

**Re: GET RESULTS THROUGH  
PERFORMANCE MANAGEMENT**

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**To: New Government Executives**

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**From: Executive Session on Public  
Sector Performance Management,**

Harvard University, Kennedy School of Government

Sponsored by the Smith Richardson Foundation, Inc. and  
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## Executive Summary

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**A**s a bipartisan group of current and former government executives, business leaders, public management scholars, and journalists, we urge you to make results-focused management a priority. *Embrace performance management, the use of goals and performance measures, as a critical aspect of your work.*

- **Make management a priority, in addition to policy and political priorities.**

Responding to crises and debating policy can consume all of your time if you let it. Even experienced leaders can neglect investments in management. We urge you to recognize this syndrome, and resist it. Make management a priority.

- **Embrace performance measurement to help you manage.**

Performance measurement can help you drive progress toward your goals. Resist the tendency to treat performance goals and measurements as just a legal requirement. Don't squander a powerful lever for change.

## WHY ?

*Effective performance management leads to better outcomes and strengthens democracy.*

### **1. Performance goals and measures motivate.**

People like to do well. Ambitious but achievable goals energize staff. Even without a direct link to goals or rewards, feedback improves performance. Performance measures also help people see where their efforts are paying off and where they need adjustment.

### **2. Goals and performance measurements communicate.**

Setting performance goals and monitoring progress toward them communicates your priorities. Performance goals and measures focus your workforce on strategic priorities and help enlist allies who share those goals.

### **3. Performance measurements lead to important insights.**

Beyond communicating your priorities, performance measures reveal what works and what doesn't. This enables an agency to replicate what works well and abandon what does not.

### **4. Performance measurement and management strengthen democracy.**

Debate over priorities is healthy and natural in a democracy. By setting clear goals and reporting concrete progress, agency leaders facilitate better-informed deliberation among the public and its representatives.

## HOW ?

*The following ten traits characterize the most effective performance management systems.*

### **1. Outcome-focused.**

Outcome goals focus attention on the real mission, energize staff, and make it easier to enlist external cooperation. The flexibility of outcome-focused goals also encourages innovation. You will hear many logical reasons why outcome measures are not appropriate or obtainable for your organization. Listen carefully, but insist on the clarity of purpose revealed by outcome measures.

### **2. Few, simple, and resonant at the top.**

If everything is a priority, nothing is. Concentrate on a few strategic goals—five at most. Pick goals that are conceptually simple. Express them in plain English. Build your performance measurement and management system to support them.

### **3. Challenging, but realistic.**

Set stretch targets. Challenges motivate. But don't stretch past the point of realism. Work carefully with your agency to frame goals that are ambitious but not overwhelming.

### **4. "Cascading down" and "folding back up."**

Show people in your organization how they are expected to contribute to each organizational goal, who has lead responsibility for what, and who has supporting responsibilities. After setting strategic goals, help your organization sort out how the goals cascade down to

connect to the work of individual work units, and fold back up to meet agency-wide expectations.

### **5. Broadly used.**

Performance measures are powerful when used on a regular basis. Performance management cannot be a paper exercise. Talk about your goals and progress measurements to Congress, the press, your managers, and the whole agency. Routine use of performance measures signals that even as other urgent issues arise, your priorities cannot be set aside. They are, in fact, priorities.

### **6. Visible.**

Make performance information visible. Write it clearly. Distribute it widely. Post it where people will talk about it. Place it where people will use it.

### **7. Interactive and informational.**

Invite your agency to explore with you why performance is strong in some places and weak in others. Promote the organizational habit of analyzing past performance to craft better plans. Pose your questions in ways that encourage use of performance measures as a learning tool.

### **8. Frequent and fresh.**

Up-to-date, detailed data let you detect performance problems. Outdated reports make it hard to reconstruct the events that might explain performance variations. Fresh, frequent outcome-focused performance reports show when variations arise. This, in turn, makes it easier to find and fix the causes of poor performance.

### **9. Segmentable.**

The ability to segment information (by geographic region, client characteristics, industrial sector, intervention strategy, or whatever breakdowns matter for your agency) makes it easier to interpret results, draw lessons, and improve performance.

### **10. Fact-based.**

Measures have to be firmly rooted in reality, and seen as such within and beyond your agency. Treat measurement accuracy as an essential and integral component of your performance measurement system.

## **AN IMPORTANT CAVEAT**

### ***Favor performance over punishment.***

Be careful about linking performance measurement to rewards and penalties. Poorly structured incentive systems can backfire, discouraging workers and even rewarding dysfunctional behavior. For this reason, we urge managers, legislators, and oversight agencies to emphasize the use of performance measures for communication, motivation, feedback, learning, enlistment, alignment, and coordination. Make sure they work for communication and motivation before trying the trickier tasks of sanctioning and incentives.

# An Open Memorandum

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**To: New Government Executives**

**Re: Get Results Through Performance Management**

*Make a Difference. Manage with Performance Measures!*

**From:**

Walter D. Broadnax	Paul C. Light
Ray E. Corpuz, Jr.	Jerrold T. Lundquist
Joseph A. Dear	David B. Luther
G. Edward DeSeve	Shelley H. Metzenbaum
John D. Donahue	Congressman James R. Moran
Mortimer L. Downey	Mark H. Moore
Michael J. Farrell	Joseph S. Nye, Jr.
Jane F. Garvey	Marvin T. Runyon
Harry P. Hatry	Pamela A. Syfert
Commissioner Randy R. Johnson	Jeffrey L. Tryens
Robert S. Kaplan	John P. White
Elaine C. Kamarck	Mayor Anthony A. Williams
Rhoda H. Karpatkin	Peter B. Zimmerman
Steven J. Kelman	Christopher J. Zook
Herman B. “Dutch” Leonard	

As a bi-partisan group of current and former government executives, business leaders, public management scholars, and journalists, we urge you to make results-focused management among your top priorities. We call on you to *embrace performance management – the use of performance goals and measures as a management tool* – as a critical aspect of your work. Sound boring? It is anything but. Frankly, as a politically appointed leader, you have a limited number of tools available for advancing the Administration’s priorities throughout your organization. Performance goals and measurement are among the most powerful.

Those of us signing this memorandum have met together on a regular basis over the last two years as participants in the Executive Session on Public Sector Performance Management of the Kennedy School of Government, Harvard University under the aegis of the school’s research program, Visions of Governance in the 21st Century. We came together because of a conviction that performance management is essential for government agencies seeking to improve outcomes and rebuild confidence in government, and a recognition that few government leaders appreciate how or why that is the case. We have seen that few government leaders understand clearly enough, and early enough, the leveraging power of performance management. It is our hope to persuade you of its potential and to encourage you to pursue performance management aggressively.

Specifically, we call on you to:

**Make management a priority, alongside your policy and political priorities.**

As you take on your new position, you will undoubtedly struggle to balance your time and priorities. You are likely to face critical policy decisions on an almost daily basis emanating from the White House, another agency, or the U.S. Congress. You will be pressed to respond quickly to crises that arise from the decisions and actions your agency has previously made. Responding to crises and debating and deliberating policy will consume all of your time if you let it. Amid the urgent imperatives of the in-box, even experienced leaders can neglect investments in management. We urge you to recognize this syndrome, and resist it.

**Embrace performance measurement to help you manage.**

Become a performance manager. To manage well in the public sector, we urge you to use performance measures to drive progress toward your agency's goals. Under the Government Performance and Results Act of 1993 (GPRA), every federal agency is required to set goals, measure progress toward those goals, and report annually to Congress on that progress.

You face a critical choice. You can treat GPRA as just another bureaucratic requirement to delegate to a subordinate, with at best perfunctory attention from you. If you do that, however, you will squander what is probably the most powerful tool available to you as a government executive.

Performance goals and measures help you:

- communicate your priorities,
- assess progress toward them,
- organize the people in your organization to align their efforts with the agency's strategic goals, and
- motivate your workforce to perform better.

If you treat GPRA as an afterthought, you will also throw away an invaluable tool for working with those outside the agency. Performance goals and measures can help you:

- clarify expectations with legislators and oversight bodies and
- enlist assistance and expertise from those who share your agency's objectives.

Finally, and perhaps most important, you risk discarding the best means available for you, your employees, and the public to:

- assess whether or not the agency is achieving what it is trying to achieve and
- help you learn how to accomplish your goals more effectively.

**WHY?**

*Effective performance management leads to improved public outcomes and strengthens democracy.*

When organizations embrace performance measurement as integral to the way they do business, they can realize significant performance gains in a relatively short period of time.

◆ After the U.S. Postal Service established a goal that letters mailed to an address within the same metropolitan area should be delivered by the next day and began to measure progress toward the goal weekly instead of quarterly, the percentage of on-time overnight letters rose from 79 to 94.

◆ In 1995, the U.S. Environmental Protection Agency (EPA) set a goal it dubbed the Clean Charles 2005 initiative, which called for making the Lower Charles River in Massachusetts swimmable within ten years. By 2000, the Lower Charles was safe for swimming 65 percent of the time compared to only 19 percent of the time when the goal was first announced.

◆ In 1994, the U.S. Department of Transportation (DOT) piloted a project at the Coast Guard to focus its management system on performance outcomes, such as safety and health, rather than activity goals, such as the number of inspections. Within one year, the Coast Guard halved the fatality rate of towboat workers. In other parts of the department, the DOT reduced vehicle-train collisions at railroad grade-crossings 42% between 1993 and 2000, despite an increase in freight railroad congestion. The rail fatality rate dropped 38% from 1993 to 1999.

That performance measurement can lead to performance improvement should not be surprising. To the contrary, it is difficult to imagine how anyone can manage progress toward a desired outcome without measuring progress. ***Agencies that fail to measure outcomes cannot manage to them.***

### **Goals and performance measurements motivate.**

Setting performance goals and measuring progress toward those goals improves outcomes for several reasons.

- ***Goals motivate.*** Even without rewards, staff tends to get energized by an ambitious but attainable goal.
- ***Feedback motivates.*** People like to do well. When organizational measurement systems generate information about progress toward a goal, it lets people know whether or not their efforts are working so they can adjust their activities, testing different ways to improve outcomes. Since people want to do their best, even in the absence of a direct link to rewards, the simple act of generating feedback in the form of performance measurement can improve results.

### **Goals and performance measurements communicate.**

As a new government executive, you have an agency of people waiting for you to signal the Administration's priorities. Performance goals clarify what an organization will do, and what it will not do. Review your predecessor's strategic plan and revise it to communicate this Administration's priorities to your whole organization.

- ***Internal alignment.*** Articulating performance goals communicates your priorities to your workforce. Regularly asking about progress toward them reminds staff to focus and to apply their skills and expertise to your priorities.

Focusing the whole organization on shared goals and progress measurements also increases the

likelihood that the efforts of different parts of the organization will complement each other. When people and organizational units are not aware of organizational priorities, they can easily work toward different or even counter-productive purposes. They can also overlook key activities essential to accomplishing a goal because the activities don't fall neatly into existing assignments and responsibilities.

Don't be surprised if you initially encounter resistance to your performance management efforts. Most government organizations have not had experience using performance goals and measurements as the core of their management systems. Invite your organization to work with you to refine organizational goals and measures, and to devise effective strategies to achieve the goals. Be willing to revise your goals and your strategies as you learn. It will strengthen your goals and measures, your organization's awareness of its capabilities and needs, and its acceptance of performance management.

- **External enlistment.** Government agencies often need to advance social outcomes over which they have only limited control. Success frequently depends on factors that an agency does not control, including the actions of others. Communicating goals can help agencies enlist cooperation from other government agencies. It can also invite or motivate cooperation from external partners. For example:

- ◆ When EPA set its Clean Charles 2005 goal, it sparked offers of assistance from non-profit organizations and other government agencies that shared EPA's goal of a clean river. The local non-profit watershed association carried out a measurement task critical to the success of the project,

monitoring the river's water quality monthly. The United States Geological Survey also committed staff time, monitoring several key in-flows to the Lower Charles.

- ◆ By redefining its goal from measuring activities (e.g. vessel inspections) to measuring outcomes (worker fatality rates), the Coast Guard was able to enter into a partnership with the industry it regulates to fix the problem. When it pursued activity goals, agency progress imposed direct costs on the regulated community without a clear purpose. When it shifted to an outcome-focused goal, agency successes aligned more closely with those of the industry, its workers, and the public.

Communicating and measuring progress toward outcome-focused goals helps an agency hone its internal focus and enlist external assistance. Outcome-focused goals can also help agencies engage those traditionally less eager to cooperate with the government.

### **Performance measurements lead to important insights.**

Performance measurement not only motivates and communicates, it also helps an agency learn how to do its job more effectively. Frequent generation of outcome-focused performance measurements begins to reveal what works and what doesn't, so an agency can do more of what delivers results and less of what doesn't. Even when performance measures don't reveal the reason for performance variations, they highlight when and where they occur. Probing those variations can guide agencies toward the causes of performance problems and opportunities for performance gain.



## **Performance measurement and management strengthens democracy.**

Performance management can also help your agency align its performance goals with external expectations. Many public sector organizations have more goals to pursue than resources to accomplish them. Others are charged with promoting conflicting goals. The public and its elected representatives tend to assume that government managers promote all the goals spelled out in an agency's authorizing statutes and appropriations laws. That presumption is seldom feasible. Resource scarcity and inherent conflicts among the goals compel public organizations to make trade-offs every day.

Some of these trade-offs are made through routine decisions about which clients to serve, inspections to conduct, or geographic areas to target. Others are implicit in the selection of agency activities. The Forest Service, for example, is charged with managing the nation's forests to serve wilderness, recreational, and natural resource production purposes. Activities that serve one forestry objective (e.g., fixing up campgrounds or building roads) can undermine another.

Setting key performance goals will not resolve scarcity problems and inherent conflicts about agency objectives. It does, however, make more explicit how an agency chooses to deal with them. If others object to the choices an agency makes, they can use democratic processes to try to shift the agency's priorities. In 1998, for example, the U.S. Congress instructed the Internal Revenue Service to balance the need for audit activities that promote fairness and accuracy with the need to treat taxpayers courteously and avoid unnecessarily aggressive approaches to resolving tax disputes.

Contention about agency priorities is a healthy aspect of a democratic system. Agency leaders can drive improved performance by clearly articulating performance goals and publicly reporting progress toward them. They can strengthen democracy, as well, because public goals and progress reports implicitly invite the public – and its elected representatives – to consider the appropriateness of the goals an agency selects.

## **HOW?**

*The following ten traits characterize the most effective performance management systems.*

Performance goals and performance measurement, by themselves, will not necessarily lead to improved social outcomes and strengthened democratic processes. It is how you, your managers, and agency staff use performance goals and measures, and how you exercise caution not to use them, that makes them so powerful. The following ten traits characterize the most effective performance measurement and management systems.

1. Outcome-focused
2. Few, simple, and resonant at the top
3. Challenging, but realistic
4. Cascading down and rolling back up
5. Broadly used
6. Visible
7. Interactive and informational
8. Frequent and fresh
9. Segmentable
10. Fact-based

**1. Outcome-focused.** All goals can motivate workers. But goals that focus on outcomes rather than on outputs, activities, or inputs are more likely to improve results. This seems obvious, but it is easy to miss in practice. The best way to reduce worker fatality rates is to make that the goal, rather than to increase the number of vessels inspected, violations corrected, or some other proximate goal. In addition to helping you enlist external assistance and cooperation from those outside the organization, outcome-focused goals have several advantages over activity goals. They:

- **keep agency staff focused on what ultimately needs to be accomplished.** When government agencies set activity goals, such as the number of arrests or the number of interviews arranged for unemployed job-seekers, it is easy to get caught in the frenzy of trying to meet an activity goal for its own sake and lose sight of the agency's ultimate objective. It is also tempting to retreat to the safety of activity goals that the agency can control, even if the activities don't advance the outcome.

- **afford flexibility to adjust, without delay, the mix of activities used to get better results.** Activity-focused goals make it harder to adjust intervention strategies when the current approach is not working. Changing activity goals often requires lengthy organizational battles. At a minimum, in a formal goal-setting system it means waiting until the next cycle of goal-setting. Outcome-focused goals allow immediate adjustment.

- **energize agency staff,** especially when used with outcome-focused performance measurements to calibrate progress toward the goals. Outcome-focused goals tap into the public-minded motivation that

first attracted many government workers to public service. It is more motivating to help job-seekers find long-term employment than to schedule large numbers of job interviews.

- **improve the effectiveness of federal grant-giving programs,** by keeping both the grantor and the grantees focused on what they are ultimately trying to accomplish rather than on the minutiae of program processes.

We are not, however, suggesting that agencies should discard all but outcome information.

- Output and input information that reveal *how* and *why* progress occurs (or does not) need to complement the outcome indicators documenting *what* a program accomplishes. Agencies often develop and adopt intervention strategies to tackle difficult problems. DOT, for example, has adopted a strategy to increase seatbelt use with the expectation that it will lower fatality and injury rates. Tracking seat belt use makes it possible for DOT to measure whether its intervention strategy was successfully implemented, and then assess whether or not it was effective. Activity and expenditure data help agencies compare the cost-effectiveness of different approaches for improving outcomes. Monitoring inputs and processes, such as employee skills and information capabilities, helps an organization assure its ability to implement its strategy.

- Agencies also need to complement their performance management system with other sorts of control systems, some of which involve measurement. These include systems that control costs, signal the norms for acceptable organizational behavior, assure ade-

quate record-keeping, and prevent fraud and mismanagement. It is important to distinguish the control function from the performance-enhancing function of measurement.

It is not possible to measure everything, so it is important to stay focused on outcomes. In rare cases, the emphasis on outcome measures is not appropriate and should be abandoned, lest the measurement system encourage dysfunctional behavior. Some government agencies such as the Foreign Service, which seeks to prevent international conflict, find it particularly difficult to measure outcomes. In most cases, however, outcome-focused performance goals and measurements are appropriate and possible, although not always obvious or readily available.

You will hear many logical reasons why outcome measures are not appropriate or obtainable for your organization. These include the difficulty of quantifying non-monetary outcomes, the danger associated with being specific in politically charged environments, and the fear of being held accountable for performance when the cooperation and assistance of people outside the organization are necessary for success. Listen carefully, learn and adjust. But insist that the clarity of purpose revealed by outcome measures is worth the struggle and risk. The motivational power of outcome measures, and the leverage to be gained from their active use cannot be overstated.

**2. Few, simple, and resonant at the top.** *If everything is a priority, nothing is.* Concentrate on a few goals. Most experts urge organizations to limit themselves to no more than five strategic goals. People have trouble remembering more than that. Selecting more than five

goals causes those inside the organization to lose focus, and those outside to lose interest.

- ◆ The U.S. Department of Transportation makes very clear in its messages to employees and the public that “safety is our top priority.” It supplements safety with goals in four other strategic areas: mobility, economic growth, human and natural environment, and national security.

- ◆ Priority strategic goals are often supported by a larger set of contributory performance goals. DOT, for example, seeks to advance its strategic safety goal with 21 supporting goals, including specific reduction targets for alcohol-related highway deaths, recreational boating fatalities, and natural gas transmission pipeline failures.

Goals are especially powerful if stated in simple terms that are familiar and easy to understand and close enough to values and expectations that they resonate with the workforce and public when articulated. While it is important to pick goals consonant with what your employees and the public expect for your agency, they need not be predictable.

- ◆ The U.S. Department of Transportation selected *safety*, not *mobility*, as its dominant goal. Similarly, when U.S. Treasury Secretary Paul O’Neill took over the Aluminum Company of America (Alcoa), he too selected *safety*, not a financial goal, as his first announced strategic indicator. With his unexpected selection of this strategic priority, O’Neill sent a strong signal throughout the company that helped him build trust with the workforce and, at the same time, drive out process waste.

We urge you to pick goals that are conceptually simple. Express them in plain English. Develop performance measures aligned with the goals. Then, build a performance management system to achieve them.

**3. Challenging, but realistic.** Stretch targets can be motivating. At the same time, be careful not to select goals that are perceived as unrealistic by either your managers or your staff. Even stretch goals need to reflect the current capabilities and skills of the organization or they can be demoralizing. For example:

- ◆ The Coast Guard pilot performance management project on marine safety, security, and environmental protection opted for five-year goals. The longer time frame afforded the organization the ability to choose challenging stretch targets. It adopted a goal of reducing accidental deaths and injuries from maritime casualties by twenty percent. The longer time frame also allowed greater flexibility in the selection of strategies to meet the goal.
- ◆ The Clean Charles 2005 goal is ambitious, beyond what most people believed possible at the time it was set. The agency made it more realistic by focusing only on a limited section of the river. As the manager of the Clean Charles 2005 initiative describes it, “The issue of scale is important. We focused on improving water quality on a ten-mile stretch of the river. It is manageable. We can walk the Charles and look for pipes. The goal lets us deal with the problem in bite-sized pieces.”

Setting goals is neither a top down, nor a bottom-up endeavor. It is both. One straight-forward way to calibrate the right level for a goal is to engage your managers and workforce in defining the goals. Propose a set of goals, and “toss” them to the organization to validate. Invite the organization to toss them back with revisions that more accurately reflect current organizational capabilities. Suggest, listen, set ambitious but realistic targets, learn, and revise as needed.

**4. “Cascading down” and “folding back up.”** After setting strategic goals, help your organization sort out how the goals cascade down and connect to the work of organizational units and teams, and then fold back up to meet agency-wide targets. Clearly designate authority and accountability for leading the effort to accomplish a goal. Make sure the people in the organization understand how they are expected to contribute to each organizational goal, who has lead responsibility for what, and who has supporting responsibilities. Help them determine whether existing processes, information, and skills support the goals. If not, make adjustments.

- ◆ Sometimes little translation is needed to connect agency-wide goals to goals for individual operating units. When the Postal Service set a goal of delivering all mail within the same city by the next day, the organizational goal also served as a goal for each office.
- ◆ Other times, as with the set of 21 safety goals identified by DOT, individual organizational units need to translate the organizational strategic goal into program-specific goals.

◆ Often new strategic goals are difficult because they do not align neatly with existing organizational responsibilities. The senior leadership team of the Coast Guard had to create a new mechanism for managing across organizational stovepipes to meet its new goals. EPA had to designate a goal manager and create a team to manage the Clean Charles 2005 goal because no one in the agency had previously been assigned responsibility for meeting a water quality goal. Instead, they had been assigned responsibility for managing activities, such as permit review and inspections.

◆ An agency that depends heavily on contractors and grantees also needs to align agency contracts and grants with its strategic outcome goals.

◆ Many agencies share missions with other government organizations. This “fractured governance” structure is severely limiting because no one is in charge and everyone is in charge. The State of Washington, for example, shares the challenge of restoring its salmon population with hundreds of federal, state, local, tribal, and international government agencies. To mend the governance fracture, the state has invited several agencies to join with it around the salmon restoration goal to figure out the processes, information, and delivery capacities needed to achieve the goal. As they sort these issues out, it is helping the agencies assign responsibilities, redesign processes, and identify delivery gaps across organizational boundaries. While still young, this effort has already changed the nature of the meetings from endless policy debates to concrete discussions about action.

The process of cascading an organization’s goals out to teams, individual organizational units, and service delivery partners is easier said than done. If you don’t pay attention to this challenge, however, many may accept but few work toward your goals because they do not understand how they are expected to contribute. Meeting new goals often requires people to do their jobs differently or to do different jobs. To make the transition, they need to work together to sort out what needs to be done, who needs to do what, and whether the organization already has or must develop the skills and resources needed to meet the goals. Without clarifying these issues, even the greatest exertion of organizational effort will not “fold back up” to meet an organization’s strategic goals.

**5. Broadly used.** Don’t let your performance management efforts be a paper exercise. It is not enough just to gather and report performance information. Performance measurement becomes powerful when actively and regularly used at all levels of the organization, from the very top to the front line. Encourage its use by example.

◆ When the New York City Police Department (NYPD) adopted an ambitious crime reduction goal, the Police Commissioner established weekly meetings to discuss progress toward the goal. The meetings sent a clear message to the whole department that precinct performance measures were central to the department’s business, not a peripheral reporting requirement.

◆ When DOT adopted performance management, its leaders used every available opportunity to remind the world and DOT employees that “safety is

our top priority.” They prominently displayed the priority goal on the department’s web site. The strategic goals served as the organizing principle for the department’s budget. DOT’s leaders reaffirmed the goals in public speeches, during meetings with employees, and in most DOT publications.

We urge you, as a leader, to use performance indicators frequently and broadly. Use them when talking to Congress, the press, your managers, the whole agency, and individual agency employees. Reiterate your strategic goals on a regular basis, both in public forums and internally. Ask about progress toward the goals during staff meetings, and in individual conversations. Remember to recognize and celebrate performance progress. Keep your priority goals foremost in everyone’s mind. It will signal that even as other issues arise that demand attention, attainment of the priority goals cannot be set aside. They are, in fact, priorities.

**6. Visible.** Make performance information (goals and measures) visible. Performance information has little value if it is not readily available. Don’t hesitate to post performance information wherever you want it used – by agency staff, partners, or the public.

- Instead of merely describing performance information in reports and memos, display it where people work. Many manufacturing organizations, for example, post current safety and other key performance data at all entrances. The London subway system posts station performance measures at the entry to each station, along with the name of the station manager.
- Prominent display of the strategic goals and up-to-

date performance measures for the organization and for individual work units keeps them in people’s minds. It makes the goals an easy discussion topic, and invites commendation for progress toward the goals. It can energize the workforce, and encourage ongoing brainstorming about what works and what doesn’t.

- Posting performance information can also help the public. The Charles River Watershed Association posts a colored flag at every boat house along the Lower Charles indicating whether or not the river is safe for boating. This provides the public with performance information where they need it when they need it. It also reminds boaters that the health of the river is not a sure thing, inviting continued community vigilance of EPA’s progress toward its goal.

**7. Interactive and informational.** By the questions you ask about agency performance, you signal whether performance measurement is about punishment or learning. Invite your agency to explore with you *why* performance is strong in some places and weak in others. Help your agency embrace and understand the benefits of analyzing past performance information to craft more effective future strategies. Ask about performance in ways that encourage use of performance measurement as a learning and collaboration tool.

- ◆ The NYPD uses regular performance meetings to help precinct commanders shape proposed intervention strategies. At these meetings, precinct commanders present action plans for reducing crime in their areas. During the meetings, other precinct commanders and departmental experts offer suggestions about the proposed plan based on their experi-

ence. In addition, the meetings offer an opportunity to precinct commanders to obtain support from other units in the borough (e.g., detectives) they don't directly control.

◆ EPA uses performance measures as the starting point for discussions at regular meetings of local governments responsible for controlling the flow of contaminated water into the river. By looking at variations in the monitoring data and the different intervention strategies being tried, the localities can identify and share with each other insights about activities that seem to work and those that appear less effective.

◆ At least quarterly and more often monthly, the Deputy Secretary met one-on-one with the Administrator of each of DOT's operating agencies (e.g., the Federal Aviation Administration and the Coast Guard) to discuss progress toward agency goals. In the words of one former Deputy Secretary of the U.S. DOT, "continuous and iterative process of review on long-term goals lets you isolate problem areas quickly and jointly develop solutions that allow the goals to be met."

When agencies probe the message of performance measures in an interactive way, employees learn and performance improves. Performance information should be both motivational and informational.

**8. Frequent and fresh.** Information that is gathered frequently, both in terms of time and geography, can be enormously powerful. Frequent performance information is especially powerful when it is also fresh, not old and out-dated. When reports are delivered months later

than the outcomes they measure, reconstructing the events that might explain varying results is difficult. Fresh and frequent performance measurement makes it easier to detect performance problems, and fix them.

◆ After 45 years in automobile manufacturing, Postmaster General Marvin Runyon had become accustomed to receiving daily "flash" reports with performance statistics from every plant. When he arrived at the Postal Service, he was surprised to learn that performance reports were only generated quarterly. Runyon wanted daily reports on key indicators for the ninety postal areas nationwide. Although his managers initially resisted, they eventually agreed to weekly performance reports, which helped them figure out when and where problems were arising.

◆ EPA has discovered that monthly monitoring information, gathered at 37 points along the river, enables it to pinpoint which sections of the river have problems. Surges in the data (compared to upstream points or a previous month's reading) trigger follow-up questions. The data don't explain why a problem occurs. They do, however, help staff refine their search for the causes of problems by narrowing when and where to look.

Agencies can construct elaborate measurement systems to track every variable that might potentially explain different outcomes, but such systems are seldom practical or affordable. They invariably leave out critical information. Fresh, frequent outcome-focused performance reports provide surprising insights about possible causes of performance variations. They also make it possible for agency staff to get early feedback

on the effectiveness of their intervention efforts.

**9. Segmentable.** Generating performance measures so they can be broken down not only by time and location but by other characteristics possibly associated with outcome variations greatly enhances their informational value. The private sector long ago recognized the value of segmentation for distinguishing and meeting customer needs. Gathering information in a way that allows it to be segmented by characteristics such as intervention strategy, levels of success, and client characteristics greatly enhances an agency's ability to identify opportunities for improving outcomes.

◆ By breaking the fatality rates for all vessels down into fatality rates for different types of vessels, the Coast Guard was able to determine which maritime sectors had the highest risks. This information allowed the Coast Guard to design an intervention strategy attentive to the culture of the industry group whose actions needed to change. It also allowed it to direct resources to the areas with the highest potential "safety return on investment." And, in pursuit of the highest safety return on investment, DOT was subsequently able to shift some attention from commercial vessels to passenger vessels because so much progress had been made toward improving commercial vessel safety.

As with fresh and frequent information, segmentable information will not necessarily explain why a problem is occurring or how to fix it. It can, however, help your agency identify differential program effects, allowing smarter follow-up questions in some cases and program replication or abandonment in others.

**10. Fact-based.** That performance measurement should be fact-based is obvious. Yet establishing assurances that measurements are fact-based is too often treated as an after-thought. Treat measurement accuracy as an essential and integral component of your performance measurement system.

◆ To get fact-based information, the Post Office needed to improve the accuracy of its existing measurement system. First, it had to adjust what it measured to align more accurately with the outcome goal. The original system measured delivery times from post office to post office. The measure needed adjustment to reflect delivery time from sender to receiver. Also, the Post Office needed to protect the integrity of the measurement system. Although it used a private company to mail letters and track delivery times, a few workers were able to discover the identities of the monitored senders and recipients and give them mail handling preference. The employment of those workers was quickly terminated.

The need for fact-based information does not imply that performance information must be perfect. Even imperfect measurements can reveal informative performance variations. Former Postmaster General Marvin Runyon recalls, "When we set this up, my folks said, 'It won't be accurate. There could be a forty percent error rate.' I said, 'That's fine. It will at least show me where there is a really bad problem, and we can go to work on that.'"



## AN IMPORTANT CAVEAT

### *Favor performance over punishment.*

One cautionary point: great care needs to be exercised when linking performance measurement to rewards and penalties. Poorly structured incentive systems can backfire, discouraging workers and even rewarding dysfunctional behavior. Systems that reward individual performers, for example, can inhibit collaboration if the task at hand requires sharing of information and cooperation.

One approach that has worked well for the New York City Police Department and the Lower Charles clean-up is holding goal leaders accountable for the cogency of the strategy they develop, instead of strict accountability for goal attainment. While it is important that legislators, oversight agencies, and managers stay focused on attaining outcome goals, great caution should be exercised before penalizing an agency or individual organizational unit that pursued a reasonable and publicly disclosed strategy but failed to meet its goals. Such penalties could easily encourage agencies to “game” the performance measurement system.

Just as problematic is the imbalance of government incentive systems. The government reward/penalty ratio tends to be off-balance. It is common to hear elected officials and the media condemn government when it performs poorly, but it is rare to hear an outcry demanding rewards for government workers and agencies that perform well. The private sector has more flexible mechanisms for rewarding strong performers and allocating funds to promising programs than the public sector.

For this reason, we urge not only managers, but legislators and oversight agencies as well, to emphasize the use of performance measures for communication, motivation, feedback, learning, enlistment, alignment, and coordination before employing them in a rigid accountability structure.

## CONCLUSION

In sum, we urge you to embrace performance management. Work with your organization to select a few, key outcome-focused performance goals. Communicate the goals clearly and frequently, both inside and outside the organization. Monitor progress regularly. Celebrate progress and brainstorm problems. Invite the people of your agency to probe with you and each other what works (or is likely to work) and why. Help them understand the power of analyzing information. Sort out how the work of each office connects to the goals. Enlist and engage the insights and assistance of those outside the agency, as well.

Performance management is a powerful means by which government agencies can advance their missions and strengthen democracy. You can choose to treat the legal mandate you now have to set goals and measure performance as a bureaucratic requirement that must be met. If you do, however, you will throw away what is perhaps the most valuable leadership tool available to you for driving change through a large organization.

Instead, we urge you, at your next management meeting, to start by setting a personal example. Ask about progress toward one of your priority goals. Brainstorm next steps to make progress toward the goal. And build from there.

## Executive Session Members

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**Walter D. Broadnax** - Dr. Broadnax is Dean of the School of Public Affairs, American University. Broadnax has held a wide range of senior public leadership positions in federal and state government. He served as Deputy Secretary of the U.S. Department of Health and Human Services, President of the New York State Civil Service Commission, and Director of Children, Youth, and Adult Services for the State of Kansas. Broadnax also served as the President of the Center for Governmental Research, Inc., a nonprofit research and management consulting organization in Rochester, New York.

**Ray E. Corpuz, Jr.** - Mr. Corpuz is the City Manager of Tacoma, Washington where he has been serving since 1989. His previous appointments include Director of Government Relations for Pierce County and Director of Intergovernmental Affairs for the City of Tacoma. Mr. Corpuz has received numerous awards, including the 1999 National Public Service Award from the American Society for Public Administration and the National Academy of Public Administration.

**Joseph A. Dear** - Mr. Dear served as Chief of Staff to Governor Gary Locke of Washington State from 1997 - 2001. Mr. Dear previously served as Assistant Secretary of the U.S. Labor Department and head of the Occupational Safety and Health Administration (OSHA). He directed the Washington State Department of Labor and Industries from 1987 to 1991. During his government service, he also chaired the Washington State Investment Board and the Washington State Information Services Board.

**G. Edward DeSeve** - Mr. DeSeve, currently at the University of Maryland School of Public Affairs, served as Deputy Director of Management and Budget in the Clinton Administration. Prior public service includes Controller of OMB, CFO of the U.S. Department of Housing and Urban

Development and CFO for the City of Philadelphia, Pennsylvania. Mr. DeSeve has extensive private sector experience including Managing Director in the Public Finance Department at Merrill Lynch Capital Markets, and founding two financial advisory groups.

**Mortimer L. Downey** - Mr. Downey is a Principle Consultant with pbConsult, a transportation management consulting subsidiary of Parsons Brinckerhoff. He served as Deputy Secretary of the U.S. Department of Transportation, in which he was the department's COO, Chairman of the National Science and Technology Council's Committee on Transportation Research and Development, and a member of the President's Management Council. Mr. Downey has also served as Executive Director and CFO of the New York Metropolitan Transportation Authority.

**Michael J. Farrell** - Mr. Farrell is the Deputy Director of Criminal Justice for New York state, with oversight responsibility for all state criminal justice agencies. Prior to this position, Mr. Farrell served as Deputy Commissioner of the New York City Police Department (NYPD) and was instrumental in the development of its COMPSTAT system of management accountability. During Mr. Farrell's tenure with the NYPD, crime declined by 50% in New York City.

**Jane F. Garvey** - Ms. Garvey is the Administrator of the Federal Aviation Administration (FAA), charged with regulating and overseeing aviation safety and security, research and development, and the world's largest air traffic control system. Under her leadership the FAA has initiated "Safer Skies," the agency's safety agenda which focuses resources on areas that safety data and analysis indicate will have the greatest impact lowering the accident rate. Ms. Garvey previously served as Acting Administrator of the Federal Highway Administration and Director of Logan International Airport in Boston, Massachusetts.

**Peter A. Harkness** - Mr. Harkness is editor and publisher of *Governing*, a magazine for leaders of state and local governments with a circulation of over 86,000. Prior to founding *Governing*, Mr. Harkness was executive editor and deputy publisher of *Congressional Quarterly*. Mr. Harkness is the recipient of the Raymond Clapper Award for investigative reporting, awarded by the White House Correspondent's Association. *Governing* was recently a finalist for a National Magazine Award for General Excellence.

**Harry P. Hatry** - Dr. Hatry is a Principal Research Associate and Director of the Public Management Program for The Urban Institute. He has been a leader in developing performance management/measurement and evaluation procedures for both public and private agencies. He recently completed an examination of "governing-for-results" practices in both the executive and legislative branches of state government. His publications include *Performance Measurement: Getting Results* and "Making Results-Based State Government Work."

**Commissioner Randy R. Johnson** - Commissioner Johnson is serving his seventh term as commissioner for District 5, Hennepin County, Minnesota, a county with a population of approximately 1.2 million citizens. Commissioner Johnson's governmental expertise includes environmental issues, redesigning delivery systems for human services and health care, and implementing new technologies across county offices. Mr. Johnson has served as the President of the National Association of Counties.

**Robert S. Kaplan** - Dr. Kaplan is the Marvin Bower Professor of Leadership Development at the Harvard Business School, where he has been a member of the faculty since 1984. Kaplan's research, teaching and consulting focus on linking cost and performance measurement systems to strategy implementation and operational excellence. Kaplan has been a co-developer of both activity-based costing and the Balanced Scorecard. His recent publications include *The Strategy-Focused Organization; How Balanced Scorecard Companies Thrive in the New Business Environment* and *The Balanced Scorecard: Translating Strategy into Action*.

**Rhoda H. Karpatkin** - Ms. Karpatkin was President from 1974 to 2001 of Consumers Union of United States, Inc., the non-profit product testing and consumer advisory organization which publishes *Consumer Reports*, with more than 4.5 million subscribers. Under her leadership, Consumers Union opened its National Testing and Research Center in Yonkers, New York, opened three advocacy offices, and launched the award-winning website, Consumer Reports Online. Ms. Karpatkin is also a founder of the TransAtlantic Consumer Dialogue.

**Paul C. Light** - Dr. Light is Vice President and Director of Governmental Studies at Brookings Institution and founding Director of the Center for Public Service. His current research includes a study on "Government's Greatest Achievements of the Past Half Century." Dr. Light previously served as the Director of the Public Policy Program at the Pew Charitable Trusts. His recent publications include *Making Nonprofits Work: The Tides of Reform* and *The True Size of Government*.

**Jerrold T. Lundquist** - Mr. Lundquist is currently a director at McKinsey and Company, Inc., an international management consulting firm. His areas of expertise include aerospace, defense, and high technology industries. Prior to joining McKinsey and Company, Mr. Lundquist was an officer in the U.S. Air Force, Vice-President of Emery Air Freight Corporation, and a White House Fellow. He is a frequent contributor to the Harvard Business Review and the Wall Street Journal.

**David B. Luther** - Mr. Luther is principal and founder of Luther Quality Associates and past chairman of the American Society of Quality Control. His previous experience includes serving as Vice President of Operations for Green Mountain Energy, an internet company selling environmentally clean electricity to the deregulated retail market and Senior Vice President and Corporate Director of Quality for Corning, Inc. He served four terms on the first team of judges for the Malcolm Baldrige National Quality Award and is co-founder of the Conference Board Quality Council.

**James P. Moran** - Congressman Moran is serving his sixth term in the U.S. House of Representatives representing the Eighth District of Virginia. He is a member of the Appropriations Committee. Among his recent initiatives are measures aimed at training high-technology workers to fill technology jobs nationwide. Congressman Moran is also a founding member of the New Democrat Coalition, a group of centrist House Democrats committed to fiscal responsibility, improvement to education and maintaining America's economic competitiveness. He was twice elected Mayor of Alexandria, Virginia.

**Marvin T. Runyon** - Mr. Runyon, as 70th Postmaster General of the United States, led the U.S. Postal Service to historic levels of service, profitability, and consumer satisfaction. During his tenure, he overhauled products and mailing guidelines to make them customer-focused. As Chairman of the Board for the Tennessee Valley Authority, Mr. Runyon stopped 20 years of annual price increases and turned it into what the Wall Street Journal called "one of the most effective federal agencies." Mr. Runyon's private sector service includes President and CEO of the Nissan Motor Manufacturing Corp. and the Vice President for Body and Assembly Operations for the Ford Motor Company.

**Pamela A. Syfert** - Ms. Syfert has served as City Manager of Charlotte, North Carolina, since 1996, and prior to that as the Deputy City Manager and the Budget/Evaluation Director. Ms. Syfert has authored numerous publications on the use of performance measures in city management. Under her leadership, Charlotte has begun implementing a Balanced Scorecard approach to managing shared goals across city agencies. She was a winner of *Governing* magazine's Public Officials of the Year award in 1999.

**Jeffrey L. Tryens** - Mr. Tryens serves as Executive Director of the Oregon Progress Board. The Board, created by the Oregon Legislature, is responsible for implementing the state's visionary twenty-year economic plan,

Oregon Shines. Mr. Tryens works closely with agencies, counties and cities to develop and implement systems of benchmarks that measure the state's progress toward achieving the stated goals. Before joining the Oregon Progress Board, Mr. Tryens served as Deputy Director of the Center for Policy Alternatives in Washington, D.C.

**David M. Walker** - Mr. Walker is the seventh Comptroller General of the United States. He began his 15-year term as Comptroller in 1998. In his capacity as Comptroller General, Mr. Walker chairs the Intergovernmental Audit Forums. He is a member of the Governing Board of the Inter-national Organization of Supreme Audit Institutions. Prior to his appointment, Mr. Walker was a partner and Global Managing Director of Arthur Andersen LLP's Human Capital Services practice.

**Mayor Anthony A. Williams** - Mayor Williams is the fourth Mayor of the District of Columbia. As mayor he has set clear expectations and accountability for the District government. One of his initiatives includes establishment of a Scorecard system for himself, his deputy mayors, and agency directors. The Scorecards allow citizens to track the Administration's progress on citizen priorities and offers greater transparency into government operations. Dr. Williams also served in the federal government as the first CFO of the U.S. Department of Agriculture.

**Christopher J. Zook** - Dr. Zook is a Director of Bain & Company, a global business strategy consulting firm. He leads the company's Global Strategy Practice, is an architect of many of its Internet-related initiatives in consulting and investing, and serves as a member of the Bain Management Committee and of its Investor Committee. He specializes in developing competitive strategy for companies in the areas of health care, information services, distribution and a variety of technology businesses. His recent publications include *Profit from the Core: Growth Strategy in an Era of Turbulence*.

## Kennedy School of Government Faculty Members

**John D. Donahue** - Dr. Donahue is Director of the Visions of Governance in the Twenty-First Century Project, the Raymond Vernon Lecturer in Public Policy, and the Faculty Chair of the David T. Kearns Program in Business, Government, and Education. He has served in the federal government as an Assistant Secretary and Counselor to the Secretary of Labor, where he helped frame new policy on job-training reform and education tax incentives. Publications include *Disunited States*, *The Privatization Decision* and *Governance Amid Bigger, Better Markets*.

**Elaine C. Kamarck** - Dr. Kamarck is a lecturer in Public Policy. Her previous positions at the Kennedy School include Executive Director of the Visions of Governance in the 21st Century Project and Faculty Director of the Innovations in American Government Awards Program. Prior to joining the Kennedy School she served as Senior Policy Advisor to Vice President Al Gore and lead in the creation of the National Partnership for Reinventing Government. Publications include *Democracy.Com? Governance in a Networked World*.

**Steven J. Kelman** - Dr. Kelman is the Albert J. Weatherhead III and Richard W. Weatherhead Professor of Public Management. From 1993 to 1997, he was the Administrator of the Office of Federal Procurement Policy at the U.S. Office of Management and Budget, where he was a leading figure in the “reinventing government” efforts of the Clinton Administration. Publications include *Procurement and Public Management* and *Making Public Policy: A Hopeful View of American Government*.

**Herman B. "Dutch" Leonard** - Dr. Leonard is the George F. Baker, Jr. Professor of Public Management and former Academic Dean for Teaching Programs. He teaches leadership, organizational strategy, and financial management for public sector and non-profit organizations. His research concentrates on state and local finance and the geographic distribution of federal spending. He is a member of the Board of Directors of Harvard Pilgrim Community Health Plan and of Civic Investments and he previously chaired the Massachusetts Governor's Task Force on Tuition Prepayment Plans.

**Shelley H. Metzenbaum** - Dr. Metzenbaum is the Director of the Performance Management Project at the Kennedy School of Government and a Visiting Professor at the University of Maryland School of Public Affairs, where she runs the Environmental Compliance Consortium. Previously, Metzenbaum served as Associate Administrator of the U.S. Environmental Protection Agency for Regional Operations and State/Local Relations, Undersecretary of the Massachusetts Executive Office of Environmental Affairs, and Director of Capital Budgeting for Massachusetts. Recent publications include “Measurement that Matters: Cleaning Up the Charles River.”

**Mark H. Moore** - Dr. Moore is the Daniel and Florence Guggenheim Professor of Criminal Justice Policy and Management and Director of the Hauser Center for Non-profit Institutions. His research interests are in public management and leadership, criminal justice policy and the intersection of the two. Publications include *Creating Public Value: Strategic Management in Government* and *Public Duties: The Moral Obligations of Public Officials*.

**Joseph S. Nye, Jr.** - Dr. Nye, Don K. Price Professor of Public Policy, is Dean of the Kennedy School of Government. He returned to Harvard in 1995 after serving as Assistant Secretary of Defense of International Security Affairs where he won two Distinguished Service medals, and chaired the National Intelligence Council. Publications include *Understanding International Conflicts* and *Governance in a Globalizing World*.

**John P. White** - Dr. White is a lecturer in Public Policy and former Director of the Center for Business and Government. He has served in the federal government as Deputy Secretary for Defense, Deputy Director of the OMB, and Assistant Secretary of Defense. In addition White has held corporate management positions in the private sector at the RAND Corporation, Interactive Systems Corporation and Eastman Kodak Company.

**Peter B. Zimmerman** - Mr. Zimmerman is Senior Associate Dean for Program Development and Executive Education at the Kennedy School of Government. In addition, he has consulted for a wide range of public and nonprofit organizations, directed the task force on education and training for the National Commission on Public Service, and served as Vice Chair of the task force on management and organizational renewal for the National Park Service.







