

Chapter 3

MANAGING FOR RESULTS—AN OVERVIEW

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Introduction

Systemized techniques have been developed for tracking spending and activities of government in relation to the results they are trying to achieve. Widely known as MFR, managing for results is an approach to public policy and administration that has the promise to improve how government is viewed and how it operates. This chapter provides an overview of one approach to the concept of MFR.

MFR is a way to recast planning, budgeting, management, and reporting in direct relation to what government wants (or is expected) to accomplish. The ideas behind MFR are basic: to identify the needs a government is trying to address; to develop an overall plan (mission, goals, objectives, and strategies) for addressing those needs; to come up with policies, programs, and services to meet those needs; to organize and implement budgeting, accounting, and management systems that support the strategies, goals, and objectives laid out in the overall plan; and finally to develop and track cost and performance data that allow the government to gauge its progress in reaching its goals and objectives, and tweaking (or changing) strategies, programs, policies, management systems, or budgets when necessary.

Approaching government operations in such terms can have powerful impacts on government decision making and results. Take the area of law enforcement, for example, which arguably has been one of the leading program and service areas in adopting MFR practices. In one state, members of the state highway patrol used to be judged by how many tickets they wrote, how many drivers in distress they helped, and how many miles of state highway they covered during a shift. This led to predictable action on the part of officers—they would write the requisite number of tickets, help the requisite number of drivers in distress, and cover the requisite miles while on duty.

Something major changed, however, when the state police switched to an MFR approach. A key unwritten goal of the department had always been safe, smooth-running highways, but there was never any real connection between that goal and what patrol officers thought they were supposed to do every day. Therefore, the department decided to make the broader goal of safe, efficient highways one of the prime directives influencing the actions of their officers in the field. And so, instead of judging a patrol officer on traffic stops, drivers helped, and so forth, the department started to evaluate a district's performance—and by extension a patrol officer's performance—by more results-oriented criteria such as accident rates throughout the state highway system (that is, "safe" highways).

Almost immediately, state patrol officers started to think and behave differently. When officers wrote tickets under the new policy, they wrote them specifically to slow drivers along particularly hazardous stretches of road. If there were other problems on their roads, such as potholes or poorly marked lanes that had the potential to contribute to accidents, officers were diligent in reporting them. The transportation department was now made aware of these potential problems and could fix them. Not surprisingly, accident rates have gone down statewide.

The environmental arena is another area that has seen significant shifts in behavior when programs refocused from process to results. In another state, for example, the department of environmental protection began working more closely with businesses on pollution prevention, as opposed to writing permits for toxic releases and then chasing offenders in a game of "catch and fine." What regulatory officials figured out is that if the state really focused on results—a reduction of toxic releases (and, therefore, a cleaner environment)—then it made more sense to work with businesses at the front end on ways to reduce pollution production, generally, rather than attempting to control the whole process by regulating what comes out of the end of the pipe or smokestack.

Regardless of the policy area, MFR is clearly meant to get policymakers, program officials, and front-line workers thinking about results as the reason for providing service. This means they begin identifying and collecting the kind of data that will allow them to connect what they do—the policies they set, the money they spend, the actions they pursue from upper-level managers down to the front line—to the results they want to achieve.

MFR: An Overview of the Basics

What is actually involved in developing a comprehensive MFR approach to governance? Some have called it “managing by common sense.” Essentially, the approach to MFR presented in this chapter involves seven basic steps (see Chart 3.1). Although they are presented here as discrete and separate, the steps are in fact interwoven and should feed back, forth, and across. Governments have implemented the MFR process in various ways and to varying degrees; there is no hard-and-fast formula. The key is to understand the basics: plans that focus government on real needs and desired outcomes, programs and services that address those needs, performance measures for gauging how efficiently and effectively government is working toward fulfilling the needs and achieving the desired outcomes, and adjusting strategies (programs and services) and budgets based on what needs to be done and the data flowing back to decision makers.

Chart 3.1: Managing for Results Process



1. *Planning for results (strategic planning)*. This includes developing a broad set of goals and objectives for government, based on a clear understanding of the needs government is supposed to be addressing as established by policymakers, ideally in response to constituent inputs about their concerns. Such goals and objectives may come in the form of a mission statement based on identified needs or may simply be a list that sets out the principal areas where government wants to see progress. Such a planning process may also include developing clear policy directions and directives that begin to push the overall plan down to the operational level.
2. *Program planning*. This includes looking at how departments deliver services and whether those services contribute to achieving the government’s broader goals and objectives. It may also include departmental strategic plans, including mission statement, needs assessments, a set of specific departmental and program goals and objectives, and a set of services (strategies) for producing outputs necessary for achieving those goals and objectives.
3. *Developing meaningful performance measures*. This involves working with the relevant departments (from director, to front-line staff, and in some cases to citizens/customers/clients) to come up with meaningful measures aimed at judging progress (or lack thereof) in meeting goals and objectives. A full set of measures also will include data on activities (the type and amount of work being done) and on costs (including direct costs of providing

services or doing other work, along with indirect and overhead costs). Governments generally develop input, output, efficiency, service quality, and outcome indicators to track the extent to which program and activity goals and objectives and desired outcomes are being achieved.

4. *Budgeting for results.* This involves allocating resources based on some set of negotiated priorities that take into consideration the government's stated goals and objectives. To accomplish this, the line-item budget is normally reformatted to allocate resources based on strategies for achieving outcomes associated with the goals and objectives that the government has determined it wants to achieve.
5. *Collecting and using the data to manage work processes.* This involves developing systems (for example, databases, accounting) for collecting data at the desired program or activity level and then assessing the data and regularly (weekly, monthly) monitoring them for indications of the extent to which goals and objectives are being achieved and how efficiently and effectively programs are operating. The results of these continuing assessments are then used at the operational level to make adjustments to programs and services and spending.
6. *Evaluating and responding to results.* This is a more formal, overall assessment of what the data are telling government about the effectiveness and efficiency of the programs and services—both provided internally and through outside contracts. Such assessments typically are in the form of formal periodic reports to upper-level career and appointed officials, and elected officials. Often these evaluations, which are used in setting policies and budgets for future operating years, are made quarterly or less frequently.
7. *Reporting results.* This involves communicating to elected and appointed officials and constituents a comprehensive set of clear, decipherable performance measures. Reporting generally involves communicating the extent to which the government's goals and objectives are being achieved with information to assist users in assessing the efficiency and effectiveness of the program(s).

Why Manage for Results?

The advantages of MFR are straightforward: MFR allows governments to organize around an evaluation of what they are trying to accomplish, and what is working and what is not based on program performance and cost information. Is the government efficiently and effectively achieving its goals and objectives?

Reasons that individual governments may consider pursuing MFR include:

- To focus government more clearly on citizens (including citizens as “customers” or “clients”) and the services they need or want, and less on organization and process
- To establish goals and objectives and to track whether those goals and objectives are being achieved
- To answer such questions as: How efficient and effective are the government's services? What are the services' quality levels and how can they be improved?
- To allocate resources, set policies, and organize government in as close accord as possible with desired outcomes
- To determine the degree to which programs and services are aligned with the results the government is trying to achieve
- To modify policies, programs, services, or budgets in midstream based on performance data and results as they flow in
- To compare the government's performance to itself over time, or with that of other governments (or in certain circumstances, the private sector if such a comparison is appropriate)
- To better communicate to the public and legislative bodies what government is accomplishing, the extent to which goals and objectives are being achieved, and how efficiently and effectively government is functioning.

Implementing Managing for Results

For governments that are interested in implementing MFR, there is no single, absolutely right way to go about it. Policies, programs, services, and management systems all vary in complexity and size among governments. What one small, rural county social service agency can keep track of on a sheet of paper would require heavy-duty computing power in New York City and Los Angeles County. What one small department of streets can report on

several lines in a town's annual report might take twenty-five pages in a large state. How a government implements MFR—at what level of detail and complexity—will differ from one jurisdiction to the next. Nonetheless, MFR has seven elements that most governments should consider in implementation. The key is to remember that MFR is a tool to help improve the way government is functioning.

1. Planning for Results (Strategic Planning)

The first step of an MFR effort begins with planning—specifically, planning for desired results. This is the stage at which a government should be setting fairly high-level goals and objectives for itself, taking into account the needs that it is trying to address in light of current circumstances and also possible changes in operating environment and service demand two, five, or even ten years out. Plans should outline priorities of the government expressed in terms of desired outcomes and the strategic goals the government is trying to attain.

Developing an overall strategic plan should involve all interests, from the head of state or local government (the governor or mayor) to front-line employees. Ideally, such plans should include the input of citizens/customers/clients. Such efforts should not, however, get bogged down in a quagmire of process. The senior executive or elected officials of any organization have the final word on organizational direction and should exercise that prerogative.

Strategic plans can be wide ranging. For example, one midwestern city's strategic plan includes a twenty-five-year horizon in five core areas of service:

- Protecting the lives and property of city residents
- Providing reasonable stewardship of the public's capital assets, including alternative transportation connections throughout the city with many different transportation modes in order to move people and goods throughout the city
- Safeguarding the natural environment
- Planning for quality places to live and work (neighborhood livability)
- Expanding the city's economic base by increasing property values, creating jobs, and improving opportunities and incomes of city residents, through neighborhood assessment, desired citywide outcomes, and other information.

Or plans can be less elaborate. One mid-sized city in the mid-Atlantic region of the country monitors performance measures for all city services, but keys in on eight priority areas in which it would like to see significant progress, including transportation, youth and family, and public safety.

Key to any realistic plan, however, are clear, specific goals and objectives based on identified needs. (For example, a goal might be, "Groveton will work to make all of its neighborhoods safer through the cooperative efforts of government and citizens," and one objective for that goal might be, "The citizen rating of how safe they feel in their neighborhood at night as measured by the annual citizen survey will increase by 10 percentage points within the next two years.")

2. Program Planning

Once established, a coherent strategy based on a government's goals and objectives needs to guide program and activity plans—what services need to be provided and at what level, and what activities will be necessary in order to ensure that service levels will be adequate. This can be the responsibility of individual departments (working individually and together). Essentially, it is up to each department (or group of departments) to determine where and how it can contribute to meeting the fundamental goals and objectives of government as expressed in the government's overall strategic plan.

At this point, a department may do its own strategic plan—one that is much more focused on immediate and near-term action than the more abstract, overarching government plan. Such a plan would include setting departmental goals and objectives—ones that feed directly into the larger government goals—and then coming up with strategies (programs and services) aimed at achieving those goals and objectives. Following this model, programs and policies are developed and organized to meet goals and objectives, rather than to meet the demands of a preexisting organizational chart or line item in a budget. Department mission statements, program goals, and activity

objectives should be developed so that they are aligned with and support the government's broader goals and desired outcomes. Program planning should address both the current and the near-future environment in which the department operates in anticipation of any changes that might impact programs or resources.

One thing typically becomes clear at this point in the MFR implementation process: Multiple departments almost always have a piece of the responsibility for meeting general governmental goals, objectives, and desired outcomes. A broad goal such as "creating livable neighborhoods," for example, will involve the police and fire departments, the department of public works, the health department, the building inspector's office, perhaps the office of parks and recreation, and even the department of social services or the school system. Each department has to determine its role in helping government meet such broader goals and objectives and then must develop specific departmental goals and objectives, strategies, and work plans that contribute to the larger cause. This might call for cooperative efforts involving several departments.

In looking at programs in terms of specific goals and objectives, a department has a range of immediate options it can pursue, from recommending drastic overhaul (or elimination) of programs that do not seem to contribute, to changing strategies, to shifting resources between strategies, to merely tweaking programs that do contribute to some extent. Shifts in programs may require more or fewer resources and often will have direct budget implications.

Once programs have been assessed in terms of departmental goals and objectives, departments should analyze those programs in terms of the strategies and activities—the actual work—involved in delivering services. This is a difficult phase in MFR because there is a danger that a department will get bogged down in the minutiae of analyzing every step in the work it does day in and day out, whether the task at hand is educating children or enforcing environmental laws. The key is to articulate what the citizens or customers are receiving, expressed in terms of the work government is performing, and to do that only in sufficient detail to measure the effectiveness and efficiency of the service provided.

For example, one of the broad goals of government might be to promote and enhance traffic safety. The achievement of this goal would probably require new and different kinds of communication and discussion involving several departments. Although the transportation department (DOT) might be directly charged with this activity, several other departments might be involved in delivering the related services including the department of public works, police department, and fire department. Such a process may require a number of months to complete. It may require a group of representatives from multiple agency departments working over time to define and develop the necessary strategies and performance measures for major goals and objectives as well as the necessary data collection and verification processes.

The DOT would be involved in such key and related objectives as promoting safe vehicle flow, maintaining sound infrastructure, or removal of traffic hazards and barriers to provide the basis for safe travel on streets and highways. And so the DOT might set internal goals for itself, including that it will maintain roads in such a way as to achieve a certain (presumably high) level of condition. The work (strategies) involved in doing that includes inspection and repair. Inspection would include the random observations by DOT employees and a systematic method of assessing the condition of roads and the cost to preserve them. It might include a more complete asset management system for developing and processing this information. It would also include processes for answering questions such as: How is the department set up to log and respond to comments and complaints? What system is in place for regular inspection? How many inspections were conducted? What was the response time between receiving an inquiry and completing that inspection? How many sites passed the initial inspection? How many potholes were repaired? How long do repairs last? How is the condition of the roads changing from period to period? Are customers satisfied with the department's response? What is the procedure for evaluating problems with pavement? How are repair crews organized and equipped to fix problems? All of those tasks can be broken down into a reasonably simple, manageable, logical set of actions that can be tracked and evaluated.

3. Developing Meaningful Performance Measures

Once a government or a department has set goals and objectives, it is necessary to determine some way to measure whether progress is being made toward achieving those goals and objectives and, not incidentally, whether such progress is being made in a reasonably efficient way. Although it is common to think of performance measures

only in terms of measuring results—what was actually accomplished—performance measures also allow an organization to judge process, production, and efficiency. The GASB refers to such a set of measures as “service efforts and accomplishments,” or SEA for short. Six common types of performance measures are:

- *Measures of efforts (inputs)*—the financial and nonfinancial resources that go into providing services or operating programs, including administrative, capital, and personnel costs.
- *Activity or process measures*—measures of the “processes or strategies being used to provide services” (GASB 1994, para. 67c). What is being done to convert inputs (resources) to outputs (some “product” of government)—for example, a measure of the work involved in counseling a client (the output is a counseled client); the work done to resurface one lane-mile of road (the output is one lane-mile of resurfaced road); or the process of finding a suspect and putting him or her under custody (the output is an arrest). Such measures are normally used for internal management purposes. They allow a department to assess whether there might be more efficient or effective ways of producing the desired output.
- *Output measures*—the quantity of the service provided; the product of the work being done or the strategy being implemented as provided to the customer or citizen. This would include, for example, number of clients counseled or referred, lane-miles of road resurfaced, number of arrests made, number of children promoted from elementary school, and so forth.
- *Service quality measures*—an evaluation of the service. The service was *timely* (the pothole was filled within twenty-four hours of being reported). It solved the problem (the pothole stayed filled for an acceptable period of time). The customer was *satisfied* (there were no more calls about that particular road problem). The service is *evenly carried out* (potholes in one part of town are filled as quickly as they are in another). The government response or service was *appropriate* given the need or request (the pothole was filled and that solved the problem, versus repaving the entire street), and so forth.
- *Outcome measures*—the results achieved from the outputs (for example, percentage of students achieving a specified skill level increase in reading; percentage of drivers who report a “smooth” ride on roads; crime rates, along with the percentage of citizens who report feeling safe in the community; and so forth). Outcome measures can include “initial,” “interim,” and “long-term” measures. For example, an initial outcome measure might simply be some very short-term objective such as inspecting all commercial buildings for code violations. An interim measure might be the rate of code violations that have been remedied. And finally, the long-term measure could be to substantially lower rates of accidents, injuries, and fatalities in commercial buildings over the long run.
- *Efficiency measures*—the relationship of inputs to outputs (and, by inference, to outcomes) such as the per-client cost of teen pregnancy programs (and, by inference, the cost in relation to actual results); the per-lane-mile cost of resurfacing roads (and, by inference, the per-lane-mile cost of smooth roads or satisfied drivers); the cost of regular foot patrols in a particular neighborhood in relation to crime rates (and to how safe people say they feel in their neighborhoods). Efficiency measures may also express the relationship of outputs to inputs, such as the number of cases managed per employee or the number of lane-miles resurfaced per employee.

In looking at what kinds of data to track, MFR veterans have learned to be strategic, selective, and flexible. Obviously, what information is collected and tracked should relate to an organization’s stated goals and objectives. Ideally, those outcome measures will capture the fundamental results the agency wants to achieve. There is no magic number when it comes to choosing outcome measures, but departments that have successfully implemented MFR find that “more than three and fewer than ten” seems to be a good rule of thumb. Obviously, it is important to pick results in areas that provide broad leverage. That is, if a government is doing well in that particular measure, they can be fairly certain it is an indication of positive performance more broadly.

Whatever outcome measures an agency decides to collect, the information also ought to be timely—that is, it should reflect reasonably recent trends; it also should be concise and easily be communicated to employees (from the front line to upper management), policymakers (including elected and appointed officials), and the public.

Any thorough system of performance measures also should include *explanatory data* to help an agency or department analyze why certain data show the results they do. For example, a spike in the cost of resurfacing lane-miles might have been caused by some external event such as a shortage in asphalt or increased petroleum

prices or an extremely harsh winter. Or maybe it was due to some *internal* management decision, such as deciding to switch to a higher, more durable grade of asphalt, which should result in a long-term decrease in costs. In any case, agencies should identify factors that influence performance and understand what their data are indicating.

4. Budgeting for Results

In simplest terms, performance-based budgets define desired outcomes (results) in terms of inputs (money, manpower, capital expenses, and so forth), strategies (activities), and outputs (products) necessary to achieving those outcomes. It is, in short, a way to use information about results—both desired results and results actually achieved—to inform budget decisions.

A performance-based budget can be described as a budget presented by programs (as opposed to organizational units) with resources allocated using negotiated priorities and based on the cost of providing services at a certain desired level—with measurable outputs and outcomes. Rather than looking at a budget that is organized by departments and line items (capital costs, personnel, legal, administrative, and so forth), policymakers are looking at budgets that connect programs to strategies, strategies to services, services to outputs, and outputs to desired outcomes—all in terms of investment (cost). That, in turn, provides information for budget decisions that are informed by program performance and cost. What is the difference between old-style line-item budgeting and budgeting for results? Line-item budgets indicate where money is being spent—salaries, supplies, and so forth. A results-informed budget looks at spending in terms of desired or planned service levels and results. In its *Performance Management Recommended Practice* (GFOA, 2002), the GFOA recommends that budgets should be presented at the program level, including program goals, and that such budgets should include information on related measures of input, output, outcome, and efficiency. In developing a budget informed by desired service levels and results, organizations can lay out a fiscal road map for funding the programs and work required to meet (or at least to work toward) their established goals and objectives.

Because performance-based (or performance-informed) budgeting is such a significant departure from the line-item approach, some governments have eased the transition from line-item to performance-based budgeting by presenting a transitional budget in terms of both line items and results.

5. Collecting and Using the Data to Manage Work Processes

The most direct use of performance measures is in the day-to-day management of programs. As data flow in, managers can use them to assess effectiveness and analyze costs, and then make adjustments accordingly. Before managers can do that, they need some system for collecting and analyzing the data. How elaborate and involved such a system might be depends on a variety of factors. For relatively small departments with only a handful of program responsibilities, a simple spreadsheet may be all that is necessary. For larger, more complicated operations, a more sophisticated system—invariably, some information technology that allows for collecting, analyzing, and reporting large amounts and categories of data—will be required.

Collecting Data

A department's strategic and program plans should identify what data will be tracked for various programs, including data on goals, objectives, desired results, inputs, outputs, activities or processes, service quality, outcomes, and efficiency. As part of that overall plan and in the process of identifying measures, some mechanism should be created or identified through which such data will be verified as accurate and reliable.

As previously mentioned, there are multiple ways to collect data, from simple spreadsheets on a computer, to systems that integrate performance data into the full range of program administration, including accounting, payroll, and budgeting activities. Although such integration is not yet widespread, the technology now exists to allow budgets to be organized by program, with goals, objectives, and performance measures integrated into that budget. Accounting systems support programs and services that allow governments to do activity-based costing. Payroll systems recognize hours by program or activity in order to reasonably capture labor costs for key services (a

not-inconsequential achievement inasmuch as 50 to 80 percent of state and local government budgets typically are for personnel). Databases have been designed to capture all performance measures and produce reports in ways that disaggregate or compare data in a variety of ways. In fact, all this and more may be accomplished with a desktop computer.

However an agency chooses to proceed—simple spreadsheet or a data-collection approach that is integrated with other systems—the data that are gathered should include cost, service quality (to the extent it can be judged), outputs in terms of activities (what is being produced and the effort being put forth to produce them), and outcomes (what is being achieved) by program or activity. Explanatory data also can be included as part of a comprehensive performance reporting system, either to clarify why certain outcomes are proving more difficult to attain than expected or simply to discuss other points relative to programs and program goals and objectives that cannot be captured just by numbers.

Unit costs may be calculated (for example, the cost per lane-mile of repaving a primary street or the cost per client of an alcohol counseling program). Or productivity information can be compiled (for example, the number of clients counseled per employee). Budget-to-actual performance data also can be calculated (that is, not only what it costs to provide alcohol counseling, but also how many clients are sticking with their program, what is the recidivism rate for those who have completed the program, and how many clients are living productive, healthy lives compared to what was stated as the expected targets). Such internal reports typically are initially distributed to managers and staff, and then more formally to key policymakers as part of quarterly or annual reviews of programs and policies (see Step 6).

Using the Data to Manage

With data on everything from services in relation to results and activities (and their cost) to outcomes—either “initial,” “interim,” or “long-term”—what does government do next? It assesses the data and regularly monitors them for indications of how efficiently and effectively programs and services are operating, along with whether they are having the desired effect on achieving stated goals and objectives. It then uses the results of these continuing assessments to make adjustments to policies, programs, services, and spending—that is, it uses the information to *manage*.

The discussions and follow-up analysis based on the data might lead to modification or changes in the process, programs, and, at times, the strategies being used. These modifications or changes should be based on the information received and analyzed, observations of those performing the work, and even on comments of clients of the service. A state DOT, for example, might start a wildflower-seeding program to beautify medians and public property along the roadways and also to reduce the cost of mowing. During the first year of the program, data might indicate no reduction in mowing frequency despite widespread seeding. Following up, management discovers that mowing crews were never told of the seeding project and so had proceeded on the usual grass-cutting schedule, preventing flowers from ever blossoming. Fixing the problem is simple: Mowing crews are made aware of where seeding is being tried and are told not to cut in those areas. Or a welfare-to-work office in tracking clients might decide to analyze why clients of a certain placement officer have consistently found work at a higher rate than those of other placement officers. Upon investigating, officials might discover that the job placement officer has developed key connections with the local business community, which she has used to leverage job assignments. Based on this finding, management decides to hold regular meetings with all job placement staff and local businesspeople in order to more broadly boost successful work searches.

Using measures to manage at the operational level has proved, so far, to be the most common way governments have put performance measures to work (all measures, from “inputs” to “outcomes”). But clearly, when data on performance start to flow in, bigger decisions can be made than how to better manage a particular program or work process (Step 6).

6. Evaluating and Responding to Results

As mentioned under Step 5, once a department or agency has enough data to get a good idea of its performance and the acceptability of that performance, it should start using the data to make the normal day-to-day and week-to-week management decisions that such feedback would suggest were appropriate. There should, however, also be a more formal effort that involves pulling together more complete data on results in order to focus on larger questions about costs and results for analysis and evaluation at a higher, more comprehensive level. In this case, management is trying to discover not only whether goals and objectives are being achieved in an efficient and effective manner, but also how the outputs being produced are contributing to those results and if there are other ways that would achieve better results or the same results at lower cost. These more comprehensive evaluations will become the basis for reviewing current practices and making larger management, policy, and budget decisions about how to proceed with the program or whether the program should be changed or even dropped. Step 5 represents the ongoing use of data to make change midstream at the department or program level. This step (Step 6) is an effort on the part of government to perform a more formal evaluation of results, including looking at what other factors might be affecting performance and reviewing the big picture in terms of policies, strategies, and program effectiveness and efficiency. Some of the possible approaches and information used for these more formal evaluations include information about the quality of outputs, baseline data for comparisons over time, and benchmark information for comparisons against other organizations. In monitoring results, it is also important to be aware of any possible unintended consequences (secondary outcomes) of actions being taken to address some need. These consequences can be either positive or negative. For example, building a new highway to reduce traffic congestion and decrease commutation time may have an effect on the environment and livability in communities close to that highway.

The overall effectiveness of a wide variety of government services should be evaluated at a fairly high level through quarterly reports to top policymakers or as part of annual reviews (typically as part of the budget process). Such reports could cover everything from pavement quality for an entire road system to overall crime rates, allowing for a comprehensive discussion of quality and effectiveness.

As governments gather data over time, such comprehensive reviews should begin to illustrate clear trends in performance. They can be used to compare a government's own performance improvements over time, or they can be used to compare performance levels among similar governments tackling similar problems. Given an initial set of baseline data on inputs, outputs, outcomes, and service quality, trends in efficiency can also be evaluated over time. This timeframe may be month-to-month, year-to-year, or multiyear. The important point is that the data will show trends. Is the government's performance getting better or worse over time? Are the government's costs getting higher or lower? A solid set of baseline data will allow users to do such tracking and also will allow them to analyze in a much more sophisticated and informed way why performance and cost seem to be going in one direction or another. Comparing one government's performance against another's performance can offer a different picture of how a particular government is doing. Indeed, MFR data become more and more meaningful as time passes and a critical mass of information begins to build, allowing for a clearer sense of trend lines and more informed efforts at comparison.

A number of broad initiatives now exist for encouraging such comparisons. National and regional benchmarking projects such as the International City/County Management Association's (ICMA) Comparative Performance Measurement project and regional benchmarking programs in North and South Carolina, Tennessee, Kansas City Metropolitan Area (Kansas), and the greater Hartford (Connecticut) region have helped governments achieve greater efficiencies and effectiveness by offering information on how multiple jurisdictions do their work in terms of the results they achieve. However, the information provided by these projects is only a beginning. It remains for the individual governments themselves to explore the underlying reasons for certain levels of performance and to identify ways in which performance can be improved. Again, this is a process of review that should take place at a fairly high level in a formal way. It is both using performance measures to manage day to day as well as using them to set broad policy, adjust programs, and identify problem areas and ask questions such as:

- Are your outputs constant over time? Increasing? Decreasing?
- Are your costs and cost per unit increasing, decreasing, or remaining constant over time? Are you more or less efficient?

- How do your inputs, outputs, efficiency, service quality, and outcome indicators compare?
- How about the comparisons of service quality information? What are your customers saying? Are they pleased with your services?
- What did you learn from the benchmarking comparison? Is the benchmark information useful?
- How did you compare to established targets, other organizations, or an industry standard?
- Did one or more of the governments provide services more efficiently? If so, why? Can this practice be adopted by your organization? Did you identify a “best practice” or a “better practice”?
- What can you change in your organization or operations to improve your performance?
- Are there techniques, technologies, or methodologies that other governments are using that make them more efficient or effective than you?
- How can you learn from this comparison?

By looking at comparative data, governments can begin to analyze the questions around the efficiency and effectiveness of any given operation. Service providers that contract with government can also be evaluated based on cost and results. In fact, governments are now routinely writing “performance-based” contracts with nongovernmental organizations doing government work.

7. Reporting Results

From government’s standpoint, there are two major reasons for pursuing MFR. The first is to develop a set of timely, accurate data that can be used for managing, designing programs, setting policies, budgeting, and improving results. The second is to inform constituents/stakeholders about how government is doing in meeting its broad mission of helping maintain or improve the well-being of its citizens.

Governments have undertaken a wide variety of approaches to try to communicate performance information. Some have prepared citizen “report cards” that outline in a general fashion the key trends in a city or state, covering such basics as level of education attained, average annual income, crime rates, and air quality.

Such reports meet a certain need; however, they normally do not offer citizens (or policymakers, for that matter) the broad sweep of information that would provide a more comprehensive and accurate basis for assessing government performance. This is why a number of governments have begun to follow the more formal outlines set forth for SEA or performance reporting.

These reports should provide at least enough information to give readers some idea of how government is doing in relation to some set of basic goals and objectives. They should provide information on service efforts (what resources a government is using) and accomplishments (what government has done and what results it has achieved).

Where to Start?

Ideally, governments should begin with a strategic plan and then translate that strategic plan into program plans complete with strategies for achieving desired results, underpinned by a set of measures comprehensive enough to capture the fundamentals of performance but not so numerous as to overwhelm those charged with collecting the data. It is important to remember that MFR is not an exact science. As mentioned earlier, there is no hard-and-fast formula or rules for how to proceed. In reality, it does not really matter where a government begins in the process; it matters more that officials understand where they are now, where they want to go, and how to proceed. Each government is different in how it goes about doing that. Portland, Oregon, began with a comprehensive SEA report in 1988. It was only later, in 1992, that the city developed its strategic plan and later a performance-based budget, and in 2003 is considering moving to a more comprehensive MFR approach. In 1992, Indianapolis, Indiana, started with performance measures and an ambitious activity-based costing effort and addressed other MFR areas later. Milwaukee, Wisconsin, followed the more formal process, starting with a strategic plan in 1994 and developing the other elements of MFR in turn. Richmond, Virginia, developed performance measures around 1994 and currently is developing a performance-based budget.

Using Managing for Results in Government

Several stumbling blocks to pursuing MFR efforts should be addressed. First, given the ambiguity in cause and effect when it comes to what government is trying to accomplish, governments naturally have been somewhat hesitant to embrace efforts aimed at figuring out how much “bang” taxpayers are getting for their buck. Second, governments, already squeezed for resources, might be hard pressed to devote the time and personnel required to doing MFR. Third, as data on results start to flow in, it may become obvious that a government needs to devote *greater* resources in one area or another if it wants to achieve its planned outcomes.

To some degree, such hesitancy is disappearing. Government actually has a long history when it comes to measuring effectiveness, often encouraged by a variety of government-based associations or by various outside public policy and administration think tanks. The Urban Institute, for example, has been working on the issue of measuring public-sector performance for more than twenty-five years. The Urban Institute first published *How Effective Are Your City Services?* in 1977. A second edition was published jointly with ICMA in 1992 (Hatry 1992). The concept of measuring performance was first introduced at the federal government level under Theodore Roosevelt. All levels of government—local, state, and federal—have long relied on audits and evaluations to judge whether a particular program is actually doing what it was designed to do, and at a reasonable cost (although traditionally it has been *cost* in particular on which such audits and evaluations tended to focus).

Starting in the early 1990s, the notion that government *can* connect expenditures and results started gaining momentum. In part, the change is technology-driven. With today’s information technology, it has simply become easier to capture and analyze the wide sweep of government services that might converge at the goal of “safer streets”—whether it is repainting lane lines on highways or writing speeding tickets—and to begin trying to calculate the extent of the influence each of those services has on that particular goal (along with its associated cost).

Probably more important to the shift, though, is an emerging school of thought among both elected officials and professional public-sector managers that it is important to try to gauge whether government policies and programs are actually achieving what they are supposed to achieve, and whether they are doing so at a reasonable cost. They believe that it is reasonable to ask hard questions about the effectiveness and efficiency of government. They also believe that it is important to articulate the government’s goals and objectives and to communicate the extent to which the goals and objectives are being attained, and at what degree of efficiency and effectiveness. Some states and localities have begun comprehensive efforts to determine how effective and efficient they are. The Oregon Benchmarks effort, started in the late 1980s, was an attempt by an entire state to begin analyzing government programs in terms of the measurable impact of those programs on the quality of life of Oregon’s residents. Texas has done work in the area, linking budgets to desired public outcomes. Phoenix, Arizona, has been refining its MFR system since 1990. The Portland, Oregon, report outlines municipal performance in relation to cost, even comparing that performance and its attendant costs with six other, similar cities.

The whole notion that government *can* account for results was given a significant boost when federal agencies implemented the 1993 Government Performance and Results Act (GPRA). Under that act, federal agencies are required to develop comprehensive strategic plans and then to evaluate whether the agency in question is actually making progress toward the goals and objectives set forth in the strategic plan. (To get copies of those reports, go to www.mercatus.org and click on “Government Accountability” at the top of the home page.)

Other comprehensive efforts to encourage a clearer focus on the relationship of government spending and action to results are ongoing at various levels of government, as well. The ICMA Comparative Performance project, for example, for many years has been aimed at developing uniform, comprehensive, and comparable data sets related to municipal function, results, and costs across a broad sweep of program and policy areas, from public safety to public works.

At the same time, the push to gather data on performance has led to the much-publicized “Citi-stat” phenomenon. For several years, cities—Baltimore and New York, most notably—have been gathering timely information on the delivery and impact of key city services, including data related to the *cost* of such services, from building inspection to police patrols.

What holds MFR together, though, is information on performance—that is, factual data that connect resources and action to results. Without data that reflect what government is doing (programs and services) and what it is getting done (results), MFR could not be effective.

Conclusion

No matter how a government chooses to proceed, it is important to point out that the ultimate purpose of MFR is not to produce thick documents packed with data. The ultimate purpose of MFR is to provide a systematic process to help improve the way government is functioning: to develop goals and objectives, to manage based on intended results, to adjust policies and programs based on actual results, to budget based on strategies for achieving desired results, to identify ways to improve the performance of their programs, and to be able to communicate to their constituents to what extent goals and objectives have been achieved. Performance measures, activity-based costing, benchmarking, and other themes discussed herein are tools to improve the way government is functioning; they are not an end in and of themselves. There have been wholesale shifts in how programs are managed in the face of additional data on activities, cost, and outcomes. There have been profound changes in policy when governments focus on whether such policies are actually working in achieving desired goals and objectives.

MFR frequently has been characterized as “common sense” applied to government administration. The purpose of this chapter is to provide government personnel with information about MFR and to help them understand the value of that process (MFR) and how they can implement it in order to improve the efficiency, effectiveness, and results of their programs and services. The remainder of this special report focuses on the external reporting of performance information—Step 7 in the MFR process.