

# **National Performance Management Advisory Commission**

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## **Issue Paper # 2**

**Topic:           Understanding the Difference Between Performance Reporting and Performance Management**

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### **About the Issue**

One of the commonly invoked adages among those who work with performance information and performance management is the classic “What Gets Measured, Gets Managed.” This aphorism reflects the commonly held belief that the act of measuring performance is sufficient to provoke a managerial response – a response that will, it is strongly implied, improve performance.

This pattern of “stimulus & response” is taken as a given – if you have a problem, you can effectively use one or more performance measurements as a “clamp” to help fix it. Our daily routine and experience tend to reinforce this idea; most of us adjust our pressure on the gas pedal as we notice the speedometer creeping up, for example, and do so without thinking much about it. But like so many adages, while there is some truth at the heart of this one, it isn’t sufficiently true. Instead, it is probably more accurate to say that “What Gets Measured, Probably Gets Noticed – and Therefore May Get Some Response.” (This, unfortunately, isn’t as much fun to say and is far less reassuring.)

Indeed, for organizations – and especially larger, more complex ones (like governments) – this assumption of causality breaks down pretty quickly. Decision makers, no matter their level in the organizational chart, may be presented with performance information but fail to use it improve their performance for a whole raft of reasons. They may not understand what the data means (or does not mean). They may lack incentives to respond. The proper response may not be clear. There may be incentives or political pressures to not respond. And even when the best of intentions are present, the absence of an aligned management framework may mean that well-intended but separate efforts may not drive toward desired results – or may even work against one another.

It is this gap – this realization that the introduction of performance information does not automatically drive more effective management – that defines the real difference between performance reporting and performance management. Performance reporting in government presents performance data for a wide variety of purposes: compliance with statutory requirements, demonstration of transparency to stakeholders, showing accountability to citizens, etc. There is certainly nothing wrong with these purposes, and more governments would do well to subscribe to them. Indeed, one of the encouraging

trends is the increased emphasis on state and local governments providing the public with performance reports that are timely and useful. A number of governments, especially local governments, are more aggressively seeking citizen input on what performance information they want to see and how they want to see it.

But performance management takes the benefits that performance reporting brings and carries them further, squeezing significant additional value from them. Performance management does not take a sound managerial response to performance data for granted. Instead it deliberately and systematically supports the use of performance data as an essential part of management processes at all levels to drive more informed, and better, decisions. It seeks to move beyond a reporting culture to one that is focused on delivering results for customers. This is not always easily done, but it can be achieved and is a critical success factor – perhaps the critical success factor – in delivering better performance from government. The rewards are real and significant, and the deployment of performance management is widely recognized as a primary hallmark of an excellently managed government. Further, attention to performance management provides one of the most powerful ways to embed a focus on performance in an organization so completely that it can effectively survive political transitions and other large change events.

Why does this matter? Because the chief performance indicators too many government managers have long used – Have I spent my budget yet? Have I stayed off the front page of the local paper? – are now utterly insufficient, if they ever were enough. Governments face rapidly escalating and well-known pressures to improve efficiency and effectiveness and to demonstrate they are doing so. A continuing failure to address this challenge fosters further distrust of government and further erodes faith in government’s ability to be effective. And as much of the workforce at all levels of government nears retirement age and the challenge of attracting and retaining talented employees for government becomes more acute, performance management is a key factor in creating working environments in which good people thrive and stay. While it is no silver bullet – there’s no such thing, of course – performance management is clearly an extremely valuable approach for government.

## **Proposed Strategy/Recommendation**

It is important to note that performance reporting and performance management are not in opposition or mutually exclusive. In the best-managed governments there is a clear recognition that they are part of the whole – that they are both part of the continuum of managing for results.

But it is important to recognize that they are different and as such require different approaches to implementation and ongoing support. Failure to recognize and respond to these differences will undercut an organization’s best efforts. By being clear from the start on the desired result, the probability of success is significantly higher.

Some of the important implications to remember in the implementation of performance management include the following:

**Performance measures should be anchored in, and the heart of, a larger managing for results framework.** Effective performance management requires more than just generating performance data – it also must be embedded in a managing for results structure that aligns the measures with a clear mission, goal, or priority. An employee is unlikely to be very effective in advancing a department’s goals if s/he doesn’t understand how the measure(s) for which s/he is responsible align to those goals. Without this framework, it is also more likely that employees will focus on performance measures in an unbalanced or counterproductive manner. Again and again in governments the value of this “power of purpose” has been made clear – indeed, in many situations where employees created the measures themselves, the alignment within a managing for results framework to a clear purpose, goal, or priority has led to the creation of stronger performance measures and a greater commitment to their use. A managing for results framework also provides support for employees at all levels to focus more clearly on the desired results for the customer – which has also led to better results, as the examples provided later in this paper illustrate.

**Pay attention to change management.** The first rule that W. Edwards Deming, father of the modern quality movement, attached to any improvement effort was to “drive out fear.” Change – especially in large bureaucratic organizations like governments – creates conditions ripe for fear, misunderstanding, distrust, and resistance. Failure to recognize this reality and to address it on the front end will lead to a less successful effort and thus a lower return on investment. Ensure that communication is frequent and widespread so that the “information vacuum” is not as filled with distortions and rumor. Enlist trusted leaders to speak on behalf of the effort and be clear about the benefits it will bring for everyone. Be clear that this is not a “flavor of the month” initiative that folks can just wait out but is how the organization will do business going forward.

**Build internal capacity and reinforce its use.** Recognize that employees and managers at all levels don’t walk in the door knowing how to use performance information to manage any more than they walk in the door knowing how to read financial statements. They will need training and consistent reinforcement in how to use performance information to manage – that is, to communicate, to evaluate subordinates, to shape the use of resources, and to inform decision making. Employees and managers are also rational people and they will do more of those things that they see getting rewarded, so ensure incentives are aligned to support the behaviors you want. Building the internal capacity of managers and employees is essential to ensuring that they’ll know what to do with performance information when they get it – reinforcing desired actions with proper incentives is essential to ensuring that they actually do it.

**Be prepared for the care and feeding.** Changing the way an organization manages and works is a significant challenge – and not one that is likely to be overcome with one or two busy folks adding this to their already long “to do” lists. A deployment of any size and scope will need resources in place to support it, and a newly deployed management system will require ongoing resources to sustain and develop it. Treating performance management like an “event” is a fairly certain path to poor results.

**One size does not fit all for performance measures.** When elected officials want information on the financial status of a local government, we know not to send them a list of every dollar spent for every item – instead we send them higher-level, more appropriate information that better meets their needs. Likewise, performance management depends on folks at the appropriate level having the appropriate performance information, and it is not likely that the same set of performance measures will meet all needs at all levels.

**Ensure data is correct, consistent, valid, and available.** For managers and employees to use performance information to manage, they need to have easy and ready access to performance data that is correct, consistent and valid. This will require standards to be set around the collection and reporting of performance information as well as an intentional effort to ensure that systems are put in place to make that data available as needed.

## **Successful Examples**

There are numerous specific examples of how governments have improved their operations – and thus their results for their customers – by focusing on performance management in a systemic way as part of a managing for results system. A few select examples include:

- **In Metro Nashville/Davidson County, Tennessee**, the 9-1-1 emergency call center had long determined their “response time” to incoming calls by using an average of times. As part of a managing for results performance management effort they began to monitor their response times much more closely. In doing so they discovered periodic, significant short-term increases in their call response times. Investigation revealed that these were due to regular occurrences such as breaks, shift changes, etc. By changing how they handled these disruptions they were able to eliminate these spikes in their response times – and thus answer emergency calls more quickly – at no additional cost.

Metro Nashville also improved the quality of medical care received when the emergency medical service (EMS) providers responded. The employees of the Nashville Fire/EMS Department identified the rate of compliance with their official medical protocols as a “key result” for their EMS responders. They began to audit the medical tickets to assess how well medical protocols were followed and discovered significant gaps. The leader of the effort began aggressively training for the EMS responders and emphasizing the importance of following the protocols. As a result compliance with the protocols rapidly moved to near 100 percent and patients receive better emergency care.

- **In Maricopa County, Arizona**, the Department of Medical Eligibility (DOME) was responsible for determining the Medicaid eligibility for indigent persons admitted to hospitals within the boundaries of the county. The state had established and was enforcing a rule that counties had to determine eligibility within 48 hours of admission in order for state and federal Medicaid funds to be

available to pay the costs of treatment. If the 48 hours was not met, the county was required to pay the full cost – and this was costing Maricopa County between \$1-\$2 million each month.

A focus on performance management enabled the county to reverse the disaster and save the county \$25 million over the following year.

First, through the planning process, DOME established very specific, measurable goals to reduce errors to less than 3 percent, establish eligibility with 48 hours in 90 percent of the cases while maintaining care, and have the timely and accurate information they needed to achieve the goals for the county and taxpayers. The agency used these goals to reengineer business processes in their own internal operations, and focus the entire agency on the critical and urgent results needed to turn the tide. Second, the indigent persons who were the recipients of care were assured of receiving care, no matter who paid the costs. So through the development of the mission, the agency redefined their customer from the indigent patient to the county as the customer. Their focus became ensuring that Medicaid funds were used to support the costs of care.

Third, through the planning process, DOME established statements of purpose and results, output, demand, and efficiency performance measures for all operational activities. This, in combination with the goals, clarified the operational purpose for DOME staff, who became highly motivated to drive operational improvements to achieve the operational and strategic results. Fourth, during the planning process, DOME initiated communication with the area hospitals that led to cooperative agreements and timely sharing of information critical to achieving the goals.

The end result was to save the county \$25 million in one year. Subsequently, the county successfully ‘gave’ the eligibility operations back to the state, where it now resides. The latest indications from the county are that the state is struggling to meet the requirements.

- **In Franklin County, Ohio**, in the first fiscal year that the budget was fully restructured through performance management, 13 agencies submitted budgets lower than the year before. This occurred without the agencies being directed to do so, and it occurred because the budget conversations in the departments began in a new way, informed by a performance management approach: who the customer was, what results the departments wanted them to experience, what services would deliver that result – and how much those services cost. The following year, 16 agencies submitted budgets lower than the prior year. This positioned the county to respond to the recession that was fully affecting local government by that time without making drastic cutbacks in services.

Improvements in customer service are a frequent benefit of the use of performance management, specifically within a managing for results framework.

- **The City of Long Beach, California**, used the tools of performance management to cut the wait time for building permits in half. It did so by first being clear about the results it wanted in its strategic business plan, closely watching its performance information, and amending its service delivery processes to achieve greater results.
- **The Alcohol, Drug and Mental Health (ADAMH) Board of Franklin County, Ohio**, used a focus on managing for results as a tool to consciously move from a history of operating politically to consistently focusing on performance. The board contracts out 95 percent of its annual \$139 million budget to local organizations that provide preventive services to more than 112,000 people and treatment services to more than 40,000. Over the past eight years, through its performance management system the agency has focused its management attention, and that of its providers, on patient recovery from these often chronic and recurring illnesses, and on improvements in patient care and community support.

Among the many benefits of this management culture is extraordinary community support. In late 2005, Franklin County residents voted by over 60 percent to support a levy increase on their property taxes to support 10 years of funding for ADAMH services. The quote in the *Columbus Dispatch* editorial supporting the levy increase described ADAMH as “an agency that is run with an efficiency not always found in government organizations.”

## Summary

- Performance management recognizes that the existence of performance information is not sufficient to ensure it is used, but that a systematic effort is required to ensure the use of performance management is an essential part of management processes at all levels to drive more informed, and better, decisions.
- Active performance management is a proven critical factor in improving performance.
- While performance reporting and performance management are related, they are different, and success with performance management requires a unique approach to initial deployment and ongoing support.
- Effective performance management is done within a larger managing for results framework to assure alignment with purpose, goals, or priorities.
- Creation and ongoing support of an effective performance management system requires investments in change management, capacity building, and performance measurement and reporting processes.