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Source: *Public Performance & Management Review*, Jun., 2002, Vol. 25, No. 4 (Jun., 2002), pp. 344-347

Published by: Taylor & Francis, Ltd.

Stable URL: https://www.jstor.org/stable/3381126

PERFORMANCE MEASUREMENT AND MANAGERIAL THINKING

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The accountability argument for performance measurement is powerful and persuasive. How can a government be truly accountable if it only tracks the dollars moving through its system and barely mentions the services rendered through the use of these resources? Many governments have supplemented traditional evidence of financial stewardship with facts and figures on services to demonstrate the scope and magnitude of their offerings. Few would argue that accountability has not been enhanced as a result.

Although logical, the argument for performance measurement as a tool of service improvement is more easily challenged. Performance measurement proponents enthusiastically contend that better information will lead to better decisions, that measures can influence the beneficial redirection of resources, and that the practice of measurement will generate improvements in performance. These arguments sell well among favorably predisposed audiences. Tougher skeptics, however, are not buying.

Performance measurement skeptics say that meaningful measures for their functions are difficult or impossible to develop, that they can ill afford to divert scarce resources from service delivery to performance measurement, that their antiquated computer systems make performance measurement impractical, or that they have tried performance measurement and did not see the promised benefits. Unless performance measurement proponents and researchers can provide tangible evidence that measurement is practical for their function and that the service improvement value of measurement outweighs its cost—and can provide plenty of such evidence—these skeptics are unlikely to be swayed.

Accountability Is Not Enough?

The desire to be more accountable has led to countless adoptions of the practice of performance measurement by public sector organizations. For some, accountability is enough—enough, at least, to justify a minimal investment in the annual tabulation of raw counts of workload (e.g., applications processed, arrests made, tons of asphalt laid) that constitutes performance measurement in many organizations.

For others, especially those contemplating bigger investments in a more sophisticated performance measurement system, greater accountability is only one part of the

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desired result. Some expect better measures to influence legislative decisions, strategic planning efforts, and major managerial initiatives. And some expect measures to influence operating procedures and choices among service delivery alternatives, producing gains in service efficiency, quality, and effectiveness. Skeptics ask, Where is the evidence of these gains?

Scant Evidence

Clear evidence in support of proponents' service improvement claims does indeed exist. Performance measurement has been credited as the catalyst in several successful initiatives that clearly have improved service quality, enhanced responsiveness, or reduced operating costs (e.g., see Ammons, 2000; Bernstein, 2000; Epstein & Campbell, 2000). However, the amount of hard evidence, such as that provided in the cases noted above, appears paltry in comparison to the volumes written promising performance gains or reporting such gains only in a very general sense. Why the imbalance? These explanations hold at least part of the answer:

Many performance measurement systems are poorly designed for performance improvement and, not surprisingly, produce few gains. These include systems put in place primarily for the sake of performance reporting, where greater accountability is the chief aim. Because many of these systems were designed with simplicity as the highest operational priority, they often are void of higher-order measures and instead feature only raw counts of workload or outputs. The skeptics are correct in their assessment that these systems have failed to produce performance gains, but incorrect in their assumption that performance gains were a realistic expectation, given their design. Unfortunately, some of the very critics who say, "We have tried performance measurement and it did not work," fail to recognize that the attempt in their government fits in this category.

When small performance gains occur, they are usually unheralded. Sometimes small gains are barely noticed at all. Unfortunately, this underreported category is where most measurement-inspired performance gains are likely to be found. Multiyear reviews of performance statistics among governments that track efficiency and effectiveness measures often reveal favorable but unspectacular progress over time.

When performance measurement is the catalyst for large performance gains, something else usually gets the credit. It is unrealistic to expect major performance improvements on the strength of performance measurement alone. Usually, other tools or strategies are also involved. Perhaps a government discovers deficiencies in a department's performance and contracts a service out, perhaps it detects shortcomings in a contractor's performance and brings the service in-house, perhaps progress on a key objective has stalled until a charismatic department head inspires major strides that dramatically boost performance statistics, or perhaps chronically dismal performance marks prompt a department to try new technology or to design an altogether new approach to service delivery. In these cases, the credit for performance gains is likely to go to privatization, unprivatizing, leadership, technology, or reengineering, rather than to performance measurement. Performance measurement was a catalyst, but something else made the improvement happen. Instances such as these only occasionally produce an acknowledgment of measurement's supporting role.

Measurement as a Performance Improvement Catalyst

The performance improvement proposition—that is, that measurement is a catalyst for performance improvement—deserves a serious test by practitioners and researchers. It deserves a test that is fair, one that excludes systems built solely to address accountability objectives, often in a minimal manner. It should include only those systems that step beyond raw workload and outputs to include measures more likely to influence operating decisions—measures of efficiency and effectiveness. This distinction is crucial, for the key to measurement's success as a performance improvement catalyst lies in the ability of performance measures to inspire managerial thinking. It is this managerial thinking that produces the strategies that bring the desired improvements.

Managerial thinking is inspired when current monthly statistics show that refuse collection costs per household are creeping toward unacceptable levels, that average response times to police emergencies in some neighborhoods are much too slow, or that the rate of faulty repairs at the city garage is higher than at comparable facilities. Because these statistics address dimensions of performance that are significant to the operation and to the department's ability to achieve key objectives, meaningful feedback on these measures causes managers and operating personnel—for managerial thinking is not the exclusive domain of persons holding the title of manager, administrator, or director—to consider alternatives to enhance performance. Should refuse collection routes be redesigned, police officers be deployed in a different manner, or fleet mechanics be trained and equipped differently? Higher order measures of efficiency and effectiveness inspire this kind of thinking. Workload measures—for example, tons of refuse collected, number of emergency calls, and vehicles repaired—simply do not.

Researchers who test the service improvement proposition must not stack the deck against a favorable finding by including departments that merely track workload. Including these units would dilute the test, for their measurement systems were designed only to report work activity and to do so without too much effort. They were not truly designed to inspire performance improvement. Furthermore, the test of the service improvement proposition must be sufficiently sensitive to detect small as well as large performance gains. Recognizing only the largest performance gains would misrepresent the effect of performance measurement, if in fact the most common result is small, steady gains.

Challenging Old Assumptions

If the key to measurement's influence on performance improvement is its ability to inspire managerial thinking, then the practitioners who deploy this tool most successfully will be the ones who are prepared to challenge some long-held assumptions. No longer will it make sense to focus predominantly on the information needs of upper management or the legislative body under the old assumption that most gains in efficiency and effectiveness will be the product of deliberations at that level. Nor will it make sense to assume that performance measurement's success or failure depends on enthusiastic support from the upper echelons of the organization. Why not begin instead at the operating level, focusing on the information needs of operating supervisors in the conscientious management of their operations? Why not engage operating officials in frank conversations about department and organizational goals and the role of their unit's performance in achieving these goals? Why not engage operating personnel in discussions about the reputation of the department and the operating unit and what they would like their reputation to be? Many of the objectives and measures that evolve from these discussions would simultaneously serve the accountability needs of upper management and the legislative body while meeting the unit's operating needs.

The key to designing measurement systems that will produce performance gains, especially in organizations with empowered departments and employees, is the careful development of measures that cause supervisors and operating personnel to reflect thoughtfully on the adequacy of services and to consider strategies of service improvement—in short, measures that inspire managerial thinking. This means that the measures must address dimensions of service that operating personnel consider important, focusing on the efficiency, quality, and effectiveness of these services and providing regular and reliable performance information. Fundamentally, the operating unit's service commitment and pride fuel the success of such a system. The measures tap service dimensions that the unit's members collectively want to be known for and gives them the means to gauge their progress toward earning that reputation. Does commitment from the executive or legislature help? Certainly it does. But a conscientious department head or program supervisor giving regular encouragement and applauding progress can perhaps be equally instrumental to success. It is a proposition worth testing.

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