

# Strategy Research Project

## STRATEGIC MANAGEMENT OF ADMINISTRATIVE SUPPORT RESOURCES USING PERFORMANCE MEASURES

BY

JAMES B. SIZEMORE

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USAWC STRATEGY RESEARCH PROJECT

**STRATEGIC MANAGEMENT OF ADMINISTRATIVE SUPPORT RESOURCES USING  
PERFORMANCE MEASURES**

by

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## **ABSTRACT**

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Executives must constantly anticipate administrative support requirements to fulfill current and future missions. Agencies employ a variety of administrative support functions to accomplish mission requirements. However, it is possible for the support functions to become out of balance with respect to the resources consumed without effective performance measures. Effective performance measures, tied to the agency's strategic goals are important in tracking and evaluating administrative support functions. This paper explores theory and practice of performance measures relating to strategic management of administrative support resources and addresses the need to develop strategic level measures for optimal organizational effectiveness. Strategic management of administrative support functions includes constantly monitored indicators to enable leaders to make adjustments between service providers based on the intensity and type of the support required. Maintaining the optimal administrative support ensures effective mission accomplishment and organizational flexibility. An effective performance measurement system allows executives to adjust the support functions in response to changing mission requirements.



## STRATEGIC MANAGEMENT OF ADMINISTRATIVE SUPPORT RESOURCES USING PERFORMANCE MEASURES

Congress passed the Government Performance and Results Act (GPRA) in 1993 to force government agency executives to use performance measures in the management of government programs.<sup>1</sup> GPRA required agencies to submit an annual performance report starting in 1999. Initially, government agencies struggled to produce reports that demonstrated acceptable performance measured program quality. As reported in an ongoing study, conducted by the Mercatus Center at George Mason University, federal agencies have made substantial improvements since those first reports.<sup>2</sup> To achieve the benefits of effective performance based management of government programs, as demanded by Congress, it is necessary to inculcate a performance measurement mindset through all functions of government organizations. The administrative support functions within government organizations can greatly benefit from an effective performance measurement system.

Agencies employ a variety of administrative support functions, such as logistics, human resource management, financial management, and acquisitions to name a few. These functions provide critical support to the overall mission of the agency but are not the primary mission of the agency. The mandates of GPRA require effective use of resources to achieve the mission assigned to the agency, which entails a careful balance of resources to maximize mission efforts. This paper discusses the design of a performance measurement system, used in the strategic management of the administrative functions, allowing executives to provide the most efficient and effective support to the organization. This paper describes the design of an effective performance

measurement system with the foundation of the system flowing out of the strategic goals of the agency. Next the design of the system is built around six primary purposes for performance measures: (1) To Budget, (2) To Justify or Promote, (3) To Motivate or Celebrate, (4) To Evaluate or Control, (5) To Learn, and (6) To Improve.<sup>3</sup> The framework of the performance measurement system uses the Balanced Scorecard approach to manage the administrative support functions. Finally, this paper discusses how poor design of the performance measurement system results in poor outcomes for federal agencies.

#### The Foundation of a Performance Measurement System

A performance measure is an indicator or defined set of data used as a metric to quantify the efficiency and effectiveness of an action.<sup>4</sup> There are three types of performance measures: input, output, and outcome. Input measures are physical counts of the resources provided to a process. Examples of input measures can be staff hours consumed, funds allocated, or assets provided to a process. Output measures are the physical results of the process; this type of measure includes counts of vouchers, number of items procured, et cetera. Outcome measures are more judgmental and less subject to physical measurements. The Office of Management and Budget defines outcome measures as “the intended result of carrying out a program or activity... an event or condition that is external to the program or activity and that is of direct importance to the intended beneficiaries.”<sup>5</sup> Since outcome measures demonstrate level of beneficial results, most regard them as the most favorable of the three measures used to evaluate performance. However, both input and output measures are important in the performance measurement system.

A performance measurement system is a series of measures or metrics used in organized scheme to help manage a complex process or function.<sup>6</sup> Careful design of the system is a decisive first step in order to avoid overburdening management with useless data. In their article about performance linkages D.S. Sink and G.L Smith state, “[executives] too often suffer with problems of too much data and not enough information”.<sup>7</sup> The design of a performance measurement system requires an understanding of the performance measures and the impact of those measures on the strategic direction.<sup>8</sup> However, before identifying the performance measures themselves, the design must answer the strategic question, “What do I want to achieve?”<sup>9</sup> The strategic goals of the administrative support organization serve as the foundation of the performance measurement system.

The strategic goals or mission statement of the administrative support organization defines the objects that flow into outcome measures for the performance measurement system. Strategic leaders guide the administrative support staff towards achieving the mission objectives stated in the strategic goals. The performance measures link the actions of the staff to the outcomes indicated by the strategic goals, forming a trinity between strategy, actions, and measures.<sup>10</sup> The strategic goals articulate inspiring and challenging objectives nested within the overall agency goals. The strategic goals focus the performance of the organization towards achieving extraordinary results.<sup>11</sup> Senior executive leadership sets the strategic goals using input from subordinates in order to gain buy in for the direction of the organization. These strategic goals are instrumental in building the foundation of the performance measurement system. Since the development of the strategic goals uses input from all

levels of the organization, the objectives of the performance measurement system are easily recognizable by all employees. A well-founded system based on the strategic goals will provide continuous feedback to the executive management showing the current state of performance and progress towards the goals, as depicted in Figure 1.



Figure 1. Continuous Feedback Towards Strategic Goals<sup>12</sup>

The metrics used in the performance measurement system continually measure progress towards achieving the goals. The reports produced by the system provide a unifying direction for the entire organization building towards the achievement of the strategic goals. With the strategic goals as its foundation, the performance management system drives performance forward by measuring progress toward achieving those goals. Therefore, it is necessary to carefully design the performance measurement system with knowledge of the end state in mind.

### Purpose of Performance Measures

Once the strategic goals set the foundation for the performance measurement system, the designer must consider what performance measures can demonstrate for the executives. It is not sufficient to gather metrics simply for the sake of generating reports. Reports on performance measures are not an end unto themselves. The intent

of performance measurement reports is to provide administrators with reliable information on the productivity of their staff.<sup>13</sup> However, the reports will be of little significance if the metrics do not show relevant information or if the data does not show clear implication for performance so that the executives can easily understand.<sup>14</sup> Therefore, when building a performance measurement system the designer must understand the objectives and implications of the data gathered. The objectives of performance measures have six primary purposes: (1) To Budget, (2) To Justify or Promote, (3) To Motivate or Celebrate, (4) To Evaluate or Control, (5) To Learn, and (6) To Improve.<sup>15</sup> Figure 2, below, arranges these objectives in a hierarchal fashion, from the basic to middle, then culminating with the objective to improve as the primary purpose.<sup>16</sup>

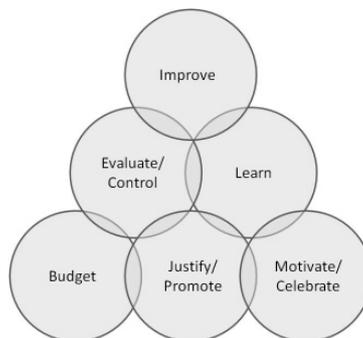


Figure 2. Objectives of Performance Measures

It is important to understand each of these objectives; and to understand how the performance measurement system uses these objectives to provide reports to management.

*The Budgeting Purpose.* The budget objective includes much more than dollars allocated to a particular activity; rather this objective includes funds, personnel, and any other necessary assets or equipment. Performance measures help executives

determine the amount of resources applied to activities within the constraints of appropriated funds approved by Congress. The concept of performance based budgeting is not new, although there is some ambiguity in its application.<sup>17</sup> Performance measures are an effective tool for agency management's use to determine the amount of resources applied to activities providing administrative support. Metrics measuring the effectiveness and efficiency relative to other activities provide information for resource allocation. Performance metrics that compare the ratio of outcome data (numerator) to the full cost to produce the outcome (denominator) shows the executive the effectiveness of the resources allocated to each activity.<sup>18</sup>

*The Justifying and Promoting Purpose.* Performance measures are instrumental tools to justify and promote the need for the right level of administrative support services.<sup>19</sup> The level of administrative support, whether it is logistics, finance, human resources or other support functions, are based upon an understanding of the mission requirements. The performance measures provide a metric to gauge the appropriate level of support without consuming resources needed for other mission requirements. Executives must balance the need to apply limited resources to administration at the cost of resources available to mission and to justify the resource allocation to both outside reviewers and to internal reviewers. The outside reviewers include authorities from the legislative branch and executive branch oversight organizations such as the Office of Management and Budget (OMB) and clearly are an important audience to consider when justifying the level of administrative support. However, it is also important to justify administrative resources consumed to the internal agency audience, which includes the head of agency, and other senior level executives outside the

administrative function. Additionally, it is important to justify the distribution of resources within the administrative staffs; considering items such as the positions used by the logistics staff versus positions used by the finance staff. Measures of effectiveness and efficiencies help the executive justify the resources consumed by the administrative functions<sup>20</sup>. The effectiveness measures; when used for the purpose of justifying and promoting focus on impact to the intended audience in a way that is both interesting and meaningful.<sup>21</sup> The performance measures used to justify a use of resources to an internal customer may be one that demonstrates a desired outcome in the shortest amount of time. A small procurement staff may consider using purchase price as a metric to justify its effectiveness. Clearly, purchase price is important, but often the response time from customer request to delivery of the appropriate item will have a greater impact for customer.

*The Motivating and Celebrating Purpose.* When using performance measures for the purpose of motivating and celebrating, the focus is on the staff performing the administrative support functions. These measures are a form of feedback to the staff used to help them perform faster, smarter or harder. Therefore, the data used in the performance measures to motivate must be those that the staff readily recognizes and can directly influence. Furthermore, the data must be as current as possible to enable the staff to recognize the link between their efforts and the produced data. Unlike some of the other purposes, the purpose to motivate staff relies on output data versus outcome data.<sup>22</sup> Often the outcome desired by the administrative support executive, includes factors outside the direct control of the staff being motivated. Strategic leaders set achievable targets based on these measures and encourage the staff to attain those

targets. Once the performance measures indicate attainment of those targets, there is reason to celebrate.

*The Evaluating and Controlling Purpose.* One of the most obvious purposes of performance measures is to evaluate and control. An advisory panel of the National Academy of Public Administration (NAPA) reported, "Performance measurement of program outputs and outcomes provides important, if not vital, information on current program status and how much progress is being made towards important program goals. It provides needed information as to whether problems are worsening or improving, even if it cannot tell us why or how the problem improvements (or worsening) came about."<sup>23</sup> The evaluation purpose requires a standard to which one may compare the performance results to indicate the level of satisfaction. The standard used for evaluation may be past performance of the organization, achievements of another similar government agency, achievements of a commercial organization, or simply a preset goal (or directive) established before hand. The performance measures used for evaluation are the outcome data resulting from the inputs provided. The outcomes measured are the results, or level of satisfaction with the support based on the resources consumed to provide that support. The results of the evaluation establish objectives used to control the workflow. For example, if the agency determines there is a 3-day standard to process a particular administrative action, the performance measures indicate the level of compliance. The compliance with the 3-day processing requirement is used by senior leadership to control the workflow and by extension the outcomes from the staff.<sup>24</sup>

*The Learning Purpose.* The learning purpose of performance measures branches out of the evaluation and control purpose. When using performance measures to evaluate, the objective is to highlight for the executive what is working and what is not, while the learning purpose seeks to answer why it is working or why it is not working.<sup>25</sup> The performance measurement system provides a wide variety of data extracted from the administrative support processes. When the performance metrics indicate outputs and outcomes that stray beyond the expected benchmarks, it highlights for the executive areas of further exploration. The additional exploration helps determine the sub-processes that are the cause of outlying data. This analysis requires the executive to assign evaluators that have a high degree of knowledge and expertise on the processes reviewed. Using the data from the process management system alone cannot replace the skill and capability of the evaluators reviewing the data.<sup>26</sup>

*The Improving Purpose.* The ultimate purpose for performance measures is to improve performance; the other purposes listed above are means to attain improvements.<sup>27</sup> The entire system of performance measures provides valuable information to the administrative support executives. This information is not an end unto itself; rather the executives must understand the information and use experienced judgment to implement improvements. Using metrics for the purpose to improve performance requires much analysis and conjecture to determine what actions lead to performance improvements. In their report on lessons learned from pilot performance plans, NAPA concluded, "Ideally performance data should be part of a continuous feedback loop that is used to report on program value and accomplishment and identify areas where performance is weak so that steps can be taken to promote

improvements.”<sup>28</sup> The performance measures themselves do not bring about improvements; rather the senior leadership must use the learning and evaluation objectives to make improvements on the outcomes. The most important attribute to achieve the improvements is continuous feedback.<sup>29</sup>

Table 1, below summarizes the purpose of using performance measures. The table shows the characteristics and the context in which the measures are used.

<b>Purpose</b>	<b>Characteristics</b>	<b>Context</b>
Budget	Efficiency measures	Understanding of what is efficient
Justify / Promote	Easily understood outcomes based on the interest of the audience	Understanding of what is significant and of interest to the audience
Motivate / Celebrate	Near real-time results compared to pre-set goals showing recognizable efforts of the staff	Clear understanding at all levels of significant but achievable goals
Evaluate / Control	Outcomes combined with inputs based on regulated targets	Desired results to compare actual data
Learn	Disaggregated data from a variety of processes	Detect the unexpected
Improve	Connecting changes in operations to changes in outputs and outcomes	Understanding of how actions or process affects outcomes

Table 1. Purpose of Using Performance Measures<sup>30</sup>

#### Framework for a Performance Measurement System

The framework purposed for the performance measurement system, builds from the strategic goals of the organization, and incorporates an understanding of the purposes fulfilled by the individual performance measures. The purposed framework is

adapted from Robert S. Kaplan and David P. Norton's balanced scorecard approach as depicted in Figure 3.

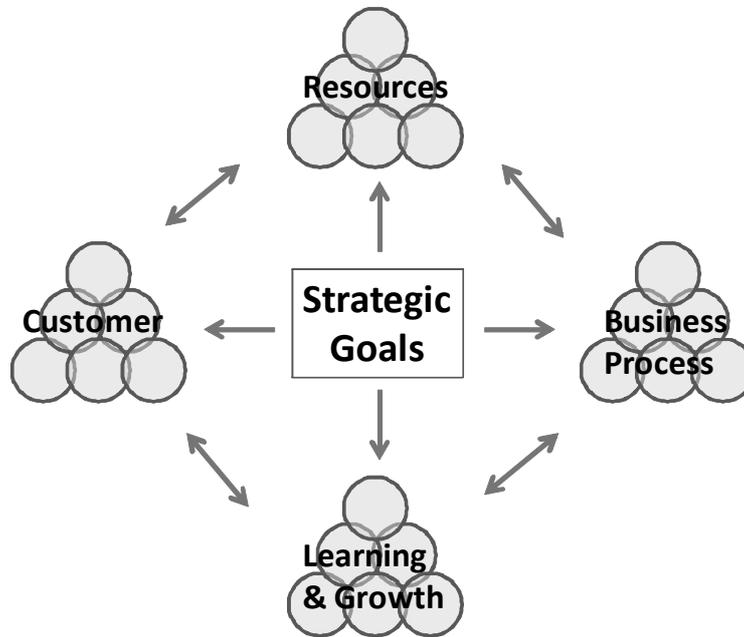


Figure 3. Balanced Scorecard Framework for the Performance Measurement System<sup>31</sup>

The objectives derived from the organization's strategic goals are at the center of the performance measurement system. The four perspectives of Kaplan and Norton's Balanced Scorecard: Resources, Business Process, Learning and Growth, and Customer; surround the objectives. The arrows between the four perspectives and the strategic goals show the interrelationship within the framework. The six purposes of performance measures (as depicted by in Figure 2) focus the individual metrics within the system. Kaplan and Norton describe the framework as, "altogether the Balanced Scorecard translates vision and strategy into objectives and measures across a balanced set of perspectives. The scorecard includes measures of desired outcomes as well as processes that will drive the desired outcomes for the future."<sup>32</sup> A discussion on

the four perspectives of the Balanced Scorecard will further explain the proposed framework.

*The Customer Perspective.* The administrative support staff exists to support the overall agency mission. The administrative staff recognizes those functions within the organization that perform the primary agency mission as a key customer of the administrative support. Therefore, careful attention to the customer perspective of the performance measurement system is important. Service providers continually receive low marks when it comes to customer satisfaction.<sup>33</sup> The interaction between the customer and the service provider is dependent upon many intangible and subjective values. Because of the difficult nature in measuring customer satisfaction, service providers often divert their efforts toward measures more tangible objectives.<sup>34</sup> When support organizations successfully incorporate the customer perspective, the results are very satisfying. A student attending a class at Harvard University's John F. Kennedy school of Government discussed how her organization in the Defense Logistics Agency used performance measures to reorient the agency to consider better customer service. Another student in that same session, identified himself as a customer of the Defense Logistics Agency (DLA), and indicated that he noticed a cultural change for the better in the supply system that serves him at Minot Air Base.<sup>35</sup> It is very common for service industries to value the considerations of its customers. Even in government agencies, such as the DLA example cited above, the support functions routinely support initiatives to improve customer service. However, it is often difficult ensure that the actions of the support staffs maintain the customers interest. The metrics used in the customer

perspective of the performance measurement system provide a gauge of the customer's satisfaction in the services provided.

When designing performance measures that support the customer perspective, the critical aspect is considering what is most important to the customers, as discussed above in the Justify and Promote Purpose. The customer perspective will include performance measures that provide the most benefit with the least amount of effort on the customer. Therefore, measures of effectiveness and efficiencies using outcome measures divided by input measures, such as time to complete work performed, are germane in this area. Once performance metrics are in place to measure the items important to customers, the evaluation and control purpose helps the organization stay on track. The purpose to learn and then to improve are logical progressions to progress customer outcomes beyond the current expectation. Unlike most private companies, a governmental, administrative support department does not depend on growing market share through a strong focus on the customer perspective. However, the administrative support staffs within government agencies must seek to provide the best possible support its internal customers to enhance the agencies' missions. The internal customers and the external agency oversight customers desire effectiveness towards mission success with the most efficient use of resources. The performance measures designed for the customer perspective helps focus the effort of the support functions to better mission outcomes.

*The Business Process Perspective.* The business process perspective covers the internal process of supplying the administrative support to the mission elements. This area may be the most logical to apply performance measures. The business

process area is the target of many management improvement theories, to include Total Quality Management (TQM) and Lean Six Sigma (LSS). LSS is especially relevant in the business process perspective. The LSS approach strives to improve processes in a way to reduce the cost of poor quality and shows much success in many service organizations.<sup>36</sup> A full discussion of LSS is beyond the scope of this paper, however, the basic phases of the approach: vision, define, measure, analyze and control; fit neatly in the performance measurement schema.<sup>37</sup> The performance measures used in this part of the system must evaluate the entirety of the processes employed to ensure that efficiencies in one area of the process do not happen at the expense of other parts of the process. A manufacturing example shows how focusing improvements on one area proves to be an overall detriment to the company.

The manufacturing company was very proud of the improvements in their just in time environment. As the plant superintendent conducted a tour of the process, he emphasized how loading docks for trucks making deliveries several times a day, replaced rails for freight car deliveries. However, later in the tour the group came to an area that stored large quantities of items failing inspection. It was apparent that the plant focused on moving items through the process without regard to the quality of the work performed forcing a more expensive re-work effort.<sup>38</sup>

Although this example uses a manufacturing organization, the idea of incorporating quality into the process applies directly to the governmental support process that is required to conform to laws and regulations. Therefore, the internal business process perspective should include metrics to measure conformance to regulations.

The primary performance measures used in the business process perspective are input and output metrics. These measures focus on efficiencies throughout the workflow of the services performed, especially with regard to time to complete. The evaluations and control purpose form the heart of the performance measures. However,

the improvement purpose can be especially beneficial to the business process perspective, when striving to work out inefficiencies.

*The Learning and Growth Perspective.* The learning and growth perspective is the view most often overlooked when designing a performance measurement system. This perspective measures the ability of an organization to adapt to changing environments and relies heavily on the development of the staff providing the administrative support. The other perspectives tend to take a short-term point of view, while the learning and growth perspective draws in a long-term view. Therefore, the results realized in employee development are not immediately apparent. The reliance on intangible measures, and lack of immediate realization of results impedes strong development of measures for learning and growth. However, the learning and growth perspective is one of the most important goals for implementing the balanced scorecard framework.<sup>39</sup> When speaking before a congressional subcommittee regarding the federal workforce, Bob Tobias, Director of Public Sector Executive Education at American University said, “[creating a high performance culture in federal agencies] will never happen until you build robust performance measurement systems that can objectively evaluate different levels of job performance.”<sup>40</sup> The Department of Homeland Security (DHS) realized the value its employees understanding of how their efforts link to the organization’s strategic goals. Marta Perez, Chief Human Capital officer at DHS, stated “... performance management goals and measures that align the work of people at all levels... creates a strong organizational line of sight on key departmental priorities and focuses on results.”<sup>41</sup> The learning and growth perspective of the performance measurement system strives to gauge the development of employees so that they may

be more effective in achieving the agency's mission. In his March 2007 testimony before congress, Tobais stated, "When employees understand how their own work impacts agency outcomes, their engagement in their work increases, as does their productivity, satisfaction, and morale on the job."<sup>42</sup>

The design of the performance measurement system, with respect to the learning and growth perspective, primarily utilizes the performance measures with the purpose of motivating and celebrating. Additionally, the purposes of evaluating and controlling, learning and improving, are important for this perspective. As described above, the performance metrics for motivation use output measures that employees recognize easily as a result of their efforts. The performance measurement system helps the staff realize that the results of its efforts (output) help the organization achieve the strategic goals. Executives use the performance measures with the purpose of evaluation and learning to evaluate and develop plans for staff training and improvement efforts.

*The Resource Perspective.* Kaplan and Norton use the term "Financial" to express this perspective of the balance scorecard. The primary focus of the financial perspective is the economic consequences of actions taken, measured in terms such as profit or gross sales.<sup>43</sup> Since the purpose of this paper is to discuss the balanced scorecard framework implemented to help manage the administrative support functions of a federal government agency, the proposed framework uses the term "Resource" for the fourth perspective. The resource perspective applies to funds consumed and the number of positions allocated to provide the needed support for the agency. One of the most basic purposes of a performance measurement system is to strengthen the federal government's resource allocation process.<sup>44</sup> In the era of declining resources, it is

critical to obtain the most effective use of all resources available, especially for the administrative support functions. The performance measurement system uses metrics to help executives with the decision process for allocating the resources. Paradoxically, the idea of using performance measures to help the process of resource allocation presents a challenge to the implementation of such a tool for management. Line managers feel threatened with the prospect of tying their budget to the system of metrics; they would rather rely on the old process.<sup>45</sup> However, the use of the performance measures to help inform strategic leaders regarding the allocation of resources invokes a “rational-actor” decision making process.<sup>46</sup> The use metrics aids leadership to manage the ever increasing complexities in a constantly changing environment. Using a performance measurement system to inform the allocation of resources does not obviate the strategic leader from his responsibility to appropriately fund and staff the necessary support functions.<sup>47</sup> The executives are responsible for defining the appropriate level of support necessary and the acceptable cost necessary to achieve the agreed upon level of support. The performance metrics used to measure the performance with respect to resource allocation leads to informed and rational decisions, supported by factors agreed upon by all parties.

The design of the performance measurement system, with respect to the consumption of resources, relies primarily on the budgeting purpose of performance measures. The performance metrics rely on accurate cost data to indicate the level of efficiency and effectiveness to achieve an outcome. The informed executive uses the performance measures indicating the efficiency and effectiveness to perform the various support functions to justify or defend the resources consumed. Using performance

measures with respect to the resource perspective is not an effective tool to improve performance.<sup>48</sup> If one of the support functions is determined to be less efficient in providing the level of support required, reducing the budget or staff allocated to that function may actually make that function even less efficient. However, this information is important to the strategic leader for the purpose of learning and using the other perspectives, such as internal processes, to find necessary improvements.

*Integration of the Four Perspectives.* As indicated in figure 3 above, each of the four perspectives of the balanced scorecard framework for the performance measurement system have an interrelated relationship with each other. In some cases, the relationship between the perspectives is complimentary. For instance, improved business process leads to faster, more efficient support to improve customer satisfaction with the support provided. However, in other instances, the perspectives have a divergent relationship. Resources consumed for education and training of the staff, for example, lead to a more costly and inefficient, support product in the short-term. Some metrics used in the system will measure past (lagging) performance while others will measure future (leading) capabilities.<sup>49</sup> In the creation of the performance measurement system, it is necessary to include measures of all types across all four perspectives of the balanced scorecard framework. Executives must strive to understand the interrelationship between the measures and the complexities inherent in the environment, but above all, they must focus on the business drivers throughout the entire framework.<sup>50</sup> Executives must resist the appealing idea of focusing on just one primary metric to gauge the productivity of the support functions. A single measure is an

ineffective gauge for indicating the full range of complexities inherent in the administrative support functions.<sup>51</sup>

Lisa Bryant, Denise A. Jones and Sally K. Widener conducted an empirical analysis of the value creation within corporations using the balanced scorecard measures.<sup>52</sup> Their study examines how a simple, versus complex performance management model reflects the value created within the firm. Their study incorporated a statistical analysis of data reported by many corporations across a wide range of industries over a five year period. Their conclusion is, “the successful implementation of the balanced scorecard requires the best possible understanding of the links between the nonfinancial and financial measures.”<sup>53</sup> Furthermore, they conclude, the executives that understand and use the complex interrelationships among each of the four perspectives of the balanced scorecard framework lead their firm to higher profitability and greater value generation.<sup>54</sup>

### The Downside to Bad Performance Measurement System Design

The performance measurement system is an effective tool for senior leaders to use information to affect positive change in a rational manner. The familiar adage, “what gets measured, gets done”<sup>55</sup> is certainly applicable to a discussion on performance measures. However, “measuring the wrong items, leads to wrong results” is a corollary to that adage. Careful design of the performance measurement system is necessary to achieve the optimal performance results.

When the ability to achieve performance targets is included in the evaluations of executives, there is a tendency to set easy targets.<sup>56</sup> The strategic goals used in the performance measurement system must be compelling and motivating to achieve more

than average performance. In Jim Collin's book, *Good to Great*, one of the attributes that leads to great performance are goals and strategies set by "bravado".<sup>57</sup> These ostentatious strategies and goals inspire employees to achieve a higher level of performance in order to achieve those goals.

There is a tendency to try to alter the performance metrics by delaying or accelerating actions simply to make the numbers look good for the reporting period.<sup>58</sup> This tendency to alter the metric may result from setting targets that are easy to achieve. Once achieving the set target, there is little motivation to continue at a high level of performance. Alternatively, accelerating actions in order to boost the performance count, leads to poor quality or actions that are not in conformance with set regulations.

The most important step in the design of the performance measurement system is defining the strategic goals. If the strategic goals are not well defined, or if the wrong goals are set, the performance measurement system will not lead the organization to the anticipated results. The Internal Revenue Service (IRS) documents an example of setting the wrong goals leading to lower performance.

In 1994, shortly after congress passed GPRA, the IRS set tax compliance as a priority based on pressure from the Government Accounting Office (GAO) and Congress to close the gap between tax receipts and taxes owed.<sup>59</sup> The IRS used performance data to track tax enforcement and spur competition between region offices to achieve higher tax dollars collected. The IRS became one of the pilot agencies for GPRA, which lead to a defined set of performance measures cascading throughout the organization just as envisioned by Congress. However, the impressive increase in tax

compliance achieved by the performance measurement system, lead to one of the worst crisis for the agency. The IRS focused on easily measured metrics, such as dollars collected; and less on the more subjective measures of fairness, courtesy and quality of work.<sup>60</sup> As a result, the IRS Commissioner apologized for taxpayer abuse and eventually resigned.

The appointment of the new IRS Commissioner, lead to a change in strategic direction for the agency. Instead of naming a tax expert to this senior position, a management specialist took the lead at the IRS. The new commissioner led the organization through a restructuring and a rebalancing of the performance system to improve customer service.<sup>61</sup> The results of the new rebalanced performance measures started to show results after a few years. Surveys indicate improvements in public perception of the IRS. Initially the aggressive enforcement actions declined under the new balanced performance system. However, recent data shows slightly increased enforcement actions and tax revenue in most areas even while focusing on improved customer service.<sup>62</sup> The performance management system based on revised strategic direction and policy at the IRS helps the senior leadership successfully direct the agency to achieve its mission.

The importance of senior leaders in setting the goals and monitoring the performance measurement system is paramount to its success. The design of the system to incorporate the full spectrum of perspectives helps ensure that no single metric causes the administrative support function to become out of balance with its goals. The performance management system identifies areas that become out of balance with the strategic direction. With the information provided by the performance

measurement system, executives alter resource allocation or set new policy to correct the imbalance.

### Conclusion

When Congress passed GPRA, the intent was for government executives to use performance measures to drive a more informed decision making process. To accomplish this result, the performance measurement system must become an integral part of the organization. In the administrative support function, the performance measurement system uses the four perspectives of the balanced scorecard framework to organize the performance measurement system around the strategic goals defined by executive leadership. The four perspectives that focus on: the customer; learning and growth; internal business process, and resources, ensure that all aspects of the strategic goals are addressed. The administrative support executive must stay intimately involved with the management of the support function and avoid allowing metrics to independently drive the performance. Some measures have a counterproductive impact to other perspectives within the framework. Therefore, it is the role of the executive leadership to weight the results of all the measures to achieve the best strategic goal.

The effective performance measurement system is a tool used by senior management to make informed decisions, to align resources and to set policy. The combined measurements used in the system measure the forward progress towards achieving the goals of the organization. The information provided by the performance measures helps the executive to make the most effective use of scarce resources. The administrative support function exists to enhance the accomplishment of the agency's

mission. However, if the resources consumed by the support function outweigh their effective contribution, the overall agency mission suffers. Furthermore, the performance measures inform the support executive on the allocation of resources within the support function to maximize the overall contribution to the agency mission. Without a system of performance measures to help manage the allocation and consumption of resources, senior leaders simply maintain the status quo with slight alterations between functions coming at great anguish.

The missions of federal agencies operate in an ever changing environment. Therefore, the support functions must adapt to the changes imposed by the environment. The performance measurement system is a tool executives use to gauge the progress and performance. The metrics inform executives on areas that require attention or adjustments to meet the overall strategic goals. To achieve this result, the performance measurement system must be adaptive and responsive with constant feedback to management.

Lord Kelvin stated, “When you can measure what you are speaking about, and express it in numbers, you know something about it... [otherwise] your knowledge is of a meager and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely in thought advanced to the stage of science.”<sup>63</sup> An effective performance measurement system provides the administrative support executive tools to accurately measure and knowledgeably manage the support functions. This paper demonstrates how government agencies leverage performance measurement systems to achieve maximum benefit for the administrative functions to support the agency’s mission.

## Endnotes

<sup>1</sup> Jerry Ellig, "Scoring Government Performance Reports," *Public Manager* 36, no. 2 (Summer 2007): 3.

<sup>2</sup> Ibid.

<sup>3</sup> Robert D. Behn, "Why measure performance: Different Purposes Require Different Measures," *Public Administration Review* 63, no. 5 (September/October 2003): 588.

<sup>4</sup> Andy Neely, Mike Gregory, and Ken Platts, "Performance Measurement System Design: A Literature Review and Research Agenda," *International Journal of Operations & Production Management* 25, no. 12 (2005): 1229.

<sup>5</sup> Robert Tobias, "The president, outcomes and performance," *Public Manager* 37, no. 1 (Spring 2008): 45.

<sup>6</sup> Neely, Gregory, and Platts, "Performance Measurement System Design," 1243.

<sup>7</sup> D.S. Sink and G.L Smith, "Performance Linkages: Understanding the Role of Planning, Measurement, and Evaluation in Large Scale Organizational Change," *Quality and Productivity Management* 10: 31, quoted in Ray Martin, "Do We Practise Quality Principles in the Performance Measurement of Critical Success Factors?" *Total Quality Management* 8, no. 6 (December 1997): 433.

<sup>8</sup> Ray Martin, "Do We Practise Quality Principles in the Performance Measurement of Critical Success Factors?" *Total Quality Management* 8, no. 6 (December 1997):434.

<sup>9</sup> Christina Altmayer, "Moving to Performance-Based Management," *Government Finance Review* 22, no. 3 (June 2006): 9.

<sup>10</sup> Martin, "Do We Practise Quality Principles," 434.

<sup>11</sup> Jim Collins, "Turning Goals into Results: The Power of Catalytic Mechanisms," *Harvard Business Review* 77, no. 4 (July/August 1999): 72.

<sup>12</sup> Altmayer, "Moving to Performance-Based Management," 11.

<sup>13</sup> Jim Theurer, "Seven Pitfalls to Avoid When Establishing Performance Measures," *Public Management* 80, no. 7 (July 1998): 24.

<sup>14</sup> Behn, "Why Measure Performance," 587.

<sup>15</sup> Ibid., 588.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid., 590.

<sup>18</sup> Ibid., 594.

<sup>19</sup> National Academy of Public Administration (NAPA), *Toward Useful Performance Measurements: Lessons Learned from Initial Pilot Performance Plans Prepared under the Government Performance and Results Act* (Washington, DC: NAPA, 1994), 23.

<sup>20</sup> David N. Ammons, "Overcoming the Inadequacies of Performance Measurement in Local Government: The Case of Libraries and Leisure Services," *Public Administration Review* 55, no. 1 (January 1995): 38.

<sup>21</sup> Ibid.

<sup>22</sup> Behn, "Why Measure Performance," 594.

<sup>23</sup> NAPA, *Toward Useful Performance Measurements*, 2.

<sup>24</sup> Behn, "Why Measure Performance," 594.

<sup>25</sup> Ibid., 592.

<sup>26</sup> Robert S. Kravchuk and Ronald W. Schack, "Designing Effective Performance-Measurement Systems under the Government Performance and Results Act of 1993," *Public Administration Review* 56, no. 4 (July/August 1996): 350.

<sup>27</sup> Behn, "Why Measure Performance," 588.

<sup>28</sup> NAPA, *Toward Useful Performance Measurements*, 22.

<sup>29</sup> Behn, "Why Measure Performance," 593.

<sup>30</sup> Ibid., 593, 598. Table created by author adapted from Behn's article.

<sup>31</sup> Robert S. Kaplan and David P. Norton, *The Balanced Scorecard* (Boston, MA: Harvard Business School Press, 1996), 9. Chart created by author using the Balanced Scorecard concept from Kaplan and Norton.

<sup>32</sup> Ibid., 29.

<sup>33</sup> G. Lynn Shostack, "Designing Services that Deliver," *Harvard Business Review*, January/February 1984 quoted in Peter M. Senge, *The Fifth Discipline* (New York, New York, Currency Doubleday 1994), 332.

<sup>34</sup> Peter M. Senge, *The Fifth Discipline* (New York, NY: Currency Doubleday 1994), 333.

<sup>35</sup> Steven Kelman, "Staying on Track," *Government Executive* 36, no. 15 (September 1, 2004): 78.

<sup>36</sup> Dr. Kenneth D. Shere, "Lean Six Sigma: How Does it Affect the Government", *CrossTalk: The Journal of Defense Software Engineering* 16, no. 3 (March 2003): 8.

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<sup>38</sup> Kaplan and Norton, *The Balanced Scorecard*, 120.

<sup>39</sup> Ibid., 144.

<sup>40</sup> Bill Trahant, "Realizing a Performance Culture in Federal Agencies," *Public Manager* 36, no. 3 (Fall 2007): 45.

<sup>41</sup> Ibid., 47.

<sup>42</sup> Ibid., 50.

<sup>43</sup> Kaplan and Norton, *The Balanced Scorecard*, 25.

<sup>44</sup> Al Gore, *Report of the National Performance Review*, (New York: Random House, 1993), 81, quoted in Kravchuk and Schack, "Designing Effective Performance-Measurement Systems", 350.

<sup>45</sup> Aimee Franklin and Edward Long, "The Challenge of Changing Federal Management Process: Implementation Barriers Relating to Strategic Planning and the Government Performance and Results Act," *International Journal of Organization Theory and Behavior* 6, no. 4 (Winter 2003): 549.

<sup>46</sup> Kravchuk and Schack, "Designing Effective Performance-Measurement Systems," 351.

<sup>47</sup> Ibid., 356.

<sup>48</sup> Behn, "Why Measure Performance," 590.

<sup>49</sup> Duke Okes, "Driven by Metrics," *Quality Progress* 41, no. 9 (September 2008): 50.

<sup>50</sup> Ibid.

<sup>51</sup> Kravchuk and Schack, "Designing Effective Performance-Measurement Systems," 355.

<sup>52</sup> Lisa Bryant, Denise A. Jones, and Sally K. Widener, "Managing Value Creation within the Firm: An Examination of Multiple Performance Measures," *Journal of Management Accounting Research*, no. 16 (2004): 107.

<sup>53</sup> Ibid., 128.

<sup>54</sup> Ibid., 129.

<sup>55</sup> Behn, "Why Measure Performance," 599.

<sup>56</sup> Okes, "Driven by Metrics," 52.

<sup>57</sup> Jim Collins, *Good to Great* (New York: HarperCollins Publisher, 2001), 111.

<sup>58</sup> Okes, "Driven by Metrics," 52.

<sup>59</sup> Anne Laurent, "Extreme Measures," *Government Executive* 31, no. 2 (February 1999): 46.

<sup>60</sup> Ibid., 47.

<sup>61</sup> Brian Friel, "For Better and Worse," *Government Executive* 34, no. 6 (May 2002): 81.

<sup>62</sup> Ibid., 85.

<sup>63</sup> Neely, Gregory, and Platts, "Performance Measurement System Design," 1228.

