PERFORMANCE MANAGEMENT FOR GOVERNING BOARDS

City councils, boards of supervisors and other governing bodies need performance management systems that focus on what results staff is going to achieve, and how success will be measured. This tool shows how to build an "Integrated Performance Management System" that takes into account the many different functions that a city or a county has to administer.

Why is performance measurement important?

1. Because public agencies – like all organizations – function much more effectively when their leaders define what is important and measure it regularly.
2. Because public agencies need a system that infuses people with a sense of accountability.
3. Because leaders need to know what is working well – and what needs their attention.
4. Because public officials need to concentrate on "big picture" policy issues, rather than on micro-managing staff.

The vocabulary:

Experts on performance management often use the following vocabulary:

1. **Outcomes (goals):** Long-term results you're trying to achieve, such as winning market share or improving profitability.
2. **Outputs (objectives):** The things you do in order to achieve those outcomes, such as improve sales processes or develop intellectual property.
3. **Core values:** The outcomes (results) that are essential to success.
4. **Key Performance Indicators:** The most important things to measure – typically the core values plus other important initiatives and outcomes.
5. **Performance management system:** The system you use to collect and organize the relevant information and monitor the results.
6. **Metrics:** The things that will be measured, such as level of customer satisfaction or percent of products meeting standards.
7. **Standards:** The desired level of performance for each metric.
8. **Targets:** The desired level of performance at a targeted point in time (on the way to achieving the standard).
9. **Monitoring frequency:** How often you monitor the performance.
10. **Scorecard:** A short-hand way to view the trends over time and identify trouble spots.

Scorecards should be developed first for the organization as a whole, and then for the departments or functional units within it.

Example:

A city council established a "Public Report Card" for performance. It listed the following outcomes under police:

- Reduce violent crimes per thousand 5% per year.
- Reduce non-violent crimes per thousand 7% per year.

Working with the city manager, the police chief established division-wide objectives linked to these outcomes. The police chief and city manager then recommended to the city council the following metrics to track. For each metric, a standard and a target were defined:

- Average response time to Code1, Code 2, and Code 3 calls (per shift per month)
- Percent of felony investigations completed successfully per month
- Crimes per thousand (in several different categories)

The city council monitored the performance annually. Meanwhile, the police chief monitored it monthly. The result? Over a two-year period, response times improved; officer availability improved, and the percent of investigations completed successfully improved. Over the same period, levels of violent and non-violent crime declined.

Success Factors:

What makes a performance management system successful? Research and experience shows these to be the important success factors:

1. **Start at the beginning.** A solid measurement process is built on the foundation of core values and key performance indicators. If these are not set with a great deal of thought and clarity, implementation can easily fall down. Once these are defined by governing officials, staff should be responsible for defining performance expectations related to the programs and processes needed to achieve these results. Reversing the process results in confusion.

2. **Build focus and alignment.** It's important to focus on the most important outcomes. These should be identified in a strategic plan. Don't try to measure everything. Make sure people in all parts of the organization operate under a set of well-understood performance metrics and targets, not just some.

3. **Create a balanced scorecard.** A good scorecard provides a balanced look at all aspects of the organization. It also mixes different types of data. Financial performance is a "lagging" indicator of performance, since by the time it's measured, there's little you can do to change the results. Customer surveys frequently tip people off to performance issues that are just emerging, and thus are considered "leading" indicators.

4. **Champion the scorecard.** Make sure you have strong championship from the top. The performance scorecard must be highly visible and regularly reviewed. Just as the CEO makes sure the overall scorecard is visible throughout the entire organization, senior managers need to make sure their departments' performance scorecards are visible.

5. **Build "Learning loops."** A measuring system is nothing without the communication to generate shared understanding and ideas for improvement. The governing body should model this by creating regular forums where they share performance data and discuss steps to improve performance. Mid-level managers should do the same.

6. **Invest in the system.** It will take resources to build the necessary data collection and information management systems. It will also take time to identify and train people to pull together the performance data into a useable scorecard.

7. **Instill clear roles and responsibilities.** Measuring performance creates powerful incentives for department managers to cooperate in order to achieve important outcomes. Make sure it's clear who's responsible for what.

8. **Prepare for a culture change.** When you start to measure performance consistently, it will trigger a change in the organization's culture. Sharing information about performance and adjusting behaviors accordingly requires a more open culture – one that is comfortable admitting what is going well, what is not going well, and deciding what to improve.

9. **Don't let the perfect be the enemy of the good.** No performance management system will be perfect. Data will be difficult to get. There won't be enough people with the skills to collect and synthesize the data. This is not a reason not to do it. All organizations should have performance measurement systems.

Outcomes vs. Outputs:

Performance management systems are relatively easy to build when well-understood outcomes and outputs are in place. Outcomes are the broad impacts you want to achieve. Outputs are the things you do to achieve the outcomes.

Developing outcomes is the responsibility of the governing body and senior management, working with community stakeholders. Developing outputs is the responsibility of management, working with divisional managers and other staff.

A local governing body, such as a city or county, has many quasi-independent organizations serving it. Each should be guided by an integrated set of overall community outcomes. These outcomes should reflect the community's values – the things it considers most important and expects to get from its local governing bodies.

This chart shows some examples of outcomes and outputs:

Outcomes	Outputs
▪ High employment rate	▪ Economic incentive programs
▪ Low crime rates	▪ Crime prevention programs
▪ Well-maintained roads	▪ Transportation investments
▪ Adequate housing and office supply	▪ Balanced growth plans
▪ High performing schools	▪ School investment programs
▪ Healthy air quality	▪ Emissions standards