

Measuring and Managing Performance in Local Governments: Research and Experience in North America

Prepared for the Local Government Knowledge Partnership
Workshop

Vancouver, B.C.

May 18, 2007

Local Government Knowledge Partnership



University
of Victoria

School of
Public Administration



BRITISH
COLUMBIA
The Best Place on Earth

Ministry of
Community Services

Introduction

This presentation reviews key features of performance measurement and performance management:

- Overview of performance measurement
- Key features of local governments influencing performance measurement
- Designing and implementing performance measurement systems
- How are performance measures used?
- Engaging citizens in performance measurement and management
- Conclusions and future issues

Local Government Knowledge Partnership



University
of Victoria

School of
Public Administration



BRITISH
COLUMBIA
The Best Place on Earth

Ministry of
Community Services

Overview of Performance Measurement

Some Essential Points in Overview

- Public sector performance measurement is focused on identifying and measuring key features of program and service results
- Measuring public sector performance is more complex than measuring private sector performance – there are multiple “bottom lines” for public sector organizations
- Brodtrick (1990) describes a “public sector” soccer game to convey the complexity of public sector performance
- Consultants/some academics emphasize what “should” happen – local government managers, council members and citizens experience what actually does happen

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overview of Performance Measurement (2)

Some Key Definitions

- What is performance measurement?
 - identification of program/service objectives, development of measures that are appropriate and accurate, developing systems that support performance measurement, and tracking performance in relation to the objectives
- Key types of performance measures
 - inputs, outputs and outcomes
- Input measures describe the amount of human or financial resources used to perform a service or deliver a program
- Output or workload indicators refer to the amount of work performed eg. number of calls for service (police or fire)
- Outcome or effectiveness indicators show the degree to which service goals or objectives are reached eg. fire losses

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overview of Performance Measurement (3)

Two General Reasons to Measure Performance

- Performance Measurement Should Be Used to Improve Public Accountability
 - Measuring and reporting performance to external stakeholders
 - Using performance information to decide the future of programs
 - Connecting performance results to the budgeting process
- Should be Used to Improve Organizational and Program Performance
 - Managerial uses of performance information to improve the efficiency and effectiveness of organizations and their programs and services

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overview of Performance Measurement (4)

Eight (More Specific) Reasons Why Public Sector Managers Should Measure Performance (Behn, 2003):

1. **Evaluate** How well is my public agency performing?
2. **Control** How can I ensure that my subordinates are doing the right thing?
3. **Budget** On what programs, people, or projects should my agency spend the public's money?
4. **Motivate** How can I motivate my line staff, middle managers, stakeholders, and citizens, to do the things necessary to improve performance?

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overview of Performance Measurement (5)

Eight Reasons Why Public Sector Managers Should Measure Performance (continued):

5. **Promote** How can I convince my political superiors, legislators, stakeholders, journalists, and citizens that my agency is doing a good job?
6. **Celebrate** What accomplishments are worthy of the important organizational ritual of celebrating success?
7. **Learn** Why is what working or not working?
8. **Improve** What exactly should who do to improve?

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Measurement in Local Governments

Performance Measurement in the 20th Century

- The origin of the earliest sustained municipal performance measurement program in the United States can be traced back to 1906 and the New York Bureau of Municipal Research (Williams, 2003)
- Democratic reform at the municipal government level was the driver behind the movement to report performance to the citizenry (Williams, 2003)
- Efforts were directed toward educating the electorate and informing decision making with performance results
- Data were collected and reported to high-ranking administrators, political authorities, and the public (Williams, 2003)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Measurement in Local Governments (2)

Performance Measurement in the 20th Century

- In 1938, (ICMA) published a volume titled “*Measuring Municipal Activities: A Survey of Suggested Criteria and Reporting Forms for Appraising Administration*” which provided 58 pages of performance measures (Smith and Schiffel, 2006)
- By 1953, 188 local governments in the United States were issuing performance reports to the lay-public (Lee, 2006)
- Throughout the 1970s, performance reporting declined. Factors cited include the narrow focus of reporting on management efficiency, municipal reporting didn’t make any difference (information for information’s sake), or it may have reflected a diminished public interest in performance reporting (Lee, 2006)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Measurement in Local Governments (3)

The Political and Administrative Landscape of Local Governments

- Demands for services, a limited ability to generate revenues and a reluctance to support increases in taxation (since the 1970s), result in tensions among citizens, interest groups, elected officials, and administration
- Elected officials are required to justify their balancing of competing values and priorities – governance in a fishbowl
- Local government officials do not want to be held accountable for outcomes over which they have little or no control (Bernstein, 2000)
- Committing to public accountability creates the risk that failures will be visible and possibly politically damaging (Sanger, 2005)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Designing and Implementing Performance Measurement Systems

What Do We Know About the Process?

- Iterative process, more “evolutionary” than “revolutionary” (Bernstein, 2006)
- The design and implementation process is likely to take several years (Bernstein, 2000)
- Trade-off between measurement relevance and continuity that occurs when the system is frequently modified
- Buy-in is the key factor in successfully implementing performance measurement systems

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Designing and Implementing Performance Measurement Systems (2)

- Key factors in successful design and implementation (McDavid and Hawthorn, 2006):
 - **sustained leadership (3 to five years)**
 - **communications (up, down, horizontally)**
 - **clear expectations (that are communicated) for the system**
 - **sufficient resources to begin and then to sustain the system**
 - **use of models that describe intended causal linkages between outputs and outcomes for programs/services**
 - **a valid and reliable measurement process that has the confidence of stakeholders**

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Designing and Implementing Performance Measurement Systems (3)

- **Additional factors influencing the process:**
 - **Community Size**
 - 65% of the smaller communities (populations of 10,000 – 50,000) enrolled with ICMA's Centre for Performance Measurement Benchmarking initiative have withdrawn from the program, citing ongoing costs and decreasing returns of benchmarking
 - McKinney-Gonzales (2005) conducted a study examining the implementation of performance measures in communities of less than 2000. A smaller set of measures and quarterly or semi-annual collection increases feasibility. Measures were collected for administration, public works, parks and recreation, and public safety.
 - One size does not fit all - legislative frameworks should consider local needs and allow for flexible implementation that allows for adaptation and learning (Long and Franklin, 2004)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Using Performance Information: Managing for Performance

Performance Management

- Performance measurement alone is not likely to meet the expectations of citizens, elected officials, or administrators interested in achieving results
- While it is hard to improve performance without data, the collection of data by no means assures the improvement of performance (Halmachi, 2005)
- Performance management includes performance measurement as one element in a broader system
- Local governments tend to measure performance rather than manage performance

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Management

Performance Management

- “System of strategic organizational arrangements and practices that are intended to ensure that work-related behaviour conforms to organizational expectations” (Agocs, 2005)
- Six elements of performance management:
 - (1) identify strategic goals and objectives
 - (2) Translate the goals and objectives into policies, programs and services
 - (3) Implement the policies, programs and services
 - (4) Assess what is achieved - measure performance
 - (5) Compare actual performance results to desired results
 - (6) Take tactical and strategic actions to close any gaps between desired and actual performance

Local Government Knowledge Partnership



University of Victoria

School of Public Administration

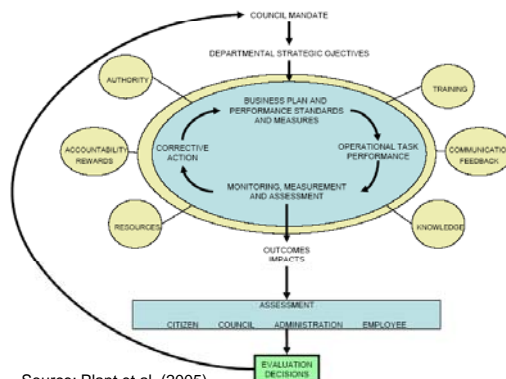


BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Management (2)

Local Government Performance Management Cycle



Source: Plant et al. (2005)

Elements of the strategic performance management cycle (outer semi-circle):

- Council mandate
- Strategic planning
- Cycle of translating plans into services
- Measurement and monitoring
- Evaluation decisions

Local Government Knowledge Partnership



University of Victoria

School of Public Administration

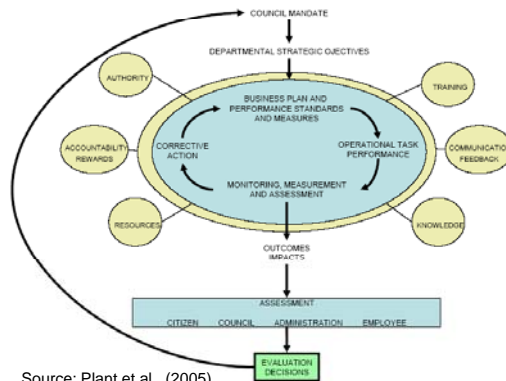


BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Performance Management (3)

Local Government Performance Management Cycle



Source: Plant et al., (2005)

Elements of the operational performance management cycle (inner circle):

1. Business planning and program design
2. Program implementation
3. Performance monitoring/internal assessments
4. Corrective actions

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Using Performance Measures: Research Results (1)

How is Performance Measurement Being Used by Local Governments?

- **Strategic planning**
 - Poister and Streib (2005) report that less than half (44%) of 512 local governments surveyed had implemented strategic planning - 25% of the 512 used performance measures to track whether goals and objectives of the plans were achieved
- **Budgeting**
 - Melkers and Willoughby (2005) surveyed 280 city managers and budget officers – most (60%) said that output/outcome measures played a limited role in their budgeting processes
- **Contract management**
 - Performance measurement is central to contract management and competitive bidding for city services (Bernstein, 2000)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Using Performance Measures: Research Results (2)

- **Performance Reporting**

- De Lancer Julnes and Holzer (2001) surveyed 513 state and local government officials - (40%) indicated that they reported performance for internal uses, whereas only 13% stated identified external requirements to report

- **Evaluations and Audits**

- Audits and evaluations make use of performance data to assess the efficiency, effectiveness, and results of a program or service (Bernstein, 2000)

- **Risk Management**

- Local governments are increasingly measuring (for example) responsiveness to inquiries, claims processing, vehicle accidents per miles driven, occupational illness or injuries and using that information to assess and manage risks (Ammons, 2000)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Using Performance Measures: Research Results (3)

- **Benchmarking**

- Comparing performance measures, or benchmarks, and organizational processes across different municipalities
- Superficial comparisons can be fraught with problems because of frequently ignored differences of the nature, scope, and quality of services (Ammons, Coe, and Lombardo, 2001)
- “...gone are the days when local governments can proclaim their uniqueness and comfortably declare their immunity from comparison to other units” (Ammons, Coe and Lombardo, 2001)
- The Ontario government has recently (2005) committed itself to (voluntary) benchmarking of selected municipal services
- That initiative is on top of mandatory performance reporting for Ontario local governments (2002)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Engaging Citizens in Performance Management (1)

Citizen Engagement

- Engaging citizens in measuring program and service performance results is an emerging trend in local government performance measurement
- Some are advocating an inclusive approach "...involving employees as well as elected officials and citizens in evaluating performance measurement information, utilizing measurement information in the decision making process, and implementing comprehensive feedback mechanisms which allow for continuous improvement." (Plant et al., 2005)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration

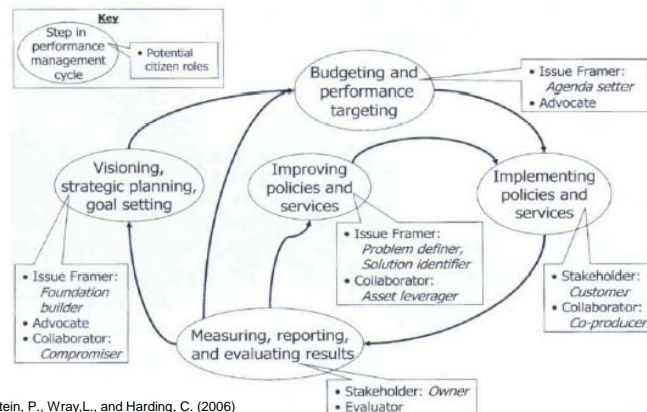


BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Engaging Citizens in Performance Management (2)

Model of Potential Roles for Citizens in Performance Management



Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Engaging Citizens in Performance Management (3)

An Example of Engaging Citizens: The Citizen Initiated Performance Assessment (CIPA) Project in Iowa

- The goal of the project is “to engage citizens in the design and use of performance measurement, thus making it more politically credible and increasing its value in the decision-making process” (Ho and Coates, 2002)
- Nine cities in Iowa, with populations ranging from 10,000 – 194,000, were enrolled in the three year project
- The three-year pilot project was initiated in the summer, 2001 and concluded in the summer of 2004. Additional information is available on the project website (<http://www.iowacipa.org>)

Local Government Knowledge Partnership



University of Victoria

School of Public Administration

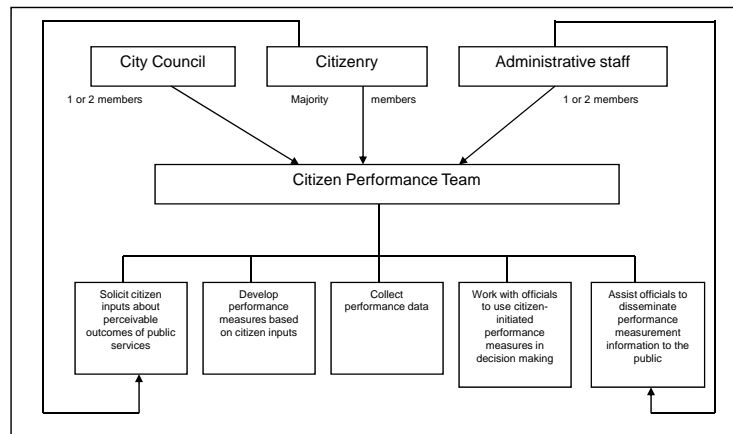


BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Engaging Citizens in Performance Management (4)

Citizen Initiated Performance Assessment (CIPA) project



Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Engaging Citizens in Performance Management (5)

Citizen Initiated Performance Assessment (CIPA) project

- Holzer and Yang (2004) draw five lessons learned in citizen engagement from the CIPA project:
 - (1) CIPA helps officials focus on outcome measures and citizen concerns
 - (2) CIPA shows the importance of public communication
 - (3) Managers should prepare for comparative performance measurement, as many citizens are interested in knowing how well their city performs relative to others in the neighboring area
 - (4) Many performance measures should be reported at the neighborhood level to enhance their relevance to citizens
 - (5) Public reporting of performance measures is important

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overall Conclusions (1)

- Performance measurement has been part of the local government landscape for more than a century
- By its nature, local government is closer to its citizens and measuring performance has always been a part of what local governments do, even if informally
- Although the popularity of local government performance measurement has grown and declined several times in the past century, it is now part of a much broader movement (New Public Management) that is affecting all governments – it is here to stay
- One problem with New Public Management is a tendency to promote a “one size fits all” approach to performance measurement
- It would be a mistake to do that in local governments

Local Government Knowledge Partnership



University of Victoria

School of Public Administration



BRITISH COLUMBIA
The Best Place on Earth

Ministry of Community Services

Overall Conclusions (2)

Trends

- Transitioning away from output-based performance measurement to more citizen-oriented and outcome-focused performance management (Modell, 2007)
- There is movement in performance measurement favouring multidimensional performance measurement/ performance management systems, such as the Balanced Scorecard
- Designing and implementing systems like the Balanced Scorecard is a resource-intensive process
- To assume that all municipalities can do so encourages “one size fits all” solutions

Local Government Knowledge Partnership



University
of Victoria

School of
Public Administration



Ministry of
Community Services

In Closing – A Question That Has Not Yet Been Answered

- Do the benefits of designing and implementing performance measurement and performance management systems outweigh the costs?
- We really do not know the answer to that question
- The research has not yet been done

Local Government Knowledge Partnership



University
of Victoria

School of
Public Administration



Ministry of
Community Services