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# **Performance Measurement**

## **The True Meaning of Success**

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**A concept paper from  
*The LearningSource*  
at the OSD Comptroller iCenter**



# Performance Measurement

## The True Meaning of Success

*Performance measurement provides information about results that can guide programmatic decision-making, improve management credibility and leadership, and better manage risk.*

Performance Measurement is a means of assessing progress against stated goals and objectives in a way that is unbiased and quantifiable. A balance of financial and non-financial indicators is used to measure program effectiveness and efficiency. These indicators include cost per output, cost per outcome, and customer-oriented factors such as quality, timeliness, and customer satisfaction.

Performance measurement asks the question “what does success really mean?” It views accomplishment in terms of outcomes, and it requires managers to examine how operational processes are linked to goals. In this way, managers don’t simply report on the past, they make authoritative forecasts about the future.

If implemented properly, program performance is evaluated not on the basis of the amount of money that is spent or the types of activities that are conducted, but on whether or not a program has produced real, tangible results. Effective performance measurement makes organizational objectives clear

and real to employees, improves the focus on long- and short-term success, and reduces the amount of management time allotted to reporting and review.

### **The Government Performance and Results Act (GPRA)**

Passed in 1993, the Government Performance and Results Act (GPRA), often called the Results Act, evolved out of management problems so pervasive and widespread across agencies that they required government-wide solutions. Budget deficits and an American public demanding a leaner, less costly government prompted a re-examination of what agencies do and what it costs to do it. In many cases, it was found that there was little consensus among agencies, Congress, and customers on program goals, strategies, and appropriate measures of success.

Traditionally, federal agencies have used funding allocations, the level of staff deployed, or the

number of tasks completed as measurements of performance. Today's business environment requires a different orientation—one that focuses on *results*. Agencies are being held accountable less for inputs and outputs than for *outcomes*. An example of this switch in focus is a federal employment training program that has traditionally measured its success by the number of training participants (an output). Under GPRAs, a more meaningful measurement would be changes in the wage levels of its graduates (an outcome).

## A Vital Aspect of DoD Financial Management

GPRAs were designed to engage managers in the process of tying financial data, wherever possible, to results. An legislative framework that requires agencies to set strategic goals and report on the degree to which those goals are met, GPRAs give managers flexibility in exchange for accountability. In a time of dwindling resources and an attentive American public eager to know how its tax dollars are being spent, this type of accountability is imperative.

Performance measurement provides information about results that can guide programmatic decision-making, improve management credibility and leadership, and better manage risk. Studies have shown that organizations that utilize performance measurement improve their profitability, delivery, and customer satisfaction.

## The Benefits of Performance Measurement

Performance measurement can have both immediate and far-reaching impacts on an organization. It brings with it an emphasis on objectivity, fairness, consistency, and responsiveness. At the same time, it functions as a reliable indicator of an organization's long-term health. Other benefits include:

- **Ownership/Interdepartmental Collaboration**

By providing a clear direction for efforts in a particular functional area, performance measurement gives employees a greater investment in problem-solving, goal setting, and process improvements. It helps set priorities and promotes collaboration among departments and business areas.

- **Communication/A Common Language**

Reporting results can enhance staff, stakeholder, and partner understanding and support of strategies and decisions, and it gives them a common language, alerts them to potential problem areas, and encourages interdepartmental knowledge sharing.

- **Accountability**

Well-designed performance measures document progress towards achievement of goals and objectives, motivating and catalyzing organizations to fulfill their obligations to their staff, clients, stakeholders, and partners.

- **Budget Justification**

Because it ties activities to results, performance measurement is a long-term planning tool that can justify resource allocation.

## GPRAs Requirements

### Strategic Plans

GPRAs require that each federal agency produce strategic plans, developed no later than by the end of FY 1997, that cover at least five years. Intended to be the starting point for each agency's performance measurement efforts, these strategic plans should:

- include the agency's mission statement;
- identify the agency's long-term strategic goals; and
- describe how the agency intends to achieve those goals through its activities and through its human, capital, information, and other resources.

### Who We Are—Agency Missions

The mission statements required by GPRAs strategic plans are designed to bring agencies into sharper focus. They should explain why the agency exists, tell what it does, and describe how it does it. The strategic goals that follow should be an outgrowth of this clearly stated mission. Only when an agency has a true sense of who it is can it align its activities to support mission-related goals and make linkages between levels of funding and their anticipated results.

When agencies look closely at their mission and how they achieve it, they are often surprised by the positive way in which it impacts mission achievement. For example, the Federal Emergency Management Agency (FEMA) had traditionally concentrated its efforts on post-disaster assistance. After taking a hard

look at their performance, they recognized that they could better fulfill their mission by addressing the range of activities available before, during, and after disaster strikes. By reexamining mission performance, and by restructuring their programs to support it, FEMA concluded that all emergencies share common traits and pose common demands. Therefore, they should be approached functionally. With this new information in hand, FEMA instituted an “all-hazard” mission that takes a multifaceted, sequential approach to managing disaster—mitigation, preparedness, response, and recovery.

### **Annual Performance Plans**

GPRAs require that, beginning in FY 1999, each agency must submit to the Office of Management and Budget (OMB) an annual performance plan. These annual performance plans should provide a direct linkage between strategic goals outlined in the agency’s strategic plan and what managers and employees do day-to-day. It should contain the annual performance goals the agency will use to gauge its progress toward accomplishing its strategic goals and identify performance measures the agency will use to assess its progress.

### **Program Performance Reports**

GPRAs require that each agency submit to the President and to the appropriate authorizations and appropriations committees of Congress an annual report on program performance for the previous fiscal year. In each report, an agency is to review and discuss its performance compared with the performance goals it established in its annual performance plan. When a goal is not met, the report is to explain the reasons the goal was not met; plans and schedules for meeting the goal; and, if the goal was impractical or not feasible, the reasons for that and the actions recommended. These actions could include legislative, regulatory, or other actions or, when the agency found a goal to be impractical or infeasible, a discussion of whether the goal ought to be modified.

## **Performance Goals and Measures**

GPRAs define a *performance goal* as a target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, including a goal expressed as a quantitative

standard, value or rate. Most goals will be self-measuring. Others may be more abstract. Those that are not tangible or measurable on their own, should be expected to have one or more separate performance measures or indicators as needed to help define the goal for measurement.

*Performance measures* are a tabulation, calculation, recording of an activity or effort, or an assessment of results compared to intended purpose, that can be expressed quantitatively or in another way that indicates a level or degree of performance.

A practical example of a performance goal and the measures needed to support it: a goal for tribal reservations might be to meet national standards for maternal and child health. This would require the use of specific performance measures reflecting those standards, such as morbidity and mortality rates for this population, percentage of low birth-weight babies, the percentage of children receiving their full immunization series, frequency of pediatric checkups, etc.

### **Four Characteristics of Performance Measures**

Agencies that have been successful at performance measurement have generally developed performance measurements based on four characteristics:

#### **Performance measurements were:**

1. Tied to program goals and demonstrated the degree to which the desired results were achieved;
2. Limited to a vital few that were considered essential for producing data for decision-making;
3. Responsive to multiple priorities; and
4. Responsibility-linked to establish accountability for results.

#### **In addition, performance measures should:**

- Describe the final product as it is received by the customer;
- Be discrete, straightforward indicators;
- Be critical to outcome goals;
- Be distinguishable from work process measures; and
- Be automated to the extent possible.

**Eager to learn more about GPRAs? Go to [Legislation at the OSD Comptroller iCenter](#).**

## Core Questions to Assist in Program Oversight and Performance Reporting

CATEGORY OF INFORMATION	CORE QUESTION
Description	<p>Overall, what activities are conducted? By whom? How extensive and costly are the activities, and whom do they reach?</p> <p>If conditions, activities, and purposes are not uniform throughout the program, in what significant respects do they vary across program components?</p>
Implementation	<p>What progress has been made in implementing new requirements?</p> <p>Have feasibility or management problems become evident?</p> <p>If activities and products are expected to conform to professional standards or to program specifications, have they done so?</p>
Targeting	<p>Have program activities or products focused on appropriate issues or problems?</p> <p>To what extent have they reached the appropriate people or organizations?</p> <p>Do current targeting practices leave significant needs unmet (problems not addressed, clients not reached)?</p>
Impact	<p>Overall, has the program led to improvements consistent with its purpose?</p> <p>If impact has not been uniform, how has it varied across program components, approaches, providers, or client subgroups?</p> <p>Are there components or providers that consistently have failed to show an impact?</p>
Side-effects	<p>Have program activities had important positive or negative side-effects, either for program participants or outside the program?</p>
Comparative advantage	<p>Is this program's strategy more effective in relation to its costs than others that serve the same purpose?</p>

(Source: GAO/PEMD-95-1, pg. 26)

## Reporting . . . Meeting Congressional Information Needs

A recent GAO report, *Managing for Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress*, outlined some of the information gaps congressional staff have noted in recent performance reports from federal agencies.

Congressional staff indicated that performance reports generally did not contain detailed information on the allocation of funds for activities, descriptive information about the program's strategies and the issues they address, and analyses showing the program's effects on its objectives.

Most federal agencies' fiscal year plans have not consistently shown how the program activity funding in their budget accounts would be allocated to agencies' performance goals. While most agencies make attempts to relate strategies and program goals, few indicate how the strategies might contribute to accomplishing the expected level of performance. Congressional staff said they look on a recurring basis for:

- data on the quantity, quality, and efficiency of a program's activities;
- the characteristics of the population served;
- indicators of a program's progress in meeting its objectives; and
- because of rapid turnover in Congressional staff representatives to a committee, there also is a need for readily accessible background information on an individual program's authority, scope, and major issues.

### Tips for Enhancing Performance Reports

- The language and presentation of a performance report should be accessible, but also detailed. Congressional staff indicated that program and agency descriptions found on agency Internet sites are designed for the general public and are not detailed enough for congressional staff needs.
- As a rule of thumb, no more than one page should be devoted to each measure and, where possible, information should be presented in illustrative

form (graphs, charts, diagrams etc.). Congressional staff noted that the presentation of information in performance reports was not always clear, sufficiently detailed, or directly relevant.

- Ideally, the individual reviewing the document will not only be able to measure agency or program progress at a glance, but also will be able to easily determine how this year's performance compares with prior years, as well as how it compares with the competition.

## Future Challenges . . . Making it Real

Many agencies have moved into one of the more difficult phases in GPRA implementation—using results-oriented information as a routine part of day-to-day management. This results orientation requires, in many cases, a transformation of organizational culture to improve decision making, maximize performance, and promote accountability.

Although performance measurement is more pervasive and commonplace in agencies today, GAO has reported that too few agencies actually use performance information to any great extent at a programmatic level—for key management decisions and activities.

## Performance Agreements

Some agencies have begun to use *Performance Agreements* as a way to build leadership commitment and ensure that managing for results becomes second nature. Agencies structure such agreements so that they reflect their specific organizational priorities, structure, and culture. In this way they become effective mechanisms for defining goal accountability and for aligning daily activities to results. The benefits of such performance agreements include:

- Strengthens alignment of results-oriented goals with daily operations;
- Fosters collaboration across organizational boundaries;
- Enhances opportunities to discuss and routinely use performance information to make program improvements;

- Provides results-oriented basis for individual accountability; and
- Maintains continuity of program goals during leadership transitions.

## **A New Outlook, A New Behavior**

Making performance measurement a priority requires a change in culture that reflects results-oriented values and behaviors. It is not something that happens overnight. It requires an ongoing effort and commitment in which every person in a department or agency understands the organization's mission and priorities. As staff are expected to acclimate themselves to organizational shifts and changes in management perspectives, it is important that they be engaged, invested, and have some sense of continuity and consistency. That's why performance measurement must involve not only incentives for achievement, but the resources and support employees need to successfully meet their targets and objectives.

One of GPRA's key objectives is to help Congress, OMB, and executive agencies to develop a clearer understanding of what is being achieved in relation to what is being spent. A culture of performance management can only be built by linking planned performance to budget requests and financial reports. This culture has begun to take hold all across the federal government.

### **See:**

—*Executive Guide: Effectively Implementing the Government Performance and Results Act*. GAO/GGD-96-118. June 1996.

—*Integrated Approach, Accountability, and Incentives are Keys to Effective Reform*. GAO-01-68IT. May 8, 2001.

—*Managing for Results: Using GPRA to Assist Oversight and Decisionmaking*. GAO-01-872. June 19, 2001.

—*Managing for Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress*. GAO/GGD-00-35. January 2000.

—*The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans*. GAO/GGD-10.1.20. April 1998.

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