

FEATURES

The Performance Measurement Paradox in Local Government Management

by **Thomas Plant**

Senior decision makers in government organizations increasingly view performance measurement as an important tool for dealing with emerging financial constraints, the public's seemingly contradictory demands for higher service levels and cost reductions in service delivery, requirements for increased government transparency and accountability, and the need for better information to support strategic decision making.

Implementing a performance measurement system in a government organization is often a challenging proposition, however, because multiple goals and a constantly changing organizational environment can result in conflict over organizational priorities. As a result, a paradox exists in performance measurement implementation: a one-size-fits-all approach and a high-level accountability framework that focuses on just the development and reporting of performance measurement information often bring little tangible benefit.

Greatest results will be achieved when measurement information is integrated into key processes and systems within the organization while factoring in the unique demands and limitations of the local government's organizational culture and environment.

To document and understand the key elements of successful government performance management systems, a group of experts from industry and academia collaborated on an Institute of Public Administration of Canada (IPAC) study report on the implementation of performance measurement and management systems in North American municipal governments.¹ This article provides an overview of the IPAC report and offers further insights into the implementation of performance measurement and management systems in municipal governments.

PERFORMANCE MEASUREMENT OVERVIEW

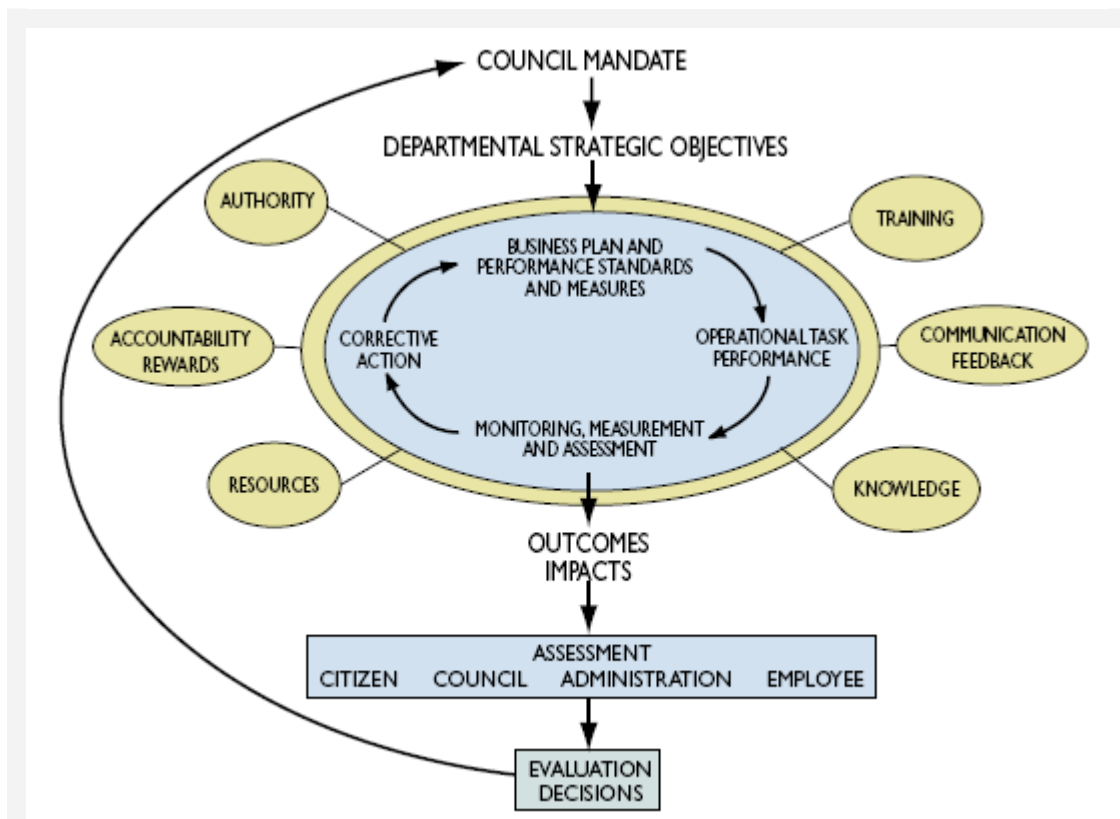
In 2000, before the IPAC review of local government performance management system implementations, the Governmental Accounting Standards Board (GASB) completed a survey that examined the development of performance measurement systems in 489 U.S. state and local government agencies.² Results indicated that performance measures were assessed as somewhat effective for increasing awareness of results and factors that affect results.

However, only a minority of agencies reported that performance measures were effective in improving responsiveness to customers, service quality, cross-agency coordination, communication with the public and elected officials, and cost savings. Only one-third of city and county agencies reported that performance measures improved the effectiveness of their programs. Researchers were learning that getting results requires more than simply implementing a performance measurement system.

Improved performance in local government evidently cannot result from measurement of performance alone. In fact, the scope of the discussion has to be broadened beyond performance measurement to encompass performance management as an organizational process. In this way, performance measurement is viewed as one element of a general management system in a local government that comprises many essential components that together form a performance management framework.

As a result, a central conclusion of the IPAC report is that tangible results are not achieved by simply generating and publishing performance measures but instead by developing a performance management system. The report also submitted that important elements would include a “system of use” in conjunction with performance measures that focus on managing at the operational level where the work actually takes place. A model was developed to help explain the various components of a performance management system (Figure 1).

FIGURE 1. PERFORMANCE MANAGEMENT SYSTEM IN LOCAL GOVERNMENT



MUNICIPAL GOVERNMENT PERFORMANCE MANAGEMENT MODEL

The model of a performance management system is composed of three fundamental elements: first, macrolevel performance evaluation and decision making (shown in the outer circle of the diagram); then operational performance implementation and improvement (shown in the inner circle); and, finally, enabling conditions that enhance the performance of the overall system (shown in the smaller circles).

Macro level. Macro-level evaluation and decision making in local government include the council mandate, departmental strategic objectives, budget, outcomes and impacts, assessments, and decisions about future actions. At the top is the council’s mandate setting out the strategic goals of the organization, which are often reflected in a corporate strategic plan.

Departmental strategic objectives, specific to departments and connected to the services they provide to the public, are aligned with the organization’s strategic goals. Departmental objectives form the starting point for operational business plans that outline specific actions required to deliver goals related to the department’s strategic objectives, resources required, time lines, and persons responsible. Within their business plans, organizations are including strategic measures that facilitate operationalizing the strategic plan and help to communicate what is expected and when it is to be achieved.

In addition, the responses of staff members, citizens, and the council are captured as feedback and incorporated into the decision-making process. This enables learning, modification of performance standards, and the development of enabling conditions in order to satisfy the strategic objectives and the council's mandate.

Operational level. The second fundamental component shown in Figure 1 consists of operational performance implementation and improvement. This involves business plans and performance standards and measures; operational task performance; monitoring, measurement, and assessment; and corrective action. These components together provide a framework for communicating organizational goals and objectives throughout the organization, for assessing results of organizational activities, and for taking corrective action when necessary at the level where activities occur.

Enabling conditions. In Figure 1, the enabling conditions are represented by the circles connected to the business plan and the performance standards and measures continuum. In particular, enabling conditions are elements that must be present in the organizational environment before a performance management model will produce any significant benefits. Further, they facilitate staff involvement by providing the tools, resources, and authority to act on the information provided by the management system.

Authority, accountability, access to resources, knowledge, communication, and training all contribute to greater organizational power for frontline staff and middle management. They give people the power and tools to respond to performance issues. If staff members are held accountable for performance, they must be empowered to influence results and remove barriers; in the absence of this, staff will become alienated and frustrated.

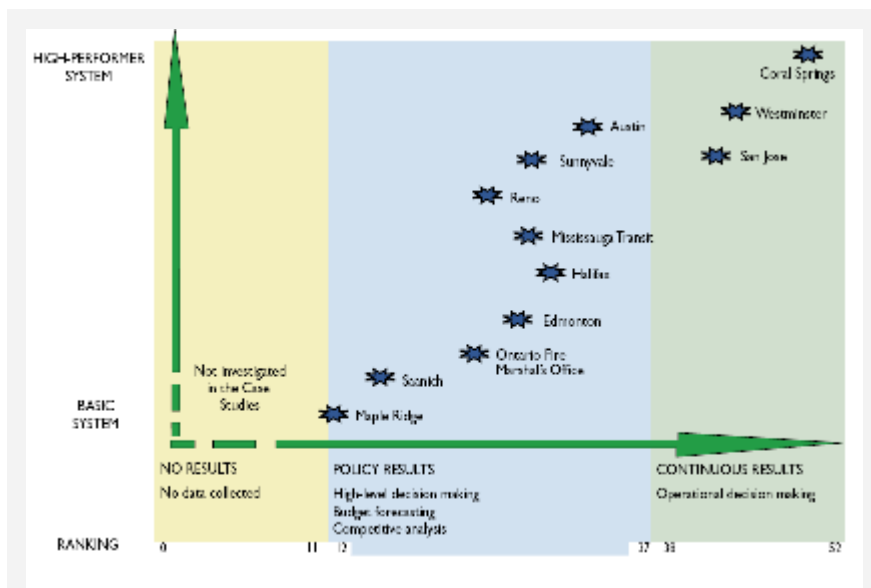
The concept of appropriate empowerment is central because performance management is not intended to be a mechanism for managers to evade their responsibilities. The information from the measures will provide staff in frontline operations with the facts necessary to communicate effectively to upper management about issues that require management's attention. For example, such communication would occur when the solution to a problem requires cooperation of multiple sections or levels of the organization or if feedback suggests that a strategic initiative may have to be re-evaluated.

CASE STUDIES

To gain a better understanding of the implementation of performance management systems in North American local governments, the IPAC report provided case studies of these local governments: the U.S. cities of Austin, Texas; Coral Springs, Florida; Reno, Nevada; as well as the Canadian cities of Mississauga (transit division), Edmonton (community service department), the region of Halifax, district of Saanich, and Maple Ridge, as well as Ontario (fire marshal's office). Three additional cities were added, including Westminster, Colorado, and Sunnyvale and San Jose, California.

Case study results are shown in Figure 2, which is a graphical representation of the conceptual framework used to classify the case study examples. The graph is broken into three sections: a no-results section, a policy-results section, and a continuous-results section.

FIGURE 2. CASE STUDY CHART



The no-results section shows the case studies that did not have any demonstrable results. The second section is the policy-results grouping, which illustrates those case studies demonstrating results such as high-level decision making, budget forecasting, and competitive analysis.

The third section outlines those case studies that achieved continuous operational results, which are the most difficult to achieve because they involve developing performance improvement mechanisms at the operational level of the organization. Also, achieving these results requires working with staff from all levels of the organization. Further, the results that are generated are not one-time results but are continuous results and often involve the redesign of business processes.

Overall, the case studies provide examples of public organizations that achieved measurable results from the implementation of performance measures, thus proving that this is possible. All of the cases studied exhibited some elements of the proposed model, which demonstrates that it can be successfully implemented within the public sector. Further, key characteristics of the model—a system of use, positive involvement of middle management and frontline staff, and existence of operational measures aligned with strategic priorities—were present in all of the most successful organizations.

Although Austin, Reno, and Sunnyvale were able to generate benefits without fully integrating the measures down to the operational level, even they incorporated the measures into the high-level decision-making process (budgeting, competitive analysis, service-level reviews, and program evaluation) in clear alignment with strategic goals and measures that were structured in a manner to support their use. Sunnyvale, for example, aggregated the information into a quality of life index report that allowed citizens to view how effective their city services were in contributing to the city's quality of life.

The diversity of the cases also demonstrates that the model does not have to be implemented in its entirety to be effective. Even within the most sophisticated systems (Coral Springs, Westminster, and San Jose), there were significant differences in how the systems were designed.

Coral Springs had the most highly developed and sophisticated strategic and business plans, while Westminster used performance measures to gauge the annual progress the city had made in achieving its strategic plan goals. Likewise, San Jose had clearly defined strategic goals and key performance indicators and also incorporated the performance measurement information into its decision-making process.

Its 2003–2004 year-end report, for example, provided information showing San Jose’s asset condition was slowly declining. This information provided an early warning that maintenance investments needed to be made in order to stop further loss or decline of the city’s assets.

As a result, the IPAC report proposes that success may be achieved by adhering to the basic concepts demonstrated in the Figure 1 model and then molding them to fit the organization’s unique capabilities and environment.

CONCLUSION

The report provides several conclusions about performance measurement system implementation.

First, an obvious but often forgotten point about measurement systems is that they come alive when the staff members are able to work with them every day. This does not happen if staff end up collecting information for targets that are discussed only at the senior management level. Staff employees have knowledge of and experience with the operations on a day-to-day basis. Thus, staff employees have to feel that they can affect the measures for which they are being held accountable.

Second, a trade-off must be made between the time needed to gather the information and its ultimate usefulness. Never collect information for information’s sake. Early involvement of operational people and staff will help to ensure that the data that are collected are useful.

The IPAC study also presented evidence from a number of North American localities in which there is a wide divergence of performance measurement system implementations, with systems customized to their respective organizational environments. Further, the evidence demonstrates that it is more important to implement a dynamic customized system in an organization rather than implement a model system that doesn’t generate results.

The main way to develop this type of system of use is to involve staff members in the implementation process and continue to engage them in the evaluation of performance measurement information. In so doing, local government leaders will create a system of use that will pass the test of time and ensure that their organizations are constantly improving their efficiency and effectiveness.

¹Thomas Plant, Carol Agocs, Emmanuel Brunet-Jailly, and Janine Douglas, From Measuring to Managing Performance: Recent Trends in the Development of Municipal Public Sector Accountability, New Directions Report no. 16 (Toronto: Institute of Public Administration of Canada, 2005), www.ipac.ca/files/New%20Directions_16.pdf.

²State and Local Government Case Studies: The Use and Effects of Using Performance Measures for Budgeting, Management, and Reporting (Norwalk, Conn.: Governmental Accounting Standards Board, 2000), www.seagov.org/sea_gasb_project/case_studies.html.

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