Abstract: Over the past century, performance measurement and reporting have been an integral part of demonstrating accountability in local government. This paper reviews the current Canadian and American literature on this topic and examines both recommended and actual practices in performance measurement within the public sector and, more specifically, local government.

It discusses the rationale for performance measurement along with factors contributing to the complexity of local government performance measurement and performance management, key steps in designing and implementing performance measurement systems as well as the political and organizational factors that influence this process. Performance measurement is connected to performance management and performance management frameworks are introduced and discussed.

Existing research suggests that local government performance measurement and performance management systems are used, to some extent, in support of strategic planning, budgeting, and other governance and managerial functions. The literature also suggests that internal uses are the principal reason for reporting results. However, there is a gap between advocated uses of performance measurement and their actual utility as accountability and performance improvement mechanisms. Nevertheless, it is likely that performance measurement is here to stay, and that newer initiatives like engaging citizens in performance measurement and performance management will generate new ways that local governments approach the measuring and reporting of results.
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Executive Summary

“Public confidence in the integrity of the government is indispensable to faith in democracy; and when we lose faith in the system, we have lost faith in everything we fight and spend for.”

Adlai E. Stevenson Jr.

Public trust is a key value for all levels of government. The citizenry and interest groups expect transparency and accountability for both elected and appointed officials. Increasingly, public sector organizations are self-consciously working towards designing and implementing systems that are intended to identify goals and objectives that are focused on results, track whether and how well they are achieved, and provide information that can be used for both internal management and for external reporting. Ideally, the process of identifying appropriate objectives, strategies to achieve them, and the means to tell whether they have been achieved should engage elected officials, managers and the citizens/clients who are served by governments.

Local governments, because they are closest to citizens and because much of what they do is tangible, have a long-standing interest in demonstrating the value of programs and services. Although New Public Management became a visible movement in Western countries in the 1990s (Hood, 1991), its emphasis on managing for results is predated by the historical importance of transparency and accountability in local governments, dating to the turn of the 20th century (Williams, 2003).

This paper reviews the contemporary literature surrounding performance measurement, performance management and citizen engagement with a specific focus on local governments.
At issue is whether and how performance measurement and its related activities have been developed, deployed and used by local governments in Canada and the United States. There is a growing literature that critically assesses performance measurement in the public sector and points out the limitations of focusing on results for management and reporting. The extent to which local governments have also experienced successes and challenges with performance measurement will be a key issue in this paper. As the literature is reviewed, these questions will underpin the discussion – to what extent is performance measurement a practical and useful set of tools for local governments? Does it continue to be viewed as a key part of managing and reporting in local governments, or is there a growing sense that it has not lived up to its promises? If it has fallen short of expectations, what is needed to increase the likelihood of it being successfully implemented and used?

These questions are addressed within this paper from the following perspectives. To begin, some key features of performance measurement are introduced, offering a general description of performance measurement and a sense of why performance measurement is considered to be an essential part of modern public sector management and accountability. Second, the discussion draws attention to the unique context of local governments, identifying the features of local governments conditioning performance measurement, the historical context of performance measurement in the 20th century, and the contemporary and evolving features of local government that make performance measurement more complex and challenging. Third, the design and implementation of performance measurement systems and the factors influencing the process are considered. Fourth, the literature that connects performance measurement to performance management is discussed, and where possible, local government issues are summarized and discussed. Fifth, the paper considers the reported use and utility of performance measurement and performance management, supported by examples of the performance measurement and performance management practices of municipalities in Canada.
and the United States. Sixth, the literature surrounding citizen engagement in performance measurement and management is reviewed. Finally, the paper concludes with a brief discussion identifying recent trends and future issues in performance measurement and performance management.
Key Features of Performance Measurement

This section of the paper provides an overview of performance measurement in the public sector, identifying the complexity of this exercise. Furthermore, the rationale for measuring and reporting performance is also considered.

**Performance Measurement**

In the absence of the private sector’s bottom line, public sector performance is not as easily identified as well-understood goals like profit or market share. Whereas profit does not require extensive explanation, selecting, justifying, measuring and reporting public sector performance can be a complex process. Proper and Wilson (2003) identify two unique characteristics about the public sector; (1) administrators often have several masters: these may include the users of the service, payers for the service, politicians at different levels of government, professional organizations, and (2), as a consequence of the first, the multiplicity of goals that public sector organizations face. Brodtrick (1990) uses a metaphor of a soccer game to convey the complexity of public sector performance:

“We are often told by people in the business world that if the public sector were only run like the private sector, it would be perfect. We have all heard this, but I think it fails to understand what public sector organizations are about. I like to illustrate the difference using the analogy of a soccer game. [The private sector] sees a coach, a team captain, players with assigned positions, and established rules for scoring goals. Everybody knows at any given time what the score is – and which team is winning. In the public sector, we also have a team, but there the resemblance ends. The team plays on a round field surrounded by numerous goals. There is no fixed number of players. Players leave and enter the game sporadically, and there are numerous balls of various sizes. The players kick these balls at any one or another of the different goals. Sometimes, balls are kicked in
from outside the field. While the game is going on, men in green overalls move the goal posts around. And nobody knows who is winning and losing. The game is organized anarchy (Brodtrick, as cited in McDavid and Marson, 1990).”

In the literature reviewed in this paper, there is an important distinction between what “should” happen and what actually does happen when public sector organizations, including local governments, commit to designing and implementing performance measurement systems. Among the technical aspects of performance measurement are the identification of goals, objectives and strategies for the organizations in which performance measurement will be implemented, the development of measures that are appropriate and accurate, and the design of systems that support performance measurement (gathering performance information, organizing it, analyzing it, and reporting it). In that vein, Lindbald (2006) suggests that “the use of goals, measures, and data to evaluate services is called performance measurement. Agencies measure performance in several ways: amount of inputs and outputs, degree of efficiency, and type of outcomes. Input measures describe the amount of human or financial resources used to perform a service. Output or workload indicators refer to the amount of work performed. Outcome or effectiveness indicators show the degree to which service goals and objectives are reached. The ratio of inputs or outputs to outcomes provides a measure of efficiency.” This definition offers a technical description of performance measurement but does not capture the organizational/cultural and political overlay. The literature addresses performance measurement from a variety of contexts and perspectives in its attempt to describe the complexities involved in adopting, implementing, and then sustaining a performance measurement system.

In most public sector organizations, even if all these technical aspects line up, there is no guarantee that performance measurement will be successfully implemented. In addition to the
technical face of performance measurement, there is the cultural/political face that must be successfully navigated in order to get a performance measurement system that is actually delivering what it was designed to deliver (McDavid and Hawthorn, 2006). Negotiating what the goals, objectives and strategies are is one example of the intersection of the technical and the cultural/political streams in designing and implementing performance measurement systems.

Others include organizational leadership, sufficient and sustained resources and commitment, clear two-way communications as the system is designed and implemented and revised, clarity in the expectations around how performance information will be used, engaging prospective users in the process of designing and implementing measures, engaging users in how performance information will be reported, and revisions to the system as experience with it accumulates (McDavid, and Hawthorn, 2006).

**The Rationale for Performance Measurement**

“Financial restraints in public expenditures in recent years have resulted in calls for increased accountability and, consequently, in continuous efforts to improve the efficiency and effectiveness of public services (Pollanen, 2005).” The aim of performance measurement is to address the issues of accountability and organizational performance.

Broadly speaking, there are two general ways that performance measurement is expected to be deployed. First, it is intended as a key part of rendering public organizations and governments accountable. As well, performance measurement is intended to have an impact on the efficiency and effectiveness of organizations and their programs and services. Performance measures can be captured for varying purposes and audiences, which requires consideration in developing a meaningful performance measurement system.
Accountability

Public, or external, accountability is the notion that governments must answer to their citizenry to justify the use of public resources; internal accountability refers to the notion that departments must report to their directors to justify the decisions made and the strategies followed (Bracegirdle, 2003). External accountability is the public face of performance measurement and is often associated with public reporting of performance results. Internally, performance measurement is reported to hold departments accountable for programs, operations, policies, processes and compliance with laws and regulations (Bracegirdle, 2003).

The complexity of performance reporting is illustrated by Kluvers (2003). He describes internal and external accountability within the context of three accountability relationships. He suggests that three complex accountability relationships emerge: the council-citizen relationship, the council-administration relationship, and the administration-citizen relationship (Kluvers, 2003). In each case, the relative power and interests of the players within the four accountability relationships, and between them, will influence the nature and understanding of accountability. Performance is an important element of each of these accountability relationships (Forum on Municipal Governance and Accountability, 2006; Kluvers, 2003). “However, the problematic nature of accountability for performance is reinforced if it is seen to be reduced to the provision of performance information, since the data suggests that power, management control of performance information, the conflicting accountability relationships and the possible distortions created by these relationships could affect the integrity of the performance information (Kluvers, 2003).”

Improving Performance

The literature suggests that performance measurement systems are indispensable for managing government agencies and are intended as a means to make more informed decisions
Measuring and Managing Performance in Local Governments

(Poister, 2004; de Lancer Julnes and Holzer, 2001). From a management perspective, there is considerable agreement that the principal reason for performance measurement should always be to improve performance (Behn, 2003).

Behn (2003) provides the following list of eight reasons why public sector managers should measure performance:

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 line staff, middle managers, nonprofit and for-profit collaborators, stakeholders, and citizens to do the things necessary to improve performance?

5. **Promote**  How can I convince 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 performance?

He suggests that the first seven reasons on the list support the goal of improving performance, which is the principal reason for managers to use performance measurement (Behn, 2003). When used for the purpose of formative program evaluation, performance measurement is reported internally with the intent to improve program or service efficiency or effectiveness. Behn’s (2003) list may represent an ideal, as he does not address the issue that, once captured, performance data has the potential to be used in different ways. A manager relinquishes a
certain amount of control over the use of externally reported performance measures. When used as an accountability mechanism, external performance reporting can be used for the purposes of summative program evaluation. Consequently, the perception of the intended use of performance reporting is an important consideration and may affect the extent to which managers engage in performance measurement. Clearly, the broader political and cultural overlay is a key consideration in the design and implementation of a performance measurement system.

In summary, performance measurement in the public sector is a challenge because of the multiple, sometimes conflicting, goals. Performance measurement and reporting are intended to address public accountability and improve public sector efficiency and effectiveness. However, if the use of performance reporting includes the summative evaluation of programming, it may affect how managers engage in the process of performance measurement.

**Performance Measurement in Local Governments**

This section of the paper begins by describing how the unique characteristics of local government affect performance measurement. It also provides a review of local government’s long-standing interest in performance measurement. Additionally, the discussion considers the contemporary context of performance measurement in local government.

**The Political and Administrative Landscape of Local Governments**

A number of factors contribute to the unique political and administrative landscape of local governments. Municipal politics is quite open and the citizenry has relatively easy access to its elected officials and administrators (Forum on Municipal Governance and Accountability, 2006). While there are a number of variations of urban government structures across Canada, municipalities are generally governed by a group of elected officials who delegate varying
degrees of management functions and responsibilities to professional administrators. Citizens entrust elected officials with the stewardship of public resources and they, in turn, empower professional administrators to manage those resources. However, the interests of the citizenry and interest groups often compete. Local politics, in essence, is a process of making decisions among competing values and interests. Limited financial resources will make prioritization of initiatives a necessity. In establishing priorities, councillors must strike a balance between their own values, the interests of their constituents, and the interests of their community (Forum on Municipal Governance and Accountability, 2006; Masson, 1994). Demands for services, a limited ability to generate revenues, and a reluctance to support increases in taxation that is the widespread legacy of the local government tax revolts of the 1970s in the United States, result in tensions among citizens, interest groups, elected officials, and administrators (O’Sullivan, Sexton, and Sheffrin, 1993). Decisions that are made are typically visible and often are subject to after-the-fact scrutiny by individuals and groups. Within this environment, elected officials are required to justify their balancing of competing values and priorities. Performance measurement and reporting can be an ally in demonstrating that decisions, programs and services have outcomes that enhance the efficiency and effectiveness of local government. However, local government officials do not want to be held accountable for outcomes that they have little or no control over (Bernstein, 2000). Committing to accountability creates the risk that failures will be visible and possibly politically damaging (Sanger, 2005). Whereas internal reporting is most often focused on the formative evaluation and improvement of programs, external reporting is usually more summative – that is, there is a “bottom line” aspect to external (public) reporting.

Depending on the local or regional political culture, there are varying degrees of risk associated with reporting information that includes evidence of whether initiatives, programs and services have achieved their intended results. Elected officials and administrations can be exposed to criticism within the local media, particularly on issues around which there is continuing division.
Although this kind of criticism is part of the territory of local governance, it can have a chilling
effect on efforts to fairly report on the successes and challenges faced in trying to achieve
objectives (McDavid and Hawthorn, 2006).

**Performance Measurement in the 20th Century: From New York to New Public
Management**

Early public administration theorists began writing about the need for municipal administrators to
measure and report performance directly to their citizenry late in the 19th century (Lee, 2006).
Williams (2003) suggests modern discussions surrounding performance measurement in local
government can be traced back to early performance reporting efforts in New York City
(Williams, 2003). 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 City
Betterment, which was formalized a year later as the New York Bureau of Municipal Research
(Holzer and Kloby, 2005; 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.
Data was collected and reported to high-ranking administrators, political authorities, and the
public (Williams, 2003). The reports were used for political and managerial purposes (Williams,
2003). Between 1908-1911, reformers in New York experimented with budget exhibits to
describe budget options; in Spokane, a similar exercise was visited by nearly one-third of the
voting population (Lee, 2006).

Williams (2003) points out that these early efforts to reform local government included the
measurement of inputs, outputs, and outcomes. He provides compelling evidence to support
his assertion that these early predecessors of contemporary performance measurement not
only developed outcome measures but also exhibited "sophistication in methods and some
understanding of the difficulty in establishing a causal link between program activity and outcomes” (Williams, 2003). The data was used to measure and report efficiency, to make recommendations for improvement in service delivery methods, and to reconcile administrative discretion with accountability (Williams, 2003). Results were reported to the citizenry to provide them with the information needed to “keep watch on government” and “hold public managers accountable for their use of public funds” (Williams, 2003).

Municipal reporting was in its heyday during the 1920s to the 1940s (Lee, 2006). A substantial body of literature on performance measurement in local government was also written during this period. Clarence Ridley of the International City Managers Association (ICMA) and the University of Chicago, published “Measuring Municipal Government” in 1927. In that same year, Leonard White published “The City Manager”, identifying the possible role of conflicts between the city manager and city council regarding the issuing of reports (Lee, 2006).

Throughout the 1930s, local government reporting had become a standard item in the training curriculum of municipal administrators (Lee, 2006). “The definitive codification and formalization of municipal reporting occurred in 1931, published in the final recommendations of the National Committee of Municipal Reporting (Lee, 2006). This committee, a joint effort of the American Municipal Association, ICMA, the Governmental Research Association, and the National Municipal League, had worked on the definitive and standard municipal report format for two years. 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, some of which are still in use today (Smith and Schiffel, 2006). “This was a pioneering report discussing the ways to measure the performance of a number of municipal services (Kopczynski and Lombardo, 1999)”. By 1953, Ridley reported that 188 local governments in the United States were issuing periodic performance reports to the lay-public, a considerable increase from the 12 he reported in 1927 (Lee, 2006).
In the second half of the century, interest in performance measurement and reporting waned to such an extent that it nearly disappeared from the literature and the administrators’ agenda (Lee, 2006). During the 1960s municipal reporting was largely reduced from multiple methods to a single, annual municipal report (Lee, 2006). Throughout the 1970s, performance reporting by public entities, including local governments, was relatively rare (Kopczynski and Lombardo, 1999). Lee (2006) suggests a number of factors may have contributed to the decline in reporting. They include the narrow focus of reporting on management efficiency as opposed to policy choice, the perception that municipal reporting didn’t make any difference (information for information sake, rather than purposes of improved administrative efficiency), or a diminished public interest in performance reporting (Lee, 2006).

Reform initiatives, including the renewed interest in performance measurement, of the late 1980s and 1990s were largely associated with the New Public Management (NPM) agenda, (Hendrick, 2000). Hood (1995) describes NPM as the lessening or removal of differences between the private and public sectors and a greater accountability for results (as in Kluer, 2003). NPM promotes multi-source suppliers of service from private or non-profit organizations, with the fundamental belief that market incentives will result in improved efficiency and effectiveness. The performance literature identifies a number of external forces that have influenced this movement towards government reform including taxpayer revolts, pressure for privatization, devolution of responsibilities to lower levels of government, increasing pressures to reduce spending and to adapt private sector techniques (Poister and Streib, 1999; Holzer and Kloby, 2005; Kopczynski and Lombardo, 1999). The environment was ripe for change as governments grappled with debt resulting from large and persistent operating deficits of the 1970s and 1980s (McDavid and Hawthorn, 2006). The NPM movement was complemented by a series of budgeting and management reforms, such as Total Quality Management (TQM), at the local government level, focusing on performance and making government more productive,
responsiveness to customers, and accountable for managing outcomes. (Hoque, 2005; Kluvers, 2003). Further, calls for improved accountability and transparency resulted in increased efforts by local governments to demonstrate the efficiency and effectiveness of public services (Pollanen, 2005). The response from all levels of government was a trend towards results-oriented restructuring of government services and performance-based management (Pollanen, 2005; Wholey, 1999).

**Contemporary Context of Local Government**

Accountability in the modern context of local government is unique in comparison to other levels of government. Whereas historically, the focus of local government accountability and performance was limited to financial stewardship, the contemporary context of accountability has broadened and is increasingly complex (Kluvers, 2003). Local governments are held accountable not just for fiduciary responsibilities, but also for community planning, quality of service, local by-laws and regulations, and revenue generation. Efforts to improve efficiency and effectiveness (and their attendant accountability/reporting relationships) include the consideration of alternative service delivery (ASD) methods such as private-public-partnerships, outsourcing of services, and the adoption of new technology such as e-government initiatives. Kluvers (2003) points out that citizens hold local government officials accountable for the performance of these emerging initiatives and relationships. Additionally, the complexity of identifying public sector goals clearly has an affect on accountability within the public sector. In an environment where goals change frequently, there is some difficulty in assigning and accepting accountability. As a result, in many communities political and managerial functions of government coexist in an uneasy accommodation (Masson, 1994).

Further, increasing demands for services are creating fiscal pressures at the local government level. The relationships between local, provincial, and federal governments continue to
change. Devolution of infrastructure responsibility to local governments, municipal growth and development, environmental sustainability, and the provision of social housing are examples of some of the complex issues being addressed by local governments. Local government officials experience pressure to couple service delivery demands with limited revenue-generating options (Melkers and Willoughby, 2005). Municipalities deliver a vast array of services in Canada, investing more resources than provincial and federal governments in a number of service areas (Appendix 1) and contributing greatly to the quality of life of the residents in local communities (Pollanen, 2005). Statistics Canada reports that the consolidated local government budgeted expenditures is $99 billion, representing 16.5% of all government spending in 2006 (see Appendix 1). In 2006, the consolidated municipal budgeted expenditures for transportation and communications, environment, recreation and culture, and regional planning and development were all considerably greater than those of the federal government. Municipalities also planned on spending similar amounts or more than the consolidated provincial budgets in general government services, protection of persons and property, transportation and communications, environment, recreation and culture and housing.

Local government officials find themselves caught in the contradictory position of increasing demand for services, with low tolerances for tax increases. Potential expenditure reducing strategies, such as out-sourcing of services, must somehow be balanced with service quality and effectiveness. Proponents of performance measurement assert that it is an important tool in navigating the increasingly complex local government environment (Plant, 2006).
**Designing and Implementing Performance Measurement Systems**

The literature on performance measurement includes many normative discussions that provide descriptions of the factors and processes that should affect the design and implementation of performance measurement. There is a smaller body of literature that considers the organizational contextual factors influencing this process in local government organizations (de Lancer Julnes and Holzer, 2001; McDavid and Hawthorn, 2006; Rogers, 2006). The design and implementation of a performance measurement system can be considered “as part of a broader strategy to adopt performance management” (McDavid and Hawthorn, 2006). This section of the paper discusses the key considerations in the design (development and adoption of a performance measurement system) and the implementation (actual use) of performance measurement systems in local government.

**Models of Performance Measurement Systems**

There are a number of models of performance measurement systems, most of which share similar characteristics (Bernstein, 2000; McDavid and Hawthorn, 2006; Rogers, 2006). Bernstein (2000) developed a local government model of a performance measurement system that highlights several considerations surrounding the design and implementation of a performance measurement system (see Figure 1).
Figure 1 Performance Measurement Use to Support Local Government (Bernstein, 2000)

1. Local governments need information on activities for which governments are accountable:
   - Policies
   - Programs
   - Performance
   - Process
   - Legality

2. Performance measurement systems are established to meet information needs. User perceptions of measurement quality support for use by senior officials, and other barriers influence the use of measures. If not found credible, or if there is not support, measurement systems will be reconfigured or abandoned.

3. If credible, performance measures are incorporated in process support:
   - Strategic Planning
   - Budgeting
   - Monthly, Quarterly, Reporting
   - Evaluations and Audits
   - Financial Reporting

4. Government functions that incorporate use of performance measures:
   - Decision Making
   - Reporting and Accountability
   - Performance Monitoring

5. If measures are perceived as useful, if there is continued support by senior officials, and if barriers are addressed or overcome, measures will be consistently used. If not, new measures or systems need to be developed.

This model establishes the major features and uses of performance measurement, illustrating the major flow of events that are intended as local governments design and implement.
performance measurement systems. “The model theorizes a logical relationship linking
government activities and responsibilities for which information is needed (Step 1) with
government process (Step 3) and the functions supported by performance measurement
systems (Step 4) (Bernstein, 2000).” As the performance measures are developed and
implemented, the utility of the performance measures is assessed, creating a feedback loop that
influences changes to the design and implementation of the performance measurement system.

One of the key points that Bernstein’s model (2000) brings attention to is the notion of
performance measure credibility and evaluation. The literature reviewed for this paper offers
little insight into the actual process of evaluating the validity and quality of performance
measures. There is a general consensus across the literature that meaningful measures are
developed with the input of stakeholders, including the citizenry and elected officials where
relevant, but the literature was largely silent as to how, when, and to what extent this practice
should occur. Bernstein (2000) asserts that “users of the performance information evaluate the
credibility and quality of the systems that produce performance measures themselves, and the
extent of political and bureaucratic support for using performance measures.”

Bernstein’s model also identifies the iterative nature of the process of designing and
implementing a performance measurement system. The process is more “evolutionary” than
“revolutionary” (Bernstein, 2006). The jurisdictions just beginning the process of developing
performance measures should expect the evolution of performance measurement to be an
iterative process and take several years (Bernstein, 2000). One thing to be aware of is the
trade-off between measurement relevance and continuity that occurs when the system is
frequently modified. While measurement continuity allows for long-term comparisons, the
system can also become less relevant over time (McDavid and Hawthorn, 2006).
Bernstein (2006) acknowledges that this model infers that performance measurement occurs within a closed system, which it clearly does not. More will be said about the political/cultural variables that influence this process in the following discussions.

**Key Steps in Designing and Implementing a Performance Measurement System**

McDavid and Hawthorn (2006) identify a list of 12 key steps in designing and implementing a performance measurement system that consider many of the factors influencing successful implementation (see Appendix 2). While all 12 criteria are assumed to contribute to the likelihood of success, the following six criteria are considered essential: (1) sustained leadership, (2) communications, (3) clear expectations for the system, (4) sufficient resources, (5) use of valid logic models, and (6) a valid and reliable measurement process that has the confidence of stakeholders. McDavid and Hawthorn (2006) acknowledge that unique local factors may influence this process and the steps they propose are to be considered as a guideline.

The literature identifies the importance of sustained leadership in the successful design and implementation of a performance measurement system in a local government setting (Bernstein, 2000). The early support of local government officials, including elected officials, top-level administration, and departmental managers, is critical to the success of performance measurement (de Lancer Julnes and Holzer, 2001). The implementation of a performance measurement system represents a major organizational change and it is important that organizational leaders champion this change and provide ongoing support to the process (McDavid and Hawthorn, 2006; de Lancer Julnes and Holzer, 2001).
A strong communication strategy is an important consideration in managing the change effectively. McDavid and Hawthorn (2006) suggest a multi-channel communication strategy, including top-down, bottom-up, and horizontal communication.

The motivation for the implementation of a performance measurement system should be discussed and clear expectations should be established between the various stakeholders. To attract organizational buy-in, which is considered essential for the successful design and implementation of a performance measurement system, “performance measurement should be used primarily for the internal performance management” (McDavid and Hawthorn).

Sufficient resources are required to design and implement a performance measurement system. Insufficient resources are frequently cited as barriers to collecting and reporting performance data (de Lancer Julnes, 2004; Bernstein, 2000). Implementation of a performance measurement system requires not only a significant front-end investment of resources but must also be appropriately sustained by the system. Performance measurement may require an investment in technology to support the collection of data and will require a commitment of human resources to implement and sustain it. Clearly, the cost and resources associated with the implementation of a performance measurement system is an important factor in considering the returns for local governments. When feeling strapped for resources, department heads may do the minimum required (de Julnes, 2004, handbook).

Valid logic models require clearly stated program objectives that should be developed with the input of stakeholders (McDavid and Hawthorn, 2006). Logic models can then be used to identify program outputs, measurable linking constructs, and outcomes. The key constructs of the logic model must be measurable with valid and reliable data. While quantitative data may
be the most accessible, qualitative data should be used when warranted (Wang and Gianakis, 1999).

Valid and reliable data is especially important in establishing credibility with stakeholders. Data must be reliable, timely, and consistent from period to period (Pizzarella, 2002; Rogers, 2006). Interestingly, Chan (2004) reports that only about 60% of administrators in the United States and Canada were willing to “bet their job” on the quality of the financial information measured, and only one third said the same of the measures of employee performance and customer satisfaction. Furthermore, Kelly and Rivenbark (2006) report that only a small percentage of the municipalities using performance measurement actually audit their data. In local governments, data is most often validated internally (Bernstein, 2000).

Additional Considerations

Performance measurement within local government is complex and influenced by a number of variables. The following discussion identifies a number of additional considerations that may influence the design and implementation of performance measurement systems in local government.

Rational/Technocratic and Political/Cultural Variables

As suggested, the literature distinguishes between rational/technical considerations and the political/cultural context of performance measurement in local government organizations. De Lancer Julnes and Holzer (2001) investigated the contextual factors influencing the adoption (the development of performance measures), implementation, and use of performance measurement in local governments. The authors developed a refined model of performance measurement which integrates rational/technocratic and political/cultural frameworks, considering a broader and more holistic set of organizational factors which may affect the
design and implementation of performance measurement systems in local government organizations (de Lancer Julnes and Holzer, 2001).

From the rational/technical perspective, the design and implementation of performance measures is a primarily technical exercise (de Lancer Julnes and Holzer, 2001). Rational/technical factors include the organizational resources necessary for performance measurement, the extent of an organization’s goal orientation, information or knowledge of performance measurement systems, and external requirements to measure and report performance. As previously discussed, performance measurement systems must be adequately resourced to be successful. Organizations with a high goal orientation are also more likely to adopt a performance measurement system (de Lancer Julnes and Holzer, 2001). Managerial effectiveness is negatively related to organizations with goal ambiguity, which is the extent to which organizations express their targets in an objective and measurable manner (Rogers, 2006). Information or knowledge of performance measurement systems is cited as a factor limiting implementation (Bernstein, 2000). Involvement and training of internal interest groups, such as employees affected by performance measurement, can lead to a greater understanding of the purpose of adopting a performance measurement system (de Lancer Julnes and Holzer, 2001).

While these considerations are important, performance measurement does not occur within a vacuum (de Lancer Julnes and Holzer, 2001). Internal interest groups, external interest groups and unions, and a local government’s tolerance for risk taking are likely to determine how performance measurement systems are designed and implemented. Internal interest groups would include all managers and employees who may be threatened by the associated accountability of performance measurement systems. Ideally, organizational cultures should be flexible, open, tolerant, and forgiving to allow organizational learning to occur as individuals
explore options, make mistakes, and learn (Hendrick, 2000). Perceived fear of being held accountable, particularly for outcomes, is frequently cited as a major barrier (Bernstein, 2000; de Lancer Julnes, 2004). Unionization has a slightly negative impact on the implementation of performance measurement, particularly performance measures that are used for evaluation or pay for performance (de Lancer Julnes and Holzer, 2001).

In their research, De Julnes and Holzer (2001) surveyed state, county and local government administrators. Of the 510 respondents to their survey, 289 (or 57%) were senior managers of large cities (the average number of employees in the respondent organizations was 3,047) in the United States (de Julnes and Holzer, 2001). The results of their research suggest that rational/technical factors, such as organizational resources, knowledge, and goal orientation have a greater influence on system design, whereas cultural/political factors have a greater effect on the implementation, or use of the system. De Lancer Julnes (2004) asserts that simply learning how to use the information is not the issue, “the real issue is that deciding what to do with the information is a political decision”.

**Community Size**

Performance measurement is more prevalent in larger communities (Poister and Streib, 1999). Poister and Streib (1999) surveyed senior local government officials of cities in the United States with populations greater than 25,000. The authors reported that in cities with less than 50,000 inhabitants, 30% had implemented performance measurement, while cities with 50,000 to 250,000 people reported a rate of 50% and cities greater than 250,000 reported a rate of 75%. Smith and Schiffel (2006) suggest that 65% of the smaller communities (populations of 10,000 – 50,000) enrolled with ICMA’s Centre for performance measurement benchmarking initiative had withdrawn from the program, citing ongoing costs and decreasing returns of benchmarking as possible reasons for the turnover. However, McKinney-Gonzales (2005)
conducted a modest study examining the implementation of performance measures in communities of less than 2,000. She enrolled three smaller communities into a performance measurement project. The municipalities defined the type and number of measures to be collected for administration, public works, parks and recreation, and public safety. The data were collected and compiled in a report format in three months intervals. The results suggest performance measurement may be a viable management tool for smaller communities. A smaller set of measures and quarterly or semi-annual collection increases feasibility. It was estimated that annual cost of the approximately $2,000 USD per municipality would allow the community to participate in larger benchmarking projects.

One-Size Probably Does Not Fit All

While top-down legislated requirements are likely to increase the likelihood of the adoption of performance measurement systems in municipalities, the literature suggests that successful performance measurement systems should retain the flexibility to adapt to local needs. Long and Franklin (2004) discuss the paradox of a top-down implementation of a bottom-up reporting system in their examination of the implementation of the Government Performance Results Act (GPRA) of 1993 in the United States. “While planning and reporting results requires a bottom-up, decentralized implementation process for informing management decisions and providing accountability to external stakeholders, GPRA implementation is constrained by top-down directives (Holzer and Kloby, 2005). As a result, Long and Franklin (2004) conclude that a top-down (higher level of government) one-size-fits-all approach is not suitable. Legislative frameworks should allow for flexible implementation that allows for adaptation and learning (Long and Franklin, 2004).
From Performance Measurement to Performance Management

The following discussion provides a description of performance management models, and identifies some of the issues associated with the implementation of a broader performance framework within local government.

Performance Management

There is a large literature suggesting that performance measurement as a stand-alone process will not meet the expectations of citizens, elected officials, or administrators interested in achieving results. While it is hard to improve performance without the data, the collection of data by no means assures the improvement of performance (Halmachi, 2005). The literature converges on the notion that a multi-dimensional, or systems approach, that includes performance measurement as one element within the system, is required. Plant (2006) suggests, “…the focus of most municipal implementations is primarily on performance measurement rather than performance management, because governments, particularly local governments, limit their performance enhancement activities to measurements rather than strategic management.” Halmachi (2005) identifies the need to manage the human and organizational elements associated with the processes of strategic planning and performance measurement to ensure a greater likelihood of success.

Performance management, from an organizational perspective, “may be understood as the system of strategic organizational arrangements and practices that are intended to ensure that work-related behaviour conforms to organizational expectations” (Agocs, in Plant et. al., 2005). Agocs (2005) identifies five elements of performance management; (1) identify standards, goals, or desired level of performance; (2) measure performance; (3) communicate performance; (4) compare performance information to desired standard; (5) take action to close any gap between desired standard and actual performance.
Performance Management Models

The literature provides a number of examples of performance management systems (McDavid and Hawthorn, 2006; Plant, 2005). While similar, each model conveys unique considerations and perspectives identified within the performance management literature. Together, the models demonstrate some of the key issues in the development and implementation of a performance management system. Performance management is a broader, holistic approach, that involves performance measurement and strategic planning, but the results of both those processes rely on the effectiveness of a municipality’s overall capacity for performance management (Poister and Streib, 2005).

In Figure 2, McDavid and Hawthorn (2006) offer a performance management framework that identifies five critical processes that must occur within the performance management cycle: (1) set clear objectives through the strategic planning or policy development process; (2) develop effective strategies to achieve the desired results within policy or programs; (3) implement managerial controls to ensure alignment of management systems; (4) report Performance measures; (5) the results of the performance measurement are transformed into real consequences.
McDavid and Hawthorn (2006) explicitly acknowledge the political reality of the organizational relationships that influence the model. Implicit in this model is the notion that in practice,
performance management systems must strike a balance between a normative/technical view of organizations, and a cultural/political reality. The model illustrates that performance measures are but one component of a considerably more complex system.

When the focus of the system shifts from performance improvement to accountability, and the measures are used to compare or judge performance, performance management systems can promote unintended behaviours such as gaming (McDavid and Hawthorn, 2006). Furthermore, while some level of management control is required to ensure that resource utilization is aligned with the desired outcomes, the need for control within the performance management system must be balanced with the opportunity to take risks and develop innovative cost-efficient approaches to service delivery at the level of the line manager and employees producing services. Very clearly, performance management occurs within a dynamic environment, in which there exist a number of complex accountability relationships, and as a result, performance management systems are likely to influence behaviours. The nature of the influence, however, depends on the balance between the perceived benefits of using the system as it is intended to be used, versus the political risks associated with generating and sharing performance information.

Again, the unique context of performance management within local government should be considered. “Greatest results will be achieved when measurement information is integrated into key processes and systems within the organization while factoring in the unique demands and limitations of the local government’s organizational culture and environment” (Plant, 2006). Every municipal government operates within a unique organizational culture and structure, in which the key players are a blend of elected officials and a professional administration and staff, consisting of a mix of unionized and non-unionized employees. Ideally, elected officials set the course and the administration translates the direction into a broad range of desired services and
programs for the citizenry. "In this context, the essential purposes of performance management are to attain: (1) effective, efficient, and responsive service delivery that contributes to a high quality of life within a changing local community; (2) citizen satisfaction with local government services and programs; (3) community well-being and sustainability; and (4) employee satisfaction and development (Agocs, in Plant et al., 2005).

In Figure 3, Thomas Plant et al. (2005) offer a variation on the framework provided by McDavid and Hawthorn (2006). The model retains the basic elements of a performance management system: (1) council mandate (clear goals and objectives); (2) strategic planning (effective strategies); (3) cycle of translating plans into services (aligned management systems); (4) measurement and monitoring (performance measurement and reporting); (5) evaluation decisions (real consequences). But Plant’s (2006) model differentiates the processes involved in performance measurement into three levels: (1) the macro level performance evaluation\(^1\) and decision making (outer circle); (2) the operational level of performance implementation and improvement (inner circle); and (3) the enabling conditions that enhance the performance of the overall system (smaller circles).

\(^1\) Plant (2006) refers to evaluation in the context of general performance evaluation and is not intended as a model of program evaluation.
Macro level strategic decision making includes the processes involved in setting the overall strategic direction for the municipality and the alignment of services and programs delivered at the department level. Departmental objectives, aligned with the strategic goals set by council, are the starting point for the business plans. Business plans identify the specific actions, resources, and timelines necessary to achieve the desired results.

Outcome measures are used to operationalize the strategic plan and help communicate organizational expectations. Feedback from staff members, citizenry, and elected officials is included within the assessment and considered in the evaluation of programs or services, which
are modified as necessary to satisfy the strategic objectives and council’s mandate. Macro level measures are reviewed on an annual basis or within the municipality’s budget cycle.

The operational level evaluation, the inner circle in Figure 2, consists of operational performance implementation and improvement. The model suggests that the improvement cycle is continuous and requires proactive management to take corrective action as soon as any problems are identified. Operational performance measures are cascaded downward to all levels of the organization (Plant and Douglas, in Plant et. al., 2005). A key to the sustainability of the continuous performance improvement is the involvement of operational staff and operations management in the development of dashboards, as this is essentially their tool to help manage operations (Plant and Douglas, 2005).

The enabling conditions are represented by the smaller circles connected to the operational level and they “must be present in the organizational environment before a performance management model will produce any significant benefits” (Plant and Douglas, 2005). The enablers facilitate frontline staff and middle management involvement, which is key to allowing them to see each measure as a means of improving their work.

The performance management system should support the review of measures, analysis of results, and corrective action (Plant and Douglas, 2005). In focusing on the system results, senior management can create accountability for the outcomes or results. A limited number of cascading measures that meet the needs of each level of the organization should be implemented, which can be achieved through a strategic business planning process. In this way, results are aligned with the overall strategy, business plans, and individual performance measures. Plant and Douglas (2005) identify nine high performer specific performance management system elements: (1) Alignment between the strategy, business plans, and
performance measures; (2) Measures and their targets have a direct link to the business plans and the strategy; (3) Formal mechanism in place to facilitate action; (4) Tools and assistance provided to improve performance; (5) Timely reporting on variances and responses; (6) Documented root cause analysis; (7) Targets guide operational decisions; (8) Responsibility and authority to act on results at management and staff levels; (9) Cascading structure with different measures for each level, including measures at the employee work team level.

Uses and Utility of Performance Measurement and Performance Management

It stands to reason that the unique organizational and environmental context of a municipal government influences the use and utility of performance measurement and performance management. The rational/technical and political/cultural factors discussed earlier in this paper provide some insight into “the differences between how performance measures are intended to be used and the manner and extent to which they are actually used” (McDavid and Hawthorn, 2006). This section of the paper examines the primary research investigating the uses and reported utility of performance measurement and performance management by local governments in Canada and the United States.

How is Performance Measurement Being Used by Local Governments?

The literature affirms local governments’ continued interest in utilizing performance measurement as an accountability and performance improvement tool in the new millennium. Recall Bernstein’s (2000) model, illustrating the theoretical uses of performance measurement to support decision making, performance monitoring and performance management. The following discussion provides an overview of some of these specific uses, and others, as reported in the literature.
Strategic Planning

Bryson (1995) defines strategic planning as “a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it” (as in Poister and Streib, 2006). In theory, performance measurement should be an integral part of the strategic planning process (Willoughby and Melkers, 1996, as in Bernstein, 2000). Poister and Streib (2005) distributed surveys to 1,247 senior officials in local governments with populations over 25,000 within the United States. Of the 512 municipal managers who responded, slightly less than half (225 or 44%) reported their jurisdictions had initiated formal citywide strategic planning over the past five years. Only 56% of the respondents who reported using strategic planning used performance measures to track accomplishment of goals and objectives in the strategic planning process (Poster and Streib, 2005).

Budgeting

“Budget allocation and decision making is often an extension of the strategic planning process, and may be a component of many local government performance measurement models” (Bernstein, 2000). While local budget officers and administrators remain positive regarding the development of a performance measurement system, the literature suggests that performance measurement results continue to play a limited role in influencing budget decisions (Melkers and Willoughby, 2005). Melkers and Willoughby (2005) distributed 735 surveys and obtained 277 responses from city managers, budget officers and local government administrators. When asked how important output and outcome measures were in the budgeting process, the median response was “somewhat important” (Melkers and Willoughby, 2005). However, performance measurement adds value to the budgeting process by providing information regarding performance results, costs, and activities (Melkers and Willoughby, 2005).
(2006) reported that elected officials are likely to discuss performance data during budget deliberations if the information is available.

The City of Fort Lauderdale links performance measures to budget allocations (Sharp, 2001). In 2000, the City had a $337 million budget and a population of approximately 150,000. “Program specific goals are established which are specific to the upcoming fiscal year… Each program goal should have specific program and service objectives that are very specific in terms of timeframe and measurability” (Sharp, 2001). For example, one of Fort Lauderdale’s goals is to “have a clean city” and one of the service objectives is to reduce the cost per ton of refuse disposal by separating yard waste by 15,000 tons. Performance inputs, outputs, and outcome measures are utilized. The performance data must be included with budget submissions. The information is used “as the budget-balancing decisions are made” (Sharp, 2001). Performance data was utilized by the City Commission to assume the role of delivering ambulance services in the city; a decision that meant an additional 56 paramedic/firefighters were to be recruited. Clearly, this data affected resource allocation.

Performance Reporting

Performance reporting includes the internal and external communication of performance results. As discussed earlier in the paper, internal reporting is most commonly associated with performance improvement efforts whereas external reporting is linked to the concept of accountability. Internal reporting improves communication across an organization. External reporting is increasingly becoming a legislated requirement for municipalities in the United States and Canada, which may affect the use of performance measures. It is not entirely clear how this will affect the use and utilization of performance measurement. De Lancer Julnes and Holzer (2001) investigated factors influencing the utilization of performance measurement. Of the 513 respondents, 289 (57%) were local government employees. When asked whether
there was a requirement to use performance measures, 68 (13%) stated their organization was required by law to use performance measures, 67 (13%) cited an administrative requirement, and 205 (40%) reported that they utilized performance measurement because of an internal policy. The results suggest that the use of performance measurement by local governments is more likely to be driven by internal policy requirements for external reporting.

Evaluations and Audits

“As an activity designed to ensure government accountability, performance audits and evaluations can make use of information collected as either part of a performance measurement system, or collected to assess the efficiency, effectiveness, and results of a program or service” (Bernstein, 2000). Performance measurement can be used to identify whether projects have been implemented and to track the accomplishment of goals and objectives (Poister and Streib, 2005).

Benchmarking

Benchmarking is the process of comparing individual performance measures, or benchmarks, and organizational processes across different municipalities through performance measurement (Bernstein, 2000). It is a form of performance reporting, but a characteristic that makes benchmarking unique is that the information is often only shared between the participants of the benchmarking program (Smith and Schiffel, 2006). However, the development and use of comparative measures for services can be difficult (Melkers and Willoughby 2005). Superficial comparisons can be fraught with potential problems because of frequently ignored differences of the nature, scope, and quality of services (Ammons, Coe, and Lombardo, 2001). That said, “gone are the days when local governments could proclaim their uniqueness and comfortably declare their immunity from comparison to other units” (Ammons et al., 2001, as in Folz, 2004).
A noteworthy benchmarking project to discuss is the ICMA sponsored Comparative Performance Measurement Consortium. In 1994, the project began with a group of 44 municipalities participating in the pilot program. The number of participants has since grown to over 150 local governments; the majority of the participating municipalities have populations greater than 100,000, but there a number of mid-sized (50,000-100,000) and smaller cities (10,000-50,000). The service areas evaluated under the program include:

- Code Enforcement
- Facilities Management
- Fire and EMS
- Fleet Management
- Highway and Road Maintenance
- Housing
- Human Resources
- Information Technology
- Library Services
- Parks and Recreation
- Police Services
- Purchasing
- Refuse and Recycling
- Risk Management
- Youth Services

To participate in this project, local governments charged an annual fee of $5,400 USD for communities with populations greater than 10,000 and $2,600 USD for smaller municipalities.
The literature provides numerous examples of municipalities participating in benchmarking programs. Pizzarella (2004) discusses the North Carolina Performance Measurement Project and provides the following example of its use and benefit to the city of Winston-Salem. “The service of residential refuse collection is documented as providing meaningful data for decision making in several jurisdictions. Central management within the city of Winston-Salem used project data in an examination of its service delivery. Project data demonstrated that Winston-Salem’s tons per full-time equivalent (FTE) position were lower than the cities with comparable collection systems. In further investigation, the city also determined that the collection points per route and hours worked per FTE position were lower than the comparison cities. At the same time, the city was contracting for some of its residential refuse collection. Recognizing that city crews could take on more work, the city redeployed its own crews rather than renewing one of its contracts for service. The redeployment led to a cost reduction of approximately $395,000 in 1997–98 (Pizzarella, 2004).”

Program and Performance Monitoring
Periodic monitoring of program performance is central to a performance management system. Inputs (costs), outputs, and outcome measures are monitored and analyzed to identify changes in performance. Performance measurement is also increasingly being used to evaluate contract performance. Bernstein (2000) asserts that performance measurement is central to contract management and competitive bidding for city services. There is a growing body of literature regarding the role of performance measurement in competitive bidding and managing contracts in public-private arrangements, including services such as refuse collection, which can be easily measured and monitored and where the contract can be evaluated based on comparisons
against baseline performance measures (Auger and Raffel, 2004; Bernstein, 2000). The City of Indianapolis, known for both performance measurement and competitive bidding, reported that performance measurement was a key element in creating competition between the public and private sector (Lemov, 1998, as in Bernstein, 2000). The contracts are evaluated based on the baseline performance measures.

Risk Management

Performance measurement and benchmarking can be used “to identify practices and conditions that increase the likelihood of loss, to influence improvements wherever practical, and to minimize the financial ramifications whenever losses do occur” (Ammons, 2000). Examples of performance measurement benchmarks to monitor and improve risk management program efficiency and effectiveness in local governments include responsiveness to inquiries, claims processing, and vehicle accidents per miles driven, occupational illness or injury in local governments, and program effectiveness (Ammons, 2000). For example, Ann Arbor, Michigan has the following risk management performance benchmarks:

- **Responsiveness to Claim:** Percentage of prospective claimants to whom instructions for filing a claim are distributed within the first 24 hours of inquiry: target 90%.
- **Claims Processing:** Percentage of citizen claims processed within 48 hours of receipt: target 95%.
- **Workers Compensation:** Percentage of workers’ compensation accident reports distributed to claims service within 24 hours: target 95%.
General Trends in Use and Utility of Performance Measures in Canada and the United States

The literature investigating the actual use and utility of performance measurement and performance management in local government is limited relative to the normative literature describing design and implementation. The following studies report on the general trends in performance measurement and performance management use in Canada and the United States.

Poister and Streib (1999) investigated the utilization of performance measurement in cities in the United States with populations greater than 25,000. The authors distributed 1,218 surveys to mostly city managers and some mayors or finance directors; 674 valid responses were returned. The respondents represented a disproportionately larger group of cities with a population of 100,000 to 249,999. Thirty-eight percent of the respondents reported use of performance measures. As in Table 1, output, or workload, measures were used more than outcome or efficiency measures, which is not surprising because these are the easiest to collect (Poister and Streib, 1999). Protective services, code enforcement, and parks and recreation were the areas most likely to be using reporting outcome, or effectiveness, measures.

Table 1 What performance measures are used in functional areas in your city and what type of measures do you use?

<table>
<thead>
<tr>
<th>Functional Area</th>
<th># of Cities Reporting</th>
<th>Workload or Output</th>
<th>Unit Cost or Efficiency</th>
<th>Outcomes or Effectiveness</th>
<th>Service Quality</th>
<th>Client or Citizen Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Service</td>
<td>230</td>
<td>77.8%</td>
<td>32.2%</td>
<td>64.8%</td>
<td>56.5%</td>
<td>53.0%</td>
</tr>
<tr>
<td>Fire Service</td>
<td>212</td>
<td>71.2%</td>
<td>30.7%</td>
<td>56.6%</td>
<td>56.1%</td>
<td>41.0%</td>
</tr>
<tr>
<td>Emergency Medical Services</td>
<td>151</td>
<td>58.9%</td>
<td>30.5%</td>
<td>44.4%</td>
<td>45.0%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Animal Control</td>
<td>160</td>
<td>53.8%</td>
<td>22.5%</td>
<td>33.1%</td>
<td>27.5%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Community Planning</td>
<td>233</td>
<td>57.1%</td>
<td>24.9%</td>
<td>45.1%</td>
<td>39.1%</td>
<td>41.2%</td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>236</td>
<td>68.2%</td>
<td>31.4%</td>
<td>53.4%</td>
<td>44.1%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Housing</td>
<td>140</td>
<td>44.5%</td>
<td>28.1%</td>
<td>43.8%</td>
<td>26.0%</td>
<td>28.8%</td>
</tr>
<tr>
<td>Water Supply/Sewage</td>
<td>198</td>
<td>67.2%</td>
<td>52.5%</td>
<td>46.0%</td>
<td>44.4%</td>
<td>37.9%</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>199</td>
<td>59.8%</td>
<td>45.2%</td>
<td>35.2%</td>
<td>36.2%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Street Maintenance</td>
<td>237</td>
<td>70.5%</td>
<td>46.8%</td>
<td>46.4%</td>
<td>40.1%</td>
<td>37.6%</td>
</tr>
<tr>
<td>Traffic Engineering</td>
<td>228</td>
<td>51.3%</td>
<td>34.2%</td>
<td>37.7%</td>
<td>34.6%</td>
<td>29.8%</td>
</tr>
<tr>
<td>Library System</td>
<td>156</td>
<td>60.3%</td>
<td>32.4%</td>
<td>39.0%</td>
<td>42.6%</td>
<td>47.1%</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>227</td>
<td>67.8%</td>
<td>40.1%</td>
<td>49.8%</td>
<td>46.7%</td>
<td>54.2%</td>
</tr>
</tbody>
</table>

Source: Poister and Streib, 1999
As shown in Figure 4, more than two-thirds of the respondents reported that performance measurement was important to the strategic planning and the budgeting process, and more than three-quarters of them identified that it was important to strategic management. The majority of cities reported that their measures were used in a meaningful way to support a number of management processes (Poister and Streib, 1999).

**Figure 4  How Important are Performance Measures in Various Management Processes?**

As shown in Table 2, of the cities that reported having a comprehensive performance measurement system, a number of respondents reported a variety of moderate impacts. Almost 80% reported that performance measurement had a moderate to substantial impact on the quality of decisions and more than 60% reported a moderate to substantial change in budget allocation. The results suggest that at least for those cities that reported comprehensive performance measurement systems, performance measurement is perceived to be used in a meaningful way.
Pollanen (2005) surveyed 334 local government senior administrators from Canadian municipalities, examining the types of performance measures used across the functional units and the actual use of performance measures.

**Table 3 How are Performance Measures Used for Services/Programs?**

<table>
<thead>
<tr>
<th>Service/program</th>
<th>Efficiency measures M (Rank)</th>
<th>Effectiveness measures M (Rank)</th>
<th>Efficiency vs effectiveness (ψ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire services</td>
<td>2.89 (11) 185</td>
<td>2.98 (10) 183</td>
<td>0.1877</td>
</tr>
<tr>
<td>Police services</td>
<td>2.79 (13) 100</td>
<td>3.05 (6) 100</td>
<td>0.0067</td>
</tr>
<tr>
<td>Roads maintenance</td>
<td>3.38 (1) 264</td>
<td>3.18 (3) 262</td>
<td>0.0017</td>
</tr>
<tr>
<td>Transit services</td>
<td>3.32 (2) 97</td>
<td>3.09 (4)a 96</td>
<td>0.0182</td>
</tr>
<tr>
<td>Waste management</td>
<td>3.29 (3) 186</td>
<td>3.21 (1)b 182</td>
<td>0.1285</td>
</tr>
<tr>
<td>Municipal water supply services</td>
<td>3.21 (5) 190</td>
<td>3.21 (1)b 187</td>
<td>0.9296</td>
</tr>
<tr>
<td>Licences, permits, and/or tax collections</td>
<td>2.92 (9)a 225</td>
<td>2.87 (12) 226</td>
<td>0.1803</td>
</tr>
<tr>
<td>Parks, recreation, and/or culture</td>
<td>2.92 (9)a 214</td>
<td>2.94 (11) 213</td>
<td>0.6680</td>
</tr>
<tr>
<td>Library services</td>
<td>3.16 (6) 112</td>
<td>3.01 (8) 110</td>
<td>0.0320</td>
</tr>
<tr>
<td>Community planning, zoning, and development</td>
<td>2.85 (12) 233</td>
<td>2.81 (13) 230</td>
<td>0.6128</td>
</tr>
<tr>
<td>Health care services</td>
<td>3.17 (7) 35</td>
<td>3.03 (7) 35</td>
<td>0.4224</td>
</tr>
<tr>
<td>Social services</td>
<td>3.25 (4) 40</td>
<td>3.00 (9) 37</td>
<td>0.0086</td>
</tr>
<tr>
<td>Municipal finance and administration</td>
<td>3.15 (8) 254</td>
<td>3.09 (4)a 248</td>
<td>0.0655</td>
</tr>
</tbody>
</table>

Notes: Five-point scales were used with the following anchoring: 1 = to hardly any degree; 2 = to some degree; 3 = to average degree; 4 = to moderate degree; 5 = to great degree; "a" denotes a tie.

Source: Pollanen (2005)
As shown in Table 3, Pollanen (2005) reported that efficiency (cost/unit) and effectiveness (outcome) measures are used to some degree for most services or programs provided by local governments. Unlike Poister and Streib (1999), the use of efficiency measurements exceeded the use of outcome measures in all areas except police services. The greatest degree of development of both efficiency and effectiveness measures occurred for roads maintenance, waste management, transit services, and municipal water supplies (Pollanen, 2005). This finding is not surprising as the development of performance measures for physical services is easier than for softer services with more constraints for obtaining reliable outcome data (Pollanen, 2005; Poister and Streib, 1999). In interpreting the results of Table 1, note that the number of responses does not include “not applicable”, reflecting the fact that some municipalities do not provide all services (Pollanen, 2005).

### Table 4  What is the Actual Use of Performance Measures in Your Municipality?

(Results based on a five point scale with the following anchoring: 1 = to hardly any degree; 2 = to some degree; 3 = to average degree; 4 = moderate; 5= to a great degree)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Efficiency measures (mean)</th>
<th>Effectiveness Measures (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program and service management decisions</td>
<td>2.66</td>
<td>2.63</td>
</tr>
<tr>
<td>Budgeting and resource allocation decisions</td>
<td>3.17</td>
<td>3.01</td>
</tr>
<tr>
<td>Comparing performance with target</td>
<td>2.67</td>
<td>2.6</td>
</tr>
<tr>
<td>Comparing performance with other municipalities</td>
<td>2.23</td>
<td>2.14</td>
</tr>
<tr>
<td>Reporting performance to elected officials</td>
<td>2.99</td>
<td>2.92</td>
</tr>
<tr>
<td>Reporting performance to general public</td>
<td>2.35</td>
<td>2.34</td>
</tr>
<tr>
<td>Reporting performance to government agencies</td>
<td>2.17</td>
<td>2.13</td>
</tr>
<tr>
<td>Reporting performance to non-government funders/creditors</td>
<td>1.74</td>
<td>1.73</td>
</tr>
<tr>
<td>Reporting performance to employees and unions</td>
<td>2.24</td>
<td>2.24</td>
</tr>
<tr>
<td>Comparing administrator's performance with other municipalities</td>
<td>1.95</td>
<td>1.94</td>
</tr>
<tr>
<td>Determining administrator's pay incentive/nonmonetary rewards</td>
<td>1.78</td>
<td>1.84</td>
</tr>
</tbody>
</table>

Source: Pollanen, (2005)
Table 4 lists the reported uses of performance measurement. Budgeting and resource allocation, reporting to elected officials, and performance comparisons were the most frequently identified use of performance measures (Pollanen, 2005). These results align with Poister and Streib (1999), supporting that performance measures are regarded as “legitimate and potentially useful for various managerial and reporting purposes, and highlight the need to focus specifically on the further development of meaningful effectiveness measures” (Pollanen, 2005).

Chan (2004) distributed surveys to 467 chief administrators of Canadian municipalities and 451 local governments in the USA, investigating the adoption of the balanced scorecard. Respondents included mayors, chief administrative officers, managers, city or council executives, and controllers or treasurers. Chan (2004) received a total of 184 responses, 52 of which were from Canadian municipalities.

### Table 5 What Types of Performance Measures are Used in Your Municipality?

<table>
<thead>
<tr>
<th>Performance perspectives</th>
<th>Performance measures developed</th>
<th>Output measures developed</th>
<th>Outcome measures developed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Canada</td>
<td>USA</td>
</tr>
<tr>
<td>Financial performance (%)</td>
<td>80.1</td>
<td>75.5</td>
<td>81.8</td>
</tr>
<tr>
<td>Operating efficiency (%)</td>
<td>71.2</td>
<td>57.1</td>
<td>76.6</td>
</tr>
<tr>
<td>Customer satisfaction (%)</td>
<td>67.8</td>
<td>57.1</td>
<td>71.9</td>
</tr>
<tr>
<td>Employee performance (%)</td>
<td>65.7</td>
<td>65.3</td>
<td>65.9</td>
</tr>
<tr>
<td>Innovation/change (%)</td>
<td>33.4</td>
<td>16.7</td>
<td>39.7</td>
</tr>
</tbody>
</table>

*Note: The percentage reported is based on the number of respondent administrators whose organizations have developed measures for the performance perspective.

Source: Chan, 2004

As shown in Table 5, 80% percent of the respondents reported the use of financial performance measures, leaving one in five municipalities that had yet to develop measures to evaluate their financial performance (Chan, 2004). More municipalities used output measures than outcome...
measures (Chan, 2004). The percentage that had developed output/outcome measures was consistently lower in Canadian local governments than American municipalities (Chan, 2004).

Financial performance was the most utilized and valued performance data for both sets of respondents. Of the Canadian respondents, 79% reported financial performance measures were highly valued, 78% reported that the measures are reported externally, yet only 47% were willing to bet their job on the accuracy of the information. Further, 61% of the Canadian municipalities identified that financial performance measures were used for the purposes of resource allocation. Similar to the previous two studies discussed, the respondents perceived the information to be highly valuable, well-defined and of good quality, and used to support management functions (Chan, 2004).

**An Example of Performance Management**

Plant et al. (2005) provide eleven case studies of cities utilizing some elements of performance measurement and performance management. As shown in Appendix 3, the cities are evaluated based on a set organizational criteria. Coral Springs, Florida, is recognized by the National Partnership for Reinventing Government as a "best practice" government for its work in performance management (Douglas, as in Plant et al., 2005). “Coral Springs has established a system that translates strategy into action” (Douglas, as in Plant et al., 2005).

Unique features of the city that support successful performance management include a highly integrated strategic planning system, a yearly business plan that operationalizes the strategic plan, a city budget that is driven by the business plan initiatives flowing from the strategic plan, and a well-defined performance evaluation system. Employee work plans are linked directly to department performance measures, making the business plan and performance measurement relevant to the daily work (Douglas, as in Plant et al., 2005). “Accountability is brought in by tying performance to annual pay raises” (Douglas, as in Plant et al., 2005).
By using this strategic management approach, the city has been very successful in attaining strategic priorities and department targets, as evident in the steady growth of its composite index. The composite index consists of 10 financial and service operations indicators.

**Provincial Performance Reporting Initiatives**

From a national perspective, performance measurement by local governments remains largely voluntary. However, a few provinces have legislated mandatory participation in performance reporting. Ontario, Nova Scotia, and British Columbia have initiated performance reporting projects with varying degrees of flexibility and prescriptive requirements for local government performance reporting. The following discussion provides an overview of the performance measurement projects in these provinces.

**Ontario**

The Province of Ontario supports two major performance measurement projects, the Municipal Performance Measurement Program (MPMP) and the Ontario Municipal Benchmarking Initiative (OMBI).

In 2002, Ontario implemented the MPMP which requires 332 municipalities to report efficiency and effectiveness measures in 12 core service areas and a total of 51 measures (Ministry of Municipal Affairs and Housing, Province of Ontario, 2006). The Ministry of Municipal Affairs and Housing (MMAH) asserts that the MPMP provides taxpayers with useful information on service delivery and municipalities with a tool to improve those services (Province of Ontario, 2006). The results of the MPMP are shared publicly and available on the Municipal Affairs website. Participation in this program is mandatory. Training and start-up support was provided by the Province. For additional information, refer to the following website: [http://www.mah.gov.on.ca/](http://www.mah.gov.on.ca/).
In 2005, the Province of Ontario initiated the Ontario Municipal Benchmarking Initiative (OMBI). The purpose of the project is to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results in order to identify best practices of service efficiency and quality in Ontario municipalities. Participation is voluntary and the results appear to be available only to participating municipalities. The project’s website suggests Provincial funding is available for start-up and support costs. Additional information is available online at http://www.ombi.ca/charter.asp.

As seen in Figure 5, Burke (2005) provides a framework demonstrating the alignment of Ontario’s performance measurement programs. The MPMP and the OMBI programs provide performance data to the Ontario Centre for Municipal Best Practices (OCMBP), which in turn identifies and promotes best practices.

Figure 5  Alignment of Performance Measurement Programs in Ontario

Burke (2005) discusses a number of challenges encountered in the implementation of these initiatives: “Even though the ministry had been granted legislative authority to enact a performance measurement framework for municipalities in the province, the decision to make performance measurement a mandatory program generated some resistance in the municipal
sector, especially among municipalities that were not practicing performance measurement at the time... A small number of municipalities continue to voice their opposition to the idea of measuring and reporting performance. Their voices will grow if they do not experience the benefits just described.”

The results of the program suggest that the performance information is being used to facilitate some performance comparisons and, perhaps, some modest improvements in performance.

“The program has created conditions for improving the quality of municipal services. It has also created the tools and data to verify this claim. While anecdotal evidence suggests that municipalities are making small yet valuable improvements in their operations, the program’s benefits become more apparent as comparative data are compiled each year.”

**Nova Scotia**

The Province of Nova Scotia requires 51 local governments to report on 41 performance indicators (Province of Nova Scotia, 2006). The results are available for the periods of 2000-2003 on their website at [www.gov.ns.ca](http://www.gov.ns.ca), and could be used to compare with other similar municipalities. It is unclear whether the program has been discontinued or the recent results have yet to be posted.

**British Columbia**

As of January 1, 2004, the Community Charter of British Columbia required local governments to prepare an annual report that will be available to the public and will include efficiency and effectiveness measures for the services provided by the municipality (Government of British Columbia, *Community Charter*, S.B.C. 2003, c26). The report is expected to identify the service objectives of the municipality and the performance measures linked to the objectives. Whereas
Ontario and Nova Scotia prescribed specific measures, the Community Charter provides local governments with the flexibility to develop their own measures. While this approach may limit the extent to which municipalities can compare performance or participate in benchmarking, developing a more meaningful set of measures may improve the usefulness of the performance measurement system, locally (Ammons, 1999).

**Engaging Citizens in Performance Measurement and Performance Management**

For the purpose of this discussion, citizen engagement refers to the process of involving the citizenry in the design and utilization of a performance management system in local government. This topic raises a couple of key questions: (1) Should citizens be involved in the process of designing and implementing a performance measurement system?; (2) If so, how should citizens be engaged in this process? This section of the paper reviews the literature examining citizen engagement, and discusses an example of a project attempting to increase citizen participation in the local government performance management process.

**Citizen Engagement**

Generally, the literature supports 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). Halmachi (2005) asserts “organizational performance requires prudent management of the interface between the organization and important elements from its environment in general and citizens as taxpayers, ‘owners’ and ‘customers’ in particular”. “When done in the right way, citizens’ involvement can become a promising strategy for managing performance by mobilizing support, new ideas and critical feedback that facilitate the timely fine-tuning of operations” (Halmchi, 2005). Citizen inclusion in the measuring of performance adds value to the process and better
informs policy decisions (Holzer and Kloby, 2005). Citizen satisfaction surveys are an effective tool for measuring service quality (Swindell and Kelly, 2005). Weeks (2005) suggests that broad public participation contributes to informed decision making for citizens, elected officials, and managers alike, enabling local governments to resolve pressing community issues. Public participation is perceived to be effective in meeting public needs, building consensus, and building public trust in government (Wang, 2001). Citizen participation in the development of performance measures helps managers and elected officials design and measure services that matter to the community (Holzer and Kloby, 2005). The value of performance measurement may be undermined if perceived to be less important by elected officials because of the lack of citizen involvement. (Ho and Coates, 2002).

Figure 6  Roles for Citizens in Performance Management Cycle

As shown in Figure 6, Epstein, Wray, and Harding (2006) present a model describing a number of potential roles for citizen input into the performance management cycle. The model theorizes that there are five steps in the performance management cycle that citizens could play a role in: (1) budgeting and performance targeting; (2) implementing policies and services; (3) improving policies and service; (4) measuring, reporting, and evaluating results; and (5) visioning, strategic planning, and goal setting.

The authors suggest that citizen participation and interest can be improve by considering citizens beyond the role of customer, and engage them in the roles of stakeholders, advocates, issue framers, evaluators, and collaborators (Epstein et al., 2006). For example, in Washington D.C., Mayor Anthony Williams has engaged thousands of citizens on a biannual basis as issue framers in “citizen summits” (Epstein, et al., 2006).

A Citizen Engagement Project

In 2001, a team of representatives from the University of Iowa, Iowa State University, and the Iowa League of Cities launched the Citizen Initiated Performance Assessment (CIPA) project. 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).” CIPA is funded by the Alfred P. Sloan Foundation. Nine cities in Iowa, with populations ranging from 10,000 – 194,000, were enrolled in the three year project. Figure 7 provides a conceptual overview of the project.
The following key activities were completed over the course of the three years:

1. Formation of Citizen Performance Teams (CPT) in each pilot city (summer, 2001)
2. Selection of service area(s) to implement CIPA (summer, 2001)
3. Solicitation of citizen input about selected service area(s) (fall 2001 - spring 2002)
5. Integration of performance measures into budgeting (summer-fall 2002)
8. Regularization of CPT and CIPA in the budgetary process (fall 2003)
9. Expansion of CIPA to other service areas (fall 2003 - spring 2004)
11. Project evaluation (spring - summer 2004)

The CIPA model for citizen-based performance measurement differs from traditional performance management systems in three significant aspects: (1) it emphasizes collaboration among citizens, elected officials, and city staff in developing performance measures, thereby enhancing the political credibility of performance measurement and increasing the likelihood that the information will be used in the decision-making process; (2) it emphasizes the citizen perspective in the development of performance measures, so that performance measurement is not solely oriented toward managerial needs; and (3) it emphasizes the dissemination of performance measurement information to the public, so that citizens can use the information to hold their government accountable (Ho and Coates, 2002).

Holzer and Yang (2004) discuss the following five lessons learned in citizen engagement during the CIPA project: “(1) CIPA helps officials focus on outcome measures and citizen concerns. This enhances public accountability and the result orientation of public services; (2) CIPA shows the importance of public communication. For example, a department should not ignore notification of citizens about the progress or results of departmental actions after a service request is filed; (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; and (5) Public reporting of performance measurement is important. Cities should consider the use of technologies, such as the
internet, to do this cost-effectively.” Additional information regarding this project is available on the project website at [http://www.iowacipa.org](http://www.iowacipa.org). The final evaluation of this project could not be found on the website.

**The Challenges Associated With Citizen Engagement**

Clearly, citizen participation in developing performance measures is not without its challenges. The process can be easily manipulated by political interest groups to embarrass elected officials or criticize city policies and should therefore be facilitated by a neutral party (Ho and Coates, 2002). Broad citizen engagement is neither cheap, fast, nor easy and should be reserved for community issues where political interest is deadlocked and there is sufficient time to complete the process (Weeks, 2005). Advances in technology within the last 30 years have created the information age, generating higher expectations by the citizenry and increasing demands for more and better information. While technology supports new opportunities to provide information effectively, the information and processes of engagement must still be managed and communicated effectively, considering the political context of the municipality. Failure to prepare local government officials adequately to effectively engage citizens and translate the findings into meaningful statements can render the process more problematic than positive (Callahan, 2000; Holzer and Kloby, 2005).

To the extent that current practice identified within the literature reflects attitudes of elected officials and administrators, the perceived challenges appear to outweigh the benefits, as the evidence suggesting citizens are engaged in developing performance measures is nearly non-existent (Holzer and Yang, 2004; Poister and Streib 1999).
Conclusions

Contemporary performance literature affirms local government’s continued interest in performance measurement. The use of performance management systems in municipalities in Canada and the United States is less prevalent. The contextual factors influencing the design and implementation of performance management systems may account for this difference. Efforts to engage the citizenry in the process of design and implementation of performance measurement and management systems appears to be infrequent in the local government environment.

Two general trends can be identified within the performance measurement literature over the last decade. First is the move toward outcome-based performance measurement (Wang, 2002). Modell (2007) suggests that public sector reform is transitioning away from output-based governance to a more citizen-oriented and outcome-focused performance management ethos. Melkers and Willoughby (2005) reported that the majority of the respondents to their survey reported using outcome measures.

The second trend emerging in the performance measurement literature is the growing movement favouring multidimensional performance management systems, such as the Balanced Scorecard. Modell (2004) predicts that goal-directed multidimensional approaches, such as the Balanced Scorecard, may gradually replace the primacy of accounting. Propper and Wilson (2003) suggest that multidimensional models may discourage unwanted gaming behaviours. This approach considers the complex and unique characteristics of municipalities, as well as the organizational context in which managers and staff must implement a performance management system. Modell (2004) suggests that research should focus on how models are translated into the organization, and that by “examining these processes of performance measurement within an organization, infused in power struggles and the more or
less proactive agency, a greater understanding as to the emergence of newly derived models of performance measurement may be gained.

A number of key issues require further investigation. The jury is still out as to whether the costs of performance measurement and performance management systems outweigh the benefits (Wholey, 1999). The marginal cost of obtaining the information should be outweighed by the organizational value (Frank and D’Souza, 1994). In the absence of cost-benefit analysis, it is difficult to assess the value of performance management systems. Additional research is required to provide local government officials with a better understanding of the utility of performance measurement and performance management systems.

Another issue that requires further investigation is the relationship between trust and the external reporting of performance information. “Accountability theory needs to be enhanced so that external accountability is better understood” (Bernstein, 2000). Despite considerable investments in performance measurement, “are performance reports and citizen surveys sufficient to affect citizens’ opinions of, and trust of government?” (Bernstein, 2000).

Performance measurement has been part of the local government landscape for more than a century, during which it has risen and fallen in waves of popularity. While a number of questions regarding the utility and effectiveness of performance measurement and performance management systems continue to remain unanswered in the new millennium, support for both approaches continues throughout all levels of government. To the extent that it remains relevant to the political agenda, performance measurement is likely to remain an element of the local government landscape (Williams, 2003). In appreciation of the parting words provided by Richard M. Nixon, performance measurement is likely a necessary element of maintaining trust and demonstrating good value to the citizenry, until such time as it is replaced.
“Sure there are dishonest men in local government. But there are dishonest men in national government, too.”

Richard M. Nixon
## Appendix 1

### Local, Provincial, and Federal Government Spending

**Table 1  Budgeted Government Expenditures in 2006**

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Local*</th>
<th>Provincial*</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government services</td>
<td>$6,062,095,000</td>
<td>$5,067,000,000</td>
<td>$9,059,000,000</td>
</tr>
<tr>
<td>Protection of persons and property</td>
<td>$9,665,621,000</td>
<td>$10,302,000,000</td>
<td>$24,275,000,000</td>
</tr>
<tr>
<td>Transportation and communications</td>
<td>$11,545,112,000</td>
<td>$12,504,000,000</td>
<td>$2,266,000,000</td>
</tr>
<tr>
<td>Health</td>
<td>$1,517,110,000</td>
<td>$98,324,000,000</td>
<td>$21,531,000,000</td>
</tr>
<tr>
<td>Social services</td>
<td>$5,493,263,000</td>
<td>$49,534,000,000</td>
<td>$64,577,000,000</td>
</tr>
<tr>
<td>Education</td>
<td>$40,956,847,000</td>
<td>$69,535,000,000</td>
<td>$4,937,000,000</td>
</tr>
<tr>
<td>Resource conservation and industrial performance</td>
<td>$1,152,578,000</td>
<td>$11,311,000,000</td>
<td>$8,206,000,000</td>
</tr>
<tr>
<td>Environment</td>
<td>$10,135,087,000</td>
<td>$2,111,000,000</td>
<td>$2,100,000,000</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>$7,050,286,000</td>
<td>$3,120,000,000</td>
<td>$4,044,000,000</td>
</tr>
<tr>
<td>Labour, employment and immigration</td>
<td>$1,030,000,000</td>
<td>$1,857,000,000</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>$1,958,357,000</td>
<td>$1,995,000,000</td>
<td>$2,033,000,000</td>
</tr>
<tr>
<td>Foreign affairs and international assistance</td>
<td>$6,065,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional planning and performance measurement</td>
<td>$1,066,274,000</td>
<td>$1,320,000,000</td>
<td>$339,000,000</td>
</tr>
<tr>
<td>Research establishments</td>
<td>$706,000,000</td>
<td>$3,013,000,000</td>
<td></td>
</tr>
<tr>
<td>General purpose transfers</td>
<td>$2,147,000,000</td>
<td>$24,785,000,000</td>
<td></td>
</tr>
<tr>
<td>Debt charges</td>
<td>$2,884,522,000</td>
<td>$23,884,000,000</td>
<td>$32,004,000,000</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>$490,567,000</td>
<td>$1,417,000,000</td>
<td>$14,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$99,977,719,000</strong></td>
<td><strong>$294,307,000,000</strong></td>
<td><strong>$211,105,000,000</strong></td>
</tr>
</tbody>
</table>

*Consolidated

(Source: Statistics Canada, 2006, [www.statcan.ca](http://www.statcan.ca))
Appendix 2

Key Steps in Designing and Implementing a Performance Measurement System
(McDavid and Hawthorn, 2006)

1. Identify the organizational champions of this change.

2. Understand what a performance measurement system can and cannot do, and why it is needed.

3. Establish multi-channel ways of communicating that facilitate top down, bottom up, and horizontal sharing of information, problem identification, and problem solving.

4. Clarify the expectations for the uses of the performance information that will be created.

5. Identify the resources available for developing, implementing, maintaining, and renewing the performance measurement system.

6. Take the time to understand the organizational history around similar initiatives.

7. Develop logic models for the programs or lines of business for which performance measures are being developed.

8. Identify additional constructs that are intended or represent performance for aggregations of programs or the whole organization.

9. Involve prospective users in reviewing the logic models and constructs in the proposed performance measurement system.

10. Measure the key constructs in the performance measurement system.

11. Record, analyze, interpret, and report the performance data.

12. Regularly review feedback from users and, if needed, make changes to the performance measurement system.
Appendix 3

Description of Performance Management Systems (Plant et al., 2005)

Performance Measurement Systems - Common System Elements

a) Attempt to have a “balanced” set of measures
Many governmental organizations have adopted the “balanced scorecard” approach to performance measurement, which has been popularized by Kaplan and Norton (2001). They postulate that creating a balanced set of measures will provide managers with a more meaningful, long-term view than is afforded through strictly financial measures. They propose that the way to create balanced measures is to create financial, customer, internal business processes, and learning and growth measurement categories. Measures are not limited to traditional financial measures but include categories such as: quality, efficiency/cost, schedule, lagging indicators (results), leading indicators (process).

b) Lagging and leading indicators (output measures and result measures)
Governments have been criticized in the past for focusing solely on output measures that track the level of activity or output (e.g., as the number and type of inspections completed, papers produced, permits delivered, applications processed, workshops held, grants issued) versus results or outcome measures that reflect the reach and impacts of the activity (e.g., client satisfaction levels; the extent to which service standards are met; the number/percentage of clients reached, the change in a client's level of awareness or behaviour).

c) Limited number of focused measures
It is generally recognized that, for measurement to be effective, they must be focused on critical areas. Too many measures that are not strategic are time consuming and, more importantly, users can not “see the forest for the trees.” Data is turned into knowledge through the process of selecting key measures and drawing comparisons between historical results and targets.

d) Departments and staff at all levels closely involved in developing the measures
It is generally accepted that those who are closest to the activity or program must be involved in the development of measures. Not only does this provide better buy-in but it also insures that important details will not be overlooked and that operational knowledge is used.

Performance Management System - High Performer System Elements

It is hypothesized that measurement alone is not enough to produce results and that what is required is measurement combined with a management system. The elements listed below are thought to be the basic ingredients of an effective performance management system. It is expected that the case studies will confirm that those organizations that get the most from their measures have a system for use, and certain manifest qualities that enhance their use for management.

a) System that supports the review of the measures, analysis of results and corrective actions:

• Systematic, timely follow up achieved through regular meetings that involve all levels of the organization
• Creating accountability for results through timely review and discussion with senior management that specifically focuses on the measures, variances to plan, analysis of problems and plans for corrective action
• Tools and assistance are provided to help improve performance

b) System traits that improve its usefulness as a management tool:

• Cascading measures that meet the needs of each level of the
• Business plans, or some other mechanism, used to plan specific actions to realize the strategy
• Tight alignment between the strategy, business plan, and performance measures

Specific Elements include:

i. Alignment between the strategy, business plans, and performance measures

Measures and their targets should have a direct link to the business plans and the strategy. Ultimately, they should provide a line of sight from the strategic plan to individual contributions. For example, if an organization wants to provide a specific service more efficiently, it must plan how it will achieve this result. Measures are a useful tool to communicate the intended result of the efficiency program and to track progress towards the goal. They are also useful to highlight what is expected not to change – such as service levels or quality.

ii. Formal mechanism in place to facilitate action

Measures that are simply published or posted typically have little impact on behavior. They must be given relevance through meaningful discussions at meetings, where required changes are documented, assigned responsibility and followed up on within a reasonable time period.

iii. Tools and assistance provided to improve performance

Problems highlighted through the measures are often the culmination of a number of factors. Often assistance is required from the next level up to help eliminate barriers to better performance. Training in problem solving techniques and cost benefit analysis, support from technical experts, and access to funds are other ways that the organization can facilitate the use of the measures to improve performance.

iv. Timely reporting on variances and responses

The review process should be formalized and timely so that the information is relevant and there is adequate time to take corrective action. Often, important, but not urgent, activities – like reviewing the measures – are pushed aside for what appears at the time to be more pressing problems. A set timeline helps to insure the measures are reviewed.

v. Documented root cause analysis

The reasons for performance deviations must be researched and documented. If potential solutions are to be generated at the meetings, staff must discuss root causes of performance problems and potential solutions.
vi. Targets guide operational decisions

Operational decisions around deploying resources, and implementing process changes, must be informed by the targets set for the performance measures. If the targets are not being met changes must be made or the targets must be reevaluated.

vii. Responsibility and authority to act on results at management and staff level

Staff must be given the appropriate level of authority to meet their level of responsibility. As stated previously, problems are rarely caused exclusively by one group. Levels throughout the organization must take action to support the work done on the front line.

viii. Cascading structure with different measures for each level with measures at the employee work team level

ix. Cascading measures provide the appropriate level of detail to stakeholders and show staff how they are expected to contribute to the organizational goals. Departments, divisions, sections, and work teams should all have measures tailored to meet their needs, which are related in a manner that aligns all those units with the organization’s over all strategy.
References


