

PART ONE

INTRODUCTION TO PERFORMANCE MEASUREMENT

Performance management—the process of defining, monitoring, and using objective indicators of the performance of organizations and programs to inform management and decision making on a regular basis—is of vital concern to managers in government and the nonprofit sector. The chapters in part 1 discuss the scope and evolution of performance management in these fields and locate it in the context of results-oriented approaches to management. They also convey the variety of purposes that can be served by measurement systems and a sense of why performance management is so important. A crucial point made in part 1 is that performance measurement systems are usually not stand-alone systems. Rather, they are essential to support and strengthen other management and decision-making processes, such as planning, budgeting, the management of organizations and employees, program management, process improvement, grants and contract management, and comparative benchmarking. Thus, it is imperative for system designers to clarify a system's intended uses at the outset and to tailor the system to serve those needs. These chapters also discuss the limitations of performance management systems, as well as the challenges and difficulties inherent in developing them, and they present a holistic process for designing and implementing effective performance measurement systems.

CHAPTER ONE

INTRODUCTION TO PERFORMANCE MEASUREMENT AND MANAGEMENT

Performance management focuses organizations on results through the use of performance information in various decision-making venues. The practice of performance management had its origin in the early twentieth century, and through sporadic and varied implementation efforts, it has appeared in numerous permutations in a variety of settings at the municipal, state, and national levels. In spite of this lengthy history, it has been only since the 1980s that performance management has evolved into a burgeoning field of practice that permeates public and nonprofit administration at all levels and locations around the globe. It has been said that performance is pervasive (Radin, 2006), and that is a fair assessment. This book sets out to provide a clear understanding of the concept and practice of performance management in modern governance, which incorporates the current reality that public goods and services are provided by public, nonprofit, and private organizations and various combinations of these.

The scope of performance management is wide. It has become a central part of governance and decision making at all levels of government—domestic and international—and has begun to permeate nonprofit practice as well. Carolyn Heinrich (2007) refers to the rise of performance management as follows: “The rise of the development of performance management systems and practices has been nothing short of meteoric; both nationally and locally, performance management

is now a goal or function of most governmental and nongovernmental organizations, and in many countries, legislation and cabinet-level entities have been created to support it" (256).

To extend our understanding, we first situate performance management within the broader field of public management, the implementation side of the public policy process. It is carried out by public servants in local, state, and federal governments in the United States and other governments around the globe. Public management encompasses the work of the bureaucracy, and as such it has increased in size and scope over time. The Progressive movement of the 1920s heralded an era of professional government based on rational principles. One manifestation of that shift was the development of the federal civil service system. The social, economic, and environmental policy programs of the 1960s expanded the scope of public management again. Now government has given way to the broader concept of governance, which takes into account the fact that public goods and services are increasingly delivered by third parties, including private sector firms, other levels of government, and nonprofit organizations (Frederickson & Frederickson, 2006).

Throughout these periods, there have been numerous reform efforts grounded in rationality—attempts to make government decisions and administration less political, and less subjective, through the use of objective decision strategies. Deborah Stone (1997) referred to this as the government rationality movement. But each rationality-based approach could also be viewed as reform oriented, intended to better hold bureaucrats accountable. Program evaluation, zero-based budgeting, strategic planning, and, of course, performance measurement all offer examples of such rationality-oriented reform strategies, though this is only a partial list. As Dubnick and Frederickson (2011) observed, there has been undue emphasis on implementing new reform strategies without sufficient attention to their potential problems. Romzek (2000) tells us that new reform strategies always introduce new accountability requirements that are added to, rather than replace, the old ones. Moynihan (2008) reflects on the relative ease associated with adopting performance measurement symbolically without the substantive commitment necessary to bring about the expected results. Adding a new layer of accountability expectations on top of existing systems without consideration for the integration of the new systems with the old creates myriad complex and confusing accountability expectations for those charged with implementing them. As one such reform strategy, performance measurement has at times fallen victim to the same pressures as other reform efforts.

In recent years, we have begun to develop a better understanding of what is necessary for performance measurement to generate the results it has promised. We distinguish between performance measurement and performance management in the literature and in practice. *Performance measurement* refers to the collection of data on key performance indicators; it is a relatively simple exercise, though practice has shown it to be difficult for governments with low technical capacity and stakeholder support (Berman & Wang, 2000) and difficult to implement under conditions of goal multiplicity or confusion (Koppell, 2005). *Performance management* refers to a strategic daily use of performance information by managers to correct problems before they manifest in performance deficiencies. Moynihan (2008), in a seminal investigation into performance measurement efforts at the state level, introduced the *performance management doctrine*, which offers three salient indicators of the sophistication of a performance measurement effort that characterize a shift from simple performance measurement to performance management: movement away from output measures toward outcome measures, the use of performance information in decision making, and the devolution of discretion to street level managers in exchange for responsibility for agency performance.

The challenge of performance management is thus to demonstrate outcomes resulting from the resources that the program, agency, or organization has consumed to appropriate managers, stakeholders, clients, and citizens. Performance management also strives to improve performance over time by using performance information to identify and correct deficiencies in the production process. The exact users of performance information vary from setting to setting, and so will their information needs, as we will see throughout the book. This implies that performance management systems need to be custom designed according to the purposes they serve. Over time, performance measurement has become further integrated into decision making, with data collected at various points suited to providing meaningful reports to support these purposes at the appropriate times. Poister (2010) advocates for three overlapping transitions: from strategic planning to strategic management, from performance measurement to performance management, and from using such tools independently toward better integration of strategic management and performance management.

As we explore the mechanics of performance management in detail, a number of questions from public management practice and research help to structure our understanding of performance management:

- How does performance management fit within understood accountability frameworks?
- How extensively has performance management been implemented at various levels of government?
- What factors explain when and where performance management is adopted?
- Under what conditions is performance management effective?
- What is the relationship between capacity and performance, and what forms of organizational capacity are necessary to implement performance management effectively?
- What special conditions affect the use of performance management in networked or intergovernmental settings where authority is shared and goal ambiguity exists?

And, of course, the most important question in this field of study is this:

- Does performance management actually improve performance?

Public Management, Performance Management, and Accountability

This chapter introduces the concept of performance management and situates it within the broader field of public management. In the balance of this chapter, we review the history of the development of performance management from its origins to the present. We discuss the current state of performance management in both government and nonprofit sectors and the characteristics that have come to be associated with effective performance management in those settings. We explore the limitations of performance management; present a brief assessment of the major questions that currently motivate research in the field; and conclude the chapter with a quick synopsis of the significant applications of performance management in practice, such as budgeting and grant and contract management.

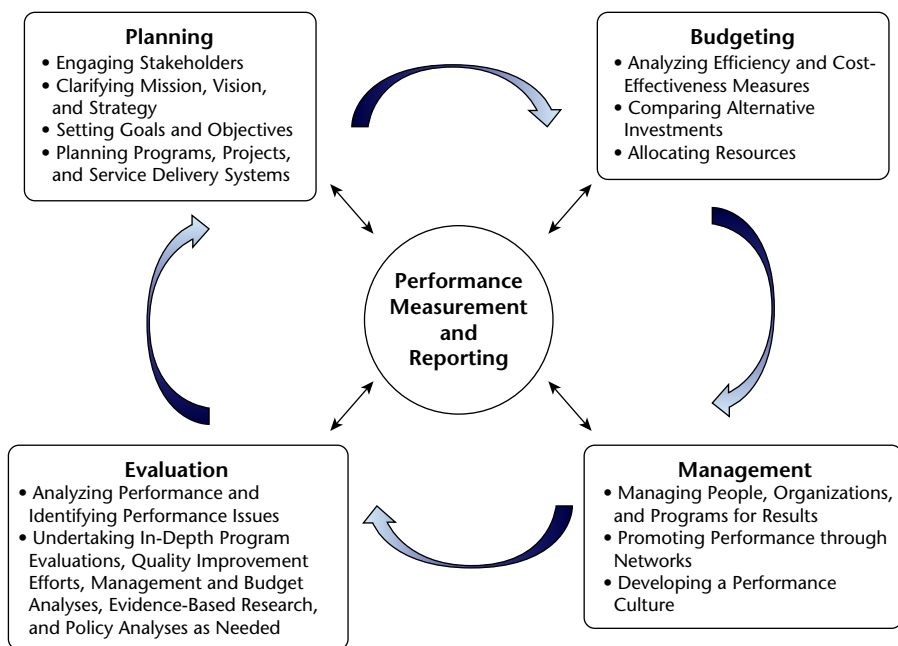
Performance Measurement and Performance Management Defined

Performance measurement has been defined by several notable scholars. Hatry (2006) considers performance measurement to consist of “regular measurement of the results (outcomes) and efficiency of services or programs” (2006, 3). Poister defined it as the “process of defining,

monitoring, and using objective indicators of the performance of organizations and programs on a regular basis” (2008, 1). We adopt the following definition of performance measurement in this book: *performance measurement is the systematic, orderly collection of quantitative data along a set of key indicators of organizational (or program) performance.* The advancement to performance management requires expanding our definition to the following: *performance management is the collection and purposive use of quantitative performance information to support management decisions that advance the accomplishment of organizational (or program) strategic goals.*

The performance management framework organizes institutional thinking strategically toward key performance goals and strives to orient decision making toward greater use of performance information to stimulate improvement. This is an ongoing cycle of key organizational management processes, all of which interact in meaningful ways with performance measurement. Our conceptual framework is based on ongoing interplay among performance measurement and reporting, strategic planning and other types of planning, budgeting, ongoing management, and performance measurement and reporting, as shown in figure 1.1.

FIGURE 1.1 THE PERFORMANCE MANAGEMENT FRAMEWORK



Performance measurement and reporting is the central element in the performance management model and is the unique feature that defines it as a performance-based approach to managing. Key sets of measures of agency and program performance are observed at periodic intervals and reported to appropriate managers or other decision makers in order to inform the planning, budgeting, management, and evaluation functions from a performance perspective. In addition, these other functions influence the performance measurement process, and thus the linkages between performance measurement and these other functions are all bidirectional.

At a strategic level, planning engages and solicits feedback from stakeholders, clarifies an agency's mission and vision, establishes strategic goals and objectives, and develops strategic initiatives. Within the framework of strategy that is developed, or even in its absence, other efforts develop plans for programs, projects, service delivery systems, and organizational processes. In a performance management framework, all of these planning activities are informed by data produced by ongoing performance measurement processes that provide information regarding current performance trends and current levels. In turn, the planning activities often identify performance measures needed to monitor goal attainment and the kinds of results that plans are designed to produce, and these measures are likely to become part of ongoing performance measurement processes.

Budgeting concerns the allocation of resources to fund programmatic activities and organizational processes. These decisions tend to be based on a mix of policy preferences, idealism, tradition, and political realities, but in a performance management mode, they are also informed, perhaps even influenced, by performance information relating resources to be expended to the results expected to be produced. Thus, performance-oriented budgeting is more likely to take efficiency and cost-effectiveness measures into account in comparing alternative investment packages and allocating resources with an eye toward the amount of products or services to be delivered or the results or outcomes to be produced. Budget decisions along these lines also influence the kinds of indicators that are emphasized in performance measurement systems.

The management component of figure 1.1 focuses on the implementation and management of strategies, programs, projects, services, and new initiatives on an ongoing basis. In a performance context, this emphasizes managing, motivating, and incentivizing people, organization units, and programs with an eye toward achieving desired results. This approach

to management is also more likely to emphasize the development and maintenance of performance-oriented organization cultures and, where appropriate, promote performance orientations and approaches through extended networks on which producing desired results depends. Such management approaches may suggest additional kinds of performance indicators regarding employee productivity, quality, organization climate, or customer service, for example, to be monitored on a regular basis.

Finally, the evaluation component of the model focuses principally on analyzing the performance data being reported, identifying performance issues, and assessing their implications for improving performance. However, at times other types of evaluative effort are required. Sometimes assessments based on the performance data and other information suggest the need to undertake more in-depth evaluative activity, such as formal program evaluations, quality or process improvement studies, management and budget analyses, policy analyses, or evidence-based research. While the information generated by the more routine performance measurement and reporting processes certainly feeds into and informs program evaluations and these other more in-depth evaluative efforts, the latter may well suggest additions to or revisions in the indicators monitored through the ongoing performance measurement process.

Although the performance management model shown in figure 1.1 constitutes a conceptual cycle of activities and decision making, it is not intended to represent steps in a process that follow one another in regular cycles over time. Rather, as a report by the National Performance Management Advisory Commission (2010) points out, the processes included in the model operate on different time lines with planning on a long-term basis (perhaps two to five or more years), budgeting focusing on one or two years, ongoing management operating on a day-to-day basis, and many evaluation efforts undertaken sporadically. And performance measurement and reporting processes typically focus on regular weekly, monthly, quarterly, or annual intervals. Nevertheless, while it can be messy, performance management can be held together by the measurement and reporting function at the center of the model, coupled with a disciplined approach to aligning plans, budgets, management practices, and evaluation activities around common goals and objectives and their accompanying performance measures.

When the adoption of performance measurement and management is substantive and not simply symbolic, the purpose of these practices is rather straightforward. Performance measurement strives to document the level of performance achieved during a specified period of time using

measures (and indicators) selected to reflect the purposes of the performance measurement effort. In other words, performance measurement might track inputs, activity levels, outputs, or outcomes; it might use measures of efficiency, effectiveness, equity, cost-effectiveness, or customer satisfaction, for example; and it might be collected to inform internal audiences such as employees or managers or external audiences that include political principals and stakeholder groups. The purpose of performance measurement determines the set of measures and indicators selected, as well as the timing of data collection, the methods of analysis to be used, and the reporting formats and frequencies. Performance management is the strategic use of this performance information in management decision making to maximize key organizational goals through a variety of decision-making areas, including management, budgeting, personnel, contracts, and quality and process improvement. Through informed decisions about common management functions, including staffing and budgeting, for example, performance management allows managers to right the course as deviations are detected that may jeopardize expected performance levels. A good performance management system relies on the collection of valid, reliable, and timely performance information; direction of that information to appropriate users at appropriate times with appropriate discretion to act; and the use of that information to make changes, minor or major, using the tools at their disposal.

The most common goals of performance measurement and management are to reduce costs (increase efficiency), increase effectiveness (or cost-effectiveness), maintain equity, and deliver high-quality products that are met with high levels of customer satisfaction. At a deeper level, the purposes may include accountability to citizens, justifying increased resources, and political and popular support, among others. Deeper still, the goal may be to remain competitive with benchmark cities, attract residents and businesses, and portray the image of a progressive community with a high quality of life.

The first edition of this book referred primarily to performance measurement, because that was the state of the art at that time. Now the field has evolved into a more sophisticated, more strategic approach to management, making the term *performance management* more applicable. Moynihan (2008) describes what he calls the *performance management doctrine*, which has three primary components that distinguish it from simple performance measurement. Let's begin there: performance measurement is

the quantitative tracking of agency or program performance, usually accompanied by a reporting effort to either internal users or to the public. Moynihan (2008) indicates that performance management must evolve from this point of origin by (1) shifting from a focus on outputs—the direct results of agency activities—toward a focus on outcomes—the end result of the agency's actions on its goals; (2) developing a culture where performance information is used to inform agency decision making, not simply collected in a separate process; and (3) devolving decision-making discretion to frontline managers in exchange for responsibility for outcomes. To summarize, performance management refers to the integration of performance information with other management processes, including human resources, budgeting, and general management.

Performance information is useful to determine what an organization has done with the resources it has been given in a particular period of time, linking it closely with the responsiveness dimension of accountability. Over time our ability to measure and track performance has improved and become increasingly sophisticated. We examine the details of these improvements later in the book, but this refers generally to the exercise of metrics that consider outcomes and impacts rather than inputs and outputs, and engage in comparison and analysis against past performance and peers.

While most of the early literature on performance measurement was largely descriptive or conceptual (Altman, 1979; Hatry, 1980; Poister, 1982, 1983), a number of more recent books and articles examine the performance movement in depth. These writers can be generally organized into three groups: the proponents (such as Wholey & Hatry, 1992; Behn, 2003), the pragmatists (such as Moynihan, 2008; Frederickson & Frederickson, 2006), and the skeptics (Radin, 2006, for example). A limited number of studies examine the effectiveness of performance measurement or management efforts on actual performance levels. This more recent literature has mixed findings, as we discuss in chapter 15.

Public Management and Performance Management

Public management refers broadly to the management of public organizations to achieve public purposes. The field of practice and study has shifted over time with prominent changes in public bureaucratic institutions through the establishment of a series of new traditions of public management, including strategic planning, performance management,

privatization and contracting, and a stronger focus on market-based approaches. Many of these are components of the new public management movement, though other traditions evolved independently. There has been an increase of professionalization within the civil service, with the result that principal-agent relationships that reinforce a command-and-control structure are no longer seen as the only factor necessary to understand agency or employee actions.

New Public Management (Hood, 1991) refocused public sector management toward greater efficiency, highlighting the use of market-based practices borrowed from private sector management, including contracting out and outsourcing. The result has been an explosion of strategic planning, which brings a strong goal orientation, as well as efforts to assess performance and adjust strategy to increase it. The movement calls for greater managerial discretion in exchange for greater responsibility for outcomes. It suggests the use of incentives rather than principal-agent relationships as the mechanism of control.

Bob Behn, in a widely cited *Public Administration Review* article from 1995, raised three “big questions” for public management:

- (1) How can public managers break the micromanagement cycle—an excess of procedural rules which prevents agencies from producing results, which leads to more procedural rules, which leads to...
- (2) How can public managers motivate people to work energetically and intelligently toward achieving public purposes? And
- (3) How can public managers measure the achievements of their agencies in ways that help to increase those achievements? (315)

Each of these questions highlights the role of managers in bringing about improved performance, and the questions collectively suggest that performance is at the core of public management. Performance management, then, is a management approach that we ought to develop with an eye toward reducing unnecessary rules; it offers a prospect for reducing micromanagement. Motivation of individuals working within an organization is a core component of performance management (Behn, 2003). And finally, measuring achievements in order to bring about performance improvement means that we need to measure things that matter, at an appropriate time, and in a way that can be linked directly to actionable management decisions. Within the framework of

micromanagement, Behn (1995) identifies a number of more specific management questions, most of which have more than a tangential connection to performance measurement, including trust, governance, entrepreneurship.

Behn (2003) offers another look at performance measurement from the perspective of its many overlapping purposes. He identifies eight specific managerial purposes where performance measurement may play a meaningful role: to evaluate, control, budget, motivate, promote, celebrate, learn, and improve. Behn sees improvement as the central purpose, with the preceding seven serving subordinate roles that are pursued with the overall goal of improving performance.

Whereas Behn (2003) focuses on managerial purposes that performance measurement may serve, Hatry (1999) describes a number of managerial functions that performance information can support in different decision venues: (1) responding to elected officials' and the public's demands for accountability, (2) making budget requests, (3) internal budgeting, (4) triggering in-depth examinations of performance problems and possible corrections, (5) motivating, (6) contracting, (7) evaluating, (8) supporting strategic planning, (9) communicating better with the public to build public trust, and (10) improving (Hatry, 1999). As with Behn (2003), Hatry (1999) emphasizes the role of performance improvement as the principal concern of performance measurement.

Performance management not only supports public management but helps to define and structure it in an era when performance is customarily the foremost goal of public management. By providing managers with information at key decision junctures, strategic choices will result in improvement along those performance dimensions that are prioritized.

Performance Management and Accountability

To fully understand the concept of performance management, we need to begin with the reason for such broad interest in the topic, which can be summed up in a single word: *accountability*. Hatry (2006) indicates that a major use of performance information is "to establish accountability" (3). Accountability itself is a broad concept that refers to a number of more specific forms or conceptual dimensions. Several authors have attempted to clarify the various types of accountability expectations that public managers face on a daily basis to better understand their behavior and to temper our expectations for success with the reality of modern

public and nonprofit administration. Yang (2012) refers to accountability as a hallmark of modern democratic governance and a central concept in public management. Dubnick and Yang (2011) suggest that all major schools of thought in public administration are arguably about accountability and all major debates about government reforms are related to accountability.

Accountability systems are often the source of important public sector problems. As Yang (2012) notes, balancing multiple expectations resulting from different forms of accountability is easily said but not easily done. He identifies six conclusions about the accountability literature: conflicts among accountability pressures can lead to problems; overreliance on particular types of accountability can lead to problems; there is no perfect accountability model, and each can devolve into an unproductive or illegitimate reality; principal-agent-based accountability is limited; third-party governance and hybrid organizations such as public-private partnerships require special accountability capacities; and, importantly, “managerial reforms such as performance measurement and reinvention have complications in traditional forms of accountability” (260). Let’s examine a few prominent accountability frameworks to get a sense of the relationship of performance measurement and management to public accountability.

Koppell (2005) refers to five distinct dimensions of accountability that might be explored: transparency, liability, controllability, responsibility, and responsiveness. He suggests that the first two are foundational requirements necessary to realize the remaining three. *Transparency* refers to our ability to see what government did and how it did it; this is a form of accountability to citizens and stakeholders at large. *Liability* refers to the penalties that are imposed for failure to adhere to the high standards of public law and administration. The remaining three dimensions are much more relevant to our topic of inquiry, however. *Controllability* refers to the ability of policymakers and decision makers to sway the bureaucracy into conformity with their expectations. This is what we think of as political control in political science, but it is broadly applicable to decision-making (legislative and executive, such as the president, Congress, and boards of directors) bodies and the implementing administrations they oversee. Inertia, culture, information asymmetry, and a variety of other factors have been shown to limit controllability, reducing the ability of those leaders to fulfill their policy agendas. Performance measurement requirements offer one mechanism (alongside oversight and others) for policy leaders

to exert stronger vertical control over the actions of the administration. By clearly defining what is expected, measuring actual performance, comparing it to established targets or benchmarks, and providing proper positive and negative incentives, performance measurement promises to enhance controllability.

The *responsibility* dimension of accountability refers to an organization's accountability to the structural requirements that constitute its mandates. These typically take the form of laws, statutes, ordinances, and so on. The key question of interest is simple: Did the agency or organization follow the rules? Accountability here can be supplemented by a proper accounting of activities and outcomes that were accomplished. To be brief, performance monitoring can allow us to determine whether an agency fulfilled its obligation under the law by providing data against which to base judgments.

But the real home of performance measurement and management for accountability rests soundly in the dimension that Koppell (2005) refers to as *responsiveness*. Here we are concerned with the needs and demands of citizens and stakeholders. What do they need? What do they expect from the agency or organization? This dimension is neatly intertwined with the organization's mission—its reason for being. So with an understanding that performance measurement is an approach to enhancing accountability, we need to go a step further and clearly distinguish performance measurement from performance management.

Other models, such as Yang (2012), explicitly link accountability systems, felt accountability, and performance. Accountability, according to Yang (2012), is emergent, and not simply a set of rules or tools. The interplay of structure and agency (what Heinrich, 2007, and Lynn, & Hill, 2008, would refer to as *craft*) result in an accountability reality that changes and shifts over time. The felt accountability dimension is important because it helps to explain how actors perceive, prioritize, and respond to multiple accountability pressures. This means that we can best understand accountability by exploring the information and signals that bureaucratic actors receive and how they respond. In other words, the accountability that such an actor feels is more important than the structures or rules that are in place, especially in a system with multiple such overlapping rules and structures that have been added as reforms over time. This perspective makes it possible to understand accountability in networked and contracted governance arrangements as well.

**FIGURE 1.2 ROMZEK AND DUBNICK'S TYPES
OF ACCOUNTABILITY SYSTEMS**

Degree of Control Over Agency Actions	Source of Agency Control	
	INTERNAL	EXTERNAL
	HIGH	LOW
	1. Bureaucratic	2. Legal
	3. Professional	4. Political

Source: Romzek and Dubnick (1987, 229).

Romzek and Dubnick (1987) identify four types of accountability that public agency managers typically use to manage the accountability expectations they face: legal, political, bureaucratic, and professional. It is important to understand that these varied types of accountability are sometimes found to be in conflict with one another, such as in the case they present of NASA and the space shuttle *Challenger* disaster. The interplay of two factors defines these four distinct accountability systems: “(1) Whether the ability to define and control expectations is held by some specified entity inside or outside the agency; and (2) the degree of control that entity is given over defining those agency’s expectations” (Romzek & Dubnick, 1987, 228). They present this as a two-by-two table to reveal the interplay of the two factors (see figure 1.2). The act of performance management most closely resembles their conceptualization of professional accountability. As Romzek and Dubnick (1987) put it:

Those employees expect to be held fully accountable for their actions and insist that agency leaders trust them to do the best job possible. If they fail to meet job performance expectations, it is assumed they can be reprimanded or fired. Otherwise they expect to be given sufficient discretion to get the job done. Thus, professional accountability is characterized by placement of control over organizational activities in the hands of the employee with the expertise or special skills to get the job done. The key to the professional accountability system, therefore, is deference to expertise within the agency. (229)

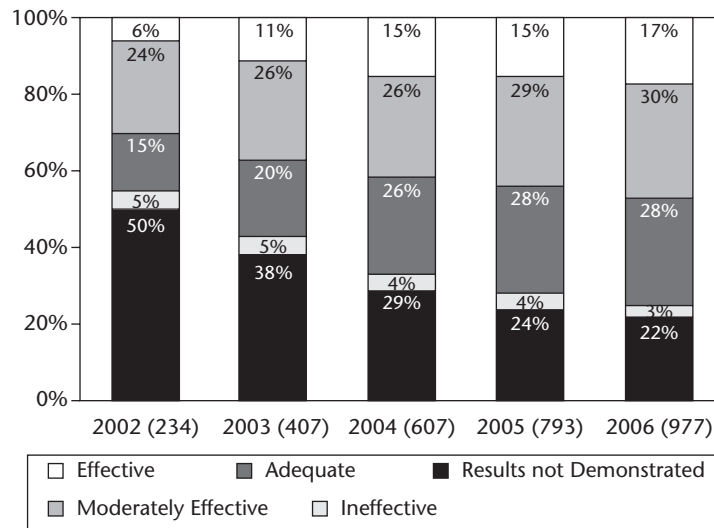
Deference to expertise, of course, mirrors Moynihan's (2008) charge for greater managerial discretion in exchange for performance-based accountability.

If we perceive performance measurement and management—management reforms aimed at improving accountability—through these frameworks, we can see the potential for conflict and confusion. In public sector environments where there are multiple principals, there are often overlapping and conflicting goals and, consequently, conflicting performance expectations. Everything we understand about accountability helps us to better understand the challenges and opportunities associated with performance management.

Performance Management Institutionalization

How extensive has been the adoption of performance measurement or management? That is a challenging question because of differences in the degree of adoption versus implementation. As Moynihan (2008) indicates, adoption is easy but implementation is more difficult. We also find differences in the extent to which utilization has evolved in different levels of government. Increased use has been accompanied by increased institutionalization through legislative or executive mandate as well.

Great strides in federal program performance management were not realized until the advent of the government performance review and subsequent legislation. The federal government's formal adoption of performance measurement began in 1993 with passage of the Government Performance and Results Act (GPRA). GPRA mandated strategic planning within agencies, establishment of clear objectives and performance targets, and measurement of actual performance against those targets as part of the annual budget process. Its implementation continues to evolve with each transition of presidential power. Under the George W. Bush administration, the requirements of GPRA were fulfilled under the Program Assessment Rating Tool (better known as the PART initiative) beginning in July 2002. This program-focused approach examined and rated program performance according to a five-point scale: effective, moderately effective, adequate, ineffective, and results not demonstrated (figure 1.3). (In the way of performance reporting and transparency, results were reported through a central web portal at www.ExpectMore.gov.) PART was intended to “inform and improve agency GPRA plans and reports, and establish a meaningful systematic link between GPRA and the budget process” (Strategisys, 2014).

FIGURE 1.3 PART PROGRAM IMPROVEMENT OVER TIME

Note: Parenthetical numbers refer to the total number of programs evaluated during the stated year.

Source: <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2009/pdf/spec.pdf>.

Aggregate results were shown to improve over time. Research has found that PART was a success in many regards. In a Government Accountability Office report, Posner (2004) writes that PART “illustrated the potential to build on GPRA’s foundation to more actively promote the use of performance information in budget decisions” (summary). As is often the case with performance information, PART supplied new performance information to decision makers, but that information lacked demand and utilization in the decision-making process. As Posner (2004) put it, “GPRA expanded the supply of performance information generated by federal agencies, although as the PART assessments demonstrate, more must be done to develop credible performance information. However, improving the supply of performance information is in and of itself insufficient to sustain performance management and achieve real improvements in management and program results. Rather, it needs to be accompanied by a demand for that information by decision makers and managers alike” (2).

PART Description

The Program Assessment Rating Tool (PART) is a questionnaire designed to help assess the management and performance of programs. It is used to evaluate a program's purpose, design, planning, management, results, and accountability to determine its overall effectiveness.

Based on the evaluation, recommendations are made to improve program results.

To reflect that federal programs deliver goods and services using different mechanisms, PART also has customized questions depending on the type of program. The seven PART categories are direct federal, competitive grant, block/formula grant, regulatory, capital assets and service acquisition, credit, and research and development.

Each PART questionnaire has twenty-five questions divided into four sections.

- Section 1 asks whether a program's purpose is clear and whether it is well designed to achieve its objectives.
- Section 2 involves strategic planning, and weighs whether the agency establishes valid annual and long-term goals for its programs.
- Section 3 rates the management of an agency's program, including financial oversight and program improvement efforts.
- Section 4 focuses on results that programs can report with accuracy and consistency.

The answers to questions in each of the four sections result in a numerical score for each section from 0 to 100 (the best score). Because reporting a single weighted numerical rating could suggest false precision or draw attention away from the very areas most in need of improvement, numerical scores are translated into qualitative ratings. The bands and associated ratings are as follows:

Rating Range

Effective	85–100
Moderately effective	70–84
Adequate	50–69
Ineffective	0–49

Source: <http://georgewbush-whitehouse.archives.gov/omb/expectmore/part.html>.

Mullen (2006) reports that PART was successful in three broad areas: (1) helping structure and discipline the Office of Management and Budget's (OMB) use of performance information over a broad range of programs, questions, and evidence; (2) making use of performance information more transparent through public reporting of judgments and explicit recommendations to change management practices and program design; and (3) stimulating agencies' interest in performance and budget integration and improving evidence demonstrating program results. According to the United States Government Accountability Office (2005), the PART process has aided OMB's ability to oversee agencies, concentrated agency efforts on improving program management, and developing or strengthening an evaluation culture within agencies. Early evidence suggested positive benefits for program management and hierarchical control over agencies, but what about the effect of performance information on budgets? Research here shows the initiative to be a success as well. Olsen and Levy (2004) find that PART has a positive effect on the allocation of resources with the effect of a one standard deviation increase in the PART score resulting in a 9 percent increase in the president's proposed funding. Figure 1.3 shows the extent of aggregate program improvement over time.

As is so often the case with presidential initiatives, the transition to the Obama administration saw the abandonment of the PART initiative. Congress at the time of this transition was also at work on amendments to GPRA, which ultimately became law in 2010 as the Government Performance and Results Modernization Act (GPRAMA). GPRA had been passed in 1993 and phased in over a four-year period, followed by thirteen years of full implementation. GPRAMA offers the first substantial revision to the law. A recent Congressional Research Service report examined the key modifications to the act along with the key considerations for Congress (Brass, 2012). Brass (2012) describes the modifications under GPRAMA as follows:

After a four-year phase-in period for GPRA 1993 and 13 years of the law's full implementation, GPRAMA makes substantial changes. Among other things, GPRAMA

- Continues three agency-level products from GPRA 1993, but with changes
- Establishes new products and processes that focus on goal-setting and performance measurement in policy areas that cut across agencies

- Brings attention to using goals and measures during policy implementation
- Increases reporting on the Internet
- Requires individuals to be responsible for some goals and management tasks

In making these changes, GPRAMA aligns the timing of many products to coincide with presidential terms and budget proposals. The law also includes more central roles for the Office of Management and Budget (OMB), an entity that often seeks to advance the President's policy preferences. GPRAMA also contains more specific requirements for consultations with Congress. By design, many of GPRAMA's products are required to be submitted to Congress for scrutiny and potential use. (1)

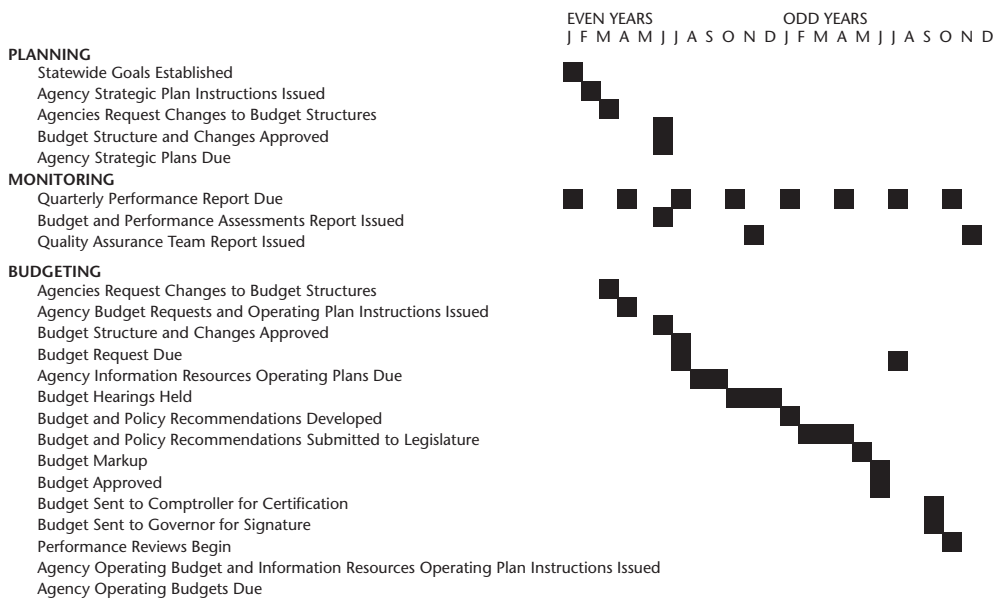
Under GPRAMA, many processes and procedures are continued from GPRA, while new processes, procedures, and products have been added. One key difference is that GPRAMA institutionalizes responsibility for performance assessment at the individual level. Furthermore, it creates new agency-level and federal-wide systems. Congress is reluctant to abandon its oversight role, and management-oriented laws like GPRAMA are no exception. Brass (2012) raises a number of important issues for Congress to consider during the implementation of the new act that point to clear concerns that congressional and presidential purposes may differ:

- Are agencies' and OMB's consultations with Congress working well? Are agencies and OMB defining goals and assessing performance in ways that reflect underlying statutes and congressional intent?
- Are the representations that agencies and OMB make about government performance perceived by Congress, federal personnel, and the public as credible and useful? What are the implications of evidence that is presented?
- Are agencies and OMB implementing GPRAMA with desired levels of transparency and public participation?
- Are agencies, OMB, and Congress focusing effectively on crosscutting policy areas to better coordinate efforts and reduce any unnecessary duplication?

- Are agencies and OMB implementing GPRAMA in a responsive, effective manner? Is GPRAMA working well? If not, what might be done? (Brass, 2012, summary)

Most states have formal statewide performance management systems (Moynihan, 2008). Most of these systems have centralized administration and are connected to the state budget process to provide the capacity to collect data uniformly and better connect performance information with the budget process. These systems take various forms and are instituted through varied laws that reflect state purposes and political realities. One example of a strong central system that connects strategic planning, performance measurement, and the budget process comes from Texas, where the comptroller of public accounts corrals state agencies into consistent processes and guidelines. To reveal the complexity of such a system, figure 1.4 provides an overview of the biennial performance management cycle

FIGURE 1.4 TEXAS'S STRATEGIC PLANNING, PERFORMANCE BUDGETING, AND PERFORMANCE MONITORING SYSTEM



Source: http://www.spartnerships.com/promos/2010lege-files/cd_handout/7_Budget%20Cycle%20Diagram.pdf, retrieved March 11, 2014.

in Texas. Texas has one of the oldest and strongest state performance systems, established by Governor Ann Richards in collaboration with the Texas legislative budget board in 1992 in the wake of fiscal pressure from the preceding decade.

While states have large budgets and stronger capacity, performance management utilization rates are lower for cities (Poister & Streib, 1999; Moynihan & Pandey, 2010) and lower still for counties (Berman & Wang, 2000). Of course, there is little research into county administration, which seem to constitute the “dark continent” of public administration research (Snider, 1952). It is accurate to say that performance measurement and management are higher where capacity levels are higher, which biases implementation levels toward larger governments. CompStat was the original big city performance management system, first developed in the New York City Police Department under Commissioner William Bratton and Mayor Rudolph Giuliani in 1994, and attributed with reducing crime by over 60 percent in the first year of use. The approach has been expanded in focus and replicated in somewhat smaller cities over time.

The CitiStat program, as another example, originated in Baltimore as a mayoral initiative by Mayor Martin O’Malley after he took office in 1999; the program resulted in over \$13 million in savings to the city the first year. Hall (2008) has found a strong relationship between capacity and actual performance levels, but here we are interested in the capacity to implement performance measurement within the organization. Such capacity includes a supportive environment, organizational culture (Moynihan & Pandey, 2010), and technical or administrative capacities (Berman & Wang, 2000). Strong executive leadership seems to be a common characteristic among municipal performance management system adoptions.

Performance management, then, may have its genesis in legislative mandates or executive mandates, but judicial action may also lead to institutionalized performance management. For example, a judicial consent decree entered between the Los Angeles police department and the US Department of Justice required the implementation of a performance evaluation system to monitor conformity with the substantive requirements of the agreement (United States v. City of Los Angeles, California, Board of Police Commissioners of the City of Los Angeles, and the Los Angeles Police Department, 2000). The source of a mandate or a performance initiative can vary considerably. In the nonprofit sector, such mandates may be the initiative of an executive director, a policy mandate made by the board of directors, or even a requirement imposed by a third party, such as a funding agency or grant-making foundation.

Benefits of Performance Management

Whereas many management approaches seem to come and go in government, sometimes resembling flavor-of-the-month fads, from all appearances, the interest in performance management is here to stay. This is because the use of performance information has a commonsense logic that is irrefutable: that agencies have a greater probability of achieving their goals and objectives if they use performance measures to monitor their progress along these lines and then take follow-up actions as necessary to ensure success. Conversely, managing programs or agencies without performance measures has been likened to flying blind, with no instruments to indicate where the enterprise is heading.

When performance measurement systems are designed and implemented effectively, they provide a tool for managers to maintain control over their organizations and a mechanism for governing bodies and funding agencies to hold organizations accountable for producing the desired kinds of results. Performance measures are critical elements of many kinds of results-oriented management approaches, including strategic management, results-based budgeting, performance management systems, process improvement efforts, performance contracting, and employee incentive systems. In addition, they produce data that can contribute to more informed decision making. Measures of output, productivity, efficiency, effectiveness, service quality, and customer satisfaction provide information that public and nonprofit organizations can use to manage their programs and operations more effectively. They can also help managers reward success and take corrective action to avoid replicating failure.

Performance measures focus attention throughout the organization on the priorities set by governing bodies or top management and can act as catalysts that bring about performance improvements. That is, everything else being equal, managers and employees will tend to perform toward the measures because they would rather “look good” than not look so good on established measures. Thus, appropriately configured performance measures motivate managers and employees to work harder and smarter to accomplish organizational goals and objectives. Finally, measurement systems can be used to communicate the results produced by the organization to an array of external as well as internal audiences, and at times they can help the organization make its case, for example, in supporting budget requests to governing bodies or grant applications to funding agencies.

Challenges of Performance Management

These benefits do not materialize automatically. Designing and implementing effective performance measurement systems is a challenging business in terms of both addressing a number of methodological issues and managing organizational and institutional change. Although many public and nonprofit agencies have workable systems in place, others see their measurement systems fall apart before being completed, and still others end up installing systems that are not particularly helpful or are simply not used effectively. This often happens because the measurement systems were not designed appropriately to serve a particular purpose or because they were not implemented effectively in ways that build commitment and lead to their effective use.

Among the important challenges to performance measurement and management are a number of sage criticisms levied by prominent scholars in the field. Moynihan (2008) argues that the symbolic rather than substantive use of performance information is little more than window dressing. For performance measurement to generate impacts, he says, it must be used substantively to guide action. Piotrowski and Rosenbloom (2002) raise concern for those aspects of performance that have not been measured, including democratic and constitutional values such as transparency, equity, or fairness. Radin (2006) echoes these concerns, arguing that performance measurement in general has focused on efficiency to the exclusion of other values and measures. And Frederickson and Frederickson (2006) raise our awareness that in contracted or other forms of third-party governance, each step removed from the policy source is an opportunity for mission creep to allow the goals that are emphasized during implementation to vary from those intended by the original policy.

It also becomes more and more problematic to collect information consistently from these implementing organizations whose rewards are not dependent on the timely collection of reliable performance information. Hall and Jennings (2011) examine the case of the American Recovery and Reinvestment Act (ARRA) as a pilot project for collecting information all the way down to the lowest subcontractor level (Jennings, Hall, & Zhang, 2012). They highlight the magnitude of the endeavor, but also the simplicity of its measurement task, which led to a focus on jobs and salaries rather than the substantive outcomes of the numerous federal projects that were funded.

Frederickson and Frederickson's (2006) arguments about third-party implementation raise our awareness of another challenge for

performance measurement and management. In any environment with multiple actors, particularly multiple principals, there is potential for goal multiplicity and confusion. In many cases, there can even be goal conflict. The result is confusion over what should be measured and what measure reflects organization success. For example, in environmental policy, we might measure pollution levels as an indicator of regulatory performance. However, opponents (who may share legislative or executive power), witnessing a closure of businesses and resulting job loss, begin to suggest economic variables as valid indicators of environmental regulatory performance. While some might argue for balance, the mission-driven environmental agency is more likely to concentrate on measures that more closely reflect the organization's logic, neglecting the pesky side effects. And the agency could not be blamed for highlighting performance information that portrayed it in the most positive light; after all, its budget may be influenced by those very performance measures.

We see in such situations that performance measurement creates incentives, often perverse incentives. A number of potential pitfalls may result from such gaming. Some examples are measuring those aspects of performance that portray the agency in the best light, or adjusting strategies to generate the highest perceived output through processes such as creaming. For example, if an agency provides adult education and literacy services, and the funding agency requires that a single performance indicator be collected—in this case, the number of participants earning the GED (Graduation Equivalency Diploma)—the agency faces a choice. It could recruit and train individuals with the greatest need (let's say those with eight-grade education levels) or target individuals who dropped out their senior year of high school and required the least amount of training to pass the GED. The creaming approach allows the organization to demonstrate high levels of outcomes for minimal service and cost; meanwhile, needy potential participants remain unserved. Over time, the result is goal displacement, which means that the organization begins to perform to the measure rather than to the mission. Readers are probably familiar with the expression "teaching to the test," which reflects goal displacement in the form of teachers who prepare students for an examination rather than their level of learning as preparation for higher education or careers. Gaming is a real concern, and it is usually combated through increasingly sophisticated measures over time. Another concern is the use of performance information as a punitive tool. It is often through no fault of the agency that performance faltered; in many cases environmental factors

can influence performance beyond the agency's control. One prominent example is the effect of the economy on crime.

Distinguishing Performance Management from Its Cousins

Because of their common focus on greater accountability through an emphasis on outcomes, some scholars have referred to various management reforms as “cousins,” including performance measurement, policy analysis, program evaluation, and now evidence-based practice (Frederickson & Frederickson, 2006). The two most commonly considered in concert are program evaluation and performance measurement, largely because the use of performance measurement has displaced much of the management emphasis on program evaluation over the past two decades. More recent attention has considered the compatibility of performance measurement and evidence-based practice. In each case, the two practices serve different purposes, and each provides value in informing decisions at different levels. Hall (2013) offered the stages heuristic of the policy process as a conceptual tool for exploring the points at which each of several results-oriented management tools (strategic planning, policy analysis, performance measurement, and program evaluation) could be drawn on to inform management decisions. The foundational skills necessary to use one tool are often largely transferable to the other.

James McDavid and Laura Hawthorn (2006) tackled the distinction—and integration—of program evaluation and performance measurement in great detail. Among evaluators, there is a sense that program evaluation is more sophisticated methodologically, more conclusive in its findings, and more useful in determining the actual value of a program than performance measurement. These views are not unfounded; program evaluation has traditionally relied on sophisticated research designs, complex methodologies, and highly rigorous experimental or quasi-experimental assessments that are typically beyond the purview of performance measurement. Yet program evaluation typically provides those results only after a full implementation cycle has transpired, whereas performance measurement has the potential to offer ongoing performance feedback, though such feedback will not have the same level of validity or reliability as a more formal evaluation research design. But McDavid and Hawthorn argue that the tools can be integrated in important ways. For one, they both rely on a common understanding of

program theory from which key conceptual measures are derived—that is, the logic of process through which a program converts inputs and resources to outputs and outcomes through its various activities. In addition to logic models, McDavid and Hawthorn argue for greater care in measurement and research design in performance measurement so that the data collected for performance measurement purposes can be later used in evaluations, but also so that the confidence in reported performance results can be increased through greater reliability and validity. The result is that managers should be able to participate in the evaluation of their own programs.

Carolyn Heinrich (2007) explored the challenges and prospects for using both performance management and evidence-based policy in an article in the *American Review of Public Administration*. She notes in particular that “differences and tensions between these movements—such as their methods and standards for assembling and analyzing data, and the strategic timing and use of this information to influence policy and hold public managers accountable for performance—could limit their success” (255). She defines evidence-based policy as a process “in which policies and practices are based on or determined by scientifically rigorous evidence” (255). Heinrich notes that in principle, “evidence-based policy and performance management appear to share an elemental goal: to improve government effectiveness by developing and using a more rigorous base of information and scientific evidence to guide decisions about program design, funding, implementation, and management”; but in practice, “there are some important differences and tensions between the approaches of these two movements to achieving this common objective such as their methods and standards for assembling and analyzing data, and the strategic timing and use of this information to influence policy and/or hold public managers accountable for performance” (256).

As with the distinction between program evaluation and performance measurement, we encounter similar concerns between evidence-based practice and performance measurement. Commenting on the opportunity presented by the increasing quality of data available, Heinrich (2007) concludes:

If their use continues, “high-stakes” performance management systems need to incorporate ample buffers for errors and imprecision in data collection and analysis and allow time for careful case reviews before sanctions are applied or bonuses awarded. In general, we would be

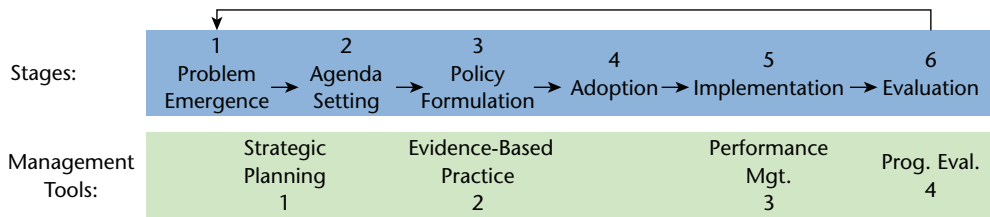
better served if our demands for performance accountability were less focused on identifying which entities achieve “bottom-line” results and more on producing information that enlightens public managers as to how they can improve performance. (274)

Hall and Jennings (2008) characterize evidence-based practice as a research-informed subset of best practices alongside promising practices, which do not hold up to the same standards of methodological rigor. They further explain that the necessary level of evidence should be commensurate with the level of risk involved for a particular policy choice. In later research (Jennings & Hall, 2012) they characterize evidence-based policies, programs, and practices as similar outcomes of the same evidence-based approach to decision making. Ultimately, evidence-based practice “is about using scientific evidence to produce better public program outcomes” (Jennings & Hall, 2012, 246).

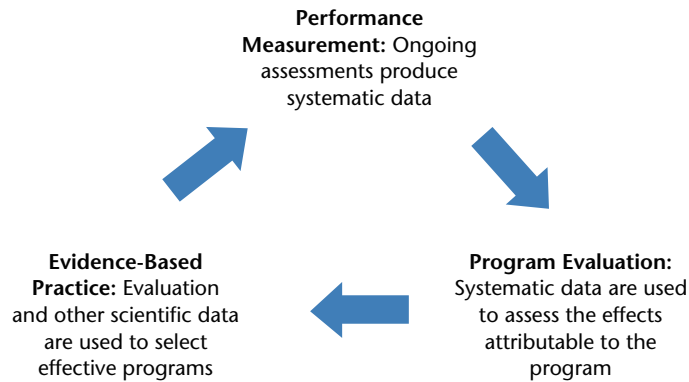
Recognizing that there is some room for interpretation when it comes to the quality of evidence being used across functional areas, the principal distinctions between evidence-based practice and performance management are the level of methodological rigor employed (and the consequences for validity and reliability) and the timing of use for decision purposes. Whereas performance measurement offers the greatest utility during implementation, evidence-based policy and practice look to inform the choice of policy or program before implementation. Again, evidence-based practice employs methodologies that are typically more rigorous than those used in performance measurement to ensure higher levels of validity and reliability. The methodological distinction between these analytical approaches highlights another challenge: keeping data within the realm of manager comprehension and action. Program evaluation and evidence-based practice both risk alienating managers who may not be familiar with or able to comfortably interpret their results.

If we think about these various results-oriented management strategies collectively, as Hall (2013) suggests, we begin to see the opportunities for sorting out their complexity to better use them in concert and capitalize on their areas of overlap. So if strategic planning defines strategy and goals, evidence-based practice can help to select programs or policies with the greatest likelihood of success, performance management can monitor progress during implementation, and program evaluation can offer a retrospective assessment of the results actually attributable to the program. Figure 1.5 shows these relationships in conjunction with the stages of the policy process. Figure 1.6 reveals a potential cyclical relationship among

**FIGURE 1.5 RESULTS-ORIENTED MANAGEMENT TOOLS
AND THE POLICY STAGES HEURISTIC**



**FIGURE 1.6 DATA AGGREGATION AND UTILIZATION OVER TIME
ACROSS MANAGEMENT PRACTICES**



Source: Hall (2013).

performance measurement, program evaluation, and evidence-based practice as data are accumulated and analyzed for various purposes over time.

Outline of the Book

This chapter has offered an introduction to the concepts of performance measurement and performance management, situated them within the broader public management and accountability literatures, and highlighted the key purposes, benefits, and problems associated with performance management in practice. The remainder of the book provides an

in-depth examination of the steps necessary to develop and implement a full-scale performance management system, highlighting particular areas of specialized application.

Chapter 2 completes part 1 with an overview of the development of performance management systems. The chapters in part 2 explain each step in the performance measurement process: developing a performance framework (chapter 3), clarifying agency goals and objectives (chapter 4), operationalizing performance indicators (chapter 5), reporting performance information (chapter 6), and analyzing performance information (chapter 7). Part 3 examines the strategic application of performance management principles to core management functions and unique circumstances: strategic management (chapter 8), performance budgeting (chapter 9), managing organizational units, programs, and employees (chapter 10), managing grants and contracts (chapter 11), improving quality, productivity, and customer service (chapter 12), soliciting stakeholder feedback (chapter 13), and benchmarking to improve public practice (chapter 14). Part 4, chapter 15, offers a concluding review of the barriers to effective use of performance management and a forward-looking examination of the prospects for expanded performance management utilization in the public and nonprofit sectors.

Collectively these chapters touch on all the elements of the performance management model shown in figure 1.1 and discussed earlier in this chapter. For the most part, the chapters in part 2 focus on the performance measurement and reporting process in the center of the model, addressing the development of performance frameworks, definition of operational indicators, and the design of formats to report performance data, while chapter 7, on analyzing performance data, relates more directly to the evaluation component of the model. Chapter 8, on strategic planning and management, clearly focuses on the planning component in the model, and chapter 13, on obtaining stakeholder feedback, also relates to planning, while chapter 9 focuses on the budgeting component. Chapter 10, on managing organizations, programs, and people, focuses most directly on the ongoing management component of the model, although it also relates to the evaluation component in part through its discussion of the use of program evaluation and evidence-based research in managing programs. Chapter 11, on managing grants and contracts, and chapter 12, on quality and process improvement, also relate to ongoing agency and program management, as does chapter 14 on benchmarking practices. Chapter 15, which focuses on prospects for performance management, relates to the entire model.

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CHAPTER TWO

DEVELOPING EFFECTIVE PERFORMANCE MANAGEMENT SYSTEMS

How do you go about creating and installing a performance management system in a public or nonprofit organization? How can you ensure that such a system is designed to meet the needs it is intended to serve? What are the essential steps in the design and implementation process?

The Design and Implementation Process

Those who have responsibility for developing performance management systems must proceed deliberately and systematically if they are to develop systems that are used effectively for their intended purposes. This chapter presents a step-by-step process for developing a performance management system that can help manage agencies and programs more effectively.

As we discussed in chapter 1, *performance management is the purposive use of quantitative performance information to support management decisions that advance the accomplishment of organizational (or program) goals*. The performance management framework organizes institutional thinking strategically toward key performance goals and strives to orient decision-making and policymaking processes toward greater use of performance

information to stimulate learning and improvement. This is an ongoing cycle of key organizational management processes that interact in meaningful ways with performance measurement.

Performance measurement and *performance management* are often used interchangeably, although they are distinctly different. Performance measurement helps managers monitor performance. Many governments and nonprofits have tracked inputs and outputs and, to a lesser extent, efficiency and effectiveness. These data have been reported at regular intervals and communicated to stakeholders. This type of measurement is a critical component of performance management. However, measuring and reporting alone rarely lead to organizational learning and improved performance outcomes. Performance management, however, encompasses an array of practices designed to create a performance culture. Performance management systematically uses measurement and data analysis as well as other management tools to facilitate moving from measurement and reporting to learning and improving results.

Performance management systems come in all shapes and sizes. They may be comprehensive systems that include strategic planning, performance measurement, performance-based budgeting, and performance evaluations or those that establish goals and monitor detailed indicators of a production process or service delivery operation within one particular agency every week; others track a few global measures for an entire state or the nation as a whole on an annual basis. Some performance measurement systems are intended to focus primarily on efficiency and productivity within work units, whereas others are designed to monitor the outcomes produced by major public programs. Still others serve to track the quality of the services provided by an agency and the extent to which clients are satisfied with these services. What differentiates these programs as performance management is that the data are used to manage, make decisions, and improve programs.

Yet all of these different kinds of performance management and measurement systems can be developed with a common design and implementation process. The key is to tailor the process to both the specific purpose for which a particular system is being designed and to the program or agency whose performance is being measured. Figure 2.1 outlines a process for designing and implementing effective performance management systems. It begins with clarifying the purpose of the system and securing management commitment and proceeds through a sequence of essential steps to full-scale implementation and evaluation.

FIGURE 2.1 PROCESS FOR DESIGNING AND IMPLEMENTING PERFORMANCE MANAGEMENT SYSTEMS



Step One: Clarify the Purpose of the System

Before getting started, it is important to clarify the purpose of the system. Questions that should be answered include these:

- Is it to support implementation and management of an agency's strategic agenda, manage employees, manage programs, manage organizations, support quality improvement efforts, manage grants and contracts, or inform budget decision making?
- How will the performance measures be used to help manage more effectively?
- With whom will the data be shared?
- Who will be involved in regular reviews of the performance information?

- How will the information be provided to the decision makers?
- What kinds of decisions and actions are the performance data expected to inform—for example, goals, priorities, resource allocation and utilization, operating procedures, program design and operation, work processes, personnel, organization design and functioning?
- What kinds of incentives are being used explicitly or implicitly to encourage working harder and smarter to strengthen performance?

Step Two: Assess Organizational Readiness

The second step in the process is to secure management commitment to the design, implementation, and use of the performance management system. If those who have responsibility for managing the agency, organizational units, or particular programs do not intend to use the management system or are not committed to sponsoring its development and providing support for its design and implementation, the effort will have little chance of success. Thus, it is critical at the outset to make sure that the managers of the department, agency, division, or program in question—those whose support for a performance management system will be essential for it to be used effectively—are on board with the effort and committed to supporting its development and use in the organization. It is important to have the commitment of those at various levels in the organization, including those who are expected to be users of the system and those who will need to provide the resources and ensure the organizational arrangements needed to maintain the system.

Organizations should be assessed on readiness that allow for levels of more or less complex systems to management performance (Van Dooren, Bouckaert, & Halligan, 2010). Niven (2003) provides ten criteria for evaluating the organization's readiness to implement and sustain performance management:

1. A clearly defined strategy
2. Strong, committed sponsorship or a champion
3. A clear and urgent need
4. The support of midlevel managers
5. An appropriately defined scale and scope
6. A strong team with available resources
7. A culture of measurement
8. Alignment between management and information technology
9. Availability of quality data
10. A solid technical infrastructure

Step Three: Identify External Stakeholders

It will be helpful to have commitments from external stakeholders—for example, customer groups, advocacy groups, and professional groups. If agreement can be developed among the key players regarding the usefulness and importance of a system, with support for it ensured along the way, the effort is ultimately much more likely to produce an effective management system. If such commitments are not forthcoming at the outset, it is probably not a workable situation for developing a useful system. (More on external stakeholders will be found in chapter 13.)

Step Four: Organize the System Development Process

Along with a commitment from higher levels of management, the individual or group of people who will take the lead in developing the management system must also organize the process for doing so. Typically this means formally recognizing the individual or team that will have overall responsibility for developing the system, adopting a design and implementation process to use (like the one shown in figure 2.1), and identifying individuals or work units that may be involved in specific parts of that process. This step includes decisions about all those who will be involved in various steps in the process—managers, employees, staff, analysts, consultants, clients, and others. It also includes developing a schedule for undertaking and completing various steps in the process. Beyond time-tables and delivery dates, the individual or team taking the lead responsibility might find it helpful to manage the overall effort as a project. We return to issues concerning the management of the design and implementation process in chapter 15.

Step Five: Identify Key Purposes and Parameters for Initiating Performance Management

The fifth step in the process is to build on step two and clarify the purpose of the management system and the parameters within which it is to be designed. Purpose is best thought of in terms of use:

- Who are the intended users of this system, and what kinds of information do they need from it?
- Will this system be used simply for reporting and informational purposes, or is it intended to generate data that will assist in making better decisions or managing more effectively?

- Is it being designed to monitor progress in implementing an agency's strategic initiatives, inform the budgeting process, manage people and work units more effectively, support quality improvement efforts, or compare your agency's performance against other similar organizations?
- What kinds of performance data can best support these processes, and how frequently do they need to be observed?

Chapters 8 through 14 discuss the design and use of performance measures for these purposes, and it becomes clear that systems developed to support different management processes will themselves be very different in terms of focus, the kinds of measures that are used, the level of detail involved, the frequency of reporting performance data, and the way in which the system is used. Thus, it is essential to be clear about the purpose of a performance measurement system at the outset so that it can be designed to maximum advantage.

Beyond the questions of purpose and connections between the performance measurement system and other management and decision-making processes, system parameters are often thought of in terms of both scope and constraints. Thus, system designers must address the following kinds of questions early on in the process:

- What is the scope of the new system?
- Will it focus on organizational units or on programs?
- Will it cover a particular operating unit, a division, or the entire organization?
- Do we need data for individual field offices, for example, or can the data simply be rolled up and tracked for a single, larger entity?
- Should the measures comprehend the entire, multifaceted program or just one particular service delivery system?
- Who are the most important decision makers regarding these agencies or programs, and what kinds of performance data do they need?
- Are there multiple audiences for the performance data to be generated by this system, possibly including internal and external stakeholders?
- Are reports produced by this system likely to be going to more than one level of management?
- What are the resource constraints within which this measurement system will be expected to function?
- What level of effort can be invested in support of this system, and to what extent will resources be available to support new data collection efforts that might have to be designed specifically for this system?

- Are any barriers to the development of a workable performance measurement system apparent at the outset?
- Are some data that would obviously be desirable to support this system simply not available?
- Would the cost of some preferred data elements clearly exceed available resources? If so, are there likely to be acceptable alternatives?
- Is there likely to be resistance to this system on the part of managers, employees, or other stakeholders whose support and cooperation are essential for success? Can we find ways to overcome this problem?

The answers to these kinds of questions will have a great influence on the system's design, so they will need to be addressed very carefully. Sometimes these parameters are clear from external mandates for performance management systems, such as legislation of reporting requirements for jurisdiction-wide performance and accountability or monitoring requirements of grants programs managed by higher levels of government. In other cases, establishing the focus may be a matter of working closely with the managers who are commissioning a performance management system in order to clarify purpose and parameters before proceeding to the design stage.

Step Six: Define the Components for the Performance Management System, Performance Criteria, and Use

There are several performance management systems that many governments and nonprofits are using, including strategic planning based on mission, mandates, goals, objectives, strategies, and measures found in chapter 8 of this book; the balanced scorecard found in chapter 8; and the Stat system approach (e.g., CompStat and CitiStat) found in chapter 13. Organizations may adopt one of these approaches fully or partially, or select elements from several to create their own unique system. For example, the State of Delaware is among governments that use the framework in the Malcolm Baldrige National Quality Award program, focusing on leadership, strategic planning, customer focus, measurement, process management, and improving results. This model recommends a structured approach to management based on criteria set up for receiving the Baldrige Award.

Important areas to consider, according to Kamensky and Fountain (2008), include:

- Leadership meetings for discussions of the performance of the various programs
- The commitment of program managers and key contributors to the system
- Links to resources, with discussion that includes whether the performance information will be used in the budget decisions
- The role of granters or networks in delivering the services and how their performance will be used in the system
- Stakeholder feedback and how it will be used to inform performance
- Evaluation of programs to improve performance
- How nonachieving programs will be handled

This sixth step also requires the identification of the intended outcomes, use, and other performance criteria to be monitored by the measurement system:

- What are the key dimensions of performance of the agency or program that you should be tracking?
- What services are being provided, and who are the customers?
- What kind of results are you looking for?
- How do effectiveness, efficiency, quality, productivity, customer satisfaction, and cost-effectiveness criteria translate into this program area?
- How will this information be used? Will it inform budget decisions?

Chapter 3 is devoted to the subject of identifying program outcomes and other performance criteria. It introduces the concept of logic models that outline programmatic activity, immediate products, intermediate outcomes, and ultimate results and the presumed cause-and-effect relationships among these elements. Analysts, consultants, and other system designers can review program plans and prior research and can work with managers and program delivery staff, as well as with clients, and sometimes other external stakeholders, to clarify what these elements really are. Once a program logic model has been developed and validated with these groups, the relevant performance criteria can be derived directly from the model.

Remember that the ultimate purpose of these systems is program improvement. How will this information be used to improve programs? Chapter 4 elaborates on the all-important linkage of performance measures to goals and objectives. Chapter 9 addresses the use of performance information in budgeting.

Step Seven: Define, Evaluate, and Select Indicators

When consensus has been developed on what aspects of performance should be incorporated in a particular performance management system, the question of how to measure these criteria may begin to be addressed. As discussed in chapter 5, this involves defining, evaluating, and then selecting preferred performance indicators. Questions to consider include these:

- How should certain measures be specified?
- What about the reliability and validity of proposed indicators?
- How can you capture certain data elements, and to what extent will this entail collecting original data from new data sources?
- Is the value of these indicators worth the investment of time, money, and effort that will be required to collect the data?
- Will these measures set up appropriate incentives that will help to improve performance, or could they actually be counterproductive?

This is usually the most methodologically involved step in the process of designing performance management systems. It cuts to the heart of the issue: How will you measure the performance of this agency or program on an ongoing basis? The ideas come from prior research and other measurement systems, as well as from goals, objectives, and standards and from the logical extension of the definition of what constitutes strong performance for a particular program. Sometimes it is possible to identify alternative indicators for particular measures, and in fact the use of multiple or cascading measures is well advised. In addition, there are often trade-offs between the quality of a particular indicator and the practical issues in trying to operationalize it. Thus, as discussed in chapter 5, it is important to identify potential measures and then evaluate each one on a series of criteria in order to decide which to include in the monitoring system.

Step Eight: Develop Data Collection Procedures

Given a set of indicators to be incorporated in a performance management system, the next step in the design process is to develop procedures for collecting and processing the data on a regular basis. The data for performance monitoring systems come from a wide variety of sources, including agency records, program operating data, existing management

information systems, direct observation, tests, clinical examinations, various types of surveys, and other special measurement tools. As discussed in chapter 7, in circumstances where the raw data already reside in established data files maintained for other purposes, the data collection procedures involve extracting the required data elements from these existing databases. Within a given agency, this is usually accomplished by programming computer software to export and import specific data elements from one database to another. Sometimes, particularly with respect to grant programs, for example, procedures must be developed for collecting data from a number of other agencies and aggregating them in a common database. Increasingly this is accomplished through interactive computer software over the Internet.

In other instances, operationalizing performance indicators requires collecting original data specifically for the purposes of performance measurement. With respect to tests, which may be needed to rate client or even employee proficiency in any number of skill areas or tasks as well as in educational programs, there are often a number of standard instruments to choose from or adapt; in other cases, new instruments have to be developed. This is also the case with respect to the kinds of medical, psychiatric, or psychological examinations that are often needed to gauge the outcomes of health care or other kinds of individual or community-based programs. Similarly, instruments may need to be developed for direct observation surveys in which trained observers rate particular kinds of physical conditions or behavioral patterns.

Some performance measures rely on surveys of clients or other stakeholders, and these require decisions about the survey mode—personal interview, telephone, mail-out, individual or group administered, or computer based—as well as the adaptation or design of specific survey instruments. In addition to instrument design, these kinds of performance measures require the development of protocols for administering tests, clinical examinations, and surveys so as to ensure the validity of the indicators as well as their reliability through uniform data collection procedures. Furthermore, the development of procedures for collecting original data, especially through surveys and other kinds of client follow-up, often requires decisions about sampling strategies.

With regard to both existing data and procedures for collecting original data specifically for performance measurement systems, we need to be concerned with quality assurance. As mentioned in chapter 1, performance management systems are worthwhile only if managers and decision makers actually use them for program improvement, and this will happen

only if the intended users have faith in the reliability of the data. If data collection procedures are sloppy, the data will be less than reliable, and managers will not have confidence in them. Worse, if the data are biased somehow because, for example, records are falsified or people responsible for data entry in the field tend to include some cases but systematically exclude others, the resulting performance data will be distorted and misleading. As will be discussed in chapter 7, there needs to be provision for some kind of spot checking or systematic data audit to ensure the integrity of the data being collected.

Step Nine: Specify System Design

At some point in the design process, you must make decisions about how the performance management system will operate. One of these decisions concerns reporting frequencies and channels—that is, how often particular indicators will be reported to different intended users. As will become clear in chapters 8 through 14, how you make this decision will depend primarily on the specific purpose of a monitoring system. For example, performance measures developed to gauge the outcomes of an agency's strategic initiatives might be reported annually, whereas indicators used to track the outputs and labor productivity of a service delivery system in order to optimize workload management might well be tracked weekly. In addition to reporting frequency, there is the issue of which data elements go to which users. In some cases, for instance, detailed data broken down by work units might be reported to operating-level managers, while data on the same indicators might be rolled up and reported in the aggregate to senior-level executives.

System design also entails determining what kinds of analysis the performance data should facilitate and what kinds of reporting formats should be emphasized. As discussed in chapter 6, performance measures do not convey information unless the data are reported in some kind of context through comparisons over time, against targets or standards, among organizational or programmatic units, or against external benchmarks. What kind of breakouts and comparisons should you employ? In deciding which analytical frameworks to emphasize, you should use the criterion of maximizing the usefulness of the performance data in terms of the overall purpose of the monitoring system. As illustrated in chapter 7, a great variety of reporting formats is available for presenting performance data, ranging from spreadsheet tables, graphs, and symbols to pictorial and dashboard displays; the objective should be to employ elements of any or

all of these to present the data in the most intelligible and meaningful manner.

Furthermore, computer software applications have to be developed to support the performance management system from data entry and data processing through to the generation and distribution of reports, which increasingly can be done electronically. As discussed in chapter 7, a variety of software packages may be useful along these lines, including spreadsheet, database management, and graphical programs, as well as special software packages available commercially that have been designed specifically to support performance monitoring systems. Often some combination of these packages can be used most effectively. Thus, system designers have to determine whether their performance monitoring system would function more effectively with existing software adapted to support the system or with original software developed expressly for that system.

A final element of system specification is to assign personnel responsibilities for maintaining the performance management system when it is put into use. As discussed in chapter 15, this includes assigning responsibilities for data entry, which might well be dispersed among various operating units or field offices (or both), as well as for data processing, quality assurance, and reporting. Usually primary responsibility for supporting the system is assigned to a staff unit concerned with planning and evaluation, management information systems, budget and finance, management analysis, quality improvement, or customer service, depending on the principal use for which the system is designed. In addition, clarification of who is responsible for reviewing and using the performance data is needed, and establishment of deadlines within reporting cycles for data entry, processing, distribution of reports, and review.

Step Ten: Conduct a Pilot If Necessary

Sometimes it is possible to move directly from design to implementation of performance management systems, particularly in small agencies where responsibilities for inputting data and maintaining the system will not be fragmented or with simple, straightforward systems in which there are no unanswered questions about feasibility. However, in some cases, it may be a good idea to pilot the system, or elements of it at least, before committing to full-scale implementation. Most often, pilots are conducted when there is a need to test the feasibility of collecting certain kinds of data, demonstrate the workability of the administrative arrangements for more complex systems, get a clearer idea of the level of effort involved in

implementing a new system, testing the software platform, or simply validating newly designed surveys or other data collection instruments. When there are real concerns about these kinds of issues, it often makes sense to conduct a pilot, perhaps on a smaller scale or sample basis, to get a better understanding of how well a system works and of particular problems that need to be addressed before implementing the system across the board. You can then make appropriate adjustments to the mix of indicators, data collection efforts, and software applications in order to increase the probability that the system will work effectively.

Step Eleven: Implement Full-Scale System

With or without benefit of a pilot, implementing any new management system presents challenges. Implementation of a performance management system means collecting and processing all the required data within deadlines, running the data and disseminating performance reports to the designated users on a timely basis, and reviewing the data to track performance and use this information as an additional input for decision making. It also includes initiating quality assurance procedures and instituting checks in data collection procedures where practical to identify stray values and otherwise erroneous data.

With larger or more complex systems, especially those involving data input from numerous people in the field, some training may well be essential for reliable data. As discussed in chapter 15, the most important factor for guaranteeing the successful implementation of a new monitoring system is a clear commitment from top management, or the highest management level that has commissioned a particular system, to providing reliable data and using the system effectively as a management tool.

Step Twelve: Use, Modify, and Evaluate the System

No matter how carefully a system may have been implemented, problems are likely to emerge in terms of data completeness, quality control, software applications, or the generation of reports. The level of effort required to support the system, particularly in terms of data collection and data entry, may also be a real concern as well as an unknown at the outset. Thus, over the first few cycles—typically months, quarters, or years—it is important to closely monitor the operation of the system itself and evaluate how well it is working. And when implementation and maintenance problems are identified, they need to be resolved quickly and effectively.

Managers must begin to assess the usefulness of the measurement system as a tool for managing more effectively and improving decisions, performance, and accountability. If a performance management system is not providing worthwhile information and helping gain a good reading on performance and improve substantive results, managers should look for ways to strengthen the measures and the data or even the overall system. This is often a matter of fine-tuning particular indicators or data collection procedures, adding or eliminating certain measures, or making adjustments in reporting frequencies or presentation formats to provide more useful information, but it could also involve more basic changes in how the data are reported and used in management and decision-making processes. Depending on what the performance data show, experience in using the system might suggest the need to modify targets or performance standards or even to make changes in the programmatic goals and objectives that the measurement system is built around.

Evaluation must be a component of performance management because understanding the casual relationship between the activities the organization 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, discussed in chapter 10, rely on developing evaluation objectives that program results can be measured against. A basic performance evaluation has the following phases:

- Define the evaluation question.
- Establish a data collection strategy based on the question.
- Collect the data, which may require more than a single tool or method.
- Analyze and report the findings, and make recommendations for program improvement.

Data validation, discussed in chapter 7, is an important component of evaluation, and a performance management system will not function well without valid and reliable data. Staff must be trained in both the importance of having reliable data and how to test for reliability. If the validity of data is not addressed, performance management systems could create and communicate inaccurate pictures of actual performance.

Step Thirteen: Share the Results with Stakeholders

Stakeholder involvement is an important component of performance management. As discussed in chapter 13, developing a stakeholder

feedback effort will help all parties gain understanding and develop and maintain support for the public and nonprofit programs. By inviting feedback and questions, not just providing information, a good communication process can counter inaccurate information and faulty perceptions by rapidly identifying inaccuracies and making sure that accurate and relevant information is provided. It is important to note that stakeholders may also consist of other public, nonprofit, and private sector actors, as many public services are the joint efforts of collaborations between governmental and nongovernmental actors.

A Flexible Process

Developing a performance management systems is both an art and a science. It is a science because it must flow systematically from the purpose of the system and the parameters within which it must be designed and because the particulars of the system must be based on an objective logic underlying the operation of the agency, program, or service delivery system to be monitored. However, it is also an art because it is a creative process in terms of defining measures, reporting formats, and software applications and it must be carried out in a way that is sensitive to the needs of people who will be using it and that will build credibility and support for the system along the way.

There is perhaps no precise “one right way” to develop a performance management system. Success will stem in part from tailoring the design and implementation process to the particular needs of the organization or program in question. Although the steps outlined in this chapter are presented in a logical sequence, this should not be viewed as a rigid process. Indeed, as is true of any other creative effort, designing and implementing performance measurement systems may at times be more iterative than sequential. Although the steps presented in figure 2.1 are all essential, integrating them is much more important than performing them in a particular sequence.

Utilization is the primary test of the worth of any performance management system. Thus, performing all the steps in the design and implementation process with a clear focus on the purpose of a particular monitoring system and an eye on the needs of its intended users is critical to ensuring that the performance measures add value to the agency or the program. To this end, soliciting input along the way from people who will be working with the system—field personnel, systems specialists, analysts, and managers—as well as others who might have a stake in the

system, such as clients or governing boards, can be invaluable in building credibility and ownership of the system once it is in place.

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