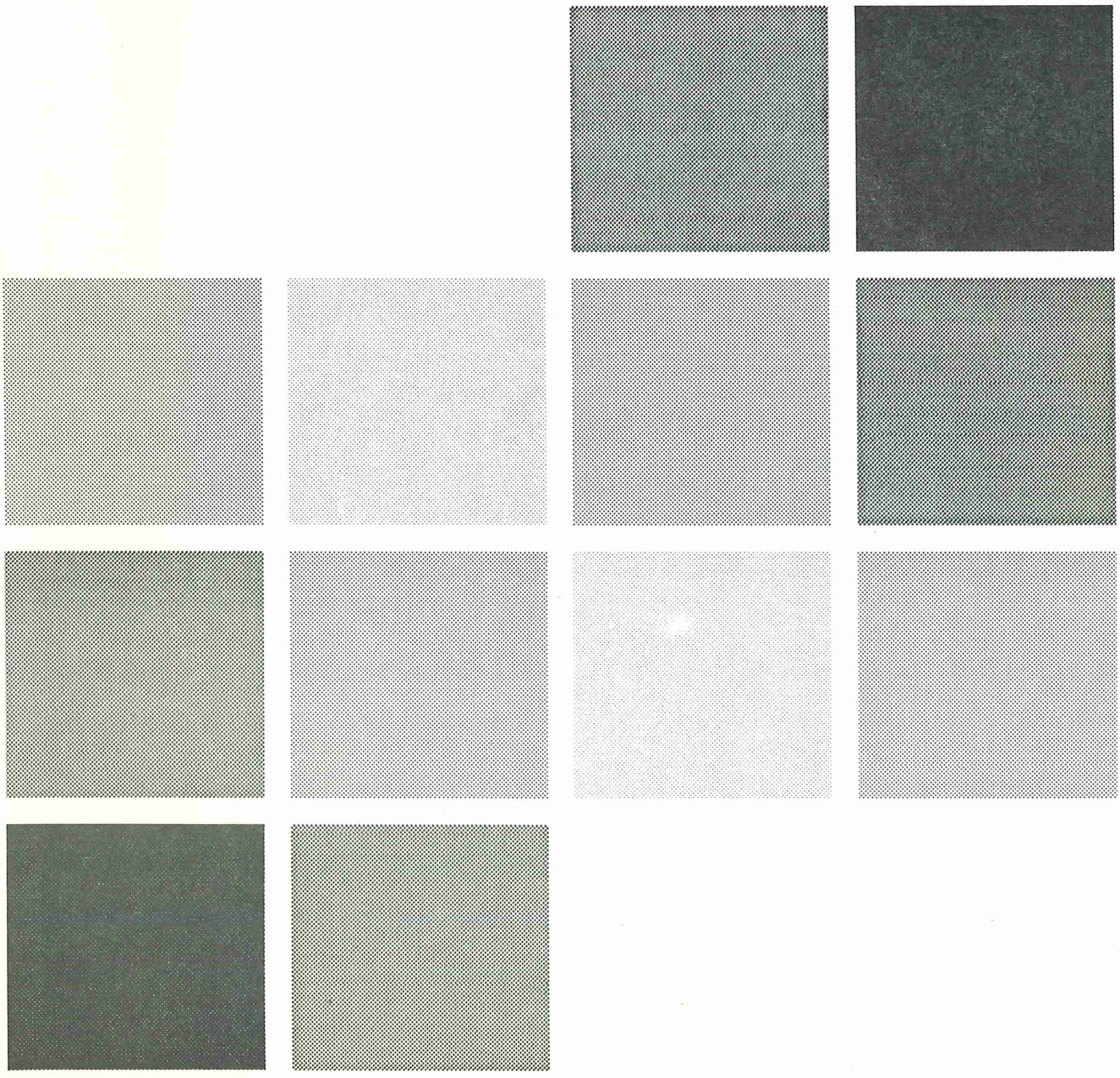
Minnesota Department of Revenue

Management Handbook

October 1988



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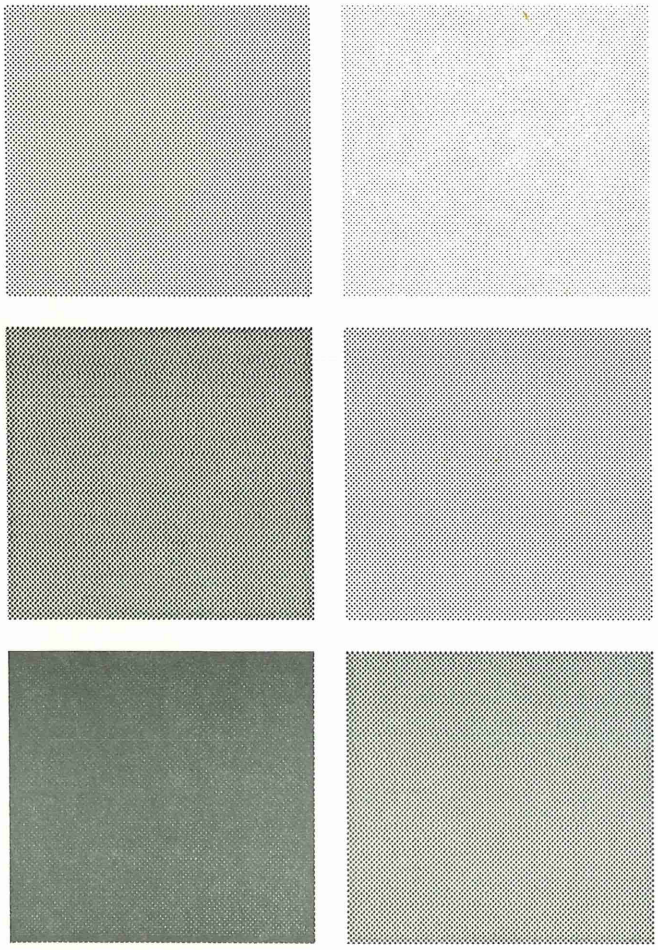

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Minnesota Department of Revenue Mission

Introduction

The mission of the Department of Revenue is to lead the effort and to work with others to help make Minnesota's state and local tax system fair, efficient, stable, competitive, and understandable in structure and operation.

As administrators of Minnesota's tax laws, we want people to comply with the tax laws, and feel good about it.

As department managers, we want to empower our employees to accomplish this mission and to enjoy their work.

This handbook explains the Department of Revenue's mission and outlines our management program called Commitment to Excellence.

What we discuss here does not mean new work for you, but a different emphasis on *how* we do things. What we hope to do is weave these values into the very fabric of our life together.

We have looked at our strengths and weaknesses, and on balance we are very strong. We have many capable people. We do an excellent job of handling millions of transactions annually. But we can do even better. We can have better teamwork, especially across division and program lines. We can identify backlogs and then work to eliminate them. We can improve our measurement of how the tax system is doing and of how we are doing at our own jobs. We can systematically define, identify and encourage excellent performance of all kinds.

Justice Holmes once said that taxes are the price we pay for civilization. We would add that it's a pretty good bargain.

We truly believe that this department, and each of us working in it, is engaged in very important work. We are the principal link between citizens and their government, because the tax system makes possible all that government does. So our work as the linking pin between citizens and their government is vital to the well-being of every citizen.

John James
Commissioner

Babak Armajani
Deputy Commissioner

Elements of the mission

Our goal is to help make Minnesota's state and local tax system fair, efficient, stable, competitive, and understandable in structure and operation.

Here is how our work supports each goal:

1. Fairness:

to help make Minnesota's state and local tax system fair in structure by supporting tax laws that...

- require payment from all sectors of economic activity in appropriate relation to benefits received and ability to pay;
- set reasonable rates;
- are comparable to other states and the federal tax system;
- are understandable;
- have broad bases with absence of "special" exemptions, deductions, credits;
- allow maximum conformity to federal income tax.

and fair in operation by ensuring:

- treatment in accordance with the law;
- enforcement against those who do not comply;
- consistent treatment of similarly situated taxpayers;
- courtesy;
- promptness.

2. Efficiency

to help make Minnesota's tax system efficient in structure by supporting tax laws that tax all sectors of the economy, and by.. .

- raising maximum revenue from the existing structure by supporting maximum voluntary compliance.

and in efficient in operation by striving for:

- effective operation of the department at minimum administrative cost.

3. Stability

to help develop a stable tax structure by supporting tax laws that..

- moderate the impacts of economic cycles on state revenues and expenditures.

4. Competitiveness means

Minnesota's ability to compete with other states and nations as a place for the location of economic activity. We recognize that the tax system is only one of numerous factors involved in location choices and that public spending can enhance competitiveness.

The department's role is to support a fair tax structure to enhance the state's competitive position.

5. Understandability means

that taxpayers, legislators, and executive branch and local government officials can and do understand the tax system.

The department's role is to support that understanding through education, information, and research.

The department's activities

How does the department go about accomplishing its mission?

An effective tax system requires efforts by the governor and legislature, taxpayers and local governments as well as the Department of Revenue. Our role in working with them is:

- to recommend to the governor and the legislature ways to structure the system effectively;
- to encourage taxpayers to respond with voluntary compliance, understanding, and belief in the system's fairness; and
- to assist local governments to make the tax system operate effectively.

We can describe what we do by looking at our five major organizational components: tax policy, operations, taxpayer service, compliance, and administration.

But describing the department's activities in another way helps focus on how we go about accomplishing our mission: The department carries out its mission through six broad types of service activities. Focusing on types of service allows us to see the similarities in the day-to-day activities carried on in different divisions and programs. It also helps us see how each unit interrelates with other units in the department.

The department carries out its mission through six broad types of service activities:

Processing	payments, returns, other documents and information throughout the department.
Responding to requests	for information, assistance, and internal support.
Enforcing tax laws	by facilitating voluntary compliance and taking action against those who do not comply.
Interpreting tax law, proposing law changes	to improve the structure of the tax system.
Appraising property, assessing property tax	for the type of property for which centralized, statewide appraisal and assessment are prescribed.
Reporting	internally and externally on department activities and past and projected tax receipts and expenditures.

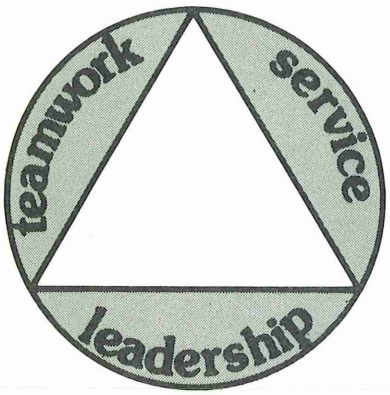
The department's products

The department's service activities produce:

- Processed transactions
- Processed cases
- Decisions
- Communications

The department's products lead to and result from interaction with taxpayers, taxpayer representatives, the governor, the legislature, and local governments. The continuing interaction among all of these participants in the tax system cause it to have or to lack the fairness, efficiency, stability, competitiveness and understanding in structure and operation which it is the department's mission to help produce.

Commitment to Excellence



The mission, activities and products of the department provide a general framework for where we are going. Interactions with people outside the department (elected officials, taxpayers and local governments) are crucial in carrying out the department's mission.

The department's mission, activities, and products reflect three themes:

Leadership.
The department must play a leadership role in structuring and operating Minnesota's tax system. Our leadership can manifest itself in a variety of ways:

- active involvement in formulating the tax structure (such as proposing income and property tax reform),
- tough, aggressive enforcement of the tax laws (such as the compliance initiatives), and
- innovative approaches to tax administration (such as the development of an integrated approach to information systems).

Teamwork.
The department must promote teamwork in developing and administering the tax system. The department is a partner with elected officials, local governments and taxpayers in making the system work effectively.

Service.
The department must orient itself around the concept of service. This means identifying whom we serve and what products or services will meet the needs of those "customers"; in other words, engaging in marketing to enhance the relationship between ourselves and those we serve.

Around the three themes of leadership, teamwork, and service we want to build the best revenue department in the country.

To do so takes capable people, superior tools, and a commitment to be the best. We feel our people are as good as those of any department in the country. Our new information systems will give us state-of-the-art tools for doing our work. What remains is for each of us to make a commitment–a commitment to excellence in leadership, teamwork and service, both within the department and in our interactions with others.

Commitment to leadership

For us to realize our full potential requires everyone to be leaders, not just those with formal leadership roles. There are many facets to leadership; we have chosen to focus on a few fundamental aspects of leadership as part of our management strategy.

Each of us can exercise leadership in these four ways:

1. Do high quality work.

Leadership means making sure that what we do is done well and in a timely fashion. Getting it right the first time means less work for all of us.

2. Be creative.

Leadership means coming up with new ideas and better ways to do things. It also means providing support for others' creativity. Good, new ideas allow us to work smarter, not harder.

3. Take responsibility.

Leadership means feeling a sense of responsibility for all that goes on in the Department of Revenue and seeing that what needs to be done gets done, even if we are not formally responsible for it. This makes work simpler for everyone.

4. Solve problems.

Leadership means going beyond raising issues and identifying problems–it means making ourselves a part of the solution.

In short, if we all exercise more leadership, work will be easier and more fun.

Managers and supervisors can strengthen their leadership commitment in five additional areas:

5. Push down/look around.

We need to push decision-making, authority, and freedom of action downward in the organization– to empower our employees. This means delegating, cutting needless red tape, managing by purpose, not by rule, and encouraging risk taking.

With the time and energy freed up through empowerment, managers and supervisors need to invest in understanding the agendas of other levels and other units in the organization.

6. Linking pin.

Each manager and supervisor must link his/her group with higher and lower levels in the organization and with other groups at the same level. We link by taking responsibility for opening and maintaining channels of communication: sharing with higher levels the concerns of our subordinates, keeping our subordinates informed of direction and developments at higher levels, and making sure there is good communication between our team and others in the organization with whom we are interdependent.

7. Performance management.

Each manager and supervisor needs to constantly work at improving the performance of individuals and the group as a whole. The five steps of the performance management cycle are:

- Setting goals and expectations;
- Providing people and groups with feedback on their performance;
- Helping individuals and groups evaluate their performance;
- Planning improvements;
- Rewarding appropriate behavior, achievement, and effort.

8. Affirmative Action.

Successful execution of the department's Affirmative Action Plan is a deliberate success strategy, not something we are undertaking because we feel obliged. (We could "get away with" a much less aggressive effort.) We undertake affirmative action as a major management strategy, first, because it is right, and second, because we believe that long-term success will require a work force that approximately reflects the composition of the public we serve.

In some cases this may mean making short-term sacrifices to achieve longer term goals. This is no different than any other investment strategy. The key to success is for each supervisor and manager to focus on developing his or her people.

9. Invest/divest.

The world in which we work is constantly changing. To respond, we must be alert to the changes we need to make to be successful. Most managers and supervisors are pretty good about identifying the new things we need to be doing, but too often we think the only way to make these investments is to get new resources. Since elected officials or upper management are often not forthcoming with new resources, every manager and supervisor must identify what can be given up–divested–in favor of something new.

With managers and supervisors doing a better job, everyone in the department will be empowered to realize his or her full potential.

These five areas of leadership will be incorporated in the job description of each manager and supervisor and each of us from the commissioner on down will be challenged to improve our performance in these areas.

Commitment to Teamwork

Teamwork can be enhanced in three basic ways.

Understand the big picture.

Each of us needs to know how our efforts contribute to broader organizational goals. The person who understands what his or her section is trying to accomplish will know how to support the efforts of coworkers. Similarly, if sections understand what the division is trying to accomplish, they can identify ways to support the efforts of other sections. Ultimately, we all need to know something about goals of the commissioner, and even the legislature and the governor.

The Department of Revenue Mission Statement is a good place to start. Managers and supervisors need to take responsibility to see that everyone understands our mission and how each person's job contributes to that mission. It is also important for each employee to understand the goals of his or her program, division and work group.

Know what others are doing.

It is important for each of us to learn about and appreciate the efforts of our coworkers–especially those in units with which we are interdependent. It is rewarding to have our co-workers in the Department of Revenue appreciate what we are doing.

The executive, program, and division management teams will work on identifying ways to meet this need.

Cooperate with each other.

Work groups that rely on one another to get work done are said to be "interdependent." We need to

- identify interdependencies,
- find ways to measure them,
- negotiate agreements that define acceptable performance, and
- regularly report to one another on how we are doing.

For example, many activities in Operations are interdependent with those in Compliance. Compliance needs returns processed in order to do its work.

One measurement of this relationship is turnaround time on processing returns. Teamwork is enhanced when the two programs develop an agreement –or contract–which specifies what turnaround time Operations seeks to deliver. Just as in sports, there is great personal satisfaction for each of us in a team effort well executed.

In 1988, our goal will be to identify the 10 to 20 most significant interdependencies, find ways to measure their impact, negotiate contracts between groups, and measure performance against those contracts.

Commitment to Service

The department will orient itself around the concept of providing service. This involves each unit in the organization doing the following:

- Identify customers those whom the unit serves;
- Identify what products we provide to these customers;
- Engage in marketing–activities that enhance the relationship between the unit and its customers.

Marketing involves finding out what customers want, developing products that meet customer needs, informing customers about the products provided, and testing customer response to product quality.

If we are successful, our services will be characterized as:

Prompt
Accurate
Courteous.

Some units in the Department of Revenue have external customers, including elected officials, taxpayers and tax professionals. Others have internal customers. Many units have multiple customers and multiple products. It is useful to sort out these relationships so that we know what we can expect from each other and to whom we are accountable. We have identified the department's customers and basic products. In preparation for FY 89, each program and each division will identify its customers, the products it provides to those customers, and the characteristics which make its products effective or ineffective. Further, each program and division will identify strategies for improving its marketing.

Satisfying the needs of our customers is, indeed, a rewarding experience.

A Commitment to Excellence

What does all this mean to each of us as individuals? The challenge is to each of us to demonstrate leadership, teamwork, and service in our work lives. A Commitment to Excellence means each of us has to be able to say:

I am committed to improving my leadership.

- I will do high quality work.
- I will look for creative approaches to my job.
- I will take responsibility for making the department successful.
- I will make myself part of the solution to problems.

I am committed to enhancing teamwork.

- I understand the department's mission and management strategy.
- I will try to learn more about the big picture.
- I will try to learn more about what others are doing.
- I will cooperate with others to make the department one big team.

I am committed to improving service.

- I will identify who my customers are.
- I will maintain constant contact with my customers.
- I will seek to provide my customers with high quality service.
- I will be prompt, accurate, and courteous.

The Plan in Action

Everything that enlarges the sphere of human powers, that shows man he can do what he thought he could not do, is valuable.

Samuel Johnson

This section of the leadership manual demonstrates how we in the department have been putting the principles of leadership, teamwork, and service into practice. It includes case studies from throughout the department, written by the participants themselves, documenting their experiences in the work area as well as in special training and development sessions.

We can all benefit from one another's experiences and insights. As you read the case studies, you're sure to find much that will apply to your own situation and the challenges it presents. Feel free to follow up with any of the contributors for more information about their specific activities. We have much to learn from one another—and much to teach.

We want this manual to be a valuable, growing resource for all of us as we explore new ways of carrying out our mission, and therefore we are inviting you to contribute to it as well, because the best way for you to ensure that this manual deals with the issues that concern you is to write about them yourself. Our work environment is ever changing, and to meet its continual challenges, we must be willing to share information about new problems as well as new solutions.

Minnesota Tax Revenue and Policy Review

*by Dan Salomone, Research Division**

Sometime in 1986, our division decided to expand a monthly collections report into a tax policy newsletter by adding articles on tax policy. Our goal was to create an ongoing research periodical in which we could report on work we are involved in and on any other topics we think those who follow tax policy might want to read.

The report took on this professional look in January of 1987. Today, over 130 copies are mailed each month to readers in all areas of Minnesota state government and to some in the private sector.

The project nicely reflects the three themes of Commitment to Excellence.

Teamwork is required to publish each issue. Practically every member of the division is affected by this publication. An editorial staff of six, chaired by managing editor Carolyn Allmon, meet monthly to critique the previous month's issue, to discuss production problems, and to set the schedule of topics for future issues. The production chain requires coordination of many people. Writers submit proposed outlines and rough drafts to the director according to schedule. Final drafts are submitted to copy editor Jeff Dols who does final edits and prepares the layout of the report. Collections and economic indicators and commentary is provided by Narciso Mindajao, and a review of tax headlines and new tax publications is provided by librarian Donna Slamkowski. Contents are generally guided by Rod Hoheisel and Mark Fermanich. Assembly, production, and mailing of the report are provided by Bobbi O'Keefe, Kathy McIntosh, and Mary Buechner.

Leadership is provided in the process of identifying and providing timely information about tax developments and analysis to a wide audience. This involves providing ideas, data, and analysis not because we were asked for it, but because we think readers should have it. When necessary, we have gone outside the department to recruit writers on topics we think are important.

Service is at the core of the whole effort. Part of our mission is to provide information on taxes. This goes way beyond simple data collection. We thought readers should know about Minnesota's new alternative corporate minimum tax, the dependent care credit, passive losses, the campaign checkoff, National Bellas Hess, and the highlights of the 1987 tax bill as well as information on 45 other topics to date. Occasionally we poll the readers to see how useful the articles are and what they would like to see changed. This feedback has led to some improvements in the report.

Overall, the effort is teambuilding and developmental, but at the same time it provides a valuable service to our clients.

**Dan Salomone was director of the research division until mid-August, 1988. For more information about this project, contact Rod Hoheisel or Carolyn Allmon.*

Merging Local Government Aids and Property Tax Review

by Jerry Garski, Local Government Services

The concepts of Teamwork, Leadership, and Service embodied in the department's Commitment to Excellence were very much in evidence during the recent merger of the Local Government Aids and the Property Tax Review divisions. This merger of two autonomous organizations was carried out in a manner which, rather than causing disruption and hard feelings, actually enhanced the operation of both divisions.

While it would be nice to say that great leadership was the prime reason for this successful merger, a closer examination reveals that the two organizations had a strong desire to make the merger "go," and this strong spirit of teamwork was the principal attribute in the success of the merger.

To fully appreciate the merging process, it's important to understand that the difficulty of combining two divisions was compounded by the fact that they are housed in two separate buildings literally miles apart.

This spirit of teamwork was evidenced by any number of examples, some of which are cited below.

1. Physical assets such as furniture and computer equipment were transferred between the two locations with no regard for "ownership" but with an eye only toward where they would be best used to facilitate operations.

2. Personnel were asked to work on new projects—projects for which their old division had no responsibility—and did so willingly. Additionally, some personnel were asked to change work locations on a temporary basis—to move from one building to another— and this also was done with no problems.

3. Permanent office space in the Bigelow Building was made available for employees previously housed in the Centennial Building in order to ease space requirements for that portion of the division.

4. Budget monies were shared or pooled with no regard for prior division lines. Employees were paid, equipment purchased, and expenses paid from either or both AID numbers.

5. Training sessions held for auditors and assessors throughout the state concerning the ramifications of the new tax law were planned, developed, and delivered by members of both divisions working in concert and team teaching.

6. A large policy manual for treasurers and auditors was written and published by the section of the division housed in the Centennial Building while its distribution will be handled by the Bigelow Building people.

These examples are only some of the evidence of how our people are working together to accomplish the various responsibilities they are charged with. We fully expect that this teamwork will flourish even more when the two sections of the division are combined in one location.

The M-1NR Project

by Jeff Symes

Last February, at the height of the filing season, Russ Anderson, Supervisor of Document Resolution visited the Individual Audit supervisor meeting. He presented a problem. The nonresident and part-year resident returns couldn't be processed as quickly as the full-year resident returns. In addition to the M-1, nonresident and part-year resident taxpayers need to file form M-1NR. On the M-1NR, the taxpayer is to list the Minnesota source of income, prorate allowable adjustments to federal adjusted gross income and compute the tax. The taxpayer must then apportion the tax to the M-1 and complete the return. Verifying these calculations increases processing time. Due to time constraints, returns without sufficient supporting documents may be accepted as filed and referred for future audit. Meanwhile, the nonresident taxpayer thinks the return was correct or accepted as filed, and that he or she owes no additional tax–and may even have received a refund. Thus, at audit, a difficult-to-serve taxpayer becomes even more difficult.

A request was presented. Could the returns be audited as part of the processing procedure? Document Resolution's M-1NR problem became Individual Audit's opportunity. Supervisors Jerry Wickboldt, Discrepancy Verification, and Jeff Symes, Office Audit, recognized the opportunity for inter-program cooperation and agreed to send their examiners to Document Resolution's Return Analysis Unit. Sara Cole, Jo La Pre and Madeline Perron were selected from the Discrepancy Verification Unit. Cynthia Martinson, John Tuthill, T. Harris Sperouleas and Elizabeth Fucini were selected from the Office Audit Unit.

The examiners worked in teams: one three-person team from Discrepancy Verification and two two-person teams from Office Audit, were assigned two to three days a week in Returns Analysis on a rotating basis.

On short notice, a day of training was scheduled. The examiners who usually audit past years' returns needed to become familiar with the 1987 return. Office Audit's Paul Makousky presented a session on auditing the 1987 M-1NR return. Paul compiled, distributed, and explained a four-page comprehensive manual to determine the proper allocation of the 20 items contained on the Federal form 1040, and distributed and explained a two-page paper provided by Russ Anderson, explaining the 1987 changes to the M-1NR. Three problems were included for a practical application of the lesson. Russ Anderson explained the processing procedures. The M-1NR returns are throw-outs, i.e., returns that the computer would not accept because the taxable income and the tax rates will not match up. Instruction included how to process the throw-outs, what the different color pencils meant, how (and how many) explanation codes to use, what constitutes an unacceptable return, and a discussion of letters for returns requiring more information.

By mid-February, the teams began their assignment eager to serve the nonresident and part-year resident taxpayer, to use newly acquired skills, and to participate in another program's operation. The consensus was that the taxpayer would be better served through shorter processing time and pre-auditing.

Through a pre-audit, the taxpayer can be educated regarding current regulations. Communications with the taxpayer with the slant on education rather than enforcement may encourage the taxpayer to seek their information before filing, thus preventing future errors as well as saving the taxpayer the time, money and aggravation that usually accompany an audit. In addition, the Department of Revenue will be perceived in a more positive manner.

Pre-audits are cost-effective for the department. Savings are realized in fewer man-hours because

less investigative work is necessary. It is more convenient for both the department and the taxpayer to retrieve current information than to spend hours trying to piece together the past. The taxpayer is more likely to respond to a current tax change that can be easily explained than to a later one he does not understand or did not know he owed.

Because these current dollars should be easier to collect, the potential is there to save the Collection Division a costly customer– the nonresident or part-year resident who has moved out of the state. Whether it is an additional tax liability or refund issued in error, this taxpayer is an increasingly expensive customer to service.

Pre-audits can shorten the appeals process, too. If taxpayers do not agree with our adjustments, there will be more motivation to submit the information necessary to support their claim. A refund can be issued or a claim denied in a timely manner.

An adequate work area was provided. Shortly into the project the units' differing priorities became apparent: mass processing versus selective auditing. Efficient examiners were perceived as inexperienced processors, which in fact we were. Leadworker Bob Edstrom assisted us throughout the entire project by explaining unfamiliar areas and by answering our endless questions. As we gained confidence in putting processing and auditing skills together, our productivity increased and we became accustomed to our temporary surroundings.

For four months, the teams divided their duties between regular assignments and Return Analysis. These statistics represent the project's activities:

	Document Resolution	Office Audit	Total
Returns screened	3,849	4,464	8,313
Hours	322	438	760
Total dollars made *(Refunds reduced)*	$66,448	$95,916	$162,364

At the end of the project, the supervisors and examiners met for a debriefing session. Anticipating future opportunities, we wanted to know how to improve our services to another division and to the taxpayer. We agreed that next time training should include leadworkers. Including them would give everyone a better understanding of the task at hand. We also felt that keeping a weekly log to share with other examiners could help identify recurring problems and suggest solutions. Although not always possible, more prep time would be appreciated.

We discussed our individual experiences. There was some concern regarding incomplete audits and missed adjustments, especially in the early stages of the project. For most, it was interesting to see the initial processing of returns. Most have a better understanding of the explanation codes, as well as why a unit may not make certain adjustments. Working within Return Analysis's time and computer constraints gave other interesting insights. The big "WHY" question was partly answered. Most welcomed a change in environment (Metro Square to C.O.B), and were impressed with the volume of returns processed, literally millions. Although our goals and expectations were modified, most agreed it was a worthwhile experience.

The project was viewed as a timely opportunity to apply the Commitment to Excellence objectives.

Leadership: The supervisors' and examiners' creative approach to problem-solving enforced the leadership commitment and provided an example of inter-unit and inter-program cooperation. *Teamwork* was apparent in all areas as the divisions shared resources, knowledge, skills, manpower, supplies, and equipment. *Service:* a selected group of customers' needs were recognized. Consideration was given to the taxpayer who may be at a compliance disadvantage due to distance or unfamiliarity with Minnesota filing requirements.

Understanding Leadership, Service, and Teamwork in Human Resources Management

by Ron Olson

The Issue: How to increase the understanding of the Leadership, Service and Teamwork concepts in the Human Resource Management Division (HRM) and incorporate those concepts into our work life.

Background: After our staff attended the Mission Statement meetings and reviewed the written summaries of them, we discussed them in a staff meeting. At that time, we raised many questions regarding what was really intended and how we could apply them.

Because of the time involved in discussing these concepts, we decided that it would be desirable to conduct an off-site meeting to review the issues and do some planning regarding incorporation of the concepts into our work.

The process - a planning meeting was held for all HRM staff in late May at a location away from the office. Prior to the meeting, a brief questionnaire was prepared and completed by all staff. The questionnaire was intended to generate ideas about how we could incorporate the Leadership, Service and Teamwork concepts into our jobs. Questions such as, "What can we do to better understand the big picture?" were asked. Over 100 ideas were offered in response to the seven questions.

At the planning meeting itself, an entire day was spent prioritizing the ideas and action planning about them. This meeting, coordinated by a skilled facilitator, resulted in six high priority action plans which our office could immediately begin work to implement and enable us to work towards improved leadership, service and teamwork.

Not only does the HRM Division have specific action plans to follow up with, we all gained a better knowledge and understanding of the intended meaning of the Commitment to Excellence concepts and how they will benefit our work and relationship with others. The meeting itself was the first time that all our staff spent together to talk and plan activities for any extended period of time. This in itself, aided us immensely in increasing our own working relationships and our common understanding of our goals and objectives.

Leadership Examples from the Research Division

by Rod Hoheisel

In the past recent months, we in Research have had to take a hard look at budget resources to conserve funds for our most important needs. The following points out a few examples where I feel CTE and leadership principles in general have been applied and utilized to solve problems.

1. We evaluated the method for entering our income tax sample and looked at alternative data entry options to save costs and time. This work was converted to PC-based data entry and uploading to the mainframe to save processing and other data entry costs.

2. We are downsizing some statistical publications to save processing, printing and staff costs, and also to more appropriately serve our customers according to their needs.

3. We started a process of billing other state agencies for use of the state economic model which is housed in this division.

These examples demonstrate teamwork in that for each, a small group of people came together either to look at alternatives, or to find a better way of doing work or conducting our efforts. In these cases a more economical way of operating was found.

Leadership was provided, particularly in terms of being more creative. Creativity goes hand in hand with innovation and new ideas, i.e., finding better and more efficient ways of operating while at the same time serving our customers well. We also took responsibility for a tight budget situation to try to live within our means and the above demonstrates some examples of doing that.

These items certainly were also looked at with service in mind - we took a look at what we needed to do, how best to do it, and how we could best deliver services to our customers.

These are just a few examples of numerous projects and activities that Research is involved with where innovation and creativity have been applied to further our goals.

Teamwork in the Collection Division

by Cathy Ruckmar and Rita Bighley

Team: A group of players on the same side in a game...
Any group organized to work together

Teamwork: A cooperative effort by the members of a team to achieve a common goal.

On May 10 through 12, 1988, the Collection Division held its first annual Professional Support Seminar. The theme of this seminar was "To Develop Teamwork and Improve Communication." We have listed a few of the teamwork philosophies we feel are essential to maintain harmony in any division.

Honest communication among all members.

Make a commitment for excellence and strive for the team as a whole—avoid competition with each other.

Promote individuality and creativity along with positive thinking.

Resolve rivalries and conflicts.

Recognize assets of team players.

Recognize and reward team players.

Accept mistakes as part of the learning process.

Be aware of available resources and use them.

Be willing to put in the extra effort it may take to meet deadlines and rushes.

Be open minded—avoid "old paradigms."

Be friendly and cooperative.

Management should be flexible and supportive.

From these guidelines we have devised an Action Plan in which to identify and solve the needs/problems of our division. As the current goals and objectives are achieved, new actions will be addressed on a continual basis.

April 1988

Minnesota Department of Revenue

White Paper

Performance Management

by Babak Armajani



Overview

Performance management consists of a cycle of five events: setting goals and expectations, providing feedback, evaluating performance, rewards, and planning improvements.

Setting Goals and Expectations

Supervisors and managers perform this function in a variety of ways. For instance, position descriptions are a useful tool. We also set goals and expectations informally through daily instructions to employees, through discussions and staff meetings, and through the things that we model with our own behavior. An important formal tool is the performance plan. Each division will prepare a formal performance plan for FY 89. Details on the performance elements of the plan are provided below.

Feedback

Those of us who are formal leaders in the organization are also responsible for providing employees, our bosses, and, in some cases, external constituencies with information on how we are doing. Some formal means for providing feedback are performance reviews, management reports, and budget documents. Less formal means include conversations with others at work, briefings and discussions in staff meetings, and even sometimes our body language. You have all heard that Commissioner James wants to put a strong emphasis on management reporting—that is, measuring those aspects of our work that are most important, and making sure everyone understands how we are doing in these areas. This is useful to leaders of the department in monitoring progress, but it is even more important that employees doing the work have the opportunity to see exactly how well they are doing. That is why, as we improve our management reports, it is important that employees have access to the data in them.

Another feedback tool is the operations review. This is a meeting at which a group of employees, managers, and/or supervisors reviews the progress of the group. For instance, in the Monday morning commissioner's briefing, we review progress on the processing of individual income tax returns. Another form of operations review might be a quarterly meeting of all the managers and supervisors in a particular program where progress against divisional and program goals is measured and discussed. We will be challenging senior managers in the department to use operations reviews in appropriate circumstances.

Evaluation

Managers and supervisors have the important responsibility of not only measuring and reporting to people on how they are doing, but making some judgments on that. It is important that we learn to focus our judgment on results and not on people. It is also important for us to learn how to involve others in making these judgments. Judgments and evaluation techniques are most useful and powerful when used in the context of preestablished goals and objectives (the first step in the performance management cycle). This adds an important element of legitimacy to a performance evaluation, whether it be of an individual, of a group, or of the entire department.

Reward

The first principle of management is that people do that which they are encouraged to do. Sometimes we formally tell people one thing, but in other ways we

The most important challenge to us as managers and supervisors is to be sure that what we reward, either formally or subtly, is consistent with our goals.

reward them for doing the opposite. For instance, most senior government officials would agree that it is a good idea for managers and supervisors to save money whenever they can. Yet we all know that if we don't spend all of the money in our budget, instead of being rewarded for frugality, we are punished by (a) being told we did not plan well; (b) being given fewer resources in the next budget cycle; and (c) even sometimes having our jobs reevaluated downward because we have a smaller budget. The point here is that the most important challenge to managers and supervisors with respect to rewards is to be sure that what we reward, either formally or subtly, is consistent with our goals.

Many people think that this aspect of performance management is about compensation plans, award programs, and other formal reward systems. In the month ahead, we may want to tinker with these concepts and either improve what is currently available to us or add a few more tools for managers and supervisors to use. Yet, our greatest opportunity is to recognize the power of the subtle ways in which behavior is either rewarded or discouraged, and to make sure that our behavior as managers and supervisors in this respect is congruent with the goals that we have for our organization and for our people.

Planning Improvements

The ultimate purpose of performance management is to be constantly improving in what we do. At some point, therefore, we need to get beyond judgments and rewards and onto planning for the future. No performance management activity is worthwhile without an eye towards the future. Whether it is an operations review looking at the processing of tax returns, a written letter of reprimand, an awards banquet, or an individual performance review, all performance management activities should lead us to planning for the future. We need tofind ways to more consistently introduce this step in the performance management process. Having done so, of course, brings us back to new goals and expectations and the cycle begins anew.

Plans for the Near Future

The commitment to excellence challenges each manager and supervisor to improve his/her performance management skills. Of course, each of us will pursue this challenge in a different way. However, as a department we will be adopting certain strategies to help each of us meet this challenge. Programs and divisions may also choose to develop individual strategies to help meet this challenge.

Outlined below are several strategies which the executive team is proposing to implement in the Department of Revenue.

Performance Reviews

Beginning in Fiscal Year 1989, all managers in the department will have their performance reviewed twice each year. The fall review should be conducted sometime between September 1, and October 31; the spring review sometime between March 1, and April 30.

We need to improve the quality of these reviews. A good place to start is by focusing on the purpose of the review. The purpose of the performance review is to improve the performance of the individual. Although this may seem obvious, contrast it with other purposes which may be underlying the way some of us have been doing reviews:

To document the performance of an individual.
To determine pay or promotion.
To satisfy requirements of DOER and Human Resource Management.
To evaluate employees.
To tell employees how they are doing.

Improving performance is paramount to all of these purposes.

An ideal performance review embraces all five elements of the performance management cycle. Too often, we have been satisfied to end with the evaluation step, thinking that an accurate report card is the purpose of a review. This is important, but only insofar as it helps us plan and implement improvements.

In order to help us improve our performance review skills, the department is planning a training workshop for all managers and supervisors.

Performance Plans

Performance plans clarify expectations for everyone: the boss, his or her subordinates, and their customers.

Performance plans are a formal mechanism for stating goals and expectations for an individual or a work group. There is an old saying: "If you don't know where you are going, you won't get there." Everyone is encouraged to use a performance plan as a mechanism for clarifying expectations among a boss, subordinates, and customers.

For Fiscal Year 1989, each division will be required to have a performance plan. Each program and work unit within each division may have performance plans. But next year we will emphasize division-level performance.

A division performance plan will consist of not more than one page with five to ten specific goals. For each goal, the plan should define quantitative and/or qualitative measures. Plans are to be approved by the assistant commissioners and forwarded to the deputy commissioner no later than June 30, 1988.

Division goals should not encompass every activity that is undertaken by the division. Rather, it is best to focus on five to ten specific issues that are important for this year. Goals can be modified, added, or removed during the year through negotiation between division director and assistant commissioner.

These simple plans will form the basis of division-level performance management for the rest of the year. Plans will be used to construct management reports, to provide feedback to employees on progress and objectives, to involve employees in participative problem solving, as a criterion for celebrating accomplishments, and as a basis for rewarding employees.

Planning for the Next Biennial Budget

At the same time as we are setting goals for the nextfiscal year, we need to look further into the future and do some planning that will provide the framework for the department's biennial budget process. More specific instructions on the kinds of documents that we need for the biennial budget process will be forthcoming in the weeks ahead. However, planning should begin immediately. Planning for the next biennium should answer these four questions:

Who are the customers of the division?
What are the products or services we provide to these customers?
How do we measure the quality of these products or services?
What steps are we going to take to improve our marketing?

In addition, specific plans should be developed to divest of activities which account for at least five percent of the total budget of the division. These plans need to be developed soon so that we have a year to take the necessary steps for divesting. It is permissible to suggest divestment strategies which involve statutory changes. However, be realistic! Develop plans which can truly be implemented.

As always, proposals for investing (change requests) should also be developed for the biennial budget. Budget planning needs to be completed in the month of August so that in early September the department can submit its budget proposal to the Governor.

As with the FY 89 performance plans, budget planning will be focused at the division (or budget activity) level.

What's the Next Step?

Clearly, each of us needs to think about how we can meet the challenge to improve performance management. These few departmentwide initiatives and others which will follow (an achievement awards strategy, employee recognition plan, a plan for operations reviews, etc.) need to be augmented by strategies at the program, division, and work unit levels for improving performance.

Planning, however, needs to begin immediately. We suggest that one planning process can produce two sets of products—FY 89 performance plans, and the FY 90-91 budget.

The most successful plans heavily involve those who will be necessary to implement the plans. Therefore, we strongly encourage division directors to find ways to involve all employees in the development of these two important products.

Sample Planning Process

For example, you might design a planning process with these steps:

1. Start by focusing on answering the questions on your customers, your products, how to measure the quality of your products, and how you will improve marketing.

2. Communicate these questions to employees and ask for their input (either in writing or through employee meetings with their supervisors).

3. Then the division director can assemble his/her supervisors and managers to develop some divisionwide answers to the questions.

4. The solutions to the questions are written down and communicated back to the employees in the division.

5. Based on this document, supervisors meet with their employees to talk about goals for 1989.

6. Supervisors, managers, and the division director meet to establish divisionwide FY 89 performance plan.

7. FY 89 goals are widely distributed and discussed through the division.

8. Division director, managers and supervisors brainstorm lists of divestment opportunities.

9. One or more opportunities totaling at least five percent of the total division budget are selected.

10. An action plan is developed for carrying out the divestment.

11. At the same time that divestment opportunities are being examined, investment opportunities are also outlined and identified. Note: Employee ideas and suggestions could be solicited in both investment and divestment discussions.

12. FY 89 performance plans are submitted to assistant commissioners by June 15, 1988, and in final form to the deputy commissioner by the end of June 1988.

13. Budget documents are prepared and submitted to the assistant commissioners by a date yet to be set (sometime in August).

Feel free to modify this process. It is just a suggestion about a way to involve employees and plan for both biennial budget and FY 89 at the same time.

May 1988

Minnesota Department of Revenue

White Paper

So what's all this about marketing?

by Alice Pepin

Our overall marketing objective is to increase the number of people who voluntarily comply with the tax laws and who do so correctly.

I've heard so many government communicators talk about marketing lately that I decided I better take a course and see how it might be useful to our department.

A two-day seminar at the College of St. Thomas, called "Marketing for Service and Non-profit Organizations" sounded like just what I needed, although I must say I wasn't sure how marketing would relate exactly to collecting taxes.

What I discovered is that the concepts of marketing are very relevant to our department. Marketing is an excellent planning tool. Marketing strategy helps organizations define their markets and services, and to develop objectives and strategies for providing those services, measuring customer attitudes, and evaluating the results.

During the seminar, each participant developed a marketing plan for his or her organization. We started out by defining our markets, i.e., those people, institutions or organizations that have resources to exchange for values supplied by our organization.

That's easy for the Revenue Department because our market includes all the state's citizens, right? True, but we can break that down much further into various market segments, such as individual income tax payers, business owners, professional organizations, and even legislators.

I defined our overall marketing objective as wanting to increase the number of people who voluntarily comply with the tax laws and who do so correctly. However, our marketing objective and strategy depend upon what it is we're trying to market. That brings me to my next question.

What is our product or service? This turned out to be a very tough question, in fact even the instructors were stumped. I viewed it this way: the department's product is the tax system. Sometimes we have a high-quality product to "sell" and some years, the quality is lacking. Nevertheless, it is our product.

We also have a large number of services to market that support our product. Just to give you a few examples, we provide telephone tax help, written help through forms and instructions, letters and newsletters, and a large volunteer program to help people fill out their tax returns. Other areas, such as our research, local government aids, and appeals annd legal services divisions, also provide services to more specialized markets. And, several units provide valuable internal services which support our external services.

Marketing does not have to be done department wide. I think the planning help provided by marketing can be applied to just about any area. It can be adopted in one or two areas at first and then used in other areas later. For example, the area of taxpayer services would make an excellent pioneer marketing project because our services, market and marketing objectives are relatively easy to define and measure.

The seminar convinced me that a marketing program should include researching our markets to learn their attitudes regarding taxes and what they need from us to voluntarily comply with the law. Why do some people pay their taxes faithfully each year, while others don't, even though they can afford to pay? What do taxpayers think about the service they get from our department? What more should we be doing?

May 1988

Minnesota Department of Revenue

White Paper

Leadership Examples

by Ron Olson

When the best leader's work is done, the people say, "We did it ourselves!"

LAO-TSE

What follows are some statements that reflect my own personal understanding of some of the things we can do and the behaviors we can exhibit in managing in a way that is consistent with the Commitment to Excellence leadership concepts. These statements are organized according to the five leadership principles involved: *Affirmative Action, Performance Management, Linking Pin, Push Down–Look Around, and Invest–Divest.*

These statements are merely intended to serve as examples and tools for your use in incorporating the concepts into your work situation. Obviously, your own individual situation and environment and your personal style will determine how many of them are of any value to you.

I hope that this information is helpful to you in the difficult task of defining managerial expectations and in better understanding the leadership principles we should follow.

Affirmative Action

Managers and supervisors lead by incorporating affirmative action and equal employment opportunity principles into ongoing management responsibilities and by actively supporting, promoting, and advancing the department's affirmative action efforts. To demonstrate these principles, the manager must:

1. Know, understand, and practice the responsibilities and concepts expressed in department affirmative action plan.

2. Know and understand the concepts, principles, practices, and requirements of affirmative action and equal employment opportunity.

3. Know the workforce, where the department and unit has disparities in the various protected classes (females, minorities, handicapped, and Viet Nam era veterans) and take action to attempt to correct workforce disparities.

4. Develop division affirmative action efforts and activities and ensure employee participation in efforts at enhancing affirmative action practices.

5. Ensure that all employment decisions are made in a nondiscriminatory manner and that equal employment opportunity exists in all aspects of the workplace.

6. Monitor practices in the unit to ensure that the provisions of the affirmative action plan and equal employment are maintained and take immediate action to correct areas of noncompliance.

7. Ensure that new employees and current employees are routinely briefed in the department's affirmative action plan and the plan is disseminated to them.

8. Ensure that pre-employment interviews are conducted in an objective and nondiscriminatory manner and that provisions of the plan relating to them are followed.

9. Ensure that affirmative action is considered in all appointment processes where disparities exist including work-out-of-class appointments; consult with the AAO whenever a protected group member is not selected where disparities exist.

10. Ensure that duties, responsibilities and training activities are assigned in an equitable manner and that reallocation requests are made in a nondiscriminatory manner.

11. Ensure equal treatment in all aspects of employment for each protected group (women, the disabled, Viet Nam veterans, and racial minorities: blacks, American Indians and Alaskan natives; Asians and Pacific Islanders, and Hispanics).

12. Seek advice, assistance and information from the AAO on any affirmative action matter. Consult with and notify the officer of personnel actions as required by the plan and policies, including prior consultation on any disciplinary action more severe than written reprimands. Send copy of written reprimands to the AAO.

13. Review managerial and supervisory position descriptions with the AAO and the Human Resource Management Director.

14. Continually identify artificial barriers to equal employment in the workplace and make efforts to correct them.

15. Investigate and take appropriate action on all alleged violations of the plan or charges of discrimination or sexual harassment in the workplace.

16. Recognize that affirmative action is an integral part of overall management activities and that to most effectively meet our mission and objectives, our workforce must reflect the society in general.

17. Be sensitive to cultural differences and the problems of protected group members.

18. Continually evaluate efforts to achieve affirmative action goals.

Performance Management

Managers and supervisors exercise leadership by managing their human resources in a way that optimizes the performance and productivity of all staff and that ensures that the overall performance of the work group is continually improving.

Setting goals and expectations

1. Ensure that all employees know and understand their job responsibilities and that they have accurate and up-to-date position descriptions.

2. Ensure that all employees know what is expected of them in performing their duties and that their goals, objectives, and performance standards are realistic, reasonable, consistent, and in accordance with division objectives.

3. Ensure that all employees know, understand and adhere to socially accepted ethical, and professional standards of conduct of the department.

4. Design positions in a manner that aids in accomplishing unit objectives and that provides, to the extent possible, interesting, challenging, and motivating work to employees.

5. Ensure that employees work as a unit and know and understand each other's jobs and participate in the successes or failures of the unit as a whole.

6. Establish unit priorities, performance plans and objectives and clearly communicate them to employees; be flexible to changing priorities, pressures and resources.

Providing people and groups feedback on performance

1. Ensure that employees are provided continuous feedback on their performance in a positive and constructive manner and that both strengths and weaknesses are discussed and addressed.

2. Contribute to the success of co-workers and employees and share the credit with them for unit accomplishments.

3. Ensure that all employees are provided information and assistance in their career development efforts and activities.

4. Identify performance problems before they become major obstacles to the work of the unit or the success of the employee.

5. Monitor and report on the performance of the unit and employees.

6. Ensure that employees are provided with assistance in making improvement efforts and that current individual development plans exist and are followed.

7. Recognize individual differences between employees and that they may require different leadership styles and methods.

Helping individuals and groups evaluate performance

1. Encourage supervisors and all staff to arrive at their own solutions to problems and to take risks in performing their duties or solving problems.

2. Foster employees' confidence and self-respect as individuals and as employees.

3. Deal fairly and objectively with all employees in their performance and activities as employees of the department.

4. Ensure that employees have the resources and authority necessary to accomplish their work and the work of the unit.

5. Ensure that all hiring is accomplished in a timely and efficient manner consistent with state, department, and union contract provisions; ensure that a well qualified and competent workforce exists.

6. Develop reporting and control systems to monitor accomplishments and activities and continually analyze and critique them.

7. Establish and seek to improve control systems to ensure that operations and work is directed towards desired results.

8. Evaluate and change plans, work methods and distribution of workload to increase productivity.

Planning improvements

1. Understand, accept, and adjust to the limitations of self and others.

2. Ensure that all employees are given assignments that expand their capabilities and which ensure their growth.

3. Encourage employees to be innovative and creative in their work and to suggest improvements and other ideas that increase efficiency or productivity.

4. Establish an environment conducive to learning; orient new employees to the work unit and to their jobs as employees of the department, and ensure that they are assisted, accepted and welcomed into the work unit in an appropriate manner.

5. Ensure that employees are provided with assistance in making improvement efforts and that current development plans exist and are implemented.

Rewarding appropriate behavior, achievement and effort

1. Ensure that employees are held accountable for their actions, effort, and behaviors, and that achievement and accomplishment are recognized through formal and informal methods.

2. Ensure that inappropriate and unsatisfactory performance or behavior is recognized and given personal attention through corrective and progressive methods.

3. Ensure that all praise and all criticism is handled in a constructive, and, to the extent possible, positive manner.

4. Attempt to resolve performance problems through constructive means but, where appropriate, pursue corrective discipline as a method to correct inappropriate or inadequate performance. Follow provisions of contracts and the "just cause" principles in administering discipline.

5. Create an environment in which employees are rewarded for the accomplishment of group and individual goals.

6. Develop and administer a recognition and rewards program that addresses the individual needs and desires of employees.

7. Encourage employees to set ambitious goals and reward performance whether or not they achieve all their goals.

Linking Pin Concept

Managers and supervisors ensure that effective communication exists and is practiced in the work unit so that all employees at all levels know and understand the mission and strategy of the department and their role in it.

1. Share information about the department mission, strategy, goals, directions, and operations with all employees in the unit.

2. Determine, address, and relay to top management the feelings, concerns, opinions, and ideas of subordinates so that issues and problems are known and understood at higher levels of management.

3. Ensure that employees are able to freely express their opinions, thoughts, and ideas within the work group and that they are listened and responded to in an honest and candid manner.

4. Determine the inter-relationships that exist between various work groups of the department and how the actions of each affect other groups; integrate work with other units of the department.

5. Identify overlapping activities and take steps to eliminate, reduce, or at least know the reason for duplication and redundancies that exist.

6. Share information on programs or operations with other units and actively solicit information from them so that overall relationships are known and understood.

7. Communicate relationship of individual work to organizational objectives.

8. Develop and communicate the mission of the unit in a manner consistent with overall department goals and objectives.

9. Keep staff informed of developments through regular staff meetings or other communication methods.

10. Alert superiors to possible events and their consequences and keep them up-to-date on activities.

11. Provide all employees the opportunity to learn more about the department and its work units.

12. Respond promptly to requests, comments, notes, and memos, and ask superiors and subordinates for feedback on the quality of information they are receiving.

13. Provide clear expectations regarding the type and amount of information desired from staff.

14. Inform other work units and sections of your activities and plans and ask them to do the same.

15. Analyze communication problems encountered and use initiative to address and correct them.

Push down/look around

Managers and supervisors exercise leadership by ensuring that assignments and the authority to carry them out are in a manner which enmpowers employees to reach their fullest potential so that managerial efforts can be directed to overall improvements.

1. Assign work based on organizational needs and employee capability.

2. Seek employee input and participation in decisions that affect them.

3. Encourage employees to analyze work problems and arrive at their own solutions.

4. Make assignments in general terms that outline the desired impact and results, leaving the detail and methods to accomplish them to employees.

5. Establish task forces, work groups, or project teams to address work-related issues, tasks, or concerns.

6. Encourage risk taking in carrying out of assignments and not penalize employees for taking risks that fail.

7. Build employees' self-confidence by the gradual assignment of more complex and important tasks.

8. Provide clear general guidelines regarding expectations for completing a delegated task.

9. Exhibit a willingness to let go of familiar tasks and responsibilities and assign them to other employees.

10. Display a willingness to let other employees make mistakes in the interest of learning from them and in their personal growth.

11. Trust employees to accept assignments and complete them in a competent manner to the best of their ability.

12. Reward effective delegation and successful assumption of authority.

13. Continually review operations and eliminate inefficiencies, duplication and unnecessary red tape so the most effective use of resources is possible.

14. Manage by "purpose," not "rule," and ensure that all procedures and practices have a reason that is consistent with objectives and goals.

Invest/divest

Managers and supervisors exercise leadership by optimally and effectively utilizing available resources in accomplishing the unit's and department's mission and objectives.

1. Develop with staff original and innovative approaches to work from a wide range of resources and information.

2. Identify problems and recognize symptoms, causes, and alternative solutions.

3. Identify priorities and take steps to eliminate duplication and redundant activities, or to reduce those activities of less priority and significance.

4. Identify new areas and initiatives to pursue in lieu of obsolete areas that do not further the department's mission and objectives.

5. Evaluate and change work plans, work methods and distribution of workload to increase productivity.

6. Actively influence events and promote change rather than passively accepting it.

7. Creatively generate, recognize, and accept imaginative and innovative new ideas and take calculated and defensible risks in their implementation.

8. Willingly adapt to changes in program, priorities, resources, and pressures.

9. Recognize the value of change and encourage, support, and effectively manage it in the work setting.

10. Identify and set aside a specific portion of available resources from non-priority areas.

11. Devote a specific portion of fiscal resources to new initiatives and work activities not tried before.

12. Continually monitor fiscal resources available and current and past operating expenses and initiate adjustments based on levels of spending and initiatives.

13. Reconsider decisions previously made as new information becomes available and as the results of decisions are analyzed and reported.

14. Develop and manage reporting systems that provide current and accurate information regarding the status of work activities and fiscal resources.

15. Incorporate financial data into work decisions and projected needs.

16. Research new ideas to determine what useful information is already available regarding the subject matter, including the input of staff who may be familiar with it.

17. Understand and consider all opinions and comments regarding a work activity or an initiative that is under discussion.

18. Create a climate and an environment in which individuals are free to present ideas and comments without fear of criticism.

19. Encourage staff to indicate the pros and cons of ideas or initiatives and to identify issues requiring more analytical attention.

20. Assess impact of changes in economic conditions, legislation and other external forces on current and future programs and work activities.

21. Analyze the effect of proposed change on other units and vise versa.

22. Develop contingency plans and preventative plans to put into place if necessary.

23. Plan and manage cost reduction programs and encourage an attitude of efficiency and effectiveness among all staff so that waste may be eliminated and resources used more effectively.

24. Develop and implement strategic plans for unit so that long-range directions can be established.

25. Lead the work group towards changing priorities, performance plans, and directions.

July 1988

Minnesota Department of Revenue

White Paper

Reporting and the MRA Division

by John James

The primary purpose of management reporting is to provide feedback, to tell us where we are and where we are going.

Reporting

Reporting is one of the seven major departmental activities we identified as being critical to carrying out the department's mission. We report on performance of the tax system. We report on our own activities. We report to ourselves. We report to our customers, within and outside the department. We report to our managers all the way to the commissioner's office. We report to the governor, the legislature, and to the Department of Finance.

The department has long had management reporting, and much of this reporting has been quite useful to the recipients. But some reports may have outlived their usefulness. That's always a risk in an organization like ours, which is a factory for processing information that is either numerical or readily reducible to numbers. Moreover, moving aggressively toward achievement of our mission involves four important changes in emphasis which will make new demands for reporting.

First, we must view the tax system as a whole and report on its operations with more precision than in the past. This need is bound up with defining, measuring and reporting on voluntary compliance. We need to refine our reporting on tax system operations. This will affect what we report to the Department of Finance, the legislature and the governor. It will improve the state's revenue forecasting process. And it will provide us with valuable information on the extent of voluntary compliance.

Second, we are going to manage the department as a service business. To do so requires attention to such things as inventories, backlogs, processing times and error rates. It also demands management reports, the likes of which have not been common in all areas of the department.

Third, we are emphasizing teamwork and the interrelatedness of many of our functions. This means we will do more reporting to each other across organizational lines than we have in the past. It also means we have opportunities to benefit from standardization of report formats, consolidation of reports, and elimination of duplicative reports.

Finally, we are emphasizing performance management. Recall that the performance management cycle includes setting goals, measuring progress toward them, and providing feedback. The cycle absolutely requires reporting on the goals.

All of these factors add up to new demands for management reporting. The primary need for management reporting is to provide feedback. It helps us tell where we are and the direction in which we are moving. We need timely and accurate information on the operations of the department and the tax system. The key is meaningful information that is effectively communicated to the appropriate audiences.

But the reports are not principally for the commissioner, deputy, or assistant commissioners. They should be of most use in units, sections, and divisions. To measure is to improve, and we can't tell whether we are providing timely, accurate service unless we measure it. And with effective reporting, we can see problem areas develop and allocate resources to stop problems before they become crises.

In sum, we cannot effectively manage either the department or the tax system without effective management reporting.

The key is meaningful information effectively communicated to the appropriate audiences.

Let me add a suggestion: *Divest.*

We are identifying some new reporting needs. But we don't want you to just add the new to the old. Consider what is now being reported. Can it be dropped? Consolidated? Reported more effectively? We count a lot of beans in this department; some of them need not be counted.

Consider formats, too. For example, a monthly report that says nothing more than "we did *x* of activity *y* last month" is virtually useless. Data has meaning only in the context of such factors as goals and past history.

If you are producing a report that is no more than a monthly listing, the chances are very good that you can stop issuing it, because the recipients cannot get much meaning from it. Check with them. Or you may find that they are laboriously compiling your monthly reports into useful tools. If that's the case, there may be mutual benefit if the reports are prepared in a better format in the first place.

The Management Reporting and Analysis Division

The MRA division exists to help us improve our reporting. It is not to do the reporting, but rather to work with you and all supervisors and managers and the executive team, individually and collectively, to define and to meet our reporting needs.

The MRA director, Mansco Perry III, has extensive educational (MBA, University of Chicago) and business (Cargill, Inc. and Dayton Hudson Corporation) experience in financial and management reporting and analysis. He lacks familiarity with tax administration (as do some others who will remain anonymous) but is working hard to learn. The people working with him are all of strong analytical bent, and some of them have the further advantage of experience with the department. So, pick Mansco's brain, and those of his cohorts. Take the time to explain your operation to him, and I bet that MRA will be able to make some suggestions on reporting that will benefit you. *(Lunch is on me for any supervisor or manager at any level of the department who tries this and comes away without some valuable suggestions.)*

The MRA Division has three principal activities: reporting, analysis, and internal audit.

In reporting, its function is to consult with other units in the department to improve our regular reporting on internal operations and on the operation of the tax system. MRA is currently working with units on an analysis of their existing reports to gain insight into their informational needs. MRA is also working on creating a montly executive team summary and a monthly departmental overview so that people throughout the department can learn regularly how we are doing. And MRA will soon be working with each program to develop operations reviews of each program's activities, which will be presented periodically by managers to the executive team and will become the major focal point for reporting on how the department is functioning. But don't wait for them to call you. I urge you to consult MRA regularly as you think about your needs.

In analysis, MRA's function is to analyze particular problems at management's request in order to promote understanding of the problem, the options for a solution, and selection of an effective solution. We encourage you to seek MRA out for this purpose as problems arise for you.

The Internal Audit Unit

The Internal Audit Unit performs independent reviews of other units on a rotating basis. It evaluates their internal controls, adherence to policies and procedures, and operational efficiency. It also performs reviews when an investigation of a specific instance of alleged employee misconduct or mishandling of work is advisable.

I also encourage you to call on the Internal Audit Unit for assistance. It can provide a valuable, independent examination in difficult situations.

REVENUE MANAGEMENT DEVELOPMENT CURRICULUM FOR FY 89-90-91

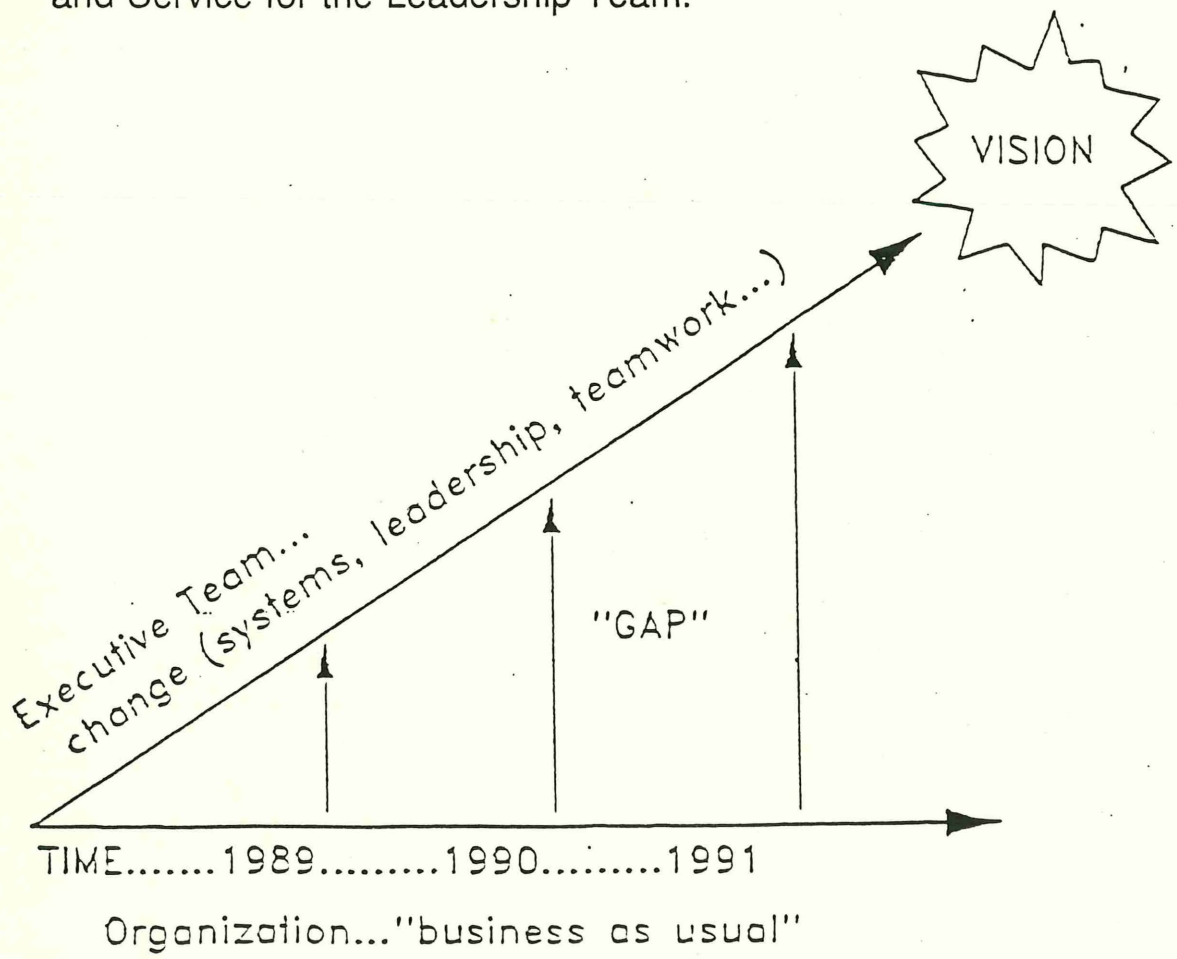
October 1988

BROAD GOALS OF THE MANAGEMENT DEVELOPMENT CURRICULUM

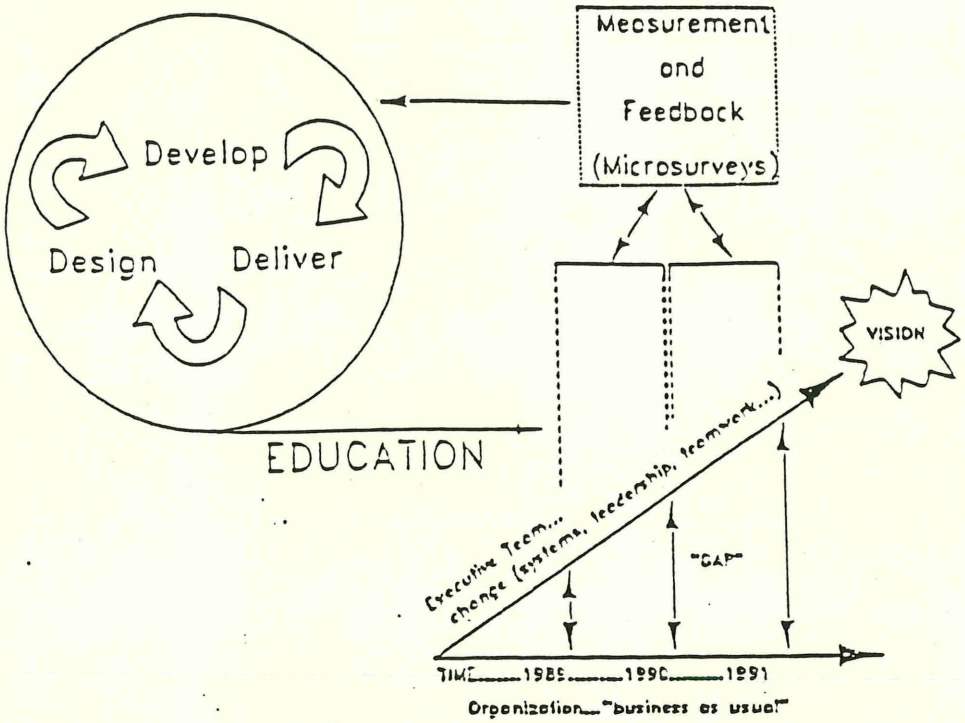
•The Overall Goals Of This Program Are To:

1. "**Close The Gap**" between "**Business As Usual**" and "**Our Vision**" for the future of the Department of Revenue as expressed through the Mission Statement and the Commitment to Excellence strategy, and

2. **Create** a "**Common Language**" of Leadership, Teamwork and Service for the Leadership Team.



CLOSING THE GAP: A STRATEGY OF EDUCATION, MEASUREMENT AND FEEDBACK



1. The two major vehicles for helping to close the gap in this program are on-going education and organization-wide measurement and feedback.....Also known as survey-guided development.

2. In general, management development should occur as an on-going integrated process of (A) on-the-job experience, and feedback (B) Coaching and Counselling and (C) formal classroom education/curriculum.

   The strategy we recommend then is to place major emphasis upon on-the-job learning/developement combined with feedback and effective coaching/mentoring and formal classroom education. While a majority of the learning comes from on-the-job experience, managers report it is insufficient for fully effective management development without the latter two components - effective coaching, and formal classroom education.

MANAGEMENT DEVELOPMENT CURRICULUM FY89

OVERVIEW OF SKILL BUILDING SESSIONS

Leadership Skills and Problem Solving

Includes topics such as overview of leadership styles and techniques; delegation, monitoring, and follow-up; motivating and persuading others; balancing task and people orientation; characteristics of transactional leadership.

Interpersonal Style

Includes topics such as formal and informal communication styles; interpreting spoken and unspoken communications; refining and targeting listening skills; developing and managing assertiveness; identifying fundamental sources of conflict; analyzing distinctions between management styles employed by men and women.

Interpersonal Problem Solving

Includes review of fundamental principles of communication and conflict resolution; focus will be on case materials and practical approaches to resolving complex interpersonal problems stemming from sources such as unresolved conflict, confused or inadequate communication; ambiguous organizational and functional structures.

Group Process and Meeting Management

Includes topics such as principles of group dynamics; roles of participants (e.g., organizer, leader, observer); sources of power; goal determination; gaining consensus; taking action; working within time constraints; hitting the target.

Management Development Curriculum FY89
Overview of Skill Building Sessions
Continued

Project Management

Includes topics such as defining the project; identifying specific objectives; breaking down the project into specific tasks; organizing the specific tasks; preparing planning and budget documents; preparing project reports; maintaining control of project; being on time.

Performance Supervision/Management

Includes topics such as setting performance goals and objectives; conducting various types of performance appraisals; providing feedback informally and formally; coaching; identifying development needs and strategies.

MANAGEMENT DEVELOPMENT CURRICULUM FY90

OVERVIEW OF SKILL BUILDING SESSIONS

"Push Down/Look Around"

A basic course in delegation, the need to push decision making, authority and freedom of action downward in the organization - empowering employees. Topics include, cutting needless red tape, managing by purpose, not rule and encouraging risk taking; managers focus on understanding agendas of other levels and other units within the organization.

"Performance Appraisal/Coaching and Giving Descriptive Feedback"

This is a follow-up to the performance management/supervision workshop, the focus is on applying concepts of performance appraisal, feedback coaching for improvement and practice giving descriptive feedback.

Strategic Planning and Invest/Divest

This workshop focus is on planful ways of looking at the changing nature of our work, anticipating and planning responses to the changes, identifying new initiatives to invest in and choosing what to divest in favor of the new initiatives. Topics include what is strategic planning, why is it necessary to do, what's involved in the process, things which can go wrong, principles of planned change.

Valuing Diversity

Topics include, making personal commitments to encourage the vitality and expression of diversity in our environment through our own actions, accepting and respecting the differences among

Management Development Curriculum FY90
Overview of Skill Building Sessions
Continued

people as the foundation for achieving social and organizational change, recognizing individuals and groups who reflect and encourage diversity in people and institutions. (Do we walk or talk)

Contracting for Performance

Topics include methods for "contracting" for performance, identifying intergroup interdependencies, finding ways to measure them, negotiating agreements that define acceptable performance, reporting to one another on how we are doing.

Managing Group Problem Solving

Topics include creating partnerships, raising issues and identifying problems, managing multiple group agendas, managing information up, down and sideways, finding/managing consensus.

MANAGEMENT DEVELOPMENT CURRICULUM
FY91 - SERVICE

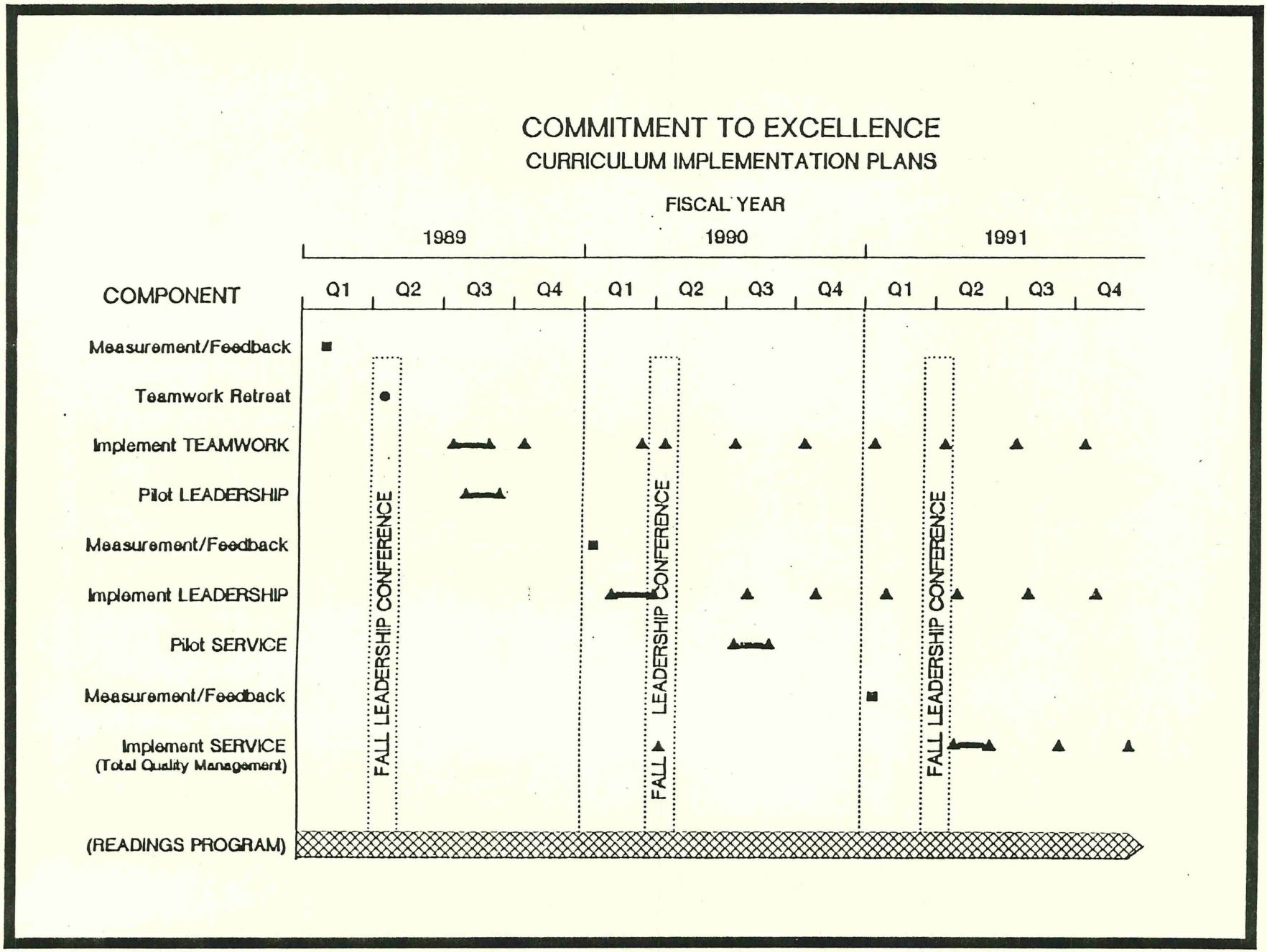
Providing effective quality products and services to our internal and external customers. Quality means defining and consistently meeting our customer requirements.

Topics:

1. Total Quality Program (Introduction to Concepts)
   (Process Management, Demming, Crosby, etc.)

2. Customer Service/Marketing
   (On-going Collection/Analysis of Data, marketing of Services hooked to Invest/Divest)

3. Program Development/Project Management


COMMITMENT TO EXCELLENCE
CURRICULUM IMPLEMENTATION PLANS
FISCAL YEAR
1989
1990
1991
COMPONENT
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Measurement/Feedback
Teamwork Retreat
Implement TEAMWORK
Pilot LEADERSHIP
Measurement/Feedback
Implement LEADERSHIP
Pilot SERVICE
Measurement/Feedback
Implement SERVICE
(Total Quality Management)
(READINGS PROGRAM)
FALL LEADERSHIP CONFERENCE
FALL LEADERSHIP CONFERENCE
FALL LEADERSHIP CONFERENCE

SUMMARY

*"Closing the Gap"

*Using a Strategy of Education, Measurement, and Feedback

*Three Year Implementation Plan

*Evolving Into a Total Quality Program

*Uses Education and Measurement of the Whole and of Parts to Assess Progress Around:

1. Teamwork

2. Leadership

3. Service...and That's Where an Overall Total Quality Program Fits Into the Revenue Department