPLIED		100.0%	100.0%	K7 COLLABORATION		90%	90%	K7 INNOVATION		90%	90%
K8 CASH APPLIED		100.0%	100.0%	K8 COLLABORATION		90%	90%	K8 INNOVATION		90%	90%

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BPM Tool – Mobile Access



- With today's advances in mobile technology, it is possible to send your financial information to a mobile device
- A government finance executive at a meeting could access their financial information on a phone or PDA device like a blackberry or Treo Smartphone

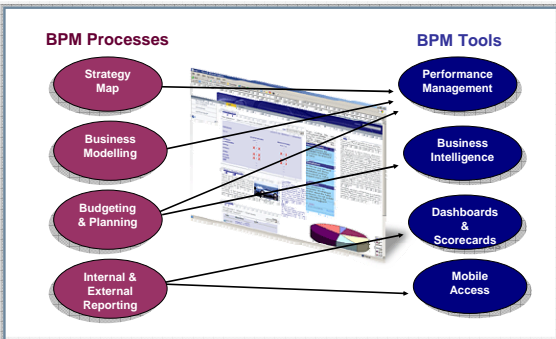
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Example of Mobile Access



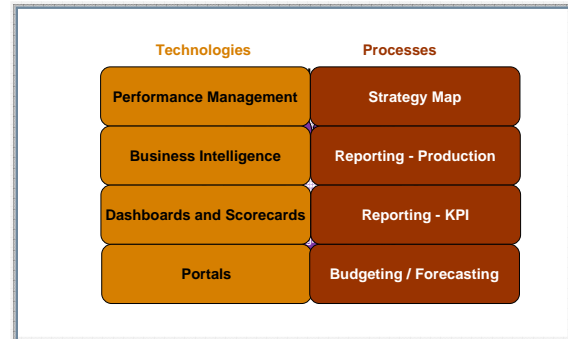
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Common BPM Tools



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Leveraging BPM – Fictional Government



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Best practices

Steps

Mythical Example

6. Best practices

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Best Practices - Steps

1. Strategy driven
2. The right project team
3. Business process re-engineering
4. Formal project management
5. Break into phases
6. Continuous feedback loop
7. The right vendor
8. The right technology partner
9. The right architecture

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Best Practices – Fictional Government (Business Review)

- Current strategic implementation process
 - Top-down
 - Disconnect with operations
 - Not results orientated
 - Disconnect responsible for failure to execute
 - How do you bridge gap?
- Project Team
- Business Process Re-organization

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Best Practices – Fictional Government (PM)

- Break into phases
- Project organization
- Extensive planning
- Project controls
- Stage management
- Formal project close

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Best Practices – Fictional Government (Step 1)

- Clearly defined strategic goals
 - Communicated to all levels
 - Results orientated organization
 - Improved customer service
 - Increased quality of service
 - Linked to tactical delivery (e.g. budgeting)

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Best Practice – Fictional Government (Step 2)

- Deciding what KPI (metric tied to a target) to use
 - Directly linked to the strategic goals
 - Few, relevant, universal
 - Balanced
 - Easy to calculate and understand
 - Unambiguous
 - Time-based where possible
 - Single page concept
 - 15 -25

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Best Practices – Fictional Government (Step 3)

- Implemented a formal KPI methodology
 1. Aligned to strategic goals
 2. Explained purpose to employees
 3. Established agreed process for use
 4. Used a balanced approach
 5. Agreed what level of access
 6. Agreed reporting medium
 7. Aligned with BPM
 8. Refined & Modified as appropriate

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Best Practices – Fictional Government (Step 4)

STRATEGY	KPI	TACTICAL DELIVERY	REPORTING AND PRESENTATION
<ul style="list-style-type: none"> •Customer service as competitive advantage 	<ul style="list-style-type: none"> •Number of Customer service staff •Number of complaints •Time to resolve •Employee with highest resolutions •Training days per employee •Comparative reporting •Benchmarking 	<ul style="list-style-type: none"> •Modelling of staffing levels •Budgeting •Forecasting •Business Intelligence 	<ul style="list-style-type: none"> •Customer Service Dashboard •Customer Service Scorecard

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Best Practices – Fictional Government (Step 4)

- Make links between strategy & execution
 - Using example of customer service
 - Agreed measurable KPI relevant to this goal
 - Communicated to everyone who does budgeting
 - Explained how they will be measured & corresponding incentives
 - Agreed to report the KPI as part of budgeting reports as well as the financial dashboard
 - Linked the KPI with the specific stated strategic goal
 - Measured and refined the results after 6 months to make them even more relevant as a result of feedback from managers

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Best Practices – Fictional Government (Step 5)

- Choosing the right vendor
 - Undertake a **formal software** selection process
 - Vendor has substantial government experience
 - The product line is well integrated with the full compliment of BPM technologies **seamlessly integrated** within all required data sources
 - Their software is modern & government compliant
 - Their delivery team is experienced and has a good reputation
 - Find good, relevant government reference sites

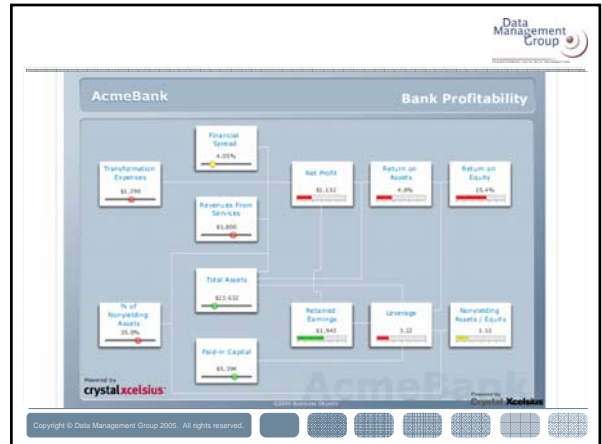
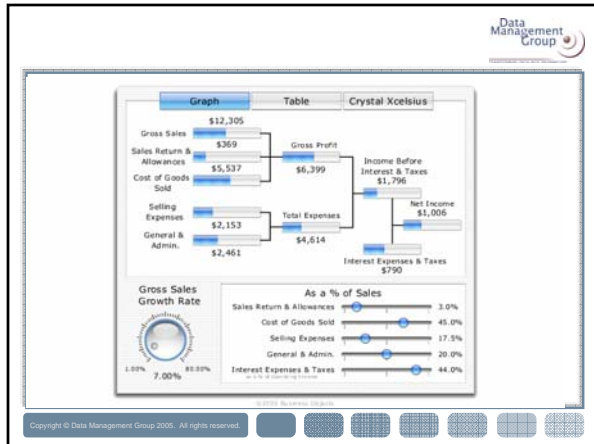
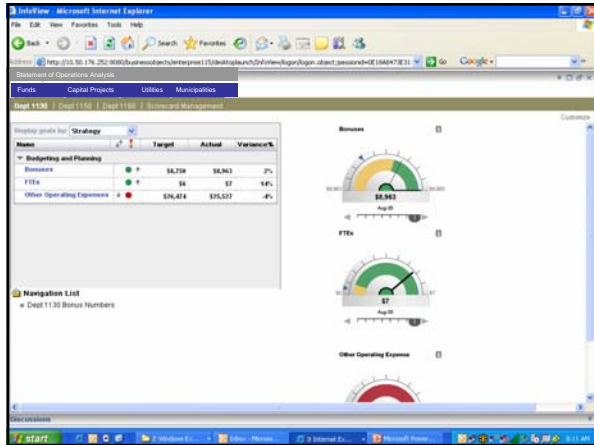
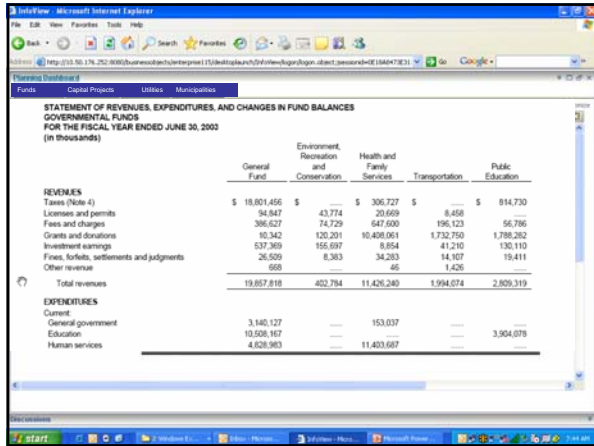
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Sample – A day in the life of...

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(in thousands)

	General Fund	Environment Recreation and Conservation	Health and Family Services	Transportation	Public Education
REVENUES					
Taxes (Note 4)	\$ 18,801,456	\$ 306,727	\$ 8,458	—	\$ 814,730
Licenses and permits	94,847	43,774	20,669	8,458	—
Fees and charges	396,627	74,729	647,600	195,123	56,786
Grants and donations	10,342	120,201	10,408,061	1,732,750	1,788,282
Investment earnings	537,369	156,097	8,854	41,210	130,110
Fines, forfeits, settlements and judgments	26,529	6,363	34,293	14,107	19,411



Questions



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