



MEMOS TO NATIONAL LEADERS

SUBJECT: CREATING A PERFORMANCE-DRIVEN FEDERAL GOVERNMENT¹

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Since the passage of the Government Performance and Results Act (GPRA) in 1993, the federal government has gradually expanded the use of performance management techniques, with many of the most recent process changes codified and mandated in the GPRA Modernization Act of 2010.

The evolution of performance management in government has seen a gradual shift from an emphasis on generating acceptable performance data on an annual basis to creating routines that will better use these data in a more timely fashion. Federal agencies are seeking to make the leap from treating performance management as a check list of mandated activities that must be complied with to a tool that will allow them to improve performance. If successful, these routines will gradually enmesh themselves in the culture of the federal government.

For an administration that is serious about improving federal government performance, the Modernization Act provides a workable framework that is flexible enough to meet the different goals of either party. The primary management challenge faced by the White House in the next four years will not be to pass additional legislation or to establish a new reform agenda. Instead, it will be to create the conditions necessary for the success of the Modernization Act.

The fundamental issues faced are not new, and are explored in the memos that follow. All memos are addressed to national leaders, with particular focus on President Obama. However each memo has a particular audience:

- The first memo describes the new requirements and opportunities created by the Modernization Act, which will be of particular concern to the President Obama's transition team and OMB staff who will oversee implementation.
- The second memo details the need for executive branch agencies to proactively work with Congress on performance issues. It will be relevant to both agency and Congressional staffs.
- The third memo outlines the management practices that will best enable agencies to succeed. It is targeted to both OMB and agency-level leaders of performance management.

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Memo #1: Leverage the New Federal Performance Management System to Implement President Obama's Agenda

Rather than seek to develop a new performance management framework, the White House should build on a solid foundation that has been gradually developed over the past two decades, while better integrating it with the analytical capabilities within government.

The GPRA Modernization Act of 2010 includes many new requirements that President Obama will have to enact for the first time. He can use these requirements to help implement his agenda, while also working with Congressional actors as the law requires (see *Memo 2, Active Congressional Consultation Will Make Getting Things Done Easier*).

The following are the key requirements of the Modernization Act that the President should use. More detail can be found in Part 6 of the recently revised [Circular A-11](#) produced by OMB.

Key Actions in First 100 Days

The GPRA Modernization Act requires a governance structure. You need to appoint key officials quickly to effectively implement the many time-critical requirements in the new law.

- The Deputy Director for Management in the Office of Management and Budget has a critical role in the Act's implementation and in the leadership of the entire performance system. Fill this role fast.
- The deputy secretaries typically serve as their departments' Chief Operating Officers. Put managers, not policy experts, in these roles.
- Agencies must designate Performance Improvement Officers. They are the Chief Operating Officer's right hand. These officials can be appointees or career executives, but if an appointee is selected they should have a career back-up. Such back-ups are needed because OMB requires acting Performance Information Officers or Chief Operating Officers if those positions are vacant.
- Agencies already have in place over 100 "priority goals." By law, each must have a designated goal leader. These officials are responsible for overseeing the achievement of a specific goal, and leading discussion on these goals in quarterly reviews. There are also 14 cross-agency priority goals. By law, each must have a designated "senior accountable official" identified by OMB. An Obama administration should re-confirm or, if needed, newly determine who will have the leadership responsibility for each of the goals cross-agency priority goals. The current administration can concentrate more on ensuring that good career executives are backing up existing appointees to brace against likely turnover.

The responsibilities for each of these positions are detailed in guidance to agencies provided in the latest OMB [Circular A-11](#). These descriptions can be used when filling these jobs and to set expectations for incoming appointees, whether political or career, as to what will be expected of them.

For all of these positions that will be filled by a political appointee, the Office of Presidential Personnel must put a new emphasis on performance management and analytic skills – goal-setting, measurement, analysis, and evaluation. Relevant experience matters. Thus far, the most successful performance reviews in government often occur because key managers had experience in managing similar reviews at the state or local level, or in business. More broadly, experience in managing with data and strong analytic capacity in large programs should carry greater weight than in the past when vetting appointees.

Following are some recommended expectations that hiring executives should explicitly set for these officials.

- **Set an expectation that your appointees will improve performance by increasing the use of performance data.**

In pursuing the changes noted above it is important to define a realistic measure for success. The ultimate goal of performance systems is to improve governmental performance. But the federal government generally undertakes complex tasks where it is difficult to isolate the relative impact of government itself on these outcomes, far less the role of a performance management system. An intermediate measure of success is whether federal actors are making systematic use of performance data.

Ultimately, success will be reflected in a widespread ethos of performance improvement, which can be measured by use of performance data, evaluations, and other evidence to shape decisions. Within the executive branch, this means that federal managers are using data in budget and implementation decisions, to motivate and manage their employees, and to redesign processes to improve outcomes.

GAO has periodically tracked performance information use since 1997, finding little aggregate change in the levels of performance information use over time, even as employees agree that data have become more available. Keep track of these numbers to inform the progress you are making. OPM, in consultation with OMB, should review the annual employee values survey data it collects, and focus greater analytic attention on questions that deal with employee awareness of and use of organizational goals and performance data, and provide an analysis of trends in those areas government-wide, by agency, and, within agencies.

For performance information to be used, it should also be useful. A long-term problem has been that the quality of data have been weak, or data have not met the needs of diverse audiences. Some changes will help to improve data usefulness. The Modernization Act identifies different types of goals that are assumed to be useful to different audiences, distinguishing between high-profile and cross-cutting goals relevant for more senior officials versus agency goals that are the focus of program managers.

It would also be helpful to broaden the understanding of performance information beyond goals and measures to also include evidence from evaluations and policy analyses that are relevant to assessing program outputs or outcomes (for more on this point, see Memo 3 *Management Strategies for Working with Agencies*).

- **Set an expectation that your appointees will be responsible for building the skills and capabilities to foster better performance.**

The Act codifies the government-wide Performance Improvement Council, made up of OMB Deputy Director for Management and agency Performance Improvement Officers.

By tradition, the Deputy Director also chairs the President's Management Council, comprised of the chief operating officers of the top 24 departments and agencies.

Ensure that these Councils focus not only on compliance with the requirements in the law, but also with building the skills and capacity to foster the implementation of the Modernization Act. The Council should be a forum that generates and diffuse innovations in approach to agencies, and develops greater analytical capacity within agencies (see memo 3, *Management Strategies for Working with Agencies*). For example, the Performance Improvement Council has created a working group to define what constitutes a good measure. The law also mandates that the Performance Improvement Council facilitate the achievement cross-agency priority goals.

- **Set an expectation that your appointees should use administrative flexibilities whenever possible to reduce burdens on state and local governments and encourage innovations.**

In addition to the Modernization Act, the Obama administration released guidance on expanding administrative flexibility as a mechanism to identify and reduce burdens on state and local governments. The potential of this initiative grows if you choose to include it as part of a broader performance management and improvement approach of the new administration. The federal government can play a role in encouraging state innovation, ensuring the collection of comparable statistics, and identifying evidence-based practices that work well.

Key Actions in the First Year

The new law has a number of requirements that must be completed by the end of the administration's first year. This will take concerted action because it can heavily influence the success of your policy agenda, or it could bog agencies down in mindless paperwork.

- **Agencies must develop a 4-year strategic plan and an annual performance plan with specific indicators.**

Under the new law, these plans are now co-terminus with Presidential terms. This provides a mechanism for a President to define and measure progress toward broad policy goals. Agencies must submit new strategic plans containing your priorities along with your FY 2015 budget in February 2014. Each agency must also submit an annual performance plan with annual goals – including agency priority goals – each year.

Developing these plans should start as soon as your agency heads are sworn in, and your policy staff should be engaged in ensuring they reflect your agenda. Agencies must also consult with Congress on the content of their plans, so this will require acting sooner rather than later.

OMB has already developed detailed guidance and a timetable on how this performance information should be presented (see [OMB Circular A-11](#)). This should ensure that the timing of the creation of these new goals serves the President's priorities.

- **Agencies must report performance data on a quarterly basis, and hold data-driven quarterly reviews of agency priority goals.**

Each agency already has a small number (roughly 2-8) of designated agency priority goals. These goals seek improvement on key items that were embedded in their current strategic plan. These are not long-term goals, but targets that are achievable within a 24 month time-frame. By law, agency leaders must hold a quarterly progress review of these goals.

You will want to pay careful attention to this set of goals. They represent the top implementation goals (i.e., do not depend on new legislation or new resources) that an agency leader commits to achieving, and should reflect Presidential and legislative priorities. You can re-cast them in the coming year as a part of agency strategic and annual planning processes. Ensure your Deputy Director for Management at OMB and the Chief Operating Officers are personally involved.

- **OMB must produce the first-ever federal government performance plan featuring cross-agency priority goals and targets for improved government performance, reported annually with quarterly reviews.**

This new requirement is due in February 2014, along with your FY 2015 budget. You can build on an interim set of 14 cross-agency priority goals, created in the President's proposed FY2013 budget.

These are critical goals that will signal the priorities of your administration. An Obama administration will want to decide whether or not to continue the interim set of cross-agency priority goals.

- **OMB must develop a federal website to report performance goals (currently performance.gov) and agencies must place their strategic and performance plans on it.**

OMB is required by law to activate this website in the Fall of 2012 to report on the status of agency performance. It will be updated about the time of the inauguration, and then again after the agencies' spring quarterly priority goal progress reviews.

White House policy staff should have the opportunity to review what goes on the website and ensure it reflects your priorities. The Obama Administration did not post quarterly performance data on its first set of agency priority goals, established prior to the passage of the Modernization Act, and was criticized for not living up to its transparency goals. Eventually, these data were included in annual performance reports and posted performance.gov, but the law requires quarterly reporting on priority goals begin once the site is operational and annual reporting on all goals.

- **OMB is expected to identify goals agencies failed to achieve, and to require remedial action. Use this authority to focus greater agency attention on strategic reviews.**

This authority is new and has not been used before. Your administration will be the first to develop the decision-making process for judging the progress of agency strategic goals. Unmet goals, by law, are subject to a graduated response from OMB.

OMB guidance has outlined an approach that organizes these reviews around about 300 "strategic objectives" which are a subset of agency strategic goals.

Agencies have traditionally paid most attention to strategic goals for the purposes of simply updating their plans, rather than engaging in a true strategic analysis of progress. When agencies know that they must face annual OMB attention to progress on strategic goals, this should encourage them to undertake more serious strategic reviews. OMB can encourage such reviews by asking the type of questions that will encourage agencies to engage in reflections on experience and relevant evaluations, identification of areas of progress or opportunities to improve, and decisions on a path forward to better achieve goals (see [Circular A-11](#) for more detail on how strategic annual reviews should occur).

Memo #2: Active Congressional Consultation Will Make Getting Things Done Easier

Congress has a paradoxical relationship with the federal performance management system. On the one hand, it has been the author and primary force behind legislation that creates the basic foundations of this system. It also holds a unique capacity to convene a public dialogue about federal performance through its oversight and budgeting functions, and has included requirements in the Modernization Act for agencies to treat Congress as a key participant in goal-setting.

For all that, Congress has been ambivalent in engaging with performance management. In some cases, it sets explicit goals in law and mandates specific measurement practices which agencies then incorporate in their performance management systems. In other cases, it delegates this authority to agencies, or has been hostile to the use of performance measures.

Since the setting of goals is also the setting of policy, it is understandable that the legislative branch will be generally reluctant to accede to any initiative that it perceives as offering the executive branch greater power. There are not currently strong incentives for Congress to pay attention to performance information, and if relevant committees are interested in such measures they can simply ask agencies to produce them. This is problematic because goal clarity is central to mission achievement. When the White House and Congress direct agencies to achieve contrary goals, the ultimate goal of performance management will be undercut.

Key Actions in the First Year

Improving Congressional consultation process should be a priority that is articulated as an expectation of new political appointees in positions related to the performance management framework described in Memo 1.

- **The White House should encourage agencies and OMB to proactively consult with Congress early in the goal-setting process, and demonstrate a willingness to reflect Congressional priorities.**

The Modernization Act requires agencies and OMB to actively consult with Congress and stakeholders in setting all type of performance goals. Agencies are required by law to reach out to Congress on the agency priority goals, and the administration is required to do the same on the federal priority goals. For cross-agency priority goals, OMB must consult with key budget, appropriations and government oversight committees.

Historically, agencies develop goals which are shared with Congress only after vetting from OMB. This dynamic exists because of a tradition of pre-decisional confidentiality that originates with the budget decision-making system. While an appropriate standard in budgeting, the use of this practice for performance management has been problematic, giving Congressional committees the sense that “consultation” is being done after decisions were made.

The Obama administration needs to set expectations among its key leaders in the performance management system that they are to proactively engage relevant Congressional committees in a meaningful consultation process. This should starting in the early summer of 2013 as agencies begin their updates to their strategic, annual, and priority goal planning efforts.

- **The White House should set an expectation of its performance improvement leaders to make performance information more useful to Congress.**

Improving the consultation process cannot depend solely on meetings. Having useful and clearly understandable information in advance of a meeting is essential to creating a context for meaningful dialogue.

Congressional members and staff are used to receiving information that has been carefully designed to meet their interests. This is generally not their experience with performance data produced by the executive branch. When Congressional staff are directed to a website with performance data, they often find very detailed performance reports, or are offered budget justifications designed around performance goals. Because it is not formatted in a way useful to their needs, they have usually ignored them, and sometimes chided agencies for providing such data.

Agency chief operating officers should be expected to proactively reach out to their Congressional committees to find out what performance information is of particular interest to them, and work with them to agree on the best way to communicate these data in a way that meets their interests (see also Memo 3 *Working with Agencies*). These may be goals that reflect constituent interests, but committees may also be engaged by consideration of high-priority goals, or of non-mission based goals that reflect Congressional directives (for example, freedom of information act requests that capture transparency goals).

Technology can also be better harnessed to disseminate data to Congress. The Deputy Director for Management at OMB should be expected to set as a priority the improvement of the performance.gov website to provide more depth, detail and transparency, allowing users to select the level and type of information they are interested in, varying from in-depth program analyses with historical trends, to comparisons of high level goals across agencies.

- **Congress has a responsibility to engage.**

While the executive branch can do more to engage with Congress, the ultimate responsibility remains with Congress to engage on performance issues in a systematic way. Congressional leadership in both houses will have to develop ways to coordinate input across multiple oversight, budget, appropriations, and authorization committees, especially for cross-cutting agency goals.

The Congressional leadership should articulate a priority that it will use performance information as it carries out legislative responsibilities. Congress is not a monolithic entity, but at the very least appropriations, authorization and oversight committees should consider relevant performance data. Budget, appropriations and authorization committees could be encouraged to incorporate federal priority goals in funding decisions (see the related memo on [Budgeting Strategically](#)).

Relevant committees should meet with agencies when they reach out to discuss their goals, and also review the goals agencies set in their annual performance plans, raising questions if they need additional information about the proposed goals and planned agency actions.

Agency officials should come to Congressional hearings expecting to be queried about performance data. This does not mean that hearings should become a systematic Q&A about each performance measure an agency has. GAO has pointed to examples where Congress has opportunistically identified performance problems, and used oversight and legislative functions to enable improved performance that reduces costs and improves citizen services. It has also proposed the type of questions and inquiries that committee members can usefully employ (see [GAO-12-215R](#)).

Congress can also create incentives to improve innovation by offering the executive branch flexibility to move funding around programs where these programs share a set of goals. Such flexibility should be conditioned on clear and agreed-upon goals, frequent reporting, and the use of evidence-based strategies.

Memo #3: Management Strategies for Working with Agencies

This memo focuses on management strategies to create the conditions for successful implementation of the Modernization Act.

Key Actions in the First Year

Creating conditions for success should be part of the expectations set by the Office of Presidential Personnel when recruiting for the key performance management positions detailed in Memo 1, such as the Deputy Director for Management at OMB, and key agency staff such as Chief Operating Officers and Performance Improvement Officers. To reinforce these expectations, relevant Senate committees could raise these expectations related to performance management during the confirmation hearing process.

- **Expect the OMB Deputy Director for Management and Chief Operating Officers to invest effort in developing mechanisms and strategies to improve collaboration across agencies.**

The emphasis that the Modernization Act places on cross-cutting goals underlines the fact that many federal government tasks require coordination across multiple agencies. The Modernization Act articulates two elements of these cross-cutting goals: improved outcomes in particular policy areas, and management improvements. Calls for greater collaboration across bureaucratic stove-pipes are not new, but the cross-cutting goal mechanism provides a stronger means to foster such collaboration than ever before.

To coordinate multiple agencies working toward overlapping goals requires treating these collaborations as inter-organizational networks (see also the memos on Reorganization of Government and Strengthening the Federal Budget Process at www.memostoleaders.org). Networks like these need some basic governance mechanisms to determine how information is exchanged, and how decisions are made.

The Modernization Act requires goal leaders to be named for these cross-cutting goals. Those filling these positions face a challenging task, since they must coordinate a group that they have limited hierarchical control over. Agencies may share similar goals, but have diffuse responsibilities. Amid budgetary scarcity, program managers may see few budgetary rewards for coordination if they believe such processes will highlight duplication and mean a loss to agencies.

Studies of networks and collaborative governance emphasize the importance of trust and ongoing relationships to foster coordination. But there is still much we do not know. The Obama administration should seek examples of where collaborations between multiple agencies are working well, and identify what governance mechanisms contribute to these outcomes.

- **Expect the OMB Deputy Director for Management and Chief Operating Officers to make data-driven reviews a signature management initiative.**

By requiring quarterly review of goals, the Modernization Act creates a routine of data use within agencies for monitoring achievement on programmatic goals. Annual performance reviews with OMB will focus on larger strategic goals addressed in the strategic plan. These tools are the most powerful revision to management practice provided by the Modernization Act. They will signal to agencies how serious your administration is about management, and cannot become pro-forma exercises.

Key senior officials, such as the OMB Budget Director or the White House Chief of Staff, should brief President Obama quarterly on the progress of agency priority and cross-cutting goals. At the agency level, OMB should ensure that Chief Operating Officers are leading the agency performance reviews. More than any other manager, the Chief Operating Officer has the knowledge of agency operations, the standing to ask tough questions, and the authority to change processes when it will improve performance. They need to view

performance reviews as an essential aspect of their job rather than a task to be delegated to others. More advice on the qualities of effective data-driven reviews can be found in [Circular A-11](#).

- **Expect agency leaders and Chief Operating Officers to demonstrate leadership commitment to performance.**

One of the clearest research findings about performance management is that such systems are more likely to succeed when they have the clear and widely-perceived support of agency leaders. Leadership commitment means more than talking about performance. Employees will notice if words are not accompanied by the commitment of leadership time and organizational resources to performance management efforts. Without such commitment, agency employees will not commit either.

The Modernization Act raises the stakes for leadership commitment. Federal leaders have more opportunity to demonstrate this commitment by visibly using performance data and evaluations in major decisions, focusing attention on high priority goals, and supporting quarterly reviews. But if they fail to do those things, the absence of leadership commitment will be more obvious than before.

- **Expect the OMB Deputy Director for Management and Chief Operating Officers to build a results-oriented learning culture.**

Leaders not only commit to performance management processes, they also set the cultural tone for how such processes are used. Leaders should primarily pursue a leaning approach to the use of performance measures, which calls for employees to acknowledge problems, question basic assumptions, and invest their ingenuity to solve problems. If performance measures are seen primarily as a punitive tool to target poor performance, employees will perceive performance management as an ordeal to survive and will respond defensively.

The quarterly performance reviews will be important for establishing the cultural tone for performance management. While the temptation will always be there to use these forums to point fingers and allocate blame, ultimately managers retain a significant information advantage over leaders. Because of this they will be able to largely evade or disrupt a process of control they regard as illegitimate by, for example, setting targets they know will be achieved, or cherry-picking favorable data. The information advantage will be better reduced by creating a cultural tone where managers feel comfortable openly discussing problems rather than hiding them. For example, in a learning culture goal leaders should be held to an expectation that they can articulate the causes of performance and propose innovations.

The newly-created annual strategic objectives review between OMB and agencies over unmet goals is another setting that needs to find the right tone. These reviews will allow OMB to ask tough questions about progress on high-level goals, which is valuable. OMB should use its new responsibility to create an environment that keeps agencies pushing to achieve significant improvements in outcomes and productivity and avoids pushing agencies to pick easy targets. Research shows that people contribute greater effort when they pursue goals that are difficult but achievable. Agencies should feel encouraged to pursue such goals, rather than incentivized to avoid them.

Setting the right cultural note is difficult for leaders, but it will be aided if OMB (both the budget and management staffs), and the Performance Improvement Council work to emphasize the importance of learning as a key to performance improvement, and if Chief Operating Officers are guided on how to use performance management for this purpose.

- **Expect Chief Operating Officers and goal leaders to use benchmarking to foster improvement.**

Benchmarking means identifying best-in-class in an industry or function, and comparing key performance metrics against these high performers. It has been underutilized in the federal government. If agencies use it well, it will encourage greater use of performance data to define stretch targets, learn what factors create success, and motivate employees. Reflecting a learning culture, the goal should be to look for positive outliers and best practices that can inform the efforts of others.

Benchmarking may not be relevant for all functions where a peer is not available, but there are many opportunities in the federal government. Any function which is undertaken by distributed units can compare the performance of these units on key items on a more frequent basis. These could be regional offices of the federal government, state and local government recipients of federal grants, or other grantees.

- **Expect the OMB Deputy Director for Management and Chief Operating Officers to strengthen and integrate analytical capacity across the government.**

The performance challenges facing the federal government demand both a new set of skills among employees, as well as a better integration of existing skills.

Based on the Modernization Act, OPM identified a new set of skills and competencies to carry out performance management activities. Especially important is an ability to communicate performance information well and to think about how it will be used. Communication includes the ability to understand the needs and interests of different audiences, and to select and explain data of interest to them. Those who are appointed to be goal leaders will need to be able to convene and facilitate discussions about the meaning of performance, and convert that dialogue into process improvements or policy suggestions.

Another positive and low-cost step to strengthen capacity is to better integrate existing analytical skills. Organizational learning theory emphasizes the value of bringing together staff with complementary skills and perspectives. Agencies employ talented program evaluators and policy analysts with skills that allow them to consider how to prioritize competing goals and understand why performance is or is not improving. Too often, these analysts are not brought to the table when performance measures are being discussed. This is a mistake.

The Obama administration should prioritize integrating the communities of policy analysts, program evaluators, and managers charged with improving performance. OPM should modify proposed performance skills and competences to also include program evaluation and analysis skills for program managers, not just the analysts who support them.

Quarterly performance reviews should become a venue that incorporates program evaluation information, and the participation of staff trained in program evaluation and policy analysis.

OMB should work with agencies to make sure they commission appropriate evaluations to complement performance measurement efforts.

Another means to spur the use of evidence to improve performance is to link funding to evidence. This could be funding to provide grants for promising but unproven innovations; resources to scale-up innovations where there has been significant evidence of its success; or the use of evidence to adjust formulas in federal grants.