Complimentary Webinar

The Logic Model – Connecting Your Budget to Performance

Tuesday | Apr. 2 | 12 pm ET

Paul Trampert
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Today’s webinar is brought to you by the **American Society for Quality (ASQ)** and the **ASQ Government Division**

Moderated by the
Chairman of the ASQ Government Division,
Marc D. Berson, CSSBB, PMP
Overview of the ASQ Government Division

• ASQ represents the voice of quality throughout the world with over 80,000 members (https://asq.org/)

• The Government Division is one out of 26 divisions in the Society (http://asq.org/gov)

• The Government Division is a community of practitioners focused on quality and performance improvement for Federal, State, Local, and International Governments

• We are composed of government leaders and employees, seasoned experts, consultants, practitioners, university professors, students, and others interested in the public sector

• Please join our community!
Upcoming Webinars

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• Go to the ASQ Government Division website to learn more and to register (http://asq.org/gov)

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Today’s Webinar

• Use the Q/A Tab (or chat box) to send in any questions you have during the webinar - we will address as many questions as we can at the conclusion

• Contact information for Division Officers and Speakers can be found at the end of this presentation

• Most presentations are available for download within a few days of the webinar from the Government Division website (http://asq.org/gov)

• Now, I have the great pleasure of introducing our speaker today ... Paul Trampert!
THE LOGIC MODEL – CONNECTING YOUR BUDGET TO PERFORMANCE

Presented by:
Paul Trampert
CGPM-A, PMP, CDFM
Senior Fellow, Performance Institute
All 5 Pillars are Inter-Related. PERFORMANCE is the Common Thread.
MISSION AND STRATEGY

**Mission**: A formal statement of the purpose of the organization or program.

**Strategy**: A plan of action to achieve the mission over the long term.

**Strategic Planning**: An organization’s process of defining its strategy and allocating its resources.

**Operating Plan**: The implementation plan to be executed during the budget period. Sometimes referred to as the Annual Plan.

**Strategy Review**: A periodic review of mission, strategy and performance (including financial) that enables timely course correction.
Outstanding results and efficiency are driven by a governance system that uses:

- **Strategy Process**: sets long-term goals and defines how they will be achieved, process is more than just a strategic plan;

- **Strategy Review**: drives planning and resource allocation decisions;

- **Planning**: aligns policy, budget, and support functions;

- **Execution**: drives operations reviews to expose issues and develop solutions before performance and cost are impacted;

- **Analysis and Reporting**: supports external stakeholders, internal accountability, and provides input for the strategy review.

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WHAT IS A LOGIC MODEL?

1. Logical chain of events providing blueprint for mission achievement
2. Graphic representation that illustrates the rationale behind a program or organization
3. Depicts causal relationships between activities, strategies, and end results
4. Contains goals and performance measures
5. Integrates various program activities into a cohesive whole
6. Vehicle for dialogue, planning, program management and evaluation
WHAT DOES A LOGIC MODEL LOOK LIKE?

Graphic display of boxes and arrows; vertical or horizontal
Relationships, linkages
Any shape
Circular, dynamic
Cultural adaptations, storyboards
Level of detail
Simple
Complex
Multiple models
THE LOGIC MODEL: STRATEGIC AND OPERATIONAL INTEGRATION

A Logic Model Framework

Planned Benefits

Mission, Strategy
If/Then
Mission: The Agency's purpose
Strategy: How the Agency will achieve its mission

Long Term Outcomes
If/Then
Ultimate value to the Agency

Intermediate Outcomes
If/Then
Early changes at the Agency

Typical Performance Measures
- Changes in Attitudes, Behaviors and Conditions
- Quantitative Cost Savings
- Qualitative Improvements
- Reduced risk

Results “The Why”

Planned Actions

Outputs
If/Then
Products or services created or delivered

Activities
If/Then
Actions taken to produce products or services

Inputs
If/Then
People, places and things consumed by activities

Typical Performance Measures
- Quality
- Schedule
- Cost Control
- Customer Satisfaction
- Management
- Demand Satisfaction

Execution “The How”
“Spending more money doesn’t necessarily get you more results. We celebrate the spending…not the results.”

Jack Evans

DC Councilman, Ward 2 (2018)
WHAT IS A PERFORMANCE BASED BUDGET?

A performance budget is one that describes the relationship between the level of resourcing and the expected achievement of results from each program within an organization.

It is the financial expression of the organization’s operating plan.
A SHIFT IN DECISION MAKING – CAN YOU MAKE THE CHANGE?

"Old way"
• baseline expenditures or obligations
• add margin
• bottom-up approach
• analyze change only
• difficult to explain budget estimates
• political…and strategic plan

Performance-based
• top-down approach
• based on strategic plan
• leadership drives the process
• rate/variance analysis easier
• assumptions first, cost after
• analyze business based on changes to legacy and investment requirements
• increased emphasis on performance
FOUR CRITICAL ELEMENTS OF PERFORMANCE BUDGETING

Program Relevance: Mission and purpose of program
Program Planning: Focus on program’s strategic objectives
Program Management: Stewardship by front-line managers
Program Results: Program accountability to strategic objectives

Organized into an overall framework
ELEMENT 1: PROGRAM RELEVANCE

- Clear agency mission
- Unique contribution
- Specific interest, problem or need
- Designed to address specifics
ELEMENT 2: PROGRAM PLANNING

Strategic Planning with *long-term* performance goals
Operational Plans with *annual* performance goals
Stakeholder dialogue
Budget-performance integration
Element 3: PROGRAM MANAGEMENT

Collection of timely, credible performance information
Leader accountability
Strict allocation of funds
Budget-performance integration
ELEMENT 4: PROGRAM RESULTS

Demonstrable progress towards goals
Achievement of annual goals
Improvement in efficiencies and cost effectiveness
Favorable performance to comparable programs
Framework focuses on **results**
Information needed for sound **decision-making**
Balanced approach to **managing**

**Cost Management** is a component part of a larger management framework; but it is *not the framework*
PERFORMANCE MEASUREMENT

Measures of service efforts which include the costs of resources used to provide the services and non-financial measures

Measures of accomplishments which are outputs (the quantity of services provided) and outcomes (the results of those services)

Measures that relate efforts to accomplishments, such as cost per unit of output or cost-effectiveness.

Cost is a necessary element of performance measurement, but is not the only element.
Ten Steps to a Performance Budget Using the Logic Model

1. Step 1: Develop Strategic Plan/Conduct Strategy Review (Mission, Outcomes, Strategies)
2. Step 2: Determine Outputs and Demand (By Program)
3. Step 3: Define Activities and Resources Required to Deliver Outputs
4. Step 4: Achieve Efficiencies through Restructuring
5. Step 5: Calculate Full Cost (Direct/Indirect for Each Activity)
6. Step 6: Correlate Activity to Output Costs and to Intermediate Outcome Achievements
7. Step 7: Set Targets (Cost, Revenue, Performance)
8. Step 8: Budget Account Restructuring/Alignment
9. Step 9: Budget Justification
10. Step 10: Budget Execution & Monitoring

Input | Activities | Outputs | Intermediate Outcome | End
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\$ FTE |  |  | Strategies |  

Cost-Per-Unit (Activity/Output) | Budget-Performance “Integration”
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BUILDING A PERFORMANCE-BASED BUDGET – THE CLOSED LOOP

Stage 1: The Operational Loop

- Adjust Capacity
- Adjust Consumption
- Adjust Demand

Stage 2: The Financial Loop

- Adjust Resource Cost
- Adjust Price
- Target Results

Operational Balance

Resources

Activities

Products & Services

Outcome Requirements

Financial Results

Mission, Strategy

Source: “The Closed Loop: Implementing Activity-Based Planning and Budgeting”
Consortium for Advanced Management-International (CAM-I)
GOVERNMENT PERFORMANCE BUDGETING USES

Strategic and Operational Planning
New Initiative Development
Capacity Determinations
Budget Justification
Independent Government Estimates (IGE)
Acquisition Evaluations
Enterprise Management
Program Management
Project Management
PERFORMANCE BUDGETING HELPS THE LEGISLATIVE JUSTIFICATION

Allows for demonstration of cause-and-effect relationships
Fosters conduct of detailed scenario analysis to bolster justification and assess/mitigate risks
Aligns outcome performance directly with budgetary levels
Sets targets and expectations
Provides more accuracy in forecasting
Thank You!! Any Questions?

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