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PERFORMANCE BASED MANAGEMENT

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PERFORMANCE BASED MANAGEMENT

(Policy series 2009)

“... chart a course for every endeavor that we take the people’s money for, see how well we are progressing, tell the public how we are doing, stop the things that don’t work, and never stop improving the things that we think are worth investing in..”

**President William J. Clinton, on signing the
Government Performance and Results Act (1993)**

Abstract

In the public interest, governments seek to strategize priorities in the scope of achieving more with less. Today’s financial and social challenges have urged leaders to adopt views that match performance with the cost. The performance-based management (PBM) model is considered as a tool through which public officials proceed with reforms and offer maximum transparency with the end goal of optimizing the social value. Referring to AGA¹ the “PBM integrates existing financial, operations and other data into eye-opening and actionable facts for enlightened decisions. It is able to consistently track cost and performance over time and improve predictive ability”. PBM is considered as “flexible, so that different entities can tailor it to their needs and still give top leaders consistent, cross-government views of performance and the cost of creating societal value”.

¹ AGA CPAG Research Series / Report No. 20. March 2009

I. Introduction

To manage performance, means to compare actual results with initial goals through which we can measure effectiveness. PBM helps leaders to keep their subordinates on track and have them focused on priorities. In order to assure effectiveness, performance management must be always considered in the light of the organizational strategic plan. The Performance Based Management model represents an essential reflection of institutional leaders' commitment to quality. Leaders not using PBM, base their decisions using common sense, using experience than facts instead of the right proportion of all three. Thus the goal to lower costs while improving performance face unnecessary complications and the chance of poor performance is higher. The call to "do more with less" has been more of an aphorism than an actual management policy. Managing government performance will help lessen the fiscal crisis while building a foundation for a new, more effective and more respected public service.

PBM Definition

Performance-based management is a systematic approach to performance improvement through an ongoing process of establishing strategic performance objectives; measuring performance; collecting, analyzing, reviewing, and reporting performance data; and using that data to drive performance improvement.

*PBM SIG – Performance-Based
Management Special Interest Group*

Some of the USA Government agencies were the first to focus their attention on PBM seeking to improve the confidence of its own people in the competence of their Government, by holding Federal agencies responsible for achieving program results. Following the signing of the law on Government Performance and Results Act (1993) by President Clinton a series of pilot endeavors were launched in setting program goals, measuring program performance against those goals and reporting publicly on their progress. Recently, some of the Balkan neighboring countries have also introduced the main highlights of PBM model, particularly at the strategic planning & development level (e.g. Bulgaria, Macedonia).

In Albania, not only state institutions but the public debate too seems to be far from rethinking the actual performance assessment and development schemes and eventually, introducing the features of a performance based management. The purpose of this work, developed by a group of scholars, part of IDM Security Management Network, is to trigger such a debate among top level officials and institutional leaders. The essence of the challenge to develop results-oriented institutions through PBM lies in the effective application of three key elements – clearly define the mission and desired outcomes; measure performance to gauge progress; and use performance information as a basis for decision making. This is precisely what this paper intends to do – guide the readers through the PBM model, provide "food for thoughts" to key stakeholders and encourage debate among top institutional leaders and actors on the model.

II. What is Performance Based Management

A performance-based management program refers to a formalized framework within an organization for the implementation, conduct, and maintenance of a performance-based management approach to their operations. Establishing a PBM program is neither an easy nor a short term task. The US experience reveals a series of reviews and attempts to improve the implementation of the Government Performance and results Act (signed by President Clinton in 1993). In fact, it took years to US agencies to consolidate a well-established performance based management. PBM SIG suggests a number of key *elements* that significantly influence efforts to establish such model and which therefore must be considered in this regard:

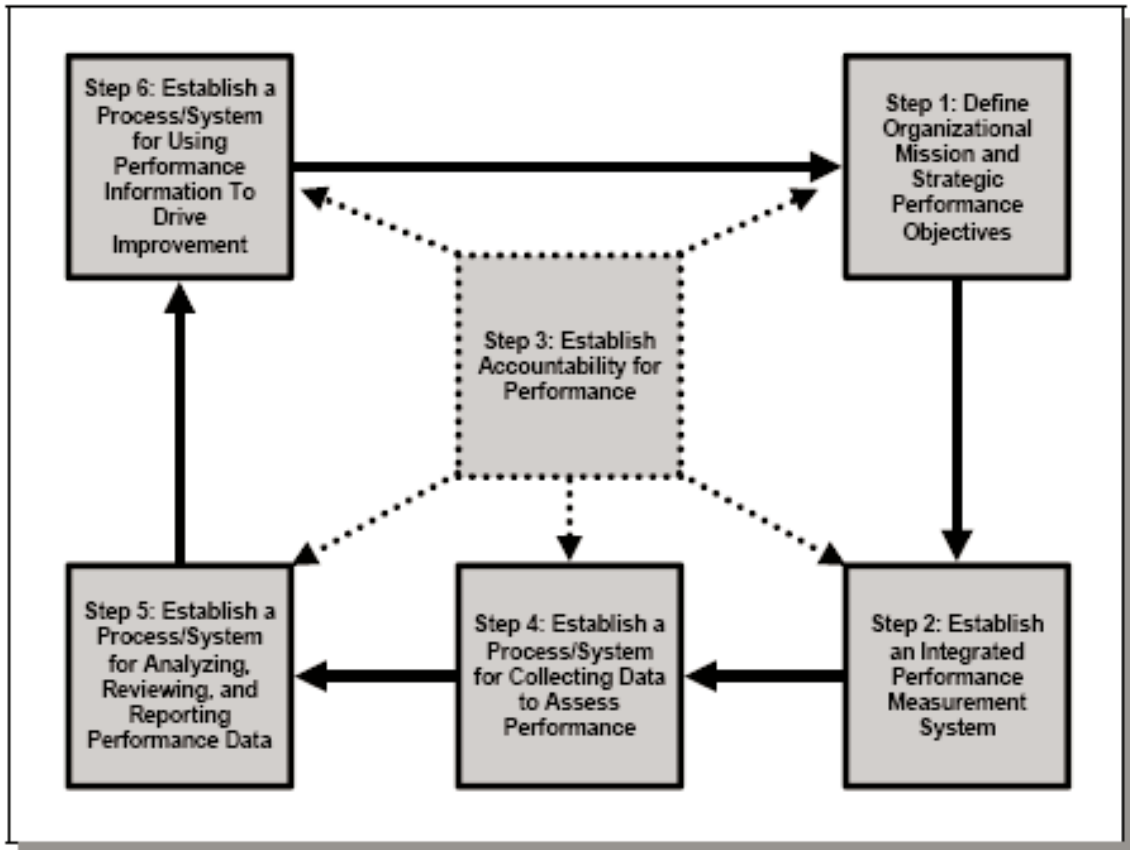
PBM and Performance Measurement
Performance measurement is a critical component of performance based management so the two concepts should not be confused with one another. Performance measurement implies a comparison of actual levels of performance to previously established target levels of performance. Performance-based management essentially uses performance measurement information to manage and improve performance and to demonstrate what has been accomplished.

- Leadership* appears to be extremely important for the success of PBM
- Commitment* by everyone and especially the leadership's commitment also conditions the degree of PBM success. Commitment must be firm and continuous.
- Involvement* is also a key feature of the PBM model. All interested parties (stakeholders, employees, customers etc.) must be involved in accordance with their role.
- Communicate* what is planned, expected to happen, what happened and what corrections are being made to the model. This is a continuous process which goes hand in hand with the "involvement" element.
- Feedback* helps leaders to make adjustments
- Resources* – Without adequate resources (people, equipment and finances) the PBM model will not function properly
- Customer identification* implies that the respective institution must identify all customers to whom it provides services
- Growth & Environmental Scanning* – PBM is not a stagnant process and neither it operates in a stagnant environment. Hence it requires continuous attention to monitor threats / opportunities and to upgrade the experience
- Purpose & (organizational) capacity* – PBM should be driven by a clear purpose and implemented by committed and capable institutions

The cycle that leads to the establishment of an effective performance based management is composed of main steps, as presented in the figure below.² See Figure 1.

Figure 1. Establishing a PBM program

² USA Department of Energy. Will Artley, DJ Ellison and Bill Kennedy, The Performance-Based Management Handbook, Volume 1: Establishing and Maintaning a Performance Based Management Program (Washington D.D: US).

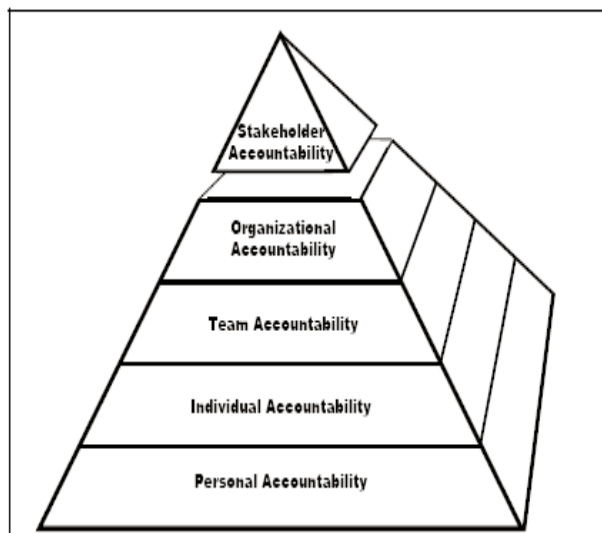


Defining the mission and strategic performance objectives comes as the first step in this process. While the Mission statement serves as the frame of the purpose for which the organization is organized, Vision statement portrays the future environment and the role of the organization within it. This step also is known as the strategic planning phase of performance-based management and requires particular attention on “leadership” and “communication” (to use both, internal & external information).

The second step, *establishing an integrated performance measurement system* serves to define the relationship of Performance Measurement to the Strategic Planning Process, which is followed with other measures such as: Build the Performance Management Team; Address Stakeholder/Customer Needs; Understand Performance Measurement Terminology; Manage Performance Measurement etc.

Building Accountability – Accountability for PBM stands for *Authority* and *Responsibility*. Opinions and behaviors are influenced by authority. *Responsibility* stands for the one who is liable to be called to account as the primary cause. While the establishment of the vertical line of accountabilities between management and individuals and teams within the organization is referred as *Internal*, the answers to/reports to its stakeholders on both its organizational performance and organizational behavior make the *external* aspect of it.

Figure 2. The Five level of Accountability



Data collection and the system for processing those data stand as step four. Sources of information, the nature of information, the process of collection, the cost of collection, the report frequencies, are some elements of this phase.

The establishment of a *system which can Analyze, Review, and Report Data* is the fifth step. The Strategies for Analyzing Data include the “Assess the Quality of Data”, Methods, adjusting Baseline Measures, preparing Test Hypotheses and formatting the model in which the Data will be Used and Reported.

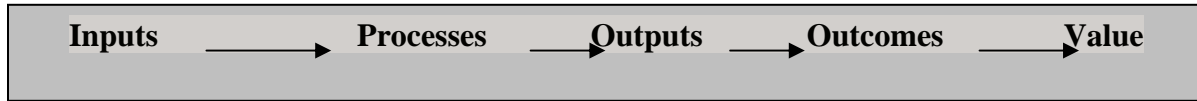
The *Process/System to Use Information to Drive Improvement* – is the last step and the sixth one. The final step in the Project-Base Management is designed to “Shape Organizational Culture”, “Make Information Broadly Available”, and “Build Performance Management into Everyday Operations and assure Executive Support and Organizational Commitment.

As argued above, the process of establishing a PBM program is a time-consuming one. However, once a certain level of consolidation is achieved, the next phase of the work with PBM is to **MAINTAIN THE PBM PROGRAM**. Maintenance checks should be carried out within each step of the PBM cycle (six steps) in order to keep the performance-based management program “fresh” and operating efficiently and effectively.

III. The logic exploited to draw the PBM line

PBM’s multidimensional nature facilitates the understanding of the relationships among the different parts of a logic model, presenting a chain of activities and events that can be

described and monitored so they can be evaluated and improved. The Logic exploited to draw PBM provides the following framework for making the connections:



Usually, governments do measure inputs (resources) and outputs (deliverables and services to citizens). By using simply and only these two extreme distanced indicators, the success of a government performance is poorly estimated because they do not necessarily show how effective the program is (that is, the outcome) and how it creates societal value. As such, this scheme is missing the **OUTCOME** which represents the level of performance and achievements (quantification of performance) and which (as the PBM line shows) leads to the “identification” of the *value*.

In fact, it is the outcomes what the public is interested. Outputs are seen more as process-oriented or means to an end. However, when measuring performance the difference between outcomes and outputs is carefully considered, while both, the outcomes and output should always be treated in a logical connection.³

Commodities and services received from the public due to the program or institution/organization are categorized as outputs. They portray characteristics and attributes (e.g., timeliness) recognized as standards. Output reports become more frequent for managers than outcomes. If the outcome must wait the end of the whole result, output is more fragmentized and connected directly with line activities. Resources used to produce outputs and outcomes, often measured in hard currency, fall in category of input.

IV. PBM in Law Enforcement

“Measurement is the first step that leads to control and eventually to improvement. If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.”

H. James Harrington

Nowadays, law enforcement agencies are being called on to systematically examine the impact of their policing practices. Developing valid and reliable performance measures are necessary for assessing and reporting on the impact of policing efforts, whether those efforts include adopting a new technology or adopting new community policing initiatives and to improve the effectiveness of a department’s overall operations.

The existing model of evaluating organizational performance for law enforcement (police included) still looks a lot like past samples where crime statistics and general figures of performance are more of static type. The multidimensional picture where all departments

³ However, It is sometimes not possible to measure outcomes annually (Performance Measurement Challenges and Strategies, June 18, 2003). In these cases, it is likely that output goals will be used for annual measurement.

are integrated in the annual report performance with responsibilities, contributions and resources still is missing.

At the end, leaders and managers of law enforcement are measured on results which should be firmly tied with the public concern when measuring the law enforcement performance. The crime rate, the security sense of communities, the level and quality of law enforcement reaction to emergency situations, the corruption rate of the institution versus other government institutions, public behavior towards local police, public perception on police dignity, public feedback on police response to their claims and the fact of demonstrating efficiency of operations and conscientious use of public resources, must constitute the core line of law enforcement performance measurement. The end goal of the law enforcement mission is improving the quality of life, efficient use of resources, and effective operations.⁴

According to David J. Roberts⁵, “The variety of factors that contribute to an overall assessment of the quality of the job done by law enforcement demonstrates the extraordinary breadth and depth of responsibility and authority we invest in this critical public agency. Certainly other factors can also influence the amount of crime in a given jurisdiction (such as unemployment, age and social structure of the community, and general economic trends and conditions), but law enforcement is generally held to task as the agency most responsible and, therefore, most accountable”.

To simplify implementation of PBM in law enforcement performance, Mark H. Moore⁶, et. al., have suggested a balanced scorecard for law enforcement comprised of seven different dimensions. Jointly, each of the seven dimensions which can be individually measured, represent an extensive large evaluation of the overall quality of work by the law enforcement agency.

The integrated system of performance management is part of an effective police management. By evaluating output of specific activities, projects, and initiatives we are able to recognize the weak spots, project the direction to address the problem identified, and evaluate the success of our efforts to determine whether they have been successful and an intelligent spending of resources. When applied effectively, performance management in the outcome part of it serves as a tool in measuring and monitoring the *value* of law enforcement operations.

V. “Bringing” PBM in Albania

The model and templates used above offer an introduction of the concept of PBM and illustrate its use in a number of “best practices” considered by this work. The final

⁴ For more of the CompStat process and its implementation in New York, see Bratton with Knobler, *supra*, note 10, and Henry, *supra*, note 10.

⁵ By David J. Roberts Creating Performance Measures That Work. *A Guide for Executives and Managers*

⁶ Mark H. Moore et al, Recognizing Value in Policing: The Challenge of Measuring Police Performance (2002), et. al.

purpose of this paper, as presented at its outset, is to trigger the debate and eventually, concrete actions by Albanian institutional leaders to adopt the PBM model. This will certainly be a challenging objective to be achieved in the local Albanian context.

The administrative culture in managing by measuring in Albanian government organizations does not follow the PBM logic. Rather, different types of collecting and data analyzing is being used. Financial cost is not well balanced with organization performance. Thus it is not possible to consistently track cost and performance over time and improve predictive ability. Therefore different entities can't feed their leaders with consistent, cross-government views of performance and the cost.

Time has come now to consider performance-based management (PBM) as a tool through which government proceed with reforms and offer maximum transparency with the end goal of optimizing the social value. PBM is a flexible approach, so it fits into any other sound management approach or methodology. The model offers practical methods to use existing financial and performance data in ways that deliver the insights needed to change government operations for the better.