Challenges in Using Performance Information to Improve Management

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Biography:

Mr. Kahn directs the Audit Services Division in the Portland Office of the City Auditor, a post he has held since 2005. His auditing includes service in Oregon State government (as Chief of Internal Audit Services for the Oregon Department of Transportation and as State Audit Administrator for the Oregon Audits Division) and in the U.S. federal government (for the U.S. General Accounting Office, the investigative arm of the United States Congress). He has trained professionals and graduate students in auditing and management at Portland State University, at the University of Oregon, and through the USDA Graduate School's International Institute. He is also a visiting international faculty member at L'Ecole Superieure de Commerce (ESC-Reims) in France. Drummond presented to the 2009 international conference held at Lanzhou University. He is a member of the U.S. Comptroller General's Advisory Council on Government Auditing Standards and the Governmental Accounting Standards Board's Task Force on Fiscal Sustainability.

Abstract:

As organizations try to produce more results for less resources, pressure builds to measure results and improve management. Performance measurement is a typical tool organizations use to track their investments and results. Measurement systems, whether electronic or manual, can assist organizations in tracking inputs and outputs, but must be used by management and must be integrated into processes like the budget process if they are to be effective. This session will describe the current drive to measure operations in organizations, and explore four key factors that can interfere with effectively using performance information to improve management. These factors range from the lack of executive leadership and traditional budget-cutting through "across-the-board" cuts to measuring performance too infrequently and failing to use measurement information in the planning and budgeting process. The session will describe these challenges, then offer some potential solutions to the challenges, adding more value to management information and to the effective use of performance information.

Discussion:

Performance measurement is a valuable tool in government, but faces challenges to its effective use. While performance reports can be excellent tools to inform decision-makers like elected officials and the public, they only fulfill a purpose when they are used, not simply when they are written. In other words, it’s good that governments prepare performance reports, but if not used for a public purpose, their preparation may not have a significant benefit.

Measurement and analysis activities in government, since they may be seen as not providing a direct service to government clients, may be an early “cut” in budget reductions. Moreover, if
performance reports are not used, their value may be unclear when budget processes consider which services to retain or reduce.

The top four challenges in using performance information to improve management are:

- Absence of an “executive champion” to support and encourage measurement in your organization (or, alternately, the departure of someone who had acted as a champion for measures).
- Insistence of government to use traditional budget exercises (cuts and add-backs) rather than basing budget changes on performance information.
- Lack of integration between the budget and the performance information.
- (Potentially) Disconnect between the folks who prepare the measurement information and the folks who manage.
  - Remember – measurement information is for performance management holistically, not just for the budget process.
  - Viewing measurement as a once-a-year effort rather than an ongoing process.

The “executive champion” is a critical leadership role, and a leader must endorse and embrace measurement for it to be successful. If the key leader leaves the organization, the organization may face challenges in retaining its measurement and management efforts.

Traditional budget cutting and adding exercises should consider the worth of the service being cut or added to. Across-the-board cuts may be ineffective in achieving governmental goals. Peter Drucker wrote in 1964:

> “Typically the cost-reduction program aims at cutting a little bit – say, 5 or 10 percent – off everything. This across-the-board cut is at best ineffectual; at worst, it is apt to cripple the important, result-producing efforts which usually get less money than they need to begin with. But efforts that are sheer waste are barely touched by the typical cost-reduction program. . .”


If upper management embraces across-the-board cuts, this can have the opposite effect as using information to make budget decisions. Effective management should use information and act on information. Measurement and reporting should be regular, not episodic.

Measurement can provide accountability, and may appear in public reports like budget documents, annual reports, reports to residents, and other documents. But to be effective, this available information must be championed, used in the budget process rather than across-the-board cuts, integrating data into the budget process, and measure and manage consistently over time.

These challenges and solutions can help ensure that data tracking, measurement, and reporting efforts add value to government.