IMPLEMENTING A PERFORMANCE MEASUREMENT SYSTEM AT

Phil Flora
Vice President/Director – Internal Audit
Texas Guaranteed Student Loan Corporation

July 15, 2003
Session Outline

- Background Information
- Why Performance Measurement
- Challenges
- Lessons Learned
- Continuous Improvement Process
TG - Background

- Texas public non-profit corporation since 1981
- Outstanding loans guaranteed over $19 billion
- Annual loans guaranteed over $2.5 billion
- Team members/employees – 550
- Annual operating budget $77 million (projects $14 million)
TG – Background (Continued)

- Collections portfolio – over $1 billion
- Voluntary Flexible Agreement (VFA) provides for compensation based on performance standards
- Performance Measurement System – FY1996
- Incentive Plan – FY1997
Why Performance Measurement

- Increased competition
- Changing marketplace
- Retention/compensation of high performers
- Strengthen financial position (stay viable)
Incentive Award Program

**Key Requirements**

- Incentives link to quantifiable performance objectives
- Performance objectives link to corporate vision/mission/customer needs
- Participation for all team members/employees
- Compensation from only one incentive plan
- Short & long term plans
Challenges

• Measuring the right things to effect performance in a positive manner
• Supporting the performance with quantifiable information/data
• Establishing stretch goals/measures/targets
• Reporting performance data on an on-going basis
Challenges (Continued)

- Training staff (e.g. managers, administrative personnel, etc.)
- Measuring the right amount of things to drive performance
- Validating/verifying annual performance
- Using performance information to better manage operations
Challenges (Continued)

• Balancing efficiency & effectiveness measures
• Identifying effectiveness measures other than customer surveys
• Changing measures to better identify/drive performance
• Establishing appropriate cost measures
• Developing measures for corporate projects
Lessons Learned

• Senior management/board support is essential
• Training should occur prior to implementation of the performance measurement system/incentive plan
• Changing performance targets near or at year-end threatens the integrity of the program
Lessons Learned (Continued)

- Measuring the wrong things hurt performance
- Using subprocess/department performance for each team member/employee’s annual appraisal further increases the need for stretch goals
- Improving the process is costly and must occur on a continuing basis
Lessons Learned (Continued)

- Establishing the right data collection systems take time and management emphasis
- Developing a continuous oversight process is challenging, but needed
Continuous Improvement Process

- Review of measures annually – by operations committee, senior management
- Continuous review by the PGM team
- Audit/validation annually by internal audit
Continuous Improvement Process
(Continued)

• Oversight by human resources on a continuous basis

• Improvements occur as needed based on organizational changes, environmental changes, corrections of identified weaknesses, etc.
Continuous Improvement Process
(Continued)

• Trend analysis from year to year by subprocess/department
• Training/awareness occurs at least annually
• Communication of performance through posted scorecards, intranet banners, etc. are important
It’s all right to forget your mistakes.

If you remember their lessons.

Anonymous
Questions

phil.flora@tgslc.org
(512) 219-4616