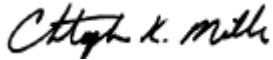



ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 03/12/12
Item No.: 13.b

Department Approval



City Manager Approval



Item Description: Consider Establishing a Comprehensive Performance Management Program

1 **BACKGROUND**

2 Over the past several years, the City Council has undertaken a number of new initiatives in an effort to
3 improve the effectiveness and sustainability of day-to-day operations and ensure the City's long-term goals
4 are met. These initiatives included a 20-year visioning process, strategic planning, citizen survey,
5 performance measurement, and a number of long-term financial and non-financial planning exercises.

6
7 These initiatives are consistent with governmental best practices and have widely been categorized by other
8 cities into a broader Performance Management Program. The Council is asked to consider establishing a
9 formal and comprehensive Performance Management Program like other cities have. By formally
10 establishing this Program, the Council will commit to an on-going process and operational cycle that
11 ensures that the allocation of resources is aligned with desired outcomes.

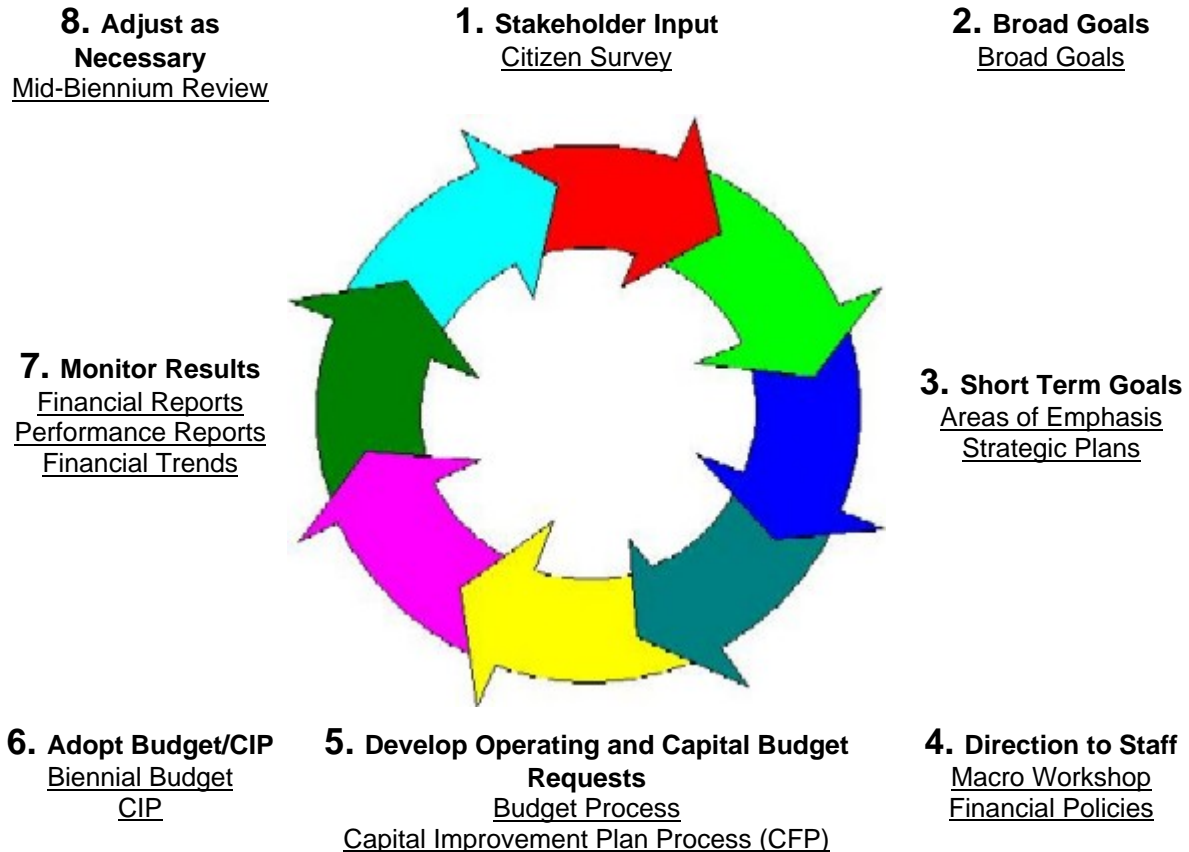
12
13 Recently, a joint effort of 11 leading state and local public interest associations led to the formation of the
14 National Performance Management Advisory Commission. The Commission includes industry-leading
15 organizations including the International City/County Management Association (ICMA), Government
16 Finance Officers Association (GFOA), National League of Cities, and others.

17
18 In 2010, the Commission developed a framework that identifies a number of performance management
19 principles and describes how incorporating these principles into governmental processes and decision
20 making can lead to systematic improvements, enhanced accountability, and better results. A copy of the
21 Commission's Report is included in *Attachment A*.

22
23 The Report (excluding appendices) is just under 50 pages long, and is somewhat technical. The Council is
24 invited to read the full report, but a quasi-executive summary can be found beginning with the Foreword
25 and continuing to the page 10. There are also a number of graphical depictions that give a brief snapshot of
26 some of the main concepts behind Performance Management. They are included on pages 13 and 21.

27
28 Again, it should be noted that the City should not necessarily design its Performance Management Program
29 based solely on information contained in this Report. The Report simply serves as an outline of why the
30 City might consider having a Program and how it might be structured.

33 For additional context, a depiction of a Performance Management Program that has been included in prior
 34 Council discussions is shown below.
 35



36
 37
 38 The Performance Management Program cycles depicted above and on Page 21 of Attachment A, can serve
 39 as examples of how the City’s Program might be structured. However, not all portions of the cycle are
 40 necessarily done each year. There may be some practical limitations or other requirements that need to be
 41 factored in.
 42

43 For discussion purposes, the Council is asked to consider the following components of a Performance
 44 Management Program, including a suggested frequency for each.
 45

- ❖ Solicit Citizen Input
 - a) Community Survey (biennial)
 - b) Community Visioning Process (every 10+ years)
- ❖ Conduct Strategic Planning Sessions
 - a) Goals and Objectives to achieve Community Vision (every 2+ years)
 - b) Capital Asset Replacement Needs (every 2+ years)
- ❖ Establish Budget Priorities (biennial)
- ❖ Adopt 2-year Budget and Capital Improvement Plan (biennial)
- ❖ Monitor Results
 - a) Financial Reporting (annual or semi-annual)
 - b) Performance measurement (annual)
- ❖ Make Adjustments

59 Using this general outline, a tentative Performance Management Program calendar for the next couple of
60 years could be as follows:

61		
62	<u>Date</u>	<u>Performance Management Program Step</u>
63	Apr, 2012	Receive 2011 year-end financial report
64	Jul, 2012	Review 2012 mid-year financial results
65	Sep, 2012	Adopt Preliminary 2013 Tax Levy and Budget (revise if necessary)
66	Oct-Nov, 2012	Conduct citizen survey
67	Dec, 2012	Adopt Final 2013 Tax Levy and Budget (revise if necessary)
68		
69	Jan, 2013	Receive citizen survey results
70	Feb-Mar, 2013	Conduct strategic planning sessions
71	Mar, 2013	Receive 2012 performance measurement results
72	Mar-Apr, 2013	Evaluate capital asset replacement needs
73	Apr, 2013	Establish budget priorities and policies
74	Apr, 2013	Receive 2012 year-end financial report
75	May-Aug, 2013	Develop the 2014-2015 Budget and CIP
76	Jul, 2013	Review 2013 mid-year financial results
77	Sep, 2013	Adopt Preliminary 2014-2015 Budget and CIP
78	Dec, 2013	Adopt Final 2014-2015 Budget and CIP
79		
80	Mar, 2014	Receive 2013 performance measurement results
81	Apr, 2014	Receive 2013 year-end financial report
82	Jul, 2014	Review 2014 mid-year financial results
83	Sep, 2014	Adopt Preliminary 2015 Tax Levy and Budget (revise if necessary)
84	Oct-Nov, 2014	Conduct citizen survey
85	Dec, 2014	Adopt Final 2015 Tax Levy and Budget (revise if necessary)

86
87 Under this proposed Performance Management Program calendar, even numbered years would focus
88 primarily on program and performance evaluation, and citizen input. Odd numbered years would focus
89 primarily on long-term planning and budgeting.

90
91 This calendar is depicted graphically below.

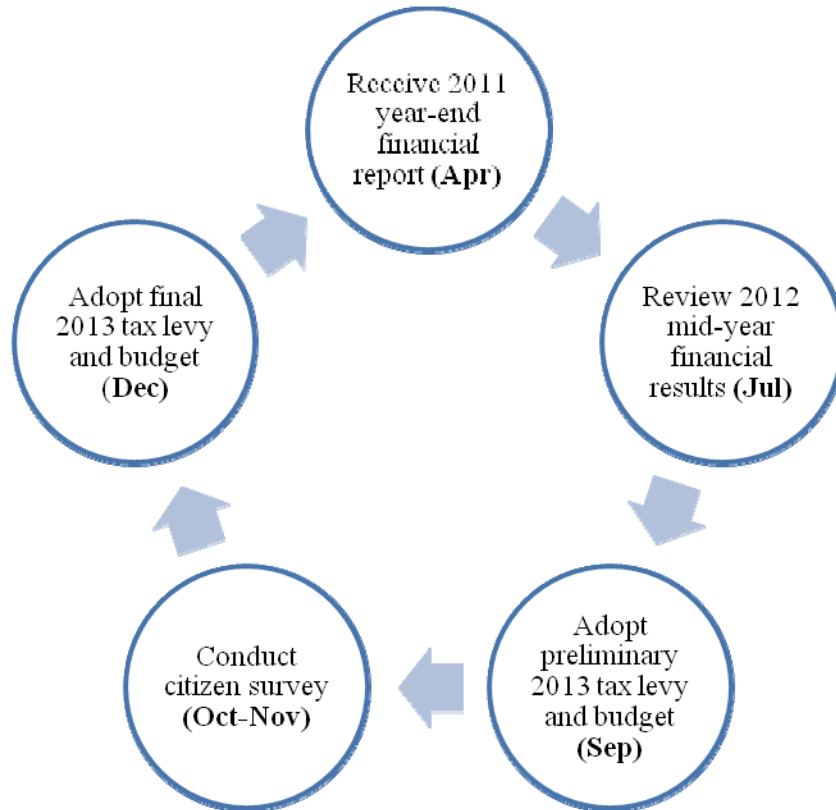
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93

2012 Performance Management Program Calendar

94

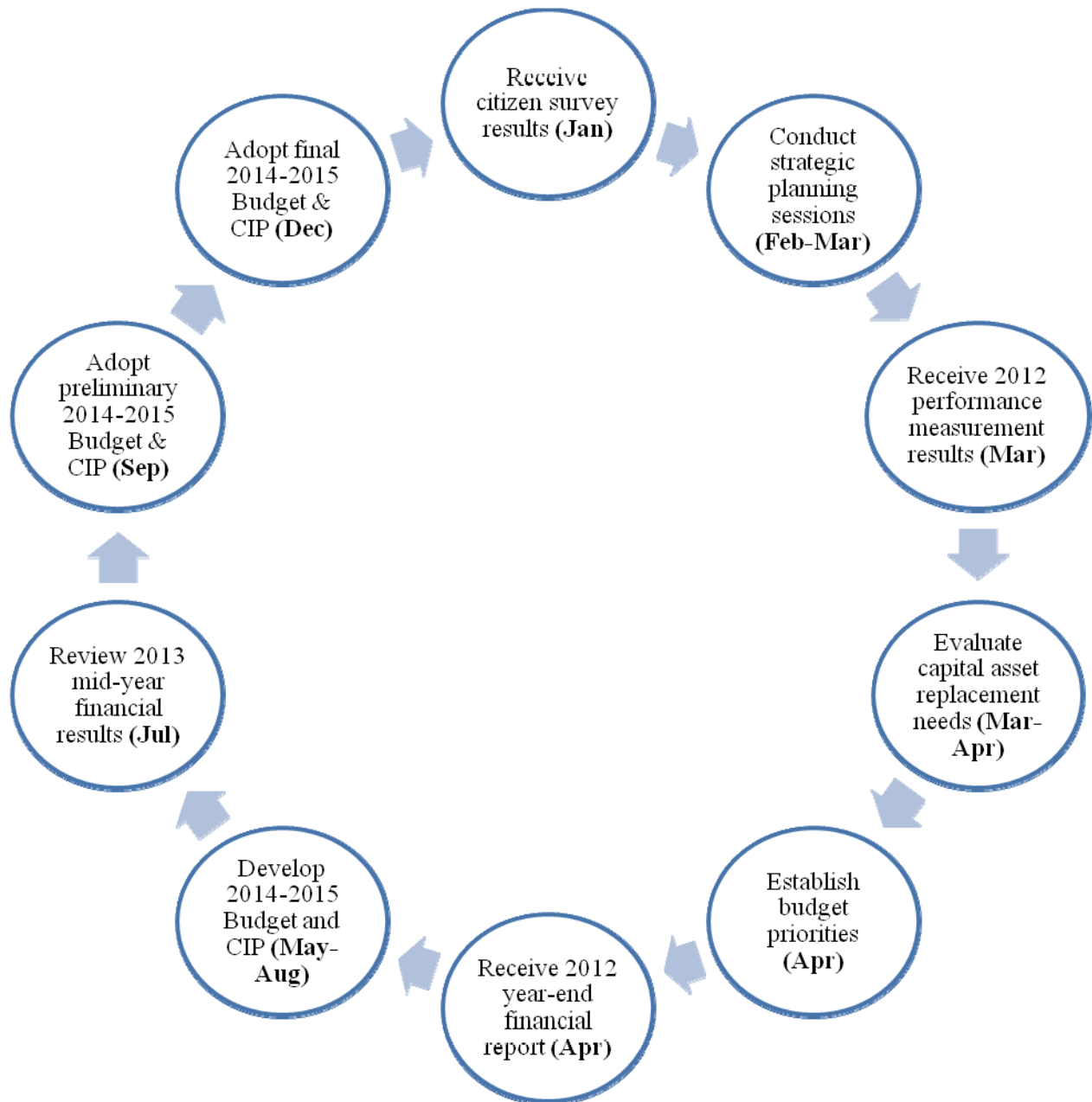
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96



97

2013 Performance Management Program Calendar



98
99
100

101

102 **POLICY OBJECTIVE**

103 Establishing a Performance Management Program demonstrates a commitment to effective decision-
104 making and ensuring that the allocation of resources is aligned with desired outcomes.

105 **FINANCIAL IMPACTS**

106 Not applicable.

107 **STAFF RECOMMENDATION**

108 Staff recommends that the Council consider establishing a Performance Management Program.

109 **REQUESTED COUNCIL ACTION**

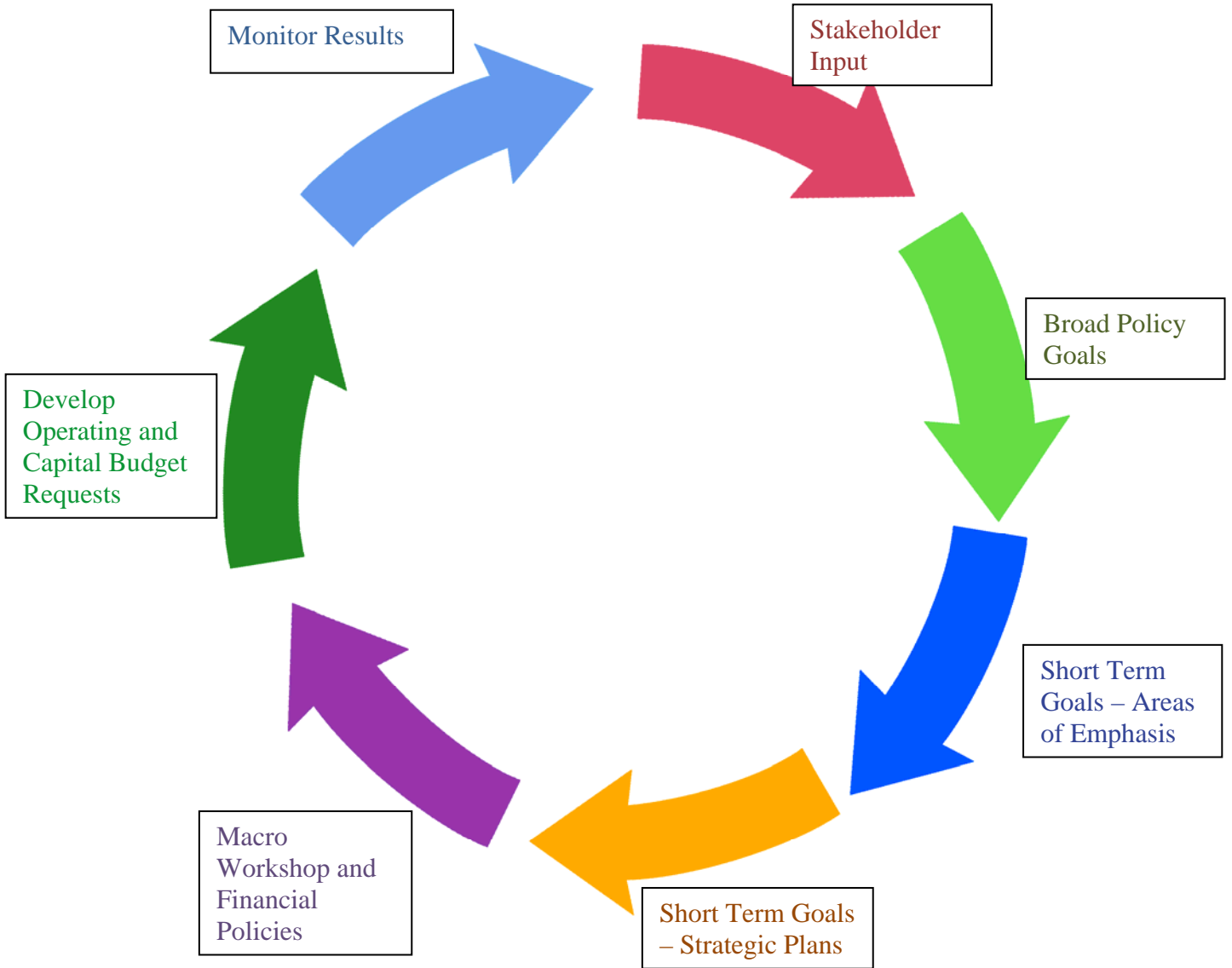
110 For discussion purposes only. No formal action is required.

111

Prepared by: Chris Miller, Finance Director

Attachments: A: Performance Management Program Framework

Performance Management Program



Performance Management Program

Stakeholder Input

The City gets stakeholder input through:

- Public Hearings – budget schedule including public hearing dates
- Community Survey

Broad Policy Goals

The City Council and leadership team meet each year to set or update the City's broad strategic goals.

The City Council uses the input received through the stakeholder input to understand the interests and needs of the community.

The City Council then adopts the broad goals by resolution clarifying their commitment to the Goals.

Short Term Goals – Areas of Emphasis

The City Council and leadership team meet each year to set or update the City's broad strategic goals – as well as the “Areas of Emphasis”. These Areas of Emphasis are specific challenges, issues or tasks which the City wishes to make measurable progress on in the near future.

The City Council uses the input received through the stakeholder input to understand the interests and needs of the community.

The City Council then adopts the Areas of Emphasis, along with the broad goals by resolution clarifying their commitment to these issues. Also part of the resolution are the goals as established by the City Manager and staff. Together, they form the policy guidance for the City in its strategic planning and budget development.

Short Term Goals – Strategic Plans

Each department updates their strategic plan on an annual basis. The plans include the goals and objectives for each department consistent with the City's goals and the needs identified by the departments. These plans are:

- Reviewed by any appropriate advisory Commissions
- Reviewed and approved by the City Manager
- Reviewed by the City Council
- Presented to the public at a televised meeting of the City Council

Macro Workshop and Financial Policies

Staff members develop the budget using guidance provided by the City Council and City Manager.

The guidance includes the adopted financial policies of the City. These policies are reviewed and updated annually by the City Council.

The City Council also conducts an annual review of the City's financial results and condition. The City Council, City Manager and staff review the prior year's audited financial report, current year budget status and prospects for the future.

The review of the City's Financial Policies and other budget review and development discussions occur at the annual "Macro Budget Workshop". This workshop provides a unique opportunity for the City to look at the "Big Picture" of the City's needs and fiscal programs.

Develop Operating and Capital Budget Requests

The City budget development process follows set annual/biennial steps.

The City Council adopts a budget and Capital Investment Plan (CIP)

Monitor Results

Once the City Council adopts a budget, it must be monitored closely.

The City Council receives regular reports on the financial status of the many funds that make up the City's operating and capital budgets.

Additionally, the City conducts a Performance Measurement Program that identifies numerous activities of the City operations, and establishes goals and measures achievement of the goals and standards.

This information is shared with the Community.

The process begins again with community input for the next budget cycle.

A Performance Management Framework for State and Local Government:

From Measurement and Reporting to
Management and Improving

National Performance Management Advisory Commission





A Performance Management Framework for State and Local Government:

From Measurement and Reporting to
Management and Improving

National Performance Management Advisory Commission

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Members of the National Performance Management Advisory Commission

Sponsoring Organizations

Association of School Business Officials International (ASBO)
National Association of State Budget Officers (NASBO)
The Council of State Governments (CSG)
Government Finance Officers Association (GFOA)
International City/County Management Association (ICMA)
National Association of Counties (NACo)
National Association of State Auditors, Comptrollers, and Treasurers (NASACT)
National Center for State Courts (NCSC)
National Conference of State Legislatures (NCSL)
National League of Cities (NLC)
United States Conference of Mayors (USCM)

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Richard Devlin, Vice Chair (NCSL), Senate Majority Leader, State of Oregon

David Ammons, Professor, University of North Carolina at Chapel Hill
Daniel Becker (NCSC), State Court Administrator, State of Utah
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Larry Jones (USCM), Assistant Executive Director, United States Conference of Mayors
John Kenney (NASACT), State of Maryland, Comptroller's Office
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A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving

At no time in modern history have state, local, and provincial governments been under greater pressure to provide results that matter to the public, often within severe resource constraints. At the same time, government officials and managers are challenged to overcome the public's lack of trust in government at all levels.

We have developed this Performance Management Framework for State and Local Government to help public-sector organizations address these challenges.

The primary motive driving the commission and public-sector performance management in general is the conviction that governments must improve their focus on producing results that benefit the public, and also give the public confidence that government has produced those results. The emphasis on process and compliance that has typified traditional public-sector management has not been sufficient to make this happen. Therefore, governments must change their approach. Public-sector management must become synonymous with performance management.

Now is the time for governmental leaders to ensure that the organizations they lead are taking responsibility for achieving results that matter to the public – by practicing performance management.

Accomplishing this will require more than a conceptual framework. It will require public-sector leaders at all levels, both elected and appointed, not only to set high expectations for performance but also to make a commitment to improving performance. Leaders must instill a sense of urgency about improving performance in their governments, build performance-based organizational cultures and management structures, continuously commu-

nicate the necessity of listening to the public, and provide resources to assure that a performance-based culture and related practices are initiated and sustained. We believe that seeking out, understanding, and applying performance management principles and practices is not only a critical responsibility of public officials and managers, but that it is an ethical obligation.

To practice performance management, officials and managers must have accurate, timely, and relevant information for decision making, along with the skills and knowledge to analyze results and design improvements when needed. These are the learning and improving aspects of performance management.

Democratic governments are also obligated to be accountable to their owners – the citizenry. Performance management principles and practices give governments the ability to provide easily understood and timely information to the public so citizens can assess the results their government is producing and fulfill their role as collective owners of their governments.

The feedback we have received during the process of creating this framework has reinforced our view that governments want better information and practices that will help them improve results. This means providing better ways to:

- understand public needs;
- identify and implement programs and services that will meet those needs;
- assure that policies, strategies, and services are in alignment;
- collect and analyze performance information;
- apply information to continuously improve results and become more efficient;
- use data more effectively to inform policy decisions;
- support accountability, both within the organization and to the public;
- provide understandable information on performance to the public; and
- encourage citizens to provide feedback and get involved in the government's decision-making processes.

We know that the creation of the framework is only the first step. We will continue, as members of the commission, to advocate that governments implement performance management initiatives and that the public-sector associations we represent provide tools, techniques, and training for their members to support the adoption and continuous enhancement of public-sector performance management.

We urge public-sector officials, managers, and all others who have a stake in improving the performance of governments to review this framework and make the commitment to apply the principles and practices contained in it for the benefit of their jurisdictions.

The members of the National Performance Management Advisory Commission:



M. Jacqueline Nytes, Chair (NLC), Councillor
City of Indianapolis and
Marion County, Indiana



Richard Devlin, Vice Chair (NCSL), Senate Majority Leader
State of Oregon



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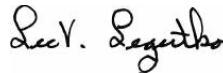
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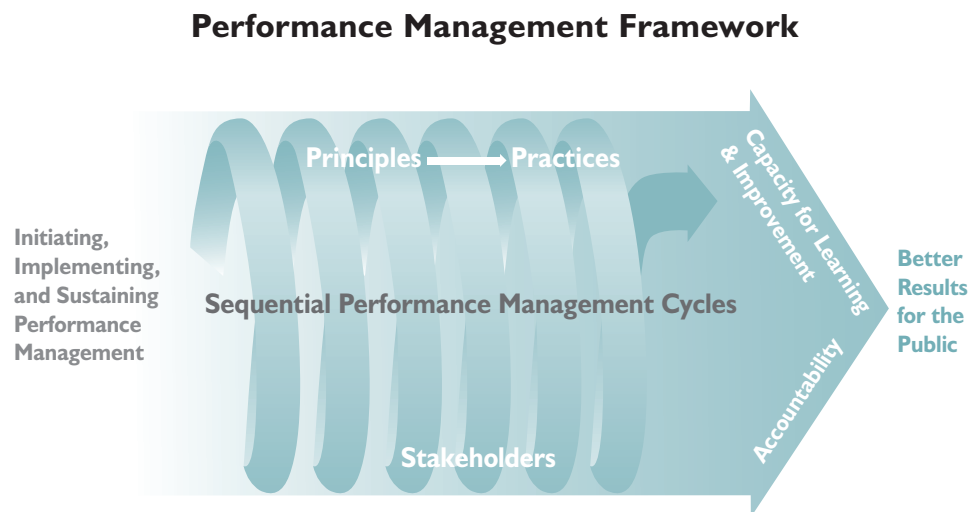
Introduction to the Framework

The National Performance Management Advisory Commission developed the performance management framework to help governments move beyond measuring and reporting those measures to managing performance toward improved results.

The framework is conceptual; even though this report provides useful information for governments for learning about and implementing performance management initiatives, the framework was not intended to be a how-to guide. For governments that currently have performance measures, the framework offers information on how they can use them to get better results. For governments that have not yet developed performance measures, the framework provides a starting point for creating a performance management system. The framework is intentionally flexible and high-level so it can be used by all state, provincial, and local entities – agencies, cities, counties, school districts, the judiciary, and special districts.

In developing the framework, the commission identified many audiences that are served by performance management, both internal to the government (e.g., elected officials, executives, managers, departmental supervisors, and staff) and external (e.g., the public, neighborhood and special interest groups, businesses, non-profit organizations, the media, and other governments). The commission believes that the framework will be useful for all these audiences. *However, the commission created the framework expressly for public managers and public officials, who must provide leadership for initiating and sustaining performance management because they have primary responsibility for achieving results.*

The framework illustrated below shows the dynamic nature of performance management. Ideally, when performance management principles are incorporated into traditional governmental processes – planning, budgeting, operational management, and evaluation, for



example – these processes are transformed into a single, well-aligned structure for producing value for the public in the form of better services, effective programs, focused policies, and, ultimately, improved community condition. Performance improves through successive management cycles as the organization’s capacity for learning and improving increases.

The desired result of performance management is shown in the previous illustration as “better results for the public.” This raises the question of who decides what these results will be. In this framework, the government uses public needs and expectations to identify desired results. More information on how governments identify these needs and expectations is provided in the Performance Management Practices section.

Simply superimposing a performance management process onto a traditionally managed organization may sound good, but in practice, it is not likely to make any difference. To make real improvements, organizational culture must also be addressed.

In addition, it is important to keep in mind that the framework is a means to an end, not an end in itself. Simply superimposing a performance management process onto a traditionally managed organization may sound good, but in practice, it is not likely to make any difference. To make real improvements, organizational culture must also be addressed.

Finally, while benefits do accrue from the beginning, those benefits increase over the years, as performance management principles and practices become embedded in the organization’s culture. Consequently, organizations that sustain performance management reap the greatest benefit.

Examples of governmental performance management practices from many types and sizes of governments are provided throughout this report. As these examples will show, there are many approaches to performance management. Because each government has its own unique characteristics and history, approaches that work well for one may not be appropriate for another. However, all good performance management systems incorporate the principles described in the framework.

What Is Performance Management?

Performance management in the public sector is an ongoing, systematic approach to improving results through evidence-based decision making, continuous organizational learning, and a focus on accountability for performance. Performance management is integrated into all aspects of an organization's management and policy-making processes, transforming an organization's practices so it is focused on achieving improved results for the public.

Performance management comprises the concerted actions an organization takes to apply objective information to management and policy making in order to improve results.¹ Performance management uses evidence from measurement to support governmental planning, funding, and operations. Better information enables elected officials and managers to recognize success, identify problem areas, and respond with appropriate actions – to learn from experience and apply that knowledge to better serve the public.

Performance measurement and performance management are often used interchangeably; however, they are distinctly different. For decades, some governmental entities have measured outputs and inputs, and, less commonly, efficiency and effectiveness. Performance measurement helps governments monitor performance. Many governments have tracked and reported key statistics at regular intervals and communicated them to stakeholders. Although measurement is a critical component of performance management, measuring and reporting alone have rarely led to organizational learning and improved outcomes. Performance management, on the other hand, encompasses an array of practices designed to improve performance. Performance management systematically uses measurement and data analysis as well as other tools to facilitate learning and improvement and strengthen a focus on results.

¹ David N. Ammons, ed., *Leading Performance Management in Local Government* (Washington, DC: ICMA Press, 2008), v, ix.

Why Performance Management?

Performance Management and the Evolution of Public Management

Performance management can be viewed in historical context as the most recent stage in the evolution of public-sector management. Early governments in the United States were plagued by spoils and corruption. Then, as a reform, a bureaucratic, merit-based system was instituted, focusing on processes to eliminate financial improprieties and nepotism and promote fair access to government contracts.² Performance management, while continuing to assure appropriate controls through effective processes, has expanded the meaning of accountability and protecting the public interest to encompass achieving results that benefit the public. While bureaucratic processes focus on preventing bad things from happening, performance management adds a focus on assuring that government actually produces positive results. Performance management is becoming the new standard for public-sector management. Underlying this transition is the recognition that:

- Rationality is the underlying force of performance management. Public managers at all levels are able to make better decisions when the process is informed by relevant data.
- A process approach to accountability is not sufficient. Officials, managers, and employees at all levels must be accountable not just for following processes but for producing results the public needs.
- Performance management is not only a professional expectation for public officials and employees but also an ethical expectation.
- While politics will always be an important force in the governmental environment, there must also be a place for accurate, timely, and unbiased information for high-level decision making as well as for day-to-day management.

Addressing Challenges

Performance management has the potential to help governments address the performance challenges they face. Some of the most important are listed below.

The need to focus the organization on results that are important for stakeholders. Performance management begins with setting objectives and targets that are relevant to stakeholders' needs and expectations. It focuses the organization's resources and efforts toward achieving results that will provide the greatest benefit to the jurisdiction and its stakeholders. Managers and staff also need to gain expertise in understanding and incorporating the public's needs into decisions by engaging with citizens about what they want and need.

² For further discussion of this evolution, refer to "Challenges to Implementing Performance Management," a Performance Management Advisory Management Commission issue paper by Michael F. Brown, Chief Executive Officer, Santa Barbara County. The paper is available at <http://pmcommission.org>.

The need to improve results within resource constraints. Governments are constantly challenged to provide high-quality services and improved outcomes within limited resources. Performance management addresses this challenge by promoting the use of evidence about effective and efficient approaches and by fostering a culture of continuous improvement in pursuit of the best results for the least amount of money.

The need to engage all public employees, not just top officials and managers, in finding ways to better serve the public in an era of complexity and rapid changes in the environment. “Business as usual” is an inadequate guide for governing in the current environment. Narrow expertise or basic skills in planning and budgeting will not insulate the manager from the need to know how to do more with less. Managers and employees must gain expertise in analysis and process improvement, performance measurement, and the application of technology to solve business problems.

The need to gain and keep the public’s trust and confidence. Performance management improves accountability and supports confidence in government not only by enhancing governments’ ability to communicate performance information but also by giving governments the right tools for improving results.

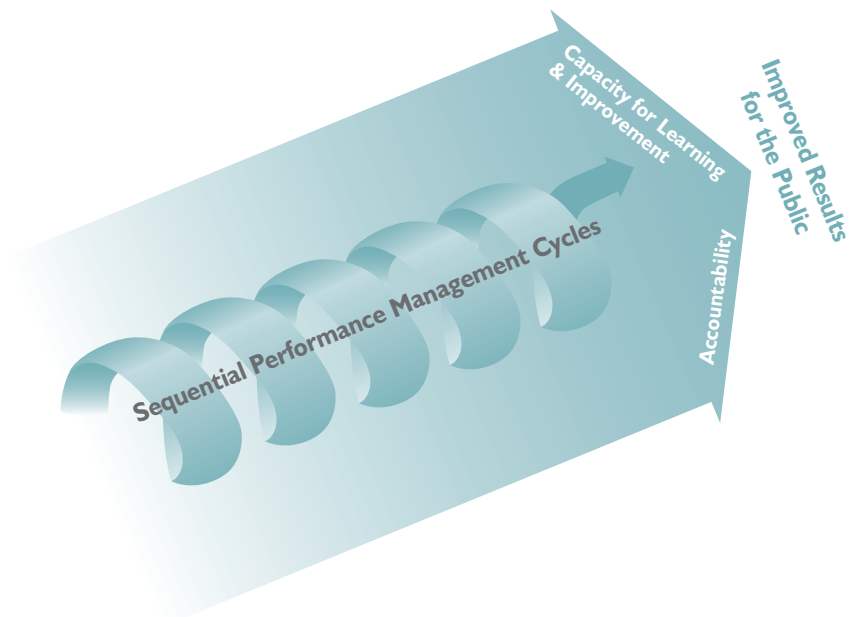
Moving from Measuring and Reporting to Managing and Improving Results

Early practitioners of performance measurement who relied on rudimentary measures of inputs and outputs were often frustrated that their investments did not yield the benefits they expected. Moving from measuring to approaches that use measurement as a component of improving performance can help close that gap. What benefit can governments and the public expect? The fundamental benefit is that performance management enables governments to produce better results for the public. Through continuous cycles of evidence-based planning, resource allocation, program or policy execution, and evaluation, organizations are able to use performance information to identify what works and what does not.

The fundamental benefit of performance management is that it enables governments to produce better results for the public.

Staff that has been well trained in performance management principles and practices is equipped to learn from the evidence provided by past experience and from the experience of other organizations to modify old strategies or fashion new strategies for improved results. Public officials and managers sometimes hesitate to make the move to performance management because they fear that new costs will accompany the change. This fails to recognize the heavy costs often borne by governments that provide suboptimum services and make poor decisions without the benefit of data and analysis. The costs inherent in performance management are simply the costs of good management.

Benefits of Performance Management



The highest goal and expectation of performance management is improved results for the public. Governmental organizations have used performance management practices to achieve cost savings and improve both performance against targets and customer satisfaction. While much more research is needed to document this connection, practitioners who have applied performance management principles and practices see it happening.

Organizational Commitment to Improving Performance

Some government officials have hoped that simply developing and reporting performance measures would produce better results and have refrained from pursuing performance management. Often, these governments have experienced only modest success from their limited focus on measurement and reporting, and their minimal investment in management infrastructure, training and data collection, storage, and analytic tools that would allow performance measures to be applied to learning and improvement. The Metropolitan Government of Nashville and Davidson County example on the following page illustrates how a transition to performance management from measurement can work.

Performance management is not a mechanical process that can be set in motion and left to run on auto-pilot. Benefits are not realized without engaged leadership and a strong organizational commitment to changing inadequate decision-making processes, structures, and a culture of complacency. Practitioners of performance management have learned that achieving better results through the principles and practices of performance management requires a sound technical approach, strong leadership, ever-improving expertise, and a culture that constantly reinforces a focus on results.

Case Study

The Metropolitan Government of Nashville and Davidson County

The Metropolitan Government of Nashville and Davidson County (Nashville) found that its initial investments in performance measurement did not yield the results it expected. Reported measures were not linked to business or strategic objectives, and they were not making a significant impact on organizational culture. A study by the Nashville Office of Management and Budget found that more than half of the government's departments did not use performance measurement information from the system for monitoring and management purposes, and nearly half collected data only so it could be published in the annual budget book. Through its Results Matter initiative, Nashville transformed its performance measurement process into one that is linked to budgeting and strategic planning. The program's goal is to successfully bring about a cultural shift in the organization and to implement a systematic focus on achieving results. Results Matter has helped change the nature of budget discussions in the City Council, putting more focus on desired and actual results. While it had not been uncommon for debate to center on line-item expenses, now council members more often discuss the outcomes that are being pursued and their relative importance. Results Matter also included a citywide effort to manage operations based on performance information. With increased reliance on performance data for decision making, the city has been able to reduce backlogs in functional areas and streamline processes.

Performance Management Principles

The framework described in this report is established on a foundation of seven principles, which are described below. These principles help transform and unite governmental processes such as planning, budgeting, management, and evaluation into a single, well-aligned system for improving results. Applying these principles to management and policy making creates public value in the form of better policies, services, and programs, and, ultimately, improved community condition.

7 Principles of Performance Management

1. A results focus permeates strategies, processes, the organizational culture, and decisions.
2. Information, measures, goals, priorities, and activities are relevant to the priorities and well-being of the government and the community.
3. Information related to performance, decisions, regulations, and processes is transparent — easy to access, use, and understand.
4. Goals, programs, activities, and resources are aligned with priorities and desired results.
5. Decisions and processes are driven by timely, accurate, and meaningful data.
6. Practices are sustainable over time and across organizational changes.
7. Performance management transforms the organization, its management, and the policy-making process.

1. A Results Focus Permeates Strategies, Processes, the Organizational Culture, and Decisions

A results focus is central and essential to performance management. Community-wide plans, long-term and annual budgets, customer service strategies, and individual efforts all revolve around articulating and producing desired results.

Traditional government processes and practices have too often emphasized a process-compliance definition of results rather than an outcome-based definition. Compliance with prescribed processes may help to assure fairness, fiscal probity, or adherence to the law, but it often results in less emphasis on achieving actual substantive benefits for the public.

Performance management principles and practices work to assure that the organization's strategies, processes, and the culture itself are aligned with the results the organization

aims to achieve, while still insuring fairness, proper stewardship, and adherence to the law.

2. Information, Measures, Goals, Priorities, and Activities Are Relevant to the Priorities and Well-Being of the Government and the Community

The principle of relevancy requires that an organization establish goals and performance targets that are important and meaningful to intended audiences. Some goals and targets may be technical, such as those related to complying with technical environmental protection laws for drinking water. These are relevant to staff members who are responsible for maintaining compliance and assuring the safety of drinking water, for example. Many residents, however, just want to know that they can drink the water that comes from the tap and that it will be available when they want it. Thus, a government might need to set both technical and resident-friendly goals and provide plain-language interpretations of water drinkability and availability. Relevancy requires that policymakers, executives, managers, and staff clearly understand how to use performance management tools and practices so appropriate goals and targets can be developed and resources can be devoted to achieving them.

3. Information Related to Performance, Decisions, Regulations, and Processes Is Transparent – Easy to Access, Use, and Understand

The principle of transparency means that information is not only easy to access, but also that it is complete, well organized, easy to use, and easy to understand. Information that is known only by a small group or an individual does little to foster evidence-based planning, budgeting, and decision making. Making performance information widely available can encourage dialog about how to improve performance, thus offering the potential for improved resource management, better policy making, and an enhanced ability for the public to participate in their government.

In addition, performance management practices have the potential to change long-established processes and service levels as performance information is used to evaluate performance and perhaps to reallocate resources to better match priorities. Stakeholders will want to know how such decisions are made.

4. Goals, Programs, Activities, and Resources Are Aligned with Priorities and Desired Results

Effective performance management systems help ensure that goals, programs, activities, and resources are aligned with priorities and desired results. Alignment must be both vertical (from the top to the bottom of the organization structure and also from organization-wide to individual goals) and horizontal (across organizational units and, optimally, across governments serving the same population). A lack of alignment creates two significant impediments to success: 1) The organization will act like multiple organizations rather than a single one, potentially compromising efficiency and effectiveness; and 2) Components of the organization will compete for resources rather than developing ways to cooperate.

5. Decisions and Processes Are Driven by Timely, Accurate, and Meaningful Data

Collecting performance data, storing it in useable form, and applying it to managing and decision making are essential to performance management. Policy makers, executives, managers, and staff must have performance data in order to track and understand results. Data-informed decision making allows the organization to learn from experience, replicate successful strategies, and improve on efforts that fail to meet expectations.

6. Practices Are Sustainable Over Time and Across Organizational Changes

To be successful, performance management must be a sustained organizational improvement effort. Performance management is not an event, a program, or a quick fix intended to address only current issues. A performance management system must be sufficiently flexible to adapt to inevitable changes that occur over time such as leadership changes, changes in organizational structure, or unanticipated events. The benefits of performance management increase over time as it becomes the standard approach to management and decision making. Performance management requires that leaders make a significant commitment to provide resources, develop expertise, and enlist employee involvement. Performance management becomes a sustained effort when the organization uses performance management practices routinely, believes in performance management as the preferred mechanism for managing resources, and, finally, develops the expectation that decisions will be based on performance information.

7. Performance Management Transforms the Organization, Its Management, and the Policy-Making Process

The preceding six principles contribute to this final principle, that of transformation. For performance management, the term “transformation” means a shift from focusing primarily on process and on inputs and outputs to emphasizing results organization-wide. A transformed organization uses evidence-based planning and management and objective goal setting, and works to align its structure, systems, and resources toward achieving results. Transformation also means going from a bureaucratic model toward a more flexible model of results-based management and decision making. Finally, transformation changes organizational culture to one that values evidence, learning, and accountability for results as well as accountability for complying with laws and regulations.

Initiating, Implementing, and Sustaining Performance Management

Systematic, ongoing performance management requires a sustained effort. Organizations that have implemented and institutionalized large-scale performance management know that it is a constantly evolving process, not something that works perfectly on day one. First, someone takes the lead to initiate performance management. Assuming that authorization and resources follow, the initiative is implemented. Then, if the full benefits of performance management are to be achieved, the effort must continually grow and become a regular part of doing business, which requires active management and sustained focus.

It is also important to keep in mind that in cases where an organization-wide performance management initiative is not possible, limited efforts initiated by a single division or department can yield benefits. These limited efforts can also serve as examples to the entire government and build expertise for a later large-scale effort. However, it is difficult to initiate performance management in an organization where the leadership of the organization is not driven by a desire to deliver quality services at a reasonable cost.

Initiating Performance Management

As with any large-scale change, someone is compelled to break out of the status quo. A performance management champion, motivated to make the change, gathers support for the effort. The three driving forces discussed below are typical.

Desire to improve. Public officials may decide that performance management would be an effective tool for improving services, responding to community needs, addressing citizen preferences, or enhancing the government's reputation. Performance management practices, coupled with better information for better decisions, can lead to improved performance.

Performance management is a constantly evolving process, not something that works perfectly on day one.

Increased demands and expectations. Governments face myriad demands and expectations – from citizens, businesses, other governments, government workers and supervisors, labor unions, neighborhood groups, and special-interest organizations. Once governments have identified stakeholders' needs and expectations, they can use performance management practices to accomplish outcomes stakeholders will value.

A response to fiscal stress. Officials and managers need better information for allocating scarce resources and countering non-sustainable budget-balancing methods such as across-the-board cuts or use of reserves. A performance approach, based on performance informa-

tion and data analysis, can help officials and managers make better decisions about setting priorities and using limited funds.

Implementing Performance Management

It can take years for an organization to make performance management the standard way of doing business. But the initial implementation of key elements such as performance-driven planning, changing the budgeting process, and training managers and employees on using data to improve programs and services can be accomplished relatively quickly.

It can take years for an organization to make performance management the standard way of doing business.

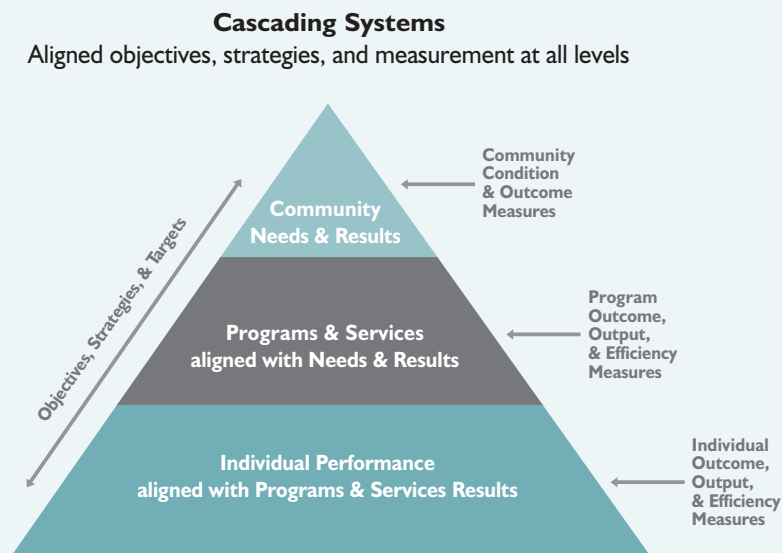
Implementation Steps

Although specific implementation steps will vary by government, the following steps are representative.

- Present the case for performance management to the appropriate decision makers to enlist support, obtain authorization, and secure resources. While organization-wide implementation is optimal, individual sub-units – agencies, departments, or bureaus, for example – may decide to implement performance management independently. Regardless of the organization’s size, scale, or purpose, support from organizational or sub-unit leaders is essential. Without such support, efforts to implement and sustain the effort are not likely to succeed.
- Identify key purposes and objectives of initiating performance management. Governments usually have more than one reason for implementing performance management. Clarifying and communicating key purposes and establishing specific objectives at the beginning will help to determine process design and enlist support.
- Define the performance management process. There are several performance management systems that many governments are using, including a strategic planning-based cascading system of objectives, strategies, and measures (see the illustration on the following page); the “balanced scorecard” approach popularized by Robert S. Kaplan and David P. Norton; and the Stat system approach (e.g., CompStat and CitiStat). Governments can adopt one of these approaches fully or partially, or select elements from several to create their own unique system. The Baldrige Management Model, the framework used in the Malcolm Baldrige National Quality Award program, is a system that focuses on leadership, strategic planning, customer focus, measurement, staff, process management, and improving results. This model recommends a structured

A Strategic Cascading Performance Management System

Ideally, a cascading system of performance management establishes alignment all the way from community needs to individual performance. Overarching priorities and objectives are set through a planning process, along with high-level performance measures and targets. Strategies for achieving the objectives are then set through a strategic planning or budgeting processes. Program, service, or organizational unit objectives and measures are also developed that align with overarching objectives and strategies. Individual performance objectives, strategies, and measures may also be part of a cascading system, as illustrated below.



approach to management based on criteria set up for receiving the Baldrige Award. While the Baldrige criteria have been used mainly in the private sector, both the City of Coral Springs, Florida, and the Jenks Public School District, Oklahoma, are Baldrige Award winners.

Regardless of the specific approach, performance management typically includes the following elements:³

- 1) A planning process that defines the organizational mission and sets organizational priorities that will drive performance. This is the planning phase of the performance

³The Performance-Based Management Handbook, Volume 1, Establishing and Maintaining a Performance-Based Management Program, U.S. Department of Energy Performance-Based Management Special Interest Group (September 2001), www.ora.gov/pbm. Each of these elements is listed in the DOE handbook; however, they have been revised for the purposes of this framework.

management cycle. Once strategic priorities are established that are consistent with the mission, long-term objectives, annual targets, and strategies can be set.

- 2) A process for engaging the public and identifying community needs. Without such a process, it is difficult or impossible to fulfill the promise of performance management to produce results the public needs. When establishing the process, government should identify the purpose for engaging the public, points in the process where the public will be involved, how and when information gained from the public will be used in the performance management system, and the specific public involvement methods that will be used.

The organization needs the capacity to analyze data, not just collect and report it.

- 3) A budget process that allocates resources according to priorities. A complete performance management system must include a performance approach to budgeting. Rather than developing budgets from the previous year's expenditures, funding is allocated according to priorities and information about what actions are effective in reaching desired results.
- 4) A measurement process that supports the entire performance management system. A key challenge in this step is integrating measures both horizontally (across organizational processes and boundaries) and vertically (from a community condition level all the way down to the work of departments and individual employees in support of improved conditions).
- 5) Accountability mechanisms. Accountability refers to the obligation a person, group, or organization assumes for the execution of authority and/or the fulfillment of responsibility. "This obligation includes: answering – providing an explanation or justification – for the execution of that authority and/or fulfillment of that responsibility; reporting on the results of that execution and/or fulfillment; and assuming responsibility for those results."⁴
- 6) A mechanism for collecting, validating, organizing, and storing data. This process assures data reliability and availability.
- 7) A process for analyzing and reporting performance data. The organization needs the capacity to analyze data, not just collect and report it, so that data can be interpreted and useful information provided to management, policy makers, and the public.

⁴ Ibid, p. 21.

- 8) A process for using performance information to drive improvement. At this stage, information is used as evidence to help the organization make decisions on whether to continue programs or activities, prompt and test new strategies, use data to set up improvement incentives, or try something else. The capacity for using performance information to drive improvement includes being able to compare current performance to past performance, established standards, or the performance of other organizations.
- Communicate the plan to gain understanding, enlist support, and assure that stakeholders have the facts. Communication is a critical component of any change effort. Setting up a multifaceted communication effort will help all parties gain understanding and build and maintain support. By not just providing information but inviting feedback and questions, a good communication process can counter inaccurate information by rapidly identifying inaccuracies and making sure that accurate and relevant information is provided.
 - Build organizational capacity through training, hiring, or developing in-house technical and other expertise; providing performance management tools; and building common terminology. While training is generally part of initial implementation, it should not be viewed as a one-time event. Existing staff benefit from recurring training, and new hires need proper introduction to the way the organization practices performance management. The organization's efficiency and effectiveness will benefit from deeper staff understanding of performance management practices and principles.
 - Monitor the implementation process and make adjustments as necessary. Just as monitoring and adjusting are part of the performance management cycle, the performance management initiative itself must be continually monitored and changes must be made to assure that it is becoming ingrained in the organization and that benefits are being achieved.

Any major organizational change requires both a sound technical approach and a workable approach to change itself.

Managing the Change

Any major organizational change, including implementation of performance management, requires both a sound technical approach and a workable approach for the particular organization involved. Organizational change management is indispensable to assuring that performance management will become the organization's ongoing way of doing business. At its heart, performance management is an organizational improvement process that hinges on aligning employee interests with the organization's objectives. Achieving this alignment requires that the organization pay attention to key issues that employees have during the transition.

There are many challenges to implementing performance management. It cannot be promised as a quick fix, although benefits usually begin early. It takes time, and those who would typically have responsibility for implementation have other tasks they must accomplish simultaneously. It may also be a reputational risk for those who undertake it. There are no guarantees of success. While many practitioners have had successes, there are as yet no systematic studies that rigorously quantify the direct or indirect benefits of performance management efforts.

Organizational and structural issues often have the potential to affect the success of a change effort, so strategies to address those issues should commence before performance management implementation begins.

Organizational and structural issues often have the potential to affect the success of a change effort, so strategies to address those issues should commence before performance management implementation begins. Initiators of performance management should consider the culture of their organizations and identify potential barriers as they develop their implementation strategies. The earlier change management efforts begin, the stronger the foundation becomes to support a sustained performance management initiative. While a comprehensive description of change management is beyond the scope of this document, a sound change management process includes, at minimum, the following steps:

- Assess the organization's capacity for change. Review how the organization has responded to changes in the past, what the key barriers have been, and how they have (or have not) been overcome.
- Assess implementation risks. A risk assessment identifies environmental threats (e.g., people, events, finances, and cultural factors) that may impede progress or even stop the initiative. Doing such an assessment in the beginning enables planners to consider how to respond to these threats should they occur and also to decide on the timing of the initiative.
- Create a change management component. Give responsibility to an individual or a group for addressing change management issues separate from the technical components of performance management implementation.
- Establish a process for communication. As mentioned earlier in the implementation section, communication should be systematic and frequent. A communication plan that identifies key audiences, key messages, and appropriate communication channels, and then provides timely communications, is an essential part of managing the transition.

- Provide coaching and individual attention to participants. Provide coaching and feedback so individuals in the organization are able to use performance management and understand not only why it is good for the organization, but also how each person fits into a performance management approach.
- Manage resistance. No matter how well justified the initiative may be, acceptance levels will vary. Some individuals will enthusiastically adopt, some will adopt because it is expected, and others will drag their feet or simply refuse to get on board. Managing resistance is a multi-faceted activity that involves identifying the specific sources of resistance and developing responses that are appropriate in scale and intensity.
- Celebrate success. Although we have emphasized that performance management is an evolutionary process, successes occur at every stage. In the beginning, gaining resources for an implementation plan is an early success. Creating key organizational priorities is another. It is important to announce successes and involve employees as a way of nurturing the message that performance management is not itself a program or owned by a single group of people, but rather the organization's new way of doing business.

Key Factors in Sustaining Performance Management

Although this section presents initiating, implementing, and sustaining performance management as a three-part sequence, in fact, the ability to sustain a performance management initiative begins in the two earlier stages. Assuring that the performance management initiative becomes an ongoing effort integrated into the organization's practices and culture begins with the steps taken in establishing the initiative. The following factors are important to a sustained effort. In the initiating stage, it is important to analyze the extent to which the following factors are present. At that point, if deficiencies exist, there is time to remedy them or create work-around strategies.

Supportive leaders. Performance management initiatives cannot achieve optimum success without energetic and sustained support from an organization's top managers. Leaders need to articulate a vision for performance management that tells stakeholders how they will benefit and encourages involvement. Leadership must also make clear that performance management is not an experiment and is in fact how business will be conducted.

Elected officials may need to be convinced of the value of implementing and sustaining performance management. Some officials are concerned that instituting a process driven by high-level outcomes and numerical targets may interfere with their authority to set goals and make decisions. Elected officials need to be very involved in their role as policy makers, in the planning stages, where goals are set, and also in later stages, where their oversight responsibilities should be exercised. There are many ways in which elected officials can benefit from performance management, including the following examples:

- A good performance management system has the potential to improve results, explain or defend the distribution of resources, and, through good management, increase benefits to the entire community. These are positive factors for elected officials.
- The information provided by performance management systems can be used in dealing

with powerful organized interests. Officials can use survey data, information on public preferences and priorities, and performance information to counter such interests.

- Performance management systems provide elected officials with objective information they can share with constituents when they discuss the rationale for decisions or votes they have made.
- Good data from performance management systems may help elected officials reach agreement on priorities faster, and with a higher comfort level that they have made the right decision.

It is also important that a full explanation and a context be provided when information is made public. Elected officials are likely to be much more comfortable with having performance data be made public if comparative data from the region or similar governments is included, along with an explanation of the context. For example, if a certain type of crime has increased (or decreased), providers of information may report whether this is part of a regional or national trend driven by demographics, and how the government's performance compares to that of surrounding governments.

Internal champions. A small number of internal champions committed to success and to putting in the time it will take to create a sustained effort can make performance management happen. Champions are committed to implementing performance management and are willing to use their time, talents, and resources to help develop, improve, and get others committed to the effort. This includes finding the time to do research, organize meetings, assign staff to projects, and develop fact-based arguments for countering resistance.

Sufficient financial resources. Performance management results in greater efficiency and more effective use of resources in the long run, but it requires an upfront investment of

Case Study

The City of Columbus, Ohio

The City of Columbus, Ohio, views performance management as a critical tool in developing the accountability necessary to achieve the mayor's goals and objectives. When the city implemented its system, the first step was to hire an experienced leader and create an office of performance management within its financial management division. The office of performance management was given the mission of "ensuring that city leaders and departments have the information they need to track performance, document successes, and identify opportunities for improvement in city services." The city also identified "internal champions" to staff the office - individuals who could act as internal consultants to departments, provide support, and continue to advocate for performance management.

resources for implementation. People, expertise, technology, and money are necessary to establish and maintain tools and practices for revising processes, developing measures, and collecting and storing data.

Performance management expertise. Developing a successful performance management system requires much more than creating new forms and developing new measures. Performance management systems represent a fundamental change in organizational culture. Accessing outside expertise from individuals who have previously implemented performance management allows governments to take advantage of lessons learned and avoid common problems. Sometimes this expertise is already on hand. Identifying and enlisting the support of individuals within the organization who are knowledgeable about the various elements of performance management, preferably those with previous experience, is a good strategy.

External champions. External champions such as good-government organizations, citizen groups, or businesses that have adopted performance management practices can be valuable in gaining and keeping support from both the public and within the government. External champions can advocate on behalf of a results-driven approach to government leaders and the media. While it can be beneficial to have the support of such groups, performance management initiatives can succeed even where this advocacy does not exist.

Professional organizations and other educational and research groups. Many of the organizations that have sponsored the creation of this framework, as well as academic institutions and non-profits across the United States and Canada, provide a multitude of resources governments can use to help them sustain their performance management initiatives.

The ability to demonstrate improvement. One of the best ways to sustain the effort is to demonstrate improvements resulting from performance management. To do so, it is important to maintain data, conduct reviews, and communicate success.

Performance Management Without a Formal System

Performance management thrives where managers and supervisors take responsibility for influencing results and favor facts over intuition in decision making. One reading of this framework might imply that an organization - a city, an agency, or school district - can only implement performance management practices when they are integrated into multiple dimensions of an organization's management system. Undoubtedly, those who operate in governments where performance management is the norm and where organization-wide systems are in place to support this norm are in a better position to make data-driven decisions than are their counterparts operating without such systems and support. Nevertheless, many managers and supervisors operating without formal organization-wide systems and without major executive or legislative encouragement can

and do engage in performance management regularly. Without much fanfare, program directors and middle managers commit random acts of performance management that benefit the citizens they serve. These “random acts” refer to programs, processes, or activities that use performance data within a limited scope to improve their operations. While it is important to encourage formal, organization-wide systems of performance management, it is also important to neither forget nor fail to encourage isolated and individual efforts at using performance data to achieve better results.

Many of the fundamentals that are essential elements of comprehensive performance management systems also apply to individual practitioners attempting to make data-driven decisions on their own. Establishing performance goals, defining metrics to measure progress, setting targets, regularly monitoring progress, and motivating managers and employees to improve results are the essential elements of performance management, and whether the organization has a comprehensive system or not, the individual practitioner can put these elements in place at the program level to aid the decision processes there.

Performance management is the responsibility of all professional managers throughout an organization. Executive support and comprehensive systems can propel the volume and value of data-driven decisions in an organization and can create an environment or culture that demands performance management, but individuals who are committed to performance management in their corner of an organization that is lacking such a culture can still boost performance. These efforts should be recognized and encouraged.

While organization-wide systems to facilitate performance management are noteworthy and deserving of emulation, isolated instances of data-driven or data-influenced decisions are undoubtedly more numerous and similarly deserving of encouragement.

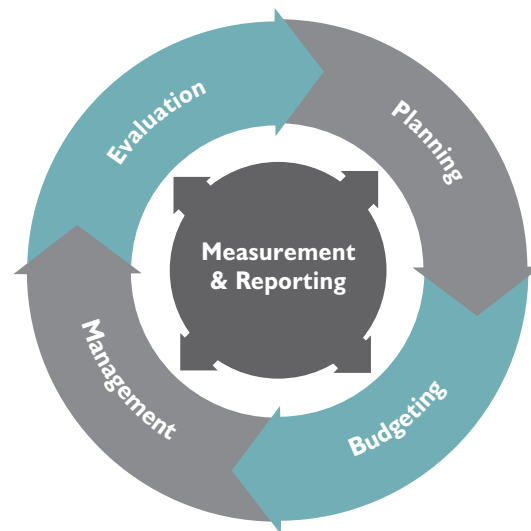
For example, in 2008, an ambitious fiscal manager at the County of Los Angeles Department of Parks and Recreation implemented a system to track the percentage of times the department successfully earned a vendor discount, with a goal of 100 percent. Within four weeks, the department’s success in securing vendor discounts climbed from 55 percent to 97 percent.

Or consider the success achieved by the County of Los Angeles Department of Beaches and Harbor. The department had been frustrated by multiple efforts to implement performance management systems. In 2009, it employed performance management practices to tackle a constant concern about its operations – how clean are the restrooms? Beaches and Harbor implemented a simple charting system to track which facilities were cleaned at what time of day and to rate the cleanliness. The tracking system allowed the department to reassign staff and justify hiring additional employees to address cleanliness at the busiest beach facilities during the busiest times of day.

Performance Management Practices

Practices represent performance management principles in action – the way that performance management is applied to the ongoing operations of government. Traditional management practices become performance-driven when they incorporate the principles described previously. This section first describes the key performance management characteristics of the four processes that comprise the performance management cycle (illustrated below) – planning, budgeting, management, and evaluation. Then it describes two cross-cutting practices – measurement and reporting – that are used in all four processes.

The Performance Management Cycle



While the processes shown above constitute a cycle, each process typically operates on a different timeline. Planning may be long term or medium term (two, three, five, or more years). Budgeting is usually short term, either one or two years. Operational management is day to day. So even though each process informs the next, the reality is that the decision timeframe for the next process is shorter than the last, and evaluation informs each of the other processes.⁵

There are several implications. First, managers must recognize these differences and decide how to address the challenges they present (for example, have a flexible five-year plan that

⁵ This material on the different performance timelines of performance management cycle processes was provided by Michael Jacobson, Manager, Performance Management Section, King County Washington Office of Strategic Planning and Performance Management.

is updated annually based on the government's experience in the most recent fiscal year). Second, assuring that the processes in the cycle stay aligned requires constant attention. Third, different measures, targets, and feedback/analysis frequencies are required for each process, with operational management needing the most frequent feedback and analysis. Stat systems such as Baltimore's acclaimed CitiStat system are intended to provide this rapid feedback and analysis, so management can change operational strategies quickly as conditions change.

Because it is not possible to identify and describe all existing performance management practices here, we provide examples within each process. The examples come from the experience of cities, provinces, states, counties, schools, and special districts that have adopted performance management. While the commission encourages the adoption of performance management throughout the organization, individual departments or program managers can improve results by instituting these and other performance management practices, even if the entire organization has not implemented performance management.

Planning: Defining the Results to Be Achieved

Strategic Planning

Strategic planning should systematically address an organization's purpose, internal and external environment, and value to stakeholders, and it should be used to set an organization's long-term course. In addition to setting direction, performance-driven strategic planning enables a government to evaluate performance in relation to objectives so information on past performance can inform and help improve future performance.

The Government Finance Officers Association's best practice on strategic planning states that "... all governmental entities should use some form of strategic planning to provide a long-term perspective on service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals."⁶

The Government Performance and Results Act says that strategic planning is "an opportunity to unify the management, employees, stakeholders, and customers through a common understanding of where the organization is going, how everyone involved can work to that common purpose, and how we will measure our progress and levels of success."⁷

Planning in a performance management context includes articulating the organization's vision and mission, establishing measurable organization-wide objectives or priorities, and identifying strategies for achieving the objectives. Although these elements may be developed without conducting a formal strategic planning process, a formal process helps assure that key stakeholders are appropriately consulted or involved and that the resulting objectives and strategies are recognized as the accepted future direction of the organization.

⁶The GFOA's Recommended Budget Practice on the Establishment of Strategic Plans (2005) is available at <http://www.gfoa.org/downloads/budgetStrategicPlanning.pdf>.

⁷"Serving the American Public: Best Practices in Customer-Driven Strategic Planning," Federal Benchmarking Consortium Study Report (February 1997), <http://govinfo.library.unt.edu/npr/library/papers/benchmrk/customer.html>.

Setting priorities in a political environment is challenging. It can be particularly challenging at the state level and in local governments where partisan politics is a factor. The broader principle of performance management calls for decisions to be informed by data, but good strategic planning cannot take the politics out of government, nor should it. Good strategic planning can, however, provide an unbiased assessment of the environment, identify critical issues, and suggest effective strategies for addressing these issues that can have power even in the most politically charged environment. The following practices are part of a performance-driven planning process.

Vision and mission identification. Essential to the planning process is the definition of a vision and mission for the organization. A vision provides a focus on a future state and provides a context for creating measures that reflect progress toward that future state. A vision statement is often inspirational, and it helps answer the question, “Where do we need to go?” A mission statement is more concrete. Public-sector organizations cannot be all things to all stakeholders; a clearly defined mission statement says what the purpose of the organization is and also helps readers understand what is outside the purpose. It therefore helps the organization identify what it needs to accomplish, establish priorities, and set expectations.

Environmental scan and analysis. This practice enables the organization to understand the internal and external forces that are likely to affect its ability to achieve desired results. Organizations need to put together a full picture of the challenges and opportunities the environment presents. From this information, assumptions can be made to guide the remainder of the planning process.

Setting priorities in a political environment is challenging. It can be particularly challenging at the state level and in local governments where partisan politics is a factor.

Stakeholder perspectives on priorities and performance. Performance management begins with the premise that governments need to produce results their constituents need and want. Consequently, while other factors such as economic and demographic trends are important to understand, stakeholder priorities and expectations are crucial in setting objectives and determining strategies for achieving the organization’s mission. Collecting information in a variety of ways from a wide sampling of constituents helps ensure that diverse views are factored in, not just those of the most active interests.

Public involvement and a true understanding of public priorities are crucial to performance management systems. They span planning, budgeting, management, and evaluation of results. However, public involvement is used most heavily in the planning phase because

planning drives these other components. Community meetings, citizen surveys, focus groups, and other information-gathering techniques are most frequently used in planning processes. In the budget, feedback mechanisms such as hearings or Web-based budget choice “voting” systems may be useful. In management processes, point of service surveys, focus groups organized around specific services or service areas, or newsletters are some of the methods for helping service managers identify citizen preferences, expectations, and problems.

Key objectives and strategies. Well-articulated and measureable objectives provide a basis for setting annual targets and for assessing the extent to which the organization is meeting its goals. Strategies describe how objectives will be accomplished. Strategies can be used to develop programs and activities that enable the organization to pursue the objectives.

Creating Organizational Objectives and Strategies

Setting objectives begins with considering the future that leaders and stakeholders are describing. What should the community look like in five years? What should be expected in ten or more years? The main elements of a desired future state can be incorporated into a relatively small number of objectives that are clearly articulated, specific, measureable, and relevant to stakeholders. Strategies are logically linked to critical issues and describe how objectives will be achieved. For example, if the public is very dissatisfied because roadways are congested, then what condition is desirable? What is the public’s view of a reasonable travel time to get to work? A measureable objective might be established around the public’s expectation and around transportation experts’ knowledge of how quickly a jurisdiction can move from the current travel time to a time that better meets the public’s expectation. Strategies are interrelated with setting targets because strategies help determine what can be achieved over a specific timeframe. In this example, a community might consider improved roadways or decreasing the number of traffic interruptions due to accidents, or alternatives to automobile travel such as light rail systems or improved bus service — or all of these strategies.

Operational Planning

Operational plans (often called business plans or action plans) translate high-level objectives into policies, programs, services, and activities aimed at achieving these objectives. Operational plans need to clearly explain the connection between activity and results, and provide specific measures so progress can be evaluated. Operational plans typically cover a two- or three-year period and are updated annually. Governments such as the City of Charlotte, North Carolina, have merged their budgets and operational plans to help keep the spotlight on performance. Others, including the City of Minneapolis, Minnesota, require each department to develop a business plan.

Case Study

The City of Minneapolis, Minnesota

In 2005, the City of Minneapolis, Minnesota, started a new strategic planning process that identified six city goals and 31 strategic objectives. Each department prepares a business plan that says what it will do to support the six city goals and 31 strategic objectives. A departmental business plan includes the department's organizational chart, mission statement, and a brief description of primary business lines, department goals and objectives. It also identifies the department's alignment with city goals and performance measures. The link among city's goals and departmental objectives is clearly designated in table format. Plans are updated every five years, and yearly progress reports are provided.

Linking Strategic Planning and Long-Range Financial Planning

A strategic plan and the objectives and strategies that emerge must be grounded in fiscal reality. Otherwise, it can create citizen, political, and staff expectations that may not be realistic or attainable. It is therefore important that a long-range financial plan be developed concurrently and in association with the strategic plan.

Performance Budgeting: Achieving Results through Good Resource Allocation

Performance budgeting begins where the strategic plan and/or operational plan ends, using the objectives and strategies from the planning process as the basis for developing a spending plan. The primary purpose of performance budgeting is to allocate funds to activities, programs, and services in a manner most likely to achieve desired results. A performance approach to budgeting emphasizes accountability for outcomes (that is, what constituents need and expect from their government), whereas line-item budgeting focuses on accountability for spending from legally authorized accounts. (Spending from appropriate accounts is, of course, also important in performance budgeting, but it does not drive the process.) There are many valid approaches to performance budgeting. What they all share is the goal of assuring that funding is directly linked to achieving high-priority results. Performance budgeting has three essential elements: 1) desired results must be articulated; 2) strategies for achieving results must be developed; and 3) the budget must explain how an activity will help accomplish the desired result. Including performance measures in a line-item budget does not constitute performance budgeting. Performance budgeting requires a new approach that includes:

- A shift of emphasis from budgetary inputs to outcomes. Inputs – dollars, people, supplies, equipment – are justified based on how they are expected to contribute to the achieve-

ment of desired results.

- The integration of budgeting and strategic planning and an associated focus on long-term results. Performance budgets are developed within the context of long-term objectives and strategies established in strategic plans. Traditional budgeting focuses much more on tactical approaches and a short time horizon.
- Greater attention to the needs of residents and businesses. Traditional budgeting, due to its focus on inputs and its tactical nature, tends to look inward, on the priorities of departments and agencies. Performance budgeting practices, by emphasizing the relationship between spending and results, causes more attention to be focused outward, on what is relevant to the community.

While a basic tenet of performance budgeting is that spending should be aligned with an organization's key objectives and strategies, a significant limitation to doing so in most budgeting processes – even performance budgeting processes – is that budget requests are prepared by individual departments. At this point in the process, the link between spending and the achievement of key organizational objectives is often weak. Budgeting for Outcomes (BFO), described in David Osborne and Peter Hutchinson's *The Price of Government*,⁸ offers a way around the department-by-department barrier to make a more direct link between funded activities and outcomes.

Beyond Department-by-Department Budgeting: BFO

Budgeting for Outcomes (BFO) is a performance budgeting process that is based on articulating high-level priorities, identifying strategies that will enable the organization to achieve priority outcomes, and directly tying spending to those results. At the beginning of the budgeting process, BFO directly assigns all estimated available funding to high-level priorities. Departments, rather than preparing departmental budget requests, prepare individual program or service proposals specifically related to helping the jurisdiction achieve one or more of its overall priorities. Through a prioritization process, these proposals are reviewed and ranked. Proposals are funded according to their rankings within each priority, until no more funds are available. Once decision makers have reached agreement on a final set of programs and activities to be funded, the spending plan is organized into departmental budgets for financial monitoring and accounting purposes. The BFO approach has been used by states, cities, counties, and school districts in the United States, including: Dallas, Texas; Fort Collins, Colorado; Jefferson County Schools, Colorado; Mesa County, Colorado; Multnomah County, Oregon; Oregon Department of Education; Polk County, Florida; the Quinault Indian Nation; Redmond, Washington; Savannah, Georgia; Snohomish County, Washington; and the state of Washington.

⁸ David Osborne and Peter Hutchinson, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (Cambridge, MA: Basic Books, 2004).

Management Practices: Aligning Operations with Outcomes

Management practices constitute an organization's operational strategies for achieving results manifested in its work processes, staff, and external partners and contractors. Performance management practices are focused on results. As previously noted, there are currently no definitive sources of information on the effectiveness of performance management practices. Nevertheless, governments can learn from each other based on evidence from their experience with performance management.

In theory, using performance data to make operational decisions is a common-sense, logical approach. In practice, it may run counter to an organization's ingrained decision-making processes, which are often based more on hierarchical position, perceived professional expertise, or tradition than on evidence. "Evidence-based management entails a distinct mind-set that clashes with the way many managers and companies operate. It features a willingness to put aside belief and conventional wisdom – the dangerous half-truths that many embrace – and replace these with an unrelenting commitment to gather the necessary facts to make more informed and intelligent decisions."⁹

The practices below illustrate a sampling of sound performance management approaches. They are organized in three categories:

- Managing processes. Managing operational processes.
- Managing staff. Managing staff through human resource practices.
- Managing relationships. Managing external relationships, primarily partners and contractors that help organizations achieve results.

Managing Operational Processes

This category relates to approaches that drive performance through continuously measuring and analyzing performance compared to targets or the results achieved by similar operations. A key component of each of these practices is a process that enables managers and staff to analyze and discuss performance information, and reach conclusions that lead to changes intended to improve results.

Business process management. Business process management – also known as business process improvement or business process reengineering – has been used both as an overall approach to managing performance as well as a specific management practice. The Vermont Agency of Transportation uses its business process management system to link day-to-day operations with strategic objectives, for example. Other governments (including the City of Redmond, Washington; the City of Chicago, Illinois; the City of Cape Coral, Florida; and the City of Conroe, Texas) have used business process management methodologies to improve the efficiency and effectiveness of specific processes.

As performance management transforms the organization to meet strategic objectives and

⁹ Jeffrey Pfeffer and Robert I. Sutton, "Evidence-Based Management," *Harvard Business Review* (January 2006).

ensure strategic alignment, business process management focuses on people, processes, and systems to achieve process improvement. Process improvement, accompanied by performance management, provides efficient and effective processes that deliver outcomes valued by the public.

As a process discipline, an organization's employees need to understand the process, not only as it relates to their specific areas of control, but also from the perspective of understanding the process from end to end. A thorough understanding of the end-to-end process creates a process-oriented view throughout the organization instead of the functional departmental views commonly known as silos. When the entire process is understood, it can be improved upon. In addition, business process management includes effective management of the organization's information technology resources (systems). As more reliance is placed on information technologies, it is important that these investments meet the strategic business objectives that support those critical business processes. Alignment of people, process, and systems coupled with performance management creates value for all stakeholders.

A number of organizations have used business process management methodologies to improve the efficiency and effectiveness of specific processes.

Stat systems. The term Stat refers to a operational performance management system based on the New York City CompStat initiative (short for computer statistics or comparative statistics model) that was later adapted by the City of Baltimore as CitiStat. Broadly, it can be defined as:

A series of regular, periodic meetings during which the leadership and/or leadership top aides use data to discuss, examine, and analyze with the individual directors of different agencies past performance, future performance objectives, and overall performance strategies.¹⁰

Since 2000, this model has been replicated and expanded by numerous governments as a way to track and evaluate results against targets in an open, transparent, and problem-solving way. Stat meetings are typically held at least quarterly.

Four key elements have been associated with successful efforts at managing operational processes and testing operational strategies:¹¹

¹⁰ Robert D. Behn, "The Varieties of CitiStat," *Public Administration Review* (May/June 2006), 332.

¹¹ Based on the work of Jack Maple (1991) and Bratton (1998) as noted in the chapter, "The Core Drivers of CitiStat," Robert Behn, *Leading Performance Management*, ed. David Ammons (Washington, DC: ICMA Press, 2008).

- Accurate and timely data shared by everyone at the same time. Performance data anchor discussions. Data are displayed against agreed-upon targets in graphical and table format to facilitate understanding of actual performance against plan. Meetings are generally widely attended by all those who have an active role in contributing to positive performance. This may include administrative support functions such as human resources, contracting, and information technology as well direct operations and/or program staff.

Stat meetings are used to track and evaluate results against targets in an open, transparent, and problem-solving way.

- Regular and frequent meetings to accelerate learning. Meetings are held on a regular schedule to reinforce the commitment to results and to monitor how agreed-upon corrective actions are effecting results. The meetings provide the forum in which alternative performance strategies are explored, discussed, and prioritized.
- Relentless follow-up and assessment. A common component of meetings is the generation of commitments – specific actions that the agency, department, or unit will commit to undertaking before the next performance review meeting to improve results. Future meetings are then used to continuously compare actual results against planned results and determine whether further corrective strategies are warranted.
- A problem-solving model that works for the organization. The emergence of operational review approaches such as Stat systems as a performance management strategy might imply that it is a uniform approach. While the core tenets as identified are common, how they unfold reflects the culture of the organization and its leadership. Each organization must adapt standard approaches to work within its culture and structure.

Benchmarking. Benchmarking is one of the ways to understand organizational performance. It works by comparing an organization's performance to that of organizations having similar missions, scope, and responsibilities.

Efforts such as those supported by the International City/County Management Association (ICMA) Comparative Performance Measurement Program assist cities and counties in the United States and Canada with collecting, analyzing, and applying operational performance information. This program gives member governments the ability to engage in interagency benchmarking as well as making internal comparisons.¹²

When considering benchmarking, it is important to keep in mind that this approach is not as simple as conducting a survey of several jurisdictions or taking information from budg-

¹² See ICMA Center for Performance Measurement project information available at www.icma.org. The center assists more than 220 cities and counties with populations ranging from less than 10,000 to more than one million.

ets or actual reports and comparing it. Good benchmarking includes due diligence to assure that data are comparable. Even then, however, it is often difficult to make true comparisons, so conclusions reached through benchmarking must be carefully considered, and there should be full disclosure of methods used.

Broad comparisons are useful among organizations where information sharing is the norm and services are similar. They may also be more useful in comparing some services than other services. For example, benchmarking retirement systems has been useful because public retirement systems typically comply with standards set by the Governmental Accounting Standards Board (GASB) when reporting financial information, so comparisons are relatively easy to do. The National Association of State Auditors, Comptrollers, and Treasurers collects information on back-office functions, which may be more amenable to comparison than direct citizen services. Conversely, benchmarking human service activities has been difficult because of the varying populations, approaches, and regulations involved.

Good benchmarking includes due diligence to assure that data are comparable. Even then, it is often difficult to make true comparisons, so conclusions must be carefully considered.

There has been some success in cases where several jurisdictions in a region join together to develop and use standard measures, and a formal process exists for collecting, validating, and sharing data. Ensuring comparable data requires uniform guidelines for data gathering (e.g., whether or not to include overhead costs in calculating operating costs) and a comprehensive data-cleaning effort. State-wide and regional benchmarking consortiums such as the Florida Benchmarking Consortium, the North Carolina Benchmarking Project, the Ontario Municipal Benchmarking Initiative, and the Michigan Local Government Benchmarking Consortium are good examples.

While the most visible benefit of participating in a comparative benchmarking project is being able to assess an organization's performance against that of its peers, the underlying and perhaps most important benefit occurs for organizations that exchange information on practices and effective strategies after comparing data. The City of Toronto has also found that providing side-by-side comparisons of its performance information with that of other cities has added to the credibility of its performance information. Toronto also provides multi-year internal trends in its performance reporting. By including both perspectives (internal historical comparisons as well as city-to-city comparisons), Toronto believes residents get a more complete view. For example, while internal trends might show year-to-year improvement, an interagency comparison may show that the government is actually in the bottom quartile when compared to others, thus providing information on how much improvement is possible.

The North Carolina Benchmarking Project

The North Carolina Benchmarking Project was initiated by the University of North Carolina and participating municipalities in 1995 and currently assists 17 communities, including the Town of Cary, the Town of Carrboro, the City of Salisbury, and the City of Raleigh, all in North Carolina.* The project provides a comparative basis for local governments to assess service delivery and costs. It allows participating units to make comparisons among themselves and with their own internal operations over time. The benchmarking process includes compiling service and cost information, cleaning the data for accuracy, calculating the selected performance measures, and comparing the results. The project has achieved some overall goals and produced valuable lessons regarding performance measurement, benchmarking, and cost accounting, in addition to specific results for the participating municipalities.

What the project has achieved:

1. The project's methodology, consisting of service profiles, performance measures, cost accounting, and explanation of results, provides a comprehensive source of information to compare service delivery and cost between jurisdictions. The project's accounting model is especially effective in capturing the full cost of service delivery.
2. The performance data have been used in numerous jurisdictions for service improvement, especially in the areas of residential refuse collection and household recycling.
3. The project's success is directly related to consensus on service definitions and measurement statistics, involving numerous local government officials from the participating municipalities.

What we have learned:

1. Local governments can produce accurate, reliable, and comparable performance and cost data, which can be used for service improvement.
2. Specific service definitions are vital to performance measurement and benchmarking, including explanatory information.
3. Data availability and data quality are very important to performance measurement.
4. Auditing or verifying the accuracy of performance data is a necessary component of performance measurement and benchmarking.
5. Performance measurement and cost accounting are time consuming. However, performance measures provide valuable information in the quest to provide quality services at reasonable cost.

* This information about the North Carolina Benchmarking Project was taken from the project's Web site, at <http://www.sog.unc.edu/programs/perfmeas/>.

Managing Staff

Performance-driven human resources practices are focused on engaging and motivating employees to actively support achievement of results, often by tactics designed to help align individual objectives with organizational objectives. An organization creates a culture that motivates increasing levels of performance by using a system of rewards, financial and non-financial, and recognition. Some practices that can accomplish these ends are mentioned below. Their effectiveness and practicality depend on the particular culture and circumstances of each government.

An organization creates a culture that motivates increasing levels of performance by using a system of rewards, financial and non-financial, and recognition.

Pay-for-performance. Pay-for-performance is a broad name for practices that relate to rewarding individuals or teams for achieving performance targets. The fundamental points are motivating employees to achieve targets and specifying a reward for achieving the result. Target-based systems are especially reliant on credible data. This practice has not been adopted widely for several reasons. First, civil service rules, union contracts, and regulations and agreements make it difficult to provide different rewards for performance. Second, there are no best practices for establishing measures and setting reasonable targets that governments can apply. Third, in the past, many governments did not have well-established organizational performance systems that could be linked to individual performance, although that is a goal that many government performance management systems aspire to. Finally, it is difficult to reward (or sanction) staff for achieving specific targets when so many external factors influence results. It is obviously easier to reward specific production targets, which the government has greater control over, than to reward changes in community condition such as the infant mortality rate.

Another perspective is that individual performance evaluations should be less focused on meeting specific numerical targets and more focused on the extent to which individuals understand and use the organization's performance management system and practices. For managers, this includes assuring that other staff also understand and use performance management practices. Specific numeric targets may be part of the mix, but it is also important that individuals, especially managers, use data for decision making, are able to understand why targets were or were not achieved, and are empowered to develop alternatives when current approaches are not working.¹³

¹³ See Shelley H. Metzenbaum, *Performance Accountability: The Five Building Blocks and Six Essential Practices* (Washington, D.C.: The IBM Center for the Business of Government, 2006).

Task systems. Common in meter reading and solid waste collection, task systems encourage the diligent completion of the day's tasks – the tasks that have been determined to be a fair day's work. Upon completion, the employee or crew is free to leave for the day, providing service quality has been maintained. Task systems have been credited with improving efficiency and route completion and reducing overtime.

Gainsharing. In the most common form of gainsharing, an organization awards bonuses to employees or employee groups who achieve key departmental or organizational objectives at lower-than-budgeted costs. The bonuses, then, are paid from a portion of the savings. In other cases, the practice extends to revenue-generating and quality-enhancing performance, as well. Three characteristics of ideal gainsharing programs are:

- They focus on opportunities to reduce costs or increase revenue. This thus allows gain-sharing programs to be self-funded.
- They feature meaningful employee participation. Gainsharing programs should not comprise just submitting suggestions but also collaborating with other workers and management in brainstorming and decision making.
- Employees earn financial bonuses. Bonuses should be based on group success in securing desired gains.¹⁴

Recognition may take many forms. The specific recognition mechanism should be developed based on its perceived effectiveness and practicality in each government's culture and circumstances.

- Non-financial recognition. Recognition may take many forms, from receiving immediate feedback from supervisors or managers, to informal celebrations of success, to formal awards programs and award ceremonies. The specific recognition mechanism should be developed based on its perceived effectiveness and practicality in each government's culture and circumstances.

Managing External Relationships: Contractors and Partners

For services where the government does not have the necessary capacity or expertise, or where the private sector can provide services in a more cost-effective manner, governments are increasingly relying on private and non-profit vendors to assist in providing services

¹⁴ David N. Ammons, ed., *Leading Performance Management in Local Government*, David Ammons and William C. Rivenbank, "Gainsharing in Local Government (Washington, D.C.: ICMA Press, 2008), 130.

directly to the public. As with standard government-provided services, opportunities exist to institute performance management practices that drive improved results.

Performance-based contracting. Outcome-based or performance-based contracting represents a shift from contracting for the delivery of specified *services* to contracting for the delivery of *results*. Performance contracting agreements are typically silent on the methods the contractor will use to achieve agreed-on results, thus creating incentives for developing innovative solutions to achieve the desired results. (There are obvious limitations to that discretion, such as regulatory or legal requirements.) Performance-based agreements, although complex in development, share the following elements:

With contracted services, as with standard government-provided services, opportunities exist to institute performance management practices that drive improved results.

- Service objectives are prioritized. The intended results of the services to be provided should be identified. This requires organizations to prioritize the most important objectives for the service and to be explicit when elements of service delivery may be competing for resources. Organizations need to ask themselves what the target level of quality should be, and what the cost limitations are likely to be.
- A data collection and reporting system is established. A key implementation issue in any performance-based model is collecting and managing performance data. Data collection and management can be broken down into three activities: 1) defining the specific metrics to be collected; 2) defining a format for reporting intervals and deadlines; and 3) defining the recipient of the information to be submitted.
- Provisions are set for meeting, exceeding, or not meeting performance. In general, there are three basic forms of monetary incentives: 1) payments for achieving pre-established results or milestones; 2) liquidated damages for failing to achieve agreed-upon results or milestones; and 3) bonus incentives for high achievement of key contractual results or goals. While monetary incentives represent the most traditional form of performance-based contracting, they are not the exclusive method. Will contractor incentives for meeting or exceeding targets be used? Will there be penalties for falling short? Generally, the incentive is linked to achieving milestones that are related to performance, not to activities. For example, the state of Tennessee Department of Children's Services has successfully used performance-based contracts that pay providers based on children achieving increasing levels of safety and permanency.

Reasonable targets should be established, based on past experience, evidence of what can be achieved in the specific environment where the contract applies, and discussion between the government and the provider. Setting unattainable or unreasonable targets

for political or other purposes is a misuse of performance contracting and is not consistent with performance management principles.

- Future procurement decisions are linked to contractor performance. Three types of procurement incentives reach beyond the current contract term: giving preferential treatment in future procurement processes to contractors that perform well; determining whether to extend a contractual option period based on performance; and precluding unsuccessful contractors from participating in the next procurement cycle or terminating their contracts.
- The final agreement reflects the provisions outlined above as well as the process for regular performance monitoring. Regular feedback on performance should be incorporated into all performance agreements.

Evaluation: Assessing and Understanding Results

Evaluation is the systematic appraisal used to determine the value of something. Evaluation must be a component of performance management because understanding the relationship between the activities government carries out and the results it achieves is necessary to learning, improvement, and accountability. It is the follow-up step whereby the results of programs and expenditures can be assessed according to expected results. Evaluations rely on developing objectives that results can be measured against, and the availability of data on results. A basic performance evaluation includes the following phases:

- Defining the question.
- Establishing a data collection strategy.
- Collecting data.
- Analyzing and reporting conclusions.

Evaluation must be a component of performance management because understanding the relationship between the activities government carries out and the results it achieves is necessary to learning, improvement, and accountability.

Data validation is an important component of evaluation, and a performance management system will not function well without it. Government personnel must be trained in both the importance of having reliable data and how to test for it. If data validation is not addressed, performance management systems could create and communicate inaccurate pictures of actual performance.

Case Study

The Ramsey County, Minnesota, Human Services Department

The Ramsey County, Minnesota, Human Services Department has created an information infrastructure that continually provides information to get at the “what works” question from different angles, rather than simply conducting a set number of program evaluations each year. The department has had an evaluation unit in place since 1981. Initially, the unit focused on outcome information from its contracted agencies. Through technology improvements, the unit has been able to integrate in-house and contracted services information for evaluation purposes. While staff occasionally conducts special studies, the overall focus is on producing ongoing outcome information for use in monitoring, decision making, and service improvement.

The Virginia Housing Development Authority makes a distinction between evaluations that examine the economy and efficiency of a strategy and evaluations that assess the impact or outcomes of a strategy:¹⁵

Economy and efficiency evaluations determine: 1) whether implementing a strategy involved the economic and efficient acquisition, protection, and use of resources; and 2) the causes of inefficiencies or uneconomical practices. For example, when considering whether a strategy was implemented economically and efficiently, an organization might consider whether it:

- Followed sound procurement practices.
- Acquired the appropriate type, quality, and amount of resources at an appropriate cost.
- Avoided duplication of effort by its employees and avoided work that didn’t add value.
- Had an adequate management control system for measuring reporting and monitoring a strategy’s economy and efficiency.

Evaluating the impact or outcomes of the strategy includes assessing the extent to which the organization identified whether goals and objectives are being achieved, and the actual impact or result of the strategy. Evaluations may:

- Assess whether the strategic goals and objectives were proper, suitable, or relevant.
- Determine the extent to which the strategy achieved the objectives.

¹⁵ This material was provided by Herbert Hill, Managing Director of Policy, Planning and Communications, Virginia Housing Development Authority.

- Identify factors inhibiting satisfactory performance and ways of making the strategy work better.
- Determine whether management considered alternatives that might have achieved the objectives at lower costs.
- Determine whether management has reported outcome measures that are relevant, valid, and reliable.

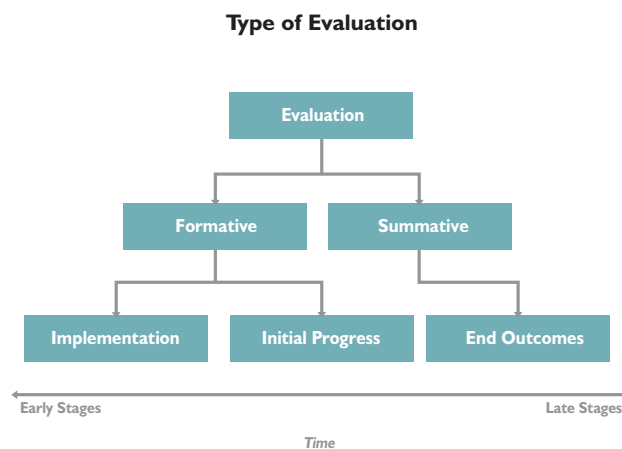
Types of Evaluation: Formative vs. Summative

Evaluation as a discipline distinguishes between approaches that focus on improvement and ones that focus on accountability, and the evaluation literature discusses formative or summative evaluation as two different approaches.* Much of the performance measurement literature fails to distinguish between these two important objectives.

Formative evaluation is intended to assist programs in understanding what is working, how a program is working, and how results differ among individuals. The purpose is to provide a feedback loop to program staff to identify successes and problems, with the goal of making appropriate adjustments. Summative evaluation is an approach that focuses on whether or not a program was successful. Did the program achieve the goals it was supposed to? In this approach, the intention is to make a decision about whether the program should continue as is, or if it should be modified or terminated.

Evaluators should recognize that these are two different functions and that the method of data collection, and the information collected, are frequently quite different. In addition, formative evaluation is frequently seen as something that is done as a program or service is becoming established. Summative evaluation is done much later and after the program is established.

* This material is a summary of "Evaluation and Performance Management: Making Data Useful" by Laurie Hestness, from *The State and Local Government Performance Management Sourcebook*, edited by Anne Spray Kinney and Michael J. Mucha (Chicago: Government Finance Officers Association, 2010).



Other performance management practitioners distinguish between evaluations aimed at accountability and those intended for learning and improvement. Accountability evaluations (often called audits) say what occurred (see text box on the previous page). For learning and improvement, evaluations must provide “how” and “why” information. Simply knowing that an intervention worked or did not work is insufficient. Making decisions about what actions to take requires information about how the program was implemented, and under what circumstances (e.g., the specific features of a community). Organizations also need to identify unintended consequences of a program or an intervention. This can help the organization understand connections between strategies and programs and can also lead to innovation.

Some performance management practitioners distinguish between evaluations aimed at accountability and those intended for learning and improvement.

Learning and improvement is a continuous cycle, not a once-a-year event. To support continuous improvement, organizations need the capability to regularly review program performance and provide information so corrective actions can be taken. However, few governments have appropriated sufficient resources to conduct full-scale formal evaluations. Governments can use good operational action research, which links outcomes to planning through clearly defined targets or milestones and approaches, without spending additional dollars for evaluation. This basic approach to evaluation can be built into program design.

Cross-Cutting Practices: Measurement and Reporting

Planning, budgeting, management, and evaluation rely on two cross-cutting practices that are essential to all organizations engaged in performance management:

- **Measurement.** Practices used to develop, collect, store, analyze, and understand performance, including indicators of workload or activity, effectiveness, efficiency, and actual results or improvements.
- **Reporting.** Practices used to communicate performance measurement information to audiences including internal staff such as employees, management, and executives, along with elected officials, other organizations such as community interest groups and rating agencies, and the public.

Measurement

Performance measures provide factual information used in making decisions for the planning, budgeting, management, and evaluation of government services. Measures can

inform decision makers on a wide variety of topics, including quantity, efficiency, quality, effectiveness, and impact. Credible, timely performance data is essential to having an effective performance management system and to accomplishing much of what is described in this report. Organizations should also ensure that the measures they are developing are:

- Informative. Measurement information must add value to the discussion. The focus of performance management systems is on using performance information to make decisions, so it is critical that managers and decision makers have confidence in the information, and that it can be used to make well-informed decisions.
- Well understood. Measurement definitions must be transparent so data collectors, managers, and policy makers are clear on the data's meaning and are able to use the information appropriately.
- Relevant. Measurement information must be appropriate for the audience for which it is intended – department managers, budget directors, elected officials, or citizens. Often, what is useful to one group may not be useful to or understood by another. If measures are not relevant to the situation and meaningful to the audience, they will not be used. Measures serve multiple audiences: management and staff, who need information to improve performance; policy makers, who need data to make good decisions; and constituents, who require current information on community services and conditions important to them. To accommodate this diversity of interests, many governments have developed measures that serve multiple stakeholder groups.

Performance measures provide factual information used in making decisions for the planning, budgeting, management, and evaluation of government services. Measures can inform decision makers on a wide variety of topics.

When developing measures, it is best to keep things simple.¹⁶ There is no advantage to tracking hundreds of performance measures that are never used. It is important, however, to collect the right measures. While some service areas are a more natural fit for measurement, the commonly used excuse that “you can’t measure what we do” is simply not true. All service areas can measure performance in a way that helps staff, managers, elected officials, or citizens either make decisions or evaluate the effectiveness of provided services. A

¹⁶ Many organizations have resources available to assist with developing measures. For example, the GASB has defined different types of measures in its Proposed Guidelines for Voluntary Reporting. In addition, the ICMA Center for Performance Management and other benchmarking groups have identified common measures to facilitate information sharing. Governments can also look to peer jurisdictions for ideas on what measures to use.

good set of measures provides a complete picture of an organization's performance.¹⁷

It is impossible to overstate the importance of measurement in the operations of government. While reporting to the public is an important element of accountability, it would be impossible to fulfill the promise of performance management for improving results without the existence of measures needed for internal use. Such measures must be relevant to specific processes, programs, or policies; collected with sufficient frequency to enable the government to monitor and make adjustments; and easy to access, not only for managers but for all employees involved in a particular process or program.

It is impossible to overstate the importance of measurement in the operations of government. It would be impossible to fulfill the promise of performance management for improving results without the existence of measures needed for internal use.

Reporting: Communicating Performance Information

Collecting performance data will not yield results unless the information provided is communicated effectively. Effective communication requires that the target audience has access to and understands the message or information contained in the data, which requires more than distributing reports. Providing this information is essential to engaging managers, policy makers, and staff in improving results and in keeping stakeholders informed and actively interested in their government. The creation and distribution of performance information can provide the vehicle for understanding results and trigger discussion and debate on how to improve results.

To be effective at communicating performance information, governments must understand the diverse audiences the information will serve. Citizen-focused measures that generally provide high-level information on broad community outcomes will allow the public to evaluate the overall effectiveness of public services.¹⁸ The National Center for Civic Innovation found that people often use different measures and ways of judging government performance than the typical measures developed by governments alone.¹⁹ Keeping

¹⁷ David Ammons, "The Basics of Performance Measurement," *Leading Performance Management*, ed. David Ammons (Washington, DC: ICMA Press, 2008), 3.

¹⁸ The Association of Government Accountants has produced guidelines for preparing "citizen-centric" reports (available at <http://www.agacfm.org/citizen>) that are intended to foster innovative, clear, and understandable means of communication between governments and their citizenry.

¹⁹ The National Center for Civic Innovation's Trailblazer Program has worked with 67 governments that have consulted with their constituents and produced new types of reports that reflect the public's point of view (see www.civicinnovation.org). Further information on this topic is available in *Listening to the Public: Adding the Voices of the People to Government Performance Measurement and Reporting*, by Barbara Cohn Berman (New York: Fund for the City of New York, 2005).

this in mind, the performance information should be presented in a brief, clear format that is free of jargon or complex data that would not be understood by the public. But this information, while very informative for the public, is likely to be insufficient for supervisors, who need greater detail. Regardless of the level of detail, governments should provide audience-specific performance information that is:

- Accessible. Technology can make up-to-date information accessible to a wide audience of both internal (employees and supervisors) and external (the public) recipients. Web and database technology allows large amounts of relevant data to be readily available just about anywhere. In addition, dashboards (software applications that track business activity, similar to the way an automobile dashboard displays essential information to drivers) or other performance measurement analytic tools can help create graphs and charts to more easily interpret the data, improving communication. Ultimately, an established culture of performance will generate the expectation for performance information. Along with newer technologies, performance information can also be incorporated into various existing channels of communication, such as the budget document, newsletters, dedicated status reports, television programming, or other printed or electronic media.

To be effective at communicating performance information, governments must understand the diverse audiences the information will serve. Regardless of the level of detail, governments should provide audience-specific information.

- Reliable and unbiased. Reporting on performance should be done to communicate facts, not promote an agenda. Performance measurement information that is used strictly as a public relations campaign will ultimately be viewed as unreliable and biased, and therefore it will not be used to inform decision making. In addition, information that is viewed as old is also unreliable, as it may not represent the current situation. The goal of providing information is to empower officials to improve results. Inaccurate, old, or distrusted information will not contribute to improving services.

Case Study

State of Washington Transportation Improvement Board

The Washington State Transportation Improvement Board (TIB) is an independent state agency that makes and manages street construction and maintenance grants to 320 cities and urban counties throughout Washington. TIB uses a performance management dashboard (<http://www.tib.wa.gov/performance/Dashboard/>) to track its business processes and projects and to establish an accurate overview of the agency's performance. TIB built its performance management dashboard in 2003 and has consistently improved business processes and grant project performance ever since. The dashboard provides the public with the same view the executive director has in managing the agency's \$200 million in revenues, which are generated from a portion of the state gas tax. Focusing on dashboard indicators has decreased the length of time it takes for a local government to receive payment from five months in 2001 to just 17 days. Delayed projects dropped by 70 percent, saving millions in public funds due to construction cost inflation. Grant projects from TIB's safety program averaged 19 percent fewer accidents and 30 percent less injuries two years after construction.

Conclusion

This framework was developed in response to the demand from governments for more information about performance management practices, the benefits of implementing performance management systems, and what constitutes performance management. The framework was created to focus attention on performance management as a way of addressing the critical challenges confronting governments today, as described in the foreword to this document, and to persuade government leaders to adopt performance management to deal with these challenges.

Public-sector performance management is constantly evolving. While there is no single, authoritative source for best practices in performance management, there are many examples, some of which appear in this report, of how performance management has helped governments perform better.

This leads us to next steps. First, the commission will support efforts by the organizations that sponsored and contributed to the commission to increase their provision of training, tools, and examples, and practical advice for implementing performance management systems and practices for their members.

Second, in the spirit of the principles articulated in the framework, the commission urges research organizations as well as governments to analyze performance management initiatives and provide evidence of what works in getting better results for the public.

Third, we call on government leaders to use the framework contained in this report to implement or improve their performance management practices, require that performance information be provided to them, and ensure that their governments' managers and staff have the training and resources they need for improving performance.

Glossary of Performance Management Terms

Balanced Scorecard

The balanced scorecard is a management tool originally developed by Robert Kaplan and David Norton. It translates an organization's mission and strategy into a comprehensive set of goals and performance measures organized into four distinct perspectives (categories) that are vital to a healthy and successful organization over the long term. The standard scorecard, measures organizational performance across four perspectives: financial, customers, internal business processes, and learning and growth.

Benchmark

A benchmark is a level of achievement against which organizations can measure their own progress. Benchmarks may be used for comparisons of organizational processes or results against an internal or external standard.

Cascading System

The cascading system of performance measurement represents a formal approach to linking individual and departmental objectives and strategies with organization-wide goals and priorities. Performance measures are linked to goals and objectives in a strategic plan or to key priorities. Goals (and associated measures) may cascade downward, from overarching goals to the goals and objectives of subsidiary units (e.g., departments, divisions, or other subsets), or directly from overarching goals to program goals.

Change Management

Change management is a planned approach for guiding the people in an organization through a business transformation. Most change management approaches focus on preparing for change, managing the change event itself, and reinforcing change. Most change management efforts attempt to avoid resistance to change through understanding causes of resistance and then developing a strategy of communication, education, and motivation methods to create a more successful transition for the organization.

Dashboard

A performance measurement dashboard approach provides timely data to relevant decision makers throughout the organization. The defining characteristic of dashboard systems is that information is simplified and filtered to provide only the most relevant data. Many dashboards convert performance data into charts and graphs or other forms of analysis such as a stop-light analysis.

Evaluation

While performance measurement and reporting provide data to explain what happened, performance evaluation activities attempt to provide answers to questions such as: Why did it happen? How did it happen? Was this the most efficient use of resources? How effective was the intervention? How can we improve on the result?

Gainsharing

With gainsharing, an organization awards bonuses to employees or employee groups that achieve key departmental or organizational objectives at lower-than-budgeted costs. The bonuses are then paid from a portion of the savings. In other cases, the practice extends to revenue-generating and quality-enhancing performance, too.

Goal

A goal is a statement of direction, purpose, or intent that describes the future state of a condition or result to be achieved. Operationally, a goal is a broad statement of what the organization expects to achieve at some point in the future. Although a goal is usually considered to be more broadly defined than an objective, the terms “goal” and “objective” are sometimes used interchangeably in practice.

Indicator

An indicator is a value, characteristic, or metric used to track the performance of a program, service, or organization, or to gauge a condition. Synonymous with the term “measure.”

Managing for Results

Managing for Results is a comprehensive and integrated management system that relies on planning, budgeting, employee management, performance measurement and data collection, and evaluation and reporting to achieve desired results. Managing for Results is another term used to describe the performance management system.

Measure

A measure is a value, characteristic, or metric used to track the performance of a program, service, or organization, or to gauge a condition. Synonymous with “indicator.”

Mission

An organization’s mission will help guide its actions and strategies by identifying the organization’s purpose or core reason for existing.

Outcome

An outcome is the result of a program, service, set of activities, or strategy. It should be used to describe the impact of the service, set of activities, or strategy, not to describe what was done. Outcomes are often identified as immediate, intermediate, and long term. Synonymous with “result.”

Output

An output is unit of a product or service produced through activities and programs (e.g., clients served, lunches served, tons of waste removed, and applications processed).

Pay for Performance

Pay for performance is a broad name for practices that relate to rewarding and/or compen-

sating individuals or teams of employees for achieving performance targets.

Results

A result is the outcome of a program, service, set of activities, or strategy. The term should be used to describe the impact of the service, set of activities, or strategy, not to describe what was done. Results are often identified as immediate, intermediate, and long term. Synonymous with “outcome.”

Stakeholders

Stakeholders could include anyone with direct or indirect involvement in the performance management system and anyone who uses performance information or is affected by the results produced by a government. In this report, stakeholders would most often include employees, supervisors, executives, elected officials, peer organizations, and the public.

Stat System

A Stat system is a performance management technique that includes the regular review of operational data; discussions on whether programs, services, and strategies are performing as expected; and rapid decisions to correct problems.

Strategic Planning

Strategic planning systematically addresses an organization’s purpose, internal and external environment, value to stakeholders, and current and future plans for action.

Target

A desired number or level related to a performance measure. Targets are the performance objectives an organization is striving to reach.

Task System

Task systems encourage the diligent completion of the day’s tasks, given a quality standard, determined to be a fair day’s work. Employees are required to complete the day’s task rather than work a set number of hours. Task systems have been credited with improving efficiency and route completion and reducing overtime.

Vision

An organization’s vision identifies what the organization strives to be. It concentrates on the future, describing its ideal state of existence if all goals and objectives are met.

Appendix: Examples of Performance Management Initiatives

State Performance Measurement Initiatives

State of Florida - Florida Performs

www.floridaperforms.com

On his first day in office, Governor Charlie Crist signed an executive order signaling his commitment to open government in Florida. Part of that commitment was creating an Office of Open Government and developing a Web site to display how government was performing by reporting results of key measures within executive branch agencies. With limited state dollars available, Florida took successful concepts from other states and municipalities while using available personnel and technology to create Florida Performs.

Governor Crist publicly launched this site in November 2007 to provide a window into state government performance with a user-friendly, easy-to-navigate design. The Florida Performs Web site provides a running scorecard of a broad range of measures reflecting trends in key areas deemed important to Florida citizens and policy makers. The site also provides access to any outcome measured by the agencies and links to individual agency performance measurement strategies.

State of Idaho - The Office of Performance Evaluations

www.legislature.idaho.gov/ope/

The Office of Performance Evaluations (OPE), created in 1994, is a nonpartisan, independent office that serves the state Legislature's information needs by conducting performance evaluations of state agencies and programs. The OPE's mission is to promote confidence and accountability in state government through these evaluations. The Legislature uses evaluation findings, conclusions, and recommendations to make policy and appropriation decisions, and agencies use them to improve performance.

Performance evaluations assess whether agencies or programs are complying with applicable laws and legislative intent, and whether services are provided efficiently and in a cost-effective manner, and they determine whether programs and services are achieving intended results. OPE works under the direction of the bipartisan Joint Legislative Oversight Committee (JLOC) and is authorized by statute, which identifies four core functions:

- Conduct performance evaluations and report each evaluation to the JLOC.
- Identify cost savings and opportunities to avoid unnecessary future costs.
- Provide useful recommendations to assist the Legislature in making policy and budget decisions.
- Respond to the Legislature's information needs.

State of Maryland - Maryland StateStat
www.statestat.maryland.gov

StateStat is a performance measurement and management tool, implemented by Maryland Governor Martin O'Malley, that is designed to make state government more accountable and more efficient. The governor modeled StateStat after a successful program called CitiStat that he created while he was mayor of Baltimore. At biweekly meetings, state managers meet with the governor and his executive staff to report and answer questions on agency performance and priority initiatives. Each week, a comprehensive executive briefing that highlights areas of concern is prepared for each agency. Briefings are based on key performance indicators from the customized data templates that participating agencies submit to the StateStat office biweekly. Data is analyzed, performance trends are closely monitored, and strategies for achieving improved performance are developed.

Each week, a comprehensive executive briefing that highlights areas of concern is prepared for each agency.

Maryland was the first state to use a statewide performance measurement system for collecting and displaying information to the public and to policy makers on the Web. The initiative's Web site displays performance data for key public safety, health care, and social services agencies as well as for critical services agencies such as the Maryland Department of State Police; the Department of General Services; the Department of Labor, Licensing, and Regulation; and the Department of Housing and Community Development.

State of Oregon - Oregon Progress Board
www.oregon.gov/DAS/OPB

The Oregon Progress Board is an independent board created by the state Legislature in 1990 to monitor Oregon's 20-year strategic vision, Oregon Shines, and keep it current. The 12-member panel is chaired by the governor and made up of citizen leaders. It is designed to reflect the state's social, ethnic, and political diversity. The primary goals and objectives for the initiative are:

- Help administer and refine the state's performance measure system.
- Regularly assess Oregon's quality of life in ways that policy makers and all Oregonians can trust, understand, and use.
- Prepare to update Oregon's quality-of-life strategic vision in a collaborative way.
- Provide information that will help policy makers strategically align resources toward achieving Oregon's quality-of-life goals.

- Provide excellent customer service to the governor's office, the Legislature, state agencies, and the general public.

Important Note: Due to budgetary difficulties, the Progress Board was not funded for the 2009-11 biennium. However, statutes authorize a separate Progress Board Fund and the Board to enter into an operating agreement with other organizations. The state dashboard is currently housed in and managed by the Department of Administrative Services, and it continues to maintain key components of the initiative and online content, including the online benchmark report generator, the Oregon Population Survey, county data, and the linkages between state agencies' key performance measures and benchmark data.

Commonwealth of Virginia - Virginia Performs
www.vaperforms.virginia.gov

The commonwealth of Virginia's performance measurement program, Virginia Performs, is managed by the Council on Virginia's Future. The initiative tracks the key performance measures of state agencies and provides critical analysis, including state regional comparisons, historical trend analysis, and comparison to national averages. Virginia state government agencies develop and implement strategic and service area plans to help them achieve their long-term objectives and fulfill their missions and mandates.

Agencies measure their performance in four ways: key measures related to their core missions, productivity measures related to the costs associated with core business functions, administrative measures related to critical management and compliance categories, and other measures related to performance and service-area functions. The Web site provides comprehensive access to performance measures and an easy-to-interpret scorecard for each of seven key areas: economy, education, health and family, public safety, transportation, natural resources, and government and citizens.

Executive Office of Health and Human Services (Massachusetts) - EHS Results
<http://www.mass.gov/>

In October 2007, the Executive Office of Health and Human Services for the commonwealth of Massachusetts (EOHHS) began an innovative initiative to build its performance management capabilities as part of a program called EHSResults. The vision of EHSResults is to move the EOHHS toward a performance management culture by identifying cross-agency strategic goals, reporting goal-associated outcome measures, fostering collaborations across agencies, identifying policy opportunities, and encouraging accountability and transparency. To that end, EOHHS built the foundation for performance management using a strategic planning-based cascading system of goals, sub-goals, and outcome measures. It aimed to improve results for Massachusetts residents in four key ways:

- Strategy maps crafted by cross-agency leadership define and internally communicate the most important components necessary to achieve EOHHS goals.
- Performance dashboards track and report progress toward the office's strategic goals by reporting historical and current performance, targets, and explanatory comments.

- Associated performance management activities help embed performance management into other areas of the organization. These activities include fiscal-year strategic planning and tying annual manager performance objectives to strategic goals.
- Public awareness of strategic goals and performance will promote the EOHHS performance management work through its Web site, which is being developed.

The goal structure and outcome data were promoted to users and enthusiastically endorsed by leadership when the reporting dashboard first became available to executive staff. Users were required to log into a shared portal, navigate to results through the goal hierarchy structure, and drill into the underlying data. The EHSResults approach largely relied on the “if you build it, they will come” approach. EOHHS soon realized that some managers resisted this approach and would have preferred to get information in different ways, so it adapted and made the following additions:

- Static, point-in-time summary reports were developed and “pushed” to all users via monthly e-mails.
- Multiple ways of viewing the data were developed so users could see it by both goal hierarchy and agency-specific or unit-specific measures.
- Discussion around the goals and measures was a mandatory agenda item for regularly scheduled executive-level meetings.

The EHSResults experience demonstrates the need to tailor performance information to the targeted audience and to embed performance data into regularly scheduled, day-to-day meetings, not just periodic meetings that address only performance data.

The goal structure and outcome data were promoted to users and enthusiastically endorsed by leadership when the reporting dashboard first became available.

State of Washington - Government Management Accountability and Performance
www.accountability.wa.gov

The state of Washington is a leader in performance measurement and management initiatives. Washington’s Government Management Accountability and Performance program, which won the Council of State Government’s 2008 Governance Transformation Award, works with agencies to develop performance-based reports for the governor. The data included in these reports are used to support focused management decisions in a way that is open and accountable to the public. The governor and her leadership team hold regular public meetings where agency directors report on the most important management and policy challenges they face in achieving results. The meetings are organized around the

governor's highest priorities – including public safety, economic vitality, and protecting vulnerable children – to hold the leaders of multiple agencies accountable for their agencies' results and for initiatives that require the collaboration of multiple organizations.

Local Government Initiatives

City of Columbus, Ohio
www.ci.columbus.oh.us/

The City of Columbus, Ohio, created its Office of Performance Management to give city leaders access to information that would enable them to track performance, document successes, and identify opportunities for improving city services. The program was linked to the Columbus Covenant 2000, the newly elected mayor's strategic plan for achieving his vision of the City of Columbus as the best city in the nation in which to live, work, and raise a family. The cornerstone of the performance measurement initiative is Columbus*Stat, launched in January 2006.

The first step in implementing Columbus*Stat was creating the Office of Performance Management (part of the financial management division) and hiring a chief of staff with performance measurement experience to be the internal champion for the initiative. Office staff comprises a performance management coordinator and three performance management analysts, each of whom consults with an assigned group of departments.

Columbus*Stat was originally modeled after the City of Baltimore's efforts with CitiStat, but it continues to evolve and align itself more closely with the city's culture and needs. Key characteristics of the program include:

- Departments meet regularly in a designated Columbus*Stat room – large departments meet every six weeks, and smaller departments meet every 10 weeks.
- The performance management analyst responsible for each department develops an advance brief so staff members can prepare for the session.
- The Columbus*Stat panel – which includes the mayor, his chief of staff, his director of policy, the financial management division administrator (who supervises the Performance Management Office), and the directors of the finance, human resources, and information technology departments – receive the same briefing documents as staff members.
- Columbus*Stat meetings are seen as problem-solving sessions and a forum for policy discussions based on data reported by departments. Analysts are meant to serve as liaisons with their assigned departments, helping prepare them for the Columbus*Stat meeting. The agenda for the meeting follows the brief closely to avoid surprises, and additional issues that surface are typically tabled for the next meeting to give the department time to prepare.
- The department can also make a presentation on new initiatives, so the meeting has an educational component in addition to its focus on accountability.

Soon after the program was implemented, the city saw noticeable and important cultural changes. Departments and staff are much more aware that they will be held accountable, and as a result, noticeably fewer projects are being left to languish. Cross-departmental projects also appear to be running more smoothly, as they are often discussed in the Columbus* Stat meetings. Departments are increasingly looking at their own performance data for managerial purposes beyond the Columbus*Stat meetings. The process has become crucial, providing the mayor and his staff with an effective tool for gauging departmental performance, tracking effectiveness, and determining which programs present opportunities for improvement or replication. In short, Columbus*Stat has provided the city's leadership with the knowledge it needs to celebrate achievements and address shortcomings.

Performance management in Sarasota County underwent many transformations before reaching its current model.

Sarasota County, Florida
www.scgov.net/

Sarasota County's performance management system underwent many transformations before reaching its current format. The government began with a vision and a mission. Over time, the organization developed strategies and objectives, and key performance measures and targets were aligned to those strategies, which were identified and refined as the model became more sophisticated. These components established the foundation from which the organization produces its business plans and plans its specific business activities.

The county's use of the balanced scorecard approach is reinforced through the county's software, GovMax, which integrates performance management and capital and operating expenses with strategic operations. Like many public-sector organizations, Sarasota County initially struggled to implement private-sector strategic planning (three- to five-year outcome horizon), business planning (12- to 18-month outcome horizon), and performance-based budgeting (12- to 18-month outcome horizon). Initially, the county got bogged down in an exercise of spreadsheet and PowerPoint formats and struggled to stay focused on achieving the progress it wanted. To move forward, the organization chose to reinforce the change by using a new Web-based technology that effectively linked budgets – something everyone valued and was familiar with – to specific strategic, business, performance, and financial outcomes.

The huge cultural changes that resulted from the new performance management system were met with some resistance within pockets of the organization. Some departments found it easier to adopt a new set of tools, a new way of thinking, and the need to learn new skills than others, but it became easier as performance management became engrained in the organization's culture over time. Sarasota County addressed these challenges by applying a variety of human change practices. It developed communication programs, pre-

sentations, and management workshops that highlighted its successes. It also created a multi-level management and leadership development program, transitioned staff members who would not or could not embrace the concepts, and recruited staff members who were well versed in leading business practices. Finally, Sarasota County's leadership was persistent, patient, and committed over a long period of time. Of the many changes, the county has been most successful at staying strategically focused; defining government's core services; determining accurate and reliable costs for services; and aligning those services to meet the public's needs. In addition, the county created a positive relationship with citizens. Operationally, the county is able to more effectively manage time, capital projects, inventory, fleet, work and materials, and service delivery; increase efficiencies; and transparently share information.

City of Minneapolis, Minnesota - Results Minneapolis
www.ci.minneapolis.mn.us/results-oriented-minneapolis

Results Minneapolis, the system of performance management for the City of Minneapolis, is aligned with the city's strategic plan, which includes its long-term vision (Minneapolis 2020), five-year goals and strategic directions, and departmental business plans. The system involves weekly discussions between city leaders and one of the operational departments, focusing on that department's progress and using its key performance measures to guide the discussion. Business planning began in 2003, and each department has produced an annual business plan since 2004. Performance measures are tied to the business plans, which are then aligned with the city's goals and looked at during the Results Minneapolis discussions.

Performance measurement guides good resource allocation decisions, informs citizens, and results in enhanced governance, city management, and relationships with citizens. Through its performance measurement system, the city has demonstrated a focus on outcomes. One example of this is the reconfiguration of department business plans, which now focus on what each department wants to achieve, rather than what they do.

Marathon County's performance management system focuses on logic models and outcome measurement reports.

Marathon County, Wisconsin
www.co.marathon.wi.us/

Marathon County, Wisconsin, continuously evaluates its programs and services against the goal of creating a learning organization that promotes improved quality of services and more efficient service delivery. The county's performance management system focuses on logic models and outcome measurement reports. In addition, the county has developed a mission, vision, and set of core values that all county activities must reflect.

The county did not switch its focus to outcomes, measurement, and improvement all at once. It developed its outcome measurement performance management system slowly, over multiple years. Starting in 2003 and through most of 2004, the county's outcome measurement team, along with all other county departments, received training on developing outcomes and identifying indicators and data measurement tools. In addition, county departments were introduced to the idea of logic models. In 2006, the county began collecting data and established baselines for many county programs and services. Beginning with the 2007 budget, these baselines were incorporated into the budget document and used to measure the success of programs and services. The budget document uses the logic model format to easily explain the relationship between inputs and outcomes.

Marathon County's complex management structure presented a challenge similar to that faced by other complex jurisdictions looking at performance management. Changes were implemented slowly, in an organized and managed process over a number of years, with improvements in later years building on initial successes. In addition, the system relies on having a knowledgeable staff that actively promotes the focus on outcomes. Marathon County identified this as one of its core strategies and places an emphasis on training staff and developing the governance skills of elected officials.

The county developed its system slowly, over multiple years.

To provide leadership from across the county for outcome measurement, the county established an outcome team comprising members of the county's largest departments, representatives from other departments, and members of the finance office. In forming the team, the county realized that while this is an important responsibility for team members, everyone has responsibilities in their home department, as well. To set resource expectations, the county expects team members to dedicate four hours per month to their outcome measurement responsibilities. To support organizational learning and push the county to improve its services, this team has the following tasks:

- Continue education on the principles and benefits of outcome measurement.
- Coordinate training and formulate goals.
- Provide guidance and serve as a resource for other departments.
- Create a problem-solving environment.
- Help create an infrastructure to collect, track, and use data.
- Provide feedback and support for improvements.

Despite the county's small size, limited amount of available resources, and complex political and management structure, performance management has been a huge success. Using a

carefully thought-out implementation schedule and a focus on change management and training, the county was able to change the focus of managers and elected officials to outcomes rather than outputs. In doing so, the county has established a leadership philosophy that aligns the organization with the county's mission, vision, core values, strategy, structure, leadership, and culture.

Metropolitan Government of Nashville and Davidson County, Tennessee
www.nashville.gov/finance/strategicmgt/about_sppm.asp

Beginning in 2003, the Metropolitan Government of Nashville and Davidson County (Nashville) undertook Phase I of its managing for results program. Departments created strategic business plans that were linked to performance budgets. The result was a list of programs and services provided by each department, all linking inputs to results.

Nashville now uses the structure of programs developed in the strategic business plan for the accounting and budgeting system. Selected performance measures included in the budget create a program-structured, performance-informed budget. All budget requests must be accompanied by a statement that addresses the impact of the proposed funding change on the results articulated in the program. This focuses the budget process on the results that are most important for the city to invest its limited resources in.

Nashville also implemented an employee performance management system that integrates employee performance with the operational performance measures identified in their department's strategic business plan. The system allows employees to align their daily duties to the results articulated at the operational and strategic levels of the organization, including the mission of the department.

Maricopa County, Arizona - Managing for Results
www.maricopa.gov/mfr/

In 2000, the Maricopa County Board of Supervisors adopted its Managing for Results policy, which integrates planning, budgeting, reporting, evaluation, and decision making for all county departments. Each department developed a results-oriented strategic plan that provided clear strategic direction and achievable results for the department as a whole and for individual employees. Along with each result is a set of performance measures that gauge the overall success of the plan. The Managing for Results management system allows all Maricopa County employees to make the following statements:

- What we are doing today contributes to our strategic direction.
- We know that what we have done in the past is effective.
- We know how much it costs to deliver our programs effectively and efficiently.

From here, county and departmental leadership can compare organizational and individual performance against set targets. They can then use this information to determine the need for improvement and set any necessary policy changes.

City of Rock Hill, South Carolina
www.ci.rock-hill.sc.us/
www.ci.rock-hill.sc.us/dashboard.html

The City of Rock Hill began featuring performance measures in its annual budget document in 1995. In 2002, the city council began an annual strategic planning program, leading off each calendar year with a retreat to plan the year's priorities. Each third year, the strategic plan is rewritten to address the results of the National Citizen Survey (a uniform survey conducted by National Research Center to help local jurisdictions assess resident satisfaction with community amenities and the provision of government services). Performance measures are then synchronized with the strategic plan to ensure that each individual's efforts are aligned with the overarching organizational initiatives determined by the city's legislative body. Recent revisions to the strategic plan have added reporting elements including a performance dashboard that will be available on the city's Web site to keep all stakeholders aware of Rock Hill's goals and informed about the city's progress. This transparency allows for greater accountability.

The city has learned the importance of alignment. Performance measurement permeates department and divisional goals.

Through this effort, the city has learned the importance of alignment. Performance measurement permeates department and divisional goals. Each divisional goal can be traced back to an organizational strategic initiative, and each goal is relevant to the success of the initiative. Resources are also aligned such that initiatives compete for funding during the budgeting process, and those decisions turn on an initiative's relevance to particular tasks of the plan.

The over-arching organizational initiatives must first be defined and embraced by the leadership of the organization – the elected officials in Rock Hill. The initiatives can then serve as a starting point for all goal setting, measurement, and reporting efforts. These initiatives should cascade down through each department goal, all the way to each employee's performance appraisal and individual goal setting.

City of Redmond, Washington - Budgeting by Priorities
www.redmond.gov/

After years of frustration on all levels (citizens, council, city leadership, and staff), the Redmond City Council insisted on a new budget approach, defined by the city as Budgeting by Priorities. While the incumbent mayor was not supportive, a member of the city council ran for the office of mayor, was elected, and immediately launched the Budgeting by Priorities effort.

Results-oriented measures were part of each budget request.

The stated goals of the effort were to align the budget with citizen priorities, measure progress toward priorities, get the best value, foster continuous learning, and build regional cooperation. To accomplish these goals, the city needed to transform government culture into a unified organization striving to deliver verifiable value to its citizens on the things that mattered to them most.

The city connected each budget request to public priorities using a roadmap developed by teams that spanned the organization and also included a citizen volunteer. Staff interacted with the teams to understand and exchange ideas about how best to structure their budget requests to represent the most value for the dollar being requested.

Results-oriented measures were incorporated into each budget request. These measures were no longer workload indicators, but rather standards of performance, targets, and goals associated with each request. This was a new way to include performance measurement in the city budget.

Out of this process and these discussions came the concept of the value proposition – what is the value to be delivered (relative to the citizen priority) in exchange for the resources being requested? This phrase became a way of describing the focus of Budgeting by Priorities. The value is always to be captured in the outcome measures for each request.

When the budget was presented to the city council, the concept of “value proposition” dominated the workshops. The city council was diligent about making sure the city was pursuing the right results to be achieved, that the measure best captured the purpose of the request, and asking how the data captured for the measure was going to become a resource in the city’s process improvement efforts.

Children’s Services Council of Palm Beach County, Florida
www.cscpb.org/

The Children’s Services Council of Palm Beach County, Florida, is a special taxing district that invests its resources to help children in the county begin life healthy, remain free from abuse and neglect, enter school eager and ready to learn, and thrive in quality after-school activities. In 1986, the citizens of Palm Beach County voted through referendum to impose this special property-based tax to address the widening gap between the growing needs of children and their families and the limited resources available to meet those needs. Eight years later, in 1994, the council took a major step in shifting its funding strategies from problems such as child abuse to positive outcomes, setting itself on a path of disciplined funding decisions to address measurable conditions. The approach focuses on addressing “sentinel outcomes” associated with specific population-level measures. These measures are linked to measurable conditions that demonstrate progress. Based on this approach, the council provides funding for specific practices that are proven to improve the measurable

conditions. For example, a sentinel outcome is healthy birth outcomes. The measure for this is babies born at or above healthy weight, and the outcome is linked to improving early and sustained prenatal care. The council then funds programs proven to have a positive effect, such as home visitation.

This disciplined funding and decision-making model is beginning to turn the tides in Palm Beach County. For example, more mothers are receiving prenatal care earlier, compared to prior years, and outcomes for mothers who participate in Children’s Service Council programs are having better outcomes than the countywide average. Moreover, as the organization has been better able to convey what it is funding and why, it has increased its visibility and accountability to county taxpayers.

The Jenks Public School District, Oklahoma
www.jenksps.org/

The Jenks Public School District received the 2005 Malcolm Baldrige National Quality Award for its performance management efforts. All district-level administrators and principals develop department or site goals and action plans that support the district’s goals, key measures (strategic objectives), pillars, core values, mission, and motto (vision). Site and department goals exceed those of the previous year. Continuous improvement is inherent in the systematic approach as a result of developing goals, implementing action plans, reviewing results, and subsequent cycle refinements. The district’s continuous improvement system is based on the PDSA Process (plan, do, study, act), which is used to improve performance for teaching, learning, ensuring student achievement, maintaining student and faculty well-being, and supporting process efficiency and effectiveness. By reviewing data related to key measures and strategic objectives, administrators are able to see trends and make any necessary modifications in their respective action plans. In the event of an unanticipated change, the Superintendent meets with the cabinet and other designated administrators to plan processes and strategies that address the situation. In addition, periodic patron and staff surveys are conducted to determine how the district is meeting and/or exceeding the stakeholders’ expectations. Administrators ensure evaluation and improvement of processes as well as deployment.

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The performance measurement system ties improvement efforts together and links strategic objectives developed in the strategic planning process to the action plans that guide daily operations at the district, building, and classroom levels. Overall, the Jenks Public School

District has used this system to achieve high levels of excellence in its academic programs, extra-curricular activities, staff support, and management of processes.

City of Albuquerque, New Mexico
www.cabq.gov/

The 1973 city charter included language that mandated a link between the annual operating budget and the city's longer-term goals, but no process was established to do so for the first 20 years. Early efforts began in 1994, when the mayor and city council approved a set of community goals and began creating additional ways to link budgets with long-term goals. But as important as it was to establish the city's desired future through goal setting, it was also important to understand current community conditions as measured by specific indicators.

Because the cycle of goal setting, budget alignment, and performance measurement is embodied in law through the city's budget ordinance, the process is sustainable over time and across organizational and leadership changes.

City staff members published the first Albuquerque Progress Report in 1996, based on community indicators of desired conditions. The Indicators Progress Commission (IPC), a citizen volunteer group appointed by the mayor, with approval by the city council, was created in 1998 to strengthen citizen involvement and create a more systematic, repeatable process for developing and measuring city goals and desired conditions. The IPC has published subsequent Albuquerque Progress Reports every four years since 2000.

Community indicators and performance measurements were fully integrated in 2001, when the city's budget ordinance was revised to formally incorporate the citizens' goal development and measurement processes with the city's annual budget and performance measurement processes. Each desired condition measured in the progress report is assessed in three dimensions: the local trend, a comparison with regional and national benchmarks, if available, and whether the citizens' perception of the condition matches the indicator data. The progress report focuses on the state of community conditions, as measured by specific indicators, not what any government or other entity has done to affect a community condition.

The IPC distributes the Albuquerque Progress Report to individuals, businesses, organizations, and other government and nongovernment entities that have a stake and interest in the city's future. The progress report then serves as a starting point for the next cycle. Albuquerque's key stakeholders – its citizens – not only determine what results are desired and needed, but also help measure the community's progress toward achieving the desired

future. Because this cycle of goal setting, budget alignment, and performance measurement is embodied in law through the city's budget ordinance, the process is sustainable over time and across organizational and leadership changes. With this knowledge, city government, with the input of citizens, can efficiently and effectively allocate resources in ways that are important to the citizens and to the future of the community.

Along with the budget, the city aligns individual employee work plans, department program strategies, and annual budgets to a set of citizen-developed goals describing the city's desired future. Managers use the goal statements, desired community conditions, program strategies, service activities, and performance measures as key elements of individual work plans for each employee. Employees understand their personal role in the organization and how their daily efforts contribute to the progress their work group, their department, and the City of Albuquerque is making toward achieving the community's goals.

The ultimate outcome of the project was to institutionalize sustainable mechanisms of citizen-initiated performance assessment into the budgetary and managerial process.

City of Des Moines, Iowa
www.dmgov.org/Pages/default.aspx

The City of Des Moines's history with performance management can be traced back to 1959, when performance measures were used in the city's annual report. More recently, performance measures have been found throughout the budget, but they were largely disregarded because the measures did not provide information about what the public cared about and did not relate to strategic goals. In 1995, the city commissioned a strategic plan based on citizen input and appointed 29 people to a strategic planning committee. Within a year of completing the plan, the city began overhauling the measures in the budget document to report efficiency and productivity measures rather than only workload measures. Despite departmental resistance, the city moved ahead with its performance management plan and began mailing citizens newsletters that included performance data. This allowed for more informed feedback, which led the city to make real changes to its services, including street maintenance.

In 2001, the city created citizen performance teams and participated in a citizen-initiated performance assessment project, funded by the Alfred P. Sloan Foundation, to ensure that performance measures are citizen-based, politically credible, and used by policymakers in decision making. For this effort, the City of Des Moines used technology to complement more traditional methods of gathering feedback, including citizen committees, focus groups, and town meetings, designed to bridge the governance gap between citizens and city officials. The ultimate outcome of the project was to institutionalize sustainable mecha-

nisms of citizen-initiated performance assessment into the budgetary and managerial process of city governments.

Brevard Public Schools, Florida

www.brevard.k12.fl.us

www.brevard.k12.fl.us/ScoreCard/main.html

Brevard Public Schools (BPS) won the 2007 Governor's Sterling Award for its high-level student achievement and excellence in management and operations. For Brevard Public Schools, the key to measurement lies in the strategic planning process. Through strategic planning, BPS creates clearly defined objectives based on the review of data. BPS leadership, along with stakeholders (who were involved via written and verbal submissions, community leader meetings, school board meetings, and other public forums designed to gather input), identify performance measures that align with the organization's mission. When developing measures, BPS uses the following steps:

- **Select.** The organization selects key types of data, based on performance measures that are critical to its mission, and it looks to other high-performing districts to establish benchmarks for success. Parents and other stakeholders give input through written and verbal communication.
- **Collect.** Data and information are gathered through state assessment reporting mechanisms, and through local means, using surveys and formalized reporting processes.
- **Align.** The strategic plan is the organizational plan to which all other plans must align. Individual school improvement plans, the five-year facilities plan, the technology plan, and the other plans developed throughout the organization reflect the goals of the BPS strategic plan.
- **Compare.** The BPS goals and strategic objective measures are benchmarked to peer group and national role models for performance targets to set high expectations for all areas.
- **Execute.** Strategic action plans, projects, and process control systems are implemented and managed to achieve targets.
- **Review.** Those who are responsible for the action steps, senior staff goalkeepers, and the superintendent review the strategic plan action steps and projects quarterly to ensure progress toward meeting the targets.
- **Refine.** Evaluate by comparing performance to outcome targets. Adjust outcomes to raise expectations where goals were achieved or surpassed. If the target was not reached, review action steps to see if the correct root cause was identified. Make adjustments to ensure it continues to meet BPS strategic goals.

Results from BPS's Brevard's performance measurement system are made available to the public through the BPS's data dashboard and scorecard available from the BPS Web site at <http://www.brevard.k12.fl.us>.

