



Overcoming Challenges to Implementing Performance Management

By Michael J. Mucha

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Governments across the United States and Canada are debating how to best provide services at prices citizens are willing to pay, and that means difficult decisions about the best way to fund services, or whether to fund them at all. Elected officials are responsible for making many of these decisions, and managers are ultimately left to deliver on expanded needs and expectations with far fewer resources than were available in the past.

At the same time, governments are also shifting to performance-based systems, a change that is all but required to meet the complex problems governments face at all levels. In fact, all governments are probably practicing some form of performance management — it is simply unavoidable. They struggle, however, with adopting a formal, government-wide approach that allows the organization as a whole to benefit from what initially might be a number of disparate efforts.

While performance management alone is not a cure-all, it does provide something valuable — a tool elected officials and managers can use to provide context and to evaluate the effectiveness of programs. Performance management helps keep governments accountable and transparent to the public, and it provides the capability for improvement and learning. These

benefits are indisputable. Case study after case study has shown the transformative effects of performance management on organizations (in both the private and public sector).¹ Change is never easy, however, and this article explores eight key challenges to overcome in implementing performance management.²

8 KEY PERFORMANCE MANAGEMENT CHALLENGES

1) Overcoming Organizational Fears. Departments and agencies can be apprehensive about using performance measures, worrying that unfavorable results will have negative consequences on funding or jobs. They often claim that what they do can't be measured and might see performance management as a public relations effort to justify services or the department as a whole. In fact, everything can be measured. If current measures don't adequately describe the end result provided by the department, this is not a reason to opt out of the system but an indication that the measures need to be reviewed and changed. Also, when developing a performance management system, the organization must communicate that the purpose of performance management is to learn and improve, not to reward or punish specific results or the achievement of predetermined targets.

2) Overcoming Elected Officials' Fears. Elected officials might have similar fears about how performance data will be used, analyzed, or interpreted by the public. Officials might also be reluctant to support investments in performance management systems if there is no clear and definitive return on the investment (i.e., “performance management has saved us \$10 million”). Additionally, elected officials often fear they will lose control and their roles will be diminished. In reality, the opposite is true. For performance management to be effective, elected officials need to make many key decisions to prioritize goals and programs, and to ultimately evaluate if proposed results justify proposed costs. Having performance information doesn't negate the need for decision making – rather, it allows elected officials to have informed and productive conversations and debates about the best policies, strategies, and plans for moving forward.

3) Finding Appropriate Levels of Resources to Devote to the Effort. Performance management can be viewed as a complex, time-consuming task that requires a tremendous effort, given resource constraints. However, performance management does not look the same in every organization. Jurisdictions with 50 employees have developed successful practices that are far different from the practices that work for organizations with tens of thousands of employees. Similarly, not every organization has to invest in expensive technology. Jurisdictions can find information or attend training on common styles of performance

management, but they still have to take whatever style they choose and make it their own.

4) Avoiding Strategic Planning Process Overload. A successful performance management system requires significant change throughout an organization. It requires not only changing processes, but also changing the overall culture. Past efforts at change might have had mixed results that will affect the performance management system. For example, many organizations have gone through strategic planning efforts (some repeatedly) with limited success. This is because many strategic planning efforts require aspects of performance management to hold the organization accountable to identified goals. Similarly, many strategic plans present a vision for the future, but not realistic goals to achieve that vision. While performance management can be viewed as the missing link to help put a strategic plan into operation, it can also be met with the perception of “here we go again.” If this condition exists, it will be important to demonstrate early success with a performance management effort and clearly show progress toward strategic goals or ways in which the information collected has contributed to key decisions.

5) Working Around Limitations of Existing Financial Systems. Many organizations using legacy financial systems are constrained in their ability to record, track, and report on performance data along with financial data. Doing so is essential to supporting the linkage between financial

and operational data, which is necessary for informing key decisions. With newer financial systems or enterprise resource planning (ERP) systems, chart of account configuration allows for great flexibility in tracking performance measures, program costs, and reporting on both. Without this kind of system, however, there are still ways to achieve similar results, such as business intelligence systems. Many systems have been developed to meet the information needs of organizations using a number of siloed legacy systems, pulling data from various sources and providing a single place from which to track, analyze, report, and communicate key information.

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6) Making Consistent Use of Data. Data that are not being used for making decisions lose their value to the organization, which leads people to eventually question why the information is being collected or reported. Organizations need to develop policies on how performance results will be used for operational and fiscal decision making. It is helpful to review key processes such as the budget, procurement, accounts payable, permit application, and key management activities (such as department head meetings and council briefings)

to determine how to inject performance information into the discussion. Over time, managers and staff will come to expect the information and it will ultimately become part of the process.

7) Focusing on What Is Really Important. Performance management is a great tool for transforming an organization and creating greater effectiveness and efficiencies, but the ultimate improvement occurs within each individual area that is affected. Performance management does not accomplish any of the usual priorities citizens look to their government to provide, with the possible exception of reporting key results to the public. To be successful in maintaining performance management efforts over time, the performance management activities themselves must not overshadow the processes they affect. For example, with or without performance management, organizations will produce a budget, hold management team meetings, and be accountable to the public. Performance management simply improves the organization's ability to do these things.

8) Viewing Performance Management as a Temporary Trend. Within a broad view of performance management, the popularity of specific approaches has varied over time. For example, popularity for specific reporting templates or "name brand" performance management systems (e.g., balanced scorecard, managing for results, budgeting for outcomes, stat systems) has waxed and waned over the past 50 years or so. Similarly, in the private sector, the popularity of

Six Sigma and total quality management have increased and decreased. However, underlying each of these specific approaches is an unavoidable trend to adopt performance-based practices. Organizations may take slightly different approaches, but ultimately, the core principles of performance management are consistent.³ |

Notes

1. Case study examples are included in the National Performance Management Advisory Commission's report, *A Performance Management Framework for State and*

Local Government: From Measurement and Reporting and Management and Improving, available at www.pmcommission.org.

2. The challenges listed in this article are based on National Performance Management Advisory Commission Issue Paper No. 4: *Challenges to Implementing Performance Management*, written by Michael F. Brown, July 2008.
3. *A Performance Management Framework for State and Local Government* identifies seven core principles of performance management.

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Evolution of Government: A Historical Perspective*

System	Results
1) Spoils System, Political Patronage	<ul style="list-style-type: none"> • Limited focus on employee skills • Dominance of informal practices • Minimal emphasis on effectiveness • Minimal overall capability
2) Bureaucratic Merit System, Political Neutrality	<ul style="list-style-type: none"> • Emphasis on rules • Focus on completing the process rather than achieving the end result; results were assumed as a condition of completing the process • Largely unresponsive to new technologies and changes in external condition • Lack of incentive for improvement
3) Performance-Based System	<ul style="list-style-type: none"> • Replaces the focus on process with a focus on results • Relies on effective decision making based on information • Makes use of service level agreements in contracts with employees, businesses, and other governments • Recognizes that resources are limited and focuses on prioritization and efficiency gains

*Based on National Performance Management Advisory Commission Issue Paper No. 4: *Challenges to Implementing Performance Management*, written by Michael F. Brown, July 2008.