REINVENTING GOVERNMENT: THE ROLE OF OUTCOME-BASED PERFORMANCE MEASUREMENT

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Introduction

Taxpayers around the world are demanding that government must be run more like a business and that measurable results in efficiency and effectiveness must be achieved. Over thirty nations have passed versions of a government performance and results act.

In the United States, performance measurement is mandated by the Government Performance and Results Act (GPRA) of 1993 and is central to other legislation and Administration initiatives. In addition to holding Federal Agencies accountable for achieving program results, GPRA also promotes a focus on service quality and customer satisfaction, and seeks to improve executive and Congressional decision making by clarifying and stating organizational performance expectations, measures, and program costs "up front." Agencies now must include performance information programmatic and financial) in the overview to their financial statements.

Research Design and Procedure

This paper is based on an analysis of the implementation of performance measurement at the national, state and local government level. Three major data sources form the basis of this paper. First, the authors reviewed studies conducted by the U.S. General Accounting Office (GAO) that focus on the implementation of the GPRA in federal agencies and cabinet departments. The many statements taken directly from GAO reports form a substantial basis of this paper. Second, the authors used case examples based on their own experience with conducting performance outcome measurement for the United States Air Force’s Air Combat Command and the United States Navy’s Norfolk Navy Family Service Center, as well as numerous state and local government agencies. Third, the paper uses the implementation of the GPRA in the United States as a "lessons learned" case-in-point to assist other countries in determining how they can best implement an outcome-based performance measurement system.

Why Adopt Performance Measurement?

Purpose

The primary purpose of performance measurement is to objectively measure how the organization is accomplishing its mission, or some goal or objective. Typically, performance measurement is used in the context of guiding organizational change and development--specifically as an adjunct to strategic planning or for other purposes.

According to the GAO, there are several important reasons for measuring performance. First, performance measurement improves the management and delivery of products and services. A recent opinion poll asked a group of adults what they thought the Federal government's top priority should be. Almost half wanted emphasis put on better management. In a world of diminishing resources, improving management of programs and services is critical.
Second, performance measurement improves communications internally among employees, as well as externally between the organization, customers and stakeholders. The emphasis on measuring and improving performance (i.e., "results-oriented management") is designed to create a new climate, affecting all government agencies, and most private sector and nonprofit institutions as well. A results-oriented organization requires timely and accurate information on programs and supporting services to determine the quality of outcome results achieved. Collecting and processing accurate information depends on the effective communication of mission-critical activities.

Third, performance measurement helps justify programs and their costs. The public, Congress, and the Office of Management and Budget are increasingly taking a more "results-oriented" look at government programs, and the cost-effectiveness of program expenditures is increasingly being called into question. In an era of shrinking budgets, it is critical to determine the return on investment of government funds.

Fourth, performance measurement is designed to demonstrate the accountability of Federal stewardship of taxpayer resources. Part of demonstrating accountability is to fund only those programs that achieve measurable, positive results and show a realistic return for taxpayer funds expended.

A specific example in instituting a performance-based measurement system is provided by the United States Department of Energy. They did the following in establishing their performance-based measurement system.

Instituting a Performance Measurement System
The steps in instituting a performance measurement system include the following:

- Strategic planning should ideally precede the development of a performance measurement system. Performance measures should be developed as an aspect of strategic planning--usually after the organization's planning group has fully defined the Vision, Guiding Principles, Mission, Strategic Goals, Strategies and Objectives.
- The next step is to generate a performance measurement plan. Here we are concerned with defining the process of establishing a performance measurement system based on the strategic plan.
- Once the planning team has established performance targets, it will be necessary to charter the appropriate team(s) to establish realistic performance measures. The process of developing measures ideally should be guided or facilitated by those trained in developing realistic measurements. The process of establishing performance measurements involves development of operational definitions that are sufficiently specific, agreed upon, and capable of measurement. The establishment of artificial goals or standards should be discouraged.
- Once performance measures are in place, it will be necessary to establish a performance measurement baseline. This will entail the collection of data that will serve as a point of comparison for measuring how effective the system is in achieving its critical success criteria.
- Finally, it will be necessary to periodically collect additional data that will then be compared to the measurement baseline. This information will serve as a basis for fine-tuning operational efforts toward achieving performance goals and objectives. It will also serve as a basis for re-evaluating the measures to determine if they are valid.
Based on a review of the implementation of performance measurement systems in over 30 federal agencies prepared by the United States General Accounting Office reports, and a review of research literature, we suggest that the following implementation checklist can be followed.

**Figure 1. Performance Measurement Implementation Checklist**

- **Gain Leadership Commitment**
- **Define Mission, Goals, Objectives and Desired Results**
  - Involve internal and external stakeholders
  - Assess the political environment
  - Develop an outcome-focused ideology
  - Align activities, core processes and resources
  - Develop strategies for mitigating external factors
  - Determine management challenges and risks
- **Measure performance**
  - Gain organizational support
  - Determine what should be measured
  - Determine program interdependencies
  - Develop short-range, intermediate and long-term results measures
  - Develop baselines and targets
  - Establish resources to implement the measurement system
  - Establish priorities for measurement
  - Determine data collection possibilities and needs
  - Collect data
  - Specify procedures for dealing with data limitations
  - Focus primarily on quantitative measures
  - Use qualitative measures to support quantitative findings
  - Develop utilization focus
- **Use performance information**
  - Ensure that credible measures are reported
  - Reaffirm leadership commitment
  - Gain internal and external support
  - Conduct training
  - Develop strategies to reduce performance gaps
  - Implement performance measurement system
  - Communicate clearly and precisely
  - Specify procedures for verifying and validating performance information
  - Link performance information to budget allocations

**What Has Happened in Adopting Performance Measurement?**

"Significant improvements in management and performance are possible when agencies set results-oriented goals, measure performance, and use the information to improve effectiveness." Joseph S. Wholey

According to the GAO, the implementation of the GPRA has had mixed results. The GAO found that the experiences of some of the Results Act pilot agencies, such as the Social Security Administration (SSA), and related efforts by non-pilot agencies, such as the Veterans Health Administration, showed that significant performance improvements were possible. This was true even for the short term--when an agency adopted a disciplined approach to setting results-oriented goals, measuring its performance, and using performance information to
improve effectiveness. However, the reported examples of substantial performance improvements were relatively few, and many agencies did not appear to be well positioned to provide a results-oriented answer to the fundamental Results Act question: What are we accomplishing?

**Key Issues in Performance Management**

The following chart identifies key issues in outcome-based performance management for a select number of nations worldwide. The checks represent those specific areas that the individual countries and/or OECD have specified as having importance within their nations. The categories and nations were selected from two key studies: The OECD’s *In Search of Results* and Harvard’s School of Government’s *Transforming Governments in the 21st Century*. The categories for the chart are defined below.

**Legislative Reforms:** Includes any type of legislative change and can range from inclusion of reform in the Constitution to lower level legislation.

**Privatization/ Deregulation:** The trend to move publicly held goods and services into the hands of private companies as well as the deregulation of those goods and services still in public hands. This category includes the creation of autonomous agencies, the relaxation of controls over resources, certain expenditures, rules and services as well as other forms of privatization and deregulation.

**Devolution:** This category includes the creation of autonomous agencies, the relaxation of controls over resources, certain expenditures, rules and services as well allowing managers to take and manage risks.

**Performance Measurements:** Indicates that the nations in question have some form of measuring the performance of government and government agencies. Performance measurements usually are outcome-based and include areas as diverse as qualitative measures, new initiatives, efficiency measures, effectiveness measures, service quality measures, and financial performance.

**Government Transparency:** Indicates that a government has moved to make its government processes and public sector more open to the citizenry.

**Customer Service:** Represents a nation’s dedication to service. This service can take the form of customer surveys, service standards, service statements and quality management systems to improve service to the public.

**Information Technology:** Shows the desire to improve or begin service delivery through Internet, Intranet and other technological advances. Many reforms are as basic as providing adequate telephone lines and stable Internet connections. Other nations seek to improve websites or develop intricate public computer networks.
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The GAO outlined the major strengths and key weaknesses of GPRA implementation by federal agencies as indicated in Figure 2, below.
Figure 2. Major Strengths and Key Weaknesses of GPRA Implementation in Federal Agencies

- **Major Strengths**
  - Results-oriented goals and quantifiable measures are frequently used to address program performance.
  - Use of baseline and trend data to identify past performance is widespread.
  - Program strategies are often discussed in relation to the achievement of performance goals.

- **Key Weaknesses**
  - Attention to mission-critical management challenges and program risks is not consistent.
  - Coordination of crosscutting program areas needs additional effort.
  - Presentations of how agencies’ human capital and management resources and strategies will be used to achieve results are insufficient.
  - Confidence that performance data will be credible is limited.

A major concern in GPRA implementation is the development of appropriate performance measures. Agency personnel often fear that they will be held accountable for those things over which they have no control. In addition, they are frequently concerned that the performance measure may be used for a negative purpose rather than for improving results-oriented management. In this context, Kravchuk and Schack listed six general problems that are routinely encountered in developing performance measures. These include:

- Divergent perspectives (different audiences require different information),
- Unclear mission and objectives,
- Multiple and contradictory organizational, program, and system goals,
- Monitoring vs. evaluation informational needs,
- Lack of consideration of the full range of outputs and outcomes, and
- Measuring customer satisfaction in a regulatory environment.

GAO’s review of efforts to date under the Results Act have shown that to effectively implement the Act, agencies face a variety of significant challenges, some of which will not be resolved quickly. One set of challenges arises from the complications of government structure and from program proliferation. Others involve methodological difficulties in identifying performance measures or the lack of data needed to establish goals and assess performance. The GAO noted that many agencies continue to struggle with the basic tenets of performance-based management. The uneven pace of progress across the federal government is not surprising, because agencies still are in the early years of undertaking the changes that performance-based management entails. The challenges for federal agencies include (1) defining appropriate results-oriented goals and measures, (2) aligning organizations and programs in response to current and emerging demands, (3) rationalizing crosscutting federal program efforts, (4) creating performance-based intergovernmental partnerships, and (5) developing the capability to gather and use program performance information to make decisions.

**How Has Adoption of Performance Measurement Worked?**

“Successful performance management systems use performance measures that demonstrate results, respond to multiple priorities, link to responsible programs, and are sufficiently complete, accurate, and consistent to be used in decisionmaking.” Joseph S. Wholey

The GAO reported that the federal government’s performance has been limited by a failure to manage based on a clear understanding of the results that agencies are to achieve and how performance will be gauged. Agencies' effectiveness, according to the GAO, has been
undermined by outmoded organizational and program structures. Agencies such as the Department of Energy (DOE) need clearer lines of authority and accountability to better ensure public health and safety, and agencies such as the Department of Agriculture (USDA) and the Department of Defense (DOD) need to streamline organizational structures to better meet agency missions and conserve resources. For example, the end of the Cold War provides DOD with the opportunity to reduce the size and cost of its infrastructure and thereby free up resources for other priorities, including modernizing its forces and maintaining high levels of readiness. Through the base closure process, DOD has been able to identify and reduce excess capacity. While these actions have been taken, the majority of them have been within the separate military services and considerable duplicative capacity remains across DOD. The DOD base closure issues also serve to illustrate the confounding problem of the interference of the political environment with performance outcomes. In many cases, bases recommended for closure by the DOD are rejected for closure due to the political influence of powerful legislators currying favor voters in their districts.

- Organizational issues also are of concern in program areas where responsibilities are shared among two or more agencies. Mission fragmentation and program overlap are widespread and crosscutting federal program efforts are not well coordinated. In program area after program area, unfocused and uncoordinated crosscutting programs waste scarce funds, confuse and frustrate taxpayers and other program customers, and limit overall program effectiveness. While progress is being made in designing and implementing information technology investment management strategies, current federal practices fall short of the statutory expectations.

According to the GAO, lack of comprehensive sets of goals that focus on results is one of the central weaknesses that limit the usefulness of the plans for congressional and other decision-makers. While this improvement is still not evident across all agencies, some plans incorporate sets of performance goals and measures that depict the complexity of the results federal agencies seek to achieve. For example, to help achieve improved public health and safety on the highway, the Department of Transportation (DOT) has performance goals and measures to reduce the rates of alcohol-related and large truck-related fatalities and injuries and to increase seat belt use, in addition to its goals related to highway fatality and injury rates. The DOT plan also provides helpful information that explains the importance of each goal, the relationship of annual goals to DOT strategic goals, and the relationship of the performance measures to annual goals.

Similarly, the Department of Education’s plan contains a set of goals and measures related to a vital issue of growing national concern—that schools should be strong, safe, disciplined, and drug-free. Specifically, Education has performance goals and measures to reduce the prevalence of alcohol and drugs in schools, decrease criminal and violent incidents committed by students, and increase the percentage of teachers who are trained to deal with discipline problems in the classrooms. The plan includes explanatory information for each goal and measure.

However, in some cases program results were not clearly defined. For example, the Small Business Administration’s (SBA) performance plan’s goals and measures continue to generally focus on outputs rather than results. To assess progress in its goal to "increase opportunities for small business success," SBA relies on measures such as an increase in the number of loans made by SBA, the number of clients served, the number of bonds issued, and the amount of dollars invested in small businesses. This is important information, but the plan does not show how these measures are related to increasing opportunities for small businesses to be successful—the key result SBA hopes to achieve.
Sets of performance goals and measures also should provide balanced perspectives on performance that cover the variety of results agencies are expected to achieve. Federal programs are designed and implemented in dynamic environments where mission requirements may be in conflict, such as ensuring enforcement while promoting related services, or priorities may be different, such as those to improve service quality while limiting program cost. Consequently, mission requirements and priorities must be weighed against each other to avoid distorting program performance.

"The complexity of the institutions of American governance works against any single or simple assessment of accomplishments through GPRA" Beryl A. Radin

**Strategies to Overcome the Problems of Outcome-Based Performance Measurement**

Implementation of a performance-based measurement system takes place in a political environment. A major component of this political environment is the "threat" in knowing how well an agency is achieving or not achieving its mission. For example, the authors, in working with several agencies, have found that agencies tend to focus on developing a system of measurement that is acceptable from a political point of view. An underlying question here is, "who wants to be first to show program performance?" In an era of rising citizen expectations, and declining governmental resources, this political threat becomes acute.

A problem that often must be overcome is an agency’s previous experience with poorly designed and implemented outcome measurement systems. Too much data has been collected, at great effort, without a focus on data quality or utilization. Many agency leaders can point to shells of reports that they frequently say they cannot understand, and certainly cannot use, for program improvement.

The implementation of performance measurement is affected by the budget process in use. Most budgets are still simple line item budgets or loosely defined program budgets. Managers know that they can usually get at least last year’s base budget with some minor changes. In very few cases have major budget reallocations been made as a result of the implementation of a performance measurement system.

The reluctance to implement performance measures is also due to a concern that "we can’t measure what we do" or "we are only part of an overall system, so how can you hold us accountable for our part." Program leaders argue vehemently that they cannot control inputs, and therefore it is inappropriate to hold them accountable for outcomes. Further, they argue that the inflexibility of budgets makes it impossible to devote sufficient resources to the outcome measurement process. In addition, they fear that outcome measurement will focus only on long-term goals, and will fail to take into account short-term and intermediate results.

**What is the Future?**

In the future, the most valuable managers and staff will be those with the knowledge, skills, and abilities to identify appropriate performance measures, to collect appropriate performance data, to ensure that performance information is used in agency and program management to improve program performance, and to support policy decision-making.

As federal agencies become increasingly performance-based, they will need new types of information—results-oriented information—that is different from that which has traditionally been collected. The challenge confronting federal agencies is to obtain timely and reliable results-oriented performance information and to ensure that program evaluations are undertaken that allow for the informed use of that information.

Across the federal government, agencies have been making real, although difficult, progress over the last few years in implementing performance-based management. These efforts have confirmed that fundamental improvements in management and results are possible when an
organization undertakes a disciplined approach to implementing the performance-based management principles embodied in the congressional framework. While every agency has made progress in becoming more performance-based, the pace and degree of that progress has been uneven across agencies. A primary difference in the rate of progress is the degree of attention, visibility, and commitment that top agency leadership gives this area. A great deal of hard and sustained work remains to be done.

On a government-wide basis, agencies must ensure that the statutory framework the Congress established is effectively implemented. More generally, agencies need to recognize that implementing performance-based management is not a one-time occurrence but must become the routine basis for how agencies do business and respond to current and emerging challenges. Ultimately, performance-based management should become an integral part of an agency's culture. The transition process must include proven "change management" approaches to be successful and sustained. Top management within agencies must provide the consistent leadership necessary to direct the needed management changes and to ensure that momentum is maintained.

As we approach the 21st century, government decision-makers and managers in various countries around the world are confronting strikingly similar challenges to public management and service delivery. Although the specific circumstances vary, these governments are responding to citizens who expect public sector organizations to be significantly more effective without increases in spending.

At the same time, decision-makers and managers are finding that achieving results on public issues, such as promoting economic development, ensuring economic security, protecting the environment, and securing their nation's borders, increasingly requires coordinated responses from numerous public and private entities. This growing awareness of the interconnection of vital public issues is being driven in part by the intractable nature of the social and policy problems that governments confront, the globalization of national economies, and the rapid growth in communication and information flows made possible by the increasing use of technology.

The real strength of performance-based management lies in the ability to shift the focus of government performance and accountability away from a preoccupation with activities--such as grants or inspections--to a focus on the results or outcomes of those activities--such as real gains in safety, health, and living standards. Performance-based management systematically integrates thinking about organizational structures, program and service delivery strategies, the use of technology, and human capital practices into decisions about the results the government intends to achieve.

It is important to note, however, that performance measurement cannot be undertaken in isolation. It is only one step in a continuous improvement process that includes assessment, strategic planning, program and budget formulation, performance measurement, and program evaluation.

The authors agree with Radin's assessment that it is still too early to tell if the GPRA will be effective in attaining its desired outcomes. Some have described it as "a work in progress" affecting internal agency management agendas and causing congressional scrutiny of agency budgets by looking at agency performance and outcomes. We would add that the implementation of outcome-based performance measurement is clearly a worthwhile process with a positive future.
APPENDIX

Glossary of Selected Outcome Measurement Terms

**Inputs** are resources a program uses to achieve program objectives. Examples are staff, volunteers, facilities, equipment, curricula, and money. A program uses inputs to support activities.

**Activities** are what a program does with its inputs—the services it provides—to fulfill its mission. Examples are sheltering homeless families, educating the public about signs of child abuse, and providing adult mentors for youth. Program activities result in outputs.

**Outputs** are products of a program's activities, such as the number of meals provided, classes taught, brochures distributed, or participants served. Another term for "outputs" is "units of service." A program's outputs should produce desired outcomes for the program's participants.

**Outcomes** are tangible results and benefits for participants during or after their involvement with a program. Outcomes may relate to knowledge, skills, attitudes, values, behavior, condition, or status. For a particular program, there can be various "levels" of outcomes, with initial outcomes leading to longer-term ones.

**Outcome indicators** are the specific items of information that track a program's success on outcomes. They describe observable, measurable characteristics or changes that represent achievement of an outcome.

**Outcome targets** are numerical objectives for a program's level of achievement on its outcomes. After a program has had experience with measuring outcomes, it can use its findings to set targets for the number and percent of participants expected to achieve desired outcomes in the next reporting period. It also can set targets for the amount of change it expects participants to experience.

**Benchmarks** are performance data that are used for comparative purposes. A program can use its own data as a baseline benchmark against which to compare future performance. It also can use data from another program as a benchmark. In the latter case, the other program often is chosen because it is exemplary and its data are used as a target to strive for, rather than as a baseline.

*Source: Measuring Program Outcomes: A Practical Approach © Copyright 1996 United Way of America*

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