By Michael Sponhour

Turn Your Annual Report into an Engine of Change
The annual report. For most agencies, it is a tedious but unavoidable task involving words that are carefully chosen but seldom read.

An organization that approaches such reports only as a burden to be disposed of as quickly as possible will get just that out of the process. But the idea of taking a hard and honest look at your agency, its mission and performance, can be a tremendous opportunity. The “annual accountability report,” as used by state agencies in South Carolina, can be the basis of a continuous improvement process and a powerful way to build consensus around an agenda for change within an organization. That is what the State Budget and Control Board is doing with its report. As illustrated in Figure 1 (below), the accountability report has become a cornerstone of the improvement cycle used by the Budget and Control Board.

ACCOUNTABILITY REPORTS AND THE BALDRIGE CRITERIA

In an era of budget cuts, taking on any additional tasks can be a difficult proposition. But in lean times, every activity undertaken by an organization must be subject to rigorous analysis to determine whether it is cost-effective and if there are areas for improvement.

State agencies are required by state law and budget proviso to submit an annual accountability report to the governor and the General Assembly. But set aside the legal technicalities. How can any organization possibly know how it is performing and what it needs to do next without some systematic process of evaluation? There is no better mechanism for conducting such an evaluation than the accountability report process.

For state agencies, the accountability report has the added advantage of being based upon the Malcolm Baldrige National Quality Award criteria for performance excellence. By assessing an organization using the Baldrige criteria, one has the foundation of a continuous improvement cycle. The Baldrige Award is given by the President of the United States to businesses, schools and health care organizations that apply and are judged by rigorous standards to be among the elite in quality and performance. However, most organizations that use the Baldrige process do so to improve and never actually apply for the award.

Increasingly, government agencies in South Carolina and elsewhere are using the Baldrige criteria to drive their own “crusades for quality.” In August, for example, state agency heads participated in a daylong introduction to Baldrige. The General Assembly has recognized the value of this process by requiring that state agency annual accountability reports be organized to mirror the seven Baldrige categories:

1. **Leadership.** How do senior leaders set direction and performance expectations for the agency?
2. **Strategic planning.** How does your organization develop and deploy improvement strategies?
3. **Customer focus.** How does the organization identify its customers and determine what they need?
4. **Information and analysis.** How is your organization’s performance measured and how is data and information analyzed?
5. **Human resource focus.** How are employees helped to develop and utilize their full potential in conjunction with the organization’s needs and objectives?
6. **Process management.** How does an agency design and deliver processes for products and services and how are new technology, customer and mission requirements incorporated into the process?
7. **Business results.** How is, as determined by evaluative means, your organization’s performance and improvements in customer satisfaction, product and service performance, financial performance, mission accomplishment, employee results, supplier and partner results and operational performance achieved?
This Baldrige assessment process is at its most powerful when it is a shared task of an agency’s leadership team. The assessment process can transform top managers from being just experts in their areas of responsibility to being leaders with a vision of the entire organization.

**TRAINING AND OVERVIEW**

In January 2002, the Budget and Control Board assembled a team of its 30 top leaders for a two-day strategic planning session. The seminar was led by David McClaskey, a nationally known Malcolm Baldrige Award judge. The seminar began with an overview of the Baldrige criteria and what it meant for the Board. A “SWOT” exercise in which the group identified the “strengths and weaknesses” of the Board plus the “opportunities and threats” facing the agency was also conducted.

Executive Director Frank Fusco also led the group in a values exercise where the leadership team was asked to describe the qualities of the type of organization in which they wanted to work. Later, this discussion became the basis for a revised vision, mission and values statement document that is now in the process of being presented to all Board employees. At the top of that list is the Budget and Control Board’s new rallying cry: “We Make Government Better.” This simple statement best describes the Board’s role as a central support agency that assists all of state government in carrying out its mission of serving the citizens of South Carolina.

**ASSESSMENT**

On the second day the group was divided into teams. Each was given one of the seven sections of the Budget and Control Board’s FY 2000-01 Annual Accountability Report. The report is organized exactly along the lines of the Baldrige criteria. Each group rated their section of the Board’s accountability report as if they were examiners judging the agency’s application for a Baldrige award. (Government agencies can’t actually apply for a national Baldrige award right now, with the exceptions of the separate award areas of education, and health [see http://www.nist.gov]; but there is a state-level South Carolina Governor’s Quality Award [see http://www.scquality.com] that is based on the same criteria.)

How did Board managers score themselves? Not too high. It was clear that the agency is a long way from being Baldrige award material because it lacks a systematic approach. Sure, one could find Baldrige concepts used in fragments in some Board offices, but there is clearly no uniform approach. An excellent idea deployed in one area is not guaranteed to be used at all in another.

The finding was not surprising. The Budget and Control Board is a collection of widely varied and often semi-autonomous entities ranging from building maintenance workers to pension plan administrators to computer operators, etc. The 1,100-employee agency is also physically dispersed with facilities across the Columbia area. Currently, it is organized into eight divisions and more than two dozen program areas.

This fact is a legacy of the Budget and Control Board’s 50-year history and it will not change overnight. The question for the Board’s assessment or managers’ group was, “What were the first steps that should be taken to begin addressing these problems?” The logic of the question is purely Baldrige. As such, the Board managers recognized it was important to identify a limited number of action items so as not to diffuse momentum.

The decision was made to direct attention towards three key objectives that appeared to have the greatest urgency in the state’s current fiscal climate:

- **Employee wellbeing.** Everyone acknowledges that the people who make up the Budget and Control Board are the agency’s most valuable resource. But it is a resource that the agency has not systematically developed as well as it could. How a Budget and Control Board employee is evaluated, communicated with or even compensated varies widely depending on which Board program they work for.

  Additionally, the state government workforce is aging. In the next few years, the Board and other agencies face a
Guiding Principles of the Budget and Control Board

Vision
We Make Government Better

Mission Statement
The Budget and Control Board provides innovative leadership and a variety of services to government agencies to foster effective government.

Values
Quality Customer Services and Products
We consistently provide outstanding products and excellent customer services, as defined by our customers, and we strive for continuous improvement.

Innovation
We are receptive to and flexible with the changing environment and the evolving world of technology. We welcome challenges, embrace innovation, and encourage creativity.

Leadership
We strive to lead government through strategic and visionary approaches that are proactive, fair, and ethical.

Professionalism
We perform our work with honesty, integrity, and loyalty. We are committed to performance that is credible, thorough, competent, and worthy of customer confidence.

Employee Well Being
We respect the individual contributions of each employee and endeavor to empower them with the needed resources for teamwork, shared pride and continuous learning.

Customer and stakeholder satisfaction. The idea that a central administrative agency like the Budget and Control Board has “customers” in the same way as a business does is a challenging concept to grasp. Most of the services the Board provides are mandated by statute and many of the agency’s functions are regulatory. But increasingly Board managers are coming to understand that no program, service or agency can be assumed to be permanent. If the people served by that program are dissatisfied, they can seek a change in legislative or regulatory mandates. Government programs deemed to be unsuccessful can be targets for privatization or elimination, especially in periods when state finances are stretched to the limit and elected leaders are desperately seeking any way to trim government expenditures.

Furthermore, many Board programs really are businesses and their customers are in no way obligated to use them. The Board’s Interagency Mail Service, Central Supply Warehouse and Insurance Reserve Fund, just to name a few, are supported entirely by the revenue they generate. Except for state agencies, which are required to use the Insurance Reserve Fund for property, liability and casualty insurance, these units must fight to keep customers by offering the best service at the best price or face losing them to competitors.

Again, the Board’s approach to managing customer relationships is uneven. Some Board units conduct detailed customer surveys to determine how end-users feel about the products and services provided. Others do not survey at all.

Return on investment. How can it be demonstrated that funds devoted to a Board program generate a positive impact for the state? This is a crucial question to ask at a time when programs are competing against each other for limited resources. One way to win that competition is to be able to demonstrate that for every dollar invested in a program or service, the state gains an even larger benefit in cost avoidance or improved service. These calculations can be difficult to make, but they can be done. Return on investment (ROI) data can also be a valuable management tool as it forces leaders to consider the relative impact of programs and services offered by their agency when formulating plans and allocating internal resources.

RESULTING ACTIONS
These three areas of concentration will be the main focus of Board improvement in FY 2001-02 and will constitute the cornerstone of the data supplied in the next accountability report. To begin putting these ideas in action, cross-agency teams were appointed to conduct a more detailed study for each strategic goal and to recommend concrete actions that could be taken. Each team was chaired by a
“champion” who would lead the effort in that area. After several weeks of study, each team presented a list of action plans for the Board’s senior leadership team to consider and implement.

Believe it or not, things actually began to happen.

In the area of employee well being, the Board conducted its first ever agency-wide satisfaction survey. The survey was developed using internal resources, including staff members who are experienced in surveying techniques. Tapping into the Board’s IT capabilities, the questionnaire was filled out online by more than 600 people. Statistical analysis was conducted by the Board’s Office of Research and Statistics. The results showed that Board employees like their jobs and colleagues, “crave” more feedback from their bosses and want greater opportunities for career advancement.

Within weeks, two new positions were created from existing resources. The position of “ombud” was established to serve as an employee advocate. Ombuds act upon employee suggestions and problems and inform senior leaders of worker concerns. This gives the agency a way to solve issues before they develop into larger problems and establish a person to keep their finger on the pulse of employee attitudes across the agency.

Another new position is the Director of Community and Business Relations. This position is staffed by an individual who is charged with coordinating the Board’s employee recognition programs. It has already paid big dividends. In May, for instance, this person led a committee that organized the Board’s first agency-wide employee recognition day. On recognition day, senior managers served cookies and punch to the entire workforce as a way to say “thank you” to everyone for their hard work. Each employee was also given a Budget and Control Board t-shirt proclaiming “We Make Government Better.” Executive Director Frank Fusco recognized individuals and teams who had made special efforts to save money and “do more with less” during the tight financial times being experienced by state government.

The new Director of Community and Business Relations is now actively working with an Employee Recognition Committee to establish a uniform system to honor workers. Currently, some Budget and Control Board programs have elaborate recognition initiatives, but others do nothing in this area. In the coming year, programs will be established in all areas and will feed into an agency-wide recognition event.

The recognition committee also recommended increased standardization in employee recruitment and retention. Again, policies have varied widely by office and funding source. The Board’s senior management has put in place the committee proposal that “team” interviews be the standard procedure for interviewing job candidates as a way to allow more employees to have input and improve the diversity of the Board’s workforce. Job openings are now advertised internally before seeking outside applicants. The Board also conducted a survey of former employees to determine why they left. Additional work to further standardize the Board’s personnel practices is underway.

The customer and stakeholder satisfaction team recommended the creation of a Board-wide surveying effort. The goal is to ensure that all program areas survey their customers about the services the Board provides and that the data be collected in such a way that it can be aggregated into a uniform measure of how the Board performs overall in meeting customer needs. Currently, many programs use customer surveys, but the instruments vary and there is no systematic way to ensure valid results. There is also no mechanism to prevent different Board programs from sending surveys to the same customer.

An employee with expertise in these issues has been assigned to create this database and to collect information on which survey instruments are currently being deployed. Once the database is created, an ongoing survey program can be commenced that will touch all service areas of the Board and allow monitoring of trends over time.

The return on investment team developed a template for all Board offices to use in calculating ROI that was based largely on existing work performed by the General Services Division. Program areas are now conducting research and gathering data to calculate their return on investment numbers. In July 2002 a seven-member team in the Office of Human Resources (OHR) completed a comprehensive return on investment study. They found that OHR’s return on investment is 2.44. In other words, one dollar invested in OHR returns $2.44 in equivalent private sector value.

**CONCLUSION**

The progress toward these three objectives, as discussed above, will be a key part of the Budget and Control Board’s next accountability report. Implementation of the objectives and the other Baldrige criteria are also the basis for Executive Director Frank Fusco’s agency head evaluation, which is organized to reflect Baldrige criteria. The Employment Performance Management System (i.e., the state’s performance appraisal form and process) for senior agency leaders has also been revised to fit the Baldrige format.

On August 13 and 14 of this year the same group of Board managers gathered to evaluate the progress that had been made since January and what to do next. The review of the action plans indicated that much had been accomplished in eight months, but that the three priorities of customer satisfaction, employee well being, and return on investment should remain. During the session, the group came up with more than 50 specific action items in those three
categories for the coming year. Benchmarks to measure progress on each item and a “champion” to lead the effort was selected in each area.

In November, the group will meet again to evaluate the FY 2001-02 Budget and Control Board Accountability Report, which is currently being prepared. This evaluation will give the Board and its leadership team another roadmap to follow on its journey to quality.

**ABOUT THE AUTHOR**

Michael Sponhour, B.A., M.A., concentrated his studies on history and journalism at Ohio State University and received a master’s degree in history from the University of South Carolina. He has worked for a number of newspapers including the *Cincinnati Enquirer*, the *Charlotte Observer*, and *The State*, where he was a reporter for 10 years covering local government, education, and state government and politics. Mr. Sponhour is also a graduate of the Knight Center for Specialized Journalism in State Government Finance and the Budget and Control Board’s Executive Institute. Since 1999, he has been Director of Public Affairs for the South Carolina State Budget and Control Board.