Seven Pitfalls to Avoid
When Establishing
Performance Measures

Jim Theurer

Government efforts to measure performance are not new. Governments at all levels have tried to report objectively on their performance for decades. There has been planning/programming/budgeting (PPB), management by objective (MBO), and zero-based budgeting (ZBB)—techniques tried in the 1960s and 1970s. These reforms did not meet expectations and didn't outlive the presidential administrations that proposed them.

Recently, two major initiatives have taken root in the public sector. Total quality management and reinventing government are both attempts to improve the performance of government. The two approaches have many of the same characteristics, including measurement and continuous improvement.

It is clear that performance measurement is not going away. Particular programs may fail, but management initiatives to measure performance continue to be examined because they make so much sense. Many of the same pitfalls identified 25 years ago, however, still prevail in today's attempts to measure performance. Based on the lessons learned from both current and past efforts, here are a few potential problems to keep in mind when ensuring that performance measures take root in your organization.

1 ■ No Set Context

Data by themselves have no meaning. A performance measurement system must set a context for the data it produces. It is possible for a program to be active without making any difference to clients; it also is conceivable that a program might benefit clients without having a positive effect on the citizenry, who provide the resources to fund the program.

There are two ways to set context, both of which are necessary. The first is to integrate performance measures with the long-term goals of the community, perhaps as stated in a strategic plan. Government should focus on the citizens' desired future for the community—a vision—and then determine progress toward the vision.

Program performance must affect the quality of life of the citizens, even if only indirectly. Any performance measurement system that doesn't include outcomes measures for clients or citizens only will inform decisionmakers that they are doing the *work right*, not that they are doing the *right work*.

The general public is no longer satisfied with information about how money was spent or how many clients were processed. They now are asking, "What was accomplished? What was the outcome?" Output information is useful to pro-

Oregon Benchmarks is the measurement piece of a larger strategic plan for economic development begun in 1989. The Oregon Progress Board was created to be the caretaker of the strategic vision and to measure progress toward that vision. The legislature discussed, amended, and adopted the benchmarks. While most of them focus on improvements against historical trends within Oregon, most benchmarks also can be compared easily across jurisdictions.

gram managers, but it is not meaningful to the public. Measure the effect of programs, not just their quantity.

Context also is established by comparing your organization with other organizations, either through a community report card or through benchmarking. Community report cards like Minnesota Milestones and Oregon Benchmarks are standardized indicators of community health that can be compared across jurisdictions.

Performance measures should provide some evidence of the effect of the program on the community. It is difficult to prove with confidence that a particular program has had a particular impact on the community; the certainty of a controlled academic experiment is simply not possible. Stakeholders must use a

preponderance-of-the evidence approach on which to base their decisions. They also should be advised that performance measures indicate performance but don't define it. Often, a more involved evaluation is necessary to determine why a program did not achieve its outcomes.

2 ■ Lack of Commitment from Leaders

If most leaders in your organization are not committed to using performance data, then stop! Establish that commitment before moving forward. Many organizations have been generating performance data for years, but their leadership doesn't pay attention to it, and consequently agencies don't put any effort into their own performance measures either. There must be a strong commitment from leaders to move toward measuring performance and not just collecting data on effort.

However, lasting change cannot be accomplished simply by top-down orders; such change requires engagement and commitment from employees, stakeholders, and customers. Establishing and using a performance measures system is difficult and takes time. Without leadership, resistance will overcome the best intentions.

Management has an obligation to communicate its intentions and reasons for implementing such a system. A performance measurement system is a communication tool for the organization to report on its progress toward the community's vision, as well as a tool for managers to establish priorities and to describe their expectations of employees.

The Minnesota Experience

Previous attempts at performance measurement in Minnesota have been scrapped, but the state legislature recently brought the issue back by requiring state agencies and local governments to develop and report on performance measures.

The 1993 performance report statute requires "state agencies to report yearly on their mission, goals, and objectives, as well as workload, efficiency, and outcome measures. The legislative auditor is required to review

the reports for appropriateness and the validity of the data." In early 1997, the legislative auditor recommended changes to the performance report statute, but the law has remained unchanged. Some of these recommendations have prompted this article.

The local performance aid statute replaced local aid dollars with "performance aid," state dollars given to local governments to fund programs with performance measurement systems in place.

3 ■ No Development of Capacity

Employees must have the capacity to develop measures, or they will use whatever "measures" are already available. Again, senior management must build capacity. First, assist departments in identifying or verbalizing goals, mission,

and desired outcomes. Second, help them devise measures that they believe will provide the proper feedback to indicate performance. And finally, help managers and employees enhance their ability to use the information to improve performance continuously.

Jim Mullen—who oversaw the outcomes project in Prince William County, Virginia—observed that the key to the staff's acceptance of responsibility for outcomes was that those who knew the work best and understood what the outcomes should be, were involved in putting together measures and defining how they were to be used.

4. A Focus on Punishment Instead of Improvement

Data do not generally inform us as to why performance trends occur or why performance is getting better or worse. No program or agency can control outside factors that affect outcomes. Consequently, measures themselves should not be used to punish when performance comes up short. If measurement focuses on negative accountability, managers and employees will seek to avoid accountability when things go wrong. But if measurement is seen as a tool for improvement and fear is driven out, creative tension—the gap between today's performance and the vision—can work its magic.

In considering outcomes for an agency or program, take some time to identify the major outside forces that affect the desired outcomes. This will be a helpful task, both for determining the best strategies or approaches to implement and for observing and examining actual performance.

5. No Stakeholder Feedback

When designing any data system, the designers must know what the information will be used for and who the audi-

A new concept in the private sector, the "balanced scorecard" extends corporate performance measurement beyond traditional financial accounting. In their 1996 book *The Balanced Scorecard*, authors Robert Kaplan and David Norton write that the scorecard is a four-part framework that balances organizational learning/employee growth, the customer perspective, internal business processes, and financial measures. The objectives and measures are derived from an organization's vision statement and strategy.

ence is. All information is produced for some reason. A performance measurement system should provide information to policymakers and managers so they can make better decisions.

If the stakeholders who are supposed to use the data to make decisions don't read the data, don't use them, or don't understand them, the system will fail. Find out what information stakeholders and managers need to make what decisions and when they need it. Ask them what they turn to intuitively to evaluate agency performance. Let them guide the process by determining what information is most useful to them. Bottom line: If you don't know what they want, ask!

The involvement of stakeholders in identifying outcomes also raises the awareness that government cannot achieve most outcomes by acting alone; success requires multiple organizations collaborating together. By engaging stakeholders outside the government, organizations can acknowledge and redefine their roles in the community and help establish collaborative agreements.

6. No Link Between Performance Measures and Resource Allocation

For many governments, the ultimate aim of management based on perfor-

mance measures is to integrate program performance and outcome information with the budget process. During the budget process is the natural time to set goals and discuss results. Approaches range from budgets that include performance information to budgets that allocate funds according to desired outcomes, regardless of department.

But integrating performance measures into the budget process is not easy. The budget process is and should be a political one. Also, factors outside an agency's control will affect the measures.

By integrating measures, benchmarks, and outside forces that affect community health with the allocation of resources, stakeholders can focus on the overall approach they want to take to achieve the desired outcomes of the organization. If funding must be justified based on the benefits of a program to clients and on the difference the program will make to the community or society, stakeholders can more easily defend the use of public resources to support the program, and citizens can see the effects of their tax dollars.

The Governmental Accounting Standards Board (GASB) has recognized performance reporting as an essential part of general-purpose external financial reporting for local governments. GASB is considering the establishment of reporting standards that would require external reporting of this information. The National Academy of Public Administration and the American Society for Public Administration also have approved resolutions encouraging local governments to measure and report outcomes.

7. Bureaucratic Uniformity

Bureaucrats like to make everything look alike. But one size does not fit all. Forcing uniformity across distinct agencies and departments prohibits flexibility and ignores differences within the field of government. Professional groups like the American Probation and Parole Officers

Association have worked for years toward developing systems with their own definitions and meanings within their own fields. Respect these efforts by being flexible about format and label.

Always remember that the intent of performance measures is to provide reliable and valid information on performance. Don't let forms and rigid definitions undermine that intent. **PM**

Jim Theurer is a senior policy analyst in the manager's office of Ramsey County, Minnesota.

ICMA's Center for Performance Measurement

The ICMA Center for Performance Measurement was founded to help localities obtain accurate, fair, and comparable data on the quality and efficiency of service delivery to their citizens. It is grounded in the belief that appointed managers, elected officials, department heads, staff, and citizens all need a way to assess how well government services are being delivered and to set priorities for the future.

The center collects, analyzes, and interprets comparative performance data from local governments, primarily those with populations of 100,000 or more. It focuses on police, fire/EMS, neighborhood services (parks and recreation, libraries, road maintenance, refuse collection, street lighting, code enforcement, and housing opportunities), and support services (purchasing, fleet management, risk management, information technology, human resources, and facilities management).

To achieve the goal of comparative performance measurement, the center does the following:

- Helps participants define the desired outcomes of services.
- Helps participants identify indicators (input, output, and efficiency measures) that tell whether these outcomes are being achieved.
- Facilitates the generation of standard definitions for data elements and indicators.
- Trains city and county staffs in data definitions and collection methods.
- Maintains a database of hundreds of

data elements collected from participating jurisdictions.

The Consortium

The ICMA Center for Performance Measurement builds on the work of the Comparative Performance Measurement Consortium, made up of 44 jurisdictions with populations exceeding 200,000. Its work started in 1994, when a group of managers identified a need for data and information from other, similar jurisdictions as points of comparison for local service-delivery performance. The group asked ICMA to coordinate its work.

Consortium members undertook the daunting tasks of narrowing the choices of services to be measured, identifying the desired outcomes of service delivery, defining indicators, and collecting data. Each jurisdiction appointed a member to the governing board (usually the chief administrative officer) and to technical advisory committees in the four service areas. Members' tireless work has been a springboard for the center.

Benefits of Participation

Participants in the center reap significant benefits, including:

- Training for their staff in the collection of comparable performance data.
- Access to a database of objective, unbiased information on outcomes, quality, and efficiency of services.

- Ability to compare their own performance with that of any or all other participants.
- Information about management practices found in jurisdictions with high levels of performance.
- A voice in the identification and definition of significant performance outcomes and indicators.
- An opportunity to involve citizens in performance measurement.

The Future

The center is continually expanding its capabilities and services. Pilot programs have given groups with special interests an opportunity to conduct focused comparisons, as well as to contribute to the general database; these programs' work will guide the development of the center. Other plans for the future include:

- On-line data collection and query capability.
- Identification of "best practices" associated with high performance.
- Regular collection of outcome information from citizen/customer surveys.
- Time-trend data.
- Expansion of the database to include additional population sizes.

For more information, contact Michael Lombardo, ICMA Center for Performance Measurement, 777 North Capitol Street, N.E., Suite 500, Washington, D.C. 20002-4201; 202/962-3589; fax, 202/962-3500; e-mail, mlombardo @icma.org.