Performance Measurement in an Era of New Public Management

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The last two decades have witnessed a proliferation of scholarly discourse on performance management. This discourse evolved out of a number of forces in the early 1990s from the new public management movement, which called for government to show its efficiency in expending public resources as well as prove that substantive results—or outcomes related to a program’s effectiveness—had been generated by its activities. In addition, Osborne and Gaebler’s (1992) Reinventing Government echoed a revolutionary change in conventional wisdom by deploying words such as “reengineering,” “entrepreneurial management,” “empowerment,” and “privatization.” The reinvention legacy was pushed forward by President Bill Clinton in 1993 through the creation of the National Performance Review, chaired by Vice President Al Gore, and the adoption of Government Performance and Results Act of 1993, which strengthened federal agency efforts to improve results or outcomes through performance measurement and other initiatives.

As federal agencies developed performance standards at the program level as well as in the management and administrative functions, state governments and their localities were compelled to adopt the same measures as a method of assessing their activities and enhancing their reporting mechanism under federal programs and mandates. In view of this,
the purpose of this analysis is to examine the literature on performance-based management and offer recommendations on how to implement successful performance measurement systems. The analysis begins with a historical synopsis. This is followed by a discussion of applications and types of performance measurement, limitations and benefits, and a comparative analysis of performance measurement efforts in the State of Georgia and the City of Kennesaw, Georgia. Additionally, the analysis offers some implementation challenges and solutions.

HISTORICAL SYNOPSIS

Performance measurement is the use of quantifiable data to periodically examine the results and efficiency of public programs. The quest to measure and improve government performance dates back to the twentieth century. In 1938, the International City/County Management Association (ICMA) published *Measuring Municipal Activities: A Survey of Suggested Criteria for Appraising Administration*, which recommends different types of information that localities might use in monitoring and evaluating the delivery of public services (Fischer, 1994; Kopczynski and Lombardo, 1999). At the federal level, the Hoover Commission in 1949 provided the drive for performance monitoring by requiring the restructuring of federal budgets into activities instead of line items, and called for agencies to provide performance reports.

In the 1970s, the ICMA, in collaboration with the Urban Institute issued, two publications—*Measuring the Effectiveness of Basic Municipal Services: Initial Report* (1974) and *How Effective Are Your Community Services?* (1977)—that provided technical assistance to municipal governments on how to gather and analyze data on local performance. These publications, according to Fischer (1994), furnished readers: “…an overview of various aspects of local government effectiveness measurement, including criteria for selection of measures, uses for such measurement, identification of measures for ‘several service areas’…, and early findings on implementation. The ‘later’ report detailed specific measures and data collection…‘and was’ intended to supplement, rather than supersede, the 1974 report” (cf. Fischer, 1994, S4-S5).

In the 1980s, private sector organizations experimented with various productivity techniques such as benchmarking and total quality management (TQM) as the performance management field expanded to examine other aspects of service quality, customer satisfaction, and managing by results (Kopczynski and Lombardo, 1999). Since the early 1980s, the Job Training Partnership Act programs have mandated states and their localities to use client outcome measures, and have furnished incentives and sanctions where appropriate (Yates, 1997).

Due to the problems experienced by state governments in the 1990s, concerning the difficulty in developing objective indicators that measure the results of programs or activities, the Governmental Accounting Standards Board published its research report titled *Service Efforts and Accomplishments Reporting: Its Time Has Come* (1990). Other
national associations such as the National Academy of Public Administration, the
Government Finance Officers’ Association, and the American Society for Public
Administration have recommended that units of governments at all levels should adopt
measures designed to encourage agency heads and program managers to monitor program
quality and outcomes as part of an overall system aimed at improving the performance as
well as the credibility of major public programs. While several states have adopted financial
performance reporting standards for their agencies, others are coming up with similar
measures (Melkers and Willoughby, 1998; Wholey and Hatry, 1992; Broom, 1995; Ho,
2005).

In fact, the current attention to performance measurement is usually associated with the
1993 Government Results and Performance Act, popularly known as the Results Act (and
efforts of the National Performance Review, now known as the National Partnership for
Reinventing Government). The Results Act called for the creation of positions of inspectors
general and chief financial officers to not only fight waste in federal agencies, but to
improve accountability. It also requires that strategic plans must be set, performance goals
established, and an annual report filed with Congress on actual performance as compared
with goals—to assure that government could be managed for results.

APPLICATIONS AND TYPES OF PERFORMANCE MEASUREMENT

Behn (2003) provides generalized categories of uses for performance measurement as: to
evaluate, control, budget, motivate, promote, celebrate, learn, and improve. More specific
applications are summed up by Ammons (2008, 4-5) as follows:

- Performance reporting, both internal and external to local government, as a
  method of accountability for performance;
- Directing operations, making adjustments where measures indicate areas or
  patterns of deficiency;
- Testing new procedures or equipment, comparing new measures with prior
  results or comparing pilot project results to measures elsewhere;
- Contract monitoring to ensure that promises regarding service quantity and
  quality are being kept;
- Supporting planning and budgeting systems by providing objective
  information on the condition of programs and services; and
- Program evaluation, which often begins with routinely collected
  performance measures and proceeds with the compiling of new measures
  specific to the needs of more detailed analysis.
• Benchmarking, usually by comparing the performance measures of one’s own organization to professional standards or the results achieved by respected counterparts, often as a catalyst for improving operations.

Certainly, there are considerable variations in ways in which governments use performance data. Whereas the main use of performance measurement is to improve the effectiveness and efficiency of public services, governments generally use performance information to encourage the utilization of goals and outcomes in the budgetary process, help set targets, and learn from others (Lawson, 2006).

In terms of the logic of performance management systems, different units of governments at all levels use performance information to revise measures and update their strategic plans. Usually, periodic surveys of citizens’ priorities and satisfaction with current services are part of the feedback cycle. Performance information is very instrumental in helping agencies to make program improvements and management decisions. For instance, agencies that are exploring the possibility of contracting out services may use quantifiable indicators in preparing preliminary cost-benefit analyses, comparing public private sector performance, setting performance standards for a contractor, as well as for evaluating a contractor’s performance. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PROWRA), as amended by the 1997 Balanced Budget Act, provides rewards or penalties for states’ performance, such as having welfare recipients participating in work activities and preventing out-of-wedlock births. Under the PROWRA, state and local governments are taking the lead in managing for performance (Yates, 1997).

It is pertinent to emphasize here that whereas performance measurement is crucial in providing information that explains program results to external constituencies; it generates information that can be used to adjust internal operations. Therefore, to successfully serve the various purposes of performance measurement, a set of measures must be multidimensional (Ammons, 2008). The common types of performance measures are: Input, output, outcome, and efficiency measures (Ammons, 2008; Lawson, 2006; Hatry et al., 2006).

Input measures are the resources an agency uses to accomplish its goals. Examples include: the amount of money spent, number of employees required to provide service, and number of hours worked. Information on organizational resources such as money and work completed by employees do provide a basic foundation for understanding as well as explaining variation in agency performance, at least to a certain extent.

Output (workload) measures are tangible indicators used to show how resources are being deployed. For example, the amount of a service or program provided such as number of police or fire calls answered, the average cost of serving a client, the number of cases processed per employee, and the numbers of lane-miles paved are simple outputs. And outputs are usually easier to measure than outcome measures.

Outcome (effectiveness) measures are indicators that show how well a program or service is achieving its mission, including quality, cycle, and customer satisfaction. In the case of a
government agency, legislative bodies such as city councils and state legislatures, usually select outcomes. As a result, elected officials can appropriate funds to agencies with the expectation that certain goals will be accomplished. Outcome measures are commonly used because they assess service quality and service results based on citizens’ and service users’ perspectives. These measures also provide vital information for what works and what does not work, and under what conditions (Hatry et al., 2006).

Efficiency measures are indicators of how well an agency is using its resources, expressed as a ratio between the amount of input and amount of output or outcome. With outcome measurements, efficiency can be expressed as the ratio of cost to the amount of outcome, such as cost per lane-mile with satisfactory rideability. Some government units have used the cost per unit of output because of the unavailability of reliable data on the amount of outcome. Nonetheless, cost per unit of outcome provides a better indicator and avoids the temptation to increase outputs at the expense of service quality (see Hatry et al., 2006; Ammons 2008). Efficiency measures allow the public administrator to determine whether resources are being used wisely, not being wasted. The only drawback here is that efficiency does not measure program or service quality.

An obvious challenge for public administrators is to determine which of these measures best helps them in delivering public services in a decentralized governance system. According to the 2002 survey report by the Governmental Accounting Standard Board (GASB), there was a good deal of consistency among states and their localities in regard to types of measures used. Three-quarters of the departments, agencies, and programs use input measures, activity/process measures, and output measures. Approximately half of the respondents indicate that they are using outcome measures; and only about a quarter at all levels showed that more than half of their respective governmental entities are using exploratory measures and benchmarks (GASB, 2002, 11). At the federal level, Henry (2010, 148) reported that 49 percent of administrators use effective measures to a great or very great extent, and 40 percent use service quality measures extensively, a substantial increase from a decade earlier.

LIMITATIONS AND BENEFITS OF PERFORMANCE MEASUREMENT

Although performance measurement serves as a tool, administrators must be cautioned that measuring a program or service does not improve it. Generally, eight limitations of performance measurement have been identified and administrators must be aware of them before selecting the measures that work well for their organizations. They are as follows: measuring the wrong thing; using meaningless measures; differing interpretations of the same concepts; displaying goals; shifting costs instead of saving costs; disguising subgroup differences with aggregate indicators; ignoring the limitations of objectives measures; and failing to address how and why questions (see Henry, 2010 for a brief review of these limitations).
Simply measuring everything and getting overloaded with statistics can be cumbersome, and any agency or government that does not use the data that it collects is not using performance measurement effectively. Conversely, there is a tendency for governments at all levels to be narrowly focused on a few things without paying attention to the basic things that matter most to citizens, elected officials, and other stakeholders, or even to outside forces that affect the desired outcomes. One major limitation of outcome measures generated by agencies is that employees might overstate the number of successes and understate the number of failures just to make the organization look good. As Theurer (1998, 23) correctly maintained, “In considering outcomes for an agency or program, take some time to identify major outside forces that affect desired outcomes…. both for determining the best strategies or approaches to implement and for observing and examining actual performance.”

It is also a misconception to assume that governments without performance measures are not effective and efficient. Public administrators can evaluate performance on the basis of their own observations as well as perceptions of their trusted subordinates, the input of elected officials, and comments from concerned taxpayers. Poister and Streib (1999) observed that some local governments, in fact, choose to measure performance in a rudimentary manner by relying extensively on output measures because they are easier to develop, track, and report. Yet, these municipalities fail to acknowledge that output measures have not only limited public relations value, but also less performance management value. The major deficiency of a measurement system that focuses on output indicators is their inability to “inspire managerial thinking” (Ammons, 2002, 347). Measures of efficiency and effectiveness as described in the previous section seem to be superior in terms of performance management process and decision making.

Although the pitfalls of performance measurement pose implementation challenges to public administrators, their impact can be minimized. Recommended solutions to reduce their peril include but are not limited to: understanding the political and organizational context in which the measures will be used; articulating the organization’s mission, and assuring that measurements are narrowly focused on outcomes over which the program has only a minimal influence; setting a specific performance target; actively involving stakeholders in reviewing program measures; using various program measures; reviewing, reversing, and updating measures periodically (Henry, 2010).

Despite the pitfalls of performance measurement, its obvious benefit is that it serves not only as a planning tool, in terms of data gathering, but also as a management tool—in regard to benchmarking, which is the process of comparing one’s organizational performance with that of others with outstanding performance to find best practices and new ideas. In other words, a performance measure is a baseline, standard, norm, or criterion against which users can evaluate their own performance in a program or service. Each performance indicator or benchmark serves as a criterion undergirding successful program or service performance. In fact, services or programs can have various benchmarks with
which one can make comparisons as long as each benchmark is shown to be a valid component of performance and, of course, reliable (Fischer, 1994).

The pride that performance measurement brings to the employees is unquantifiable. It gives them the sense of belongingness and loyalty to the organization because it empowers them to use these measures in making policy and providing procedural recommendations to legislative bodies at all levels of government. Other types of unexpected rewards emerge from focus on performance such as improving programs and their accountability, enhancing collaborations with other agencies, maintaining continuity during leadership transitions (Henry, 2010; U.S. General Accounting Office, 2000), and improving workplace or organizational morale.

STATE OF GEORGIA AND CITY OF KENNESAW: A COMPARATIVE ANALYSIS

From the foregoing analysis, it is now apparent that performance measurement is being deployed at all levels of government as a management tool. At this stage of the analysis it is crucial to look at a comparative analysis of performance measurement efforts in the State of Georgia and the City of Kennesaw, Georgia, to see how well these governments are doing with their implementation.

In the State of Georgia, the governor is very instrumental in the implementation of performance management process. For example in 2003, Governor Sonny Perdue’s zeal to bring business practices and principles to state government, compelled him to mobilize his friends to form the Commission for a New Georgia (CNG), a citizen’s advisory board to the governor “charged with finding ways to streamline the government and make it more efficient—and save money for the state” (Young, 2008, 75). Among the CNG’s accomplishments is increased focus on customer service and on managing for results. The newly created Governor’s Office of Customer Service has partnered with front-line state employees to establish a more consistent experience for citizens looking for help. This was accomplished through aggressive employee training, leveraged with technology and outcome monitoring to reduce wait times at call centers to achieve overall citizen satisfaction. While maintaining that success is not always measured in dollars, Sharon McMahon, CNG Manager of Information and Strategic Services, observed that “When you think about the efficiencies and better access to the public, and the fact that Georgians can now call one number (1-800-GEORGIA) and be connected to a live person … whether the inquiry relates to child support enforcement or driver’s license services, you cannot put a price on it” (Young, 2008, 78).

The State of Georgia started to link pay and performance with the creation of GeorgiaGain, a performance-based compensation system in 1995, to eliminate low-performing employees as a major goal. About 16,000 managers and supervisors received hands-on training before the first year-long trial performance cycle began. The trial period included a complete
review of all job descriptions to link performance indicators to job responsibilities. Starting in 1997, performance increases for employees who meet, exceed, or far exceed performance standards were based on two components: an adjustment to increase competitiveness with the outside market and a variable award based on the level of performance. The major problems with the implementation of this system have been the amount of money invested in training managers in performance management and widespread dissatisfaction among state employees on pay inequities across agencies. Georgia is now implementing a standardized personnel system to instill employee loyalty to the state as a whole, not to a particular agency (Georgia Merit System, 1994; 2001; Kellough and Nigro, 2002; Barrett and Greene, 2008).

It is pertinent to note here that the state has been able to accomplish most of its personnel reform because of its strong right-to-work status, in addition to weak unions. Nonetheless, the legislative intent was to create the necessary conditions to give agency management the discretion and performance management tools needed to achieve results in an efficient and effective manner. Overall, the reform mandates all managers in state agencies to be accountable for results by agency administrators and elected officials.

In the area of budgeting, the state’s efforts have encountered much difficulty from agencies, and the governor’s office uses the politics of numbers to hold agencies accountable. The Senate Budget Office is either unimpressed by the quality of data from agencies or the reliability of executive branch performance measurement, and wants to deploy an alternative approach. The conflict in the politics of the budgetary process, according to Alan Essig, executive director of the Georgia Budget and Policy Institute, centers on “over power, and who’s really responsible for different parts of the budget” (Barrett and Greene, 2008, 48).

In terms of method, the Georgia Performance Management Process (PMP) is a major component of the GeorgiaGain project. Georgia PMP measures are cyclical in nature, and include planning and setting goals, developing strategies to attain these goals, tracking and coaching performance, and evaluating the actual performance to ensure its continuation. These measures also include support from top management, defined performance measures that link results to employee recognition, and rewards for effective implementation. The orientation of evaluation within management in the PMP system is toward maximum achievement of the organization’s goals (Madler, 1997).

According to Madler (1997), benefits of the PMP system include a standard performance evaluation system, simplified salaries and recordkeeping, and improved customer service. For instance, employees are given the same beginning date of October 1, instead of a staggered starting dates of the old performance appraisal instrument system. Moreover, instead of confusing activities with results, the PMP system incorporates a compensation system that offers variable salary increases for meeting and exceeding expectations. Usually, when responsibility is assigned, employees feel ownership and become accountable, especially when financial consequences are involved.
As it pertains to statewide responsibilities, Georgia has identified three areas that will assist state agencies in becoming more efficient, effective, and customer focused. These areas are as follows:

- **Teamwork**: Encourages and facilitates cooperation, pride, trust, and group identity; fosters commitment and team spirit; works cooperatively with others to achieve goals.

- **Customer service**: Works and communicates with the general public, internal customers, and/or external customers to provide information and quality services and/or products targeted to meet customer expectations.

- **Organization commitment**: Displays a high level of effort and commitment to perform work; operates effectively within the organizational structure; demonstrates trustworthiness and responsible behavior.

Also agencies are allowed to use their discretion on how to deploy these statewide responsibilities, and may modify or omit one or more of the responsibilities or add additional; “behavioral” responsibilities. Overall, agencies see the statewide responsibilities as the key to achieving their strategic objectives as well as providing quality public service to the citizens of Georgia (Georgia Performance Management Process, 2009).

The performance management process is quite different at the municipal or local level when compared to what is obtainable in the State of Georgia. For illustration purposes, this analysis now looks at how the process is done in the City of Kennesaw. The City of Kennesaw in Georgia is one of the fast-growing cities in the state, and the Mayor’s office, supported by key departments with over 300 employees, provides various services to over 23,000 residents. The City of Kennesaw started participating in the ICMA Center for Performance Measurement program in 2007. The program requires participating local governments to supply pertinent data for analyses. As a result, the City uses the ICMA template in collecting data in certain service areas such as human resources, police services, parks and recreation, facilities management, information technology, fleet management, highway and road maintenance, and refuse and recycling. The assistant city manager serves as the program coordinator, and encourages department heads to examine the templates and use them as tools for benchmarking purposes. From an administrative or management perspective, the city did not do well in its first trial, and has just turned in the second dataset for the 2008 program. The Police Department, Human Resources, and Parks and Recreation are the three governmental units within the city that make extensive use of performance measurement in their operations. Other units are catching up, but very slowly.

Usually, the City Council is responsible for setting goals that must be adhered to by all the departments in accomplishing the city’s mission, which is “To provide innovative and cost-effective municipal services and facilities for residents, businesses, and visitors in order to preserve our City’s heritage and assure a vibrant and safe community” (City of Kennesaw, 2006). Currently, the city’s nine goals are as follows:
• Increase the City of Kennesaw metes and bounds by 2.5 percent (151 acres) over the next 5 years;
• Promote better land use by working toward a 40 percent commercial/retail and 60 percent residential use as outlined in the comprehensive plan;
• Increase median housing price to at least $200k including all housing products available;
• Create better coordination efforts for additional intergovernmental options and services;
• Plan for continued ageing population;
• Develop more dependence on alternative public transportation;
• Accelerate the reduction of City debt—to pay off bonds early, and accelerate reduction of city subsidy to museum;
• Establish and maintain a high standard for customer service; and
• Improve communication (City of Kennesaw, 2009).

These goals are being implemented with different activities—some with timelines and others without—and coordination involving all department heads, staff, and city council. It is pertinent to note here that while outcome and efficiency measures are deployed by the city, a few output measures are used, and the department heads define these measures. Although there is no scientific survey method to check citizens’ overall satisfaction with existing services, it is expected that this will be introduced in the future with the help of the Master Public Administration Program at Kennesaw State University. Doing this will eventually enable the city to quickly respond in service areas in which citizens have serious concerns for improvement.

It is apparent that while both the State of Georgia and the City of Kennesaw understand the need for performance measurement as a tool for gathering measures of accountability, operational, and citizen satisfaction, the level of their implementation at these two levels of government is quite different. Georgia, because of its institutional capacity, is more advanced in its implementation of performance management than the City of Kennesaw. In fact, Georgia is one of the three states that have partnered with the Pew Center to make government work better. The Pew Center’s Georgia project will build a system to analyze spending data for all state agencies, universities and colleges that has the potential of saving millions of dollars (Pew Center on States, 2009).

CONCLUSIONS

Governments have embraced performance management in their quest for finding ways to control costs and improve public services. However, good performance management requires governments to align strategic planning with performance measures and objectives.
While some municipalities tend to be less sophisticated in their use of performance measurement than both the federal and state governments, the foregoing analysis recommends that participants in the process must agree ahead of time on desirable outcomes, which are to be linked to government or agency mission statement, goals, and objectives. To become more strategy-focused and result-oriented, one approach developed for private corporations by Kaplan and Norton (1996) that is increasingly becoming popular in the literature of public management is the balanced scorecard (BSC)—a method of linking value-created strategies to performance measures and objectives. The BSC usually includes four perspectives: financial performance, customer service, work process, and the learning and growth of employees. These perspectives are transformed into measurement indicators and then linked to organizational vision, mission, and strategy. Both the State of Georgia and the City of Kennesaw can benefit from the BSC approach to enhance their performance measurement efforts. Any decision to undertake BSC by the City of Kennesaw and the State of Georgia must be seen as a journey, not work on a project, to try the best practices in other jurisdictions such as the City Charlotte, North Carolina—the first American city to implement BSC in 1996, and the State of Illinois (Niven, 2003; Lang, 2004; for an excellent public sector application of the balanced scorecard approach, see Eagle, 2004; Johnsen, 2001).

Can the balanced scorecard work in public management? Johnsen’s (2001, 327) answer is “probably yes.” This analysis agrees in the affirmative with Johnsen (2001), too, because the major goal of any performance management is to achieve a balance. The act of balancing allows decision makers to discard measures of outcomes or performance indicators that are not helpful in either reaching the desired goal or achieving identified objectives. In other words, it is crucial to consider outcome measures, but measures of levels and quality, efficiency (productivity), financial performance, agency (or institutional) capacity must not be discarded in the decision equation, and this is the utility of the balanced scorecard as a logical model to begin when thinking of good performance measurement.

Successful performance measurement efforts require a set of multidimensional approach that is broad-based in nature and sustainable to attract the support of legislative bodies, executive branches, and other stakeholders. Common understanding and interests in a problem is usually essential to receiving funding for both the development and infrastructure required in implementing and maintaining a performance measurement system. In sum, measures must be constructed to address agency needs as well as those of their clients, users of their services or beneficiaries of their programs regardless of the level of government. Since accountability requires transparency as a way of navigating the new frontier of performance management, governments and theirs agencies must be able to make their performance data available online for public scrutiny. Doing this, as a matter of practice, will definitely help not only to reduce government cynicism, but also restore the vital trust between the citizens and their governments.
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