

Step 2: --Hold All Federal Employees Accountable for Results

It's easy to understand why federal employees--including the hundreds who aired their deep frustrations to the National Performance Review--would care about empowerment. It adds new, positive dimensions to their jobs.

But why should taxpayers or social security recipients care? Taxpayers aren't interested in what rules bureaucracy follows. But they do care, deeply, about how well government serves them. They want education programs to give young people basic skills and teach them how to think, anti-poverty programs that bring the unemployed into the economic mainstream for good, anti-crime programs that keep criminals off the streets, and environmental programs that preserve clean air and water. In other words, they want programs that work.

But management in government does not judge most programs by whether they work or not. Instead, government typically measures program activity--how much it spends on them, or how many people it has assigned to staff them. Because government focuses on these "inputs" instead of real results, it tends to throw good money after mediocre. It pours more dollars into the old education programs even as student performance sinks. It enrolls jobless people in training programs that teach by the book, but places few graduates in well-paid jobs.

What you do thunders so loudly, I cannot hear what you say to the contrary. Ralph Waldo Emerson

A recent management survey of the largest 103 federal agencies sketches in stark relief this lack of focus on real results. Two-thirds of the agencies reported that they had strategic plans. But only nine said they could link those plans to intended results. **See Note 19** In other words, many had planned, but few knew where they were going. That's a bit like trying to steer a ship by looking at its wake. As a result, some of our worst examples of "waste" are not rooted in corruption or incompetence, but rather in the simple lack of knowing what we are actually trying to accomplish. As one despairing federal employee told us, "Process is our most important product."

Recommendations by the National Performance Review aim to revolutionize our method of navigation. "Today," Vice President Gore told one departmental meeting, "all we measure is inputs. We don't measure outputs--and that's one of the things we're going to change throughout the federal government."

Measuring outputs is easy in principle. It means measuring how many unemployed people get jobs, not how many people look for help at local Employment Service offices. Or it means measuring how many people received their social security checks on time, not how many checks were sent out from a local office. "Outputs" are, quite simply, measures of how government programs and policies affect their customers. The importance of pursuing the correct measures cannot be underestimated. As Craig Holt, an Oregon Department of Transportation employee who has worked with the ground-breaking Oregon Progress Board--our nation's first statewide experiment in comprehensive performance accountability--cautions: "Our focus has occurred through our indicators, not through our strategic plans." **See Note 20**

Implementing the Government Performance and Results Act To its credit, Congress has begun to recognize this need. In July 1993, it passed the Government Performance and Results Act--a pivotal first step toward measuring whether federal programs are meeting their intended objectives. The act requires

that at least 10 federal agencies launch 3-year pilot projects, beginning in fiscal 1994, to develop measures of progress. Each agency pilot will develop annual performance plans that specify measurable goals. They then must produce annual reports showing how they are doing on those measures. At least five pilots will also test "managerial flexibility waivers"--which exempt them from some administrative regulations--to help them perform even better. In exchange for greater flexibility, they must set higher performance targets. This is exactly the process of measured deregulation--"we agree to deregulate you if you agree to be held accountable"--that must be the basis of an empowered and accountable government. At the beginning of fiscal 1998, after learning from the pilot programs, all federal agencies must develop 5-year strategic plans--linked, this time, to measurable outcomes! By the next year, every agency will be crafting detailed annual performance plans--that is, plans that describe what they intend to achieve, not plans that detail how many pencils they will buy or people they will hire. And they will have to report their successes and failures in meeting those goals. The Office of Management and Budget may exempt very small agencies, and those agencies that cannot easily measure their outcomes will use qualitative rather than quantitative goals and measurements. After all, any agency can, at the very least, survey their customers and report the rating they are given.

It may seem amazing to say, but like many big organizations, ours is primarily dominated by considerations of input--how much money do we spend on a program, how many people do you have on the staff, what kind of regulations and rules are going to govern it; and much less by output--does this work, is it changing people's lives for the better?

President Bill Clinton Remarks at the signing of the Government Performance And Results Act August 3, 1993

Setting goals is not something that agencies do once. It is a continual process in which goals are raised higher and higher to push agency managers and staff harder and harder to improve. As the old business adage states, "If you're standing still, you're falling behind."

That is why we strongly support the act. But agencies should not wait until fiscal 1999 to start integrating performance measurement into their operations. Nor should they limit themselves to the minimum mandates of the new law. The President, through OMB, is encouraging every federal program and agency to begin strategic planning and performance measurement, whether it is selected as a pilot or not.

If government is to become customer-oriented, then managers closest to the citizens must be empowered to act quickly. Why must every decision be signed-off on by so many people? If program managers were instead held accountable for the results they achieve, they could be given more authority to be innovative and responsive. Senator William V. Roth, Jr. Congressional Record, July 30, 1993

Action: All agencies will begin developing and using measurable objectives and reporting results.

See Note 21

In early 1994--in time to prepare the fiscal 1996 budget--OMB will revise the budget instructions it gives agencies to incorporate performance objectives and results, to the greatest extent possible. Agencies will start measuring and reporting on their past goals and performance as part of their 1996 budget requests. The OMB instructions, along with executive office policy guidance, will guide agencies as they develop full-fledged goal-setting and performance-monitoring systems for the first

time. At the outset, managers may feel unprepared to set reasonable performance targets. Some will lack any program data worth its salt on which to base any future goals or performance projections. Others, overwhelmed with "input" indicators about program staffing and spending, will find it difficult to figure out whether--or how--those measures directly relate to achieving desired outcomes. Agencies will start preparing themselves by reallocating enough resources toward performance planning and measurement over the long term.

OMB will help. Its budget analysts will be trained to provide feedback and broad oversight to help craft an effective system, and encourage agencies to improve measures that are clearly ineffective. OMB will negotiate stronger goals for agencies that set their sights too low or perform poorly against their indicators.

Agencies will gradually build performance information into their own budget guidance and review procedures, into their strategic and operational plans, and into revised position descriptions for their budget, management, and program analysts. Nothing, however, will replace peer pressure as agencies vie for performance awards or seek public recognition for their achievements.

Action: Clarify the objectives of federal programs.

See Note 22

Many agencies will be unable to set clear measurable goals until Congress simplifies their responsibilities. Programs are bound by multiple, often conflicting, legislative objectives. The complex politics of passing enabling legislation and then negotiating annual appropriations forces some programs to be all things to all people.

For example, a training program targeted at unemployed steel workers soon is required to serve unemployed farm workers, the disabled, and displaced homemakers. Originally, the program's purpose may have been to refer people to jobs. But congressional maneuvers first force it to offer them training; then to help them find transportation and daycare. All these are important activities. But, by now, the original appropriation is hopelessly inadequate, reporting requirements have multiplied geometrically along with the multiplicity of goals, and the program is not simply unmanaged--it's unmanageable. If agencies are to set measurable goals for their programs, Congress must demand less and clarify priorities more.

In the private sector, leaders do not simply drop goals on their organizations from above. Hewlett-Packard, Microsoft, Xerox, and others involve their full workforces in identifying a few goals that have top priority, and then demand smaller work teams to translate those overall goals into specific team measures. This process enables the people directly responsible for meeting the goals to help set them. It also ensures that every part of an organization aims at the same goals, and that everyone understands where they fit in. It may seem a time consuming process, but boats travel much faster when everyone is pulling their oar in the same direction.

With a new joint spirit of accountability, the executive branch plans to work with Congress to clarify program goals and objectives, and to identify programs where lack of clarity is making it difficult to get results.

Holding Top Management Accountable

When General Eisenhower took command of the Allied Expeditionary Force in World War II, he was given a mission statement that clearly delineated goals for his vast organization of more than a million and a half men and women: "You will enter the continent of Europe and, in conjunction with the other united nations, undertake operations aimed at the heart of Germany and the destruction of her armed forces."

In 1961, President Kennedy gave NASA an even clearer mission: Put a man on the moon and return him safely to earth by the end of the decade. As Vice President Al Gore told his audience at a meeting with Veterans Affairs Department employees: "There has to be a clear, shared sense of mission. There have to be clearly understood goals. There have to be common values according to which decisions are made. There has to be trust placed in the employees who actually do the work."

In Great Britain, Australia, and New Zealand, many department and agency heads are appointed for limited terms and given performance agreements. Their reappointments depend on achieving measurable outcomes. Senior officials from these countries say that these agreements have improved organizational performance more than any other aspect of their reinventing government efforts. In the United States, many local governments do much the same: In Sunnyvale, California, managers can earn bonuses of up to 10 percent if their agencies exceed performance targets.

Action: The President should develop written performance agreements with department and agency heads.

See Note 23

Past efforts to institute management by objectives have collapsed under the weight of too many objectives and too much reporting. The President should craft agreements with cabinet secretaries and agency heads to focus on the administration's strategy and policy objectives. These agreements should not "micro-manage" the work of the agency heads. They do not row the boat. They should set a course.

These agreements will begin with the top 24 agency heads. In fact, Secretaries Mike Espy at the Agriculture Department and Henry Cisneros at the Department of Housing and Urban Development, as well as Roger Johnson at the General Services Administration (GSA), and Administrator J. Brian Atwood of the Agency for International Development are already working with their top managers on agreements.

Not everyone will welcome outcome measures. People will have trouble developing them. Public employees generally don't focus on the outcomes of their work. For one thing, they've been conditioned to think about process; for another, measures aren't always easy to develop. Consequently, they tend to measure their work volume, not their results. If they are working hard, they believe they are doing all they can. Public organizations will need the several years envisioned under the Government Performance and Results Act to develop useful outcome measures and outcome reporting.

Measuring Outcomes

Outcome-based management is new in the public sector. Some U.S. cities have developed it over the past two decades; some states are beginning to; and foreign countries such as Great Britain, Australia, and New Zealand are on their way. Sunnyvale, California, a city of 120,000 in the heart of the Silicon Valley, began the experiment 20 years ago. In each policy area, the city defines sets of "goals," "community condition indicators," "objectives,"

and "performance indicators." "In a normal political process, most decisionmakers never spend much time talking about the results they want from the money they spend," says City Manager Tom Lewcock. "With this system, for the first time they understand what the money is actually buying, and they can say yes or no." **See Note 24** Sunnyvale measures performance to reward successful managers. If a program exceeds its objectives for quality and productivity, its manager can receive a bonus of up to 10 percent. This generates pressure for ever-higher productivity. The result: average annual productivity increases of four percent. From 1985 to 1990, the city's average cost of service dropped 20 percent, in inflation-adjusted dollars. According to a 1990 comparison, Sunnyvale used 35 to 45 percent fewer people to deliver more services than other cities of similar size and type. At least a half-dozen states hope to follow in Sunnyvale's footsteps. Oregon has gone farthest. In the late 1980s, Governor Neil Goldschmidt developed long term goals, with significant citizen input. He set up the Oregon Progress Board, comprising public and private leaders, to manage the process. The board developed goals and benchmarks through 12 statewide meetings and written materials from over 200 groups and organizations. "Oregon," the board stated, "will have the best chance of achieving an attractive future if Oregonians agree clearly on where we want to go and then join together to accomplish those goals." **See Note 25** The legislature approved the board's recommended 160 benchmarks, measuring how Oregon is faring on three general goals: exceptional individuals; outstanding quality of life; and a diverse, robust economy. Seventeen measures are deemed short-term "lead" benchmarks, related to urgent problems on which the board seeks progress within 5 years. They include reducing the teen pregnancy rates, enrolling people in vocational programs, expanding access to basic health care, and cutting worker compensation costs. Another 13 benchmarks are listed as "key"--fundamental, enduring measures of Oregon's vitality and health. These include improving basic student skills, reducing the crime rate, and raising Oregon's per capita income as a percentage of the U.S. average. Barbara Roberts, today's governor, has translated the broad goals and benchmarks into specific objectives for each agency. This year, for the first time, objectives were integrated into the budget--giving Oregon the first performance-based budget among the states. Great Britain has instituted performance measurement throughout its national government. In addition, the government has begun writing 3-year performance contracts, called "Framework Agreements," with about half its agencies. These agencies are run by chief executive officers, many from the private sector, who are hired in competitive searches and then negotiate agreements specifying objectives and performance measures. If they don't reach their objectives, the CEOs are told, their agencies' services may be competitively bid after the 3 years.

Ultimately, no one can generate results without knowing how the "bottom line" is defined. Without a performance target, managers manage blindly, employees have no guidance, policymakers don't know what's working, and customers have no idea where they may be served best. If, for example, jobless people know how well graduates of local training programs fare when looking for work, they can better choose which new careers and programs offer the best prospects. Informed consumers are the strongest enforcers of accountability in government.

Action: The administration will issue one set of Baldrige Awards for quality in the federal government.

See Note 26

For years, the executive branch has taken steps to recognize and support good performance. In typical fashion, however, we have created three different award systems, each administered by a different

organization. The Federal Quality Institute (FQI) administers the Presidential Award for Quality; the President's Council on Management Improvement administers the Award for Management Excellence; and the Office of Personnel Management awards the Presidential Quality and Management Improvement Awards for tangible savings to the government of more than \$250,000. The administration will issue one set of presidential awards for quality. The Baldrige Award Office of the National Institute for Standards and Technology will combine the existing awards into a new set of Baldrige Awards for public service--to go along with its private sector award. The new award will recognize agency and work unit quality initiatives and ideas, based on program performance, cost savings, innovation, and customer satisfaction.