

Performance Management

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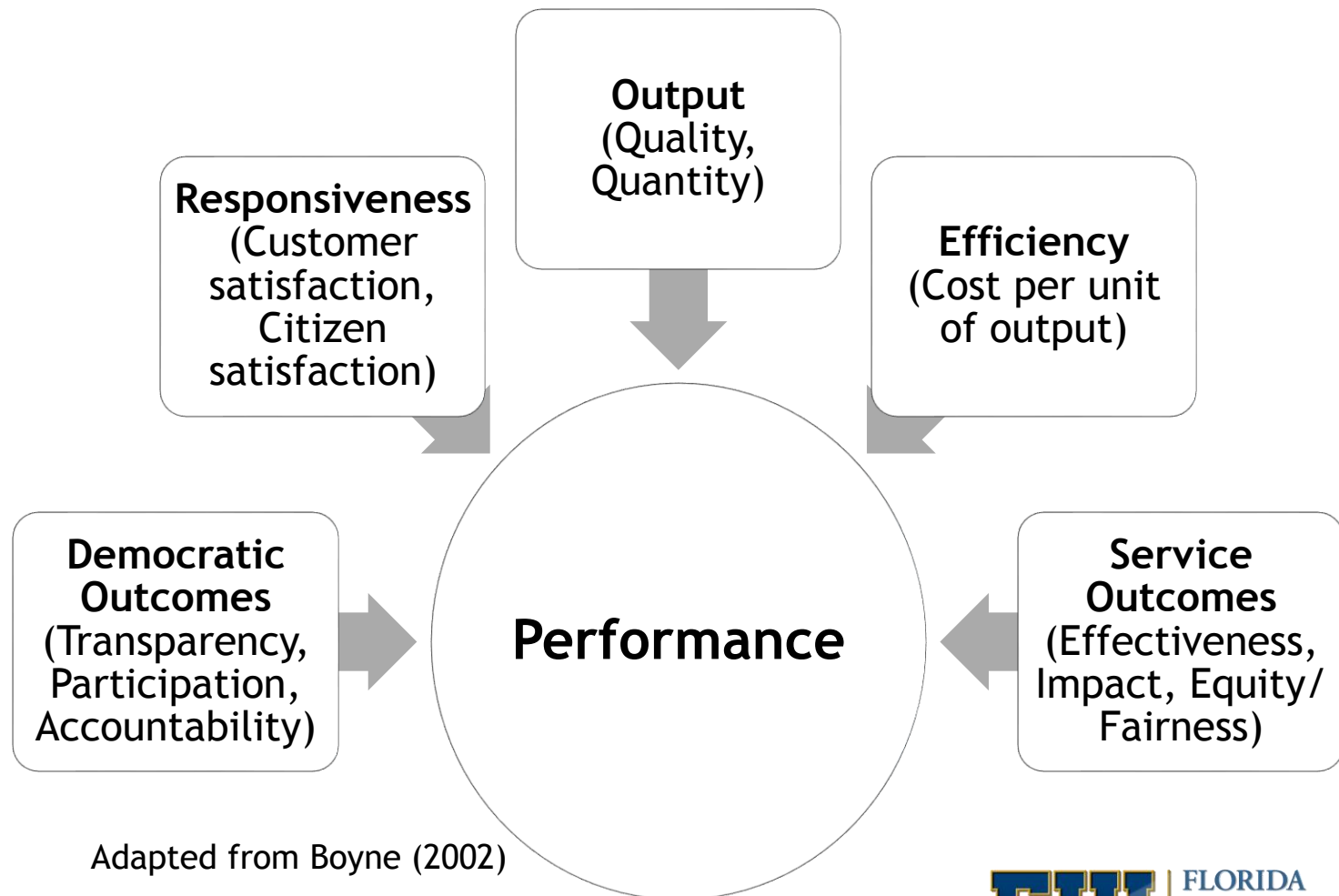
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Agenda

1. Introduction to Performance Management
2. Group Discussion: Your Experiences with Performance Management
3. Challenges and How to Deal with Them

Part I: Introduction to Performance Management

What Does “Performance” in the Public Sector Mean?



Adapted from Boyne (2002)

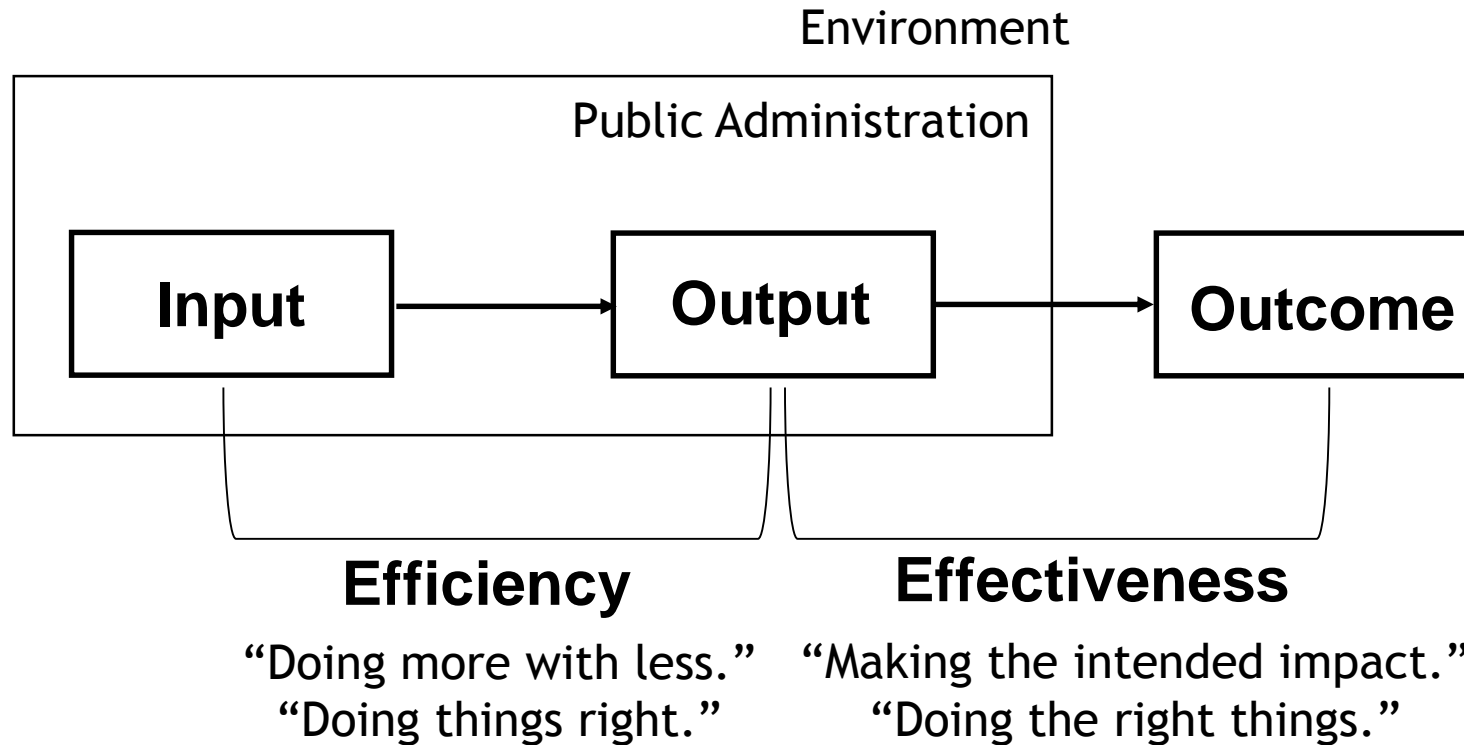
Why Doing Performance Management (PM)?

- PM stands for a shift from focusing on resources (“How much has been spent for what?”) to the results of public service work (“What was achieved?”)
- Why should we focus on results?
 - How else can we determine whether a department has been successful?
 - To use scarce tax money effectively
 - To learn what works and what doesn’t and to continue or change programs and activities accordingly
 - ...because this is what citizens care about (and what politicians might use to hold managers accountable)

How Can We Conceptualize “Performance”?

- Though we could probably think of even more performance dimensions as the ones listed on the slide above, a straightforward conceptualization of “performance” just uses broad definitions of **efficiency** and **effectiveness**.
- It also uses a **production model** of public goods, where inputs are transformed into outputs which, in turn, should lead to certain intended outcomes.
- Such production models can be applied to various public organizations and services.

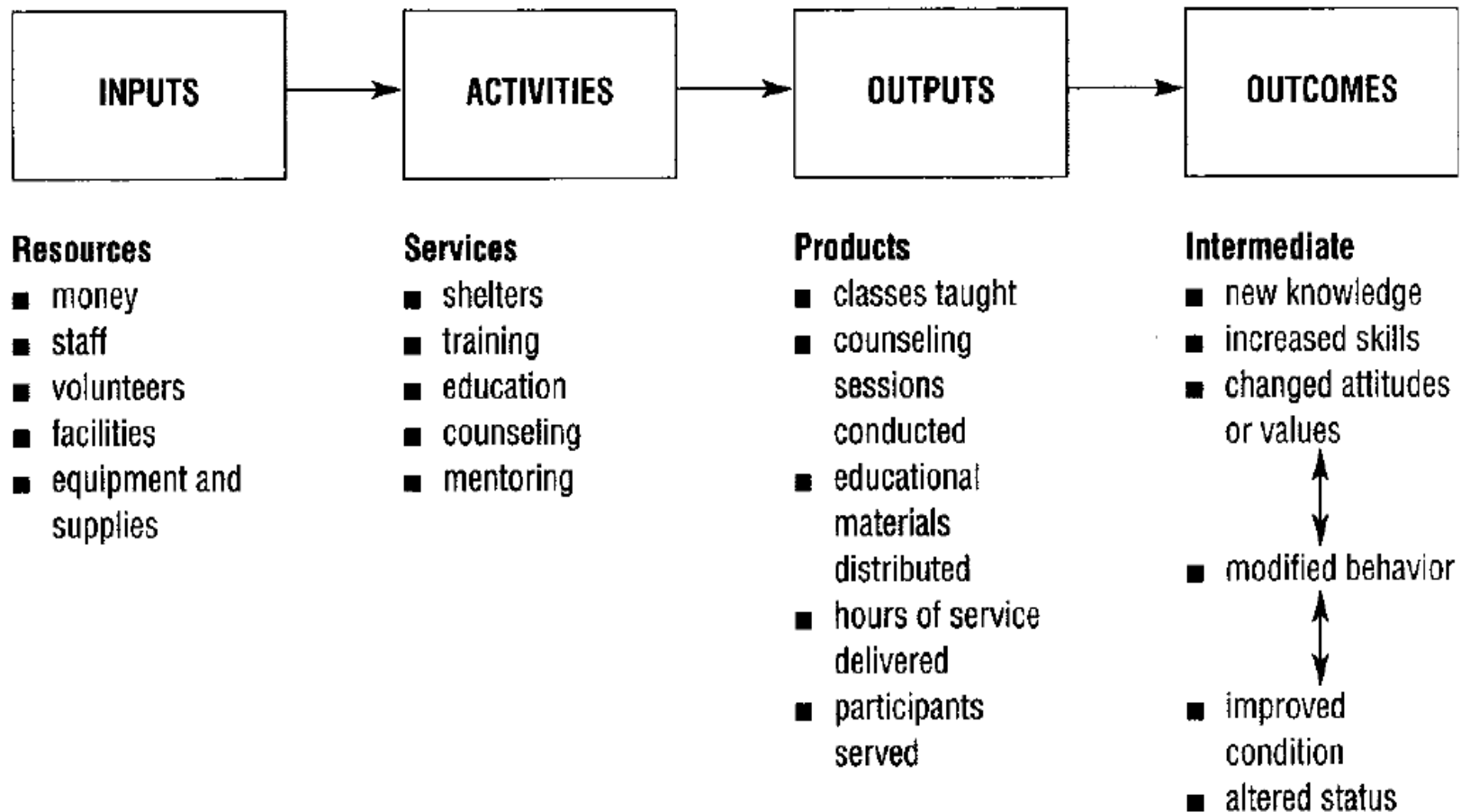
Production Model of Performance



Example Production Model

Logic Model (Outcome-Sequence Chart) for a Human Services Program

Source: Hatry (2006)

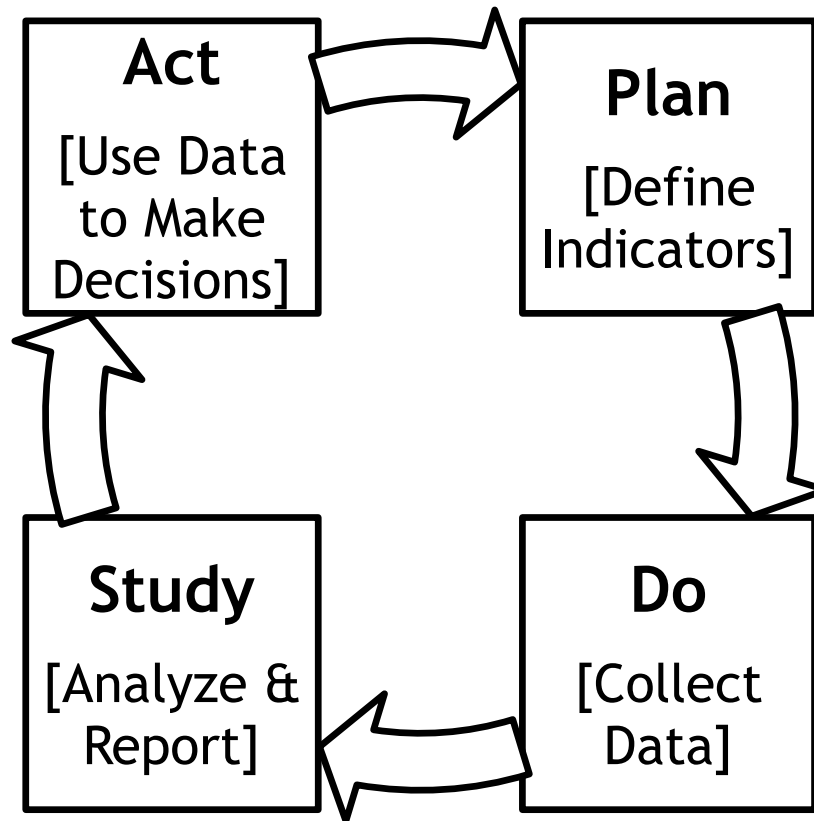


What Are Characteristics of Performance Management Systems?

- Strategic Objectives
 - Increase..., improve...
 - ...which can be broken down to operational objectives
- Performance Indicators
 - ...to measure the goal achievement of strategic and operational objectives
- Performance Information
 - Regular tracking for every indicator

Features of PM Systems: The Control Cycle Logic

Assumption: The regular and systematic provision of performance information will lead to better decisions.



Source: Kroll (2015)

What is New about Performance Feedback?

Source: Kroll (2013)

| Routine Performance Information | Types | Non-Routine Performance Information |
|--|----------------------|---|
| <ul style="list-style-type: none"> regularly collected based on ex-ante indicators (control cycle logic) | Mode of Production | <ul style="list-style-type: none"> ad-hoc often not actively pursued but passively received |
| <ul style="list-style-type: none"> often quantitative, aggregated | Format | <ul style="list-style-type: none"> often qualitative, rich |
| <ul style="list-style-type: none"> transparent (formally reported) | Way of Dissemination | <ul style="list-style-type: none"> through various media |
| <ul style="list-style-type: none"> reports that follow a management-for-results logic | Exemplary Sources | <ul style="list-style-type: none"> documents written inquiries formal meetings informal talks |
| | | <ul style="list-style-type: none"> internal and external |

A Brief History of PM Initiatives

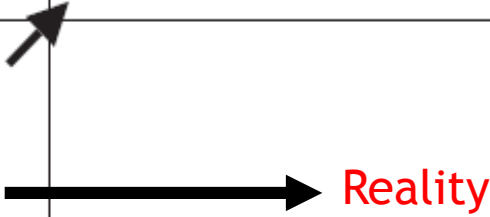
- PM = Regular collection, analysis, and use of mainly quantitative, aggregated data on the outputs and outcomes of public services and organizations.
- Started in the early 1970s at the local-government level
- Began to spread out in the 80s with the consequence that in the early 1990s cities began to compare themselves based on performance data, and the first states (Texas, Oregon) initiated performance reporting for state services
- Mandated at the federal level through GPRA (“Clinton-Gore”), PART (“Bush”), and the GPRA Modernization Act (“Obama”)
- Similar developments (spillover of PM systems across regions and government levels) have been observed in other OECD countries

Initial Expectations of PM Systems

- PM will...
 - change behavior and lead to rational decisions
 - lead to performance improvements
 - change the budget process
- “If you build it, they will come.” But is this realistic?
- Not automatism that links measurement, use, and improvements
- Types of use might be rather unexpected
 - Side effects: may facilitate broader organizational change (culture, communication, citizen participation)
 - Use for advocacy and to persuade others
 - No use; misuse

What the Doctrine Suggests vs. Management Reality

| | Low focus on results | High focus on results |
|---------------------------|---|---|
| High managerial authority | | MFR ideal-type, managers have clear goals and have authority to achieve goals. Should facilitate manager attendance to program effectiveness, higher technical efficiency and results-based accountability. |
| Low managerial authority | Bureaucratic systems, high focus on inputs and little incentive or authority to increase technical efficiency | |



Source: Moynihan (2006)

PM under G.W. Bush: PART

- Program Assessment Rating Tool: PART
 - Evaluating all federal program over a 5-year period
 - 30 standardized question regarding design, planning, management, results
 - 5-point scale: effective - ineffective
 - conducted by OMB
- Has it been successful? PART was somewhat related to budgeting decisions
 - Was particularly impactful if critical evaluation could be paired with existing cut intention
 - Poor PART performance led by no means to cuts
 - Content analysis suggests that legislators barely used PART to make funding decisions
 - Was found to be partisan (driven by Republican OMB; PAR Act did not find bipartisan support)

PM under Obama: GPRA Modernization Act

- GPRA Modernization Act
 - maintained some Bush-era innovations (e.g., Performance Improvement Officers)
 - slightly modified many of the basic routines of GPRA
 - Strategic planning was moved from a five- to a four-year timeframe to align with the presidential calendar
 - new process of annual agency performance reviews by the OMB, with the potential for remedial action if an agency consistently failed to achieve goals
 - Cross-Agency Priority Goals: Routines of Goal Coordination
 - Agency Priority Goals: Routines of Goal Clarification
 - Quarterly Reviews: Routine of Data-Driven Reviews
- Has it been successful? Link to outcome improvements unclear, but GPRAMA fostered purposeful performance information use by managers

Common Complaints about Performance Measurement

- You can't measure what I do.
- The measures aren't fair because I don't have total control over the outcome or the impact.
- It will invite unfair comparisons.
- Performance data will be used against our program.
- It is just a passing fad.
- We don't have the data/we can't get the data.
- We don't have the staff resources to collect the data.
- It's not our responsibility.

Hatry (2006)

⇒ These concerns need to be taken seriously, but they can be addressed.

Part II: Group Discussion: Your Experiences with Performance Management

Part III: Challenges and How to Deal with Them

What Have We Learned about Performance Information Use?

- PI is ambiguous and subject to disagreement
 - PI is not instructive, it does not say what to do to or why problems occurred
- Use is a form of social interaction
 - Interested actors interact in a dialogue to establish meaning
- Institutional roles and power and resources shape behavior and data use
 - More information can reduce uncertainty, but not ambiguity, which is created by different perspectives, not a lack of information
- Confirmation bias: looking for information that provide evidence for one's position

Negativity Bias

- Loss aversion
 - People are more motivated by loss than equivalent gain
- Citizens are more responsive to performance data that are presented in negative rather than positive terms
 - “half empty glass” gets more attention
- Voters punish poor performers, but do not reward good performers
- Media tend to cover negative stories, not positive ones (see next slide)...



Postal Service Celebrates Another Awesome Day Of Delivering Mail

'We Did It Again, You Guys,' Jubilant Postmaster Declares

NEWS • Politics • ISSUE 47-09 • Mar 2, 2011



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WASHINGTON—Emphatic cheers of "We did it again!" and "USPS is the best!" rang out from the nation's post offices Tuesday as the United States Postal Service celebrated yet another amazing day of successfully delivering the country's mail.



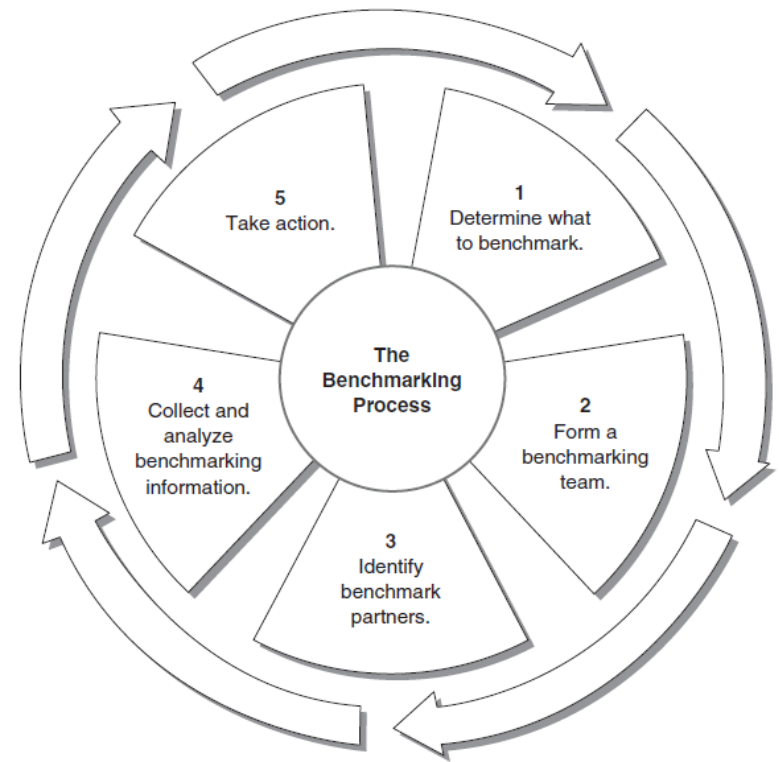
At 5:01 p.m., Postmaster General Patrick R. Donahoe popped a champagne cork as confetti and balloons fell from the ceiling of USPS's Washington headquarters

Dysfunctions of Performance Systems

- Linking consequences to good or bad performance...
 - is important to make sure people care about indicators and improvements but can also lead to dysfunctional responses
- Gaming (creative reporting of data) and cheating (making up numbers)
- Threshold effects
 - Focusing on the minimum target even though performance above the target would be possible
 - Holding back on one's performance because performing well at present might increase expectations in the future
- Output distortions / effort substitution / goal displacement
 - Focusing only on targeted areas and easy rewards at the expense of other outputs, outcomes

How to Establish Points of Reference? Benchmarking

- Comparing one's own performance statistics with those of relevant benchmarks
- Being ranked below the mean or median indicates that there is improvement potential
- Important functions are the identification of “best practices” and “learning from the best”
- Once best practices are identified, processes can be anatomized and compared
 - The idea is to eliminate unnecessary or duplicate operations and inspections, reduce transportation and delay components, and generally streamline the process



Benchmarking Indicators Used by Many Local & State Governments

- Note: Indicators need to be standardized to account for different sizes of jurisdictions (per capita, per 1,000 population)
- Number of traffic accidents, injuries, and fatalities
- Crime rates (clearance rates for various categories of crimes)
- Fire incident rates and losses
- Levels of air and water pollution
- Health statistics
- Standardized test scores for school districts

“How Are We Doing?” Sessions

Staff meetings shortly after receiving the latest performance report

Guiding Questions:

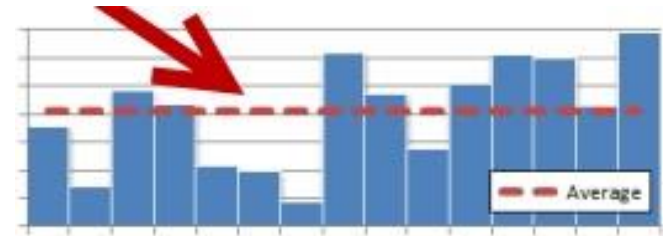
- Where have we done well? Why?
- Can we transfer the factors behind our successes to other parts of the program?
- Where have we not done well? Why?
- What can we do to improve these results? Group members can be asked to develop an action plan to implement these improvements.
- (In later sessions) What happened since we made changes?

“PerformanceStat”

- Leaders need to be interested and involved in meetings
- Reporting units should be involved in selecting indicators/data for review
- Standardization (table formats, charts etc.) can facilitate understanding
- Meetings could focus on a) all reporting units, b) one unit at a time, c) common/cross-cutting themes/goals; regarding c):
 - Avoids blame shifting, foster communication
 - But difficult to determine responsibility
- Meetings should not be longer than two hours
- All kinds of data can be discussed (HR, workload, outputs, intermediate outcomes, outcomes)
- High-level managers and staff need to be present
- Follow-up of actions taken after the meeting and review of changes and possible improvements in the next meeting

Using the Bar Chart and “The List”

- **The bar chart:** displays performance data for every unit using bars. A horizontal line can be used to visualize the targets or the median performer.
- **The list:** a page, two columns: The first column contains the names for all units which made their targets. The second column list the units which did not.
- Assumptions that need to be agreed on
 - Purpose units are pursuing
 - The targets to be achieved by when and by whom
 - Indicators that will be used



| Met Targets | Did not Meet Targets |
|-------------|----------------------|
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |
| • ... | • ... |

The Impact of Social Comparison

- Both instruments...
 - Tell everyone how well his or her unit is doing
 - Tell everyone how everyone else's unit is doing
 - Tell everyone that everyone knows how well his or her unit is doing
- Recognition, prestige, naming & shaming can be powerful incentives in public administration
- These incentives are particularly powerful when failure was due to controllable, variable factors (strategy, effort, luck)

Other Approaches to Motivate Performance Improvements

- Give better performers more flexibility
 - Use of budgeted funds
 - Authority to make purchases without going through extensive red tape
 - Authority to hire, remove, compensate, and move personnel to other tasks and positions
- Making PI an explicit part of the individual performance appraisal process
 - Compare actual to targets for each indicator over which the employee had some control / use PI in individual target agreements
 - Identify how employees have implemented and used performance information

Monetary Incentives

- Linking pay to performance (example: US Postal Service)
 - A portion of the salary could be paid performance-related, based on whether teams improved their outputs and outcomes
 - The risky part: not all outputs/outcomes are under the full control of the teams which can sometimes lead to arbitrary pay increases/decreases
- Allocating discretionary funds to better performing units
 - Groups' cost-saving can be given back to the groups for discretionary use for organizational activities or to increase their program budget
 - However, outcome improvements do not always save costs, which is why discretionary funds might be needed
 - Performance indicators should also measure negative effects, so that employees do not focus on some measures (# arrests, tax collections, quantity treated patients) at the expense of others (harassment, complaints, quality)

Linking Target Achievements to Rewards (a Motivational Perspective)

1. If only the top performer wins a the reward, units/employees below the median might slack off.
 - Rewards could be given for biggest improvements, not only for best performance
2. If every unit that achieves its own target wins a reward, units which do very well/very poorly might slack off.
 - Use individual stretch targets (e.g., increase targets for top performers by 15% instead of 10%)
 - Promise more attention/less discretion to the weakest performers
3. Every unit/employee that achieves its own target wins a reward, and if all unites achieve their targets, every unit will get an extra reward.
 - Fosters collaboration and learning from the best