

# Strategic Use of Financial Indicators: Performance Measurement and Strategy

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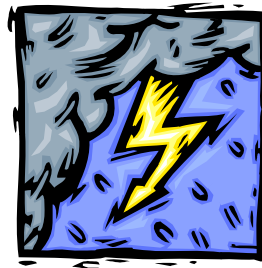
William N. Zelman, Ph. D.

# The Perfect Storm:

## Performance Measurement Systems are In!

**Accountability  
Movement  
(Government)<sup>3</sup>**

**Balanced  
Scorecard  
Movement<sup>4</sup>**



**Process  
Improvement  
Movement<sup>1</sup>**

**Performance  
Measurement<sup>2</sup>**

Google Hits 10/21/07:

1. Process Improvement ~117,000,000  
2. Performance Measurement ~ 89,000,000

3. Government Accountability ~22,500,000  
4. Balanced Scorecard ~ 2,190,000

# Key Requirements of a Financial Performance Measurement System

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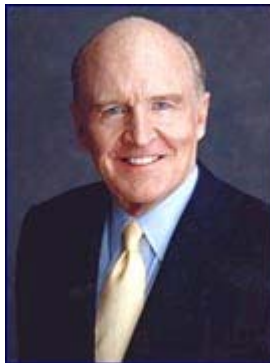
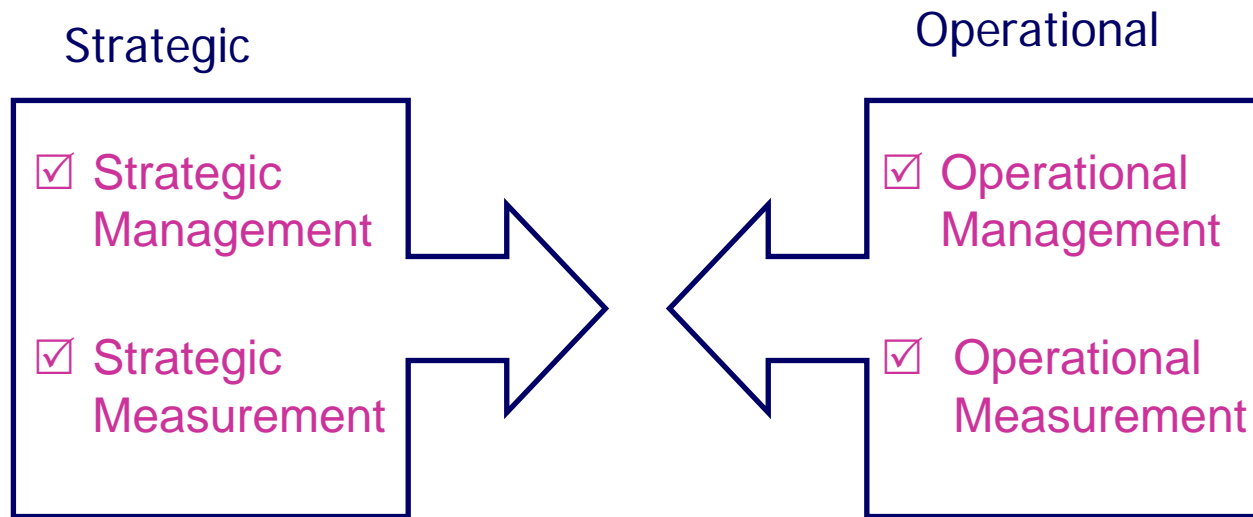
Help to Identify and Communicate:

- Current status
- Trends
- Possible problems
- Possible solutions

Help to plan future activities



# Performance Measurement Systems



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



# Performance Measurement Systems

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Operational

## Mantras:

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

What gets measured, gets managed.

Operational Management

Operational Measurement

## Definitions of Operations:

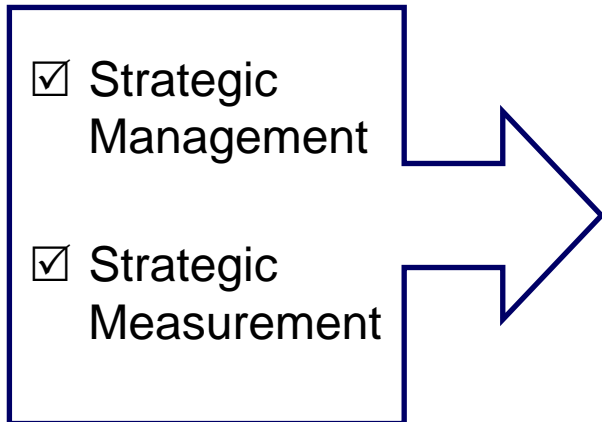
- A series of actions or activities designed to achieve a result.
- Often used with the modifier day-to-day



# Performance Measurement Systems

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## Strategic



## Mantras:

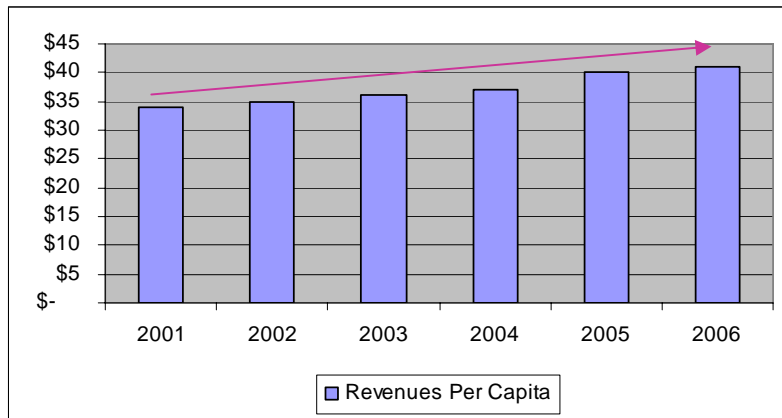
If you fail to plan, you plan to fail.

Win the battle, but lose the war.

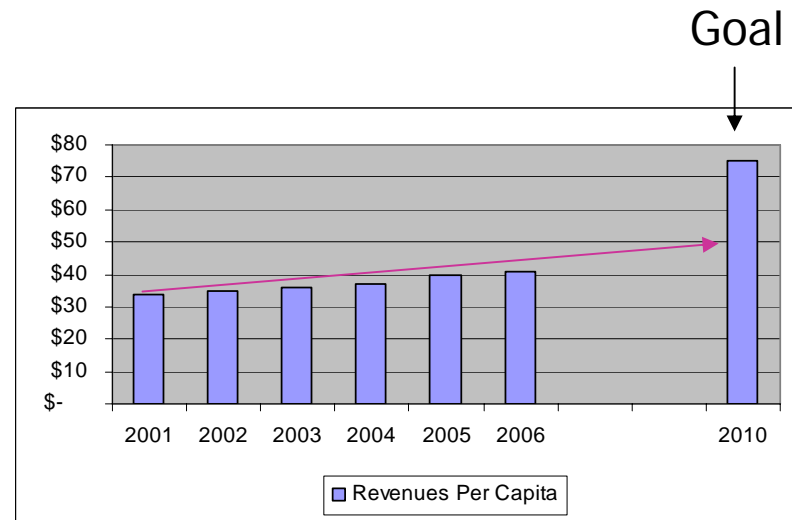
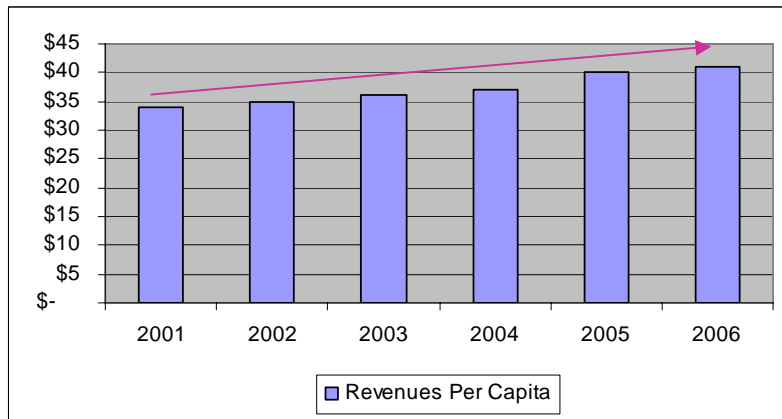
## Definitions of Strategic:

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

# The Problem.... Illustrated

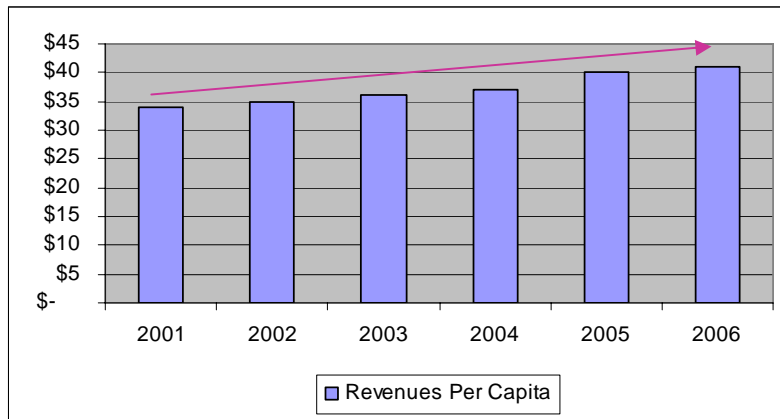


# The Problem.... Illustrated

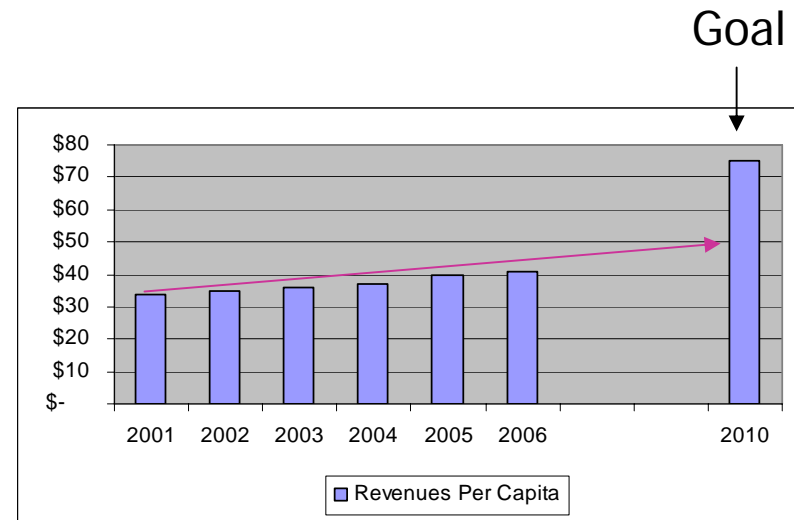




# The Problem.... Illustrated



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 Departments<sup>1</sup>

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

1. No order implied

# The Relationship Between Revenues, Services and Resources

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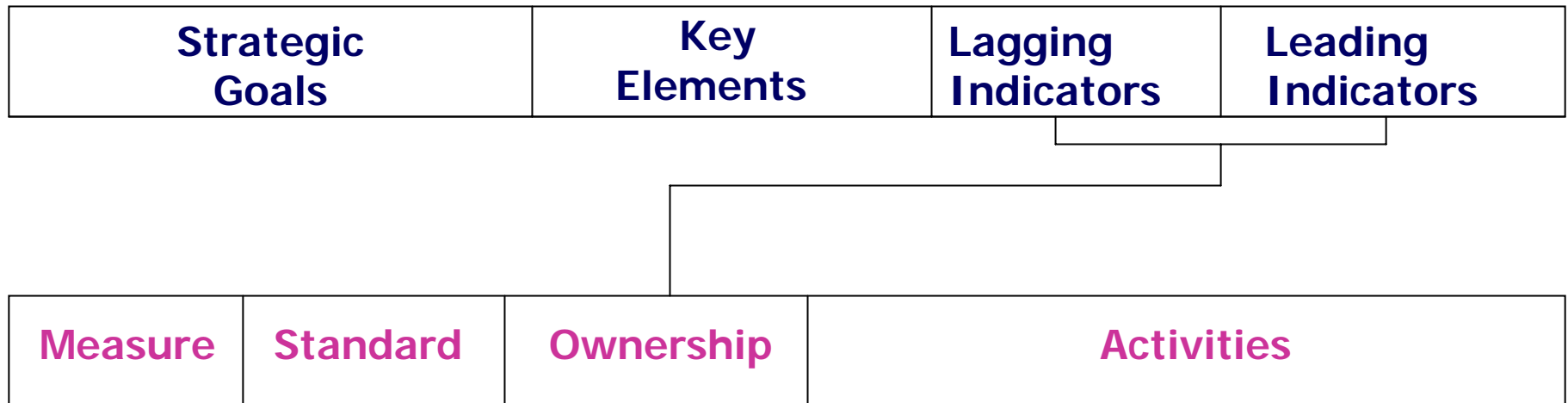
Services



Revenues/Funding

Expenses/Resources

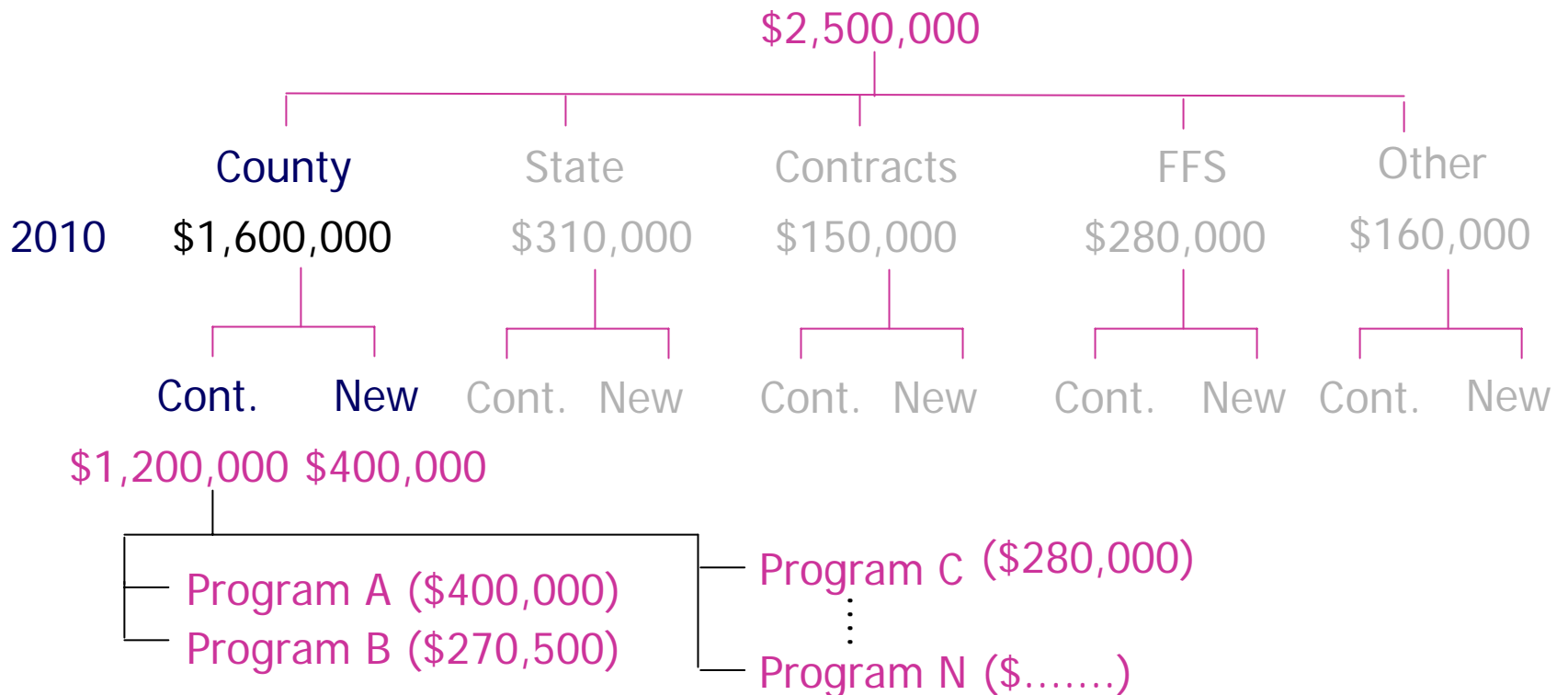
# Performance Measurement Systems: Leading and Lagging Indicators, Measuring and Managing



# Desired Sources of Funds: 2010

**Current Budget: \$1,800,000**

**Goal: \$2,500,000 by 2010**





# Leading and Lagging Indicators

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

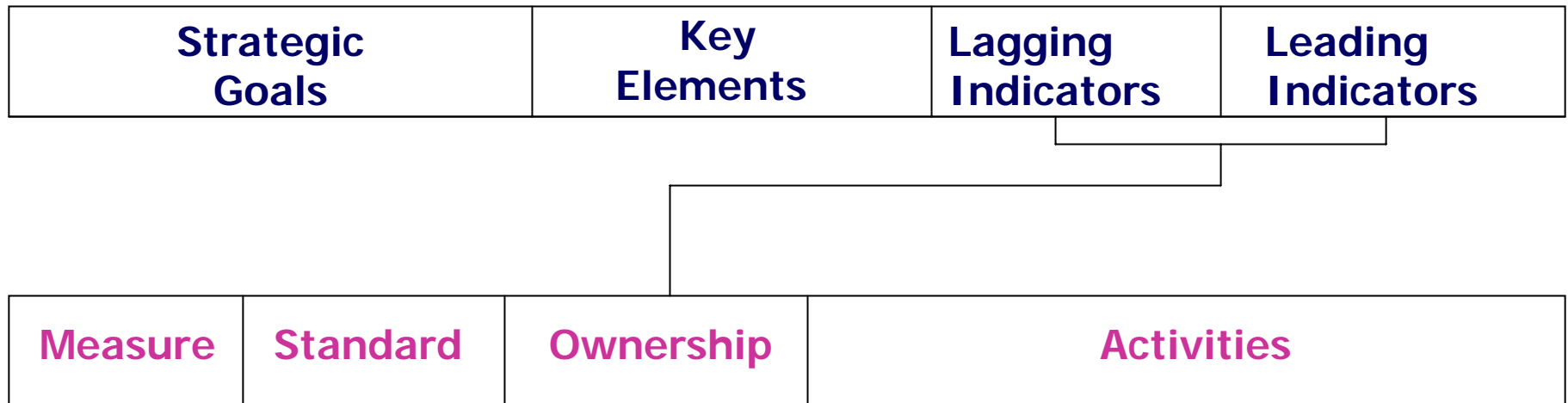


# Leading and Lagging Indicators

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<b>Strategic Goals</b>	<b>Key Elements</b>	<b>Lagging Indicators</b>	<b>Leading Indicators</b>
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# Performance Measurement Systems: Leading and Lagging Indicators, Measuring and Managing







# Leading and Lagging Indicators

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**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"><li>1. Increase line Item in County Budget</li><li>2. Grant proposals submitted</li><li>3. Contracts signed</li><li>4. Etc.</li></ol>



# Exercise: Leading and Lagging Indicators

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<b>Strategic Goals</b>	<b>Key Elements</b>	<b>Lagging Indicators</b>	<b>Leading Indicators</b>
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# Exercise: Leading and Lagging Indicators

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Measure	Standard	Ownership	Activities
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