

“You can’t manage what you can’t measure”

- Common business axiom (often incorrectly attributed to W. Edwards Deming)

1. Brief Description of the Enterprise Business Performance Scorecards

VHDA has established enterprise business performance scorecards (hereafter referred to as “the scorecards”) as part of its overall enterprise planning and performance management processes. The objective is to improve decision making, and to drive accountability and transparency into organizational goals and objectives. The first scorecard accompanies a quarterly performance report, and is used by the executive team and Board of Commissioners to provide insight into progress towards achieving the outcomes defined in the Authority’s strategic plan. A second scorecard focuses on business process improvement in key administrative functions, such as human resources, financial management and information technology.

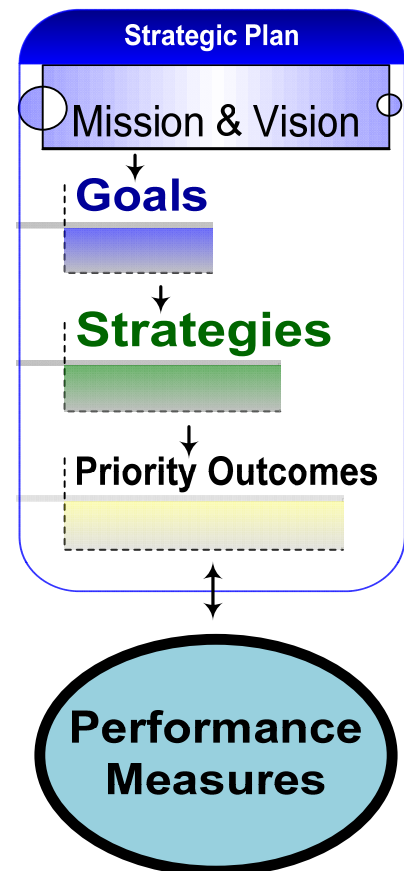
The scorecards combine elements of performance metrics and qualitative analysis with the visual style of a scorecard. The scorecards are produced on a quarterly basis to allow VHDA executives and the Board of Commissioners the opportunity regularly review and discuss progress, challenges and make necessary adjustments to strategies and tactics.

Metrics were identified that allowed the combination of VHDA performance data with objective, external comparators (such as reports published by MBA or Fitch) and/or internal performance thresholds or targets. These comparators are added to provide additional context against which to judge VHDA’s progress.

The data is then presented visually, typically through one or more charts. Rather than simply chart current state or even year-over-year performance changes, the scorecards typically provide a view of the results over the five years prior to the current planning cycle. Inclusion of data that covers a longer period provides greater context and clearly illustrates any trends that exist.

As the results are calculated each quarter, VHDA staff analyzes the factors that support or hinder progress toward the desired outcome. This analysis serves as the basis for commentary that more fully describes the results, as well as communicating anticipated challenges and any recommendations specific to the outcome.

Based on the accomplishments, each outcome or objective is then assessed against expected progress or targets. The assessment results in assigning a progress indicator for each outcome, which follows a typical green/yellow/red method associated with scorecards. The statuses, taken as a whole, provide a scorecard view of VHDA’s effectiveness at accomplishing its strategic goals.



2. Why/When it was undertaken

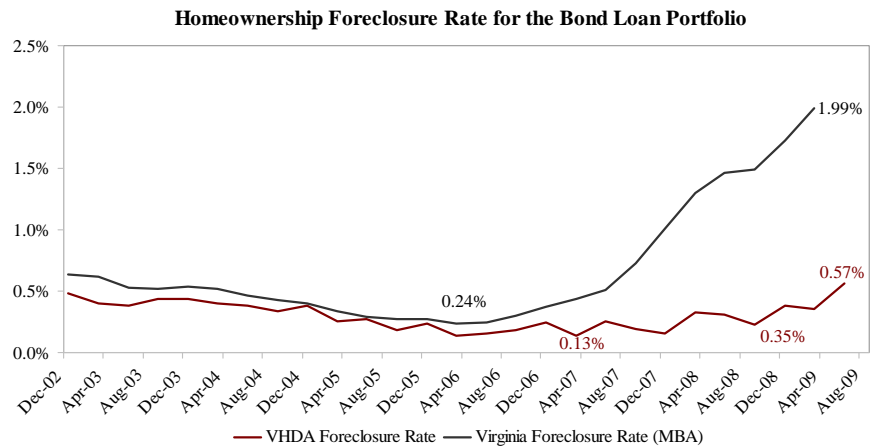
Fundamentally the scorecards serve to ensure that VHDA remains focused on the outcomes defined in its strategic plan, while also maintaining internal operations at acceptable performance levels. The scorecards provide an entry point into VHDA’s business intelligence systems by aggregating information across divisional boundaries (and from disparate systems) into a concise scorecard and supporting information.

More broadly, the scorecards were created to improve monitoring progress towards the outcomes defined in VHDA’s strategic plan, provide a consistent set of measures upon which decisions are made, facilitate transparency and foster accountability for performance results. The scorecards also serve as communication tools to ensure common understanding of objectives and achievements among the staff, executives and VHDA’s Board of Commissioners.

A scorecard proof of concept was created and reviewed in August, 2007. Discussions about what data to include and how to effectively present the data lead to significant changes. Based on that feedback, the first version of the report was issued in October, 2007. Modifications were gradually introduced over subsequent iterations, and the scorecard component added in July of 2008.

3. What VHDA has accomplished

The enterprise business scorecards have been instrumental in driving discussions among VHDA's management, executive team, and board members. The discussions helped not only to keep all parties informed, but also lead to decisions that ultimately improved performance. VHDA has already accomplished four of its twenty-three strategic outcomes a full year ahead of schedule.



For example, in just two years VHDA has used its mixed use/mixed income program to generate over \$100 million in total investment, much of that total geared towards revitalization projects in central cities. Of the remaining eighteen outcomes, fourteen are on track to be achieved by the end of the current fiscal year, while the remaining have experienced challenges that may delay completion beyond the original target of June 30, 2010.

Also important is that the results of several outcomes have improved as a direct result of the visibility provided by the scorecards. Regular review of the performance results lead to open discussion of the challenges faced by VHDA. These discussions, in turn, open the door to deeper analysis, understanding of market realities, and adapting tactics to accomplishing strategic outcomes. As an example, VHDA reallocated staff and developed a borrower assistance program to provide enhanced loan modifications based on the reported increase and serious delinquencies and foreclosures in the single family portfolio. To date VHDA has avoided over \$1.2 million in foreclosures due to these enhanced loss mitigation initiatives.

In addition, as metrics have been refined or explored more thoroughly, VHDA has uncovered inconsistencies in data definitions, discovered data quality issues and even different interpretations of strategic goals and outcomes. The regular review and analysis of the data included in the report has pushed VHDA to correct these issues as they are discovered. As the scope of the performance measures expands, VHDA is becoming more culturally aware of the need for better data integration, higher overall data quality, and consistent metric definitions.

4. Why the Enterprise Business Performance Scorecards are Meritorious & Meets NCSHA Judging Criteria

As noted above, VHDA's performance scorecards represent a significant advancement in how the Authority utilizes data to inform decision making and has more tightly bound staff and resource allocation to strategic priorities. The scorecards provide a direct link between the enterprise goals identified in the strategic plan and the activities VHDA staff engage in to accomplish those goals.

Regular review of the data and analysis presented through the scorecards inherently focuses attention on organizational priorities. Because strategic goals necessarily involve coordination across department or divisional boundaries, the scorecards help clarify the inter-dependent nature of the work necessary to accomplish the strategic goals. This allows senior management and staff to more effectively prioritize staff and resource commitments, and to coordinate across departmental boundaries.

The need for coordination has never been clearer than in the past two years, when the foreclosure and financial crises created a business environment that remains challenging to all housing finance agencies across the country. In this climate, the data presented in the performance scorecards has not only provided a clear reference point to assess progress, but fostered discussion and ad hoc analysis that materially influenced VHDA's decisions and tactical approach to several key challenges.

To refer back to an earlier example, the performance scorecard tracks the rate of foreclosure and serious delinquency within the homeownership portfolio. The data made clear that, although significantly healthier than Virginia overall, VHDA's homeownership portfolio was beginning to show signs of weakness. Discussions among the executive team and senior management resulted in the creation of a borrower assistance program to utilize internally-generated subsidies to reduce principal and interest payments for qualified borrowers. These subsidies would typically be used in our lending programs, but were diverted to the assistance program as a result of the obvious trend in delinquencies and foreclosures.

In addition, as the number of distressed borrowers increased, outbound call volumes and average call time climbed. VHDA responded by reallocating staff from other departments to support loss mitigation efforts in the homeownership servicing department. The data presented through the scorecard, and additional ad hoc analysis of loan loss scenarios, underscored the need to make these tactical changes in the face of significant challenges. As a result, VHDA has avoided over \$1.2 million in foreclosures.

The performance scorecards also serve as a communication tool, both with the Board of Commissioners and the entire VHDA staff. The scorecard results are shared with the Board at mid-year and year-end, providing them with an opportunity to better understand the prioritization of staff and resources, and ask questions about the challenges and opportunities facing VHDA. The scorecards are also placed on VHDA's intranet each quarter to provide staff with the same opportunity to understand how their work supports the organization's strategic goals.

Because the performance scorecards are built entirely on standard VHDA business technologies and utilize previously available data, the costs associated with implementing the scorecards has been minimized to the staff time needed to consolidate the information. By leveraging existing reports for many of the metrics, data collection has been automated to a significant degree. The data is charted in Microsoft Excel, and combined with qualitative analysis in Microsoft PowerPoint. Since most organizations have some reporting platform, and Microsoft Office is ubiquitous, any housing finance agency could replicate VHDA's scorecards with little or no technology costs. The bulk of time and effort needed to create the scorecards is in designing performance metrics that provide information relevant to strategic goals, and in establishing objective assessment criteria.

5. Conclusion

Organizations today often struggle to reduce huge volumes of data into a smaller set of useful information. VHDA's introduction of the performance scorecard and report effectively incorporates meaningful metrics, measured consistently over time and judged against industry performance. By combining quantitative results with subject matter expert commentary, VHDA is able to maximize the value of its information assets while not falling victim to "performing solely to the measure".

VHDA's use of data has grown more mature in the two years since producing the first report. Early discussions revolved as much around what data was relevant and the "look and feel" of the charts. Today, VHDA has established a robust set of metrics. Review sessions focus on factors driving performance. Those discussions result in decisions that allow VHDA to remain agile and flexible in these challenging times.