MEMORANDUM REPORT

June 29, 2000

TO: Management and Fiscal Policy Committee

FROM: Karen Orlansky, Director
            Office of Legislative Oversight

SUBJECT: ***Evaluation of the Management Leadership Service***

In 1998, the Council enacted legislation and approved regulations to implement the Management Leadership Service (MLS). The Council asked the Office of Legislative Oversight to design an evaluation of the MLS based upon the first two years of the program's implementation. This memo outlines issues for the Council to address before the evaluation of the program proceeds.

Sections A through D provide background information and a framework for the Committee's discussion of the two evaluation options outlined in Section E. In sum:

- Option (1) is to proceed with a process and cost evaluation of the MLS in FY 01. Option (1) can be completed this year using in-house staff, and is the lower cost and less time consuming option.

- Option (2) is to invest in a baseline data collection in FY 01 so that a results-oriented evaluation of the MLS can be conducted in the future. This option requires outside consultant assistance (estimated first-year costs of $100K), but also has potential uses beyond decision-making on the MLS.

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A. OVERVIEW OF THE MANAGEMENT LEADERSHIP SERVICE

In 1998, the County amended County law (Chapter 33, Personnel) and adopted Executive Regulations to establish the Management Leadership Service (MLS). Since that time, the Council has approved a number of relatively minor changes to the program in the form of Executive Regulations that amended the Regulations approved in 1998.[1]

Part 1 of this overview section provides a current description of the MLS program. Part 2 includes a brief history of the MLS.

1. Current Program Description

The Management Leadership Service includes three separable but related components:

- A broad band classification system;
- A two-part performance accountability system - performance planning and evaluation, and performance-based pay; and
- A professional development and training program.

The County Government assigned employees to the MLS based upon their management/policy occupational classes. A list of the specific classes in the MLS is at ©1. In the first year of the MLS, 101 Executive Branch employees and nine Legislative Branch employees were assigned to the MLS.

Broad band Classification System

The concept of broad band classification is to group occupational groups into broadly defined career paths based on their common functions, responsibilities, and authority. Each career path is then divided into broad salary ranges, or pay bands. Broad banding is described as a simpler system with fewer constraints than government's traditional classification system.

From a manager's perspective, broad banding provides greater flexibility to assign employees to different jobs, without running into the obstacle that an employee is working "out of class." From the employees' point of view, broad banding can open up more opportunities for job rotation and/or increased job responsibilities. For many employees, especially those who had been at top-of-grade, broad banding also opens up the possibility of increased compensation.

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[1] See page 8 for a list of specific changes since 1998.

The MLS consolidated 59 selected management/policy classes into one management career path with two pay bands. Level I (M1) consolidated the classes that had been pay grades 33 to 36, and Level II (M2) consolidated the classes that had been pay grades 30 to 32.[2] The table below shows the MLS salary schedule for FY 01, effective July 1, 2000.

Management Leadership Service
Salary Schedule for FY 01

Pay Band	Level	Minimum	Control Point	Maximum
I	Management Level I (M1)	$62,362	$105,926	$110,766
II	Management Level II (M2)	$54,532	$94,552	$98,999

Performance Accountability System

The MLS' performance accountability system consists of two parts: performance planning and evaluation; and performance-based pay.

Performance Planning and Evaluation. The performance planning and evaluation part of the program requires supervisors of MLS participants and MLS participants to jointly develop written performance expectations in a standard form, the "MLS Planning for Excellence in Performance Form."

A blank MLS Planning for Performance in Excellence Form is attached at ©3. Part 1 of the form identifies performance targets for specific tasks assigned to the MLS participant during the review period. Part 2 identifies the competencies that are expected of all MLS participants, e.g., customer service orientation, personal accountability. The form also includes a place to describe the MLS participant's professional development goals.

During the review period (typically one year), the MLS participant's supervisor observes and reviews the employee's performance, meets with him/her mid-year to discuss progress, provides him/her with a written annual performance evaluation, the opportunity to discuss the evaluation, and an overall performance rating. A MLS employee can receive one of three overall ratings:[3]

- Exceptional performance;
- Effective performance; or
- Does not meet expectations.

Executive Regulation 18-98AM establishes the criteria for each rating; see excerpt at ©15.

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[2] As approved by the Council in 1998, the MLS includes Manager Levels I and II. The Executive's initial MLS proposal included a third level. Manager Level III would have included approximately 120 supervisors who are currently in occupational classes classified in pay grades 27 to 29. In June 2000, the Council disapproved an Executive Regulation to add Level III, indicating they believed it was still premature to add additional classes to the MLS.

[3] An ongoing discussion between the Council and the Office of Human Resources has been the number of rating categories, with some Councilmembers expressing the view that the program would benefit from having more than three rating categories.

Performance-based Pay. MLS participants whose performance is rated "effective" or "exceptional" receive the general pay adjustment that is approved for other non-represented merit system employees. These MLS participants are also eligible for additional performance-based pay, either in the form of an increase in base pay or a lump-sum payment. MLS participants whose performance is rated "does not meet expectations" receive no pay adjustment.

Executive Regulations contain a rubric for determining performance-based pay. In sum, a MLS employee's supervisor decides the MLS participant's performance-based pay adjustment based upon the participant's overall performance evaluation rating, combined with where the employee's current salary falls in the pay band, i.e., below a so-called "control point," above the "control point," or at the top of the pay band.

The Executive Regulation attached at ©17 defines the control point for FY 01 and shows the amount of the potential adjustment, either in the form of a lump-sum payment or addition to base, for each of the three rating categories. This Regulation increased the control point from 80% to 90% of the salary range, and eliminated the previous requirement that pay increases be split between base salary and lump-sum payments for employees who are rated exceptional and whose salary is above the control point.

Professional Training and Development

From its inception, plans for the MLS program included a training and development component. In the fall of 1998, the Office of Human Resources established an inter-departmental Leadership Development Council to advise the Chief Administrative Officer and the OHR Director about the creation and implementation of the Montgomery County Leadership Institute. The objective of the Leadership Institute was articulated as follows:

> The objective of the Institute will be to enhance, through formal training and application, core Management Leadership Service (MLS) competencies and critical leadership skills of managers to increase their effectiveness in leadership roles. (Source: 11/15/99 memo from OHR Director to Department Directors)

The Leadership Institute is set up to include the MLS participants in Pay Bands I and II, plus the other approximately 120 supervisory employees in pay grades 27 to 29, who the Executive has identified as potential members of MLS Pay Band III (see earlier footnote on page 2.). Recent memos from the Office of Human Resource on the Leadership Institute outlined the plans for this year to include:

- A kick-off session (held in early April 2000);
- Seven half-day learning modules conducted over a three month period; and
- A 360-degree leadership feedback survey for every participant.

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This spring, the County entered into a contract with the Johns Hopkins University and Montgomery College (JHU/MC) to deliver the following half-day learning modules.

1. Team building session;
2. Communicating in a high performance environment;
3. Building a high performing team environment;
4. Values and ethical dilemmas in the decision-making process;
5. Strategic thinking;
6. Problem solving and decision making networks; and
7. Managing and coping with change.

Three cohort groups began the Leadership Institute in May and will complete the seven modules in July. Based on participant feedback and OHR's observations, one classroom session was postponed to retool the session. OHR felt that this was in the best interest of both participants and the Institute. This summer, OHR plans to continue work with JHU/MC to strengthen the curriculum.

Another piece of MLS training and development is the Quarterly Leadership Forums (QLFs). Started in 1998, approximately 300 Executive Branch managers (including all Executive Branch MLS participants) attend these quarterly meetings, which are used as forums for networking, discussing management issues and topics, and learning from guest speakers and special presentations.

2. History of the Management Leadership Service

The Management Leadership Service evolved from almost ten years of discussion about the feasibility of implementing some type of special compensation and training program for senior County merit system employees. The names used to refer to this potential program over the years were the Senior Management Service), the Leadership Development Service, and finally the Management Leadership Service.

Consultant Studies and Task Force Reports

In the early 1990's, the County Government hired a consultant (KRA) to study the feasibility of establishing a County program similar to the Senior Executive Service (SES) in the federal government. In July 1993, KRA issued a report that endorsed the concept. To follow-up on the KRA report, the Chief Administrative Officer (CAO) appointed two task forces:

- The CAO appointed the Senior Management Service (SMS) Task Force to review the KRA report and submit a formal recommendation on whether to proceed with a program in Montgomery County that is similar to the Senior Executive Service. Twelve senior County employees served on the SMS Task Force.

- The CAO appointed the Employee Evaluation Study Team (EEST) to identify and consider issues related to improving the way the County evaluates individual employee and team performance. Fifteen management and professional employees from various departments, including two union representatives, served on the EEST.

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The SMS Task Force submitted its final report to the CAO in July 1994. The report recommended the County establish a Senior Management Service. Later that year, the Office of Human Resources hired the consultant group Hay and Associates to design the performance appraisal and compensation components of the SMS. As part of the development effort, OHR and Hay Associates sought input (in the form of focus group meetings and interviews) from selected department heads and employees. The Executive Summary of the SMS Task Force is attached at ©22.

The EEST Team presented its report and recommendations to the Total Quality Management Council in November 1994. The report concluded that the existing Performance Planning and Appraisal program was not sufficiently meeting the needs of the County Government employees. The EEST Team recommended the County replace its Performance Planning and Appraisal program with a more flexible program called the Planning for Excellence Program (PEP)., The Executive Summary of the EEST Team attached at ©29

1994 Election and Change in Administration. As a result of the 1994 election and subsequent change in County Government administration, the various task force reports and recommendations relating to the SMS and PEP were temporarily placed on hold.

In April 1996, the Office of Human Resources (OHR) Director announced plans to convene a task force to undertake regulatory reform. The Regulatory Reform Task Force consisted of 49 members, 16 from OHR and 33 from other departments and offices.

The Regulatory Reform Task Force's charge was to:

- Determine how OHR should function to make OHR policies and programs an asset rather than an impediment to managers;
- To identify problems caused by OHR regulations;
- To identify changes that need to be made to OHR policies and programs to meet the challenges that departments face in managing the workplace; and
- To identify the regulations that most need revision, updating, simplification, or elimination.

The Task Force issued an interim report in March 1997 and a final report in June 1997. An excerpt from a presentation made to the MFP Committee by the Regulatory Reform Task Force on findings and recommendations related to classification, performance appraisal, and linking pay to performance is attached at ©33. A June 1997 transmittal memo from the OHR Director to the County Executive identified the Leadership Development Service as a program that responded to issues raised by the Regulatory Reform Task Force. This memo is attached at ©39.

Legislative History

On January 20, 1998, on behalf of the County Executive, the Council introduced Bill 1-98 to establish the Leadership Development Service. The County Executive later submitted amendments to the Personnel Regulations to implement the program. By law, amendments to the Personnel Regulations are method (1) Executive Regulations, which require Council approval.

In May 1998, following several public hearings and a series of MFP Committee worksessions on the legislation and proposed Executive Regulations, the Council approved Bill 1-98, as recommended with amendments by the MFP Committee. In June, the Council approved Executive Regulation (40-97AM3), which amended various sections of the Personnel Regulations to create the MLS.

Council discussion of the related Executive Regulations continued into the fall of 1998. On October 20, 1998, the Council approved two related Executive Regulations with several amendments that the Executive made at the request of the MFP Committee:

- Executive Regulation 12-98AM, *Personnel – Performance Based Pay for Employees in the Management Leadership Service*, established a performance based pay system for employees in the MLS; and

- Executive Regulation 18-98AM, *Personnel—Performance Planning and Evaluation for Employees in the Management Leadership Service and Other Employees Not Represented for Collective Bargaining Purposes* replaced a previous Administrative Procedure to establish a performance evaluation system for all unrepresented employees, including those in the MLS.

The chart on the following page compares the key provisions of the law and Executive Regulations, before MLS, as proposed by the County Executive, and as approved by the Council to establish the framework for the Management Leadership Service.

The MLS Sunset Date

Executive Regulation 40-97AM3, which established the MLS in the County's Personnel Regulations, included an initial sunset date of October 15, 1998. In October 1998, the Council approved Executive Regulation 20-98 to extend the sunset date to June 30, 2000. Earlier this year, the Council approved Executive Regulation 2-00AM, which again extended the sunset date, this time to March 1, 2001. [4]

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[4] ER 2-00 also requires the County Executive to submit, no later than September 1, 2000, a proposed Executive regulation to comprehensively revise the Personnel Regulations. The comprehensive revision is expected to include the regulatory framework for the MLS.

Comparison of Key Provisions

System Before MLS	Executive's Proposal	Council Action - 1998
Name – N/A	Name – Leadership Development Service (LDS)	Name – Managerial Leadership Service (MLS)
Covered Employees – N/A	Covered Employees – 3 bands (Band I-Grades27- 29), (Band II – Grades 30-32), (Band III –Grades 33 – 36).	Covered Employees – 2 bands (Band I-Grades 33-36), (Band II- Grades 30- 32). The control pt. is 80% of the salary range
Compensation – Automatic COLA plus 3.5% increment (for employees not at top of grade). Increases budgeted in Dept. or compensation NDA. Budget method consistent for all employees (bargaining/nonrep./management).	Compensation – Eligible for COLA and Performance-based pay. Eliminate service increment, comp time, overtime, pay differentials and (for lowest rating) COLA. Pay for Performance budget item in each Dept. For 1999 only – COLA + 2%	Compensation - Eligible for COLA and Performance-based pay. Eliminate service increment, comp time, overtime, pay differentials and (for lowest rating) COLA. MLS Pay for Performance NDA. For 1999 only – COLA +2% (No 2% for employees at top of current grade)
Comp Time –Earned only after 45 hours per week.	Comp Time – No Comp Time – LDS Employee working any portion of a day not required to take leave.	Comp Time – No Comp Time – MLS employee who works more than half of scheduled workday may be granted administrative leave. Dept. director may grant administrative leave for more than half of a regularly scheduled workday.
Leave Carryover – 240 hours (except 35 employees affected by 1972 pay system change allowed 320 hours).	Leave Carryover – 320 Hours (Except 35 employees affected by 1972 pay system change allowed 400 hours).	Leave Carryover – 320 Hours- No Exceptions.
MSPB – Review of new position classifications.	MSPB – Discontinue MSPB review of all position classifications.	MSPB – Continue review of new position classifications except for positions in MLS.
·formance Evaluation – Varies from ⸤ʳpartment to department.	Performance Accountability System – 3 ratings – Highly commendable, Effective Performance, Does Not Meet Expectations.	Performance Accountability System - 3 ratings—Highly Commendable, Effective Performance, Does Not meet Expectations.
Performance Evaluation Concerning Diversity – N/A.	Performance Evaluation Concerning Diversity- Includes evaluation of employee's success complying with anti-discrimination and equal employment opportunity requirements in appraisal form but not in regs.	Performance Evaluation Concerning Diversity- Includes in Regulations an evaluation of employee's success complying with anti-discrimination and equal employment opportunity requirements. (Also required by law).
Performance Plan – Employee has the right to receive written performance standards at the start of evaluation period.	Performance Plan – Right to receive written performance standards at the start of evaluation period in administrative procedures but not in regulations.	Performance Plan - Includes in Regulations employee's right to receive written performance standards at the start of evaluation period.
Performance Rating Appeal – Employee can appeal on procedural grounds when rating is "unsatisfactory".	Performance Rating Appeal – No appeal allowed if procedural violation was not "significant" and overall rating is unsatisfactory.	Performance Rating Appeal – Grievance may be dismissed if procedural violation did not affect employee's "unsatisfactory" rating.
Probationary Period – 6 months.	Probationary Period – 12 Months	Probationary Period – 12 Months.
Reductions in Force – Based chiefly on Seniority	Reductions in Force – Based on Service Needs, Performance, Seniority	Reductions in Force - Based on Service Needs, Performance, Seniority.
Reports – N/A.	Reports – None	Reports – Progress Report by OHR after one year; Evaluation by OLO after two years.
Sunset Date – N/A.	Sunset Date – N/A	Sunset Date – October 15, 1998, to be revised with adoption of performance standards and pay regs.

The reasons cited during the legislative process for including a sunset provision centered around the fact that the MLS represented a new approach to evaluating, compensating, and training a group of County employees. The Executive Regulations approved by the Council authorized the Executive to implement the MLS for employees in two of the three paybands proposed by the County Executive. The Council indicated that the Council's future decision concerning whether to expand the MLS to the third band would be based on whether implementation of the first two bands proved to be a "success."

OHR's Review of First Year Program Data

When the law and regulations establishing the MLS were approved, the Office of Human Resources indicated OHR would conduct a review of the program after one year. The review was to include the distribution of performance pay based on employees' ethnicity and gender.

In November 1999, OHR transmitted its report on the first year of MLS to the MFP Committee; a copy of OHR's report is attached at ©49. The review includes information on the distribution of performance ratings and pay increases granted to MLS participants in July 1999, and a description of the Leadership Institute. The review also sets forth OHR's plans for future enhancements to MLS.

Changes Since 1998

During the first year of MLS implementation, the title of the top performance rating was changed from "Highly Commendable" to "Exceptional Performance." Earlier this year, the Council approved Executive Regulation 7-00 to amend several details of the MLS.

In particular, Executive Regulation 7-00:

- Increased the control point from 80% of the salary range to 90% of the salary range;

- Eliminated the requirement that pay increases be split between base salary and lump sum for employees who are rated as "exceptional" and whose salary is above the control point; and

- Revised the funding requirement so that OMB can fund performance-based pay for MLS participants based on spending experience rather than maximum funding.

In June, the Council disapproved Executive Regulation 6-00, which had proposed expanding the MLS to include Pay Band III.

B. SUMMARY OF LESSONS FROM THE EMPIRICAL RESEARCH ON PERFORMANCE BASED PAY IN THE PUBLIC SECTOR

The great majority of organizations pay their employees an amount of money that is somehow linked to an evaluation of the employees' work performance. The concept of paying individuals according to what they accomplish is both logically compelling and widely accepted.

Most of the professional literature on performance-based pay describes how organizations "should" implement compensation systems that tie employees' pay to employees' performance. Relatively few research findings have been published about organizations actual experience with performance-based pay, and even less about the outcomes of pay for performance plans under various organizational conditions.

A scan of the empirical research conducted to date suggests that the outcomes of a performance-based pay plan are unlikely to be all positive or negative. The documented experience in the public sector suggests that a specific performance-based pay plan is more likely to be successful along some lines and not so successful along others. For example, the research shows that it is mechanically possible to design and implement a compensation system that links pay adjustments to employees' supervisors' appraisals of the employees' performance. The extent to which this link actually leads to favorable outcomes, such as improved service quality, higher employee morale, or intra-office cooperation, is much less certain.

The most rigorously evaluated performance-based pay system is the Federal Merit Pay System. Overall, studies of this system have not found a consistent relationship in the federal government between merit pay and improved performance, or between merit pay and subsequent employee motivation. These studies are consistent with the National Academy of Sciences' observation that it could find little if any solid empirical evidence that pay for performance had achieved any of its primary objectives in the federal government.

The attached article (See ©60) by J. Edward Kellough published in the *Review of Public Personnel Administration (Spring 1993)* contains an easy to read summary of the empirical research on the effectiveness of performance-based pay in the public sector. **It also offers a number of reasons why governments do not abandon the concept of performance-based pay despite the mixed empirical evidence of favorable results.**

Kellough maintains that the public sector remains committed to making performance-based pay work because:

- Performance-based pay is an important symbolic response to public perceptions of bureaucratic inefficiency and demands for accountability;

- Performance-based pay is so prevalent in the private sector and there is a sense that because they do it in business, we can and should do it in government;

- Performance-based pay is believed to enhance classical notions of good management; and

- Given extensive investment in the concept, there is reluctance to admit it might not produce all of its desired results.

The bottom-line lessons that OLO takes from review of the research base is that the benefits of implementing a particular performance-based pay program should not be assumed on blind faith. **Because desirable outcomes are not guaranteed, and because performance-based pay is a concept that is likely here to stay, it becomes even more important to figure out how it can most likely achieve desirable outcomes in Montgomery County.**

C. THE DIFFERENT TYPES OF PROGRAM MEASURES

In its most general sense, program evaluation is any structured process for determining whether a particular program is being managed efficiently and effectively, and whether program activities are producing desired results. A constructive program evaluation is one that helps decision-makers diagnose difficulties and make improvements in program operations.

Program evaluation aims to answer these questions based upon indicators of program performance. In recent years, the public sector has grown more sensitive to the different types of performance indicators or measures. The attached excerpt from David Osborne and Ted Gaebler's book, *Reinventing Government,* provides a brief refresher on the difference between measuring process, results, efficiency and effectiveness. (See ©74) In sum:

Process vs. results. A process measure gives us information about how well an administrative process is carried out, but a results evaluation looks at what a program actually accomplishes. Process measures are primarily workload indicators or outputs, such as the number of clients served, length of processing time, and percent of time rules are followed. While process measures can help organizations improve their management of programs, a good process does not guarantee results. As Osborne/Gaebler put it, "A perfectly executed process is a waste of time and money if it fails to achieve the outcomes desired."

Efficiency vs. effectiveness. An efficiency measure quantifies how much each unit of output costs. An efficiency measure tells us how much it is costing to achieve a specific output, e.g., cost per job trainee. On the other hand, effectiveness is a measure of the quality of the outcome, that is, how well did the outcome achieve a desired outcome. With job training, for example, the effectiveness measure is information about trainees placed in jobs that they kept for a specified period of time. Both efficiency and effectiveness are important, but effectiveness measures inform us whether a particular investment is worthwhile.

D. IMPEDIMENTS TO A RESULTS-ORIENTED EVALUATION OF MLS

The data needed to conduct a process and cost evaluation of the MLS for the program's first two years of implementation are readily available, primarily from program data maintained by the Office of Human Resources. As noted earlier, OHR packaged some process and cost data for the first year of program implementation in a November 1999 memorandum to the MFP Committee. (Copy attached at ©49.) **However, the raw ingredients from which to measure the results or effectiveness of the MLS do not exist.**

This section explains the major impediments to conducting an evaluation of the MLS in FY 01 that goes beyond reviewing process and cost issues.

At the time the MLS was established, no well defined, measurable results for the program were identified. When the laws and regulations to establish the MLS were approved, no decisions were made about how program "success" would be measured and gauged over time. Except for the mechanical test of whether the MLS links pay adjustments to employees' supervisors' appraisals of employees' performance, none of the objectives listed provide sufficient direction on how to answer the threshold question of how to measure and/or recognize MLS success.

A table of the different ways the law, regulations, and other documents articulated the "intent" or "objectives" of the MLS is at ©80. There are both common themes and differences among the lists. "Linking pay to performance" and "rewarding excellence" are consistently identified as objectives of the MLS. Although the exact words vary, other MLS objectives mentioned in several documents relate to:

- Increasing manager accountability;
- Improving the mobility of managers;
- Creating a cadre of managers with a County-wide identify and focus; and
- Enhancing management and leadership skills through training.

The law (Section 33-11) and Executive Regulations (ER 12-98) refer in different ways to "improving performance." The law also states the MLS is designed to "attract and retain highly competent senior managers."

Even if the Council and County Executive today reached a consensus on what MLS success would look like, no baseline data exist from which to measure change. The various task force and consultant reports that led up establishment of the MLS primarily contain anecdotal data. OLO does not believe that the limited survey data that are available constitute reliable baseline data for evaluating the results of the MLS.

There has not been sufficient experience with the Leadership Institute to evaluate its impact in any meaningful way. The MLS was established as a multi-dimensional program with separable but related components. To date, there is only limited experience with the Leadership Institute, which is a key training and development component of the MLS. The Leadership Institute held its kick-off in April and the classroom learning modules just started meeting this summer.

The evaluation options for Committee consideration begin on the next page.

E. EVALUATION OPTIONS FOR COMMITTEE DISCUSSION

This section outlines two evaluation options for Committee discussion. OLO advises Councilmembers to support the option that makes the most sense to them in terms of the inevitable trade-off between cost, time, and texture of information provided. Resources available for evaluation are not unlimited, and there is no objectively "right" or "wrong" decision.

- Support Option (1) if you believe that a process and cost evaluation of the MLS will provide sufficient information for the Council's future decision-making on the MLS. Option (1) is less costly and less time consuming.

- Support Option (2) if you believe that a broader evaluation that measures the effect of the MLS program on results, such as employee performance and/or employee job satisfaction, is needed for the Council's future decision-making. Option (2) would be a substantial investment of time and money, but also has potential uses beyond decision-making on the MLS.

Option (1): Request OLO or Executive Branch staff to conduct a process and cost evaluation of MLS in FY 01, using data that are readily available.

Option (1) represents moving ahead with a process and cost evaluation of the MLS in FY 01, based upon the two years of program data that are readily available. Either OLO or Executive Branch staff could accomplish the work associated with Option (1).

The Office of Human Resources maintains data on the demographics of MLS participants, data on the pay adjustments awarded to MLS participants, and other related personnel data such as new MLS hires and MLS retirements. OHR also has information on the plans and activities to date of the training and development component of the MLS. OHR compiled some of this process and cost data in a memorandum to the MFP Committee last November (attached at ©49).

Using readily available program data for FY 00 and FY 01, Option (1) can answer mechanical program process and cost questions such as:

- What does the distribution of MLS performance ratings and pay adjustments look like?

- How does the current distribution of MLS salaries compare to what it would have been without the establishment of the MLS?

- How well are the mechanics of the MLS program functioning, e.g., are forms being completed properly and submitted on time? Are other procedures outlined in the Executive Regulations governing the MLS being followed?

- What were the total and marginal costs of the MLS in FY 99 and FY 00? How do the actual costs compare to the estimated fiscal impact?

- How many hours of training did MLS participants attend? What was the substance of the training? What are the MLS training plans for FY 01?

- How has the cohort of MLS participants changed over the past several years, in terms of number, gender, age, retirement plan, etc?

When discussing the pros and cons of Option (1), one perspective to keep in mind is that the Council makes many decisions about the funding and structure of programs without having reliable data on program results. Increasingly, the Council is receiving at least some program measures, e.g., number of clients served, processing time, unit cost information; and outcome or results data are becoming more prevalent. However, there are still plenty of examples where funding decisions are made based only on a program description and estimate of total program costs.

Estimated Cost, Time Table, and Staffing of Option (1)

➤ Option (1) can be accomplished without outside consultant assistance.

➤ The Office of Human Resources expects to have participation and cost data on the second year of MLS by September. Assuming the needed data are available, Option (1) could be completed this fall.

➤ OLO estimates that Option (1) would take between 120-150 hours of OLO staff time, which translates into a cost of between $5,000-7,000. (This calculation uses OLO's average FY 01 personnel cost of $42/hour.)

➤ Because of more direct data access and experience with compiling some first year program data, OLO believes it would take Executive Branch staff even less time than OLO to complete Option (1).

Option #(2): Request the Chief Administrative Officer, as administrator of the County's merit system, to take specific action in FY 01 so that a results-oriented evaluation of the MLS can be conducted over the next 3-5 years.

Option (2) represents an investment of time and resources in a future evaluation of MLS' results. If the Committee believes the Council's future decision-making on the MLS requires reliable data on how well the MLS is achieving specific measurable outcomes (i.e., results), then the Committee should recommend the Council support a process to make this possible.

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There are numerous ways to put together the raw ingredients for a future results evaluation, and no "correct" way to do it. The rest of this section discusses the necessary components.

OLO believes the scope of data collection and program design activities outlined below are fundamentally Executive Branch responsibilities. Section 402 of the County Charter designates the Chief Administrative Officer as responsible for administering the County's merit system law, subject to merit system laws and regulations. As outlined in Charter and law, the Council's role would continue to be to approve the law and regulations governing the MLS, to appropriate funds for the MLS, and to exercise general program oversight.

Baseline Data and Measurable Objectives

As reviewed earlier, one of the prerequisites for a results-oriented program evaluation is a list of measurable objectives for the program to accomplish. Ideally, the various decision-makers reach consensus on the highest priority program objectives, and agree on how progress toward these objectives will be measured and evaluated over time.

For purposes of discussing a results-oriented evaluation of the MLS, assuming that agreement is reached that two important **goals**[5] of the MLS are to:

- Improve MLS participants' job performance; and
- Improve MLS participants' motivation and feelings of job satisfaction.

Developing **objectives** for a program requires the definition of a measurable problem or situation for the program to address. For example, if the goal of the MLS program is to improve MLS participants' job performance, then we must define what it is about their current job performance that needs improvement. Similarly, if the goal of the MLS program is to improve MLS participants' motivation and feelings of job satisfaction, then we need to define what it is about their current motivation and job satisfaction situation that needs change.

If there is interest in pursuing a future results-oriented evaluation of the MLS, OLO recommends two baseline data collection efforts, both of which have potential uses beyond the management and future decision making on the MLS.

Baseline data on skills and competencies

OLO maintains that reliable data on the skills and competencies of employees provides a reasonable and feasible approach to measuring changes in employee performance over time.[6]

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[5] A program goal is a broad statement of intended accomplishments. A program objective is a specific and measurable condition that must be attained to accomplish a stated goal.

[6] OLO recognizes that accepting a skill assessment as a surrogate measure of employee performance assumes that if employees' skills improve, then so will their performances.

Various methods exist for collecting baseline data on employee skills and competencies. A common approach used widely in the private sector (and increasingly being used in the public sector) is a self-assessment combined with a reliable 360 assessment. A 360-degree assessment is feedback about skills and competencies that is obtained from a range of supervisors, co-workers, peers, and other customers.[7] Some organizations augment these with third-party observations or tests of employees' competencies in structured scenarios.

To enable the County to use this baseline data collection for multiple purposes, OLO recommends collecting baseline data on the skills and competencies of:

- MLS participants;
- MLS supervisors; and
- Potential MLS participants.

The County can use these baseline data to identify skill areas where individual and/or groups of employees are high performers, and areas where skill improvements are needed. Data on the skills and competencies of the MLS participants can be used to identify specific measurable objectives for the MLS to strive for. For example, if 40% of the MLS participants receive low ratings for their presentation skills, then a measurable objective of the MLS could be to improve the presentation skills of these MLS participants. Similarly, if 90% of the MLS participants receive high ratings for their ability to work in teams, a measurable objective of the MLS could be to maintain this rating for 90% of MLS participants.

Baseline data on various dimensions of job satisfaction and motivation

The professional human resources literature identifies the following dimensions of overall employee job satisfaction and motivation:

- Direct pay
- Indirect pay
- The job itself
- Respect
- Recognition
- Opportunities for growth
- Involvement in decisions

Reliable survey data can be collected on some or all of these dimensions from MLS participants and potential MLS participants. If the decision is made to pursue such a data collection, OLO sees advantages to using one of the survey instruments that has a track record of reliability in other organizations. Using a known instrument would also provide the County with the opportunity to benchmark our results to other organizations.

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[7] As noted above, OHR's plans for the Leadership Institute include some type of 360 assessment for Institute participants.

The results of this baseline data collection would provide much useful information beyond identifying measurable objectives for the MLS to address over time. Good survey data on job satisfaction and motivation issues would provide valuable input to other County management decisions concerning direct and indirect pay, rewards, and work environment.

Final Steps toward Results Evaluation

Once a list of measurable objectives for the MLS has been agreed to, two issues remain to be addressed:

- **Ensure there is a logical connection between the structure of the MLS program and the objectives identified.** If there is a gap between what the program is expected to address and the structure of the MLS program, then this would be an appropriate time in the process to re-visit and perhaps revise the structure of the MLS.

- **Decide the frequency and substance of data collection and analysis.** This decision will follow directly from previous decisions made about measurable program objectives. Whether progress toward these objectives is measured annually or according to some other time schedule becomes a question of resources and a judgement about how often decision-makers want to "check in" and measure how much progress the MLS is making toward achieving its measurable objectives.

Estimated Cost, Time Table, and Staffing of Option (2)

➤ Option (2) requires outside consultant assistance, beginning with the collection and analysis of the baseline data. OLO's ballpark estimate of first-year consultant assistance for baseline data collection and analysis is $100 K. (This cost might be less if it is determined that the 360 assessment that OHR has already contracted for can be used for baseline data collection purposes.)

➤ Even if work on Option (2) started immediately, meaningful findings from a results-oriented evaluation of MLS would unlikely be available for a minimum of three years. Realistically, it would probably be closer to five years before several years of reliable results data are available.

➤ As indicated above, OLO believes the scope of data collection and program design activities outlined in Option (2) are fundamentally Executive Branch responsibilities. Under Option (2), the Council's role would continue to be to approve the law and regulations governing the MLS, to appropriate funds for the MLS, and to exercise general program oversight.

Impact on OLO's FY 01 Work Program

OLO will integrate the Committee's recommendation on OLO's FY 01 role (if any) in an MLS evaluation into OLO's proposed FY 01 Work Program. OLO's upcoming Work Program is scheduled for MFP Committee review on July 20, and Council approval before summer recess.

Attachments

	Begins at Circle #:
List of occupational classes assigned to the MLS	©1
MLS Planning for Excellence in Performance Form	©3
Excerpt from Executive Regulation 18-98AM	©15
Executive Regulation 7-00, Amendment to 12-98AM	©17
Executive Summary from the Senior Management Service Task Force Report, July 1994	©22
Executive Summary from the Employee Evaluation Study Team Report, November 1994	©29
Excerpt from briefing on Regulatory Reform Task Force Report	©33
Memo from OHR Director to County Executive, transmitting Regulatory Reform Task Force Report, June 1997	©39
First Annual Report on the Management Leadership Service, transmitted from OHR to the MFP Committee in November 1999	©49
Kellough article, Review of Public Personnel Administration	©60
Excerpt from Osborne and Gaebler, Reinventing Government	©74
List of MLS objectives, as cited in law, regulations, and other documents	©80