

# An Overview of Performance Management in the Public Sector

**Oregon Department of  
Administration  
Division of Budget and  
Management**

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**CONTENTS**

<b>Introduction—Performance Management</b>	<b>3</b>
<b>Performance Management and Transformation</b>	<b>14</b>
<b>Competition in the Public Sector</b>	<b>14</b>
<b>Performance Management in More Detail</b>	<b>16</b>
<b>Performance Management in the Public Sector— Challenges</b>	<b>21</b>
<b>Principles of Performance Management</b>	<b>32</b>
<del><b>Outcome Measures for Public Agencies</b></del>	<del><b>45</b></del>
<b>Statistical Process Control</b>	<b>47</b>
<b>Organizational Readiness for Change</b>	<b>50</b>
<b>The Transition to Performance Management</b>	<b>59</b>
<b>Conclusions</b>	<b>62</b>
<b>Bibliographies and References</b>	<b>63</b>

## Performance Management in Public Organizations - Factors, Features and Functioning

*The purpose of this document is to provide a relatively high-level, basic conceptual overview of systemic Performance Management in the public sector setting. It includes a brief history and overview of the Performance Management process, a description of specific issues in the public setting, and a discussion of the various elements and requirements of a viable performance management system.*

### History and Form

Total Quality Management (TQM), or in more current parlance, **Performance Management**, originated in the United States around the end of the Second World War and has become more widely accepted and used throughout the US since the early 1980's. Classic TQM methodology is credited with at least part of the remarkable success in re-industrializing Japan after the war, and for their gradual evolution to a world-class manufacturing economy.

The term **Performance Management** is commonly used to describe an overall system combination of:

1. A creative and healthy organizational culture.
2. Positive, proactive management and worker attitudes about structured continuous process improvement.
3. Well-functioning operations that work harmoniously to provide customers, clients and constituents with products and services that meet their needs and requirements ... all for a reasonable price.

Specific terminology has changed over time (and because of fashion and marketing); various “programs” have come and departed; but the *reality* of Performance Management is neither new, nor is it novel. Far from magic ... effective Performance Management is more about diligence and vision than it is about lofty sentiments or static recipes and programs.

For this described organizational “ideal” to become an organizational reality the concept of continuous improvement in every aspect of organizational functioning

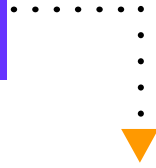
has to become integral to the organization's way of conducting business. In order for Performance Management to be truly effective it is first necessary to place organizational processes and systems under continuous scrutiny in order to reduce or eliminate problems, and wasted time and effort. This outcome requires that virtually everyone within an organization is both empowered and *expected* to identify issues, and to make things work better, faster, safer, cheaper, and more effectively. Before it is anything else, functional Performance Management is a state of mind ... ***everything needs to steadily improve, even people.***

And this brings us to one of the most difficult aspects of Performance Management for public sector organizations ... ***change***. Organizations function largely as they were *designed* to function. The primary design template for public organizations is very traditional, hierarchical, and largely led through command and control management approaches. This design is used specifically for *stability*, not for rapid change. Most public organizations are ocean liners rather than speed boats. It's not that traditional organization do not, or cannot change ... it is more that they are not designed for sustained continuous change ... and this is one of the primary requirements of effective performance management ... *continuous improvement*.

**It's all about facts and data ... Performance Management uses quantitative analysis to understand processes and to make fact-based decisions.**

In the watermark book, ***The Price of Government*** (Basic Books, New York, 2004), authors Osborne and Hutchinson describe a process of awakening experienced by a government manager, when she began to understand a specific operation through the use of facts and data,

*In the 1990's, Joann Neuroth was a team leader in the Michigan Department of Commerce, trying to reduce the time it took to approve economic development grants to cities. Her team's first steps toward enhancing quality involved gathering data about current procedures, then analyzing the data to find specific targets for improvement. When they mapped the department's many-step grant-approval Process, Neuroth says, "I got it in my stomach that I hadn't ever seen all of it before. The flaws in the system were huge. That was news." (P.272)*



Accurate, *useful* data is generally a requisite for making consistently good decisions. Moreover, useful data is essential to the public agency in “making its case” for resource needs and support. Appeals for support and funding based on sentiment and anecdotal testimony increasingly leave decision-makers unmoved. Tragically, important and vitally needed programs and services may imperiled simply because organization leaders do not put together a cogent, fact-based documentation of results achieved, or a compelling case for additional resources.

Irrespective of whether or not a public organization pursues continuous improvement in some formal way, it is a virtual surety that decision-makers and stakeholders are going to insist upon more and better information on the outcomes of government.

### **Using metrics to add value**

One “check and balance” for this is a simple set of questions that can help evaluate the “information value” of any measurement, regardless of type or level.

1. Do the data inform on core organizational processes?
2. How are data used, and by whom?
3. Are the data presented with analysis which reaches beyond simple percentages and averages?
4. Are there concluding observations/interpretations about the **meaning** of the data?
5. Does the metric really measure what is purported?
6. Are the metrics used in policy, budgeting and/or planning decisions?

### **Metrics and the Budget**

One of the truths of most organizations is that the further a program or activity is from the main nutrient flow (the budget) the more vulnerable it is. If measures do not (at least in part) inform *resource* and *policy* decisions they may generate little interest or attention. This is why aligning the KPM system to the budgeting process is a very important emerging aspect of Oregon’s system. This is also why agencies

should constantly examine the relationship between performance measures and their budgets. To the degree that what is measured and reported speaks to investment of resources, it is much more likely to be heard and taken seriously.

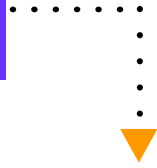
**Reporting data for its own sake- a caveat about pursuing numbers past rationality**

There is a commonly held assertion that **reporting** information is, in and of itself, a primary positive driver of improvement and accountability in government. Historically, government has always amassed and reported data, often for its own sake, with little empirical evidence that such data was used to drive improvements. Because of these two inter-related factors, it is not uncommon to see government “Performance Management” primarily focused on reporting, sometimes with literally thousands of measurements, the majority of which primarily serve to comply with policy or procedural requirements. Over time, this can result in a significant resource burden, taking energy away from improvement efforts and service delivery. It can also result in a “mechanical” response from agencies as they seek to comply with reporting requirements.

There is an unfortunate tendency for data collection and reporting in public organizations to be driven by *compliance* expectations, rather than functional need or utility. When this happens, considerable resources can be devoted to collecting and reporting data in ever more sophisticated and varied forms, with insufficient focus on the *use* or functionality of that data ... *numbers, for the sake of numbers*.

If data are not used to evaluate policy and funding decisions, make operational decisions or to understand and improve processes ... there is very little added value; it becomes reporting for its own sake ... something that should be a tool, instead becomes an outcome.

Critics of this position would say that reporting measures don't have to be of use to the reporting organization, as long as they are useful to stakeholders and funding and policy decision-makers. While it is true that there are various types of “measures” and some will be of more use to certain consumers than others, it is possible for a given measurement to be made more useful for a variety of consumers, simply by how it is designed and reported.



Perhaps the most reasonable way of doing this is to have multiple levels of aggregation (the degree to which data is represented in general or specific forms). For example, the public may often benefit more from seeing simple, visually oriented, highly aggregated displays such as those used for the Oregon Benchmarks, while analysts need to see raw data so they can apply quantitative analysis. The same data can be expressed in many different ways and forms. This gives is much greater utility and value.

**The best that “compliance” ever produces is mediocrity**

There is no question that transparency in government is a desirable thing. There is also no question that one of the most reliable and traditional methods of driving improvement is for leadership to pay attention to specific areas needing improvement. That which draws *focus*, draws resources and attention... and will produce at least a temporary emphasis in response. This being said, compliance approaches tend to have a relatively short impact curve, which falls off steeply as time passes. Most organizations will find that this approach will drive measurable result improvements flat and then maintaining inertia becomes very difficult and increasingly expensive over time.

Private companies in the US spent literally billions of dollars driving conventional approaches to safety improvement, with the result being that safety performance plateaued and then began to decline. Regardless of the attention or emphasis, results remained flat. The conclusion was reached that any method or constellation of methods only work for so long, and produce improvements on a declining basis.

At some point it became necessary to do something differently than what was historically done. And so the industrial safety field began to *transform*, with the understanding that new methods and approaches had to be implemented. For this to happen, relationships with the primary safety regulatory arm of the government (OSHA) also had to change. What had been a compliance and enforcement based agency had to transition from a more punitive stance towards being more of a consultant and partner in the safety improvement process. Sadly, this strategy is still more rare than we might wish.

### **Not all measures have the same purpose—the utility of reporting metrics**

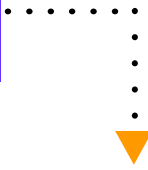
*Every* organization (regardless of its type) is quite reasonably required to report certain metrics to *someone*: the public, a board of directors, stock-holders, etc. Because of this, there are always some types of measures which have reporting as their *primary* purpose; unfortunately, it is not unusual that this ends up being virtually their **only** purpose. The two most common applications of **reporting** metrics in the public setting are: to provide “transparency” to the public (so taxpayers can see the broad results of government activities); and to provide data and related analysis to decision-makers who determine public policy and resource allocation. Reporting metrics are rarely true performance measures, per se, but they are essential, nonetheless.

### **The real trick in effective reporting metrics**

Whatever its ultimate purpose, information should first serve to *inform* accurately, and in a meaningful way.

An example of a reporting metric would be a measure that describes rates of enrollment and persistence in post-secondary schools. We know there are many societal benefits to building and maintaining a more highly trained and educated workforce. Because of this, offering incentives to continue one’s education past high school and removing as many barriers is a worthy and arguably essential goal for government.

If the costs for attending school are a primary potential “barrier” to participating in post-secondary education, then a defined strategy to mitigate the negative impact of cost (especially on low income and other “vulnerable” populations) is arguably sound public policy. However, it cannot be *assumed* that just directing resources towards the issue will necessarily produce the desired outcome in the most effective and efficient manner. First, there should be some evidence (research or evidence-based practice) for the assumption that reducing cost impact is a sound primary strategy. It must also be assumed that there is some “ideal” level of investment (generally expressed as a range) which represents the best impact for the least amount of money expended (efficiency).



If decision-makers choose to fund some type of “cost-relief” program, they must be able to obtain results data, which allow them to evaluate the *actual*, versus hypothetical impact of their policy and funding decisions. The problem with such measures is that they are often directed at complex processes (education, healthcare, economic development, etc.), where the variables impacting the ultimate outcome can be many and diffuse in their impact, and may not even be completely understood.

To some degree this is unavoidable. However, too often this fact is asserted as a reason why such measurements cannot or should not be done. This is both incorrect, and potentially disastrous. To say that the impact of expending millions of dollars cannot be assessed in some meaningful way is simply not tenable. To be sure it may be *difficult*, but that does not mean a reasonable and rational evaluation cannot be achieved.

However important such program or policy measures may be, they often are not wired into initial planning ... but done almost as an afterthought, which raises the question,

***“How can you design an effective strategy for solving a problem, or improving a process, if you don’t define upfront what success will look (measure) like?”***

Remaining with the example of subsidizing post-secondary education to remove or lessen the barrier represented by the cost of education, it should be readily apparent that “cost” of school is only **one** factor impacting enrollment and persistence. It should also be apparent it is probably impossible to account precisely for all of the variables impacting the individual decision to go to school and the ability to stay in school. This is no reason not to try to measure the impact of program efforts, but it is a frame for the *analysis* of resulting data. It also suggests that a single metric will probably be inadequate to painting a complete picture.

If decision-makers assume a **linear** relationship between cost reductions and enrollment, they may be disappointed with a simple metric that shows only the variation in enrollment and persistence. If that same data is placed in a **context**, outlining known primary variables, provides additional information on at least some of those (and their potential impact), the **data value** of the metric increases.

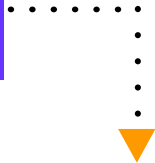
For example, let us assume that enrollment only increases by 5% the first year the program is in place. This may be viewed as disappointing if the investment is substantial. However, if the data is presented in a *context* that overall costs for post secondary education rose by 7% in that time period, and the state's economy experienced a marked decline, with both median income declines and sharp increases in energy and housing costs ... and a significant increase in drop-out rates for high-schools in the state (an 81% graduation rate will have profound impact on post-secondary school enrollment and persistence) ... the 5% increase in enrollment might actually represent a significant *positive* impact ... *in the context of these other significant contributing variables*. It is true that sometimes, reducing negatives is functionally equivalent to producing a positive.

In a hypothetically drawn situation, analysis *may* show that targeted low-income and at-risk populations are relatively unaffected by the tuition subsidy because of the impact of family or origin, scholastic performance in high school, quality of their high school education, and the lack of social supports simply outweigh financial considerations. Cost does not become a factor because they have already made the decision (tacitly or actively) not to attend before even considering the costs. If this is the finding, a broader approach may be required to have the desired impact on these groups. Analysis may also support the contention that a 5% increase on the heels of an 81% high-school graduation rate is not only a success ... it is cause for celebration.

This is the nature of science. We form hypotheses; we test hypotheses and often we are surprised by the unexpected results. The fact that we do not yet have clear solutions to many significant social and societal problems does not mean we should not continue to try to impact them, or that we should stop collecting data that eventually might help us build a better understanding.

It is this very complexity that is the **reason** why a limited or incomplete understanding and analysis of reporting metrics can be potentially misleading and problematic. Too often, such information is not appropriately analyzed or contextualized, or it is used to 'oversell' a particular program or approach.

Ultimately, the only real data question is, "**What does this mean?**"



Currently, the ability to do this level of comprehensive analysis is not widely distributed through the system, and there are resource issues which must be addressed to allow this. It is important to keep in mind that even the necessary skill sets are not currently commonly distributed.

### **Best Guess and Doing what is Right**

There is never enough information for making decisions on complex issues in a clear and unambiguous manner. Sometimes, there is very little reliable data of any kind to be had. The root of decision-making public organizations is often very political and equally often quite emotional. Government doesn't and shouldn't always do things with a return on investment as criteria.

Each of these separate, but related truths lead to an inevitable conclusion ... while data can inform decisions, and help avoid many pitfalls ... *public policy decision-making is still a profoundly human event, and will always take place in a context that is as much about values and politics, as facts and data.*

The unfortunate fact that we don't yet know how to make sure every kid is safe, or guarantee that every young adult graduates from high school, does not mean we stop trying to achieve these outcomes. Hopefully we will learn more with each attempt. Public organizations can spend an enormous amount of time and resources trying to eliminate or reduce this innate uncertainty ... but it will always remain. This is why even scientific findings are expressed with confidence levels (This observation is accurate, plus or minus 10%). The best we can hope for are reasonable probabilities ...

*"If we invest in child nutrition, it **should** have a positive impact on their scholastic performance, and on their health as adults. If we invest in after-school programs for at risk-youth, it should positively impact juvenile crime rates and severity. If we remove or lessen cost burdens for people to attend post-secondary schools, we should capture more of those potentials for whom cost is the primary barrier,"* etc.

None of these outcomes will occur each time, and it may that sometimes gains are offset by declines in other variables ... such is the nature of the work. Our hope is that predicted positive outcomes occur a preponderance of the time.

## **The Point of Diminishing Return**

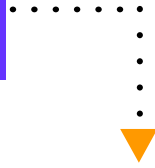
Often a strategy ends up being an end, in and of itself. When data collection, analysis and reporting moves from being a *tool* to becoming the focus of a “program,” perspective is lost, and usefulness declines sharply relative to investment. When there are rigid expectations that metrics must be able to show a simple **causal** link between activity and outcome in *every case* (*If we fund stream restoration on a ten-mile stretch of Fiddler’s creek in the headwaters of Columbia, how many more Salmon will that produce at Bonneville Dam?*) more and more calories are expended on the reporting system, rather than the outcome. The result of this is at the heart of most people’s frustration with government ... **bureaucracy**.

If any public organization can develop *usable* metrics for the critical 20% of its most important and impactful programs and processes and actually **use** those metrics in continuous improvement efforts, those measures (and the improvement-related changes they drive), will ultimately impact virtually everything and everyone in an organization and its stakeholders. If, on the other hand, the organization attempts to construct metrics for *everything* it does as part of a misguided “program” of improvement, it will quickly become awash in unused data and proliferating costs to support the effort. People will move from productive work to “feeding the system, a chronic problem in public organizations.

Another truth is ... it may not be possible (in every case), to create simple, clear metrics which unequivocally state the result of a specific investment or program. Sometimes decisions must be made on chains of logic, or “best practices,” and some decisions are hypothetical,

*“We think that part of reducing the 45% turnover in Corrections officers in the first three years of employment is a function of “X” (when there is no reliable research extant).*

We **do** know that a 45% turnover rate is essentially catastrophic and something must be done, even if there is no clear “something” that is readily apparent. Sometimes, logic is the only predictive tool we have.



## The Bottom Line

One of the themes repeated often in this text is that *traditional organizations are specifically designed and managed not to change easily, or quickly*. Because of this, regardless of the program titles, strategies and calories expended, the natural tendency for public organizations is to simply do what they already do, **harder**; and more tragically, to do less of it, when resources are reduced. This is what they are *designed* to do.

Improvement programs often end up as differently defined or dressed versions of what is/has already being done. The most readily useful diagnostic question here is, “*To what degree do solutions generated from the improvement process tend to just identify resource increases as the sole, or primary response to the problem?*”

This is often the most clear sign of business as usual.”

With all of the scrutiny and pressure on government to be more cost-effective, it is very likely that the “low-hanging fruit” of easily addressed efficiencies are long gone. What remains now is a much more difficult road; *doing things differently in some fundamental way*. This means that organizations have to examine their core assumptions and processes.

## Doing Things Differently

In spite of all the ringing admonitions and simplistic books touting the virtues of reporting performance information, and the not-so-veiled snipping at the apparently intrinsic inefficiencies of government, the fact is that public agencies largely function as they are *designed* to function. For all of the forced data collection and improvement programs, unless public sector managers can gain the freedom to actually change fundamental management models, core processes and organizational operations, many of these improvement efforts are ultimately peripheral and simply refinements of what already is.

When organizations use good process analysis and they reach the conclusion that processes are operating within their capability limitations, the only answer lies in either just piling on more resources ... or *changing the systems* ... and this latter

approach can actually be extraordinarily more difficult than simply trying to secure more resources.

## **Transformation**

Although this topic rarely gets the coverage it deserves, it is perhaps the greatest ultimate challenge presented by adopting Performance Management in the public sector.

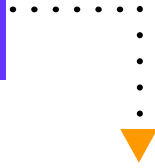
*Every process has inherent limitations.*

The more checks and balances within a process, typically the more limitations there are. When a process is reasonably optimized to function within established tolerances, further improvements typically require geometrically increasing levels of investment (in the public setting, typically this means more people), or creating a new process with more robust characteristics. This presents an often insurmountable barrier, because of the typical restrictions placed on public agencies in making such significant changes to their core processes.

Fundamental change often renders current policy and procedure obsolete. Secondly, since constructing and testing a new process or operational model is always, to some degree, experimental ... any changes in policies and procedures must wait until the process stabilizes. Lastly, there are so many regulated processes that even when agency managers *know* a process has reached its operating limits, it can be frustratingly difficult to obtain the necessary authority/permission to make needed system changes. Overlaid on top of these restrictions is the simple issue of the time it takes to gain necessary support and approval. In aggregate this can create a chilling climate for fundamental on-going change.

## **Competition in the Public Sector**

It is inaccurately stated that government agencies do not have to compete because most are virtual monopolies. Of course they have to compete. They have to compete for public support and resources; they compete against each other, and every other potential use of public resources in society. They also compete internally, just as private organizations do. Competing *effectively* means making a compelling case for resource support for the organization's functions and mission.



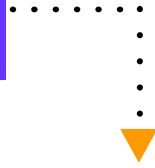
Making a compelling case means providing compelling *facts*; compelling facts require effectively presented, compelling *data*. Competing effectively also means making it very clear, that before asking for more resources, the agency has done due diligence in pursuing efficiencies and transformations in their operations to extract the most value they can.

In 2007, the Lake Oswego, Oregon Police department was rated higher in public confidence than the fire department. *This almost never happens*. Speaking directly with a number of their managers and supervisors, the same basic story emerges. traditional organization being led through a change process, resulting in a transformation that materially changed the results they produced within the community they served.

While higher levels of service is not, in and of itself, an iron-clad guarantee of an agency getting the resources it needs, it is a major factor and one that is always at least somewhat within the control of the agency. Any organization that chooses to perform better, *can* perform better than it does currently and any agency that chooses to make its case in a more compelling manner, can also do so this. In the case of Lake Oswego PD, they switched to a quality of service, end-user orientation and this has driven a number of changes, which collectively have resulted in (among other things) improvement in public support and concomitant increases in funding.

In each case, when asked, “*Which came first, the quality in service improvement or the resources?*” It was always the former.

This is a simple, but profound example of a very important concept ... adding perceived value to government services.



## Performance Management Defined in More Detail

As previously stated, Performance Management is a management philosophy and set of practices that seeks to integrate **all** major organizational functions within a coordinated strategy for meeting end-user needs and organizational objectives in the most cost effective, efficient manner possible. Performance Management is a way of thinking that views an organization as a potentially harmonious collection of interrelated processes, individually and collectively driving towards producing clearly defined valued outcomes. Everyone in the organization is asked to help improve processes; the collective and individual knowledge and experiences of all those who work within the organization, their clients, customers and constituents ... are all used to achieve this goal.

The objective of Performance Management is to *do the right things, do them right the first time, and do them right every subsequent time.*

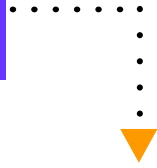
Performance Management is also the recognition that any system has a normal operating capacity and that it is fruitless to try to drive a system to consistently produce results outside of its functional operating limits. There is constant vigilance directed towards breakthroughs (recognizing when a process has been optimized and is still inadequate to produce desired results).

**Eventually, the system must change, for improvement to continue.**

### **No such thing as one size fits all ...**

Performance Management is variable and adaptable, and takes many different expressions and forms, which means it can and **must** be tailored specifically to organizational setting and culture, even within a system of multiple organizations.

One of the first hard lessons learned as organizations jumped on the Performance Management bandwagon, was that stock programs and programmatic approaches rarely worked as advertised when translated to specific organizational settings. Top down, command-control approaches were most often initially unsuccessful in traditional organizations. This occurred for the most fundamental of reasons ... **success is most often to be gained in the learning process**, not as a reliable function of program quality or design. It is what people *learn*, and the ownership which



results that makes for successful implementation, and this cannot be short-cut by simply following program steps.

Although originally applied to manufacturing operations, and for a number of years primarily used in that arena, Performance Management has become widely recognized and accepted as a basic management tool, just as applicable in service and public sector organizations. It has even been demonstrated to be highly effective in military organizations.

While the specific approaches to Performance Management are as varied as the organizations employing them, the basic principles are fairly consistent and simple.

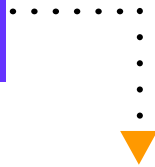
### **Quality is in the eye of the beholder**

Be they end-use customers, internal customers, or various types of consumers, everyone knows quality in process and product when they see it. We can each tell the difference between good and poor service, from the grocery store to the physician's office. This is true even for adversarial situations (such as how we are treated by police officers, court officials, auditors, etc.). Internal and external consumers are the basis for setting quality standards. Organizations pursuing Performance Management collect and process feedback from both internal and end users on a regular basis in order to understand how better to meet their needs.

### **To improve quality without driving costs up, you have to improve processes.**

While it is possible to create high-quality goods and services by simply inspecting (reviewing-controlling) everything that is made or provided, discarding or replacing those with defects ... continually repairing process mistakes, and continually adding more resources ... this approach will quickly result in financial ruin and high levels of end-user frustration.

A service organization can spend significant amounts of time fixing or compensating for poor quality systems, but eventually this becomes so inefficient that the costs of services provided by the organization exceeds their value. Continuous process improvement is a key strategy in improving quality, while maintaining or reducing costs. One primary point of Performance Management is to make the organization's processes as transparent, simple, effective and cost-efficient as possible.



**Employees work IN the system; management works ON the system**

*Only management has the ability to control and change organizational systems.* Employees are constrained. Essentially, workers have to play the cards the systems deals to them. Early research in Quality Management suggests that an extremely high percentage of the root-causes of quality and productivity problems lie within system constraints and problems; people just carry the symptoms in their behavior and attitudes.

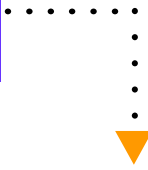
Edwards Deming (the acknowledged “father” of TQM), frequently asserted that organization problems are most often *systems* problems, and therefore management problems. He stated quite reasonably that most employees do not come to work planning on doing poor quality work, but they are constantly frustrated and constrained by organizational systems which do not encourage, support, or even allow their best work. One might reasonably argue that this is particularly troublesome for people pursuing public service missions, rather than just financial gain, because most commonly the motivation is to make a difference; unable to do so, people become understandably frustrated.

**Decisions about improving processes should be based on facts and data, not just personal opinions**

Without objective data, decision-making in public organizations often becomes unduly contentious and too frequently based on hierarchical position authority and personal and political influence; none of which demonstrates much of a history of consistent effectiveness. People may strongly *believe* they know how a process is functioning, but without objective data this belief is very often incorrect. And perceptions of system effectiveness often vary enormously between management ... workers, and consumers.

**Process improvement is an ongoing endeavor, which typically produces small, but additive improvements**

The aggregate effect of these “small improvements” can be impressive, with some organizations seeing significant measured improvements in operational efficiency within the first two years of implementation. But the basic nature of Performance Management is ...*incremental positive change, over time.*



Managers observe that frequently most of the first round of improvements are changes that improve things for *workers*, which can create some initial cynicism on the part of management, but they quickly learn the many benefits of removing irritations and obstacles that cause problems for people doing the work. While management works **on** the system, employees are often in the best position to provide suggestions for improvement of the system, because they spend their time **in** the system. They know where the redundancies and pinch-points are. When management removes barriers to people doing their jobs efficiently, both relationships and results improve. If people see some initial successes in improving their work, they are much more likely to continue to participate in such efforts.

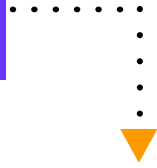
**The people who do the work should be responsible for ideas for improving work processes**

Although line employees are often in the best position to understand process issues, they are frequently left out of decision-making in public organizations about the very systems in which they work.

*True employee involvement is perhaps the most difficult part of Performance Management for traditional, authority-based public agency management.*

Most public organizations are vertically organized hierarchies, with employees tucked into relatively narrow job descriptions, who are very often given little authority or ability to act independently. Individual employee capability may be pigeon-holed at the level of the position they occupy. This takes the apparent form of assuming that, as people move up in an organizational hierarchy they are automatically more capable, intelligent and motivated than those who occupy lesser positions. This is, of course, not necessarily accurate.

In traditional organization people serve the system and the system dominates both organizational culture and practice. A classic example of this is a customer who encounters two lines at a public agency office, manned by two employees. One line is for a relatively uncommon service, which can be handled on-line. The other is for a service that necessitates that customers physically come into the office. One line is empty, the other snakes out into the hallway. Customers grumble, and the employee with the empty line is not empowered to fix what is obviously a systems



problem, and just as obviously negatively impacting customer service. The customers are frustrated. The employees are frustrated ... and the system rules the day.

*“Systems should exist to serve the needs of people, not the other way around!”*

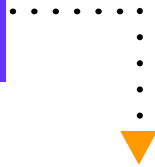
The issue of employee autonomy has proven to be a critical one in government applications of performance management. Public sector managers are often profoundly uncomfortable with the idea of employees engaging in relatively autonomous action and most commonly define “employee involvement” as selectively allowing “input” into some decisions (many of which have already been functionally decided before input is sought).

Along with the standard Performance Management tools and strategies, Air Force General Bill Creech used **true** employee performance management, employee empowerment and organizational empowerment very effectively as his primary tools in doubling the US Tactical Air Command’s effectiveness (Creech, 1994). Using the simple model detailed below, Creech proved that Performance Management works in that most hallowed of all command and control environments, the military.

### **The “Creech” Model**

1. Identify the opportunity for improvement.
2. Gather and analyze data.
3. Generate potential improvements.
4. Evaluate and select potential improvements.
5. Implement potential improvements.
6. Evaluate outcomes. (Creech, 1994).

If you are familiar with Performance Management, you will recognize the classic, PLAN, DO, CHECK, ACT cycle in the General’s simple operational outline. Perhaps the most important learning to be taken from the General’s experience is that it is possible to change even the most authority-based, rigidly hierarchical organizations, if leadership has the will and the desire to do so.



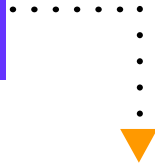
## The Challenges of Performance Management in the Public Organization

It has been argued that because public agencies are primarily service deliverers (and very highly regulated), and *because* they are designed specifically for stability and control, Performance Management is not practical ... that, in fact, Performance Management is actually *contrary* to the prevailing method of managing public agencies. There is simply too much historical inertia and externally imposed controls driving most public organizations to continue on with “business as usual” for it to work. What change that does take place in traditional organizations is either very slow (and management directed), or is the largely unanticipated, reactive outcome of some precipitous event or crisis.

This not intended to be a critical statement. The roots of organizational resistance to change in the public sector (on in any traditional organization) make perfect sense when one considers how these organizations have historically been designed, built and managed; they are simply functioning as intended. However, it is possible to *change* how they function, especially when one understands the structural barriers to change inherent in the design.

**Stability Versus Change: Gatekeepers:** First and foremost, the vertical, highly compartmentalized organizational structure that comprises most public agencies of any size is intended to foster *stability and control*, not to promote flexibility and creative change. Stability, policy and chain of command authority and decision-making are the primary defining characteristics of traditional organizations.

Highly vertical organizational structure tends to produce a significant number of both vertical and horizontal “**gatekeepers**” (people and processes that function to limit or control decision-making, access, communication, and resources). At some point nearly every idea, process or operation has to “line up” for processing through one or more of these “gates.” The entire *point* of the gates is to control, slow down, or prevent change from occurring and to support the status quo through enforcing compliance with existing policy and procedure (which, virtually by definition, was generated to respond to something that has already happened). Management and



employees alike are often rewarded for such behavior, rather than being reinforced for being “**expeditors**.” Challenging the status quo is generally viewed as a high risk/low return choice.

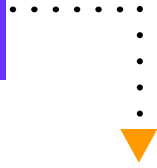
An “**expeditor**” is a process-knowledgeable expert, who helps people through organizational roadblocks and requirements to achieve results as expeditiously as possible, and *provides reasonable exceptions to general rules*. Conversely, a “gatekeeper” enforces policy and procedure, more or less regardless of situational elements or outcomes. It is the simple difference between **control** and **performance**. Where control is valued more than performance, control wins.

Generally, when this concept is presented in lectures there is the inevitable question,

*“Are management in traditional organization more often gatekeepers or expeditors?”*

And the answer is ... it depends ... most often there is a mix. To the degree the leadership culture leans towards the extreme end of command-control, they are generally gatekeepers; most traditionally by significantly limiting even subordinate managers and supervisor’s ability to make decisions and by restricting or tailoring the flow of communication through the organization. In organizations that are less command-control oriented, there are most often some managers and supervisors functioning as expeditors. Very often these are the long-tenure middle management public servants who carry the “oral” tradition of the agency. They know how the system works, and how to get around it, if need be.

To be effective, Performance Management requires a simple, but potentially profound shift within the culture of an organization ... from supporting and rewarding gate-keeping, to supporting and rewarding *expediting*; this one change can have sweeping organizational consequences; the focus becomes what *can* be done, not what *can’t* be.



## Bureaucratic Bump Stops

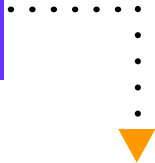
Performance Management flourishes best in an open, results-oriented organization. If those who would create, innovate and experiment to drive improvement are routinely brought up short by the gatekeepers and system “bump-stops,” their enthusiasm eventually wanes and frustration takes hold. If these “stops” happen frequently enough, people just give up and retreat into passive compliance, or become “malcontents.” Alternatively, if they are assisted by expeditors they gain enthusiasm as they see support (or at least a reasonable tolerance) for their ideas, and for positive change.

However, unless there is a generalized effort to “de-bureaucratize” the organization, pushing for expedition can result in placing managers and employees in the uncomfortable position of being (at least temporarily) non-compliant with existing policy. This can be very tricky. Inflexible compliance can be the most effective way to stifle change, especially because most significant change starts with less than fully developed ideas and concepts, and almost always produces mistakes and miscalculations. It can be impossibly daunting to face both the weight of organizational history and the policy impediments to even *considering* doing thing differently. This “kiss of death” is usually delivered with some variation of, “***This isn’t the way we do things.***”

## The Fog of Policy

It is always preferable to have no more organizational policies than is absolutely necessary, and to make them no more restrictive than reasonably required. It is also desirable that, instead of using policy to try to compel desired behavior, that management hold *people* accountable for their decisions and behavior as both a cultural value, and as good management practice.

Too many times, the promulgation of policy is an abrogation of managerial responsibility. Instead of addressing a specific problem of a few people (or one), general policies are written. Management can and does sometimes abrogate its right to manage by limiting reasonable actions through restrictive policies. The irony is that the creation of policy and program is often accomplished while not producing positive impact or improvement on the problem targeted in the policy or program.

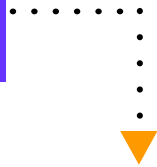


Seldomly do these restrictive policies actually achieve their intended outcome, except by essentially paralyzing the system. When this happens, these approaches stop being tools or strategies to improve the organization and become things unto themselves; the *form* of improvement or accountability with no underlying substance. This is one of the primary ways in which traditional organizations can appear to “change” while staying virtually the same, functionally and culturally.

Along with judiciously restricting new policy promulgation and some systematic examination of reducing the overall number of restrictive policies, there has to be tolerance built within the organization (and in the larger system), to allow policy updates to follow changes in *practice* over time. If change is to be supported, there have to be mechanisms by which existing policy restrictions can be eased or set aside, to allow trial innovation. If the trial is successful, the policy can be changed. If change can only occur *after the policy is changed*, few changes will be proposed or ultimately see the light of day.

**Risk Aversion:** Just as traditional organizations seek to establish and maintain *stability*, they also seek to achieve and provide various forms of *security*. For example, there is an implied *quid pro quo*, that while public employees may sacrifice some economic incentives available in the private sector (both base salary levels and rewards through bonuses, pay for performance, commissions, etc.) they are compensated in the form of increased job security and good benefits. This tacit understanding sometimes results in a lowering of performance expectations from management to the employees they supervise, and from employees for the jobs they perform.

Part of achieving the desired organizational stability is to build the perception of relative safety and security. Since there are few clear rewards in traditional organizations for taking risks and making improvements, the culture tends to move people to become less willing to try new things; they become *risk averse*, afraid to make mistakes, fail or to become too visible, and they may come to see little incentive to make themselves a potential target by championing change; the perception often is there is a steep downside, and little in the way of positive incentive. Compliance is safer.



The combination of these two aspects of organizational culture (little in the way of recognition/rewards, and an aversion to risk-taking) can create a significant barrier to meaningful change because Performance Management is based on continuous change.

One of the major tasks faced by leadership in any organizational change is how to drive this sort of fear and complacency out of the organization. This can be especially troublesome when command and control managers have historically used coercive methods to gain compliance. To the degree the overall culture is adversarial in nature, it can be very difficult to regain trust and move past these barriers.

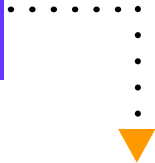
**Punishing Performance:** One of the classic axioms in human motivation is behavior which is rewarded is more likely to persist ... and behavior that is punished or not rewarded tends to decline in frequency. People largely do what they do, because of what happens to them when they do it.

There is a perception, that in the private sector desired outcomes and behaviors are incented through a combination of monetary and non-monetary forms of rewards and recognition, and that poor performance is promptly and vigorously confronted (the carrot and the stick). Private sector managers who achieve significant gains in operational efficiency or quality are often promoted, bonus'd or provided with other concrete forms of positive reinforcement.

These practices are not nearly so prevalent as those in the public sector might believe, because the private sector still has many traditional organizations, and the most healthy and innovative of them no longer use “carrot/stick” motivational strategies and have almost as many protections in place as their public sector counterparts.

In the public sector (and most traditional organizations, regardless of where they may be), the reality is that leaders or managers who manage to improve efficiency and cut costs may be unintentionally *punished*.

If the organization is budgeted for “x” and achieves “x –10%” not only are there no rewards likely for this desirable behavior, but it is quite probable they will have their operating budget reduced by a like amount. In inadvertent effect, they are punished for doing the right thing. Management is unintentionally encouraged to



spend every nickel they get and to always over-estimate needs, because they know they are likely to get less than requested regardless of the merit of their requests. This practice extends throughout the traditional culture. Workers who do extra are often tacitly expected to continue to do so, so the supervisor can avoid confronting employees who are not performing well. When one employee does something wrong, often all are punished by being restricted through resultant policy controls.

Whatever is done, without at least some insulation from the negative consequences of being more effective, it is likely public sector management will be understandably luke-warm about doing something which may (from their perspective) produce a heightened risk of negative outcomes, even when done well.

**“Silence:”** Perhaps the most pervasive, and yet subtle form of negative reinforcement lies with the social norm within traditional organizations *not to openly discuss problems or to criticize systems*. Those who speak out are often passively or actively sanctioned in some way, and even warned they run a risk of offending someone in power because all of the systems within an organization have authors, owners and supporters. In command-control cultures loyalty is seen as a primary value, especially for subordinate managers. It may be a career-limiting decision to disagree with one’s boss ... especially if that disagreement takes place when others can see or hear.

This has a chilling effect on creativity and problem-solving. After all, you can’t begin to solve problems, unless you can actually admit they exist. And one of the most important question in process improvement is,

*“Why are we doing this ... this way?”* Or even more disturbing, *“Why are we doing this at all; how does it add value?”*

These questions cannot be safely asked when disagreement or talking about problems is seen as inappropriate or risky behavior.

In this situation it is understandable that people shut down and become very careful about what they say, and to whom they say it. Within the hierarchy, supervisors and managers may learn to “tailor” and filter information going up and down organizational ladders, to keep management happy. This allows the ‘Emperor’s New Clothes’ syndrome to flourish, where everyone knows there are

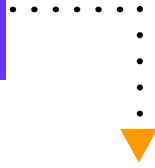
problems, and no one wants to be the one to point it out. This also holds true for leadership “seeking input” when they have already decided the outcome. This is so common as to be unremarkable in traditional organizations. People know the decision has been made and so there is no point in discussing it.

**“Control Versus Performance:”** From how public sector supervisors and managers are selected, trained and managed, to the tendency towards reducing personal autonomy through bureaucracy ... most public sector organizations are based in traditional command and control methods of management (obedience, stratified line-of-authority communication and decision making, etc.). Both management and line employees are primarily rewarded for loyalty and positive compliance, sometimes regardless of actual performance. Dissenters and malcontents are passively and actively punished ... also sometimes regardless of performance levels.

High-performing employees often find themselves tacitly being expected to take up the slack for their lower performing counterparts who are not confronted. Supervisors lament that there is no point in trying to confront performance problems, because there are so many protections and so few incentives. Less motivated/capable employees learn quickly that keeping your head down, being compliant and taking no risks is the best approach; that in actual practice, extremely low levels of performance can and will be tolerated.

*The bleak findings on performance are backed by a new survey of middle managers by the Hay Group consultancy, which found that 52% of private and public organizations failed to cut out “dead wood” and the public sector was the most timid in tackling performance. More than 60% of civil servants claim their organization does not deal effectively with underperformers. (2007, Times Online)*

This is diametrically opposite of the culture required for successfully implementing Performance Management, where both risk and ambiguity are valued. After all, the point of Performance Management is to focus on performance.



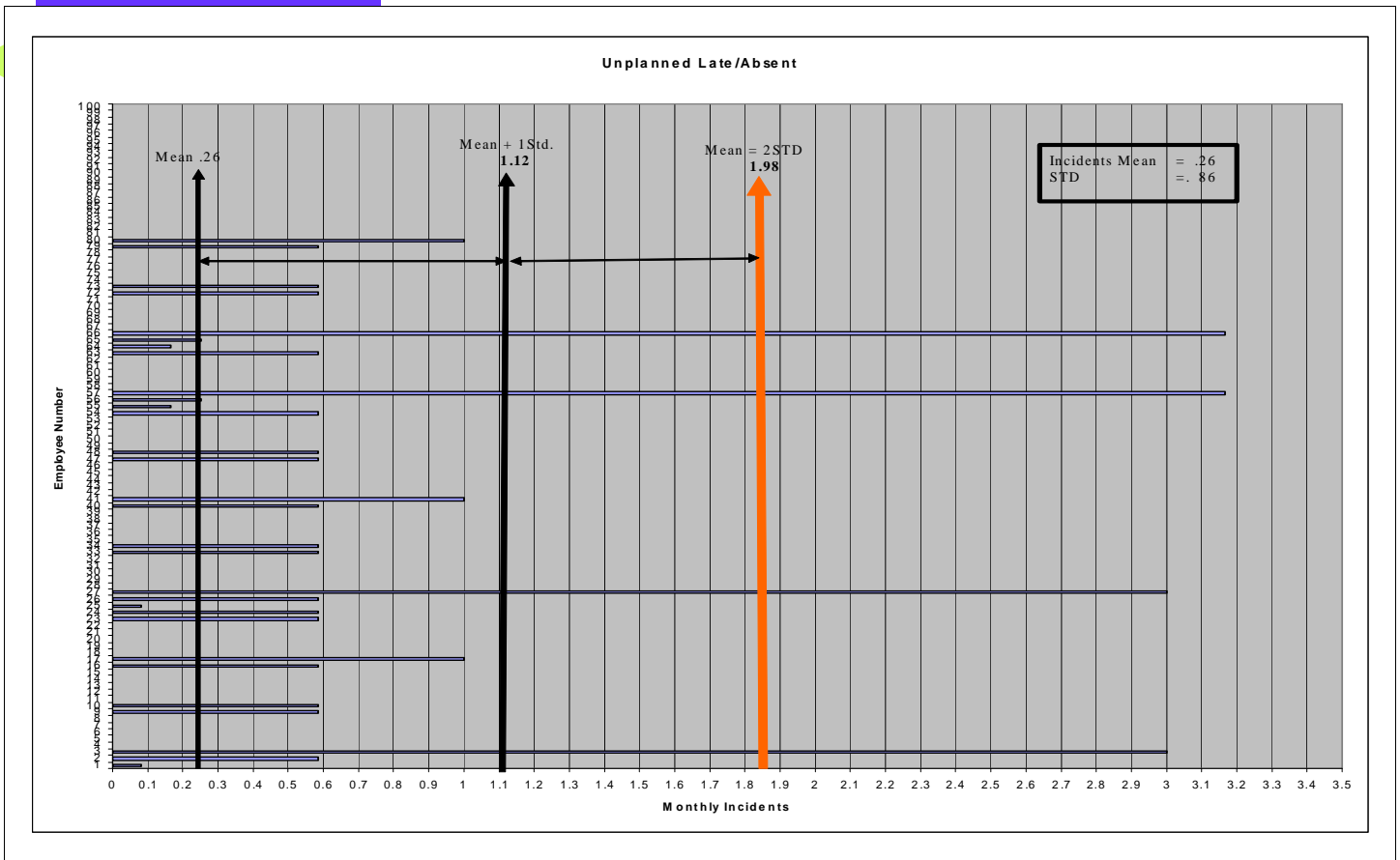
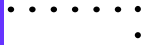
**The Abrogation of Personal Responsibility and Accountability:** In common law, management has the right to manage so long as that right is exercised reasonably. When management fails to exercise that right reasonably or abrogates authority and flexibility to policy, it actually begins to lose the right to manage. The promulgation of policy and procedure to address behavioral problems among employees is a classic example of this. Attendance is one of the most basic conditions of continued employment. The only reasonable expectation for attendance is that all employees come to work when they are supposed to.

Of course, this does not always occur. There are legitimate reasons why someone might occasionally be late or absent from work without prior notice. However, these incidences are relatively rare for most. In other words, there is a normal *distribution* of incidents of lateness and absences within a given work force, which can be charted over time and understood factually.

The vast majority of people within any organization would come to work as expected with no policy whatsoever, and probably without anyone even setting it as an expectation, simply because it is so basic to the employment relationship. This makes significant deviations from the norm in this respect become increasingly easy to spot.

This is a good example for how a manager might use statistical distribution to help manage a common problem (note illustration on previous page). When an employee deviates significantly from the “norm” it is reasonable for their supervisor to intervene to discover *why*, and if necessary, implement some sort of corrective action. Any number of responses on the part of the supervisor might be appropriate depending upon the specific circumstances. This is why **judgment** is such an important element of being an effective supervisor or manager.

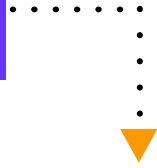
Using the “incident” distribution chart, and the customary benchmarks of mean plus one standard deviation (Sigma One) and Mean plus two standard deviations (Sigma Two), the supervisor can easily see those individuals whose behavior differs significantly from the group. In this way, the manager or supervisor has a fact-based reason for taking reasonable action, but is not ham-strung by a specific policy that identifies an arbitrary value defining a violation.



Addressing an employee attendance issue does **not** require a policy or a standard. It is not performance; it is *a condition of employment*. Failing to meet normal expectations for attendance is equivalent to an employee not being paid for time they have worked.

Treating a condition of employment violation (compliance) as a *performance* issue greatly complicates the situation, and setting standards for conditions of employment is counter-productive, simply **because** doing so automatically turns a compliance issue into a performance issue. The methods used to address issues and the due process requirements are different for Condition of Employment violations, than they are for performance issues. Confusing, or blending the two is unwise, but very common.

For example, if an organization sets a numerical standards for compliance with attendance requirements, first attendance has now become a performance issue. Secondly, non-compliant employees know precisely how far out of compliance they can be without negative consequences; they can effectively add to their own leave time.



They also know that any violation will ultimately be treated as a performance issue, with all the due process requirements and protections this confers.

Conversely, an employee who has legitimate medical or personal problems warranting compassionate intervention (through the Employee Assistance Program, or medical care), may find themselves in violation of a specific numerical standard for attendance, and thus vulnerable to disciplinary action. In order to preserve the ability to enforce standards when non-compliance is willful, the hapless supervisor may actually be faced with having to discipline an employee for attendance issues he or she knows to be legitimate.

Among other things, if the organization sets a specific standard it now has to enforce that standard in a uniform and consistent manner. If the standard is not consistently enforced (which is typical) the *actual* standard defaults to the lowest level of consistent enforcement, which is often ... none. In effect the specific policy serves to compound the issue, not help to resolve it.

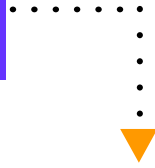
Of course the question is, *why would anyone do this?* First, in a bureaucracy first-line supervisors are often only slightly more autonomous than line employees and their behavior is closely regulated. If one supervisor creates a problem for the organization by under or over-reacting to an attendance issue, it is a fair bet that a specific policy regulating ALL supervisors will shortly be promulgated. It is also a good bet that if there is an uncomfortable issue (such as inappropriate dress), supervisors and managers will seek a policy that draws the line for them.

Rather than address the problem supervisor, the traditional solution is to have a staff meeting where mostly innocent supervisors are criticized for the behavior of one or two, and then to generate a policy that applies to all supervisors, regardless of culpability. Everyone suffers for the actions of a few; a few that generally will be unmoved by policy. Abrogating and discouraging personal responsibility and accountability by generating policy and procedure is the hallmark of bureaucracy, public or private. The net effect is to tie up the organization, its management and its workers so tightly, that they are unable to respond reasonably to normal variations in day-to-day reality, which is always more complicated and more messy than highly specific policies can ever reasonably address.

## Summary

In comparison with private sector companies, there is no compelling *structural* reason why Performance Management should be significantly more difficult to initiate in public service organizations. Of course, sometimes somewhat different approaches are required, but the basics remains a constant. What often *makes* it so difficult is the “*culture*” of public organizations. Because public agencies do not have the real-time performance feedback from a market, they are even more a product of their culture than the typical “for profit” company. However, the need to be efficient and effective is the same between private and public.

Public agencies actually *can* have a distinct advantage in this...their *mission*. When people are driven by passion and altruism they are often capable of far more than when their motives are simple self-enrichment. Most people don't come to public service to get rich and famous ... they *come to make a difference*. It is here the best traction for positive change lies.



## **Principles of Performance Management**

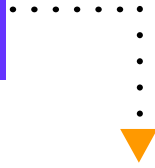
### **Introduction**

Through the hurdles and challenges faced in any large-scale organizational change, there are some basic principles of performance management that serve as foundations to manage effective change.

**Performance Management is the foundation for continuous improvement activities, which include:**

- Commitment and understanding by senior management and all employees
- Focusing on meeting client, constituent and customer requirements/needs
- Structured process improvement (understanding processes mathematically)
- Reducing how long it takes to do things (and the number of steps in a given process)
- Improvement teams (formal or informal)
- Reducing costs—adding value
- Systems to support improvement (technology)
- Line Management involvement and ownership
- Employee involvement and empowerment
- Recognition and celebration
- Benchmarking (seeking “best practices” by seeing what others are doing)
- Focus on processes / improvement plans
- Specific incorporation in strategic planning

While ideally implementation of Performance Management begins with management commitment and strategic planning, in practical terms it can start with any combination of the elements listed above. The process can and should be highly individualized to the specific organization.



Ironically, it is often serious challenges and risks that drive the willingness to consider doing things differently. Of course, the risk in this is that people will delay too long before beginning.

## **Principles**

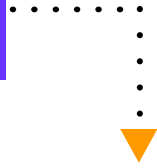
Historically, analysis of failed improvement programs reveal various foundational elements that are repeatedly seen as either facilitating (when they are positively in evidence) or impeding (when they are absent or negatively impacting). These are articulated as “principles” below.

### **Committed Leadership**

**Plan (vision, drive, direct):** Leadership is responsible for the overall vision of quality management within the organization and planning and executing those activities necessary for its successful implementation and maintenance. They *must* drive and direct the process forward, especially in the face of predictable resistance to change. If subordinate management staff and line employees do not see an obvious commitment through observable management behavior, they may be reluctant to join in.

Ideally, Performance Management begins with organizational leadership engaging in some form of strategic planning. And, the best of these strategic planning activities involve both end-users (customers, clients, constituents) and employees. It is this “strategic plan” that forms the necessary guide (where are we going?) to structure the balance of activities.

Planning is often given short shrift with the inarguable observation that whatever you plan ... the world changes ... especially over extended periods of time. This is really more an issue of how planning is done, rather than the activity itself. The primary issue within strategic planning is to identify a desired large-scale outcome, the assumptions that support that outcome, and contingencies when assumptions must be changed. All too often, strategic plans are mechanical exercises, largely done to fulfill a requirement. The most straightforward way of assessing this is to look for references to the strategic plan in operational decisions and to note the level of awareness of supervisors and line employees with respect to the plan.



**Do (initiate, support, and participate):** Strategic plans without action follow-up are just words that go into a binder and on a shelf. Leadership must engineer the design and deployment of the Performance Management process; provide necessary resources and administrative support, and demonstrate personal and organizational commitment through active participation. Often the primary issue here is the discomfort management may initially experience at the idea of relinquishing a degree of control in the process.

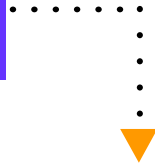
#### **Knowing what to expect from employee involvement**

One primary danger here is that management can harbor an unspoken set of assumptions about what the product of employee involvement *should* look like, and simply reject that which does not fall within this preconceived range of expectations. If this happens, employees quickly draw the conclusion they are being manipulated and withdraw in various ways. It is preferable to set the stage with providing clear sideboards for employee involvement and decision-making, so there is no misunderstanding about how much latitude is being granted. It is also generally wise to take a conservative approach to initial efforts ... to increase the likelihood that initial efforts will meet with success. Early successes help build support and decrease apprehension about the process.

#### ***Management does not delegate accountability for the Performance Management process.***

They are visible, they are engaged ... they are active. One of the most reliable methods of producing organization change is to continually direct and re-direct people's attention towards a desired goal or outcome ... to *focus*. People in traditional organizations mostly sort out what is truly important by what management actually focuses upon through their behavior (not by what they say).

**Check (assess, review, measure):** To ensure forward movement, there must be periodic "audits" of the process to make certain there are no unrecognized roadblocks, and to see that commitments are honored. Drops will occur in all significant change processes. This is normal. While it may be a natural tendency to criticize people when problems are found, it is highly unproductive.



***Fix the problem when things go wrong, not the blame.***

If the improvement process is solution-oriented, people will become less fearful. It is important to remember, the higher the levels of innovation and the more rapid the change process, the more frequently drops and mistakes will occur. In most cases, it is *better* that this happens rapidly, is learned from, and that it does not serve to chill the willingness to try new things.

**Act (correct, reward/recognize, communicate, revise):** Management also has to be ready and able to step in to redirect, assist in problem-solving, and revise policies, procedures and operations (if necessary) in order to support forward movement. Again, one of the hardest aspects of this for management to admit the need for changes, when something is not working optimally.

**Employee Involvement—Empowerment**

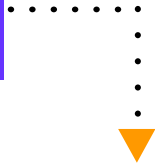
Employees are responsible for a number of “non-traditional” functions and activities in the Performance Management organization, most especially in identifying problems or sub-optimally functioning processes, collecting data on processes and participating in process improvement efforts.

In highly decentralized organizations, partially or fully self-managing work teams are increasingly common. While such structures are generally seen as exotic in government employment, there is no specific reason why they should not be effective. In practical terms, many public sector employees function on a day-to-day basis with high degrees of informal autonomy.

Where all or a significant portion of the overall work force is represented, it is essential to gain early union support and participation in the change process. Since employees serve to benefit just as much as any other interest group in the Performance Management process, there is considerable motivation for labor to be highly involved and offer leadership in the transition. Left out of the planning, they are almost certain to form a barrier that can be relatively impenetrable.

**First Line Supervision:**

In traditional organizations, supervision forms the functional transition line between management and labor, and is not clearly a member of either.



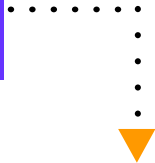
Unfortunately, in large part the traditional supervisor's role has arisen from the concept of "foreman" which harkens back to the industrial revolution. This "flavor" is still seen in supervisor culture today, with the first-line supervisor first serving as "enforcer" and then both as buffer and translator between management and line employees.

Line employees in most public sector organizations are very dependent upon their supervisors for nearly everything from communication to authorization to take action on problems. Because they are relatively insulated from organizational leadership and less "institutionalized" than their mid-management counterparts, first-line supervisors are potentially in a perfect position to help drive the change process if their input and involvement is sought early and often. As organizations press for more employee involvement, often the supervisor becomes the *de facto* team leader.

**Mid Management:**

*"Saying the wrong thing could easily have turned into a CLS—a career-limiting statement."*

*Initially, the group's agenda-less discussion stayed cool and safe. The participants talked about easy-to-agree-on subjects: current business problems and suggestions for solving them. During that phase, everybody got into the act—the CEO, division directors, department heads, and, to a lesser extent, the first-line supervisors. Gradually, though, the talk turned to touchier issues: recurrent foul-ups, alleged mistreatment of people, and cover-ups of serious managerial mistakes. As these more sensitive topics entered the discussion, the decibel level decreased. Those just below the CEO were among the first to drop into near silence, followed by the next level down and so on, until the meeting became pretty much a two-way talkfest, with first-line supervisors laying it on the line and the CEO responding. The others, sandwiched between the two ends, sat mostly silent, almost frozen in their seats.*



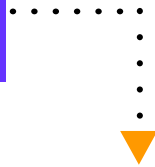
*Was the CEO reading the situation correctly? I had to tell him I didn't think so. But he was certainly right about one thing. Those middle levels, especially the upper middles, were covering their tails—for good reason. I thought the middle folks had shut up because they were just plain scared by the presence of their close bosses, especially the CEO. If the in-betweens had argued with first-line supervisors, they would probably have been called to the boss's office the next morning. The first-line supervisors, however, didn't need to feel afraid. The CEO was too distant, too far up the hierarchy to scare them. The chief executive of a large organization wasn't likely to go after a veteran foreman, four levels down the hierarchy. Besides, if these old-timers pointed to things that were going wrong, who was likely to be held responsible? Certainly not the top boss! That was middle managers' territory.*

*As for the CEO, he was feeling heroic. He had shown himself to be one of the good old boys, duking it out with the real working folks. It was fun, like doffing his suit and tie and climbing into a gray (not pink!) jumpsuit—for one afternoon. But for those in between, saying the wrong thing could easily have turned into a CLS—a career-limiting statement.*

*The meeting must have been stressful for the middle managers. It spotlighted and dramatized that classic hierarchical dilemma—the dilemma of dependency—and some of the difficulties involved in speaking truth to power. (Leavit, 2004)*

Mid-managers are the stability and continuity of the public agency system. They are not political appointees and turnover within this group is generally significantly lower than both in the private sector and in agency leadership positions. And, often when turnover does occur, those managers remain within the larger system.

Longevity both in position and within the larger system, is often much higher than in private organizations. Functionally, this also extends to key “program” staff, who really function as program managers, irrespective of how they might be classified.



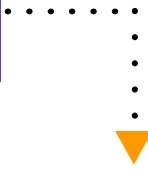
In large part, this extended group is composed of career public servants, many of whom with significant years of experience. They have seen administrations and agency directors come and go. At the same time they hold large amounts of system knowledge (which may not exist in any other formal manner) and serve as a continuity bridge for the organization during periods of transition and change. Very often they were selected and are promoted primarily for their subject matter expertise, steadiness and reliability.

As illustrated in the anecdote quoted previously ... most have learned that being conservative and careful is generally the wisest course of action. Because they generally are the systems experts (and often their architects as well) any strategy for large-scale change requires both their support and participation to be successful; this means they must be involved from the onset and have a significant level of influence over what happens. Absent this, they can become an obdurate force for returning the organization to its customary way of functioning, irrespective of leadership or external forces. They can and often do, simply “wait it out.”

### **Training**

Because participating in a Performance Management organization requires an addition skill set (beyond those traditionally required by specific jobs), training of employees in Performance Management related tools and methods is essential. From business case training, through “soft-skills” such as communication and leadership, to technical and analytic skills ... there is a wide-range of training and education which must be done at all levels of the organization. This is especially true for managers and supervisors, because public sector supervisors are often Subject Matter Experts (SME’s) who are promoted for good work habits and technical job knowledge, *not* because of experience or training in management. Seldomly are public sector supervisors trained in quality management methods sufficiently for them to use process improvement methodology as a functional tool.

One of the most common mistakes made in such training is the “sheep dip” method where significant numbers of people are herded into a classroom, and hosed down with lecture-based training. Retention and use of this type of training can be shockingly low, driving costs up.



Rather than program based training, it is best to gear process improvement training to naturally occurring opportunities in the system, and to provide it in “bite-sized” pieces to small groups of people ... people who can immediately use what they learn when they return to work. If they can’t use it at work, or if they only get lecture and no practical application ... they will learn little and retain less. It is the *understanding* that comes with application which builds knowledge and commitment.

### Suggestion/Improvement System

It is widely known that a host of potential improvements in any organization lie buried in line employees who are either unwilling or unable to bring those ideas forward. A protected and rewarded method for employees to bring forward solutions to problems and ideas for improvements, separate from that of their normal reporting relationships. Most especially, the idea of people contributing across organizational lines needs to be fostered and rewarded, not suppressed. Because of the filtering effect of vertical organizations, it is important that there is a protected way for employees to get concerns and suggestions directly to those with sufficient position power to act upon them.

### MEASUREMENTS:

Of course the primary foundation of Performance Management is **data**; *measuring processes*. The driving philosophy is very simple

*... If you want to improve a process ... you first have to understand it, and to understand it, you first have to measure it.*

However, process improvement is rarely the primary focus of Performance Management systems in the public setting. More frequently, it is **reporting** that is the initial focus. Because of this, public organizations tend to oriented towards the terminal outcome measurement system and process, sometimes spending inordinate amounts of time and effort on crafting, reviewing and reporting various sorts of measures. There are several potential inherent risks associated with this orientation.

**“Forest and Trees:”** *The most valuable intended outcome of measuring performance is to understand it, so it can be improved.* This is the beating heart of Performance Management. When the focus shifts from dynamic improvement

efforts to static, after-the-fact evaluation, the process can become a compliance-based reporting system. A system that focuses unduly on terminal performance measures often turns something that *should* add value into an exercise. It is important to understand how this can occur, and how it may be prevented.

**The Need for Information:**

Because public agencies are a part of the overall political process, decision and policy-makers are rightfully concerned with getting reliable information and analysis that helps them make quality decisions about policy and resource allocation, and so they can see the **impact** of policy and funding decisions. They also have a shared responsibility to oversee the functioning and efficiency of agencies. They *need* to know what is, and is not producing desired results.

Additionally, they need to be able to articulate those results to their constituency. It is both right, and necessary they have this information in a form they can effectively use. This means there will always be a natural tendency in public agencies to orient the Performance Management process towards the terminal, end-result reporting measurements, unless there is a steadfast resolve to *balance* the reporting focus with driving and reporting up-front improvements.

The most rational way of doing this starts with an acknowledgement that any system of both reporting and performance improvement will have to allow for more than one type of “measure.” A robust system would provide room for outcome information reporting measures (where information is reported, trended and analyzed), true performance outcome measures of varying kinds, indices of complex operations, multi-agency shared measures, efficiency measures and overall organizational functioning measurements. One size, really does not fit all.

“*Inputs determine outputs:*” This is one of the classic conceptual problems in orienting to the reporting process, rather than focusing on systems performance. A perfect illustration is comparing terminal results among various schools educating 4<sup>th</sup> graders. It should be intuitively obvious that not all groups of 4<sup>th</sup> graders are “equivalent” and the differences are not just individual differences, but also characteristics of the group under consideration.

Comparing the scholastic performance of a group of 4<sup>th</sup> graders in a highly resourced, affluent area of an urban population center to that of an impoverished, largely rural area, requires understanding the differences at “input.” Producing “X” amount of *improvement* between these two groups may be not qualitatively equivalent. The true measure would be the *difference* in the students performance from pre- and post levels (degree of improvement, not absolute score).

**“Transparency.”** The public has a right and an interest in being able to see the results government produces. Since traditional cultures are, by nature, risk averse, externally imposed and monitored performance measurements can trigger highly protective and anxious responses. This is compounded by the fact that significant amounts of resources can be expended in control and monitoring the measures. David Osborne, (author of *The Price of Government*) asserts that as much as 20% of operating funds in government are directed at controlling the other 80%.

**“Distorted Data.”** As Benjamin Disraeli was quoted, “*There are lies, damned lies, and statistics!*” Skilled practitioners can willfully skew the results of data analysis, simply by how it collected, analyzed and displayed. Something as basic as using the median rather than the mean in determining a standard, can have a significant effect on what is reported. Unskilled practitioners can do the same thing out of ignorance. In both cases, the net effect can have a profound impact on perceived outcomes.

**“Skill and Understanding.”** At present it is uncommon for employees, supervisors, and management of most public organizations to be comfortably conversant with methods of process-oriented quantitative analysis. Business statistics are frequently seen by many as arcane and intimidating. In reality, most of the necessary analysis skills and tools for business are relatively straightforward, and advances in computer software bring significant statistical power within reach of virtually anyone who has reasonable computer skills and is able to develop a functioning understanding of a few basic concepts. It no longer requires high level computational skills, just a basic conceptual understanding.

The other side of this coin is the collection and use of quantitative data without proper understanding. This is particularly problematic in developing and interpreting graphic representations of data. Graphic displays are very powerful. Meaning is

assumed by the viewer once we show numbers in a graphic format ... which is part of the positive persuasive power of visual displays of data. Unfortunately, without a working understanding of statistical basics, both interpretation and displays can be misleading, such as not understanding which are the appropriate tools for analyzing and displaying various types of data.

**Recognition:** There are certain perceived and actual risks associated with coming forward to participate in any work-change process. Most public organizations are structured and managed for the *status quo*, which adds additional risk to either leading or participating in change. For this reason it is essential that there be a recognition process (and protection) for those who do so, in order to provide adequate incentive to bring people forward in spite of any initial anxiety.

Conversely, there has to be protection from punitive actions for employees who confront problems and systems deficits. This has proven to be one of the more difficult aspects of organizational change. Public agencies do not always strive for openness and transparency in their operations, even with their own employees. It is a significant culture shift to get them to do so. Even when overt sanctions are not present, there is frequently a strong cultural prohibition to criticism of organizational systems and practices.

**“Performance Measures:”** Obviously, any measurement system is utterly dependent upon the appropriateness and usefulness of *what* is being measured. When there is a very strong orientation towards outcome measures, such measures can be fabricated by creating a purported connection between some activity and a known outcome, regardless of whether or not the activity and the outcome are even correlated, let alone causal.

The conceptual frame of. “X causes Y,” is one of the most challenging issues. Just because two factors are related, or correlated in some way, does not necessarily mean that one causes the other. Many of the outcomes public agencies strive to produce have complex and poorly understood drivers. Scientists are used to closely limiting statements of causality in complex systems, because they know how unpredictable they can be. Unfortunately, a research observation that people who do “x” tend, as a group, to have higher mean blood pressure readings does not

necessarily mean that “x” causes high blood pressure. Remember all of the bounces and shifts back and forth about consuming eggs, or coffee.

**There are a number of valid types of performance measurements.**

*Descriptive Measures:* While classic process management decries subjective, descriptive measures, the fact remains that they are part of forming a true picture of the output of a public organization. Most often they take the form of a “checklist” of completion, or a list of known best practices: such as:

- *A system for communicable disease surveillance and control is established and maintained to Federal standards (as evidenced by annual audits).*
- *The local public health system is actively involved in the development and review of public health policies.*
- *The information systems in use enable the collection, use, and communication of data.*

Note that each of the three listed above truly is an **outcome** (a result) which can be clearly described, but not necessarily easily quantified.

*Numerical:* Of course, that which can be reasonably measured in mathematical terms **should** be measured, and most performance standards will take some numerical form of expression. The most common of all in most organizations are *output* measures. In their most simplistic form in a service organization, output measure quantify how many times or how quickly something is done (*Between April and July of 2007, processed applications for initial unemployment claims rose from X to Y.*).

Of course numerical values can be expressed as percentages, and in various computational forms (mean, median, mode, etc.). At their most complex, quantitative measures take the form of multiple-element, weighted indices (such as the Standard and Poors, or the CPI), or statistical relationships such as a Pearson Correlation (where the relationship between two independent variables is measured). These data form the backbone of Performance Management, because they can be statistically analyzed.

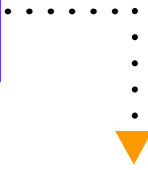
From statistical analysis, we can learn all sorts of useful things, including: tracking changes in our processes, identifying both common and special causes of variance, trending and other predictive activities (“*From our experience over the past five years, what do we think the average X will be for next year?*”).

***Most quantitative measures are output measures.***

Of late it has become increasingly common to disparage ***output*** measures (how much, how often, how many, etc.) in favor of what are referred to as “**outcome**” or “**results**” measures. This type of measure is essentially a predictive statement ... “*Because we did “X,” “Y” was the result.*”

For example, “*Because we provided effective nutritional education to 500 low income families, the effect (outcome) was “Y”* (some sort of measurable outcome, for which there is data, such as improvement in basic scholastic skills scores, or health assessment results for primary school students in certain family income brackets, etc.). In this specific case there is a body of reliable, formal research extant to support the hypothesis that *overall*, improving early childhood nutrition does indeed have a positive overall effect in cognitive functioning. Simply put, in general children learn better when they are properly nourished. This is a well established, and widely accepted general fact, but it is not *necessarily* an acceptable performance measure (an output metric that displays how many at risk children are participating in nutritional programs), if the service provider is required to demonstrate (or rather, re-demonstrate) the known **outcome** effect of that *particular* program on a *specific* group of children. Isolating and tracking the impact of nutrition in a cohort of grade-school children is the province of scientific research, not performance analysis.

To actually accomplish this level of research re-validation as a performance measure requires the rigor of reaching out into the environment, capturing ongoing data from multiple sources, collating and interpreting that data ... an ability that may not be readily available in many agencies without additional resources and expertise. This can become highly problematic. It is very important to keep in mind that the metrics in Performance Management are intended primarily to understand process variation, not produce scientific evidence of causality. Even using the most rigorous of scientific methods, determining causality (this input produced this output) is daunting.



For example, to require an agency performance measure that assesses the causal link between stream restoration in one geographical area of the state with specific increases in annual Salmon runs creates an untenable situation. While it is well accepted that stream restoration is one important variable in improving the Salmon runs, it can be dauntingly difficult to authentically track the actual impact of a single program of restoration (or any intervention in outcomes as complex as ecosystems, health, poverty or education) to a specific outcome (increases in the number of Salmon attributable to that one project). Such measures can become an exercise in compliance and sophistry.

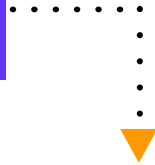
### **Outcome Measures for Public Agencies**

There are three logical primary outcome measurement types for public agencies. These are:

1. **Status change** (condition, capability) - The target moves from one identified state (unemployed) to another (employed part-time).
2. **Social change** (educational, economic, employment, etc.). The target moves from one level or group (at or below poverty level income, to above poverty level income, etc.).
3. **Consumer/client/constituent satisfaction**

Obviously, the latter would appear to be the easiest to assess; just ask. Of course, it is not quite that simple; meaningful data collection on client/customer satisfaction can be quite difficult to obtain and as often as not, the results may say as much about the methodology as actual satisfaction levels.

It is a consequential challenge to clearly demonstrate that service or action “A.” on the part of a public agency has a definable and defensible cause and effect relationship with Outcome “B.” (change in status, or capability). A reasoned approach to outcome measures would allow organizations to cite valid external research. There is good data on nutritional effects on learning, physical fitness effects on accident rates with police officers, etc. Additionally there needs to be reasonable support resources for conducting needed research.



Washington state funds a Public Policy Institute which does meta-level (researching existing research) to help inform public policy decisions. However, it is useful for state government to fund some basic research (such as a longitudinal study of police officers in the state of Oregon, to determine the correlation (if any) between their ORPAT (Oregon Physical Abilities Test) test scores, and subsequent injury and illness rates for their first three years of employment.), because this data does not currently exist.

It is essential to remember that the most valuable purpose of the Performance Management process is to *improve* performance by improving organizational methods and processes. One of the most certain ways to compromise a nascent Performance Management process is to expect unreasonable outcomes from it, or to focus it most forcefully on terminal measurements within complex systems.

### **Groups and Teams**

Whether they take the form of *ad hoc* groups formed to work on a specific project, ongoing committees or task forces, or a comprehensive move towards team-based management (partially or fully autonomous work teams), most Performance Management organizations recognize the value of people working collaboratively as well as isolated individuals. Again, because since most public organizations are structured around management command and control and vertical hierarchies, this is a significant cultural change. Releasing authority and the ability to make decisions and take actions can be very uncomfortable.

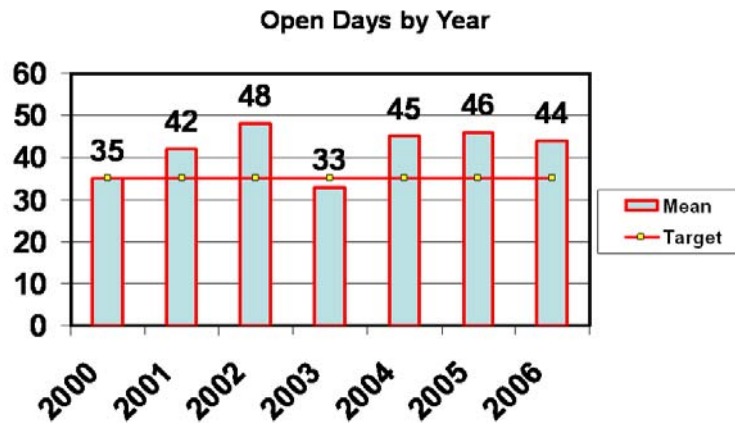
### **General**

**Fact-Based Decision Making:** With a shift in orienting towards data collection and analysis, both management and employees begin to use established, commonly held **fact** to make decisions, rather than unstructured debate or position influence.

If the data shows constituents are frustrated with the speed of request processing, and analysis of available data shows a current request process with fifteen separate steps, branching through three departments, and a range of times from 3 hours to 3 weeks, it should be readily apparent a solution will have to involve reducing/ combining steps, and modifying the process for the request operation to be fulfilled.

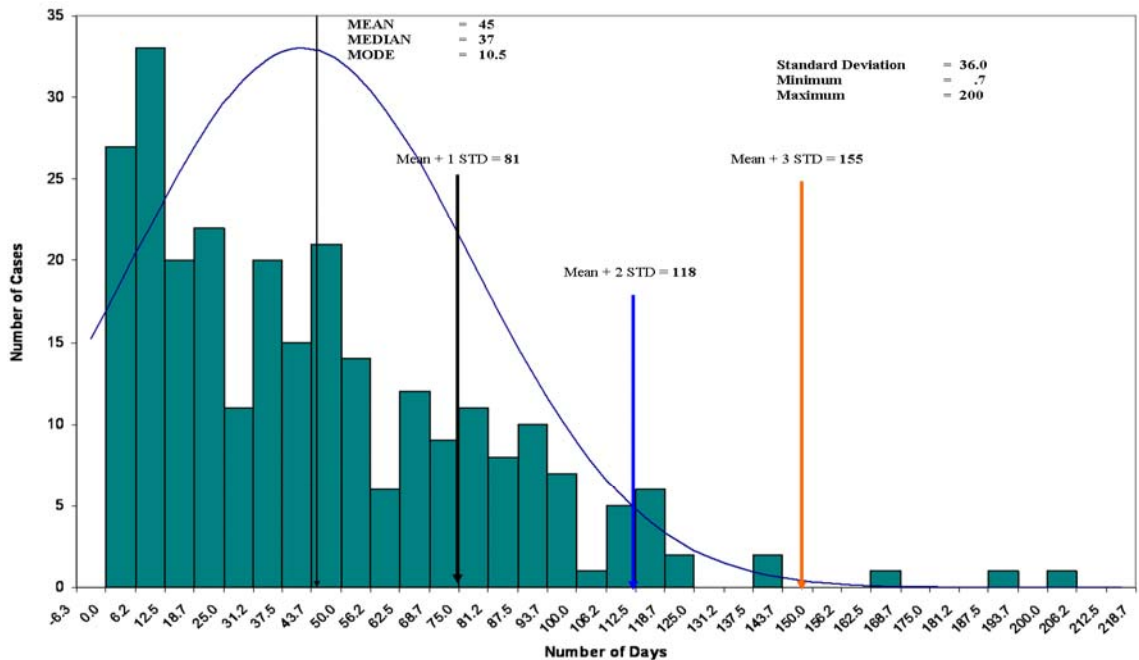
Specifically *how* this is done might take many forms, but whatever the solution, it should be based on analysis and facts, not arguing about approaches, with the most powerful or persuasive person winning the argument.

**Statistical Process Control (SPC):** This refers to understanding a process by analyzing the amount and type of *variance* in it; determining Common and Special causes of variance (what is, and is not reasonably within the control of the organization); determining statistical relationships between and among variables and being able to graphically display data in way that makes it more useful (histograms, Pareto charts, etc.). This is quantitative analysis. It is not necessary to be a statistician, but it **is** necessary to understand basic concept of process measures, and to be able to apply those concepts in order to understand how processes are (or are not) working.



Currently, most of the performance measure reporting takes the form of categorical data, shown in combination column/line graphs and reflecting the raw mean of the data being displayed. About the only thing this sort of data representation shows is that for a six year period, this program or operation has met its targets only one year.

Conversely, a distribution Histogram (shown below) of the same data provides a wealth of information about the functioning of a process, by showing a distribution of the data, not simply its aggregate.



**Cross-functional process management:** Because most traditional organizations are “stove-piped” to some degree, if Performance Management is to be successful, it requires identified methods and paths to cross organizational lines in order to solve process problems that involve more than one part of the organization. Ordinarily, the “turf” isolation in traditional organizations make this very difficult unless one is a fairly high-placed manager. This becomes even more complex when measures need to extend between organizations, as is often the case.

**Internal/external customer – supplier relationships:** Consistent quality can only be delivered in the context of ongoing efforts to form a team among the various stakeholders, and to base performance standards on stakeholder needs. Everyone has, and in turn, is someone’s customer. It can be shocking to see the disconnect

between internal suppliers and consumers in traditional organizations. Internal customer service systems and tracking is still relatively rare. However, if a worker cannot get what he or she needs from internal suppliers, how can they meet the needs of external customers?

### **The Concept of Continuous Improvement by Performance Management**

Performance Management is largely comprised of various forms of continuous improvement activities in **all** work, from high-level strategic planning and decision-making to detailed execution of work elements at the line level. It stems from the belief that mistakes and delays can be avoided and defects can be prevented, *if* the system works optimally. It drives a process of continuously improving results in all aspects of work as a result of continuously improving the *capabilities* of people, processes, and technology. Continuous improvement must address not only improving results, but more importantly, improve *capabilities* to produce even better results in the future.

#### **The five major areas of focus for capability improvement are:**

1. Demand (markets, constituents-customers and needs fulfillment)
2. Supply generation (production capacity)
3. Technology (use of tools)
4. Operations (methods and processes) and ...
5. People (human capital).

It is the successful ongoing process of capability improvement that allows an organization to do more with less. American workers continue to remain relatively high in productivity because of a combination of ongoing training, technological advances, and improvements in operations. This continuous improvement model has been spearheaded in manufacturing where a single American worker often performs multiple operations requiring several employees in less developed systems.

## **Continuous Improvement: Implementation Principles and Processes**

### **Organizational Readiness**

A preliminary step in Performance Management implementation is to assess the organization's current culture ... it's *readiness* level to support change. The analogy is to visit the doctor for a general check-up before engaging in an exercise program.

Broadly relevant organizational cultural issues include: the organization's history, its current needs, precipitating events leading to Performance Management implementation, existing employee quality of work life, and the overall relationship among management and between management and employees.

*More specifically ...*

### **Key Variables in Organizational Culture (taken in part from a 2000 article in Professional Safety magazine, written by the author of this text).**

Using the extensive historical research base in sociotechnical systems design and quality management, and nearly twenty years of related work, we have identified and verified thirteen (13) primary cultural elements which appear to be of broad significance in assessing organizational health and change readiness. There are most certainly additional critical elements in organizational culture beyond those we have been able to verify; however, the scope of these thirteen items is sufficient to address virtually all major areas of organizational functioning.

#### **1. The degree to which individual employees believe themselves to be an important part of the organization.**

This variable combines a number of cultural issues. Included in these issues are: To what degree are employees treated with respect by management and by each other? To what degree is the work performed by individuals and groups at all levels of the organization seen as useful and contributing towards organizational goals? How are the general treatment levels for employees?

We find a strong perception among employees within high-performing organizations that they are valued and have an important role to play, regardless of job title or position level. In these organizations, people are treated with

respect and consideration, regardless of position level and it is common that people are viewed not so much as their “job” but their ability to contribute.

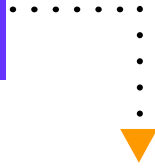
2. **The degree to which employees feel they perform well and the true value and support the organization affords individual and group performance.**

Surprising though it may be, organizations are often seen by their employees as valuing other things (such as compliance, conformity, non-confrontation, loyalty, etc.) over performance. When this is the case, employees frequently perceive management (as a group) and organizational systems as a series of roadblocks that must be overcome in order to perform. It is unfortunate, but often the most secure posture in an organization that does not have a high value for performance, is to be mildly incompetent (so you won't be given too much responsibility) and very pleasant (so no one will get mad at you, or feel threatened).

3. **Organizational support and value for personal and professional development, education and training.**

This survey area has taken on increased importance over the years as employees have increasingly come to associate their employability and job security with continuing education and skill upgrades. Effective training helps employers create and maintain a significantly more “performance” oriented culture than do their counterparts who do not support education and training.

Support for investing in the continued development of employees is strongly perceived as proof that management acknowledges the value employee knowledge and skill represents. This observation is qualified with the caveat that aggressive support for education is not always “liked” by employees. In fact, mandatory training and re-certification programs can be the source of significant conflict between management and employees (at least when initially implemented). However, this “conflict” appears to have little if any negative long-term effect on organizational culture or performance, and is rapidly offset by positive influences of integrating continuing education as a core value in the culture.



Long-term, we see that workers who enter organizations with excellent training and qualifications have the expectation they will continue to receive training from their new employer. If an employer is reluctant to invest in its employees continued development, it is a reasonable conclusion that such things are viewed as relatively unimportant. Employees believe that management puts its money and attention towards that which is perceived as important.

**4. A safe workplace.**

Originally seen as more of an issue for manufacturing and extractive industries, the rising awareness of the long-term etiology of industrial illness and injuries (such as repetitive stress related occurrences) is resulting in a much more uniform level of concern over this most basic issue. The first part of understanding this element of the organizational culture is to gain insight into the degree to which management expresses value for the safety of its workers. Again, as with training and development, employees perceive that management values are displayed by what they emphasize.

**5. Utilizing Performance Potential**

This element of organizational culture addresses values for performance, education and development, risk-taking, flexibility, removal of systems-constraints and even in classification and compensation systems. Again, we find that while many organizations will say (and believe) that they value performance, and proclaim that their employees are their “number one” resource, fewer behave congruently with this rhetoric: Control, obedience, conformity, politics, conformity to existing system requirements and “seniority” still rule in most traditional organizations.

**6. The degree to which there is clear and consistent focus on improving the quality of incoming materials (tools, equipment, supplies, services, etc.).**

The continuing demand for higher quality and productivity, without concomitant improvements in systems requirements and resources is one of the most abiding frustrations workers at all levels of the organization suffer.

As one line employee once told us, “*Our mission statement says we are a “world-class” manufacturer and we are out here with a rock and stick trying to keep this place together!*”

#### 7. **Systems and methodology for problem reporting.**

In a hierarchical organization workers (at any level) are always faced with problems they lack the wherewithal (resources, skills, authority, etc.) to resolve. From work-orders to filing a complaint of sexual harassment, every organization needs clear and effective mechanisms for identifying and getting problems to where (or to whom) they can be solved. These can be as simple as the “open-door” policy, or as sophisticated as a computerized maintenance work- order system.

The existence of policies, systems and procedures to address such things is insufficient, in and of itself. The perception (whether employees think the systems work and can be trusted) of these systems is frequently more of an issue than the presence or absence of systems themselves. In some of the mostly highly performing companies we have visited, there may be little in the way of formal systems ... and employees will tell us that if they have problems or issues, they just tell someone (their team, their supervisor, the steward, management, etc.) or solve it themselves without having to rely on someone else.

#### 8. **Management/System Responsiveness to reported problems.**

More complex than it may initially appear, this item is much more than just assessing follow-up to problem reporting. *Highly dependent cultures place the primary burden for problem resolution squarely on management’s shoulders.* Upward delegation is *de rigueur* and constant. When there is a prevailing belief among employees that their task is merely to *report* problems and management’s task is to *solve* problems, we usually find a dependent and immature organization.

Without some type of intervening corrective action, such a culture will typically have a very high rate of failure when attempting rapid movement towards process improvement or other organizational strategies requiring high levels of

employee autonomy and self-directed follow-through. One can also expect to encounter moderate to high levels of chronic negative conflict between management and employees, when management is always expected to solve problems.

It is human nature to want to be dependent (to be taken care of) and simultaneously to be highly frustrated with dependency. Employees expect management to take care of problems, but are frustrated with their lack of involvement and with the content of management decisions, with which they may not agree.

**9. Performance-based consequences: Recognition and reward for positive performance.**

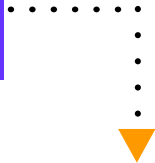
Many team models (based in cultures that are alien to the “*What’s in it for me?*” American archetype) have muddied the waters here. Too many organizations eschew the concept of recognition of individual merit as inconsistent with “team-work.” Research on American cultural archetypes (Hatala, 1998) reveals that Americans generally will not willingly subordinate their individuality to the group. In our country culture, workers expect both individual and group incentives and recognition.

In interviews with workers all over the country we find a startling majority say that the *best* outcome a high-performing employee can hope for, is to be ignored (not interfered with unduly). At work, high performers are most often expected to “take up the slack” for their lower performing counterparts (something which is often formally promoted in the guise of “positive team work”).

Combined with a pronounced tendency not to confront performance problems in many organizations, high performance is rarely seen by employees as an organizational value in traditional organizations.

**10. Performance-based consequences: Confrontation and correction of poor performance.**

From a casual survey of management and leadership books and seminars, it would seem we are returning pell-mell to the “good parent” model of



management (Humanistic models). We don't confront and correct, we enhance self-esteem and coach. Poor performance is often ignored or simply accepted, in order to preserve harmony. With the steadily increasing pressure on organizations to perform, we see much more being expected from fewer numbers of employees. This is one of the primary complaints we have received in employee interviews. Management will not, or cannot appropriately confront and correct performance problems. This means that the most reliable consequence of being a good employee is to get to work *harder*.

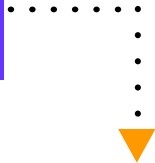
#### **11. Positive working relationships and communication among leaders.**

Employees are all too aware of how the organization's leadership interacts through layers (or across lines). The more paternal (or maternal) the organization, the more profound the effect of conflict and political infighting among leaders on the culture.

Interestingly, it is not the simple presence of conflict that determines employee perception of this element. We have often encountered organizations in which constructive debate and open disagreement were virtually day-to-day occurrences and employees perceive leadership to be very cooperative and positive. In other organizations, where there was little observable overt conflict, employees rated this assessment item very low. A certain amount of conflict seems to be a basic part of human nature. We will conflict openly and healthily, or we will conflict covertly and passive-aggressively (destructively), but we **will** conflict. It appears that reasonable levels of healthy conflict is the most desirable state.

#### **12. Employee involvement, participation and input.**

Team-based, or highly participative organizations are more productive and more positive than their "traditional" counterparts, just by their very nature . . . right? Wrong! However, it is true that an *appropriate* level of input, involvement and participation on the part of employees is an important element in long-term organizational success. Such involvement does not have to take the form of "teams," or any other specific, formal structure.



“Appropriate” is a very difficult term to tie down; for each organization, and in each application, it is different. This is one of the reasons we use the *Situational Leadership*® model as a primary organizing principle in our work. The *Situational Leadership*® model asserts that managers and organizations must employ appropriate flexibility in order to be maximally effective. The best intervention is the one which best fits a given situation, not a fixed, habitual way of responding.

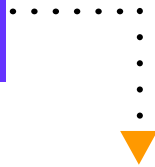
One of our client organizations was considering implementing a veritable shopping list of fundamental changes in one of their locations. The list of possible changes started with a new facility and product line, and ended with the question, “*What about semi-autonomous teams?*” In the middle of the list were things like extensive re-training and similar issues.

We were asked to undertake a cultural assessment of this organization, as part of the management decision-making process. Specifically, the client wanted to know if the culture in that targeted location was rigorous enough to withstand the contemplated changes.

The assessment revealed a highly mature, traditional organization with a palpable culture of personal responsibility and accountability. We saw a world-class safety culture, a newly forming (but very positive leadership group), and a clear awareness among employees of the fact that, without significant change, the facility could not be competitive. In this specific case, the “readiness” level for involvement and participation was subject only to providing the employees with information and the necessary skills to be successful.

### **13. Job security (layoffs, wage cutbacks, etc.).**

Conventional wisdom suggests fear over job security is a bad thing. Practical reality is that high-performing organizations, like high-performing people, evidence a certain amount of internal and external “tension.” Too little tension and we become complacent; too much tension and we throw an embolism. When complacency about job security is high, it is very difficult to bring about organizational change, short of “shocking” the organization. When fear is predominant in people’s minds, it is hard to concentrate on positive action.



## Summary

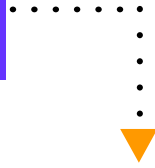
If the present organizational culture under consideration does not demonstrate as relatively positive, the risk for delays and failures in any major organizational change process is increased. In some cases it may be necessary that change implementation be slowed, or delayed until the organizational culture is healthy enough to reasonably support the change process. It is preferable that the acknowledged lack of readiness serve as a motivator in engaging in concerted efforts to address deficits.

If an organization demonstrates effective responsiveness to the environment, and if it has been able to successfully change the way it operates when needed in the past, large scale change will be much easier to implement. If an organization has been historically reactive and has little or no skill at improving its operating systems, there will be both employee skepticism and a lack of skilled change agents within the organization. While these serve as impediments, the process can still be successful; it is just more risky, requires more creative thought, and often proceeds significantly slower.

Generally, it is best if the organization is basically sound before beginning a Performance Management initiative. If it has significant problems (such as a very unstable funding base, weak administrative systems, lack of managerial skill, or poor employee morale), a program to implement Performance Management *could* serve to exacerbate the existing problems.

However, a certain level of stress is probably desirable when initiating Performance Management; real change is rarely driven by comfort and complacency. People need to feel a *need* for a change. Kanter (1983) addresses this phenomenon by describing building blocks which are present in effective organizational change, which include: departures from tradition, a crisis or galvanizing event, strategic decisions, individual “prime movers,” and “action vehicles.”

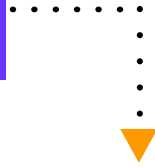
To use Kanter’s parlance, “*Departures from tradition*” are activities (usually at lower levels of the organization) that occur when entrepreneurs take action outside the normal ways of operating to solve a problem. A *crisis*, if it is not too disabling,



can help create a sense of urgency, which can mobilize people to act and a climate where there is increased tolerance for new ideas. This may be a threatened or actual funding cuts, or significant increases/changes in demands from consumers or other stakeholders for improved-increased quality-quantity of service.

During and after such a crisis, leadership may intervene strategically by articulating a new vision of the future to help the organization more confidently respond. A plan to implement Performance Management may be part of such a strategic decision. The leader of such an initiative may then become a *prime mover*, who takes charge in championing the new idea and showing others how it will help them get where they want to go.

Finally, *action vehicles* are mechanisms or structures employed to enable the change to occur and become institutionalized (e.g., training, policy changes, organizational structure changes, etc.).



## **The Transition**

### **Management First**

Typically, the first phase of this process would include a study of present conditions (assessing current reality, as described above); assessing organizational readiness, such as through an organizational assessment; creating a conceptual model of the desired state (in this case implementation of Performance Management); announcing the change goals to the organization; and assigning responsibilities and resources. Cohen and Brand (1993) and Hyde (1992) assert that management must be heavily involved as leaders rather than relying on a separate staff person or function to shepherd the effort. This is especially true of command and control organizations, where it is relatively simple to ascertain true priorities, simply by watching the behavior of a small number of key agency managers.

To communicate the change, mechanisms beyond existing processes are often needed. Special meetings may be used to kick off the process, and regular formal and informal communication is an essential tool to keep employees aware of activities and accomplishments. The more leaders are seen to be visible and approachable, the better.

This top-down approach to the *initial* transition is expected and necessary in traditional organizations, but there is risk that so long as management is the **only** driver, resistance or apathy will ultimately result. As rapidly as possible, employees have to see management *modeling* what they are seeking (openness, readiness for change, willingness to recognize and support problem resolution, etc.). They also typically must see some high profile successful initial efforts, in which line employees figure prominently. Rather than restricting employee autonomy, management must be seen as taking steps to increase it.

### **Training Issues**

The issue of when to train in process improvement skills is contested. The programmatic approach asserts that all such training should be done prior to implementation. A more organic stance is that people learn best when they are motivated to do so, and providing skills training on a Just In Time (JIT) basis, may

have a number of advantages, not the least of which is that the lag time between learning and practice is considerably shortened. Perhaps most importantly, the students see a reason for the training and a real-life application for what they learn to making their jobs better.

### Initial Successes

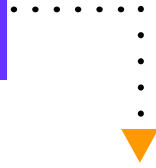
There is an understandable, but regrettable initial tendency to take on projects of too much complexity. Start with low-hanging fruit ... and typically the most efficacious of those are processes which have the most negative effect on the most employees, or are so obvious they suggest themselves. It is important that, however modest, initial efforts produce successes.

### Celebrations

Whatever the professed level of cynicism may be, it is still important to recognize successes and to celebrate improvements. People are more commonly used to silence when things go well, and only hearing when something bad has happened.

**Warning!** It is incorrect to say that traditional organizations do not work on their processes ... they do; but most of the effort is directed towards control and stabilization, not efficiency and quality. This means that initial efforts to improve process quality will probably run head-on into the “history” of the specific process under consideration. The process (whatever it may be) is in place, as is, for *reasons*, and most of those reasons are *controls* ... and many of those controls are externally imposed. ***This will be the battlefield*** ... attempted change constrained by what **was**; policy and controls promulgated to try to prevent mistakes or abuse.

However sincerely such controls are built and maintained, they often become the root of ongoing systems problems which cannot be remedied without an alternative approach to what happens when people do things they are not supposed to, or don't do things they are supposed to.



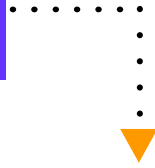
### **Transition Summary**

First assess pre-conditions and the current state of the organization to make sure the need for change is clear and that Performance Management is an appropriate strategy. Leadership styles and organizational culture should be at least reasonably congruent with Performance Management tenets. If they are not, either the implementation process for Performance Management will need to be quite structured or implementation should be delayed until more favorable conditions can be established. An alternative here is to pick an area or process where the organization is reasonably healthy, and start with that one project or process.

Under the best of circumstances this transition is a difficult, comprehensive, and ongoing process. Leaders must be patient and take a long view, maintaining their commitment through consistent action over time. They must also be willing to divert from the “program” when it is obvious they need to do so. Programmatic approaches are simply templates from which to begin the organization-specific approach to be used.

It is important to keep the process visible, to be seen as providing the necessary support, and to hold people accountable for results. Input from all stakeholders (clients, referring agencies, funding sources, etc.) is important. It is also critical to maximize appropriate employee involvement in design of the system.

Always keep in mind that Performance Management should be purpose driven. Be clear on the organization's vision for the future and stay focused on it. Performance Management can be a powerful technique for unleashing employee creativity and potential, reducing bureaucracy and costs, and improving service to customers, clients, constituents and the community.



## **Conclusion**

Performance Management encourages participation amongst workers and managers. There is no single theoretical formalization of total quality, but Deming, Juran and Ishikawa provide the core assumptions, as a ...

*“...discipline and philosophy of management which institutionalizes planned and continuous... improvement ... and assumes that quality is the outcome of all activities that take place within an organization; that all functions and all employees participate in the improvement process; that organizations need both quality systems and a quality culture.”*

**Performance Management is not magic; it is not a cure-all; it is a tool. It CANNOT:**

1. Change the management system
2. Change administrative systems: budget, personnel, procurement, accounting and auditing.
3. Change or clarify organization purpose.
4. Introduce incentives and consequences for performance, or ...
5. Decentralize control through organizational empowerment.

Osborne & Hutchinson (2004)

However, it is almost impossible to achieve consistently high measures of quality without a structured process for managing continual improvement. This is Performance Management.

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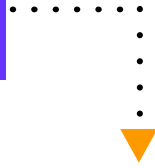
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