Baby and bathwater issues with performance budgeting

Donald P. Moynihan
La Follette School of Public Affairs
University of Wisconsin-Madison
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An old idea

The Germans say, 'you must empty-out the bathing-tub, but not the baby along with it.' Fling-out your dirty water with all zeal, and set it careering down the kennels; but try if you can keep the little child!"
Thomas Carlyle, 1849

What's the baby, and what's the bathwater?
PART I: OVERVIEW
Is the idea of performance budgeting running out of steam?

- OECD 2012 survey
  - Seems to be less use of performance data than in past
  - Performance targets not consequential

- United States
  - Performance budgeting not mentioned in GPRA Modernization Act of 2010

- General sense of disappointment: we have systems in place, have not delivered desired results
Should we abandon performance budgeting?

Not politically acceptable

– Appeal of performance will always be attractive politically

Need to find a way to make this a useful tool
Basic problem

OECD definition: Performance budgeting is the use of performance information to link funding with results with the purpose of increasing efficiency, effectiveness, transparency and accountability.

We define a tool by our aspirations for it.

Alternate definition: a set of formal rules that seek to disrupt strongly embedded social routines.

- Rules about measuring and disseminating data.

The gap between our aspirations and the observed effects of these rules are usually large, resulting in disappointment.
Solutions

- Dampen the expectations, be less disappointed!
- Modify the rules – create routines of use
- Alter the context in which rules are implemented
PART II: THE PROBLEMS OF PERFORMANCE BUDGETING
Obvious problems

- Budget problems are too large to be solved by performance budgeting
  - Basic questions of revenue and spending
- Elected officials show little interest in actually using data
  - Reduces their discretion
- Performance data never primary criteria to cut or save
Reasonable, but unrealistic expectations about the nature of data

Performance information is

- Objective
- Indicative of actual performance
- Consistently understood
- Prompts a consensus
Revisiting basic assumptions

Performance information is
- Rarely comprehensive
- Ambiguous
- Subjective

Performance is socially constructed in a dialogue between actors
The ambiguity of performance data

- Examine same programs but disagree on data
- Agree on data but disagree on meaning
- Agree on meaning, but not on next action steps/resources

- Not clear on how data links to budget decisions
The subjectivity of performance data

- Actors will select and interpret performance information consistent with institutional values and purposes.
- Greater contesting of performance data and less potential for solution seeking in forums featuring actors with competing beliefs.
Performance as means of control

Assumption: Use performance data to reduce information advantage that agencies have over center & elected officials

Reality: As long as agencies play role in defining, collecting, and disseminating information, they retain information asymmetry
Performance information use as key variable

- Difficult to connect public actions to outcomes
- Intermediate measure of effectiveness – performance information use
- Without it, good things we want don’t happen
- Do reforms affect use?
- But there are different types of use
The four types of use

- Passive – minimal compliance with procedural requirements
- Purposeful – improve key goals and efficiency
- Political – advocate for programs
- Perverse – behave in ways detrimental to goals (goal displacement and gaming)
Does Involvement in Performance Management Routines Encourage Performance Information Use? Evaluating GPRA and PART

The Government Performance and Results Act (GPRA) of 1993 and the George W. Bush administration’s Program Assessment Rating Tool (PART) established new routines that were intended to foster performance management practices. Using data from two surveys, the authors find that the involvement of agency employees in GPRA processes and PART reviews generally had little direct effect on performance information use once other factors are accounted for. The main exception is that managerial involvement in GPRA processes and PART reviews is associated with the use of performance data to refine measures and goals. This reflects the limits of government-wide reform efforts that depend on difficult-to-observe bureaucratic behavior. The authors also find that a series of organizational factors—leadership commitment to results, learning routines led by supervisors, the motivational nature of the task, and the ability to link measures to actions—are positive predictors of performance information use.

This article offers some theoretical and empirical insights into the relationship between results-based reforms and managerial use of performance data. Performance information use is not just an explicit goal of policymakers. It has also been characterized as “the big question” for the performance management movement (Moynihan and Pandey 2010) and the best way to judge whether this movement has been successful (Van de Walle and Van Dooren 2008).

Organization theory suggests that behavioral change among employees can be fostered by altering their routines (Adler, Goldofias, Levine 1999; Levitt and March 1988), especially in public sector environments, which generally offer low extrinsic benefits to accept change. To identify the causal mechanisms by which administrative reforms matter, we need to identify how they create or alter organizational routines. GPRA and PART, in different ways, both established organizational routines of data collection, dissemination, and review. We examine whether involvement in these routines is correlated with a variety of forms of performance information use, while accounting for other factors that might influence performance information use. These issues remain relevant because current reform efforts such as the GPRA Modernization Act continue to be premised on the notion that establishing performance management routines is central to promoting performance information use. The key difference from the earlier reforms is the type
Findings

- Involvement in Government Performance and Results Act, or Program Assessment Rating Tool not associated with purposeful use
- Involvement is associated with passive use
Performance systems not designed for learning

- Governments good at establishing routines to measure and disseminate data
  - Experienced as burdens rather than opportunities

- But no routines for data use

- Can observe if agencies comply with requirements (passive use), but not other types of use
PART III: WHERE DO WE GO FROM HERE? (OR HOW TO SAVE THE BABY)
Modify expectations

- **Budgeting**
  - Elected officials do not want to delegate budgeting authority
  - Connection between data and decisions not always clear

- Most likely users: agency staff using data in budget execution

- Performance management, not budgeting
Create routines of use

- Routine discussions of performance data with supervisors/peers associated with use
- GPRA Modernization Act: quarterly performance reviews
Prioritize learning, not accountability

- Not used much for accountability anyway
  - Evokes defensive reactions and gaming

- Design culture of learning
  - Tolerates error
  - Rewards innovation
  - Brings together multiple perspectives
  - Gives discretion to users

- Appeal to altruistic motivations, not extrinsic reward
Foster goal clarity

Clear goals

…but also actionable data
  – “what does the data tell me about next steps?”
  – Partly issue of data, partly of user
  – Information use routines should consider nature of data
  – Different perspective can increase “sense-making”
Induce leadership commitment

- Consistent predictor of use

How do you create commitment?
- Reputation: public commitments and responsibility
- Create leadership positions with oversight for performance
- Select leaders based on ability to manage performance
Conclusion

Welcome your feedback and questions

Performance Information Project

dmoynihan@lafollette.wisc.edu