

**COVER STORY**

## Why Performance Matters

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by Michael Lawson

The central tenet of Thomas Friedman's 2005 best-selling book *The World Is Flat: A Brief History of the Twenty-First Century* is that rapidly accelerating globalization is driving fundamental change in the world's economic, political, and social systems. Throughout the 20th century—as well as the centuries preceding it—natural and political geography, the high cost and excruciatingly slow nature of communication, and the industrial/manufacturing base of most of the developed world's economies created "mountains and oceans" of barriers that made it difficult for people throughout the world to work together.

Friedman argues that a powerful cocktail of advances in telecommunications and investments in the global technological infrastructure, combined with the withering of the bipolar, democratic/communist political divide and the overall weakening in the nation-state, is dissolving these real and metaphorical "mountains and oceans." Friedman's conclusion is that the world of the 21st century is flat.

In a flat world, location or "place" doesn't matter for an ever-growing number of business and work activities. Software designers in California's Silicon Valley, for example, increasingly collaborate with software engineers in China. Call centers for a host of businesses in the United States and other developed countries increasingly are located in India. Unlike in the industrial period of the 19th and 20th centuries, locating a business activity depends far less than it used to on proximity to raw materials, ports, and physical access to consumer markets. Place doesn't matter—or matters far less—when the products of intellectual capital can move instantaneously around the globe.

But, ironically, as place becomes less important in the economic/business sphere, the value of place grows in importance for everything outside that sphere. Individuals want to live in communities that provide a high quality of life for themselves and their families. And businesses, locked in a modern-day version of trench warfare to attract and retain valuable employees, are looking to build and expand in communities that offer a high quality of life to their employees—whether this is offered in nearby communities, in communities elsewhere in states or provinces, across the country, or around the world.<sup>1</sup>

Furthermore, the nature of the work being done, combined with advances in communications, permits many employees to work from their homes or other remote sites. These employees often can live almost anywhere. This is precisely where local governments come in and why local government performance matters in a flat world.

Some quality-of-life variables are beyond any community's control, weather and climate being the most obvious. Yet variables within the control of every community are the quality, quantity, effectiveness, and efficiency of the myriad services delivered by local government. A high-quality, service-driven local government can provide key elements of the societal infrastructure that will permit communities to thrive in the 21st century—by being places where people will want to live and places where businesses will want to expand. It is these places and communities that will prosper and grow in a flat world.

### **ROLE OF PERFORMANCE MEASUREMENT IS GREATER IN A FLAT WORLD**

Because local government performance matters more now than ever, it logically follows that measuring performance also is more important than ever. Every local government manager and

other local government professionals should be able to answer these questions relating to governmental performance:

- What is the current level of performance for our work teams, departments, and our local government as a whole?
- Are our work teams, departments, and local government as a whole performing better this year than last?
- How will we know what good performance is?
- What are other localities doing to promote high performance?
- As leaders within our organizations, what can we do to ensure that every person in our employing local governments can respond to each of the above questions?
- And, most important, how would we use this information to continuously improve performance?

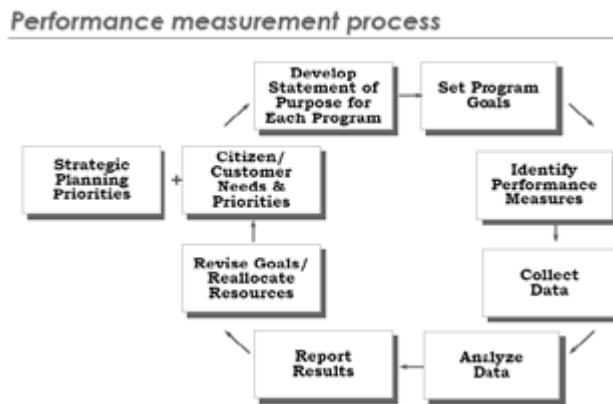


Figure 1. Steps Taken in Performance Measurement

No longer are performance measures simply a "nice to have" embellishment to the general operations of a local government. Nor do performance measures merely suffice as supplementary information, contained in budget documents or financial reports. In a flat world, detailed and thoughtful consideration of these questions, combined with well-orchestrated responses, is essential to high performance and to local governments' commitment to continuous improvement.

Local governments that go on operating in much the same way as they did in the last quarter of the 20th century-focusing primarily on process and outputs, rather than performance and outcomes-do so at their long-term peril. In a flat world, such governments risk leaving their communities at a competitive disadvantage.

Communities whose local governments do productively engage in addressing these questions are far more likely to thrive. Creating and sustaining an organization in which these questions are an integral part of everyday operations is a central and important challenge for appointed local government leaders.

## **PERFORMANCE MEASUREMENT AND LEARNING ORGANIZATIONS**

The longshoreman/philosopher Eric Hoffer stated, "In a time of drastic change, it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists."<sup>2</sup> So, too, with local governments in these times of drastic change. Measuring performance is an essential activity of any learning organization. And it is organizations with learners that will inherit the future and thrive in a flat world.

Using the full range of performance measures-input, output, efficiency, and outcome measures-is integral to organizational learning because such measures are shared starting points for analyzing operations, as well as for fostering discussions on improving performance in all aspects of service delivery and governance in general.

### **THE PERFORMANCE MEASUREMENT PROCESS**

Yogi Berra purportedly said, "You've got to be careful if you don't know where you're going, because you might not get there." Such is also the case when a local government embarks on a concerted effort to improve services. Performance measurement can help communities determine where they are and, more important, where they want to go. Figure 1 shows the key stages in the performance measurement process.

Under the most desirable circumstances, a community begins by establishing its mission and then develops a strategic plan that over a period of years-often, a decade or more-will guide the community in fulfilling that mission. Next, the council or other elected body sets goals that ultimately lead to the realization of the community's strategic plan over a number of years.

Broad outcome measures then will need to be developed and incorporated during the implementation phases of the strategic plan, so that the local government is able to determine the extent of its progress toward meeting the goals identified in the strategic plan.<sup>3</sup>

Each year, elected officials will develop annual goals and targets (with appropriate performance measures, primarily relating to outcomes) that link to the long-term goals and outcome measures identified for the strategic plan. The local government manager and department heads will, in turn, identify several measures that link to the goals named by the elected officials.

Next, department heads work with team leaders within their departments to set goals that will contribute to departmental and other objectives throughout the local government. If every team and every department meets the objectives established, the locality will successfully implement its strategic plan and contribute to the overall mission of the community.<sup>4</sup>

In successful performance measurement and management programs, the vast majority of goals and objectives are quantifiable. Some are hard pieces of discrete data, like the percentage of EMS vehicles arriving on the scene of an accident in less than five minutes from the time of dispatch, while others are a bit less so, including the percentage of citizens rating their community parks as excellent. As goals and objectives "pyramid up" the organization (see Figure 2), the measures tend to go from discrete, integer-scale data to qualitative and categorical-scale data.

If a city or county develops its own set of performance measures and performance targets, individual employees, department heads, administrators, and councils can observe and measure progress. Then, the organization can move as a cohesive whole toward achieving community goals and/or maintaining community standards.

When specific goals or targets are not achieved, council, management, and employees should work together to determine why such targets were not reached. They may thus redirect resources and redouble efforts to achieve the targets. Management and employees can analyze operations and work together to find ways of improving services. In sum, they can become learners who will better cope with these times of drastic change.

It is rare that any government achieves all of its goals and objectives every year, given the complex environment in which local governments operate, including changes in the local, national, and international economies; state and federal mandates; and, not least, the weather. Nevertheless, governments may take satisfaction in the fact that they are using performance measures as powerful tools for assessing progress, making improvements, and learning continuously. And often, they are applauded by others for their efforts.

## EFFECTIVE USES OF PERFORMANCE INFORMATION

Jurisdictions vary considerably in the ways and the extent to which they use performance data. The overarching reason to use performance measurement, of course, is to improve the effectiveness and efficiency of local government services, making the community a better place to live and work.

In general, cities and counties use performance information to:

**Encourage the use of goals and outcomes in budget deliberations.** An encouraging development reported by a number of jurisdictions is the fact that performance measurement has often made a subtle but important shift in the focus of budget discussions at council meetings. Instead of focusing largely on the percentage increase or decrease in funding that a particular department is receiving relative to others (or compared with the prior year), councilmembers have been more inclined to ask questions like "If we were to increase the fire/EMS budget by x dollars, what effect might that have on response times? . . . on fires confined to the room of origin? . . . on the percentage of cardiac-arrest patients arriving at a medical facility with a pulse restored?" In short, performance measures are increasing the likelihood that budget deliberations will involve discussions of community goals and service outcomes.

**Help set targets of performance.** Many jurisdictions use comparative performance information to determine targets of performance for specific departments and agencies. Working with their city manager or county administrator, department directors may use measures from comparable jurisdictions and combine them with the priorities established by their councils to set performance targets for future years. These targets then serve to focus the efforts of each department in achieving its goals and, in so doing, helping the city or county achieve the broader goals set by the governing body.

**Learn from others.** Regardless of whether specific performance measures are used in the budgeting process, comparative performance information can be used to identify high performers in certain areas. Individuals reviewing and analyzing data can contact individuals in other cities and counties with high performance on specific measures to discuss factors contributing to high performance (equipment, training, organizational processes and structure, resources).

### Terminology for Performance Measurement

**Inputs.** The amount of resources used to produce a program or to provide a service, generally expressed in expenditure or labor units.

**Outputs.** The amount of a service or program provided, representing completed work activity or effort, as expressed in units of service delivered.

**Efficiency measures.** Indicators of how well the organization is using its resources, expressed as a ratio between the amount of input and the amount of output or outcome.

**Outcome measures.** Indicators of how well a program or service is accomplishing its mission, including quality, cycle time, and customer satisfaction measures.

**Communicate results to citizens.** Traditionally, most cities and counties report financial information to citizens. They may use a pie graph to show the percentage of expenditures devoted to specific service areas. They may show how much is spent per capita on various services. Or some may use property-tax bills to show the dollar amount that each individual homeowner pays for certain services.

Yet, all of these approaches focus on the cost of government-making government appear primarily to be a burden on citizens-rather than on the benefits afforded to citizens by their local government. In contrast, an increasing number of cities and counties prepare special reports and/or community newspapers that report performance for their government (response times for fire and EMS, participation rates in recreational programs, patronage of public libraries).

These reports focus largely on what the local government does, rather than just on what the local government spends or taxes. Reports, flyers, and community newspapers give citizens a more complete picture of the activities and performance of their local government.



Figure 2. Reporting Performance

If performance measurement is simply viewed as a data-collection-and-reporting exercise, it will serve little purpose to a community. It is only through the analysis of data that performance measurement can really become a tool for continuous service improvement. And it is through good, thoughtful questions that this analysis begins.

### **WHY PERFORMANCE MATTERS: PERFORMANCE MEASUREMENT AND THE PROFESSION**

This article has attempted to set forth why the performance of local government matters, especially in a world getting flatter by the day. But governmental performance is also of central importance to professional local government managers.

Implicit in the mission statement and core beliefs incorporated into ICMA's current strategic plan<sup>5</sup> is the view that there is a performance dividend that accrues to professional local government managers and leaders. More than ever in this increasingly skeptical world, it is critically important that professional local government executives demonstrate this performance dividend. Measuring governmental performance is an excellent way to do so.

Comments made by ICMA regional vice presidents during the regional meetings at the ICMA 2005 Annual Conference in Minneapolis emphasized the importance of performance measurement to the profession. ICMA Executive Director Bob O'Neill sounded a similar theme in his comments at the 2005 conference and elsewhere.<sup>6</sup> And the literature on the high-performance organization (HPO) model also identifies performance measurement as a key component.<sup>7</sup>

In the end, the actions of and services provided by local government can be the determining factors in whether a community will be or remain vibrant and prosper, or whether it will lose its vitality and gradually decline. Most of the attributes of modern living are within the purview of local

government-from protecting our homes, families, and environment to the means by which we move about, to how we spend portions of our leisure time, to our telecommunication systems.

Local governments play integral roles in the extent to which a community is an attractive one in which to live and work. The stakes are high. Thus, in this increasingly flat world, local government performance really does matter.

<sup>1</sup>This theme, for example, also is reflected in the work of Richard Florida. See "The World in Numbers: The World is Spiky" in *The Atlantic Monthly*, Volume 296, Number 3, October 2005.

<sup>2</sup>Eric Hoffer, *The True Believer: Thoughts on the Nature of Mass Movements* (New York: Harper & Row, 1951).

<sup>3</sup>It is not essential that a local government have a formal strategic plan in order to integrate performance measures into its operations. However, a shared understanding of the broad objectives of the local government and various departments is important in identifying appropriate outcome (result) measures.

<sup>4</sup>This brief description of the performance measurement/management process is admittedly an ideal type. Most likely, officials of each local government will need to adjust it to meet the specific needs and expectations of their community, elected officials, and employees of the jurisdiction.

<sup>5</sup>Formally adopted by the ICMA membership at the annual business meeting in September 2000.

<sup>6</sup>Including the December 2003 issue of ICMA's *Public Management* magazine, as well as state management association meetings.

<sup>7</sup>Visit the Web site of the Weldon Cooper Center for Government Service at the University of Virginia; see especially the information provided as part of the Senior Executive Institute (SEI) and the Leading, Educating, and Developing (LEAD) programs. This site may be found at [www.coopercenter.org](http://www.coopercenter.org).

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