

**Measuring Performance in
Pennsylvania's Department of
Community and Economic Development**

A Summary

The following is a summary of a report prepared for the Pennsylvania Department and Community and Economic Development in October of 2000 analyzing the Department's internal system of performance measurement.

More and more government agencies at all levels across the United States are working to incorporate the principles of performance measurement into their daily operations. Long a staple in the private sector, performance measurement is now viewed by many public administrators as one piece of a multi-faceted response to increasing pressures to reduce the cost of government and meet rising expectations for services. The task has proven to be challenging.

Pennsylvania's Department of Community and Economic Development (DCED) recognized the necessity of developing and implementing a comprehensive performance measurement system and has taken major steps toward that goal. As part of that effort, the Department asked the Pennsylvania Economy League (PEL) to undertake an in-depth analysis of its efforts to date. More specifically, the Department asked PEL for an evaluation of DCED's department-wide approach to performance measurement and recommendations for change. The major points of that inquiry and analysis are summarized here.

Background

Any recommendation related to performance measurement must be premised on a clear understanding of what that activity can and cannot accomplish. Broadly speaking, performance measurement assesses the results or outcomes of business and public sector activities. More importantly, those results provide a management tool that can be used to improve both the effectiveness and the efficiency of those activities. For example, the measurement data can be used to formulate budgets, allocate resources to the most effective programs; support strategic and long-term planning efforts; communicate program results; and help provide services more efficiently.

Performance measurement is a valuable tool, but it does have its limitations. Measurement data reveals what has happened, but it does not specifically indicate why. Furthermore, performance measures provide only a piece of the information that must be considered in making decisions; external influences and other factors must also be taken into account.

Other States' Experience

In seeking to expand their measurement activities, DCED has followed the example of a number of states that have developed comprehensive performance measurement systems over the years. Four in particular – Oregon, Minnesota, Texas, and Virginia – offer valuable best practices and lessons, and PEL reviewed each of these examples to better inform our analysis.

Although PEL examined each state individually, a number of common threads appeared among all of those surveyed. The following summarizes those elements that experts in each of the states found to be critical to the success of a performance measurement

system in a state agency charged with community and economic development, or any other agency, for that matter:

- Most states employ performance measurement methodologies as part of a statewide system that applies to all agencies. This wide-ranging effort generally emanates from a high level authority such as the governor or the legislature and requires the creation of a system that would not otherwise have been developed in many agencies.
- There must be a commitment to implementing and maintaining the system as part of a process. Dedicated staffing and fiscal resources, reporting requirements, and formal inclusion as an integral part of internal and external processes exhibit commitment.
- Patience is a real virtue. A fully operational and reliable system requires several years of development and fine-tuning. Furthermore, the system is never complete, as changing program parameters and conditions require constant revisions.
- Measurement indicators for economic and community development vary only minimally from state to state. Therefore, the search for new measures need not be far and wide.
- The most important key to success is true inclusion in the decision-making structure at all levels. Program managers must incorporate the results in their day-to-day management; agency managers must consider the performance results as part of their overall management philosophy; and decision-makers outside of the agency should use the results in their work.

DCED Performance Measurement System

In order to develop an effective performance measurement system, an organization must first clearly define what it is to accomplish. Second, it should measure its progress towards that goal.

DCED's general purpose is defined in legislation. However, the law is not specific about the nature of the goals and objectives the Department is to pursue, nor does it specify the requirements to measure results. This minimal legislative guidance provides the Governor and the Department with broad discretion to formulate specific goals and objectives for the Department and to develop appropriate measures. Until recently, it is not clear that they have taken advantage of that freedom as administrative documents provide little additional specific information about Department goals. Similarly, published documents provide only minimal insight into the measures of success employed by the Department.

In response to these deficiencies, DCED is now in the process of revising and restructuring the department-wide information and reporting system. The purpose of the new system is to:

- track the progress of clients doing business with the Department;

- centrally tabulate program data to be used as impact measures on a department-wide basis; and
- serve as a management resource for program managers.

To accomplish these tasks, the system incorporates several new elements. These include a Single Application for assistance required by almost every program in the Department. This vehicle provides a variety of consistent information from all clients that can be used to establish a baseline against which to compare actual results once a program is underway. A series of client surveys following the completion of department-funded projects will provide information on actual results that can be compared to the baseline data. Finally, a computerized tracking system will maintain performance data in a central location and allow data analysis by geography, type of client and type of assistance.

Evaluation and Recommendations

DCED has taken serious steps toward creating and implementing a comprehensive system of measure identification, collection, and tabulation. While the measures are well-constructed and informative, the absence of clearly stated department-wide objectives hinders any attempt to fully evaluate the appropriateness of those measures.

In response, PEL suggests a structure for the measurement system that will build and improve on the already solid foundation being established by the DCED with its department-wide measurement initiative. PEL based its proposed system structure on the following principles:

- The Department should have clearly defined objectives to give internal direction and accommodate internal and external reporting;
- Each of the Department's programs should be directly responsible for contributing to the achievement of at least one of the Department's objectives;
- Community and economic development programs should be coordinated and seek to achieve common objectives;
- Positive economic impacts on the citizens in designated geographic areas are the ultimate outcomes of the Department's efforts.

PEL suggests a structure for improving DCED's existing system that contains the following objectives and supporting recommendations.

Objective #1: Establish a clear vision of the Department's objectives and update them annually

- *Establish specific objectives for department-wide accomplishment.*
- *Create new performance measures, if necessary, based on the newly established objectives.*

- *The Department should put its progress into the context of the competition by comparing Pennsylvania's results to other selected states when possible.*

Objective #2: Link program-level measures and department-wide measures more closely

- *Establish a clear connection between the department-wide objectives and the role each program plays in meeting them by developing program sub-objectives that support the department-wide objectives in a hierarchical fashion.*
- *To the extent possible, gear measures for individual programs to the sub-objectives.*

Objective #3: Marry community development to economic development by basing the system on geographic areas

- *To the extent allowed by individual funding sources, refocus the objectives of both community and economic development programs, when necessary, on assisting and promoting development in regions of the Commonwealth.*
- *Investigate the introduction of Geographic Information System (GIS) technology into the Department's measurement system.*

Objective #4: Improve public reporting of objectives and rates of success

- *Establish an internal reporting system.*
- *Submit one report each year that includes a summary of each of the Department's objectives and measured results.*
- *Integrate measures into formal budget documents.*

Objective #5: Integrate performance measurement into the management culture of the agency

- *Make performance measures part of the resource allocation decision-making process.*
- *Focus attention on the role of program management in creating results.*

In addition to analysis of the Department-wide measurement system, PEL reviewed the measurement and reporting activities of each program administered by DCED. PEL formulated specific findings and recommendations for each program. The results, summarized below, are an extension of recommendations for the entire Department. That is, program results should collectively add-up to create the department-wide outcomes that are required to achieve the Department's overall mission.

- *Program managers often do not clearly define program objectives, especially within the context of the Department's overall objectives.*

- A number of programs pursue such broad goals that it is difficult to define success and probably impossible to achieve those goals within the context of the program.
- Many programs share similar or complementary goals, suggesting that these efforts are duplicative and do not make the most efficient use of available resources.
- Much of the data now collected can be used to measure progress once objectives are established. However, additional measures will be needed to measure new objectives in selected programs.
- Program objectives and measures should directly support the department-wide priorities. Recommendations made for the department-wide system should translate into reorganization, and in some cases, a rethinking of program objectives.
- The planned surveys will provide most of the prospective data needed to measure many of the economic development programs, however, specific programs will require additional data essential to the management of their program. Those questions should be added to the survey or an additional survey conducted for longer-term projects.
- Many programs rely on local service providers but do not monitor or encourage them to work towards Department objectives. Additional steps should be taken to oversee the efficiency and the effectiveness of those providers.
- Program objectives should eventually include quantification of targets. Considerable value and accountability is added by annually stating not only the object of expected accomplishment, but the quantity and timeframe as well.