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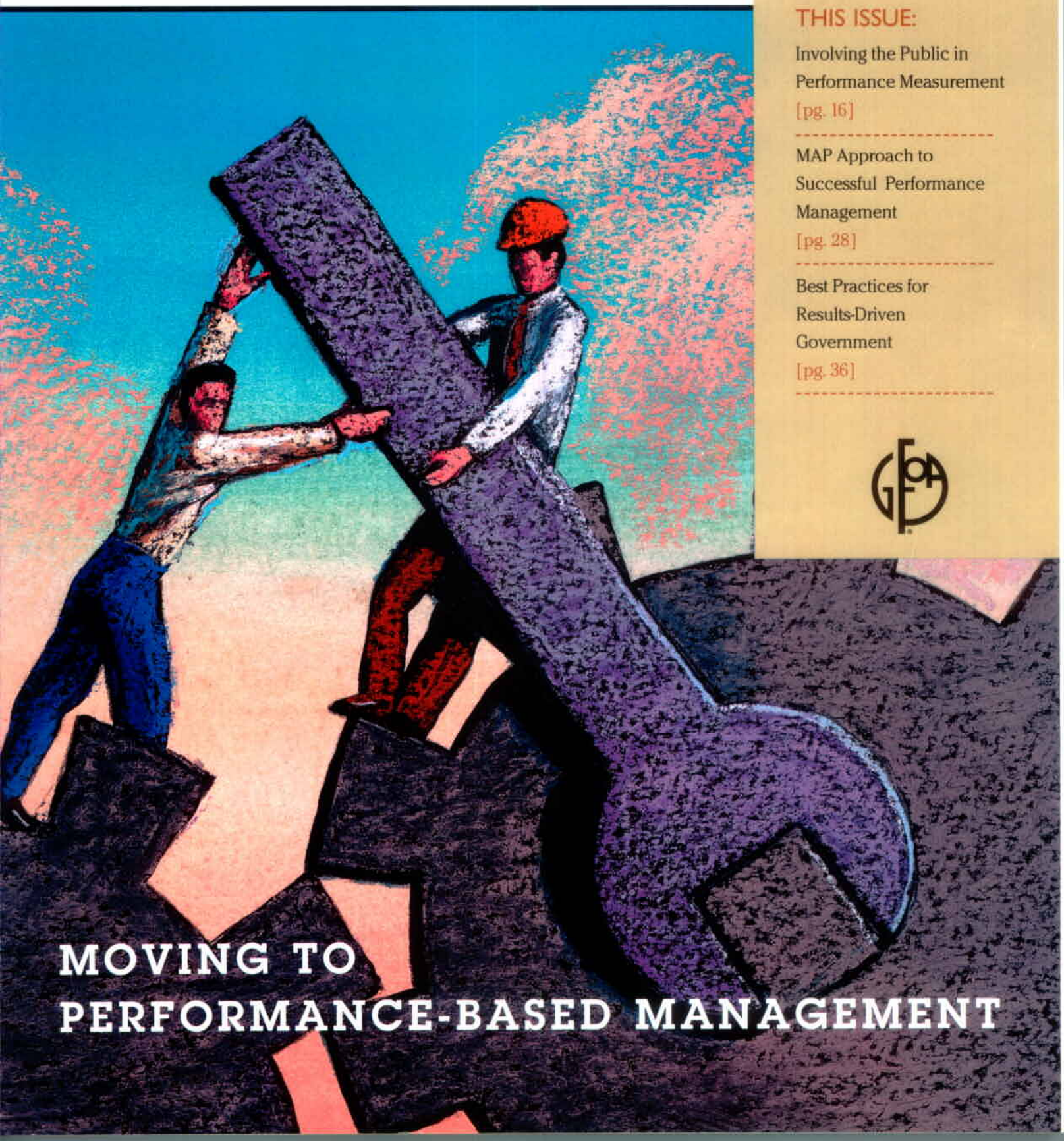


MOVING TO PERFORMANCE-BASED MANAGEMENT

MOVING TO PERFORMANCE-BASED MANAGEMENT

BY CHRISTINA ALTMAYER

Performance measurement has become increasingly prevalent in local government, yet most government managers still struggle with the fundamental question of what to do with performance measurement data when they have it. Management teams want to know how they can incorporate performance measurement into their management and decision-making processes. This article proposes a methodology for moving from measuring performance to performance-based management. Rather than simply reporting performance results, performance-based management focuses on linking performance measurement to strategic planning and using it as lever for cultural change. By creating a learning environment in which performance measures are regularly reviewed and discussed, organizations can improve the pace of learning and decision making, improve performance, and facilitate broader cultural change.

INTRODUCTION

In the past, most public management discussion focused on the benefits and importance of performance measures as a tool to communicate results to elected officials, stakeholders, and citizens. Discussion has now moved to the more relevant issue of how managers can realize a return on the investment they have made in measurement. Public managers frequently find themselves overloaded and overburdened, saddled with a reporting system created to satisfy state or federal mandates, dealing with staff who are frustrated by complicated data collections processes, and sorting through masses of data that provide very little useful information. As many public managers can attest, the assumption "if you collect it, they will use it" seems to be the exception rather than the rule.

If you regularly collect data but are still struggling with "so what do I do with this information?" the problem may be that your organization started in the wrong place. When you begin with the question "What should I measure?" instead of "What do I want to achieve?" you focus on the measurement process instead of the *strategic* process. To move to performance-based management you need to start with what you want to achieve and then consider how to measure your progress toward that goal.

CHARACTERISTICS OF PERFORMANCE-BASED ORGANIZATIONS

What do we mean by a performance-based organization? It is an organization where decision making and resource allocation are based on achieving specific performance results, and where metrics are explicitly used to measure that progress.

Performance-based management is markedly different than performance reporting. Performance reporting focuses on communicating results, while performance-based management uses resources and information to achieve and demonstrate measurable progress toward agency and program goals.[1] Performance reporting may have its uses and value for an organization,[2] but it is not likely to drive cultural and organizational change in and of itself. Much to the disappointment of many public managers, the investment in performance reporting may yield value in communicating results, but it will not, by itself, trigger any *improvement* in results.

Exhibit 1 draws distinctions between performance reporting and performance-based management on several dimensions.

STARTING POINT: MISSION AND STRATEGY OF THE ORGANIZATION

"If you don't know where you're going, any road will take you there."[3]

A clear statement of your organization's or program's mission and goals should be viewed as a prerequisite for performance measurement and building a performance-based organization.[4] Performance management does not equal strategic planning, but not having a clear statement of the mission and goals of your organization makes meaningful performance measurement challenging at best. Measurements must be specific to the organization. Architects of performance-based management systems would do well to adopt an underlying principle – measurements are only meaningful to the degree that they are relevant to strategic and operational decision making. Information that is "nice to have" is never going to drive operational change. As shown in Exhibit 2, performance measurements must operate within the mission and goals of an organization.

Exhibit 1: Performance Reporting vs. Performance-Based Management

	Performance Reporting	Performance-Based Management
Purpose	Can have multiple purposes but is commonly focused on communicating conditions and progress to stakeholders, community groups, and citizens. Often used to promote or celebrate successes of an organization.	Create results that move the organization closer to its goals.
Measures and Reporting	Compliance and externally oriented; focused. on being informative.	Linked to program results; internally focused to supporting management needs; multi-layered.
Decision-Making Processes	Generally focused on reporting so not explicitly linked to operational or strategic decisions.	Institutionalized performance-based decision-making models where data is regularly used to proactively identify improvement areas.
Investments	One-time investments to produce reporting.	Continuous and ongoing review of the capacity of existing systems and processes to determine whether measures address what "management needs to know."
Management Involvement and Commitment	Periodic to communicate results and monitor progress.	High executive management involvement and commitment to drive the use of performance measures in decision-making processes.

Take a low-income housing program, for example. On its face, you might assume that the purpose of the program was to provide housing for low-income individuals or families. This could be measured by the percentage of housing units occupied, but the measure of success would be quite different if this program was intended to provide temporary transitional housing or permanent housing as part of a neighborhood revitalization effort. In the former case, managers would want to track the percentage of families that were able to successfully transition to non-subsidized housing; in the latter example, success might be measured by the average years of occupancy or trends of resident-invested property improvements.

MOVING TO A PERFORMANCE-BASED ORGANIZATION: THREE-PHASED APPROACH

As organizations invest in performance measurement, three parallel tracks should be pursued to maximize cultural and performance improvement: awareness, development, and integration. These tracks should not be viewed as sequential, but rather as ongoing areas for investment, leading to continuous improvement in the system of performance measurement. These three tracks recognize that performance measurement does not operate within a vacuum, but within the culture, processes, and structure of an organization.

Data can be both a driver and a lever in the cultural change process and can foster accountability, learning, and collective ownership of the performance of an organization. Performance measurement can be an effective management tool when it informs the conversation of how to improve performance with credible data and context.

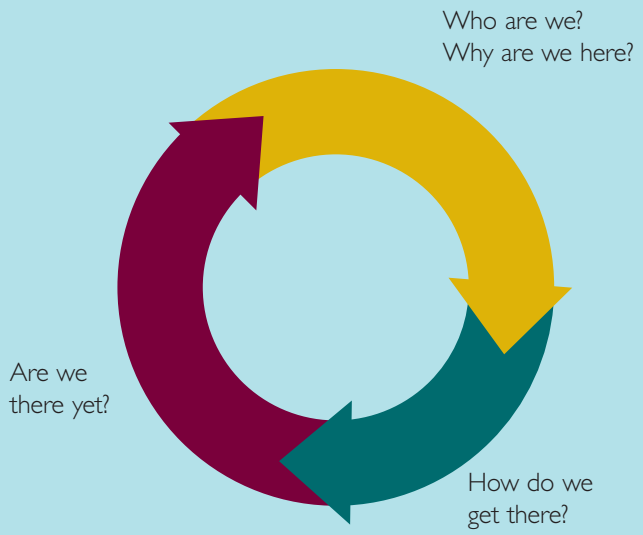
Track 1: Awareness. Performance-based management represents a change in how managers and staff view their job and responsibilities. It implies accountability for not just administering a program as it was designed, but also evaluating whether the design achieves the intended results and, if not, to make improvements. Managers at all levels need repeated reinforcement of how performance measurements can support their job. This can be done through formalized training, but also through experiential learning and case studies. Leaders within the organization must create the knowledge and learning for managers to see the connection between their individual job performance and achievement of the organization's mission and goals. In both internal and external forums, managers should look for opportunities to promote collective learning and shared experiences on how performance measures are being used throughout the organization. Communication and shared learning is critical.

Track 2: Development. Performance measurement has been defined as the regular collection of data about the work performed by an organization: the work completed; the resources consumed; the process to complete; and the results achieved. This track involves the tasks most commonly associated with performance measurement, i.e., identifying and defining measures and developing data collection and reporting systems. As indicated earlier, the starting point is "what do I want to achieve?" not " what do I want to measure?"

This track includes developing the infrastructure in terms of organizational capacity and technology to support performance measurement reporting in the long term. Leading organizations have found value in defining their own terms for performance, i.e. creating a lexicon that is tailored to the needs of their organization.[5] Regardless of the terminology used, the performance measurement system should address two fundamental questions:

- How well was the service provided? This can be measured in terms of resources consumed, outputs delivered, or other aspects of the process of service delivery, i.e., customer satisfaction, timeliness, cost, subjective or objective measures of quality.
- What was the result of the service? This is a way to measure the impact or change in the condition as a result of the services provided.

Exhibit 2: Philosophy of Performance-Based Management



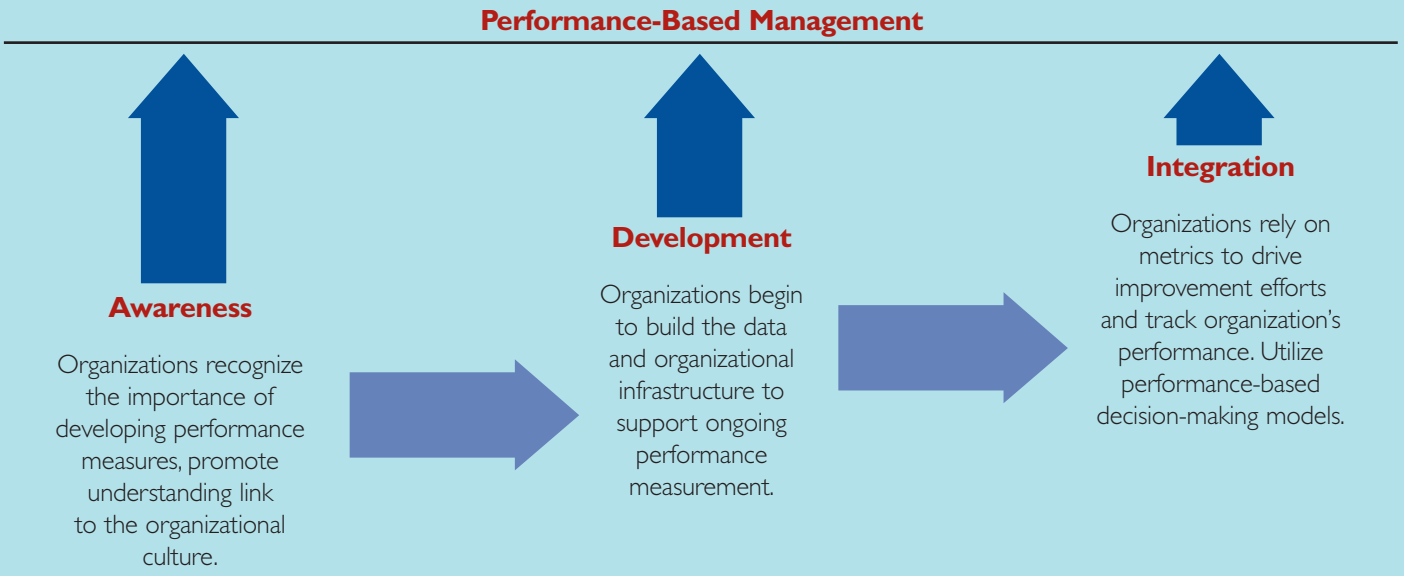
Track 3: Integration. To be truly performance-based, an organization's decision-making processes must be integrated with the use and review of performance measures. Budgeting for outcomes is one example of this integration, as are "STATS" efforts (see discussion that follows). This track is intended to counterbalance what one public manager reported, "We have great data on workload demands and trends, but when it comes time to make resource investments, it's based on the perception of our executive management which may or may not mirror current experience." The integration effort is critical because performance measures rarely provide insight on how to improve performance; what they can do is isolate the areas warranting management attention and, hopefully, stimulate creative solutions.

CREATING THE LEARNING ORGANIZATION: STATS AT LOS ANGELES COUNTY DEPARTMENT OF SOCIAL SERVICES

The County of Los Angeles has been investing in a countywide approach to performance measurement since 2002. Having numerous years of experience with data collection and evaluation, the county needed a common method of measurement in order to facilitate cross-departmental conversations about these measures. The approach, known as *Performance Counts!*, reinforced departmental efforts at performance measurement, increased accountability to the public through annual release of performance results, and fostered collaboration and cultural changes in the county. Despite these numerous successes, the county continued to face challenges in effectively linking *Performance Counts!* investments with performance improvement.[6] They decided to invest in a pilot program with the Department of Public Services (DPSS) to test the deployment of a "STATS" (Total Accountability, Total Success) decision-making model in a health and human services environment. DPSS employs approximately 13,000 people and manages an annual budget of $2.7 billion. The department serves an ethnically and culturally diverse community through programs designed to both alleviate hardship and promote health, personal responsibility, and economic independence. DPSS's mission is to "provide public social services that enrich lives through effective and caring service."

The STATS model of managing with performance measures has had impressive results in improving organizational performance.[7] The STATS approach is based on reviewing performance and focusing on results by bringing together all the critical parties with-

Exhibit 3: Three Phases of Performance-Based Management



in the organization involved in improving performance. The key elements of a STATS model include:

- Accurate and timely data shared by everyone at the same time
- Regular and frequent meetings to review data and develop strategies to improve performance
- Relentless follow-up and assessment of the impact of those strategies on performance[8]

DPSS's experience with STATS suggests an additional key element: the need to build a decision-making model that is relevant and adapted to the culture of the organization. When DPSS launched its performance measurement effort, the leadership team looked at other models, borrowed concepts that seemed applicable, adapted them, and created new components — all with the goal of making the new system work.

Credibility and acceptance of both the measures and the reported data is essential for the STATS process. All participants must recognize and believe that:

- Each measure is the right measure to reflect the priorities of the department
- The data reported is "real" and accurate

DPSS had a body of information on both measures and data from existing reporting systems, including those for federal and state compliance purposes. It was able to leverage this information for the first rollout of DPSSTATS. The initial implementation focus was on the field line operations, Bureau of Workforce Services, and the Bureau of Special Operations. Starting the process with these two units proved to be a successful strategy for several reasons: (1) both operational entities had direct interaction with the customer and therefore could have the greatest impact on the participants in the short term; (2) their functions involve the greatest number of employees; and (3) concentrating on these units leveraged the extensive work the department had done in identifying key measures. Over the past year, DPSS has expanded STATS to encompass all functions and units within the organization.

Introducing the STATS process at the DPSS created a unified focus on achieving performance targets at all management levels. DPSSTATS provided the vehicle for everyone in the organization to understand the results the department was working to achieve. It created a learning environment and a problem-solving model that both fit and fostered the culture the department leadership was working to build. In sum, DPSSTATS had at least three notable and significant impacts on the department:

1. **Real and Measurable Improvement in Performance.** District office performance, as measured by six key metrics,

significantly improved during the three-month initial pilot. As shown in Exhibit 4, the impact of DPSSTATS on district performance between the initial sessions and the one three months later (September) was dramatic. For example, within three months all districts had met their targets in the categories of "participant satisfaction" and "supportive services." In June, between 50 percent and 80 percent of the districts met their performance target (depending on the metric). By September, this range was from 76 percent to 100 percent. The improvement in the metric "participants seen within 20 minutes" was the most significant — an increase of 28 points in the number of districts meeting the performance target in just three months (from 48 percent to 76 percent).

2. **Improvement in Performance Measurement Understanding and Data Accuracy.** The impact of STATS was even greater than anticipated with regard to data accuracy. Seventy percent of the district directors interviewed as part of the post-implementation evaluation believed that the quality of the information they used to manage their operations was "much better" than what existed before DPSSTATS. They held that opinion for a variety of reasons, all of which signaled that they now "owned" the data, rather than having the data come from staff without recourse to its accuracy. Once they "owned" the data, they also "owned" the results.

   Many of those interviewed stated that it was not that the department didn't have data to manage their organization before DPSSTATS, it was that the new process had everyone, down to the clerks in a district office, paying attention to the data to ensure its accuracy and so they could explain what they were doing to improve the results it documented. Decision-making processes became transparent because they were anchored in accepted; reliable data sources and former "myths" about how the organization worked began to be dismantled.

3. **Cultural Impact of DPSS.** The third major area of impact was in the cultural changes that the DPSSTATS process enabled. Communication across the organization, as well as up and down the management chain, immediately increased. The communication focused on interpreting what the data meant and how it could be useful in understanding performance drivers within the organization. Another benefit was that issues surfaced during DPSSTATS meetings were resolved right there and then, or shortly thereafter in conversations between meetings. The former cultural response of linear problem solving (memo writing, extensive committee meetings, and slow deliberation) was replaced with one that moved at the "speed of light" to meet the demands of the organization. Finally, managers reported a change in, and a greater awareness of, what was emerging as a new culture within the organization. The new culture was seen as:

   - Holding people accountable
   - Focusing on data and "real issues"
   - Understanding the details of performance
   - Involving others in solving problems
   - Anticipating problems and getting in front of them *before* they happened.

The lessons learned from DPSSTATS can be applied to any organization investing in performance measurement. First, measures can impact performance only when they are discussed,

Exhibit 4: Impact of DPSSTATS

Metric	Number of Districts that Achieved Target			Total Districts	% Meeting Target
	June	July	September		
Participant seen within 20 minutes	14	15	22	29	76
Participant satisfaction	23	23	29	29	100
Food stamp error rate	20	22	24	29	83
Medi-Cal application processing	13	15	17	22	77
CalWORKs application processing	19	21	N/A	23	91
Supportive Services (IHSS)	3	N/A	5	5	100

reviewed and acted upon within a structured decision-making environment. Second, organizational leadership is essential. Management must communicate clearly how performance measures will be used to create or foster a learning environment within the organization.

CONCLUSION

As managers try to generate more return from their investment in performance measurement, several conclusions about successful practices can be drawn:

Start with what you want to achieve. Whether measuring organizational or program success, the starting point must be "what are the goals?" Consider the intended outcome and then define the critical indicators that will help measure your progress toward that goal.

Develop a core set of reportable measures. Credibility is an essential component in performance measurement. Acceptance of the data is a prerequisite for understanding its impact. Go deeper in understanding what can be learned from the data by stimulating discussions throughout the organization of what the data means.

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Create the time and space for learning. Design forums to regularly review and act on performance results. Examine how to influence and improve results. This is a trial-and-error learning exercise. Performance measurement is not a static effort. It needs to be a dynamic discussion that fosters continuous improvement of the data, processes, and organization. Unless a formal structure for reviewing results, monitoring performance, and testing solutions is developed, you will not successfully transition from performance measurement to performance-based management.

Finally, as with all transformational efforts, the influence and impact of leadership cannot be overstated. As the management of DPSS demonstrated, the personal commitment and leadership of management makes the difference between "yet another effort" and a process that stimulates improvement, creativity, and effective problem solving.

So, start the conversation. What does your performance measurement data tell you? What do you need to know? y

Notes

1. Joseph S. Wholey, "Performance Based Management, Responding to the Challenges," *Public Productivity and Management Review*, 22, no. 3 (March 1999).
2. For further information on the purposes of performance measurement, see Robert Behn's article, "Why Measure Performance, Different Purposes Require Different Measures," *Public Administration Review*, September/October 2003, 63, no. 5, pp. 586-606.
3. This comment has been made frequently by David Janssen, CAO, County of Los Angeles, California, but is loosely based on Lewis Carroll's *Alice in Wonderland*.
4. Joseph S. Wholey, "Performance Based Management, Responding to the Challenges," *Public Productivity and Management Review*, 22, no. 3 (March 1999).
5. One example of this is Fairfax County, Virginia, that has produced its own performance measurement manual, *Fairfax County Measures Up*, for many years as way to educate its workforce on the County's approach.
6. A survey of departments conducted as part of the Performance Counts! evaluation found that less than 20 percent of the departments were using measures to drive decision-making processes.
7. STATS has been show to impact performance at the City of New York under the name "COMPSTATS" and the City of Baltimore "CitiSTATS" program.
8. Key tenets have been developed by Morley Winograd, President Morwin Inc. through his work on several STATS efforts.

CHRISTINA ALTMAYER is president of Altmayer Consulting, Inc., in Pasadena, California.

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