Performance Management in Government

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ABSTRACT

Public sector organizations at all levels and of all types are facing intense pressure to do more with less. Federal, national, provincial, state, county, municipal, and local governments in almost all the countries in the world are feeling some sort of fiscal squeeze. Pressures on governments around the world are forcing them to adopt “performance management” – a focus on accountability for outputs and outcomes rather cries for higher inputs (i.e., more budget funding and employees).

Performance Management integrates multiple methodologies such as balanced scorecards, strategy maps, budgets, activity based cost management (ABC/M), forecasts, and resource capacity planning. Are these fashionable fads or relevant solutions? Performance management has been hailed as the new salvation for aligning an organization’s resources with its strategy to drive individual action. How widely accepted is the concept in government or in business?

The message to government is: better, faster, cheaper – hold the line on taxes but don’t let service slip. The imperative on governments for improved cost and yield management, planning, and budgeting can be met by enhancing cost accounting information. Fact-based data, robust analytics, accurate forecasts, and trade-off (what-if scenarios) are essential for strategy formulation, privatization and outsourcing studies, fee-based cost recovery systems, and competitive bidding.

This paper will go in-depth about the benefits and lessons learned in implementing Performance Management in government, including additional insight about:

- How can Performance Management make 'strategy' a priority for all employees?
- How ABC/M provides not only accurately trace calculated costs (relative to arbitrary allocations), but more importantly, provides cost transparency back to the work processes and consumed resources, and what drivers cause work activities.
- How do strategy maps and balanced scorecard communicate strategic objectives to employee teams? How to select the correct key performance indicators (KPIs)
- processes and consumed resources, and what drivers cause work activities.
- How to integrate performance measure scorecards and ABM information with process-based thinking and operational improvement (e.g., Six Sigma, supply chain management)
- What have been lessons learned about pitfalls and mistakes in implementing these managerial methodologies?