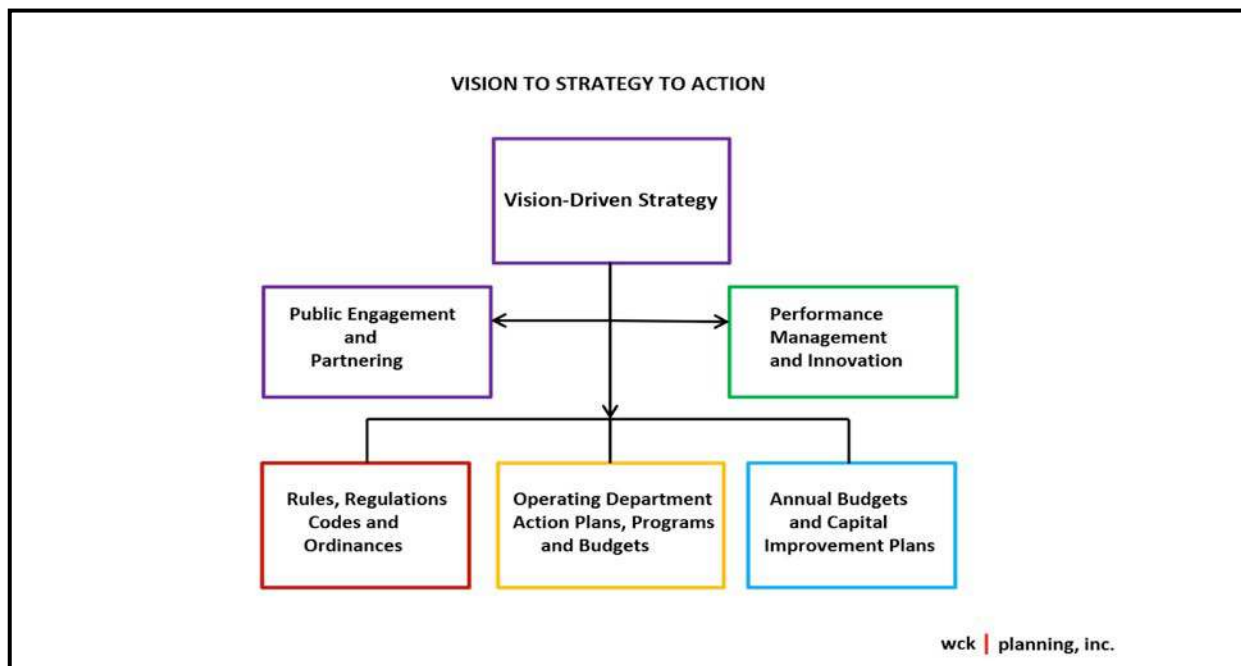


Performance Management

The System for Learning and Innovation Organizations

THE IDEA OF PERFORMANCE MANAGEMENT

- 1. Purpose.** Local governments enact and enforce codes and ordinances; and they collect and spend tax and fee monies. The purpose of this paper is to present a set of principles and an approach for public agencies to use to strengthen the credibility and transparency of their performance management systems.
- 2. The On-Going Performance Evaluation System.** The general public makes judgments about the quality of the services at every election. Specific stakeholders make judgments weekly at public hearings, council meetings and other real-time opportunities. When this ad hoc feedback system dominates the decision-making process, objectivity is lost; learning and innovation become harder.
- 3. Demonstration.** The reason for have a credible and transparent evaluation system is two-fold.
 - First, to demonstrate to the decision-makers that the city's action plans are efficiently operated and based on the city's vision-driven strategy.
 - The second demonstration is for the public; to enable them to see and understand that city's actions are based on the city's vision, pre-established standards and relevant information.
- 4. Credibility.** Assessments by the elected and the electorate are often dubious due to the lack of good information and the ample supply of bad information. There is often little evidence-based analysis of how well, or not, local governments perform...enter a credible, transparent performance evaluation system.



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5. Components of the System. In the public sector, elected and appointed executive managers are responsible for vision, strategy, public involvement and performance management. Input from internal and external sources is critical. Senior operating department managers are responsible for the delivery of public facilities and services with involvement of executive management and stakeholders.

The components of the system and their links within the process are:

- **Vision-Driven Strategic Plans** are consensual, community-based ideas for the city's future. A vision-driven strategic plan has long-range comprehensive strategic objectives for executive and operating departments.
- **Operations** – Strategic objectives inform every management policy and departmental Action Plan, including:
 - City-wide plans, codes and regulations,
 - Operating department action plans and budgets, and
 - Annual budgets and capital improvement plans.
- **Public Involvement** – An interactive and transparent communication system receives and transmits information and ideas throughout the community.
- **Performance Management** – An evidence-based system links operational performance with strategic objectives in a credible and transparent feed-back loop focusing on innovation, learning and improvement.

6. Learning and Innovation. The role of a performance management system is two-fold; to create improved performance through:

- Accountability, and
- A systemic way to learn and innovating.

Many systems stop at the accountability, or audit, function. The audit is sometimes associated with fear and punishment; and therefore demotivating. Fear can be used as a short-term motivator in control-oriented enterprises, but it rarely inspires risk-taking and innovation.

However, most vision-driven organizations require contributions from the entire enterprise team. Fear is not effective in this environment. Creative and growing organizations are built on learning, collaboration, protection from catastrophic mistakes and action-oriented people empowered to use their best judgment to move the enterprise forward.

Better systems actually minimize this audit function and focus on creating a continuous flow of evaluative information that produces a systemic learning and innovating atmosphere enabling the enterprise to constantly improve.

7. Linkages and Flows. If modern managers have learned anything it is that everything is connected to everything. The vision-driven strategic plan constantly informs the operations of the enterprise; and vice versa.

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DESIGN PRINCIPLES FOR A PERFORMANCE MANAGEMENT SYSTEM

Measuring and managing performance is an essential function of a successful enterprise, be it a business, an institution or a government entity. Enterprises build successful systems to evaluate performance when the system is focused on:

- **Producing outcomes, not outputs;** using the system to develop a connection between the enterprise and the users of its products and services.
- **Aligning operations with enterprise strategy;** directly connecting performance to the vision-driven strategic plan and monitoring the system to ensure it is, and remains, strategically relevant.
- **Using performance management as a transformative activity.** The effective systems are not based on an audit-mentality designed to drive punishment. The purpose of the system is to transform the enterprise into a learning, innovating and improving organization.

The Five Most Important Questions You Will Ever Ask About Your Nonprofit Organization; *Participant's Handbook* from The Drucker Foundation poses five questions that "will fundamentally change the way you work, helping lead your organization to an exceptional level of performance."

The questions are:

- "What is our Mission?"
- "Who is our Customer?"
- "What does the Customer Value?"
- "What are our Results?"
 - **i.e., Performance Evaluation**
- "What is our Plan?"

- **Committing senior management to the system** by enlisting senior managers as leaders in the process, committed to its success; thus ensuring the system and its results will permeate the entire organization as an inherent part of all enterprise activities.
- **Establishing the system as a serious activity of the enterprise;** insisting that the system is evidence-based and real-time; fully transparent to all stakeholders and simplified to control data and manpower costs. Real performance management systems are funded as a professional activity with skilled senior staffing to implement and manage the system.
- **Collaborating and Partnering;** isolation and independent thinking have their place, but that place is not in the performance management arena. Conversations, communications, feedback and interactions are the lifeblood of an effective system for learning and innovating based on an evaluation of past performance.

Playing to Win, How Strategy Really Works by A.G. Lafley and Roger L. Martin presents performance management as an essential system designed to support and implement the enterprise's strategy as "an integrated cascade of choices:

- "What are our winning aspirations?"
- "Where will we play?"
- "How will we win?"
- "What capabilities must be in place?"
- "What management systems are required?"
 - **i.e., Performance Evaluation,** among others.

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A PROPOSED PERFORMANCE MANAGEMENT SYSTEM FOR CITIES AND COUNTIES

- 1. The Case Studies.** Eleven different systems have been examined and are referenced below in the Readings section. The conclusions of each individual examination has been used to prepare the below described “**design principles for a performance management system**”. The Schematic Design for a Performance Management System for Cities and Counties presented below draws upon these findings.
- 2. Process.** The community’s first step is to articulate its vision for the future. The consensus-based vision drives the strategic plan which then drives alignment of the various operational parts of the entire enterprise. Feedback and constant attention to changes keep the system fully integrated. Each department is an important part of the community’s strategic plan and each department needs to be fully supportive of the other departments of the local governments.
- 3. Learning and Innovation.** The purpose of the performance management process is to turn the enterprise into a learning and innovating organization that continues to grow and improve its outcomes. The system also enables every city operation to be visibly aligned with the community’s vision-driven strategic plan. The connectivity, collaboration, transparency and competence of the system pay handsome dividends.

Key Findings of the Surveyed Case Studies

- € **Outcomes, not outputs, are the important measure of success.** Outcomes are changes in behaviors, processes or organizations that justify the spending of time and effort to collect and analyze information related to performance.
- € **Managing performance is much more important than merely measuring it.** The objective is for the enterprise to learn and improve. Action-oriented management of the system of performance evaluations best achieves that result.
- € **The vision-driven strategic plan directs all operational activities.** The performance management system is a great technique to ensure that the activities of each operating department are fully aligned with the community’s strategic plan. One can say that every action of the enterprise is strategically driven. The performance management system proves it.
- € **The leaders of the organization must believe performance management is important.** Passive senior management support will lead to view performance management function being seen as a cost item rather than a value-add item. Poor attitudes are reflected by:
 - not viewing performance management as strategically relevant,
 - not staffing the function properly,
 - not allowing the results to permeate the entire enterprise,
 - not using the system as a transformative activity to promote innovation, learning and improvement.

Source: wck planning, inc.

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4. Method to coordinate actions:

- Articulate the community's vision.
- Use the vision, developed with stakeholders, to drive the strategic plan with strategic objectives.
- Use strategic objectives to align operating plans, regulations and expenditures with the vision.
- Design the performance management system to evaluate the linkage between the strategic plan and the action plans of the operating departments with feedback loops that support systemic innovation, learning and improvement.

- Institutionalize public involvement and transparency systems to improve process and credibility.
- Solidify enterprise-wide commitment to the entire process.

5. Design Criteria for a Local Government Performance Management System.

Performance management systems can be designed to enhance the capabilities and capacities of the enterprise to exploit opportunities and distinctive ideas.

Performance Management System Design Criteria

1. Focus on outcomes, not outputs,
2. Build a system of learning-oriented management, not just audit-oriented measurement,
3. Link the performance management system directly to the vision-driven strategic plan,
4. Use performance management to align operations with the enterprise's strategy,
5. Monitor the system to ensure it is, and remains, strategically relevant,
6. Enlist senior managers as leaders in the process, committed to its success,
7. Insist that the system be evidence-based and real-time; fully transparent to all stakeholders,
8. Enable the system and its results to permeate the entire enterprise, including all activities of the enterprise; intend the system to be an inherent part of all enterprise activities,
9. Use the system to develop a connection between the enterprise and the users of its products and services,
10. Recognize that performance management is a professional activity requiring skilled senior staffing to implement and manage the system,
11. Simplify the systems data, manpower and cost aspects to enable it to be maintained over the long-run with "real time" access, and
12. Use performance management as a transformative activity and only proceed if the purpose is to transform the enterprise into a learning, innovating and improving organization.

Source: wck | planning, inc.

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6. A Schematic Design for A Proposed Performance Management Worksheet.

After reviewing eleven approaches to performance management, the “scorecard” approach makes the most sense. A schematic scorecard **“Worksheet”** follows. Actual worksheets will be designed for a specific local application and will be much more extensive in size and number, but the content lends itself to the resources now available from most city and county information technology departments.

7. The Mechanics of a Performance Evaluation System.

Following the lead of the Balanced Scorecard approach, every city can develop a systemic way to collect and measure information, compare it to benchmarks and then react to the findings in a positive, constructive manner. A standardized worksheet, tailored to each department, can be used to assemble on-line, real-time information, as proposed above. A guide to the format and content of a standardized evaluation form is below.

DESIRED OUTCOMES FROM OPERATING DEPARTMENT ACTIVITIES			
			Name of Dept. _____
			Manager _____
			FY _____
DEPARTMENT’S VISION-DRIVEN STRATEGY: _____			

STRATEGIC OBJECTIVES	Department Activities	Desired Outcomes	Critical Indicators
• Service to Citizens			
• Regulations			
• Operating Departments			
€ Public Facilities			
€ Public Service Programs			
• Financial Strength			
• Innovation, Learning and Improvement			

source: wck | planning, inc.

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A HYPOTHETICAL EXERCISE

Accept that there is a vision and a vision-driven strategy for a hypothetical city. Further accept that the city has undertaken a public process to vet the vision, prepare the strategy and identify strategic objectives, as follows.

Strategic Objectives are determined with each department as it determines how its activities relate to the city's strategic objectives. At the right time, executive and public involvement is useful. Strategic objectives may include:

- **Service to Citizens:** Standards for service, responses to inquiries and attitude can all be measured and managed.
- **Effective Regulations:** Regulations that address real problems and provide specific protections to the residents and businesses in the city. For example:
 - Prepare and enact a stormwater protection ordinance based on stakeholder input, engineering evaluations and community factors.
 - Upon completion, and after several storm events, evaluate the usefulness of the regulation in preventing flooding and water quality problems.
- **Operating Departments:** Adequate Public Facilities can be defined, designed, funded and then constructed. Presumably, each project is responsive to a strategic objective. As an example, the city's vision is that all property is to be flood protected.
 - As an example, the strategic objective may be to reduce flooding in a specific basin. Therefore, the streets and drainage department prepares a stormwater management plan.
 - Then spend money on a drainage project and impose regulations consistent with the specifications in the Master Plan...the vision, strategy and action plans are aligned.
 - A "post mortem" on the stormwater improvement project is conducted after completion to evaluate the critical pre-construction indicators of success.

Public Service Programs specifically address the community's health, safety, welfare, recreation, cultural and education needs.

For example:

- Prepare plans and programs for after-school activities with advice from parents, teachers and students. Initiate programs at the YMCA, the Boys & Girls Club or the city's recreation center.
- Monitor the experiences of the children that attend. Over time, is there a discernible increase in classroom performance and a reduction in teenage pregnancies, absenteeism, illness and malnutrition? Modify the program to respond to the monitoring results.
- **Financial Performance:** Strength is exhibited through stable tax rates, ample reserves, a desirable bond rating and a well-managed budget.
- **Innovation, Learning and Improvement:** Learning and innovating organizations are highly visible through the attitude of staff and the character of their results. Improved methods, processes and results are usually noticed.

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CONCLUSIONS

Measuring and managing performance is an essential function of a successful enterprise, be it a business, an institution or a government entity. Enterprises build successful systems to evaluate performance when the system is focused on:

- 1. Producing outcomes, not outputs;** using the system to develop a connection between the enterprise and the users of its products and services.
- 2. Aligning operations with enterprise strategy;** directly connecting performance to the vision-driven strategic plan and monitoring the system to ensure it is, and remains, strategically relevant.
- 3. Using performance management as a transformative activity.** The effective systems are not based on an audit-mentality designed to drive punishment. The purpose of the system is to transform the enterprise into a learning, innovating and improving organization.
- 4. Committing senior management to the system** by enlisting senior managers as leaders in the process, committed to its success; thus ensuring the system and its results will permeate the entire organization as an inherent part of all enterprise activities.
- 5. Establishing the system as a serious activity of the enterprise;** insisting that the system is evidence-based and real-time; fully transparent to all stakeholders and simplified to control data and manpower costs. Real performance management systems are funded as a professional activity with skilled senior staffing to implement and manage the system.
- 6. Collaborating and partnering;** isolation and independent thinking have their place, but that place is not in the performance management arena. Conversations, communications, feedback and interactions are the lifeblood of an effective system for learning and innovating based on an evaluation of past performance.

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READINGS.

The work is hard, and only of value if the enterprise learns from its experiences and improves the delivery of facilities and services. In this age of fiscal conservatism and financial challenge, evidence-based performance measurement is critical to obtain and retain public support for budgets and programs to provide regulations, public facilities and services designed to meet the public's expectations.

CASE STUDIES

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