



Strategy and Performance Management in the Government

A White Paper

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"President's Management Agenda: A Balanced Scorecard Approach"



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Table of Contents

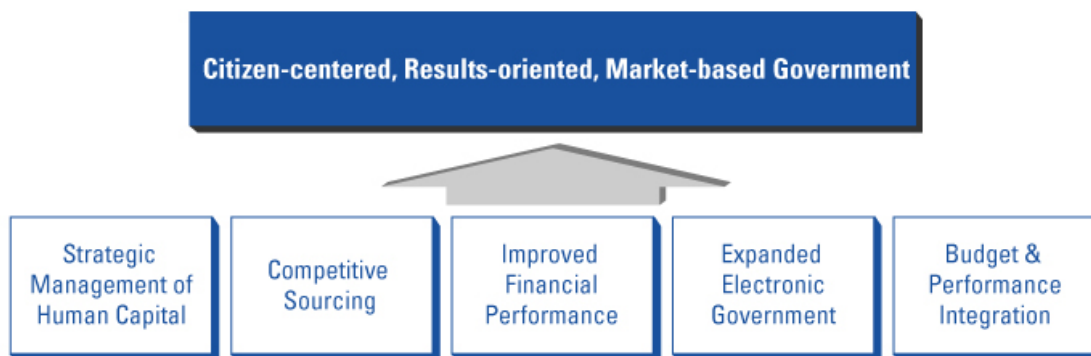
Introduction	3
The President’s Management Agenda: A Call to Action.....	3
Performance Management	4
Balanced Scorecard	4
Best Practices	6
Model Performance-Based Organization	8
Conclusion	8
About the Author	9

Introduction: An Emphasis on Performance

Government organizations in the United States and around the world are placing greater emphasis on performance, particularly with regard to the expectations of their stakeholders and customers. While promoting accountability is an important motivation for this emphasis on performance, it is not the only driving force. Most organizations operate as a network of various departments that are inextricably interconnected. Decisions made in one part of the network necessarily affect the activities and outcomes in other network areas. This drives the growing need for transparency, both within and between government agencies. In addition, a focus on performance draws attention to results.

In the United States, the President's Management Agenda (PMA) is a major example of one such initiative emphasizing performance.

The President's Management Agenda: A Call to Action



The President's Management Agenda outlines programs to radically improve performance by making government agencies more citizen-centered, results-oriented and market-based. It focuses on five major issues that all federal organizations must address — budget and performance integration, strategic human capital, competitive sourcing, improved financial performance and expanded electronic government.

The PMA builds on the emphasis that the Government Performance and Results Act (GPRA) of 1993 placed on results, outcomes and impacts. The GPRA required mission-driven organizations, and the PMA requires that budget is tied to performance. The Office of Management and Budget (OMB) is ensuring the integration of budget and performance.

A top priority of the PMA is to make government more citizen-centered. Similar initiatives have been tried before; however, in order for this to be successful, the number of layers of government must be compressed and more personnel must be moved to the "front lines" to deliver services to citizens. The cycle time on support and decision-making in all federal government organizations must be reduced as well. To do this, information technology must be utilized to effectively support frontline government personnel. As older employees retire, information technology must be used to capture their valuable experience. Understanding that every new idea does not have to be generated again, the future workforce must benefit from the experience of the retiring workforce. IT must play a key role in this transfer of experience.

Performance Management

As compared to commercial institutions, government agencies face a unique set of challenges when trying to manage performance and achieve their strategic goals and initiatives. Their mission and budgets are often decided externally with Congress and policymakers. This challenge, in particular, increases the need for greater collaboration within the agency to ensure effective implementation and success. Additionally, agencies face the uphill task of meeting their goals without direct control of shrinking budgets and resources. This furthers the need for managing performance at every step along the way.

To ensure successful execution of a mission, government agencies must develop a strategic plan. Strategy at the organizational level can then be translated into objectives at the departmental and regional levels, which in turn can be translated into operational tactics that ultimately drive execution. A strategic plan should therefore:

- (1) Outline the critical issues that must be addressed in the long term and set concrete milestones
- (2) Allocate sufficient funds to achieve results
- (3) Cancel programs that are not producing results
- (4) Provide extra funds to effective and efficient programs

These steps are particularly helpful when faced with very broad mandates that are difficult to quantify — such as provide a clean environment, eradicate poverty, ensure universal healthcare, etc.

In the process of developing a strategic plan, all agency employees should have an opportunity to understand the progress being made and to contribute to it long before the plan is finalized. Managers and employees are likely to identify more easily with a plan to which they have contributed, which will ultimately make its implementation easier.

Performance management solutions help organizations through the process of defining their strategic plans, articulating their goals and objectives and managing execution. This allows organizations to become more deliberate and accountable in their actions, and improve operational effectiveness. It also provides an effective medium by which organizations can effect cultural change. Finally, it helps promote accountability at every level of the organization and allows for proactive resolution of problems.

Balanced Scorecard

In the commercial sector, two Harvard professors, Robert Kaplan and David Norton, developed the Balanced Scorecard methodology, which states that for organizations to be successful, they can't focus exclusively on the "bottom line." Rather, successful firms must also focus on customer, internal operations, and learning & growth aspects of the business.

The Balanced Scorecard approach can be applied to the government sector as well. The methodology can be used as an effective communication medium that tells the story of the organization's strategy through the objectives and measures chosen. It provides a comprehensive view of performance against plan by offering a balance between short- and long-term objectives, between desired outcomes and performance drivers, and between "hard" and "soft" objective measures.

Balanced Scorecard Framework for Government Agencies



Adapting the key themes of the Balanced Scorecard to the government sector yields four perspectives on which agencies should focus — Stakeholder, Financial, Internal Process and Learning & Growth:

- **Stakeholder Perspective:** The stakeholder perspective is arguably the most important one for government agencies because achieving a mission does not necessarily equate to fiscal responsibility. The organization must determine whom it serves and how their requirements can best be met. This perspective captures the ability of the organization to provide quality goods and services, effective delivery, and overall stakeholder satisfaction.
- **Financial Perspective:** For government agencies, the financial perspective relates to managing the budget to obtain the desired results at minimal cost or with the greatest efficiency. Returns can be calculated as a combination of savings achieved and reallocation of funds to new projects.
- **Internal Process Perspective:** The internal process perspective focuses on key processes at which the organization must excel to continue adding value for its stakeholders. Service development and delivery, and partnering with the community are examples of items that may be represented in this perspective.
- **Learning & Growth Perspective:** The objectives in the learning & growth perspective provide the foundation to enable the achievement of the other three perspectives. Operating as mission-based organizations, government agencies rely heavily on the skills, dedication, and alignment of their staff to achieve their goals. Motivated employees with the right mix of skills and tools, operating in an organizational climate designed for sustaining improvements, are the key ingredients in achieving organizational objectives.

Organizations must focus on building employee skills, establishing technology infrastructure and providing an organizational climate that enables organizations to achieve the desired objectives.

Best Practices

A well-articulated mission and vision, a good strategic plan and well-defined operational processes can be used to drive organizational performance. However, flexibility is the key to success. While there is no “cookie cutter” approach, there are elements and experiences reported here that can be useful and beneficial to all agencies. This section outlines some of the best practices in performance management for government organizations.¹

Adapt, Don’t Adopt

A methodology or best practice should not be adopted exactly the way it was implemented in another organization; rather, it should be adapted to fit an organization’s particular needs and culture. While the problems that organizations might face are not entirely unique, each organization’s approach to resolving issues and the stakeholders involved are different, and this must be taken into account when implementing a best practice or methodology.

Leadership Does Not Stop at the Top

Leadership is a critical element that earmarks successful organizations, both government and commercial. Good leadership recognizes the importance of communication among all stakeholders in the organization and providing a clear definition of responsibilities for every employee. This encourages ownership and allows every employee to be a leader in his or her own sphere. Cascaded throughout an organization, leadership gives the performance management process a depth and sustainability that survives changes at the top — even those driven by elections and changes in political party leadership.

Establish Accountability at All Levels of the Organization

It is critical to establish accountability at all levels of the organization and ensure that personnel throughout the management chain lead by example. Accountability should be shared throughout the agency by creating a performance-based organization that encourages sponsorship of measures at all levels. Employees should be informed through various mediums of communication — organizational Web site, printed media, etc.

Connect the Dots

One of the strongest provisions of the GPRA is that all government organizations must develop a strategic plan. Top management must be involved in the development and execution of the strategic plan, but line managers must also be included in its development. This task cannot be delegated. It is difficult enough in the federal government to effectively implement a strategic plan; it is almost impossible to effectively implement a strategic plan that is not developed by the line management that must implement it.

Provide a Structured Strategic Management Framework

There are some generic principles that remain constant across all government agencies:

- ***Good product or service***
Does the organization meet the consumer’s need for goods or services or rectify a perceived wrong?
- ***Good image***
How does public opinion view the organization? Are employees enthused by the public’s perception of them?

¹ Adapted from the National Partnership for Reinventing Government, “Balancing Measures: Best Practices in Performance Management” (September 1, 1999), www.npr.gov

- **Good availability**
Can stakeholders get easy access and satisfaction? Is the organization ready and able to respond immediately to any reasonable challenge?
- **Good employer**
Are there high levels of staff retention, morale, and job satisfaction?
- **Continuous improvement**
Is there a continuous evaluation process to identify and implement improvements? Do the improvements benefit the product to the community?

Government organizations should provide a structured strategic framework that takes the above principles into consideration. Such a framework creates an organization in which achievement of a stated mission is clearly communicated and everyone works toward the same goals and objectives. This framework should also be used to promote the connection between operational programs and organizational strategy, so every employee can see how their day-to-day actions relate to the overall mission, goals and objectives.

Establish a Reward and Recognition System to Foster Performance Improvements

It is important for agencies to tie a recognition and reward system to performance management. Surveys² conducted have shown that cash and non-cash incentives work equally well in motivating employees. Employee incentives will tend to reinforce the organizational objectives being measured. Rewards should be given to both individual employees and groups. Recognition systems should be established to encourage integrated, cross-functional teams of employees, stakeholders and managers to undertake performance improvement.

Using incentive-based compensation to drive performance is usually a challenge for government agencies. Several organizations have used unique means to get around the problem. A defense agency worked with its human resources group to allow employees a day off as a reward for good performance. Another organization posted the names of employees on their Web site to recognize achievements. David M. Walker, Comptroller General of the United States, stated in a recent address that to bring out organizational change, it was critical to ensure a clear link between performance and recognition and provide meaningful incentives for high performance.³ He is actively advocating changes in government policy to support this.

Establish a Results-Oriented Set of Measures

Agencies should establish a results-oriented set of measures that balance internal operations with stakeholder and employee needs. The organization should work together to create an easily recognized body of measures, and clearly identify measures that address the concerns of the various groups. Agencies should commit to initial change by tapping all available expertise, involving everyone in the process, making the system non-punitive, and providing clear, concise guidance regarding the establishment, monitoring and reporting of measures. Agencies must maintain flexibility by recognizing that performance management is a living process, limiting the number of performance measures, and maintaining a balance between financial and non-financial measures.

Collect and Analyze Data

Organizations should collect feedback data, which can be obtained from stakeholders by providing easy access to the organization. They should also collect performance data by:

- (1) Investing both the time and the money to make it right
- (2) Ensuring that the performance data means something to those that use it

² BSCol – 01647-Clinic-GovtSummit 9.02.03

³ www.gao.gov, Fiscal Year 2004 Transitions and Transformations in the Federal Government Presented to the International Public Management Association for Human Resources, Federal Section, October 8, 2003 by David M. Walker, Comptroller General of the United States

(3) Recognizing that not everything is online or in one place

(4) Centralizing the data collection function at the highest level

Agencies should take care to analyze the data that they collect. Best practices dictate combining feedback and performance data for a more complete picture, conducting detailed analyses, making sure that everyone sees the results of analyses, and subsequently improving the process.

Model Performance-Based Organization

A large federal agency and longtime Pilot® Software customer has earned recognition as “the model performance-based organization.” Accountability already engrained in its culture, the agency has been diligently monitoring and analyzing data for many years. In order to meet the President’s Management Agenda, support its strategic initiatives and effectively manage performance throughout the organization, this agency has implemented a technology solution that provides flexibility and a streamlined interface accessible to its non-technical users. The agency uses its solution to not merely measure and monitor actions, but to actively manage agency performance against pre-defined goals and objectives, using a balanced set of operational and financial measures.

Conclusion

The United States faces multiple challenges: recovering from a recession, overseas migration of both manufacturing and high-tech jobs, a war on terrorism, and a myriad of other internal issues. As a nation, our best response is to become more effective.

Over the past ten years, government organizations have been given increasingly stronger mandates to improve effectiveness. This began with the GPRA, which mandated strategic planning and a focus on results, impacts and outcomes. As agencies looked to the private sector for examples, they realized the value of the Balanced Scorecard methodology that enabled public sector organizations to compete more effectively and focus on more than just the “bottom line.” More recently, the PMA provided greater focus on how to improve effectiveness in specific areas. To deliver on the PMA, government organizations can effectively utilize performance management. Performance management can help government organizations understand where emphasis should be placed to assign accountability and achieve results. Ultimately, they can use performance management to meet the mandate of government transformation as laid out by the PMA.



Agencies must undertake an in-depth review of programs and policies to determine which remain priorities and which should be overhauled. The government needs to take a strategic, long-term view and transform the range of government policies, systems and practices. Bringing about change and transformation will not be easy. It requires a cultural shift and radical change in thinking. A sustained commitment from the top, effective communication and the ability for organizations to articulate a compelling mission and vision are essential.

The importance of performance management in helping government agencies become more effective, results-oriented and externally focused cannot be overemphasized. Certainly, results must be achieved and progress must be measured. However, a broad emphasis on results, outcomes and impacts must happen in parallel with an equally broad emphasis on performance management. That means that government organization must also emphasize strategic plans, accountability, education and training, and a healthy system for following up on issues to take corrective action. The public should have access to timely and reliable information that not only describes how taxpayer dollars are spent, but explains how key policies and decisions are implemented.

About the Author

James B. Whittaker is a well-known author and lecturer about the Government Performance and Results Act of 1993. He has been involved in strategic planning, performance measurement, and leadership in the government for more than 40 years, including several high-ranking positions in the U.S. government. As program manager for four of the largest and most successful automatic data processing projects in the federal government, he was responsible for awarding contracts of more than \$4 billion. He was also responsible for the reengineering of three major business processes that procured, stored and issued inventory valued at more than \$50 billion. He was appointed Acting Deputy Assistant Secretary of Defense for Systems under President Reagan.

Dr. Whittaker is a founder and officer in several high-tech companies and a consultant to the General Accounting Office and the Office of Personnel Management. His clients span the public- and private sector and have included the United Nations Development Program, the U.S. Department of Agriculture, the Centers for Disease Control, the National Institutes of Health, the World Bank, the Census Department, the U.S. Department of Education, the U.S. Department of the Treasury, the Defense Mapping Agency, the Department of the Army, and the Immigration and Naturalization Service. He has been the primary lecturer on strategic planning in the Office of Personnel Management Senior Executive Service development program for more than 10 years and the primary GPRA lecturer since the law was passed.