

**CASE STUDY:
City of San Jose**

**USE AND THE EFFECTS OF USING
PERFORMANCE MEASURES FOR
BUDGETING, MANAGEMENT,
AND REPORTING**

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Principal Researchers:

**Paul D. Epstein
Wilson Campbell
Laura Tucker**

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EXECUTIVE SUMMARY

This case study provides a snapshot of a fascinating “work in progress” as the city of San Jose, California, has developed a results-driven performance management system. Over several years, the city has made steady progress in building its “Investing in Results” (IiR) approach to measuring and managing performance, starting with two pilot departments and recently adding all other city departments. In the most recent city budget process, all departments made budget submissions to the mayor and City Council using the new IiR structure, in which each department identified its “core services” (its key lines of business) and related performance measures, and showed how its core services and measures are aligned with the department’s mission. Since then, the city government has been developing cross-functional “City Service Areas” and related performance measures, as well as citywide strategic initiatives, to focus all departments’ efforts on achieving the City Council’s policy priorities reflected in the Council’s “Vision for Quality of Life.”

San Jose officials interviewed for this case study offer a variety of perspectives. Their views represent different elected, policy, management, and audit perspectives, as well as departments at different stages in developing their performance management systems. So this case offers interesting examples and lessons learned from people with different roles, working at different stages in the implementation process.

OVERVIEW AND BACKGROUND

OVERVIEW OF SAN JOSE’S WORKING PERFORMANCE MODEL

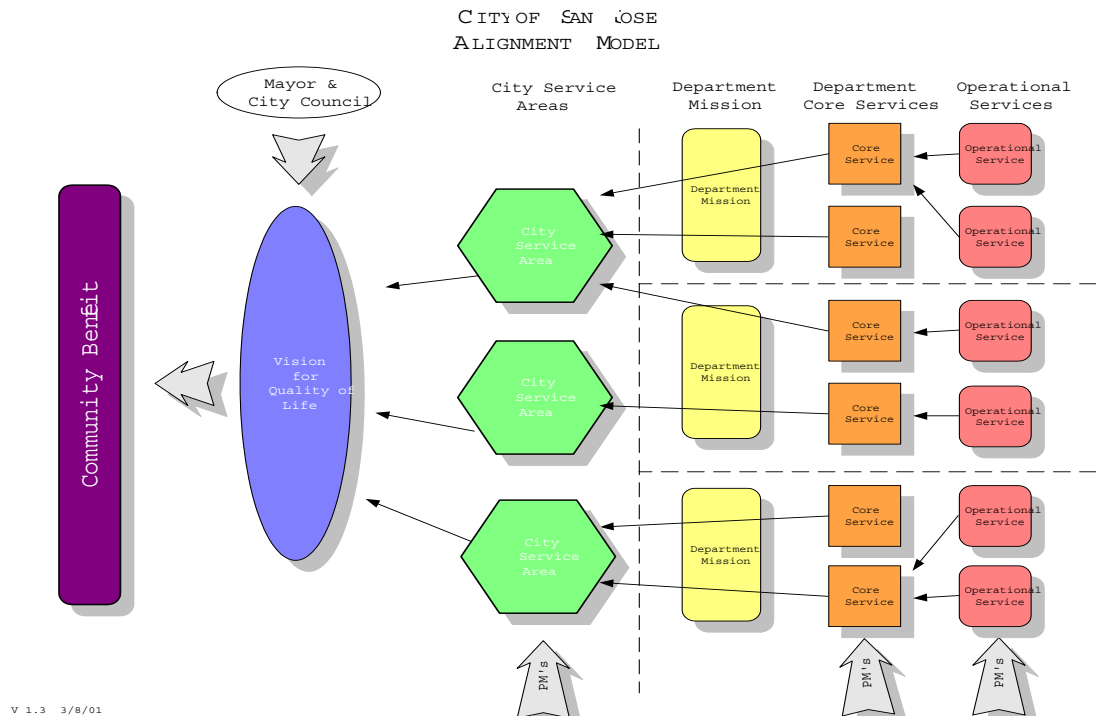
The city of San Jose is in the midst of a multiyear process to implement a comprehensive performance-based approach to policy making and service management; it calls this process “Investing in Results,” or “IiR.” The working model the city is implementing, shown in Figure 1, involves performance measurement at three aligned levels, noted here from most to least detailed:

- *Performance measures of specific operational services* within each department.
- *Performance measures of the core services, or “key lines of business,”* of each department. Several programs and organizational units within a department, each with its own “operational services,” can contribute to the “core services.” For example, the Department of Parks, Recreation, and Neighborhood Services (PRNS) has three core services: *Support Livability of Neighborhoods, Offer Opportunities for Individuals to Enjoy Life, and Strengthen Communities of People.* The department’s four divisions (Youth Services, Neighborhood Services, Parks, and Recreation and Community Services), through a wide variety of programs, all contribute to each of the three core services. A department’s *core services must be aligned with the department’s mission.* Departments generally have redefined their missions as a first step toward defining their core services. The three core services of PRNS are clearly aligned with its redefined mission:
 - o The mission of the Department of [Parks, Recreation and Neighborhood Services](#) is to support livability of neighborhoods, offer opportunities for individuals to enjoy life, and strengthen communities of people.

- *Performance measures of city service areas.* City service areas (CSAs) are broad characterizations of the city's key lines of business, to which multiple departments contribute. In its working model as of March 2001, the city had defined seven CSAs:
 - o [Economic and neighborhood development](#) (including land use and housing)
 - o [Transportation services](#)
 - o Public safety
 - o Environment and utility services
 - o Recreation and cultural services (including parks, open space, and libraries)
 - o Aviation services
 - o Strategic support, consisting of three internal functions: employee services, city facilities and equipment, and finance and technology.

At each of the three levels of measurement, the city wants to provide a balanced picture of performance by reporting the following four types of performance measures: measures of *quality*, *cost*, *cycle time*, and *customer satisfaction*. Except where a type of measure may not apply or be practical, the departments and the city have been developing measures of each type for all operational services, core services, and CSAs.

Figure 1. Alignment Model



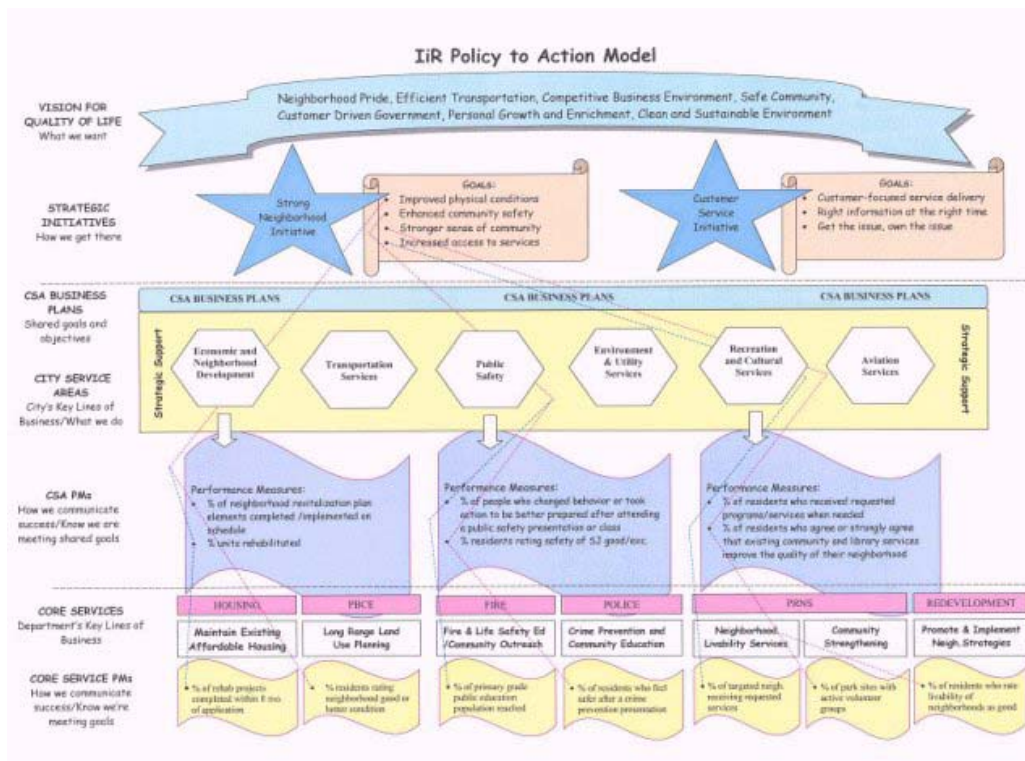
As noted in Figure 1, multiple departments' core services contribute to the CSAs, which in turn contribute to the mayor and City Council's "Vision for Quality of Life," which includes Neighborhood Pride, Safe and Efficient Transportation Choices, a Competitive

Business Environment, a Safe Community, a Clean and Sustainable Environment, Personal Growth and Enrichment, and Customer-Driven Government.

City publications that further define these terms, describe how departments should define operational and core services to align with their missions, and describe the City Service Areas in more detail (including working CSA performance measures and budget information) are available at <http://www.ci.san-jose.ca.us/QUEST/publicat.htm>. (Because San Jose’s performance model is a work in progress, the number and descriptions of the CSAs on the website may vary from those noted above, depending upon when the web-posted publications were last updated.)

In addition to the CSAs, the city has several “strategic initiatives” such as a “strong neighborhood initiative” and a “customer service initiative.” These are cross-department strategies for achieving the mayor and Council’s priorities through CSA service delivery. Figure 2, the “IrR Policy to Action Model,” provides a more detailed look at San Jose’s alignment. The figure includes the citywide “Strategic Initiatives,” the idea of cross-department “CSA Business Plans” for the core service areas, and sample performance measures at the CSA and department “core service” levels.

Figure 2. IrR Policy to Action Model



San Jose describes its approach to implementing “Investing in Results” as having five phases: prepare the organization, align to mission, develop measures, identify opportunities for improvement, and manage for results. Figure 3 arrays these phases of IiR implementation in a star pattern and summarizes the main steps in each of the five phases. The “April 1999 Staff Report” to the mayor and Council (and attachments), downloadable from the QUEST publications webpage (www.ci.san-jose.ca.us/QUEST/publicat.htm), further describes this five-part implementation approach, as well as an implementation plan and three-year timetable with five major milestones, the common performance direction sought by the city, and a description of “Guiding Principles” to San Jose’s approach (reproduced in Figure 4).

Figure 3. “Investing in Results” Implementation Phases



Figure 4. Guiding Principles to San Jose’s “Investing in Results” Initiative

Guiding Principles

Drawing upon the successes and lessons learned in previous efforts, we will embrace the following key principles as we incorporate these practices:

- ***Employee involvement and partnership***—Employees at all levels of the organization will be involved in determining what services to provide and how best to provide them. This effort must be a partnership between management, employees and the City’s bargaining groups.
 - ***Meaningful, useful, and sustainable information***—The information collected and reported must be meaningful and useful to stakeholders and customers and must be sustainable to collect and use over the long-term.
 - ***Commitment, capacity and communication***—The success of this effort requires the commitment of elected and appointed leaders and of employees at all levels of the organization. It also requires ensuring the capacity to transform the organization while providing ongoing services and timely, consistent communication with stakeholders.
 - ***Learning before scorekeeping***—Expectations need to be challenging, but realistic and reasonable. It will take time to learn what needs to be improved and how to communicate results. A primary purpose of performance measures will always be to learn and improve, as well as to ensure accountability.
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BRIEF HISTORY OF CITYWIDE PERFORMANCE-BASED APPROACHES IN SAN JOSE

A brief history of citywide efforts to develop and use performance-based management approaches in San Jose, leading up to the current citywide initiative, is outlined here. More recent background and contextual information on the current initiative are in the next section. The following list leaves out important parallel independent efforts over the years by a few departments and programs to develop performance measurement and management approaches for their own purposes.

Some major performance-based citywide or multi-department initiatives have been:

- *1981–1982*: Development of performance-based contracting—still in use in San Jose—for Community Development Block Grant service providers, including quarterly performance reports against contract goals and reviews by City Council.
- *Mid- to late 1980s*: Development of program goals, objectives, and measures reported as supplemental information in the annual budget. One official interviewed described this as “an analyst’s exercise once a year” and noted that “the quality of the data was kind of suspect.”
- *About 1990*: An effort to improve the performance measures and data in the budget, using seven recent MPA graduates hired as analysts to interview program staff and identify at least three measures per program.
- *About 1993*: A citywide strategic-planning effort attempted through retreats of high-level city management. An official characterized this effort as “having failed because it was just a paper document. It did not go down to the levels where it needed to go to find out what was really important to the organization. . . . It never translated to what you do every day.”
- *Starting in 1996*: Experimentation with cross-departmental program budgeting—developing programs that cut across department lines—to reflect the efforts of multiple departments on particular neighborhoods or conditions in the city. As described by one official, “Instead of presenting information by department, [these] were reported as

separate programs with their own goals, objectives, and measures. . . . We didn't do anything with [the] measures at that time. It was an experiment to see if we could collect the data given our systems, which are not oriented that way. [There were] a lot of problems . . . just getting performance data.”

- *1995–1996*: The New Realities Task Force, a committee of private citizens and representatives of business, labor, and other governmental jurisdictions, was appointed by elected officials of the city government in response to growth in population and service demands that had outstripped revenue growth. The task force confirmed the need for a revenue increase of \$11 million per year, which was passed, and also made thirty-four recommendations aimed at improving the efficiency and effectiveness of the city government to help assure citizens and elected officials that the added revenue would be well spent. A key New Realities recommendation for performance-based budgeting became one of the catalysts to spur the current citywide initiative to develop results-driven government. This recommendation was influenced, at least in part, by the long-time performance budgeting experience of the neighboring city of Sunnyvale. At least one New Realities Task Force member had prior experience working for the Sunnyvale city government. Beyond New Realities, other contextual factors and progress since 1996 are outlined in the next section. Another New Realities recommendation that saw early implementation is public–private competition (sometimes called “Managed Competition” in San Jose), which has the effect of forcing selected programs to measure cost and performance in ways that allow comparison with private vendors of those services.

Over the years, while these efforts relating to performance contracting, measurement, and budgeting were going on, so were parallel initiatives that have come to influence performance measurement and management in San Jose. These have included a “Continuous Improvement” initiative based on total quality management, and performance audits of city programs that have been performed by the City Auditor’s Office for many years.

BACKGROUND AND CONTEXT OF THE CURRENT COMPREHENSIVE PERFORMANCE INITIATIVE

Although the report of the New Realities Task Force may have been the catalyst for San Jose’s current comprehensive performance initiative, there have also been other important contributing factors. The New Realities report had several different budget- and performance-related recommendations that had to be reconciled. San Jose management pulled together people working on budget, continuous improvement, and managed competition initiatives to develop a coherent response. For performance budgeting, the city decided to start small, with first one pilot department (Streets and Traffic) starting in late 1997 and then another (Parks, Recreation, and Neighborhood Services, or PRNS) starting in 1998. As those pilots were proceeding, a new mayor was elected in November 1998 and came into office in January 1999. Mayor Ron Gonzales, a former mayor and City Council member of Sunnyvale, quickly gave his strong support to San Jose’s performance-budgeting initiative. He also took on a former Sunnyvale city management staffer as a senior policy adviser. The San Jose city manager also left about the time that Mayor Gonzales started, and the interim city manager was the champion for the current performance-based initiative. The current city manager, Del Borgsdorf, has strongly supported San Jose’s “Investing in Results” performance-based initiative since he took office in October 1999. Mr. Borgsdorf previously was an assistant and deputy city manager of Charlotte, North Carolina, which, like Sunnyvale, has long and strong experience in performance management.

Although Sunnyvale's experience influenced San Jose, and they are both council–manager cities, San Jose's much larger size and other contextual differences suggest the need for San Jose to develop its own approach. For example, Sunnyvale elects City Council members at large, whereas San Jose has single-member districts, which can create a tension for members to balance citywide performance needs with ensuring benefits for their own districts. San Jose has full-time City Council members, compared with Sunnyvale's generally part-time Council, which creates a tendency toward greater political influence on administration. Also, whereas the Sunnyvale mayor is elected to a Council seat and is chosen by the Council, the San Jose mayor is elected in a separate citywide election, giving him or her the potential to be a stronger, more influential political leader and potentially to have more personal influence on city administration. This government environment in San Jose made it important, in one official's words, to create "the political will" to proceed, which was first generated by the New Realities report and then strengthened by early successes in the initial Streets and Traffic pilot and strong support from the new mayor and both the interim and new city managers.

In 1999, Streets and Traffic provided new, more focused and aligned performance-based information in its budget presentation, and had early success stories to report, notably in its street markings unit, which had both improved its performance and participated successfully in a managed-competition test. The PRNS pilot also gave early indications of success, including development of a short, focused mission statement along with the definition and alignment of core services and operational services with that mission. This was a major accomplishment for a diverse department that mixes traditional parks, open space, and recreation programs with a wide variety of programs aimed at different social needs of neighborhoods, individuals, and groups.

Based on the successes of the pilot departments, in April 1999, the mayor and Council approved expanding the Investing in Results approach to all departments, with a three-year timetable for full implementation of performance budgeting with performance measures, baseline data, targets, and multiyear comparisons for most measures for all departments. To coordinate and energize implementation, the core team of central budget and management staff who have been assisting departments has been expanded, and they have been merged into the "QUEST Partnership" (<http://www.ci.san-jose.ca.us/QUEST/index.htm>), the unit previously established to implement managed competition in San Jose. The QUEST Partnership staff also includes a permanent representative of front-line employees who functions as a "labor liaison" to ensure communication with and participation of employees at all levels in the implementation of IiR. Additionally, other departments may contribute staff on a full- or part-time basis to the central effort. For example, the city auditor (who reports separately to the City Council from the city manager) loaned a leading performance audit staff person (an audit supervisor) to the QUEST Partnership for a year.

By March 2000, all departments had developed a set of core services aligned with their mission, and a balanced set of performance measures for all core services, which they included in their budget submissions to the mayor and Council. These include not only the departments that report to the city manager, but also the departments that report independently to the mayor and Council, including the city clerk, city attorney, redevelopment agency, city auditor, and independent police auditor. Only the pilot departments—Streets and Traffic and PRNS—had data for most of their measures. The other departments presented data only for those measures that they previously had been measuring in their current form. A report to the City Council with baseline data for core services of all departments was scheduled for 2001. Starting in April 2000, the QUEST Partnership and executive and senior staff from all departments took on a cross-department performance focus by turning their attention to developing the City Service Areas (CSAs) and Strategic Business Plans. In October 2000, the City Council endorsed the CSA concept and structure, and the city has proceeded to organize

the budget process, the Council agenda, and the alignment of Council committees around CSAs.

METHODOLOGY

On-site interviews with all officials noted below were held in May 1999. As San Jose’s development of performance measures and results-driven government is very much a work in progress, a follow-up phone interview with a principal architect of San Jose’s results-driven efforts, Brooke Myhre of the Budget Office, was held in August 2000 for updates on the city’s progress. At that time, updated information on the city’s website (<http://www.ci.san-jose.ca.us/>) and additional material provided by the city were reviewed for this case. In the editing process, Mr. Myhre provided further updates through March 2001, reflecting further evolution of citywide measurement development and the city’s performance model.

TYPES OF PEOPLE INTERVIEWED AND THEIR ORGANIZATIONS

Interviewee/Official	Title	Organization
Alice Woody	Council member, District 8	City Council
Joe Guerra	Mayor’s director of budget and policy	Mayor’s Office
Jim Webb	Senior policy adviser to the mayor	Mayor’s Office
Brooke Myhre	Principal budget analyst	QUEST Partnership (city manager)
Wayne Tanda Jim Ortbal	Director Deputy director	Department of Streets and Traffic
Mark Linder Albert Balagso Margaret Cohen	Director Deputy director (Youth Services) Deputy director (Neighborhood Services)	Department of Parks, Recreation and Neighborhood Services (PRNS)
Adonna Amoroso Mary Anne Bourgeois	Deputy chief Administrative officer	Police Department
John Guthrie	Director	Finance Department
Gerald Silva	City auditor	City Auditor’s Office

FINDINGS

PEOPLE AND THEIR ROLES

Who has been involved in initiating, developing, and using performance measurement, and how have they been involved?

“New Realities” Task Force, with staff support: This blue-ribbon citizens’ task force played an important catalyst role in initiating San Jose’s current performance management approach. Citizens appointed to New Realities worked with mayoral staff support to examine

the budget, determine if new revenues were needed, and recommend ways to manage the city more efficiently and effectively. Performance budgeting was among New Realities' thirty-four recommendations, which spurred the city to initiate pilot performance measurement projects.

Former and current mayors, City Council, roles in initiating and sustaining performance management: Former Mayor Susan Hammer, who preceded the current mayor, played an important role by appointing the New Realities Task Force in 1995. The City Council Finance Committee was also interested in finding ways to provide more efficient and effective services. The Council approved the idea put forward by city staff to attempt performance budgeting with two pilot departments; approved the results-driven model that emerged from the pilots of aligning department mission, services, and measures, and the “Guiding Principles” (see Figure 4) for the process; and, with the current mayor, approved implementing the model with all city departments from 1999 to 2002. Current Mayor Gonzales, with his strong commitment to performance budgeting, arrived as the pilots were beginning to show results—good timing to help ensure that the Council paid attention to performance measures in budgeting—and kept the momentum going. As described by mayoral staff: “It was the wonderful timing of a new mayor. . . . The reality is that had we not had the personnel changes at the top it would have been very easy to look at that first pilot and say well that is great but I want money for my park in my district—not for any measurable reasons. . . . [The] Mayor is deeply committed to this. . . . The former Council did approve this as a sort of policy direction. We got the door open enough that we could step in a little further, not just having our foot in the door.”

Mayor and City Council role in defining services and measures: Although each department defines its own core services and performance measures, the mayor and the City Council review them and can request changes. Ultimately, the Council approves the actual core services and measures when it approves the budget. A Council member described a give-and-take interaction process between management and Council: “What we want to see: [Council] setting the direction, then it goes to staff to put it together. It comes through different committees like the Finance Committee. The Finance Committee reviews a lot of things and we say, ‘we want this changed, we want this added.’ Our staff goes back and develops it further. In meeting with various organizations and the City Attorney, they then put the program together and come to the Council and say this is what we would like to present. The Council then will look at it and say, ‘I think this works’ or ‘I think that I want more emphasis over here or more emphasis over there.’ We put our comments in final action and work it through with the department. Then we will get a re-file. I am not sure if we are getting it back in six months, the actual date for that.”

City managers: As noted earlier, an interim city manager (who served for about the first nine months of Mayor Gonzales' term) and the current city manager have both provided strong support and executive leadership for San Jose's performance-based initiative. An emerging city manager role is to ensure that departments have operational performance measures, to be reviewed by the city manager, to back up the “core service measures” to be reported to the City Council with the budget.

Core citywide team: The QUEST Partnership: Under the previous city manager, a core team of budget, human resources, and other staff (including both “management” and “labor”) was pulled together, with experience in performance budgeting, managed competition, and continuous improvement as well as front-line service delivery and employee relations. With occasional help from an outside consultant, the core team provided coaching and facilitation assistance to the departments as they defined and aligned their missions, core services, operating services, and performance measures. The core team, including senior staff loaned by the city auditor, has become the “QUEST Partnership,” whose roles include:

- Provide a coach to each department as it implements Investing in Results, from defining and aligning missions, core and operational services, and related performance measures, to documenting measures and related data-collection and compilation methodologies.
- Provide technical expertise and review of departments' alignment, measures, and measurement documentation, including review through the budget process.
- Facilitate high-level cross-departmental teams to develop the City Service Areas and their performance measures, and to develop the citywide strategic business plans.

City departments, department managers and employees: A pattern emerged from the experience of the two pilot departments—Streets and Traffic, and Parks, Recreation, and Neighborhood Services—which has become the general pattern in city departments for developing performance measures.

Led by senior management, a core team representing all major department functions refines the mission, as needed, and defines a small number of core services and related performance measures that align with the mission in “core services workshops” that take two to three days. This involves narrowing down and finding common themes from among the department’s many programs and service activities. As a QUEST Partnership member noted, “The winnowing process to core services was often very painful.”

The department involves program and operational managers and employees at all levels to define operational services and performance measures that relate to the core services. A QUEST member emphasized the importance of line employee involvement: “In our system . . . the people who do the job need to decide that what they are measuring is important. Otherwise, they are not going to do it. . . . They will give you the data that you want but it won’t be as accurate as it could be. It is real important that the people that are involved understand why they are keeping the data and why it is necessary. . . . So they decide the types of information and the things that they should measure.”

Since the pilot experience and development of principles, the city has issued guidelines for “key implementation roles” for specific types of department staff and others for Investing in Results, spelled out in detail at <http://www.ci.san-jose.ca.us/QUEST/publicat.htm> and summarized here:

- Department head: lead and support.
- Department facilitator: manage and implement.
- Citywide coach (from the QUEST Partnership): consult and assist.
- Department Implementation Team (“I-Team,” representing all major department functions and several organizational levels): Support and assist facilitator.
- Key functional players (like the I-team, multifunctional and multilevel): represent department-wide perspective.
- Labor liaison: ensure that the principle of employee partnership and involvement is followed.

Special roles of pilot department staff: Streets and Traffic and PRNS, which both volunteered to be pilot departments, demonstrated to other departments and elected officials that performance management was feasible and could be beneficial. Employees of Streets and Traffic’s Street Markings Unit—which produces road stripes and markings—played a special role in demonstrating success to others. After the Street Markings Unit successfully

participated in a managed-competition review, Street Markings line employees became involved in presentations on performance measurement to other departments and elected officials. The city made a video of the Street Markings story to share its success with additional leaders and staff.

Cross-departmental and cross-jurisdiction roles: In the early stages of implementing Investing in Results, departments defined and aligned their own missions, services, and measures. More recently, cross-departmental teams were formed to develop measures for each CSA, with eight to ten executive and senior managers and a QUEST facilitator on each team. Leaders from multiple departments are also being drawn into development of the citywide strategic business plans. On a program-by-program basis, the city has some experience with cross-functional program design and measurement. For example, PRNS has worked with the Police Department, local schools, and neighborhood organizations to measure, evaluate, and improve violence prevention programs. PRNS has also worked with the county government, the local United Way, and community organizations to develop community and client outcome measures.

City auditor: The City Auditor's Office has done performance audits for many years and therefore has experience assessing departments' performance. When conducting an audit, if they found a department had its own performance measurement system, city auditors would assess the validity and reliability of the data and the measurement system. With Investing in Results (IiR), the city auditor has loaned an audit supervisor to the QUEST Partnership to be a coach to operating departments. Among other things, the auditor on the QUEST Partnership has been helping to impress upon departments the need to document their measures and methodologies. Although the city auditor sees an advisory role for his office in IiR, he wants to take care not to be too much involved with a department's implementation, so "we can go back and audit and see if they did it the way that they are supposed to. We will have built-in criteria and that will be very helpful. It is a fine line to walk sometimes. We have to be careful not to cross over it."

Consideration of citizens: As noted, a select group of citizens—those appointed by Mayor Hammer to the New Realities Task Force—had an influential role as a catalyst for the current performance management initiative. Since then, the city's measurement-development process has required departments and CSA teams to conduct focus groups with all relevant customer or stakeholder groups to obtain feedback on the proposed mission, outcomes, core services, and performance measures prior to Council acceptance. Focus groups commented on whether these were understandable, informative, and useful from their point of view. In the GASB interviews, PRNS mentioned taking its plan out for review and comment to its eight advisory boards and commissions for its major programs, and to the major community organizations with which PRNS works. PRNS management noted: "We have an annual joint meeting of all our boards and commissions. We will be test-driving this year. We wanted to get something out there asking what would you do?"

USES AND EFFECTS OF PERFORMANCE MEASUREMENT

What intended and expected uses and effects of performance measurement were articulated?

What actual uses and effects of performance measurement were identified?

Introduction to Use of Performance Measures

The main theme of the "intent and expectations" of San Jose's new performance management system is the *alignment* of missions, services, and performance measures *within*

departments and *across* departments. The San Jose approach is designed for managers and employees, at all levels, to use well-aligned measures to focus performance on their department's mission and the goals of their core services (their key lines of business) and, through the multi-department City Service Areas, on the City Council's priorities. Aligned performance measures are also intended to inform the Council's policy and resource-allocation decisions, particularly in the budget process. Departments also can use performance measures to develop budget proposals and to improve allocation of budgeted resources.

Although citywide uses of measures are still evolving in San Jose, individual departments—especially the two pilot departments—have prior experience using performance measures for a variety of purposes. Also, through the performance budgeting pilots, as well as a few past isolated situations, City Council members have started to develop some experience considering performance while making selected decisions. So there are a number of interesting examples described later in the discussions of “actual uses and effects of performance measurement” for resource allocation, for strategic planning and performance improvement, and for accountability and communication. These examples suggest that San Jose has developed a credible foundation of experience to build upon as it implements its new “Investing in Results” system.

Resource Allocation and Policy Decisions

Intent and Expectations

A frequently cited intended use of performance measurement was to inform the budget process. That intent was expressed in its most basic form by a Council member, who wants to be able to answer: “Are the services that we are providing the right ones?”

People with a variety of perspectives—Council, central staff (mayoral and management), and department managers—all commented on the intention that performance information would provide a context or clarity for budget justifications and decisions. For example, both the Council member and a central staff representative talked about past frustrations in having to evaluate incremental budget decisions out of context. Rather than just decide on new or increased programs proposed by a department, the Council member also wants a context for evaluating existing programs: “Tell me the program objectives and how is that program addressing our mission statement or a budget item that we felt was a high priority for this year.” Central staff noted: “You get 1,000 budget proposals. You can evaluate each one of them very well, yet the entire package does not meet the overall needs of the city or the residents. So that context is very important. If we have that particular context, which is really gained by the alignment part of the effort, we could put the pieces to the puzzle together a lot more competently. . . . The difference with performance-based information is that you have more of a context to understand where the next dollar should be invested. . . . We still felt that public safety was the number one priority and we will probably still do that for some time. But absent any other data, you sort of get locked into those kinds of decisions.”

Another example, a central staff representative emphasized use of performance information to give the Council “clarity” when they make budget and policy decisions. Lastly, a department manager wants to use performance measures “to justify increases or reductions more easily. . . . There may be services that customers are not demanding and that may be your justification for not doing it. There may be other services that customers are demanding. . . . Are there adequate resources to perform that service? What is the level of demand? Is it short term or ongoing?” Another department manager, with experience using measures for program evaluation and budget justification before the start of the current

system, indicated that he was motivated to use measures to justify increases in program funding.

A manager from PRNS indicated an intention to use performance measurement to inform resource allocation among private community agencies supported by PRNS to provide a range of programs in San Jose neighborhoods: “We wanted to get a better idea of the effect that agencies were having on the actual client. We had a very good idea of how many counseling sessions were we having. . . . What we couldn’t really tell was what difference it was making on the lives of the clients. So we wanted to have a better basis from a funding standpoint to determine which projects to fund and which not to. . . . We thought that we would get a better idea of which agencies were actually making changes in the community, which would be more successful. From that then we could tailor our funding to those agencies.”

Central staff described a goal and expectation for shifting the City Council’s budget and policy debate from inputs to outcomes, while not changing the essentially political nature of that debate: “The goal really is for the council to start having policy discussions which are focused on what should the response time be, not for . . . adding 45 cops every year. The manager and Council would always fight over that. That is really not the policy discussion that the Council should have. The discussion should be: ‘How long does it take to close a crime case? How long does it take to respond to 911? What are those outcomes that we want for our citizens?’ What citizens care about is when they dial 911 it will be answered quickly; when I put my garbage out it will be picked up by the time I get home. Not how many garbage trucks. It is the outcomes that are important to citizens. . . . My expectation is that we will shift that discussion. . . . [Council members] still have to live with the politics of their districts but at least they will have a logical basis for making decisions and taking in the big picture of what we are trying to accomplish. . . . My expectation is not that we de-politicize the budget because that is never going to happen, [but] that we move the political debate on the budget to the public policy level.”

Actual Use

Before the current system, there was no intent to orient the budget process toward results-based decisions. There were performance measures in the budget, provided as supplemental information, but, as characterized by one central staff person, budget discussions were primarily “focused on resources, inputs.” Another central staffer talked about budget discussions that were focused on dividing the pie among districts, as in “There’s \$7 million that wasn’t spent; how are we dividing it?” However, there were isolated examples of the use of measures in budget decisions, particularly for programs that took on a high profile, for good or bad reasons. A department manager described how what started as a neighborhood anti-drug program that only measured crime data became a broader neighborhood-improvement program based on community surveys, a code-enforcement blight index, and other neighborhood condition measures in addition to crime. As the program demonstrated success on multiple fronts, the city expanded it further. “Project Crack Down began in 1989 as a \$1 million project. This department probably got a quarter of a million dollars for community policing. By the time I had all of the elements in place the budget was close to \$14 million. Now I have just within my division close to a \$9 million budget. . . . Just by virtue of creating these measures and stats and standards, you can see . . . how the investment of the City has grown.”

A Council member described starting regular reviews of public safety vehicle condition after, some years ago, fire vehicle condition hit a low point and led to public embarrassment: “So one of the things that happened through the finance and technology committee is, every six months the performance measures are reviewed for how that fleet is being maintained.

Through that we are able to look into that following budget, equipment that we needed to replace. In the past couple of years I think that we have bought about 15 new fire engines. Once we started rating on a regular basis, we then knew the age of all of the equipment in the Fire Department, the life expectation of that equipment, and then we knew that this is how much we need to do because it may take two to three years to get an engine.”

Most performance-budgeting experience to date has come from the two pilot departments, Streets and Traffic and PRNS, as described next. In the most recent budget process (spring 2000), however, all departments submitted core services and related performance measures, along with specific performance results anticipated from each proposed budget addition. According to central staff, Council members began talking about core services in their budget discussions, and the mayor, in particular, questioned the departments about their performance measures, coming well prepared with a script of questions based on departments’ measures.

Effect of Use

Performance measurement has been used to allocate resources in the two performance-budgeting pilot departments—Streets and Traffic and PRNS. A Council member remarked on Streets and Traffic’s using measures to show where added resources were needed, and on PRNS’s obtaining performance information from community-based organizations before funding them. A PRNS manager noted that “what has changed is that we are more selective in the organizations that we fund and it is a growing process. We have changed the organization funding mechanism, as we will in the future. Over the past three years, we have probably added different organizations than we would have funded based on their ability to show us what effect they are having on clients.”

Streets and Traffic’s performance-budgeting pilot was described in more detail by central staff who said “it gave [the Council] a clear idea of what condition the streets were in, the street trees, street landscaping. Understanding that if you wanted to take them to the optimum level [what] quantifiable chunk of resources it would take to get you there. We will be able to follow up and measure whether the condition got achieved. It was the first time we ever gave [the Council] a clear context by which they could make those decisions. And they actually did make the decision to add resources to landscape, to roadway maintenance. I think that one of the most compelling was the sort of ‘pay me now or pay me later’ scenario we were able to establish for street maintenance. It is a lot cheaper to do regular maintenance, street sealing and things like that, for a lane-mile, than it is to not maintain it and have to replace or rebuild it. That point of long-term cost vs. a near-term investment in maintenance finally got across.”

The central staffer also described a decision to make a trade-off between cost and performance, saying “in landscaping, [last year] they wanted \$300,000 to do a seasonal rotation. When things are growing you need to take care of it faster. So we instituted additional seasonal maintenance to keep 80% of the landscaped properties in good condition. That was their measure. They committed to do that with the resources. It was only a one-year addition of funds. So this year we faced the decision, do we continue this? The cost came in at \$300,000 to keep it at 80%. Unfortunately, we could only find \$200,000 for that particular item in . . . ongoing money. The consequence is that at \$200,000 we are reducing our expectation of condition rating down to 70%. Those pieces were on the table and the decisions were made that way.”

A PRNS manager described his philosophy and PRNS’s pilot performance budgeting struggles, saying “it is important to develop measures based on results first and then back the budget in. Then you can begin to look at the efficiency of those measures. Because if you go the other way, then you are trying to balance dollars against the end result. Am I trying to do it cheapest or am I trying to do it best? Let me do it best first and see what it costs. . . . That is

the balancing act that we have going. . . . We refused to put our budget in until we had the measures that we wanted. . . . I could have done performance budgeting with my whole division quickly because we had established our programs that way. The other divisions had not . . . their lines were not clear so they needed extra time. Had the budget office done it from a budget perspective, it would have been broken up by dollars regardless of the results. That doesn't mean anything to us as service providers. It is just trying to make the pegs fit into the holes. It is a debate and we will work it out. Sometimes, we just don't listen to the budget office.”

Another PRNS manager described a performance-based analysis to scale up a pilot program saying, “we have a safe school campus initiative . . . where we integrate police, probation, school, community-based organizations, and us to have a response to potential acts of violence that can be prevented on the campus or that spill into the community, or if they are in the community that spill up to the campus. . . . One of the measures that we have in that program is that we will respond with a coordinated response within 30 minutes to any call. . . . That is with the one district, then we added a second district and now a third district. The question became if we wanted to guarantee that measurement of rapid response, how do we do it if we have multiple incidents going on in multiple school districts? So we used that measure to determine that we needed one more response team. We put that into our budget request.”

Strategic Planning and Performance Improvement

Intent and Expectations

Because of San Jose's failed attempt at citywide strategic planning a few years ago, city officials have not explicitly characterized the new performance management initiative, or any part of it, as “strategic planning” for the city government. However, the two pilot departments developed their own strategic plans. And with the current development of cross-department City Service Areas, related measures, and strategic business plans focused on the mayor and Council's “Vision for Quality of Life” and strategic initiatives, a de facto citywide strategic plan may be taking shape. A central staffer referred to San Jose as “trying back door strategic planning.”

Other central staff members said the mayor had asked about the possibility of strategically linking performance measures to San Jose's “general plan,” usually thought of as a land use document. As one staffer described the idea: “There is text in [the general plan] that talks about levels of service for parks and traffic, but it has always been a land use document. . . . It has been very intriguing . . . as we talk about what our priorities are, such as response times, that it makes sense for that to relate to the general plan—that we don't have to have some separate document of the City's approach for quality of life. It could just be part of the general plan.”

Another central staffer who supported this approach described his reasoning: “Performance measures are good, but they have to be linked to other things to be effective. Linked to the general plan. The general plan for most cities is the vision of what you are about, what you are trying to achieve, what are your priorities, what is important to the community. Link your programs to achieving those goals and then you link your performance measures to assessing those programs. You finally end up linking your performance evaluations to achieve the performance measures. It isn't just performance measures standing alone by themselves in a vacuum. It is linked to some other key things. If you put those things together then you have an effective performance-based organization.”

Performance improvement was frequently cited as a purpose of performance measurement. A Council member, central staff, and several department managers discussed using performance data to modify the service mix, method of delivery, and performance “balance,” to improve services for customers while controlling costs. Related sentiments included, “look across operations and see a balanced set of measures so . . . you can find a balance between those things which are basically better, faster, cheaper” while “meeting what the customer wants” and, “use the information as a way to be more effective, more efficient, understand our customers better, understand how our systems and processes work better, and to be able to use that information to continue higher levels of service at the same or lower cost.”

Two department managers emphasized an expected shift to ongoing performance review and improvement throughout the year, not just at budget time. One said, “it should also assist us in evaluating our services on an ongoing basis. . . . We have targets. We need to look at that kind of thing more thoroughly than if we just had something out there once a year. ‘Oh, it’s budget time; let’s develop this.’ Instead, looking forward by saying this is one of our services, we measure it this way, and these measurements still apply.” The other manager said, “I think that every department and each major subdivision or division will be looking very critically at their performance on an ongoing basis as they are going through the year. . . . I think that it will make the government more responsive to the needs of the citizens.”

A Council member, central staff, and several department managers also discussed using San Jose’s new performance management system—particularly the alignment of missions, services, and measures—to focus people on achieving the mission, motivate employees to provide better services, and help people learn to continuously improve results. Some comments were, “when you have that kind of linkage everybody in effect knows their place in the universe. I know how what I do feeds into what goes on . . . out in the community. It isn’t just coming in every day and painting stripes. . . . I know that I am helping to improve traffic safety. . . . It is a whole different way of looking at my job and you take pride in it and ownership in it.” Also, “it lets employees know that there is a greater expectation. . . . Here are our standards. . . . You are part of the team. Here is the mission. . . . Here are the criteria. This is where we set the line and we expect you to perform at that line. Not only do we expect you to meet it, we are here to help you with it—help you gain a better understanding so you can reach it.”

Additionally, one comment was, “I also saw it as a unifying . . . method that pulls everybody together because we are all going in the same direction and we . . . can look at the numbers and see how we are getting there. I have always seen it more as a leadership or management tool helping to focus us in the right way, rather than a disciplinary tool. It is not about scorekeeping but about learning.” The same manager emphasized “continuous improvement,” and said: “We know that [improvement] is never ending . . . you never achieve perfection nor should you expect to.” While another said, “performance measurement usually starts with knowledge. Getting data back that tells you what is going on in your program. Get that initial learning and some of the ‘Aha!’ experiences. ‘Wow that is interesting!’ That then leads to changes in how you use resources, how work is done and eventually better services. That is the primary intent.” Another person said, “it revolves around the achievement of our vision. The department’s vision is to create an environment where every member of the department willingly tries to exceed the expectations of the customer in the most productive manner, while the organization supports the development and well being of each of its members.”

A department head believes the resulting performance focus will have a powerful effect; he commented, “eventually, we will be an organization driven significantly by the results that our customers want. The data will be a key factor. . . . If we can get an entire organization of

people to have that as the perspective. . . . I think it will have profound impact. Having a group of employees committed to collecting data and knowing exactly how what they are doing produces . . . performance. I think that you are going to have a very powerful workforce.”

Looking forward, a Streets and Traffic manager described an intention of developing a way to combine different kinds of measures into one performance rating, “what we are trying to do to, as we go through . . . the measures, is link all of them up. This is something that we have not really discussed with the rest of the City, but when I talk about a core service of maintaining street landscaping, there should be one thing or one number that describes how good the program is. If someone says ‘great condition and timeliness, but weak customer service or overrunning our cost’: Two good things, one bad thing. How does it all come out? We have been working for over a year on this indexing system where things get weighted averages and then the weighted averages roll into just one number.”

Actual Use

The Streets and Traffic manager described quantitative approaches to strategic planning saying, “our annual work plan . . . is intended as a stand-alone document for all the members of the department. We just quickly go through our vision, our strategic goals, our values, and we even have on one page an attempt at laying out quantitatively what our strategic plan is. Everything again is quantitative.”

The PRNS manager’s comments on quantitative approaches to strategic planning were, “we developed a very basic strategic plan: five years and one year. Where do we want to be in five years? How will we know when we get there? . . . We knew we needed measures, otherwise getting there was all anecdotal. We knew that we needed to move away from the old measurement system that we have done for years which is more activity driven: ‘How many people came through the door? How many hours was I open?’ . . . From that to real results measures: ‘Did the customer feel their life was better? Did the community feel safer? Did you reach your potential audience? Are we recycling the same kids?’ Those kinds of results focused questions. . . . Are we making any progress in our strategic plan? It also helped us re-tool our whole vision and mission statement. It has become much more reflective of what we are doing rather than a potpourri of programs in the mission statement.”

The last point about a retooled mission, rather than a potpourri of programs, is very significant for PRNS, a diverse department with a wide range of functions including parks, open space, recreation, and many social programs aimed at neighborhoods, school districts, or population groups. PRNS recently also had high turnover of department heads, adding to the challenge of strategically aligning the department’s many varied programs. They succeeded in doing so by focusing on the essential common elements of their mission. A senior management group, with coaching and facilitation from the citywide team and a consultant, developed a new, streamlined mission for PRNS and defined three core services to accommodate its many programs.

Even before their involvement in San Jose’s current citywide performance management initiative, a number of city departments and programs were measuring performance for their own management purposes and were analyzing data and asking questions to improve program performance. In some cases, they found they were measuring the wrong things and had to change their measures to know if they were achieving desired outcomes. San Jose officials described several cases in several departments of the use of performance measurement and analysis to improve performance. Several examples follow.

Streets and Traffic managers described several examples of changing performance measures to better reflect desired outcomes by, as one manager said, “look[ing] at everything

from the customer's perspective" as a key step in improving performance. This example, related by a manager in the form of a dialog with line staff, shows how questioning "why" a service was performed exposed the fact that rating performance based strictly on output motivated the wrong behavior. Changing the measure to the desired outcome motivates desired performance, for example, "one . . . of the many [jobs] we had was the maintenance of the sewer system. It is a large system, about 2,000 miles; it serves about a million people. I asked, 'Why do we do that?' as I had asked on all of the services. 'We provide maintenance to keep the sewers clean. . . . On a daily basis sewer mains clog in San Jose and raw sewage dumps into people's homes. . . . That is why we are doing it. We keep sewers clean so we minimize the number of blockages.' . . . 'So we are cleaning out sewers that are prone to be clogged?' Big pause. 'What do you mean? You want us to clean sewers that are dirty? I don't think so. . . . We are rated on how many miles of sewers we clean and we take a great deal of pride in the number of miles. We clean a lot of sewers.' Time out. 'Are you telling me that we clean only clean sewers?' 'Well yes, because if we clean a dirty sewer it is going to slow up productivity.' I said, 'This is absolutely wrong. I could care less about how many miles of sewers you clean. What I care about is how many clogs.' That is then what we began to measure. We would measure how many sewers are clear and not clogged. The bigger the percentage, the better job you are doing. . . . So with that, the miles of sewers actually cleaned using mechanical techniques stayed about the same or decreased. What increased was the use of enzymes to eat grease. What increased was education in the neighborhoods that would typically use a lot of grease in their cooking. What we saw was a better condition, a better outcome."

PRNS managers gave several examples of measuring and analyzing multiple conditions, behaviors, or outcomes for some of their neighborhood- or population-focused programs to find ways to improve performance—including the multi-department Project Crack Down noted earlier, and programs on school violence prevention, gang intervention, and youth employment. One manager described using data on crime and blight to selected neighborhoods for improvement projects, and then in a targeted neighborhood as follows, "we got crime statistics, blight statistics, and information about neighborhood organizations. So we went into that neighborhood and set specific performance targets: to reduce the amount of crime . . . improve the housing conditions, and that we would have an organization formed that would set goals and . . . meet those goals over a period of time. Then we measured on a monthly basis the neighborhood organization. On a six-month basis we look at the statistics. Based on the information that we got there we determined the kinds of programs that we should have and whether the neighborhood was working or not working. We make a determination if the neighborhood had improved sufficiently."

Police managers described the department's crime analysis unit which does regular analyses of crime by type, time of day or night, location, and police shift, and they produce automated district pin maps to note crime clusters and develop strategies to address them. For example, their analyses helped develop a strategy used by a task force to reduce auto theft by 30 percent. The following example, in a Police manager's words, shows how San Jose police officials review their internal investigations data with management to determine improvements needed. "In investigations . . . what's important is the number of cases each unit gets. That shows whether or not the crime is down in terms of their workload. [Another important measure is] how many cases have leads but they can't work them because of lack of resources. . . . Then there is a category called 'we can't work them because we don't have good leads.' To some extent that ought to be a reflection of what patrol is not doing in terms of gathering the usual data. That can be an issue. . . . If there are a lot of rape cases where they are not getting good investigative leads and you look at the reports and find that they didn't do canvasses, they didn't ask the right questions, the reports are shoddy. That could be a training

issue that needs to be addressed. [We] focus the management reports at meetings with upper management . . . through meetings with senior staff, emphasizing those kinds of issues.”

Effects of Use

In addition to developing strategic plans and improving performance, an effect of San Jose’s performance management efforts noted by several officials interviewed can be called a change in mindset, or ways of thinking, by many of the staff involved. As two of them related, “just the consciousness that there is a cost to the things that we do. That has been brought home, and that there is a customer for things that we do. Those are the biggest realizations that people have come to. . . . People have been struggling just to get stuff done that they need to do. To keep their heads above water. The perspective of really knowing that there is a result out there, and is that result good enough, was outside what we used to think about,” and “I think that there is one discernable result and that is that people are starting to think in those kinds of terms. . . . Defining mission . . . aligning their performance measurement system up with their mission statements. And developing their systems for actually putting the numbers in place and producing the actual end product of the performance measurement system. At least everybody is thinking about it. It is a start.”

Accountability and Communication

Intent and Expectations

Most officials interviewed referred to the city’s intention to use performance measurement to increase accountability. To many people interviewed, this meant increasing accountability of government departments and management to elected officials, and increasing accountability of the city government to its citizens. As one official put it, “Personally, I think that a citizen ought to be able to look at a budget document and be able to . . . decipher what we do for a living here. And how they benefit from what we do. To a large extent going to a performance-based process will make us, all of us in the organization, much more accountable to the Council, to the public.” Another official said that an intent of performance measurement is to answer elected officials and the public concerning: “Are we getting our money’s worth? How do we know that?”

To some of the department managers interviewed, use of measurement for accountability also extends inward to program managers and staff. One said, “I would expect greater accountability of our managers as outcomes become focused on, rather than the expenditures of resources.” Another added, “If you are not looking at it, if you are not holding people accountable linked to an objective, then you get something else from them on their own. They might do nothing. If they are held accountable, and measurement goes along with it, then it gets done.”

An accompanying theme to improving accountability in San Jose is the intent to use measurement for better, more understandable public communication. One central staff put it, “we do have an obligation to educate the public. . . . Not trying to shape their opinion but just simply giving them information [on] how government operates. It is good for people to see those kinds of discussions and how hard people try to provide a good level of service. Also to encourage them to come down here and get involved and express those opinions about what they think we ought to be doing so that we can plug that into the process.” While another said, “I think we have tried to instill the need to make sure that measures can be communicated to citizens and the media. They can’t be jargon. They can’t be too technical. On their face they

need to be understandable to most people. That is a difference between what we have now and are moving toward and what we had before.”

Some of the approaches anticipated for communicating with the public include:

- Producing a more understandable budget document with better performance measures
- Using the city’s cable channel to transmit performance-based presentations, such as CSA performance presentations to the City Council
- Putting the budget and city performance measures online on the city’s website
- In the case of at least one department (PRNS), taking the information into the communities they work with, and presenting it to community groups that are PRNS’s partners
- Sharing results in an insert to the citywide newspaper
- Annual citywide community survey.

Several officials hope the effect of public communication on performance will be an improved public image and greater public support for government actions. One said: “People need to have confidence in our ability to do what we say we are going to do, when we say we are going to do it, at the cost that we say we are going to do it for. Performance measures are a step in that direction. If people think that we are accountable, then we can garner more public support for things that need to be done. If people don’t have that faith, then they tend to say, ‘government shouldn’t be doing this.’” Another official said, “I would hope that eventually this process, if it endures long enough, would begin to change the opinion of the public about government from a group that merely spends money to a group that provides a valuable service at competitive prices.”

Two department managers also described using their strategic plans and performance reports to improve communication within the department, using approaches such as quarterly performance review meetings and a newsletter to communicate and review performance internally.

Actual Use

The most recent budget process, in which all departments presented the mayor and Council with their aligned mission, core services, and core performance measures, was perhaps the most significant step to date of departments’ communicating to elected officials about performance. Before that, at least two departments heads (of Streets and Traffic and of Finance) communicated performance through annual work plans showing what they had completed the previous year and would attempt in the future. Other examples follow of public communications approaches related to performance (though not systematic performance reports) used by a Council member, several departments, and the city government as a whole. These include both approaches to impart information to the public and those to obtain information from the public, such as citizen perceptions of services.

A Council member described District meetings held for the purpose of communicating with citizens was described by a council member, “I hold bi-monthly meetings with citizens in my district. . . . We have a video called *This Is Your City*. . . . A lot of citizens believe that we have lots of money and a lot of lazy people who are not doing the job. If they did, they could get a lot more services for a lot less money. So what I have done is taken specific programs and the video and gone out to my citizens to help educate them on the basic services

that your City provides, and how it is done. ‘For Streets and Traffic, here is where the dollars come from to provide those services, here is what you should expect; if you don’t get that, give me a call. Then if that happens, I will look at that department to see if you got the services that you felt that you should have gotten.’”

The city has published two annual performance reports for a lay audience, but they were not integrated with the emerging performance measurement system. One central staffer described it as “anecdotal highlights . . . pretty much a corporate annual report without financial statements.” Similarly, a Police manager said that that department has “done an annual report before for external consumption. . . . What goes in there is stuff about the department, pictures, and crime rates and that kind of thing.” The manager also referred to the department’s public information office that releases crime statistics and information about programs and activities to the media.

Managers from two departments talked about communications efforts to let people know about services they could use, and to help get people involved, where that is desired. For example, a Police manager said: “Usually we use the media to get at crime prevention areas to get to kids, schools, and parents.” A PRNS manager described “resource fairs”: “In each neighborhood where we work, a couple of times a year we have community events where we have City departments and non-profit agencies present information about their services. The City does something similar to that. They call it something different, like City Hall in the Neighborhood.”

Effect of Use

Both Streets and Traffic and PRNS survey citizens and customers to determine perceptions of services and conditions. As a Streets and Traffic manager said, “one of our measures in each of our core services is customer perception. We have dozens of ways that our staff is trying to solicit the perception of customers. Callbacks, doorknob surveys, and large surveys. We hit about 20,000 households each year with surveys. Soliciting proactively how citizens perceive our services. As well as the Internet. What we are trying to do is to develop a best practice internally on how best to solicit the input of our residents and our businesses on the services that we are providing.”

Finally, one PRNS manager described the positive effect of using performance comparisons when communicating with people in a district they are serving by saying, “if I think that there is a lot of crime on my school campus, I benchmark against other school campuses in other parts of the country, and say, ‘this is what I accomplished this year. Yes we need an improvement and I think that I could do better. We are ahead of the curve by comparisons against other parts of the country and the state.’ So although the situation may be bad, utilizing measures and benchmarking, maybe we can show that we are not so bad off. So they turn out to be your allies for resources. They are not firing at us anymore. They want to know how they can help. Measures have certainly helped do that.”

PERFORMANCE MEASUREMENT IMPLEMENTATION ISSUES

How is the quality of performance information perceived, and how have performance measurement quality issues been addressed?

Almost all officials interviewed referred to their idea of quality performance information with respect to the usefulness and clear meaning of the performance measures. Some of the key words and phrases they used to describe what “quality” performance measures are *useful*,

results-based, customer-focused, something customers would pay for, effective, have clarity, accurately communicate, really reflect what we do, can use to manage, can use to achieve, suggest ways to improve. There were also two comments on the need for measures to be “sustainable,” that they could be collected on a regular basis over time. Staff from the core city team summed up their criteria for good measures as “*meaningful, useful, and sustainable.*”

One department manager wants measures that cast performance in a good light: “Something that tells me that what I did made a difference. . . . Something that makes someone else say that you did a good job. . . . Something that can help you articulate what you did that was successful.”

With the exception of the city auditor, officials interviewed made only a few comments about measures needing to be accurate or verifiable. The city auditor cited the U.S. General Accounting Office measurement criteria, saying: “The data sources have to be reliable; the data must be accurate, consistent, and dependable. They need to be bias free. The data should be fair and impartial. The data that emanate from program personnel should be questioned. Whenever a program official is evaluated based on data over which he or she has control, other procedures must be in place to mitigate any bias that may occur. . . . The collection effort likewise must have data sources that are reliable, bias free. Individuals collecting the data should be properly trained. . . . Controls should be in place to minimize the instances of clerical error. Data collection techniques should be appropriate and the performance data collection should be sufficient to document the period being evaluated.” The auditor also referred to the need for independent performance standards (e.g., from industry, other jurisdictions) for comparison.

The emphasis by most officials on usefulness and communication, much more than on accuracy, probably reflects the stage of development the city was in at the time of the interviews, rather than a lack of concern for accuracy. Officials interviewed generally said that with the exception of an occasional visible program (e.g., graffiti removal), the accuracy of their data was rarely questioned. However, officials described a high degree of questioning of the meaning and usefulness of measures, by both mayoral and budget staff and, especially for the pilot departments, by department management.

Perceptions of the Quality of Performance Information

At the time of the interviews, the perception of several officials was that most city departments were not yet reporting results-based, customer-focused measures that had much meaning beyond the department. As one central staff member said: “We have done a pretty good job of measuring internally what we needed to know to run our business. But when it came to understanding whether it was meeting needs of the customers we found that we were lacking.” A department manager noted that from the department’s current measures, “Everybody can figure out what we do. But nobody can explain why we are doing it.”

Managers from the two pilot departments felt they had been successful, to varying degrees, in changing their measures to make them more useful, more representative of outcomes or results, and more customer-focused. They referred to, for example, “rigorous questioning” they went through to develop better measures. A Council member’s comments confirmed that the pilot departments had made such progress. The pilot departments still must test out how practical or “sustainable” some new measures are, by attempting to collect the data.

At least one manager from another department referred to efforts the department was starting at about the time of the interviews to develop better performance measures. By a year after the interviews, when the 2000–2001 budget was submitted, all departments had gone

through a process of changing measures, at least to identify performance measures of their core services.

Efforts to Address Information Quality Issues

Although most data-quality concerns (at least up to the time of the interviews) had to do with the meaning and usefulness of performance measures, the city has not ignored the importance of having accurate, verifiable performance data. The addition to the QUEST Partnership of a loaned audit supervisor from the City Auditor's Office signals the city's concern for data quality. The city wants departments' data to be well defined and based on sound methods that can be repeated by more than the individuals who originally collected or compiled the data. And although city officials do not expect that performance data will be "audit proof," they do want the data to be readily auditable. Toward these ends, the QUEST Partnership has developed a "Performance Measurement Methodology Checklist" for all measures reported by departments. Using the checklist, departments are supposed to document for each performance measure:

- Definitions of terms
- What the measure demonstrates
- How the measure is supposed to be used
- Data sources and data-collection techniques
- Specific calculations to determine the measure's numerical value.

By completing the checklists with care, departments can ensure that data collection will not depend on specific individuals who are "experts" about certain programs but may not stay in their current jobs. Completed checklists can also help auditors conduct verification reviews of department data in the future, and make future audits more cost-effective and more useful to departments. Attention to good definition and documentation of measures can help shift the auditor's role in the future from doing a lot of primary data collection to determine a department's performance, to verifying the data for existing measures and helping a department improve its performance measurement system.

What kinds of organizational supports are provided, and how have organizations been changing to accommodate performance measurement?

San Jose considers its support for performance management an investment. Consistent with the city's name for its performance initiative, "Investing in Results," three officials with key roles in the city's implementation (a member of the core city team, the head of a pilot department, and the city auditor) spoke about making investments in measuring and improving performance. Primarily, they were talking about investments in staff time, citywide, and in departments, to ensure the level of effort, training, capacity, and organizational focus needed to make the system work. Secondly, they talked about investing in some outside support for special roles as needed, such as consultants to assist in training and facilitation. The resources for the investments made until the time of the interviews came from reassigning people or reallocating funds and positions within central staff offices (e.g., budget) reporting to the city manager and within the pilot departments. Several officials interviewed also referred to a new \$800,000 proposal in the city budget then under review to fund staff, additional consulting, and support services. In addition, the city had authorized funding for new citywide financial management systems, including human

resources and payroll, to provide a consistent information technology platform for data on all departments and employees.

The city auditor described how his full-time loan of an audit supervisor (from a staff of only twelve auditors) to the core city team would cost his office some of its capacity to provide audit recommendations that help the city save money, increase revenue, and improve operations. But he thought of this cost as an investment that is worth the risk; as he said: “Will that investment produce a rate of return that will justify it? We will wait and see. I am optimistic and I am hopeful. . . . Clearly I am supporting this just by virtue of what I am giving up next year. Nobody put a gun to my head. I didn’t have to do this. I thought, for the good of the City I would.”

Training. Training, orientation, group facilitation, and coaching have been provided at all levels of the city organization, from the City Council down to line operating staff. Central staff described sessions to build Council knowledge and support by saying, “For folks on the Council we . . . initiate[d] them to what this all means through Council meetings and study sessions. . . . We had one four-hour session [on] what a performance-based budget is, [with] examples, storm drains and things like that. . . . We very intentionally [asked] the Committee of the Whole . . . ‘We want a motion saying you want us to do this and we all support doing this.’ They were all very supportive of doing it. Every single one of them spoke and made very favorable comments. They were conceptually and intellectually on board. The next step is to shift their focus. . . . Once we get the focus shifted, we can begin doing more specific training on what the measures mean and why they are important.”

In the first pilot department—Streets and Traffic—staff training and development related to performance management was already part of the department’s management strategy even before the current city initiative, and it remains a part of their strategy. Streets and Traffic managers described training and development efforts over seven years, saying:

“Training focused on gaining buy-in has been on an annual basis. We have been at this seven years. . . . Training the first couple of years just focused in on what is now called the Continuous Improvement Council. Workshops and retreats. It then has evolved to the current state where our Leadership Academy is about 40 or 50 hours of training for each manager. We have about sixty managers. The objective in the Leadership Academy is to make sure that you completely understand the strategic plan so well that you could explain it to every member of your unit. Secondly, provide them with the skills for them to be truly effective leaders. . . . With respect to all of our line staff, we have an assortment of training opportunities. . . . We have high-performance team training. I am guessing that there are still thousands of hours each year in various forms that go into all of this, and “we did go to Sunnyvale. I have been to a couple of training sessions that the Innovations Group . . . sponsored. Managing Total Performance. Consultants, we have had them in as well. By and large, the majority of the development of the system has happened within our department. There are people within the department who know how to use it and are committed to developing it. It takes weeks, months, and years to get this to work for us. No consultant can do that for you.”

The second pilot department—Parks, Recreation, and Neighborhood Services—has also invested in training and developing their own staff and the staff of community organizations. One PRNS manager described first developing a strategic plan, then, “We put all of our managers through an intensive continuous improvement package. We had *Seven Habits* and a ‘Purpose, Product, Process’ program. So we put all of our managers through 40 hours each of

background training. Then we [engaged a consultant with a team]. All of our managers went through two days with him initially, in developing our core services. . . . We brought 115 employees together and had an exercise with post-it notes: go through all of their activities and what they thought were core services. Then we took thirty managers and put them together with [the consulting team] and they came up with totally different core services. It worked really well. When we did the core services, we [met] with the senior staff to take those and now re-look at the vision and mission. We had done some work previously with all of the employees, where they re-looked at our vision and mission. . . . Then [a consultant] trained one of our trainers and another thirty people [for two days] to work in every division.”

Another PRNS manager said: “We set up an extensive community-based training program over two years where we did about five sessions a year with organizations [we fund to provide services] on how to do measures. . . . Now we are doing refresher training.”

By the time of the interviews, training that went well beyond pilot departments had been going on for a few months, especially training for department heads, senior managers, and central staff from across the organization, and for members of the core city team.

A central staffer described the training strategy for department executives, and the need to resolve their capacity issues: “We rolled it out to senior staff telling them that they are pretty critical. We had three or four workshops where we explained the principles; we explained what it could do, showed them the results, bring the street markings crew out there to show what it can do to change an employee and how they want to work differently now. We have assured them that it is going to stick around. . . . Listened to them vent. . . . Now I think that they are sick of hearing about it. But they do understand that it is real and it is going to be here for a while. Our strategy was to immerse them and let them vent and then immerse them again, let them vent. . . . Their worst fears were issues of capacity. ‘I can’t possibly do this because I am already doing everything else. Who is going to do this?’ That is the button they could push when you say there is something new. ‘I can’t do it without more resources.’ . . . We struggled with that to make sure that we have a combination: they will contribute [staff time] and we will backfill when necessary. We will have some citywide resources to help them out; the systems issues will be taken care of comprehensively. Assurance that the capacity issues are going to be taken care of—to the department heads that was key.” A Police manager said: “For the new citywide initiative, yes, we are going through training pretty intensively. There are three people right now that are going through four days of training. We will take that back to our program managers and provide training to them as well so they can go out and do what we need to do.”

Since the interviews, training and development have continued at all levels, as departments have developed their internal implementation teams and the QUEST Partnership (the core city team) has provided assistance, including a “citywide coach” to each department, to help them through defining and aligning missions, core services, and performance measures. By late August 2000, the QUEST Partnership was working on two levels: with cross-departmental executive and senior management teams of eight to ten people each to develop the City Service Areas (CSAs) and related measures, and with departments to go deeper into their organizations to develop their operational measures. A QUEST team member described it as getting a hundred people involved on the CSAs at the same time as getting thousands of people involved on the operational measures.

Organizational changes. Centrally, the significant change was development of the core city team, which became the QUEST Partnership, consisting of staff assigned or loaned from the budget office and other city offices and departments to serve as “citywide coaches” to the departments. A core team member also noted: “We have a union representative on the team . . . to provide a legitimate channel for labor–management issues that come up as a result

of this stuff. We are sensitive to what is going on there, and that they understand before things get to the negotiation and agreement stage.”

Based on city guidelines, each department is supposed to appoint a lead facilitator, an implementation team (“I-Team”), and key functional players from across the department and representing multiple organizational levels to develop and implement Investing in Results (IiR). City guidelines suggest that I-Team members should spend an average of 20 percent of their time on IiR. The roles and responsibilities for these players, as well as for department heads and citywide coaches, are described in detail under “key implementation roles” at <http://www.ci.san-jose.ca.us/QUEST/publicat.htm>, and were summarized earlier in this case study under “People and Their Roles” (the first section under “Findings”). Each department decides for itself how it will follow the guidelines, including how to organize internally for IiR and the extent of staff-time devoted to IiR. To help departments focus enough experienced staff effort on IiR, the city can provide a limited amount of funding for departments to “backfill” assignments left open by staff reassigned to IiR.

Managers of the pilot departments described their organizational arrangements to support performance management. Both departments made sure managers and staff from across the organization contributed significant amounts of time. In PRNS, one manager described their approach as less a change in organization than “a change in philosophy. Moving it from a centralized data collection function to a decentralized data collection function. . . . We have made it clear to people at all levels of the organization that collecting this kind of data was part of their responsibility.” Another manager described how people took on the effort: “What it has meant for people is a lot of additional duties, and tweaking their assignments. [A division head] has had to devote a lot of his time to it as well as one of his senior analysts. . . . It has trickled through the department to having other people involved, which is positive for the organization. Each division has had to have key people who take ten hours a week to manage this.” As a department, Streets and Traffic has been working at performance management longer, and has made more organizational changes, including, over time, changing the top four deputies under the department director to people who more strongly support new methods and also “trading in” budgeted positions considered less valuable for new kinds of positions and creating organizational units to support performance efforts. As the Streets and Traffic director related, “I arranged with our budget office to delete several maintenance positions and . . . add a computer position and an accountant position . . . dedicated to working with the high performing teams to develop the . . . cost accounting systems that they will need to ultimately reach our objective of knowing: ‘Are you as competitive as anyone else?’ That will mean that we will be benchmarking primarily against the private sector. . . . Also, to head that group, I have taken a maintenance superintendent out of the line and moved him to be in charge of our [new] high performing team [support unit]. He just has this immense passion about people and a belief in people. I think that you need to just take those individuals and allow them to excel in what they are really good at. The fact that there are holes that are created as you do that is just part of managing. You just have to fill those and move things around. That is what we have done consistently in the department.”

The Streets and Traffic director also described shifting staff to get performance systems started, saying “as we were developing the system it became apparent that we needed individuals who could help us develop performance measuring systems . . . in dozens of areas. So . . . we pulled in people out of the line—engineers, electricians, technicians. Basically I [said] ‘this is what you are going to do and we will suck it up elsewhere, but we need this investment.’ We brought in interns, we had some contract labor, once again we did not ask anybody’s permission to do it nor even approval. . . . We just did it and it created tremendous strain and stresses on the people who were doing the work. But it worked.”

EVOLUTION OF PERFORMANCE MEASUREMENT

What barriers have been identified to making effective use of performance measurement and how are those barriers being addressed?

San Jose officials interviewed had a lot to say about barriers to implementing their new performance management system. Their comments could be grouped into four topics:

1. ***Attitudes and mindsets, including fear of change and fear of accountability;*** the flip side of fear: *trust*, by the Council, managers, and employees; and *inertia* and *cynicism*.
2. ***Difficulty of understanding and communicating performance information;*** problems involving the Council, departments, and citizens.
3. ***The high level of effort*** needed to get the system going and make it work, including the need to move it at an aggressive pace, while maintaining patience to sustain the massive effort.
4. ***Inadequate citywide information systems*** to support citywide performance management.

Attitudes and Mindsets: Issues of Fear, Trust, Inertia, and Cynicism

A Council member, central staff (mayoral and management), department managers, and the city auditor all described barriers related to people's attitudes. Officials often raised managers' and employees' *fear* as a barrier, including fear of change and fear of accountability. This includes fear of how the data may be used to hurt programs (e.g., in the budget process) or employees. Officials described these fears, as in these comments:

“Okay, I am going to shine a light here and see what we are doing and what can we be doing better. The reaction is, ‘Are you saying that I am not performing? Not doing my job?’ Change is always seen as a negative.”

“Fears that the measure [could] show that the program isn't working very well. People don't want that information shown.” That creates “one of the biggest challenges. Making sure that you are getting all of the information.”

“There is an expectation that . . . performance measurements are going to be an integral part of the budget decision-making process. That is probably risky. If you take a performance measurement system and tie it to a budget system, I think there is a certain amount of danger . . . it is going to have an impact on how things are reported, or how people try to spin things.”

“Fear of accountability and fear of the use of the data. . . . Fearing that it will be used against them. . . . Find out that you are not working hard enough vs. your co-worker. We have to get over that quite a bit. Quotas are always brought up at the discussions. It took us about six months to get over that issue. No, we are talking about teams, results, not quotas.”

“People's fear of being graded is a barrier.”

“If an employee is not performing, and that is reflected in the performance measurement system, then you need to do something about that. But at the same time you don't want a performance measurement system to be a

threat to people. If it is they will sabotage it. So you have cross-purposes going.”

“Employees can feel threatened. . . . People are talking cost, eliminating duplication . . . operating more efficiently. What does that mean? Fewer people. . . . If the employee feels threatened by any new management initiative . . . it is not going to work. Because the employees need to make it work. . . . How do you keep employees from feeling threatened? They have to understand that there is something in it for them. What is in it for them? They are going to do their job better. They are going to feel better about themselves.”

Assuaging fear is not enough to get people involved. There is also the barrier of organizational inertia or resistance to change. People don't change their mindset easily. They don't readily adopt new ways of doing business or see performance management as an integral part of their job. They can be cynical and feel they will outlast the initiative, and they can fear their efforts will be wasted. Related comments included:

“Once you get over the fear, then you have to convince people that it is necessary for them to do, to do their jobs. Not just something extra. Something that is part of their job.”

“One [barrier] is resistance to change: A basic attitude that people are doing a good job while they are providing good service and they shouldn't have to prove it. Another, fear that [measures] won't be used. Collecting more information . . . that will go in a book somewhere that won't be used. I haven't run across people having difficulty developing measures once they have realized that it is going to be useful to them.”

“[At the] middle-management level, not wanting the ‘flavor of the month.’ Overcoming some of that cynicism with the management level and that this is the way that it is going to be. That will be one of the challenges.”

“There are a lot of people that are in organizations that have been there long enough to have seen this happen a number of times. . . . They figure, oh well, what if this mayor is not reelected in four years, and he can only be here for eight years anyway under term limits. So it is hard to get people enthusiastic and excited about these ideas.”

“Inertia. There is a position that if it is not broken don't fix it.”

“The hardest thing in creating measures that can be used is to get people to let go of things that they have been doing for 20 years. ‘What do you mean that you are not going to measure that? That is what I do.’”

“People knowing that they have to be more accountable—that we expect more, that they have to be more customer friendly. It is a different way of doing business. You are not simply integrating it into the way you have always done business.”

The preceding comments were from central staff and pilot department managers who had been involved in performance management for some time. But a manager from a department about to begin the process looked ahead toward this same barrier saying “it is going to be really difficult for us to change what people are doing. I think that we can do it. We are serious. But I think that it is going to be difficult to get people to change. To look at their

measurements and alter them. It is a cultural change.” This manager added the following perspective to the difficulty of getting people to change: “Performing the small functions, sometimes people can’t see the big picture. We have so many programs. . . . It is going to be a big job.”

Managers and staff are not the only ones who resist change. Another challenge is to get decision makers, particularly the City Council, to use performance data for policy, and move away from dealing with operational details. These include issues of getting leaders to trust the information, and making performance data seem compelling to decision makers. Some of the central and department managers comments were, “we have some Council Members who would like to know how long it takes to clean the park restroom and actually go out and do it themselves to see. . . . There are some hands-on people. They are proud of that, too. We will have to get over the trust factor. One of the reasons that occurred was the Council member didn’t believe the information he was getting in written form. . . . So I think that over time you build that trust so that they can trust the larger chunks of information. That they don’t have to get down and micromanage.” Another comment was “I think that [a barrier] is trust of the information. If I am a decision-maker, I am going to have to go often to the most compelling argument and often data is not seen as compelling. So I think that making the data compelling, or at least trusted enough to stand up against rare occurrences that call into question the way that you do business. I think that is important.” Another comment was “[A barrier is] to get the policy makers to take it seriously. All of the Council. To really integrate that into the way that they do business and make decisions.”

The city’s efforts to overcome these attitudinal barriers include the extensive training and development efforts—of City Council, senior staff, and, more recently, down through departments’ organizations—described in the previous section. A Council member stressed the city’s efforts to overcome fears by keeping its message to everyone positive by saying, “the thing that is important for the coaches and the people that are going in to coach these teams is to put it into a positive light. This is a way in which we are going to help each other in our jobs. . . . With anyone facing change, the natural reaction is no. There is fear. I think that we have some examples of things that have happened that are positive. I think that now the group is not all that fearful. They can see positive things that came out of the streets department, especially now that they are going through training. They are showing the videos of the team that started and the positive things that are coming out of those employees.”

Difficulties of Understanding and Communicating Performance Information

Officials raised difficulties of both managers’ and Council members’ understanding and interpreting performance information, in general or for specific reasons. A Council member generally cited the challenge of “getting the information into a . . . format so that when it comes to the people that have to make the decision it is understandable.” A Police manager was more specific: “For our agency, the volume of data may be a barrier. We need to be able to digest it. The piece that comes from communications, the piece that comes from patrol, to put those two together to make an informed decision. . . . Some of the challenges may be in knowing what data is out there that needs to be communicated. There is so much data that you have to know.” A Finance manager described a program whose performance is difficult to interpret: “Risk management: this one is really a dilemma. We have workers’ comp. We have a lot of efforts with the safety officer, trying to reduce this. . . . You look at workers’ comp cost. . . . The number of accidents. The numbers of claims. Every measurement raises more questions. The number of claims over \$20,000 is a number I like to look at. When I do look at

that a lot of them are for middle age cops who have heart attacks. I don't think that a safety program can change a lifetime of whatever created the heart attack."

Officials discussed challenges communicating with the public about performance. One central staff lamented that a large city such as San Jose cannot simply mail performance reports to all households, as smaller Sunnyvale does. Another central staffer said, "one major barrier . . . is that we don't have an ability to communicate in mass to the public. That is an advantage for a smaller city like Sunnyvale [which] actually does a quarterly report. . . . It goes to every single household in the city. . . . People come to [budget] hearings. You sort of set the parameters for . . . the discussion. We don't have that kind of an outlet here to communicate to the public in mass and tell people what we are doing. So you wind up with a staff report that keeps Council informed. Unless you are a very active citizen, and come down here and ask for those reports, you are not going to know what happens on a day to day basis because the media is not going to report it. Another comment was, "not a lot of people care about routine performance. . . . There is a lot of stuff taken for granted with city services. . . . How much do they value the ability to use the sewage treatment plant? If they didn't have it, they would value it. Because they do have it and it works all the time they take it for granted. When we ask for a rate increase sometimes it is not seen as really necessary. Things are fine, why do you need a rate increase? If we had a sewage spill, after they got through kicking around the administrators, they might see the need to invest more in that. . . . If you communicate too much to people they will just be bored. If you only wait for the crises to roll, in terms of performance, then you are skewing that way. That is the difficulty I see. Finding the right mix between ongoing communication and just waiting until the crises hit."

Implementing Performance Management Requires a Sustained High Level of Effort

Several officials reflected on the high level of effort needed throughout the organization to implement performance management as a challenge. The pace of change was also an issue, and at least one official was concerned about impatience leading to an aborted effort. For example:

"Any of these efforts requires an immense amount of resources. Therefore there is going to be all kinds of reasons and opportunities to abandon them."

"One of the biggest barriers is the added work that comes with starting these efforts. . . . When you start these efforts there isn't that commitment to data collection. You start collecting a lot of data and that is extra work. . . . It isn't easy to pull all of that data together."

"It is going to cost every department in this City the equivalent of thousands of staff hours every year at least initially. To get this thing up and running. I am not kidding about that."

"98% of the people in this organization were shocked at my suggestion that we do this by the year 2000. . . . My biggest fear is that we overload the system and it blows up and we fall back to the old methodology. So while I want to be aggressive, the biggest obstacle is impatience: . . . 'We told you to do it and Council said yes to performance-based budgeting a month and a half ago, why doesn't this document I just received have it?'"

Inadequate Citywide Information Technology (IT)

Several San Jose officials mentioned that they are implementing performance management with inadequate, outdated information technology. For now, departments are using whatever IT resources they have available (e.g., PC spreadsheets and database software) to compile and report performance data. The biggest problem is seen as the system is expanded on a citywide basis, that the city's central financial systems cannot support performance budgeting, or future directions such as activity-based costing. Officials are concerned whether practical, integrated systems can be developed in time, or if costly, less reliable separate systems will be maintained. Some of the comments were

“Citywide, the computer system does not have the capacity to collect all of that data.”

“The lack of automated and easy-to-use technology systems is a barrier.”

“We live in Silicon Valley and we are in the dark ages as far as computer information. . . . Our City is not very progressive in moving into computerization. We usually buy systems that are outdated by the time we get it installed.”

“The challenge is going to be that once we go citywide, to have a system that will have the capacity and the ability to get the information in quickly and report it quickly and not crash when we really need to put together a report. . . . Before everybody is ready to do this stuff in three years, [our challenge is] to make sure there are systems to support that.”

“I fear that this will take on a life of its own and move the City in a direction of getting real temporary systems . . . little incremental systems that are not tied together as a fully integrated system. Those could become major systems to keep going. . . . Then you have to work around. You don't get to where you really want to be [for] financial management . . . without having fully integrated systems. . . . There will always be timing problems with multiple systems and issues that create different numbers. If they are all separate systems you are going to have reliability issues. That is my biggest dilemma on this thing. Small incremental decisions being made without serving the [city's] information needs.”

To address information technology issues, the city has made a commitment to invest in improving financial management systems, as described in the previous section. As of the interviews, the systems improvement approach was still to be determined.

What lessons have been learned from the performance measurement experience to date, and what are future expectations for the use of performance measurement?

The most common theme among the “lessons learned” identified by San Jose officials is that implementing performance management is a big job, and any jurisdiction undertaking it should be prepared for the high level of effort and difficulties involved and be committed to supporting a multiyear implementation process. It is not just difficult because of the size of the job, but because performance management requires a culture change and long-term consistent leadership from elected officials and managers alike. As some department managers put it, “recognize how much time and investment it takes and allow for that. If you

don't you will have measures that don't align, measures that people don't subscribe to. . . . It is a much bigger shift in thinking than you can imagine. . . . The only way you know how hard it is, is to actually have to go through it. . . . Be ready for it to be much harder than it seems." Another comment was, "performance measures are really a way to change the culture. A cultural change probably takes, as a minimum, five years. Realistically, about ten years based on my experience. . . . It may require one full generation of constant focus and effort to change that culture."

Officials described the *need for the Council to exhibit leadership by using performance information* and considering a bigger picture than they now do when making budget decisions. Referring to the City Council, a central staffer said, "If we don't change the attitude of the people making policy decisions, it is not going to work. . . . If it is not important to the people at the top, it won't be for people at lower levels." A Council member said, "[As] elected officials, all of us come in and we say, 'I have this pet project . . . I want to do.' But I would like to see us in our budgeting decision look at the full picture [with] our employees coming to us and say[ing] 'In order to make sure that this is in line with the mission of the City, let's see if we can work it this way as opposed to that way.'"

Other *leadership lessons* focused on departments: on managers and others chosen to lead department efforts, and on making sure the followers get on board. Department managers said,

"You need someone who can really drive it for the organization. . . . It doesn't carry any weight . . . having a staff person do it. Having a line manager do it is enormously important. People will respect the line manager. You need people who are involved with the day-to-day business tensions help leading this thing."

"You have to have some very determined and resourceful people to make this work. They can't just be drivers. Drivers just irritate a lot of people. They have to . . . know when to . . . drive things forward and when to take it easy. . . . Start with a few good people and then build it throughout the organization. Get everybody going."

"Make sure people have had good experience in working with line programs. . . . You really have to keep pushing the question: Is this useful to us? And checking back: Is it connecting? It needs to be led but it also needs to be followed."

"Once I got the lead group going, I had to stop and let the staff catch up. They couldn't see the unifying vision or mission. We brought in the consultant and he was ready to go to Mars. I said we better get to the moon first. That is where I see us going. There is excitement among people. Small successes happen and people can build on those. It starts to eliminate the complacency that is there and make some better change."

"Creating a unifying vision and mission that focus on basic outcomes is difficult. Those that are not practicing what we are doing, you see it. When you start talking about measures and results they get lost. They are just talking the talk but they are not walking the walk. . . . It is going to take a few years to start pushing it down."

Department managers discussed the importance of clarity, direction, planning, and training. They said, “have a clear idea of where you are going before you start in terms of setting up the measures: what it is you want to measure. Get a common terminology. Part of the problem we had was that the terminology kept changing. It confused people and they kept getting discouraged. That was actually a fairly solvable problem.” Another said, “In my own personal experience . . . having the strategic plan first really made a difference.” Yet another said, “training: Teaching the program managers to work with measures, the usefulness of measures, the ability to change them if they have to.”

A special process issue applied to getting nonprofit community organizations to develop measures. As these organizations must also report results to other funders besides the city, it was important to work together with other funders. A PRNS manager described the experience by saying, “we did have a partnership with the local United Way and with the County of Santa Clara. . . . We did joint training. That made it a lot more acceptable to them. I think that they could see more how it could be of benefit to them and not just a requirement. . . . I think that [partnership] is really important. For a lot of agencies, data collection is an extra thing that they do. So to the extent that you have multiple funding sources and all different requirements, you are really working against what you are trying to accomplish: to increase the effectiveness of the services. If you are going to do this kind of measurement you really have to make sure that you get everybody on board. You could actually be harming . . . service delivery.”

A member of the QUEST Partnership added this lesson: “*Trust the process and principles.*” (See Figure 4 near the start of this case study for San Jose’s “Principles.”) “We failed to heed our own principles some of the time, and we get in trouble when we violate some of those things.”

Two department managers stressed getting *real* measures that reflect *current* program realities, and that they *make sense* and can be used for alignment. One said, “make sure measures are real: What we are doing today, not just what we always did. Because there is a legacy . . . for this program I’ll just bring ten measures forward.” The other manager said, “you can collect data on anything. . . . Be sure what you collect makes sense. So often, measures are developed just to be measures, and are not necessarily aligned.”

Two other department managers stressed that performance information is not an end in itself, but must be *used* for *accountability* and to *achieve better result*. They said, “assure the responsible parties that they are accountable for achieving the performance objectives . . . from the executive level, through program managers to the operational level. What we measure is important and . . . is what will get done. If you don’t like what we measure I invite you to participate to change what we measure so that it makes better sense.” Another commented, “so you do all of this work to get all of this data. You have to make sure you use the data well. . . . Spend time to use the data to change your methods, to change your focus with your customers. Getting the data is an output. Reading the data to produce better results for customers is the outcome you want to achieve with a measurement system. . . . Build an organization of people going after results and don’t quit until you achieve the result you expect. Building that mentality in an organization is key. That is when it starts taking hold.”

A Council member called for better public communications and noted a few techniques he thinks will help, based on personal experience, he commented, “there have to be more presentations to communities about what performance-based budgeting is, to help them to see how in doing these programs, we are going to give them a quality service, using the dollars wisely. . . . Be an open book, but not a big book that they have to go through. . . . It needs to be presented to them. . . . Video is a

good tool. . . . Provide videos. Provide community forums, smaller community forums.”

Finally, another official cited the Street Markings crew to highlight the importance of using performance management in positive ways to improve employees’ work lives. He commented, “this crew that the city has been parading around [is] so excited and so happy. . . . They love getting up in the morning and going to work. They love their jobs. [Other] employees have to feel that is what is in it for them, too. They are going to feel better about their job, better about themselves. They are going to enjoy their work more and they will do a better job.”

What are the future expectations for the use of performance measurement?

San Jose officials interviewed were generally quite optimistic that their “Investing in Results” performance management system will work and be beneficial to the city. Their tune did include some cautionary notes on:

The size of the job: “It is going to take a tremendous effort.”

The time required: “It might take us a while to get there. . . . It took Sunnyvale 20 years to develop the system that they have now. . . . We are a much larger city, and much more complex than Sunnyvale.”

Information technology shortcomings: “The technical part will probably raise its ugly head when you actually start collecting the information and reporting it out. Somebody is going to have to figure that one out. The system is probably going to have to be developed and they are probably going to have to hire a consultant to do it. Training for everybody on how to use it. So there are always lots of cost implications.”

The City Council: “The proof of the pudding is going to be what the Council does with it. . . . As far as policy making decisions, it is going to depend upon the Council.”

Leadership: “That leadership factor is going to be critical” and “It depends who is at the helm and how committed they are to making this an integral part of how we do business.”

But their tune was mostly upbeat, as in these general comments on future expectations:

“We will do it because of the power of the Mayor and his absolute commitment to it.”

“At some point . . . we will have a system that will cover the entire City organization . . . I hope by the end of this four-year term and by the end of an eight-year term that people will be talking comfortably about performance measures and will see them as a valuable tool. . . . People will . . . wonder why it took us so long and how we ever did business before without really knowing what we were trying to accomplish. It will only get better, I think.”

“Our measures will continue to get more meaningful.”

“I am very optimistic about how it is going to work for us.”

“It is going to take a while, but my expectations are that it will work and will add value.”

San Jose officials also had more specific hopes and expectations, related here under five topics:

1. Hopes and expectations for elected officials, citizens, and customers
2. Hopes and expectations for managers, employees, and service operations
3. Hopes and expectations for auditing
4. Hopes and expectations for budget and policy
5. Hopes and expectations for the city organization as a whole.

Hopes and Expectations for Elected Officials, Citizens, and Customers

Two department managers expressed positive expectations on use of measures by the mayor and Council, though one manager wondered whether the City Council will be up to the challenge when popular programs don't measure up: One manager commented, “we are getting to the point that we are going to start getting more external scrutiny [from elected officials]. I am sure you are hearing about our Mayor and his experience with performance measurement.” Another manager commented, “my experience with the Council . . . with this kind of thing is that they will be okay with it. Frankly, the biggest challenge will be if they have something that they really like and the measures are not looking that good, will they want to continue the program because they like the program? This will be particularly true in community-based organizations for things like work with gang kids, for example. . . . That is where the rubber meets the road. If they have a pet project that doesn't measure up, that will be interesting.”

A department manager saw customers validating performance. A Council member expects that meetings for citizen input will eventually become a part of the performance model, and a central staffer expressed hopes for more communication on performance to the public. One comment was, “we will have validation from our customers, that we will improve our performance.” Another comment was, “I think that with this model there is even a point where there will be a scoping type meeting to hear what some of the citizens feel about it.” Yet another comment was, “I am hopeful that we will have a local government access channel in the next year or two and take real advantage of that to make information available to people. . . . Important things like Internet sites where people can pull up information. Finding more ways of getting information out in mass kinds of ways to the public at large.”

But another central staffer expressed doubts about how much performance information will influence the public, especially if the city doesn't pay attention to good customer interactions:

“I am not sure how it is going to play in the public yet. I think that it will be helpful, but in the public, your experience with government is your experience with government. You can look at the crime stats or you can look at the performance measures but what counts is what happens to you and your reaction. . . . We can communicate that we are wise stewards of your resources, but the real crux is what people experience. If you don't take care of that one interaction you can be in trouble.”

Hopes and Expectations for Managers, Employees, and Service Operations

A Council member, central staffers, and department managers all had positive hopes and expectations concerning how performance management will influence managers and employees:

“People . . . will see [performance measures] as a valuable tool to help them do their jobs and help them be more accountable and take ownership of their work.”

“Our employees will use the information regularly and be committed to improving their performance around those measures.”

“If the employees see themselves as members of the team, providing services to the citizens, then hopefully performance-based budgeting will help them in their own workplaces to eliminate things that don’t need to happen. . . . for the employees to always be looking for creative ways of doing things that will make it an even better delivery of service.”

“I think that they will even reach out to the unions to deal with what the unions have to say.”

“We have a highly professional workforce; they want to do a good job. Our workers are very well paid. They all work very hard. I think that what was missing was that channeling of the effort—working smarter and all of that kind of stuff. I think that this can be a way that they can see how to do that. Dramatically increase our ability to provide services.”

“I think that we will find a much more effective use of our time and energy and dollars.”

“I think that the value is really going to be forcing program managers to justify what services they are providing and at what cost they are providing them.”

“In Sunnyvale, it is actually linked to your performance and your pay. . . . If you don’t reach that goal, there is some financial consequence. If you exceed that goal, there is a financial benefit for you. I would like to see that kind of linkage here.”

Central staff and department managers also talked about expectations for the use of tracking and analytic tools, for better targeting of services based on performance measures, and, longer term, for changing the types of services provided based on outcomes:

“We are all going to learn a lot about statistics. We are going to learn a lot about polling. Customer satisfaction. We are going to learn about costing, too.”

“Activity-based costing is another area which we are moving towards.” Though another official cautioned: “Activity-based costing has its use. We are probably not going to use it at the broader levels. Where we are going into managed competition . . . then it becomes important. When it is necessary we will have to go to that level. We are not pushing that—I think that it would stop everybody in their tracks right now.”

“Now our next phase is to make sure that we have the tracking mechanisms, the tracking tools, and some type of database to collect it so we can provide feedback.”

“I believe that we will be able to use [performance measures] to . . . target our services better. We have in the programs that I work with much greater demand for services, and we have to make some choices. I expect performance measures to show us which strategies [to use.]”

“In terms of changing the types of services that are provided, I think that is something that is going to happen in the future but not yet because the use of real outcome measures has been fairly limited within the City so far.”

Hopes and Expectations for Auditing

A central staffer and the city auditor both discussed a hoped-for expansion of the audit function to include verification of performance data and audit of performance measurement systems:

“I think that it is going to take an expansion of the audit function and our City Auditor has program performance auditors on staff. Yet what they usually do is a one-shot performance audit. . . . I think the role of the auditor would be more routine, ongoing verification of [performance] information.”

“It is going to have a profound effect on how we do our audits. If it gets up and running. It really will. It will change the whole approach that we will use to do our audits.”

“What is the auditor’s rightful role in all of this process? We could theoretically go in and audit the performance measurement system for those qualitative things of reliability, verifiability, etc., and we could maybe do the whole thing once a year. . . . That could be a best possible outcome of all of this. The city could basically issue an annual report on its performance. . . . We have to be involved [by] auditing the information.”

“The system is only going to be as good as the information. Here is the problem: If you are in charge of an activity that is being measured and you have complete control over what gets reported. . . . Human nature being what it is, aren’t you going to have a bias of including only things that make you look good? . . . So how do you prevent that? Well, have an audit function and have someone come in and verify this stuff. That is independent of that particular organization. That sounds like the City Auditor’s Office to me. . . . I am quite sure that I am not going to have any trouble convincing the City Council of the need to do that.”

Hopes and Expectations for Budget and Policy

A department manager made the sweeping prediction that “the idea of budget is going to be changed.” But how? A central staffer hoped for a functionally organized performance budget: “I would hope that 10 to 15 years from now our budget would not be organized by department but by function. This is what we do. This is how we measure what we do. This is who we are in terms of functions and this is how much we spend on those functions.” In the nearer term, however, the city auditor foresaw less change: “The first year or two that we try to do this is probably not going to be much of a big deal. It is going to be awkward and it is

going to be a little cumbersome and I don't think that people are going to know exactly what to do with the information." A Council member hoped for a cost-effective result: "I would hope in the future that we actually get to the point where we are spending our budget dollars on programs that are cost effective, needed, and give quality services to our citizens."

One official, who thinks performance measurement will benefit the city, argued that budget and policy decisions will not become easier. They may improve, but they will become harder. His comment was, "I hope that there is not going to be an expectation that this is going to be a . . . process where the answers are self-evident and the decision-making is automatic. That is not how it works. The Council [may] think that this is going to make their decision-making easier. It isn't. It is going to make their decision-making harder. Because they are going to have more information . . . to deal with. They are going to have to learn how to use it. They are going to have to learn how to prioritize; they are going to have to pick and choose; and they are going to have to make hard choices because the information is going to be laid out in front of them. It is going to involve a lot of homework and a lot of late nights reading this stuff."

Hopes and Expectations for the City Organization as a Whole

A central staffer and five department managers expressed expectations relating to the city organization as a whole. Many of their comments related to performance management's helping the organization make changes. One of their comments was, "It is going to help us change the way that we do business. . . . We are going to be redirecting, re-deploying, and doing things that people feel are necessary, as those needs change." Another comment was, "we will find that we will be able to make programmatic shifts more easily." Yet another comment was, "you are also going to look at redirecting things that aren't working as they should be."

One official focused on performance management's enabling the city organization to *increase how fast it changes* to become more responsive to changes in its environment. To make the point, the official drew on the image of fast-paced businesses in the San Jose region:

"This is Silicon Valley and there is change every day. The reason Silicon Valley is successful is that they are out there responding to those needs. We have companies that their strategic plan is next week. Because the markets are shifting so much. It is real-time management. Cities are usually in 50-year cycles on how they change [the way they] do business. This will help us get back on track [with] a responsive cycle for responding to change."

Two officials talked about performance management's eventually helping the city work better across internal and external organizational boundaries. One official's comments were, "it [is] a way of bringing together people and . . . break[ing] down the silos at a formal level. Performance measures along functional lines acknowledge that is the case and make it real, and drive systems that will support that—systems that assist us across the organization. That is where we can really change the results." Another official's comments were, "so what will happen is that the formal structure will deal with getting every department lined up, and the informal structure is going to begin to cross lines. . . . We have responsibility for the implementation of the neighborhood revitalization strategy and it cuts across virtually every department in the City. We have the responsibility for School–City collaboration. Nineteen school districts and the City work together. You are touching libraries, the Planning

Department, land use. You have an amazing array of services that you have to work across the lines. The City Manager said . . . we are going to have to do this.”

Several officials talked broadly about “culture change” and one mentioned a “paradigm shift.” As two department managers proclaimed. One commented, “eventually we [will] build a culture in the organization that uses data and makes decisions with it to try and provide better services to customers.” Another commented, “if this is successful we will see the organization as a living organization.”

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- Budget documents for City Service Areas including strategic support
- Guidelines to departments for implementing “Investing in Results” (IiR)
- Staff reports and attachments for Council Study Sessions on IiR

City of San Jose Website Homepage: <http://www.ci.san-jose.ca.us/>