

January 17, 2012

The Honorable Kurt Zellers
Speaker of the House
463 State Office Building
St. Paul, MN 55155

The Honorable David Senjem
Senate Majority Leader
121 State Capitol
St. Paul, MN 55155

The Honorable Morrie Lanning, Chair
State Government Finance Committee
379 State Office Building
St. Paul, MN 55155

The Honorable Mike Parry, Chair
State Government Innovation and Veterans
309 State Capitol
St. Paul, MN 55155

The Honorable Paul Thissen
Minority Leader
267 State Office Building
St. Paul, MN 55155

The Honorable Tom Bakk
Minority Leader
147 State Office Building
St. Paul, MN 55155

Re: Performance Management Report

Dear Senators and Representatives:

As required by 2011 Special Session laws, Ch. 10, Article 3, Section 44, the Commissioner of Management and Budget must report to the legislature a plan for redesign and implementation of the performance appraisal system for executive branch employees. To accomplish this, MMB collaborated with managers in other state agencies to get their perspectives and experiences. Particular thanks go to the Departments of Administration, Department of Transportation, and the Pollution Control Agency for their contributions to this report.

Please find the report attached.

Sincerely,



Jim Schowalter
Commissioner

Attachment

cc: Representative Matt Dean
Representative Mary Liz Holberg
Bill Marx
Helen Roberts

Senator Claire Robling
Senator Richard Cohen
Brent Gustafson
Kevin Lundeen



PERFORMANCE MANAGEMENT REPORT

January 2012

Introduction

In the 2011 State Government Omnibus Bill, the commissioner of Minnesota Management and Budget was asked to provide a plan “for redesign and implementation of the performance appraisal system for executive branch employees.” Specifically, the legislation required three components:

- 1) Evaluation of the individual employees’ performance relative to goals for that individual, which must constitute a majority of the overall determination of an employee’s performance.
- 2) Evaluation of the performance of individual employee’s program, defined by the agency head, toward meeting targeted outcomes for the program; and
- 3) Evaluation of the performance of an entire agency toward meeting targeted outcomes for the agency.

This report summarizes executive performance management activities in Statute and gives examples of current practices, examines each component (or level) of performance management and offers recommendations for moving toward a more integral approach.

Background

Performance management is a systemic and holistic approach to employee development that aligns the work of the agencies, programs, and employees with articulated goals in order to achieve the organization strategy. Performance management is a continuous and dynamic cycle of planning and goal setting, employee feedback and coaching, development, review and rewards that engages both manager and employee in ongoing dialogue with outcomes of employee development and preparation for increased responsibilities, resulting in organizational improvement. It is a process, not an event.

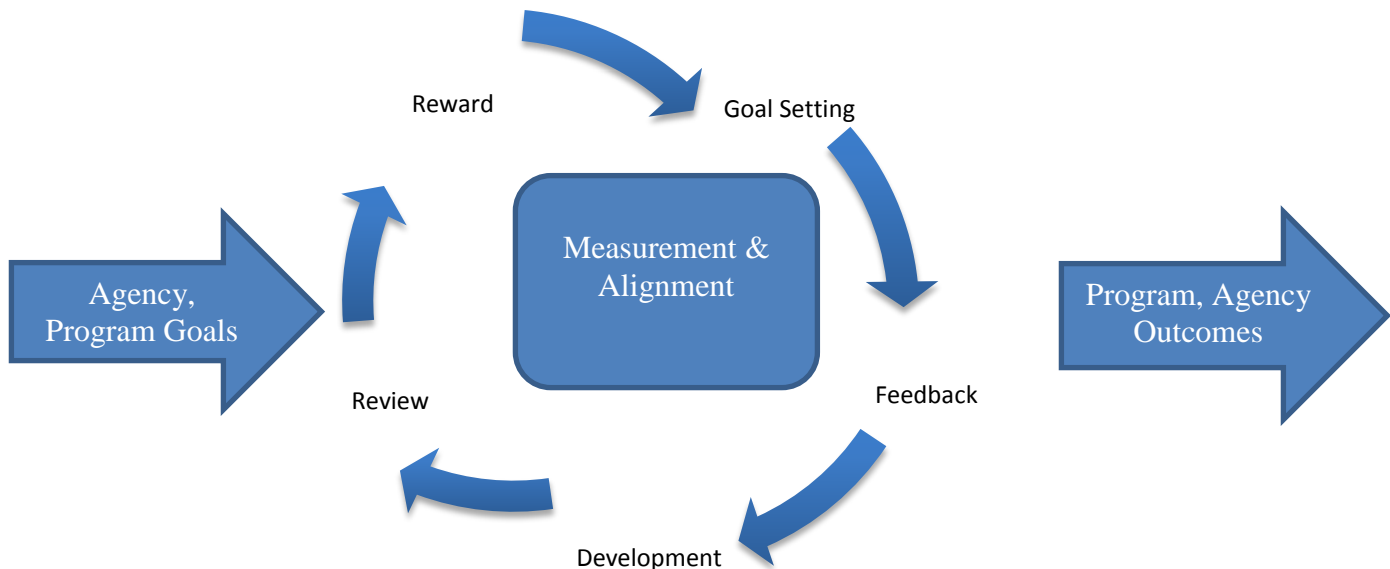


Figure 1. Performance Management Process

In order for performance management to be effective, the work of each employee, each program, and each state agency, must drive toward commonly understood and valued purposes. With the right data, employees can assess how programs are working and what they can do to improve outcomes. There is a great deal of literature on this topic, some of which can be found in the appendix of this report. Other regular web resources include periodicals (e.g. Governing magazine: <http://www.governing.com/>) or academic work (e.g. Harvard’s <http://www.hks.harvard.edu/thebehnreport/>)

Although the mandate for a comprehensive performance appraisal system may seem simple on its surface, linking the work of individual employees directly to program and agency outcomes has been difficult but not impossible to achieve. The state of Minnesota is an enterprise consisting of over 30,000 employees, making billions of dollars in grants, aids, and direct service operations in diverse organizations and business fields. Management priorities and statewide policies are subject to change with each election and there are many different organizational structures (budgetary, geographic, management) depending on the audience. Existing performance measures tend to address only selected parts of the state enterprise, with links between high level measures and employees being informal and based on management perspective. While agencies work to improve agency performance and employees work to improve individual performance, a strategy to make these appraisal systems more formalized and coordinated has been an elusive goal.

State Government has tried to incorporate performance data into its decision-making and operations for years. For example, several pieces of legislation already exist relating to performance measurement and performance appraisal. Table 1 shows some relevant statute references.

Table 1: Selected Performance Management Related Statutes

Statute	Content
4A.01, Subdivision 2	Long-range plan. By September 15, 2010, and every five years thereafter, the commissioner [of the department of Administration] must develop an integrated long-range plan for the state based upon the plans and strategies of state agencies, public advice about the future, and other information developed under this chapter.
4A.11	Milestones Report. The commissioner [of the department of Administration] must review the statewide system of economic, social, and environmental performance measures in use under section 16A.10, subdivision 1c, and known as Minnesota milestones. The commissioner must provide the economic, social, and environmental information necessary to assist public and elected officials with understanding and evaluating Minnesota milestones.
16A.10, Subdivision 1a	Purpose of performance data. Performance data shall be presented in the budget proposal to: <ol style="list-style-type: none"> 1) provide information so that the legislature can determine the extent to which state programs are successful; 2) encourage agencies to develop clear goals and objectives for their programs; and 3) strengthen accountability to Minnesotans by providing a record of state government’s performance in providing effective and efficient service.
16A.10, Subdivision 1c	Performance measures for change items. For each change item in the budget proposal requesting new or increased funding, the budget document must present proposed performance measures that can be used to determine if the new or increased funding is accomplishing its goals. To the extent possible, each budget change item must identify relevant Minnesota Milestones and other statewide goals and indicators related to the proposed initiative.

43A.20	<p>Performance Appraisal and Pay. The commissioner [of Management and Budget] shall design and maintain a performance appraisal system under which each employee in the civil service in the executive branch shall be evaluated and counseled on work performance at least once per year. Individual pay increases ... shall be based on the evaluation and other factors ...</p>
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In October 2010, the commissioner of the Department of Administration published the state’s first long-range plan, pursuant to M.S. 4A.01, Subd. 2. The report, *Toward a Vision for Minnesota: Long-Range Strategic Planning Overview and Recommendations* (http://www.admin.state.mn.us/documents/reports/2010_long-range_plan.pdf), proposes six steps for developing an integrated, long-range strategic plan for Minnesota:

- 1) Conduct a self-critical, in-depth analysis of Minnesota’s strengths and weaknesses along with opportunities and threats facing the state over the next 10 or more years
- 2) Consider a vision statement for Minnesota based on this analysis
- 3) Adapt the resulting vision statement to a vision statement for state government
- 4) Align individual state agency strategic plans with the Minnesota and state government visions
- 5) Periodically evaluate and audit progress toward achieving the overall vision and specific strategic goals
- 6) Regularly revisit the vision and strategic goals based on audit results

These recommendations are consistent with State practices going back to Minnesota Milestones, which began in 1991. That process laid out high level goals and indicators to provide a framework to guide the actions of communities and public officials. Minnesota Milestones was anticipated to be the starting point for articulating state government’s vision for the future in the broadest terms (latest version can be found at <http://www.demography.state.mn.us/milestones/>). Over time, public funding for that activity was reduced and substantially augmented by a foundation supported effort called Minnesota Compass (<http://www.mncompass.org/index.php>)

Minnesota Milestones created statewide goals in the areas of:

1. People,
2. Community and democracy
3. Economy
4. Environment

One challenge has been to develop a framework and expected outcomes flexible enough for individual agencies to customize and enduring enough to transcend any particular administration. Throughout the years, various governors have developed their own milestones, such as Governor Ventura’s 1999 Big Plan. The latest set of measures was Accountability Minnesota under Governor Pawlenty. However, over time these high level goals were reprioritized as each leadership team articulated its own ambitions and visions. Typically, the various performance measurement efforts did not leave established structures and reporting mechanisms sufficient to be used by the subsequent administration.

Agency Level Performance Management

A major aim of state government has been and continues to be better performance. By coordinating efforts throughout state government, this performance management plan is intended to:

- Create a vision of how many performance pieces throughout state government can fit together and complement each other
- Detail best practices that include multiple levels of the organization
- Set expectations for how to create this process, data, and culture.

Many experts recommend a cascading strategic system be used to link the state’s goals and objectives through to individual employee goals and measures. Cascading systems are easily communicated because of their logical flow, with each level providing increased granularity and measurability to the process. Ideally, this cascading system establishes alignment all the way from top level goals to individual performance (see figure 2 for example).

The statutory requirement, pursuant to Minn. Stat. Section 4A.01, for developing an integrated long-range state plan every five years is a logical starting point for the state’s performance management system.

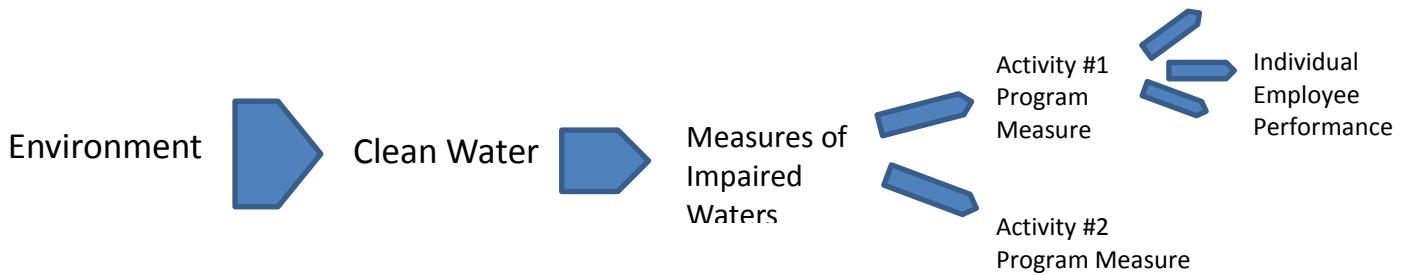


Figure 2. Linkage Between Levels of Performance Measures

The Governor and Legislative leaders must be involved in goal setting at the highest level, as well as in reviewing and evaluating agency performance. This goal setting may be best articulated through a reevaluation and realignment, if necessary, of agency mission statements. Once firmly established, it will be the responsibility of each agency’s management to embrace their agency’s mission and clearly communicate it throughout the organization, so that it becomes a part of the agency culture, and is accepted by each program and employee.

To be effective, it is important that agency missions and goals present an enduring vision of future progress. The goals identified through various past initiatives were not easily achieved. It often takes years and substantial agency effort for progress to materialize. As a result, goals cannot be transient and changed every few years. Because governments generally have a short-term focus, instilling the discipline to perform long-term planning and goal setting may be extraordinarily difficult. The goals must be long-term and remain constant, so that systems can be built to measure progress over time.

Most executive branch agencies have formal mission statements. These mission statements portray a high-level vision of success for each agency. They tend to be stable and have generally stood the test of time. As such, a collection of individual agency mission statements could be used as a basis to help frame many of the state’s broad goals. The Minnesota Pollution Control Agency mission statement, shown right, is an example of one state agency’s vision.

Minnesota Pollution Control Agency
Mission Statement

“Working with Minnesotans to protect, conserve and improve our environment and enhance our quality of life.”

To be useful, this vision should be very clear and frequently shown to employees, stakeholders and the public. By constantly communicating this top level objective, the agency can maintain continuity even as its strategies and plans may be adjusted. It is also a tool for accountability, since agencies may be open to criticism if their goals are not met or progress seems too slow.

Effective strategic planning requires agency leadership to look at the big picture of their agency. The strategic plan also cannot be limited only to the next year or biennial budget cycle, but must reflect the longer term vision of successful mission implementation and the anticipated outcomes. Most strategic planning efforts should extend at least five years. As a result, the plan and the related goals must transcend short-term budgetary or political agendas.

That task of requiring long-term planning is typically left to individual shorter-term political appointees in state agencies. The state’s former center for strategic planning, the Minnesota Planning Agency, no longer exists. To fill the void, some agencies have built their own internal planning capacity, while most have not. Some agencies, most notably the Minnesota Department of Transportation, the Minnesota Department of Revenue, and the Minnesota Pollution Control Agency have all completed planning processes and developed formal strategic plans. As such, these agencies could be considered best practice leaders within the state, from which other agencies could learn.

One leader in planning activities, the Minnesota Pollution Control Agency, underwent an extensive strategic planning process in 2008. The chart at right shows the agency’s mission and goals in five areas. Their experience was that limiting the number of strategic goals worked best. Also, there must be obvious links between the stated goals and performance measurements. Finally to complete the process, employee activities must be aligned to the agency’s goals and measures.

The Minnesota Pollution Control Agency completed a comprehensive strategic plan in 2008. Its plan includes visions and goals in five areas:

- Minnesotans Take Responsibility to Protect Our Environment
- Minnesota’s Air is Clean and Clear
- Minnesota’s Land Supports Healthy Ecosystems and Sustainable Land Uses
- Minnesota Has Clean, Sustainable Surface and Ground Water
- Excellence in Operations

Similar efforts have not been undertaken at every agency. The skills and competencies for this planning are not found everywhere. Employees who have advanced based on high technical skill in a specific narrow program area may require additional mentoring and training to make the transition from technical expert to strategic thinker. And leaders may

For agencies without in-house strategic planning skill, Minnesota Management and Budget’s Management Analysis Division provides expertise to agencies in the areas of strategic and operational planning, as well as stakeholder feedback.

have to move from thinking about programs the way they have always been delivered to more coordinated efforts that align with their agency's mission.

Experience has shown that a common pitfall is to try to tackle all potential strategies and action plans immediately. Capacity dictates that all areas of an organization cannot receive the same level of scrutiny simultaneously, and the exercise flounders. It may be subjective, but there is a need to pick which activities are most important to the achievement of certain goals.

A sound planning process is just talk if it does not include a mechanism to measure results. The measures can be difficult to pick, but they are necessary to gauge progress toward meeting the agency's identified goals. Experience in state agencies suggests that the best measures will not be immediately identifiable. It is only through use and discussion that these measures are understood, improved, and ultimately fit into the organization's culture.

As the measures are discussed, there will always be concerns raised about external influences that can skew results. For example, an unusually heavy winter snow might impact MNDOT's clear roads data. This is where continued discussion of the right measures (and right strategies) is necessary. Each measure should be considered in context and eventually may need other subordinate measures.

The Department of Transportation issues an annual performance report, indicating how well Minnesota's statewide transportation system is working. Among others, areas of measurement include traveler safety, infrastructure preservation, maintenance, and mobility.

Finally, the performance management system must contain a periodic reassessment of progress toward the agency's mission and priorities. The performance management system cannot become a one-time exercise. At the highest level, data may not be refreshed more than once a year or so. But either way, it must become a part of the agency's culture to do so, ensuring that agencies can continually build a sustained performance management analysis and improvement system.

Most often, discussion of performance appraisal stops at the high, mission level goals. The experience of state agencies, however, has been that they have been less critical to improving activities than the next, intermediate level of program goal. This lower level is more directly understood by employees and can be explained as clearly relevant to employee efforts. This is consistent with the report's charge to describe a comprehensive performance appraisal system that, in the end, involves state employees and supervisors just as much as it does public stakeholders.

Program Level Goals

Once overall state goals have been determined and agency mission statements are aligned to those statewide goals, agencies must implement their strategies and action plans. The selected strategies are implemented by means of programs, budgets, and procedures. This level has probably the least organized set of performance measures and is often overlooked in strategic planning efforts.

Agency management must own their program goals and regularly use them when making funding and human capital resource decisions. Resources may need to be redeployed to program areas with the most potential to aid in the achievement of the agency’s strategic goals. New programs and initiatives may have to be implemented, and other programs may be discontinued. Because of the budget impact of these changes, it is important that the legislature be aware of each agency’s goals.

In the state biennial budget process, agencies currently provide program information that could be used to assist the legislature in understanding agency strategic goals. Also, performance information must be included whenever an agency proposed a new program or activity.

Since many programs are funded by and have mandates from the federal government, intergovernmental alignment must be considered when planning. In some agencies, many programs are driven by the federal government, with the state having little say in how the program is run.

Beyond using the agency’s financial resources wisely, the agency must also make the human capital investments needed to influence their agency cultures. Much of successfully implementing a strategic plan has to do with creating excellent management within state government.

The state and several individual state agencies have emerging leader programs, which could be used to train program managers to make the link between agency strategies and the work done in individual programs.

It takes leadership and resources to consistently focus on the agency’s goals and relate the work of individual employees to those goals. How well these mission statements are disseminated and believed by the agency’s employees has an impact on how well the efforts of individual employees are coordinated with the agency’s overall mission. Because of this, performance measurement must be very closely linked to management development and performance. As noted in the last section of the report, it may be necessary to include strategic planning deliverables within individual position descriptions.

Where used within the State, agencies tend to bring different parts of the management team together to help everyone see beyond their specific workgroup or program. That additional context helps program and unit supervisors determine and direct the work of individual employees. If they do not understand how their work fits into the bigger picture, it is possible for agency employees, while working hard, to not be directing their efforts in the most productive way possible.

One of the Department of Transportation’s maintenance measures is the “Frequency of achieving bare lane within targeted number of hours”. Meeting this target requires coordination of investment/spending decisions, anti-icing and de-icing strategies, and the expertise of individual supervisors and maintenance engineers.

At the State level, the Dayton Administration is setting up a process to identify reform projects and instill a more data driven management culture. The initiative, known as *Better Government for a Better Minnesota*, is working with state agencies to identify projects that will demonstrably improve state services. It is not master planning, but instead, speaks particularly to the program level where ideas come from state employees. The expectation is that *Better Government for a Better Minnesota*, will help to communicate the successes and lessons learned so all state employees can do their work better.

More formal training is another element to longer-term success at using program goals. There are some enterprise resources available, including relatively new programs to train state managers (Emerging Leaders Institute and the new Senior Leadership Institute). Several state agencies also have their own emerging leader training courses, to help develop management skillsets. These courses could be used to develop a mindset and culture within the state that transcends specific agencies and programs. Leadership courses could be used as a way to establish a common performance culture within the state, and help determine a common performance measurement language throughout Minnesota state government.

Emerging Leaders Institute is a development program for a select group of thirty emerging leaders from across state government that is designed to help them become successful and effective leaders in tomorrow's workplace.

Individual Employee Performance Appraisal

Ultimately, agency employees must believe that the achievement of the agency mission is dependent on their personal job performance and activities. Most state employees enter the government workforce to apply their knowledge and expertise in public service. As a result, state employees would generally welcome the opportunity to more closely associate their activities to their agency's broader strategic mission. To integrate within a larger performance management framework, state government must rethink not only how employees are evaluated, but how they will be identified, recruited, developed and retained in order to seamlessly continue services and achieve identified outcomes.

Individual employee performance is currently the most established and standardized portion of the state's overall performance management structure. The framework presented in this section addresses the state's system that ensures individual employee performance is evaluated relative to employee goals and considers other issues as they relate to employee performance.

As part of an overall performance management framework, stand-alone annual performance appraisals would have to shift to an integrated approach that also considers how employee recruitment, development, engagement and retention activities align with the organization strategy and goals to ensure outcome achievement. To accomplish this, the following practices should be considered:

- Agency strategic planning identifies organization strategy, goals and measures for its business objectives. Division or program goals are defined and aligned to support organization strategy.
- Competencies are defined and used as the foundation for workforce planning, hiring, development, performance evaluation, employee and leadership development, internal deployment needs, and expertise identification.
- Workforce data and analytics inform agencies of retirement risk, key positions unfilled, turnover in key positions or workforce segments; succession planning and development needs, external hiring needs, and employee engagement levels, all which informs workforce capacity to implement strategy.
- Job descriptions are based on behavioral and technical competencies required for the work and employee performance management is based on competencies and program goals and measures.
- Employee performance management is utilized as an ongoing development tool that incorporates goal-setting based on program needs; multi-source feedback; competency-based development activities aligned with goals; standardized objective review processes, and aligned reward systems.

Performance appraisal is the evaluation component of performance management. With some exceptions, this reflects current practice in state government for reviewing employee performance. Under current law, all agencies are required to ascertain that employees receive an appraisal meeting at least once per year, although agencies have wide latitude and discretion in how these appraisals are carried out.

Variation of practices among agencies is expected, as they are delegated authority to interpret and implement personnel statutes as defined by M.S. 43A.20.

By law, all employees are required to have a performance evaluation at least once per year. Most contracts and plans require satisfactory or better performance for any pay increase.

Centralized Authorities

The performance appraisal system operating across and within state agencies has some centralized authorities. There is also some centralized infrastructure and system support provided by Minnesota Management and Budget.

Under M.S. 43A.20, the Commissioner of Management and Budget is required to “design and maintain a performance appraisal system under which each employee in the civil service in the executive branch shall be evaluated and counseled on work performance at least once a year.” As required under M.S. 43A.04, Subd. 4(d), Minnesota Management and Budget carries out this responsibility through Administrative Procedure 20 (AP 20): Job Clarification/ Performance Appraisal. Guidance under AP 20 states that agencies must include these actions as part of the performance appraisal system:

- Evaluate employee performance based on up-to-date individual job descriptions;
- Use performance indicators as a foundation (though there is no specific requirement to include them);
- Require one-on-one appraisals at least annually (and a formal review at the mid-point of the probationary period); and
- Require individual development plans “if needed or wanted by the individual.”

Below is a description of the centralized systems and infrastructure delivered through and supported by the Human Resources Management Division of Minnesota Management and Budget:

A Statewide Human Resources Information (HRIS) Record-Keeping System: The HRIS, referred to as SEMA4, is a centralized human resources recordkeeping system. The system tracks performance appraisal activity within the executive branch, including a schedule of due dates for performance reviews, capability to track completion dates, and system flags for overdue review dates. The module also allows for documentation of employee goals and ratings.

Enterprise Learning Management (ELM) System: The ELM is a centralized training registration and tracking system and learning portal that tracks and records employee learning and development goals, transcripts of courses, and certifications or current licenses held. The tool also allows managers to assign relevant learning and development activities and record successful completion as part of the overall performance management process.

Statewide Competency Model: The state has selected but not yet implemented an enterprise behavioral competency framework as a resource and as a cornerstone for workforce planning and performance management efforts. Competencies provide workforce planning with a means of defining roles and measuring supply and demand for talent against those definitions, as well as informing recruitment needs for talent acquisition. A competency is a “measureable characteristic of a person that is related to success at work.”¹ These characteristics include behavioral skills, technical skills, attributes and attitudes of an individual, which are observable and measureable. Utilizing a competency framework benefits the organization in a multitude of ways. First, it clarifies activities by standardizing performance and development expectations across the organization. Second, it creates consistency and establishes a unified

¹ Lombardo, M. & Eichinger, R. (2000). *The leadership machine: Architecture to develop future leaders for any future*. 3rd ed. Lominger Ltd. Inc.

culture of objective performance measurement. A competency framework also drives informed interactions between and among other talent management practices. For example, a behavior-based interview protocol based on competencies ensures effective selection processes. A competency-based job description sets the framework for measuring employee performance and establishing expectations. A competency gap analysis for new hires informs education and development needs of employees, ensuring they grow stronger in their roles and helps to prepare them for new roles. Leadership development and succession planning is based on identifying potential leaders based on competency strengths and using competency measurement to develop, engage and retain key employees.

Agency Specific Functions

Agencies are delegated authority to implement employee performance appraisal processes in the manner they choose, within the parameters stated above. A survey was recently conducted with the state’s human resources directors, followed up by a focus group for more in-depth information, to gain insight on current practices in the agencies where they oversee the implementation of performance appraisals. Table 2 describes current performance appraisal practices by a sample of state agencies.

Table 2: Current Performance Appraisal Practices in State Agencies²

Element	Current Agency Practices
Leadership Involvement	89% of respondents indicated the Commissioner’s Office or lead agency team plays a role in supporting or promoting the appraisal process.
Alignment of Employee and Organizational Goals	There is no consensus regarding the need to tie employee goals to organizational goals; respondents were evenly split on the issue. Focus group members cited challenges to aligning goals include organization goals that are broad and ambiguous, and the difficulty of holding employees accountable to goals that frequently change due to external factors.
Defined Standards	More than 75% of respondents report that their agency uses position descriptions and employee goals as individual work performance standards. Greater than 50% report use of competencies and annual work plans as standardized tools. 68% percent of respondents report using an agency-developed competency model.
Goal Setting	56% of respondents report using a goal-setting methodology that is agency/division specific, and 39% report using a SMART framework, that is, goals that are specific, measurable, attainable, realistic, and timely.
Action and Development Plans	Less than 33% of respondents indicated that their agency requires the development of action plans to achieve employee goals as a component of the performance appraisal. 50% of respondents reported their agency required an Individual Development Plan as part of the appraisal process.
Implementation Support for Managers	Fewer than 50% of the respondents indicated that managers receive performance management training. Within that group, training is most frequently provided on the performance appraisal process, coaching skills and incident documentation.

² Human Resource Directors representing 25 state agencies were surveyed, resulting in a 71% response rate. Survey results along with a follow-up focus group consisting of 9 Human Resource Directors provided content for Table 2.

	HR staff is the usual training provider in performance appraisals for the agency.
Standardized Forms	Some agencies (no specific numbers) use the State of Minnesota Performance Review (aka the "goldenrod" form), while others use a combination of forms and processes developed by the agency or unit.
Software to track performance appraisal	A 2/3 majority of respondents, 66%, reported they do not use software to track performance appraisal goals or achievement results, with 33% of respondents reporting a software system is in use to track performance appraisal goals and achievement.

Performance management success is achieved by planned alignment of employees' work effort to achieve individual, program and agency goals. Some agencies have expanded their performance appraisal systems to integrate industry best practices, such as the alignment of employee and organizational goals, and the use of job competency models, thus moving closer toward integrated performance management. Two robust examples of performance goal-setting processes and performance documentation can be found in divisions of the Minnesota Department of Revenue and the Department of Administration. Despite distinctly different leadership, mission and goals, each division's system aligns individual and division/agency goals and actively manages employee performance plans.

Minnesota Department of Revenue's Collection Division developed a standardized performance appraisal form, acquired supportive technology, and identified behavioral and technical competencies in each of the job classifications within the division. Employee goals are developed and supported by supervisors throughout the year. A software system tracks individual performance metrics, and includes development of behavioral competencies.

As demonstrated by these examples, the state clearly has exemplary performance appraisal practices in effect within some state agencies. The remarkable characteristic is that each example appears to stand alone as an act of excellence developed within a particular division of an agency, and there is no evidence of broader agency-wide or multiple-agency adoption of standardized practices in performance appraisal.

Minnesota Department of Administration's Plant Management Division's annual work planning process is used to develop and align annual division goals with agency goals. A cascading system of goal-setting ensures that goals are aligned through all levels of the division, from the directors, managers, and supervisors to individual employees. The agency identifies strategy and goals, followed by division goal identification. Managers develop work plans for subordinate supervisors using the same approach, and all parties use their work plans to guide work assignment and performance evaluation of each unit employee.

Summary and Recommendations

If the state is to begin practicing performance management as one employer in a comprehensive approach, there are inherent advantages for the enterprise as well as individual employees. Agencies can focus their efforts on high priority goals therefore clearly articulating core functions and deliverables. At the same time, employees have a clear understanding of expectations and are provided with meaningful development opportunities.

As noted repeatedly in the report, creating an integrated set of performance appraisals and managing it successfully will be a long-term and time consuming exercise. There are benefits, but to achieve them it will take time and energy.

There are many steps to get such a system up and running. This report is not a full implementation plan but in writing it, we did see some actions that need to be taken. For current agency managers, we believe that the clearest opportunity is to improve on employee performance feedback. We have some excellent practitioners but it is not widespread. Setting expectations is something that managers, with assistance from Minnesota Management & Budget and their agency heads, can do.

Beyond that, the high level structure requires political dialogue as to the value and institutions to support performance measures. There are many options and it is not clear which is best. But we are clear that this is beyond the scope of agency managers.

Below are some elements of an implementation plan:

Element #1. Establish responsibility for performance management standards

Creating an enterprise-wide home for championing, managing and communicating statewide performance management standards will serve to support and build on the existing efforts by many state managers who have created performance strategies in their agencies. Using this expertise and sharing it amongst others will best use our resources and incent others to participate. Activities to further establish responsibility for performance management standards would include:

- Conducting agency level strategic planning activities to review and re-evaluate cabinet level mission statements and formulate specific and measurable strategies to ensure proper alignment;
- Integrate goals into Commissioner and appointee level job descriptions;
- Add linkage of agency and program goals to employee performance evaluations.

Element #2. Develop a process and time for reporting at each level

High level, enterprise wide requirements can accidentally eliminate many existing performance measurement activities. We have widely divergent activities and it is likely that health care, prisons, and accounting will all need somewhat different approaches to performance management. The state could benefit from the development of a system wide framework and outcomes that allow agency flexibility to create systems within their organization.

Goals would include:

- Identifying methods for periodic assessment of progress toward the agency's mission and priorities;
- Build metrics that reinforce the links between individual performance and the agency mission;
- Develop or use existing data for objective performance management practices;
- Evaluate each employee based on competencies and objective data measures and provided ongoing development opportunities.

Element #3. Create a support system that improves agency activity over time

Start small- do not initially attempt to set goals for everything and everybody. The system will require many hours of discussion and decisions. Most frequently, these types of systems are built without adequate buy-in or understanding and are left to languish. To win the commitment of stakeholders to the value it will be important to:

- Improve and enhance management's leadership skills and develop employee competencies and skill sets to make sure employees have the tools needed to help achieve agency goals;
- Develop specific training on how to connect the agency's strategic plans to the work of individual programs and employee activities;
- Provide opportunities for agencies to share best practices and learn from agencies who have successfully engaged in strategic planning initiatives;
- Spread best practices for performance evaluations and feedback to supervisors.

Appendix

Performance management is nothing new. Much has been written concerning performance management both in business and in government. It is not the intent of this report to provide an extensive theoretical discussion of performance management. For those who would like more background, additional resources are:

Association of Government Accountants (March 2009) *Performance Based Management*. Alexandria, Virginia; Association of Government Accountants Corporate Partner Advisory Group Research Series Report No. 20.

Gillaspy, Tom, State Demographer (October 2010) *Toward a Vision for Minnesota: Long-Range Strategic Planning Overview and Recommendations*. Saint Paul, Minnesota; Minnesota Department of Administration.

Kinney, Anne Spray and Mucha, Michael J. (2010) *The State and Local Government Performance Management Sourcebook*. Chicago, Illinois; Government Finance Officers Association

Minnesota Department of Transportation (2010) *Annual Minnesota Transportation Performance Report* Saint Paul, Minnesota; Minnesota Department of Transportation.

National Performance Management Advisory Commission (2010) *A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving*. Chicago, Illinois; National Performance Management Advisory Commission.

Pew Center on the States (March 2010) *Policy Framework to Strengthen State Government Planning, Budgeting and Accountability*. Washington, DC; The Pew Charitable Trusts.

United States Congress (2010) *Government Performance and Results Act Modernization Act of 2010*. Washington, DC; HR 2142