



Performance Matters

A Quarterly Newsletter

Performance Management – Cabinet Secretariat

Volume 1

October 21, 2009

Issue 3



From the Desk of the Cabinet Secretary

Past quarter has been a good one for Performance Management. Recently the Prime Minister approved a system for Monitoring and Evaluating the Performance of Government departments and ministries. Under this system all departments are expected to prepare a Results-Framework Document summarizing the main objectives and corresponding actions for the year.

The essence of the proposed system is simple. It seeks to address three basic questions: (a) What are the main objectives of the Government department for the year? (b) What actions are proposed to achieve these objectives? (c) How would we know at the end of the year the degree of progress made in implementing these actions? That is, what are the relevant success indicators?

In addition, to strengthen public accountability of flagship programmes, the Government of India has recently created an Independent Evaluation Office at an arm's length from the Government. While it is supported by the Planning Commission, it is expected to work on a network model by collaborating with leading social science research organizations and concurrently evaluate the impact of flagship programmes and place the findings in the public domain.

Finally, the Government of India has also created a Delivery Monitoring Unit in the Prime Minister's Office to monitor flagship programmes and iconic projects and report on their status publicly.

All these initiatives are complementary to each other and part of a comprehensive approach to performance management in the Government. Each of these initiatives looks at an important aspect of the performance evaluation picture.

Government is also aware of the dissatisfaction with the functioning of the Performance Appraisal Report (PAR) system and is working out a reform package to make the PAR system for All India Services more effective. The goal is to ensure that the proposed reforms are part of an integrated approach to Performance Management. Thus, in the long run, the PAR system should not only be consistent with the Results-Framework Documents but also with the Performance Related Incentives recommended by the Sixth Pay Commission.

K. M. Chandrasekhar



Banishing Bureaucracy: The Five Strategies for Reinventing Government

David Osborne David is a senior partner of The Public Strategies Group. In 1993, he served as a senior advisor to Vice President Gore, to help run what the Vice President often called his “reinventing government task force,” the National Performance Review. In this article he has summarized his best selling book, *Banishing Bureaucracy*, co-authored with Peter Plastrik. He can be reached at: david@psg.us

As we enter the 21st century, the reinventing government movement is like an adolescent striving for adulthood: full of energy and enthusiasm; fueled by ideals; stumbling often but learning in leaps and bounds.

By 1995, cities including New York, Boston, Philadelphia, Chicago, Milwaukee, Charlotte, Dallas, Indianapolis, Phoenix, and Portland, Oregon, were all measuring performance and using that information to improve their management. Thirty-nine states reported quality initiatives, 29 indicated at least some efforts to measure performance, 28 said they were seeking customer feedback, more than 30 were simplifying their personnel systems, 10 were experimenting with eliminating budget line-items, and 10 were testing competitive public-versus-private bidding for service delivery. Meanwhile, hundreds of counties had embraced reinvention. And in 1993, the Clinton administration weighed in with Vice President Al Gore’s National Performance Review.

Not all these initiatives have succeeded, of course. But for all the setbacks -- and there have been plenty -- American progress since 1990 has been remarkable. The debate about public sector reform is light-years ahead of where it stood even five years ago. And with their parliamentary systems, some of our overseas allies -- particularly the British, New Zealanders, and Australians -- have put American efforts to shame.

Make no mistake, reinvention is still a work in progress. Most reinventors are still operating without a road map, making it up as they go along. My 1992 book with Ted Gaebler, *Reinventing Government*, offered some clues about how to proceed. But it did not lay out the strategies by which bureaucratic systems and organizations could be transformed into entrepreneurial systems and organizations. My new book with Peter Plastrik, *Banishing Bureaucracy*, does.

The Importance of Strategy

Reinventing public institutions is Herculean work. To succeed, you must find levers that can move mountains. You must find strategies that set off chain reactions in your organization or system, dominoes that will set all others falling. In a phrase, you must be strategic.

By strategy, we do not mean detailed plans. There is no recipe you can follow to reinvent government, no step-by-step progression you must adhere to. The process is not linear, and it is certainly not orderly. Things rarely go as planned; reinventors must constantly adjust their approaches in response to the resistance and opportunities they encounter.

Rather, by strategy we mean the use of key leverage points to make fundamental changes that ripple throughout government, changing everything else. Reinvention is large-scale combat. It requires intense, prolonged struggle in the political arena, in the institutions of government, and in the community and society. Given the enormity of the task and the resistance that must be overcome, the reinventors' challenge is to leverage small resources into big changes. Being strategic means using the levers available to you to change the underlying dynamics in a system, in a way that changes everyone's behavior.

Margaret Thatcher did not start out with a full-blown strategy to reinvent the British government. She came into office in 1979 determined to make it smaller, privatize many functions, and force the bureaucrats to be more efficient. But unlike her American counterpart, Ronald Reagan, she learned from the failure of her "jam the bureaucrats" approach. She also had more time in office, and in her third term, she began to apply a consistent philosophy of extending choice and competition to public services and decentralizing authority so providers had the flexibility to respond to their customers' needs.

Thatcher had a team of trusted advisors who came to understand the real problems that lay behind public sector performance. In her ninth year in office they articulated a set of systemic changes that applied her philosophy to core government functions. It took them a long time to get there, and they made many mistakes along the way. Still, they managed to find and use a series of key levers:

- privatization of functions better performed by businesses operating in competitive markets;
- uncoupling policy and regulatory functions ("steering") from service-delivery and compliance functions ("rowing");
- performance contracts;
- decentralization of authority to units responsible for work;
- public-private competition; and
- accountability to customers through choice, customer service standards, and customer redress.

In our research, we have found these same levers used again and again: in the United States, in the United Kingdom, in Australia, in New Zealand, and in Canada. We have found them at all levels: national, state, provincial, and local. Why? Because these are the levers that change the framework within which organizations and people work. "It is usually not possible to

command large organizations to make painful changes in long-settled routines,” explains Ted Kolderie, one of the reformers who brought public school choice to America. “It is possible, however, to redesign the institutional arrangement in which they operate, so that they come to perceive these changes as necessary and desirable, in their own interest.”

Dan Loritz, one of Kolderie’s co-conspirators for public school choice in Minnesota, uses an agricultural analogy. “A farmer goes out and spends a lot of time making sure that the fields are just right, gets all of the weeds out, plants the corn with great care, puts enough herbicides on it to make sure that there aren’t any weeds, and hopes that there’s enough water,” he says. “And if everything is right, the corn grows all by itself.”

Reinventors should think like farmers, Loritz argues. If they create the right conditions, the results will follow.

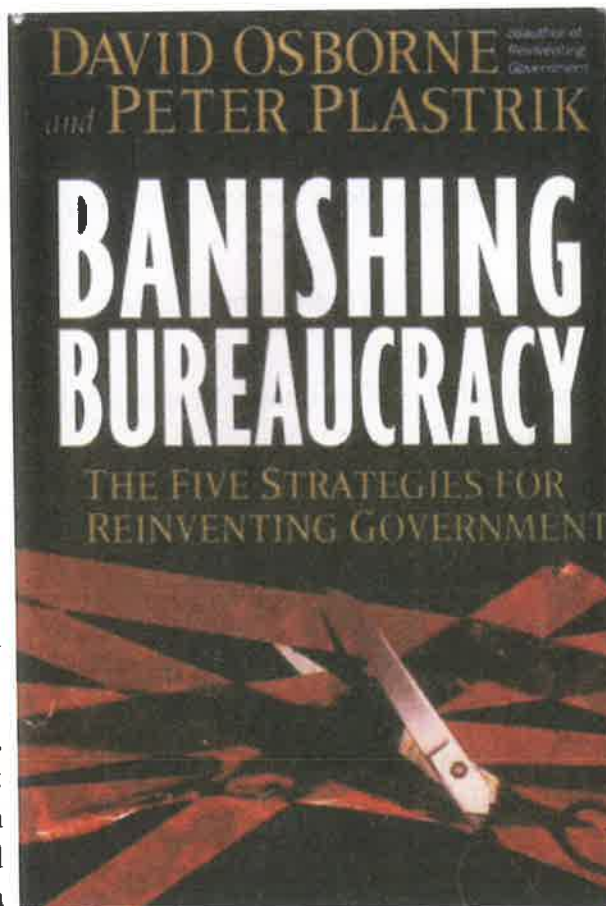
Rewriting the Genetic Code

To extend the agricultural metaphor, think of public systems as organisms: complex, adaptive systems that live, grow, change over time, and die. Organisms are shaped by their DNA: the coded instructions that determine who and what they are. DNA provides the most basic, most powerful instructions for developing an entity’s enduring capacities and behaviors. Change an organism’s DNA and behaviors emerge; DNA and a different evolves. Usually very slowly, as their mutates and some make them more environments.

The same is true normally they evolve

Bureaucratic public designed to be stable. a point in history counterproductive. In globally competitive systems that cannot failure.

In this situation, genetic engineering: DNA. Our research most fundamental sector DNA are a



new capacities and change enough of the kind of organism organisms change DNA randomly of these mutations successful in their

for public systems: very slowly.

systems were But we have reached where this stability is today’s fast-changing, Information Age, change are doomed to

the solution is change the system’s tells us that the pieces of public system’s purpose,

its incentives, its accountability systems, its power structure, and its culture. Successful reinventors have all stumbled across the same basic insights: that underneath the complexity of government systems there are a few fundamental levers that make public institutions work the way they do; that these levers were set long ago to create bureaucratic patterns of thinking and behavior; and that changing the levers -- rewriting the genetic code -- triggers change that cascades throughout the system.

We have grouped these fundamental levers of change into five basic strategies, each of which includes several distinct approaches and many tools. For each lever, we have designated a strategy. And to help people remember the strategies, we have given each one a label that begins with the letter C.

The Core Strategy

The first critical piece of DNA determines the purpose of public systems and organizations. If an organization is unclear about its purpose -- or has been given multiple and conflicting purposes -- it cannot achieve high performance. As Yogi Berra is reputed to have said, "If you don't know where you're going, then any road will take you someplace else."

We call the strategy that clarifies purpose the core strategy, because it deals with the core function of government: the steering function. While the other four strategies focus more on improving rowing, the core strategy is primarily about improving steering. It eliminates functions that no longer serve a valid public purpose or that can be better done by the private sector or another level of government. It uncouples steering from rowing (and service from compliance), so each organization can focus on one purpose. And it improves government's ability to steer by creating new mechanisms to define goals and strategies.

The Consequences Strategy

The second key piece of DNA determines the incentives built into public systems. Bureaucratic DNA gives employees powerful incentives to follow the rules and keep their heads down. Innovation can only bring trouble; the status quo brings steady rewards. Employees are paid the same regardless of the results they produce. And most organizations are monopolies -- or near-monopolies -- that are insulated from their failures. Unlike private firms, they do not lose revenues or go out of business if the competition does a better job.

Reinventors rewrite the genetic code to change these incentives, by creating consequences for performance. When appropriate, they put public organizations into the marketplace and make them dependent on their customers for their revenues. When that is not appropriate, they use contracting to create competition between public and private organizations (or public and public organizations). When neither is appropriate, they simply measure performance and create consequences (both positive and negative).

The Customer Strategy

The next fundamental piece of system DNA focuses primarily on accountability: specifically, to whom are the organizations accountable? (To be precise, all five strategies touch on the issue of accountability. The core strategy defines what an organization is accountable for; the consequences strategy determines how it will be held accountable; the control strategy affects who will be accountable; and the culture strategy helps employees internalize their accountability. But by making organizations accountable to their customers, the customer strategy deals most powerfully with the issue of accountability.)

Most public entities are accountable to elected officials, who create them, determine their functions, and fund them. Because these officials are under constant pressure to respond to the demands of interest groups, they often care more about where public resources are spent than about the results they purchase.

In response to widespread abuses by politicians, bureaucratic reformers long ago established a professional civil service to insulate the management of departments from political influence. Managers and employees gradually became accountable for following the rules of the civil service. Hence managers are held most tightly accountable for following these rules and for spending their funds as appropriated by elected officials. Rarely is anyone held accountable for the results.

The customer strategy breaks this pattern by shifting some of the accountability to customers. It gives customers choices of service delivery organizations and sets customer service standards those organizations must meet.

Creating accountability to the customer increases the pressure on public organizations to improve their results, not just to manage their resources. It creates information -- customer satisfaction with specific government services and results -- that is difficult for elected officials, public managers, and employees to ignore. And it gives public organizations the right target to shoot at: increased customer satisfaction.

This does not mean that public organizations are no longer accountable to their elected representatives; it means they often have dual accountability. This works best when elected officials align these dual accountabilities by stating their goals in terms of customer satisfaction and holding organizations accountable for meeting customers' needs.

Nor does the customer strategy suggest that the role of customer supplants that of citizen, as some critics argue. Both roles are important. Citizens vote, influencing the policies set by their representatives. Public organizations then implement those policies. But in bureaucratic systems, citizens have no practical way to hold those organizations accountable for their performance -- or even to give them feedback on their performance. The customer strategy puts them in the feedback loop.

The Control Strategy

The fourth critical chunk of DNA determines where decision making power lies. In bureaucratic systems, most of the power remains near the top of the hierarchy. In democracies, power first flows from citizens to elected officials; then from elected officials to central “staff” agencies such as budget and personnel offices; finally from those central control agencies down to agency (“line”) managers. Typically, elected officials keep as much power as possible in their own hands, and the central control agencies guard their power even more jealously. Line managers find their options limited and their flexibility constrained by detailed budget instructions, personnel rules, procurement systems, auditing practices, and the like. Their employees have almost no power to make decisions. As a result, government organizations respond to new orders rather than to changing situations or customers’ needs.

The control strategy pushes significant decision making power down through the hierarchy, and at times out to the community. It shifts the form of control used from detailed rules and hierarchical commands to shared missions and systems that create accountability for performance. It empowers organizations by loosening the grip of the central control agencies. It empowers employees by pushing authority to make decisions, respond to customers, and solve problems down to those with frontline knowledge -- as some executive agencies have. Some reinventors use a third approach: They shift control from public organizations to the community, empowering community members and organizations to solve their own problems and run their own institutions.

The Culture Strategy

Finally, the last critical piece of DNA determines the culture of public organizations: the values, norms, attitudes, and expectations of employees. Culture is shaped powerfully by the rest of the DNA: by an organization’s purpose, its incentives, its accountability system, and its power structure. Change these and the culture will change. But culture does not always change just as its leaders would wish it to. At times it will harden into resistance and resentment. Often it will change too slowly to satisfy customers and policymakers. Hence we have found that virtually every organization that has used the other four C’s has eventually decided it needed a deliberate campaign to rewrite the genetic code that shaped its culture.

Bureaucratic systems use detailed specifications -- functional units, procedural rules, and job descriptions -- to mold what employees do. They make initiative risky. As employees become habituated to these conditions, they become carriers of the culture. They become reactive, dependent, fearful of taking too much initiative themselves. In this way, bureaucratic DNA creates cultures of fear, blame, and defensiveness.

Reinventors use three approaches to reshape the culture; they mold the organization's habits, hearts, and minds. They develop new habits by giving people new experiences -- new kinds of work and interactions with new people. They reinforce these new behaviors by helping people shift their emotional commitments: their hopes, fears, and dreams. And they support this new emotional covenant by building a shared vision of the future, a new mental model of where the organization is going and how it will get there.

Increasing Your Leverage

Most reinventors start with just one or two strategies in mind. Inevitably, they discover the need for another, then another, until they are using all five. Why? Because using only one or two strategies does not give them enough leverage. Any one strategy is to reinvention as rain is to farmers: indispensable but not sufficient. Farmers also need seeds, rich soil, adequate fertilizer, and sunshine. If all five of these elements are aligned with one another, the crops grow.

One way to put multiple strategies into play is to use what we call "metatools." They are like missiles that deploy multiple warheads. For example, school choice systems in which money follows the child combine customer and consequences. Total quality management and business process reengineering deploy elements of the customer, control, and often culture strategies.

Indeed, the five strategies often overlap. It is only natural, for example, to combine the uncoupling of steering and rowing (core) with a performance contract (consequences) and more flexibility for rowing organizations (control). Similarly, it is only natural to combine customer service standards (customer) with rewards and penalties for organizations that succeed or fail to meet those standards (consequences). In practice, multiple strategies are often joined at the hip -- as they must be to yield maximum power.

But Will the Five C's Work Here?

Some of you may be saying to yourselves, "This all sounds logical, but it will never work here. My city (or county, or province, or country, or organization) is different." Your organization may not be ready to reinvent, but when it is, rest assured, these strategies will apply. They work in small cities and large nations, in parliamentary systems and presidential systems, in strong mayor cities and council-manager cities. Purpose, incentives, accountability, power, and culture are the fundamental DNA of every public system we have examined.

In all public organizations and systems, the difference between isolated innovations and coherent reinvention is spelled s-t-r-a-t-e-g-y. If you want a qualitatively different kind of public system or organization, you must rewrite the genetic code. You can generate a series of innovations without using the five C's, but you cannot create a continuously improving, self-renewing system. Consider this the first rule of reinvention: No new DNA, no transformation.

WORKSHOPS ON

RESULTS-BASED MANAGEMENT FRAMEWORK

Since the publication of the previous issue of performance Matters, we organized one-day workshops on “Results-Based Management Framework” in collaboration with the following ministries/departments:

- | | |
|--------------------------|---|
| 1. August 10, 2009 | Department of Chemical and Petrochemicals |
| 2. September 16-17, 2009 | Government of Meghalaya |

Workshop Objectives

These workshops were interactive, hands-on exercises. They sought to achieve the following objectives:

- a. Provide an overview of the international trends in public sector management
- b. Provide tools and techniques for implementing a results-based management framework in participants’ work units.
- c. Illustrate the usefulness of these tools and techniques by applying them to various divisions of the Department.

Workshop Structure

The workshops consisted of the following three categories of activities:

- a. Class room lectures that provide (i) an overview of international trends and best practices in the area of public sector management; (b) tools and techniques to implement results-based management framework in the participant’s work units.
- b. Group discussions and group work that provide an opportunity to apply concepts developed in the lectures to the real world issues.
- c. A competition among groups to prepare a state-of-the-art results framework document.

We are extremely grateful to Mr. Bijoy Chatterjee, Secretary, Department of Chemicals and Petrochemicals and Mr. Ranjan Chatterjee, Chief Secretary, Government of Meghalaya for hosting these workshops.

If other departments would like to explore the possibility of organizing these workshops, they may contact: Dr. G. Narendra Kumar, Joint Secretary, Performance Management and NACWC, at 24675763

WORKSHOP ON RESULTS-BASED MANAGEMENT FRAMEWORK

In the spirit of practicing what we preach we present the leaders of the two winning teams from the two recent workshops we conducted. In each workshop the participants evaluated the quality of results-framework documents prepared by their colleagues. Thus the winners were chosen by their peers based on an agreed set of criteria. We salute the winners and thank them for taking the task seriously. It is this spirit that provides the foundation for the good work that the government does.

The Winners' Circle

Workshop Date	Ministry / Department	Leader of the Winning Team	Designation
09-08-10	Department of Chemicals and Petrochemicals	Mrs. Neel Kamal Darbari	Joint Secretary
09-09-15	Government of Meghalaya	Mr. V.K. Nautiyal	Principal Chief Conservator of Forests

Glimpses from the workshop at the Department of Chemicals and Petrochemicals



Mr. Bijoy Chatterjee (Secretary, Chemicals and Petrochemicals) and Mrs. Neel Kamal Darbari (Joint Secretary)



(L-R) Mr. B. P. Pandey (Joint Secretary), A.K. Vishandass (DDG), and A.S. Didolkar (CMD, HOCL)



Performance Measurement in Government: What are the benefits?

Professor Biju Varkkey, Personnel & Industrial Relations Area, Indian Institute of Management, Ahmedabad. He can be reached at bvarkkey@iimahd.ernet.in

The simple mantra of management can be summarised in the following phrase “If it is not measured, it will not be done.” Though a simple statement on face, it holds within it, the key which is fundamental to organisational existence. Few people alone are self motivated to continue doing their work without any concern about feedback on what and how they are doing and asking an effort versus reward parity question.

Measurement of performance (at different levels) in organisations has been a widely debated issue in organisational literature. More so in the case of governments, where the initial reaction to the idea itself is “we cannot do it” or “even if it can be done, it’s going to be difficult because government job is different” and if the above two are answered, questions about “who, how, when and where?” are raised. Does that mean, the task of performance measurement in government is difficult or impossible, and all those who have attempted to do it have failed or are making bogus claims? Documented experience from around the world suggests that a performance measurement system and incentives for performance do indeed work to the benefit of governments. By measuring performance in a fair and transparent manner and rewarding for performance, governments could usher in accountability and motivation among employees. But a word of caution at this point, if not conceptualised and implemented with proper care and support the system runs the risk of failure.

The starting point of IIMA’s synthesis report on performance related incentives for the Sixth Pay Commission was an attempt to understand government performance. Performance is a simple idea when job objectives and key result areas can be easily expressed, but it is rather difficult in the government context because it is hard to apply. At the macro level, performance in the governmental context can be defined as the ability of the government to acquire resources and to put these resources to their most efficient use (input-output relationship). Performance also incorporates the idea of effectively utilising these resources to achieve the desired outputs and outcome goals (output-outcome relationship). Performance for the government is usually not measured in terms of profit, but in terms of achieving societal goals and desired outcomes, for example, reduction of crime, enhancing the quality of life, reducing infant mortality, improving tax base etc.

Any discussion about performance measurement in government cannot be done without factoring the role of government employees and their reactions when performance is measured and it is linked to performance incentives. While discussing government performance, the role of employees of government (or civil servants) in achieving government performance cannot be ignored. Policy makers who are engaged in finding ways and means to improve government economy, efficiency and effectiveness need to address the problem of employee performance, particularly motivating employees and rewarding them on the basis of performance. It is widely believed that the

performance of government organizations is less than satisfactory because there is less distinction between high performers and low performers. Differentially rewarding employees according to performance becomes a powerful tool to enhance government performance.

The above assertions have been validated empirically by different studies conducted by independent researchers and institutions like the World Bank and OECD. At this point, I would like to mention that there are also recorded instances where performance measurement systems have failed to provide desired results and have been reduced to another mechanical, form filling activity. India's own case of ACRs (Annual Confidential Reports) has been one of the clear examples, which has eventually failed to distinguish between performers and non performers. In a situation, when performance measurement and the pattern it generates is skewed – it acts as a negative motivator for performers who feel that they are also categorised alongside the non-performers. The concern is more about the appropriateness of the process followed, lack of communication and the element of fairness to employees. As a result, the system had become ritualised and personalised, and for top level officers it has been replaced by a more open system.

Measurement of individual employee performance is only a small part of the performance management exercise. It can only happen within the larger framework of departmental, ministerial and national priorities. In a well functioning system, these different levels ought to be linked to each other to realize potential benefits in full measure. The IIMA report identified the following eight significant long term benefits of introducing performance measurement and performance based incentives:

1. **Enhance employee productivity/performance:** Performance measurement and incentives will be linked to achievement of targets and not length of service. This will motivate employees to work towards their targets, thus enhancing their productivity/performance. This can be one of the earliest achievements.
2. **Better internal business processes:** One of the key effects of implementing performance related incentives (PRI) will be that inefficient or redundant business processes will have to be reviewed to improve organizational, group and/or individual performance.
3. **Improved public/stakeholder service delivery:** PRI will have an overall strong positive impact on service delivery to public/stake holders. Most of the outputs/outcomes in government departments/ organizations deal with service delivery to citizens or other stake holders and PRI will sharpen the focus on outputs/ outcomes. Citizen/Stakeholder orientation of employees will be furthered if performance targets/ measures are suitably directed.
4. **Develop result/business orientation:** Targets and measures related to result/business orientation will help in developing employees focus in this direction. Result orientation focuses on efficient and effective governance and business orientation focuses on promoting market value of products/services.
5. **Strengthen team spirit:** Group rewards help in fostering teamwork. They also assist in clarifying organizational/group objectives and engage employees with the organization's goal.
6. **Perception of procedural justice:** PRI has a two-way link with perceived procedural justice. On one hand, proper goal setting, regular feedback and transparent assessment of performance will lead to perception of procedural justice. On the other hand, perceived procedural justice is very critical for long term success of PRI.

7. **Attract talent:** Steep rise in salary and job conditions like autonomy are making private sector jobs seem much more attractive to the younger generation. If government wants to attract good talent in future then PRI with delegation and transparency holds the key.
8. **Accountability:** Metrics developed to measure employees' work output, competencies and stakeholder orientation will bring the much-needed shift in their focus from political bosses to ordinary citizens. Transparent system will be a deterrent to corruption among employees.

Ushering performance measurement orientation in government is not going to be an easy task that can be achieved by an executive order or the initiative by a select few. It requires ownership at the highest level, a structured process of setting goals flowing down from national priorities and cascading down to all stakeholders in terms of skills / competencies and institutional reforms. This will need to go hand in hand and also an incentive system which rewards performance.

This paper is based on the report "Formulating the Concept, Principles and Parameters for Performance related Incentives (PRI) in Government" By Indian Institute of Management Ahmedabad (Authors: Biju Varkkey, Prem Pangotra, Rekha Jain, Manjari Singh, Abishek Mishra, G Raguram, Narayan Rangaraj and Swati Mishra)

About Excellence

Excellence is not a skill. It is an attitude

Ralph Marston

No man ever reached to excellence in any one art or profession without having passed through the slow and painful process of study and preparation.

Horace

If you are going to achieve excellence in big things, you develop the habit in little matters. Excellence is not an exception, it is a prevailing attitude. ~

Colin Powell

Excellence is to do a common thing in an uncommon way

Booker T Washington

Excellence can be obtained if you:

Anonymous

**...care more than others think is wise;
...risk more than others think is safe;
...dream more than others think is practical;
...expect more than others think is possible.**

Meghalaya Civil Services Day 2009

For the 3rd year in succession, Civil Services Day was observed in Shillong – the State Capital of Meghalaya on the 16th September, 2009 with the aim of providing an opportunity to the civil service officers to express and share their experiences and to rededicate and recommit themselves to the cause of the people. The theme for this year was “Performance Management in the Civil Services” and was inaugurated by the Chief Minister of Meghalaya, Dr. D.D. Lapang who was the Chief Guest.

The Programme started at 9:30 A.M. and was attended by the 3 (three) All India Services i.e., the Indian Administrative Service, Indian Police Service & Indian Forest Service, and their feeder services as well. In his welcome address, the Chief Secretary, Mr. Ranjan Chatterjee, I.A.S. exhorted all the officers to utilize this forum to introspect on their successes and failures in their respective fields and also urged them to chalk out strategies for the future to deal with the challenges being posed by the changing times. He also urged upon the State Government to refrain from transferring civil service officers on flimsy grounds and to follow the transfer policy. This, he pointed out, will instill a sense of security and will encourage them to bring out the best in them.



From L-R: Mr. V.K. Nautiyal, Principal Chief Conservator of Forest, Mr. Conrad K. Sangma, Hon'ble Leader of the Opposition, Dr. D. D. Lapang, Hon'ble Chief Minister, Mr. Ranjan Chatterjee, Chief Secretary, Dr. Prajapati Trivedi, Secretary, Performance Management, Cabinet Secretariat, GOI

The Chief Minister in his address lauded the All India Services officers and their feeder services for their devoted services towards the overall development of the State of Meghalaya and advised the Officers to be sincere and honest in their day-to-day works. The function was also graced by the presence of the Hon'ble Leader of Opposition, Mr. Conrad K. Sangma, who also appealed to all the officers to perform, excel and be accountable and advised them to

discharge their day to day duties without fear or favour.

Dr. Prajapati Trivedi, Secretary to the Government of India, Performance Management, Cabinet Secretariat, was the main speaker on this occasion on the theme “Performance Management in the Civil Services” with an excellent power point presentation. His presentation covered the following topics:

- Perceptions about Govt. performance
- Explanations about Govt. performance
- Meaning of Govt. performance
- How to improve Govt. performance
- International best practices and options
- Lessons of experience – summing up.



He urged upon the officials to focus their attention on information and activities. He concluded his presentation by stating that good information, evaluation and incentives are the three areas we need to pay attention to in order to improve the performance of any govt. organization.

An interactive session was also held on this occasion where Mr. P.J.Bazeley, IAS (Retd), former Chief Secretary of Meghalaya was the Moderator.

In the next session there were power point presentations on Best Practices / Success Stories from:

- Mr. A.K.Srivastava, IAS, Principal Secretary to the Govt. of Meghalaya, Health & Family Welfare Deptt. on functions and achievements of National Rural Health Mission.
- Mr. C.P.Marak, IFS, Conservator of Forest on people's participation in Management of Forest.
- Mr. D.Vijay Kumar, IAS, Deputy Commissioner, East Garo Hills District, Williamnagar on Implementation of National Rural Employment Guarantee Scheme.
- Mr. Pravin Bakshi, IAS, Sub-Divisional Officer, Dadenggi Civil Sub Division, West Garo Hills on “Winds of Change in Dadenggi Civil Sub-Division”.
- Mr. M.K.Singh, IPS, Superintendent of Police, Jaintia Hills on quick disposal of cases by introducing Fast Track Courts.

On 17th September a daylong workshop was organized on “Results-Based Management Framework” in the Conference Room of Raitong Building, Shillong where Dr. Prajapati Trivedi was the main speaker. Officials from the following major Departments actively participated in this workshop:

- Home Police
- Forest & Environment
- Education
- Urban Affairs

The workshop was participatory in nature where the officials participated with interest throughout the day and the outcome was effective and productive.



Reinventing County Government

Ted Gaebler is the co-author of the book “Reinventing Government,” which became an international best seller about transforming governments from outdated, bureaucratic organizations, to flexible, customer-focused organizations. Ted Gaebler has served as Rancho Cordova City Manager since October 1, 2003. He can be reached at: tgaebler@cityofranchocordova.org

An eighteen-percent approval rating. That’s what counties earned according to a recent poll by Mark Baldassare of the Public Policy Institute of California. Baldassare’s survey confirms a now well-recognized trend: respect for government in general is at a 30-year low. But the news is even worse for county governments. Though citizens tend to have greater faith in local than state or federal governments, Californians report that, of all levels of government, they have the least faith in their county governments. When citizens were asked which level of government is best at solving their problems, 27 percent of respondents replied that cities were best. Twenty-six percent replied that the state government was the most competent level of government. The federal government was viewed as the best at solving problems by 20 percent of respondents. Finally, California counties were rated dead last, with just 18 percent of respondents believing that county governments were the best able to solve problems.

To be sure, many county governments are busily innovating and improving service delivery and effectiveness already. Yet, poor perceptions of county governments among the public we serve remain a fact of life.

The charge, therefore, is clear: we must change the way we do business. Too often in the past we have waited for the state to step in and provide “fiscal relief,” as if county governments themselves were on public assistance. But recent events have shown that such help from the state is not likely to be forthcoming. Indeed, this year’s \$12 billion budget surplus provided a unique opportunity for the state to implement reforms of the public finance system. Yet no meaningful change occurred.

And the reasons are clear enough. With support for county government at a low ebb, why would state-level policy makers view increasing support for local governments as serving their own (political) interests? When faced with a choice of taking credit for a new state program or tax cut on the one hand or giving additional general purpose revenue to counties on the other, it’s not hard to understand why aid from the state has not been forthcoming.

But help from the state is not fundamental to the success of efforts to transform county government. Indeed, if county governments are going to change the way we do the public’s business, we will need to develop and implement these reforms ourselves.

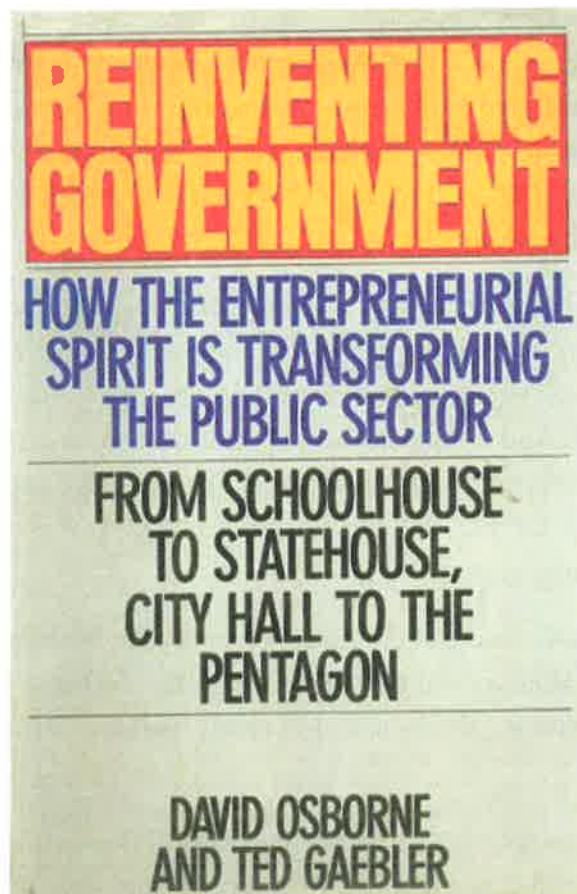
Clearly, some action on the part of the state will ultimately be required to implement significant reforms, particularly of the public finance system. But there is ample opportunity to improve what we do without any action from the state. And, if we can show demonstrable results from our reform efforts, asking the state for additional resources or flexibility to further those efforts will be manifestly easier than asking for resources or flexibility in the abstract.

Counties can be Entrepreneurial

Now, efforts to transform bureaucratic or political institutions, by their very nature, are difficult. The path of least resistance nearly always favors the status quo over change. In fact, within most bureaucracies, change is often discouraged outright by institutional incentives that punish mistakes heavily while rewarding innovation only lightly. Because of this system of disincentives, bureaucracies tend to act like “black holes,” sucking the life out of creative initiatives.

Yet counties do have the means to transform themselves into effective, efficient organizations better able to serve the public’s needs. Within the current ranks of county employees are thousands of bright, talented individuals. When I became city manager of Visalia, California, I was astonished at the high level of organizational and leadership skills among the small staff of about 350, skills effectively tapped by Among the staff, employees who were regional organizations: president, onepresident Professional Women’s the regional leader employees were using and managerial tasks unrelated to their

Within the current county employees and of people with bright government: County to unleash the energy, solving abilities of Indeed, as the US. auto the 1980s, by allowing refine the processes, savings and quality achieved.



that were not being the city government. I discovered three leaders of statewide or one was state Jaycee of the Business and organization, and one of a church. These much of their creative energies “off shore,” on government work.

ranks of California’s managers are a wealth ideas for transforming leaders must find a way insights, and problem these current workers. industry learned during workers to help tremendous cost improvements can be

The current technology revolution only makes it easier for employees and managers to communicate. Email, for example, can significantly flatten hierarchical structures, making it easier for employees to directly communicate ideas about innovations to managers. And the internet significantly enhances the ability of employees and managers alike to seek out and communicate with innovators from across the country.

By harnessing the existing resources of our own employees, we may find the ability to significantly change the way we administer programs or provide services and, in so doing, improve our effectiveness in satisfying the needs of county residents. In the process, we will likely find that our innovations both raise additional revenues and reduce the cost of providing services.

To fuel and guide these reformist impulses, successful pioneers have been thinking like entrepreneurs, developing innovative ideas about how to transform government organizations. This means treating government like a bottom-line focused business, when appropriate. It means trying to find a means of turning costly programs into revenue generators. Most of all, however, it means being open to dramatically different ways of doing the business of government.

As we know, county officials in California, perhaps even more so than local government officials elsewhere, are hemmed in by laws, regulations, and voter-imposed restrictions on efforts to change the status quo. But complaining about this situation to voters is not likely to improve our standing among this group. Instead, we need to devote our energy and creativity to achieving what is possible now.

Most importantly, those of us in county management positions need to communicate an entrepreneurial attitude to our employees in no uncertain terms. This means encouraging innovation, supporting new ventures, and rewarding creativity. But it also means allowing some new ventures to fail. And it means standing up for managers and employees who make good faith efforts at innovation, even when they don't succeed. By encouraging and rewarding creativity while allowing for both inevitable failures and successful innovation, we can transform the culture of our organizations.

By adopting such an attitude, we can create opportunities to both raise additional revenues and reduce the costs of what we are currently doing. By thinking in these terms, we may even find that activities previously thought too costly are now affordable or even generate revenue.

Many of the things that counties are already doing have this potential to generate additional resources. For example, with crime rates down, counties may have unneeded jail beds. These

beds could be leased to a neighboring county, or even the state or federal governments. Beyond the relatively simple selling of surplus capacity, however, counties may be able to create opportunities to sell services directly to each other, to other local governments in California, or even local governments from other states. For example, many county governments are busily working to take advantage of the internet and other new technologies to expand or enhance the services they provide. If a county develops a mechanism for, say, collecting traffic and parking fines via the internet, county officials should consider selling the innovation to others with the same objective.

The City of Inglewood, California offers an example of the kind of dramatic success that is possible when a local government acts entrepreneurially and seeks out opportunities to capitalize on a product it has developed. In the mid-1970s, city officials realized that they were losing a significant amount of potential revenue as a result of an inefficient system for collecting parking fines. In response, the city developed a computer system to collect these unpaid fines. The city's efforts were wildly successful: they increased parking fine revenues more than six-fold in the first year alone. Beyond even these enormous gains, however, city officials were then able to market the software they had developed to other local governments. Today the city competes with private-sector firms and sells its parking-fine-collection services to nearly 80 local agencies throughout the country, earning a multimillion-dollar profit for the city treasury.

While county governments may have certain obstacles to overcome as they seek to be more entrepreneurial, they do have one important advantage over their private-sector counterparts. Unlike businesses selling such services to government, those in government know exactly what would help a specific problem, and what wouldn't. Those of us in government are therefore well placed to take advantage of the opportunity to develop and market effective solutions.

These revenue generating opportunities also point to another benefit of this approach: the potential to reduce costs. A county that buys an on-line ticket-paying system from a neighboring county stands to save not only in collections costs, but will likely pay less than the cost of developing their own system. Even if a county doesn't choose to buy a product or service from its neighbors, the well-established benefits of competition can help spur innovation, reduce costs, and improve quality across all counties.

Consider the example of the City of Long Beach, which had traditionally supplemented its own police services by contracting with the Los Angeles County Sheriff's Department. Though the city was unhappy with the cost of that service, it had not occurred to them that they could just as easily purchase police services from one of their other neighbors, Orange County. Even the

simple act of soliciting a bid from a vendor's competitor can have the effect of improving the quality and lowering the cost of the service already being provided.

As county officials, we may also find that, by taking a new look at what we do and how we do it, activities which once seemed vital may now be unnecessary. Resources devoted to these tasks can be freed up and put to more productive use. Businesses constantly go through this process of evaluating their products and services to determine which activities are creating value. In so doing, they ensure that resources are put to their highest productive use. Government organizations would do well to adopt this same approach to allocating scarce resources.

By thinking entrepreneurially, county governments have the ability to implement significant change without additional resources. Clearly, some changes will require new funding sources, but much is possible even within our existing budgets. By "mining the minds" of our existing employees to improve efficiency, generating additional revenue from activities we are already doing, and vigorously shedding service offerings that are past their prime, we can find the resources necessary to transform our county governments.

Conclusions

I have discussed here several general principles which I hope can serve as a catalyst and guide for local government transformation efforts. As county governments begin (or continue) these efforts to transform themselves, it's important for each of us to think about what a re-invigorated government would look like in our own communities. Without an end point in mind, we can't know when we get there. In setting these goals, we need to remember to keep expectations high. Especially in government, expectations have often been set rather low (Indeed, simply raising expectations can help to achieve significant progress.) Each community, local government, or department may develop it's own idea of success, but all should have in common the notion that significant change is possible.

All leaders, managers, and policy makers have a relatively short window of opportunity in which to make an impact on their respective organizations. When we're young, we are busy building our careers, learning what we can and developing the skills to succeed. When we're old, we're readying for retirement. In between, we have the obligation to make use of the knowledge gained during our formative professional years and seek meaningful reform of the institutions over which we can have an influence.

I therefore call on all of you in a position to help. We have the opportunity provided by a strong economy to improve county government. This is the time for reform.

An earlier version of this paper was published in the journal of the California Institute for County Government



Performance Management in Mahindra Group

Rajeev Dubey is President (HR, After-Market & Corporate Services) & Member of the Group Management Board, Mahindra & Mahindra Ltd. His key focus areas are HR/IR initiatives for the Group. In addition, he is on the Boards of several Group companies. He can be reached at: dubey.rajeev@mahindra.com

The core purpose of all HR activity in the Mahindra Group is to create a “culture” which results in:

- (a) Sustained business outperformance, while simultaneously
- (b) showing extreme care for stakeholders, starting with customers and employees, and
- (c) nurturing / strengthening the core values of the organization.

“Culture” is nothing but the way people in the organization behave in everyday life as they take decisions and implement them. And this culture is created through the HR levers, which broadly fall into five categories: organization structure / work design, performance management reward, reward and recognition, talent management and communication. While all five levers need to be aligned to each other, and to the business strategy and goals, in a sense the performance management system is at the heart of the organizational “eco-system”.

Without it, organizations cannot function yet most of them go about it in a way that is not suited to their organizational requirements.

This is precisely the foremost disconnect that is plaguing organizations – that of formulating and implementing a performance management system which fits into the organization’s DNA and is readily accepted by employees. Not only does this failure contribute to dropping employee engagement levels, but more importantly, it deprives the organization of a clear and precise evaluation of whether employees are doing what is required to enable it to excel in a competitive and dynamic business world. And this can be the competitive difference between a market leader and a follower – engaged employees backed by up a rigorous and robust performance management system geared to sustain a culture of out-performance.

Key to the performance management system in the Mahindras are goal setting, and performance / potential assessment.

1) Goal setting: is the first element in the Mahindra Annual Planning Cycle, an annual cycle wherein each business’s vision and strategy are chalked out followed by a clear definition of annual goals derived from the former. These are captured in a Balanced Scorecard (BSC) with Measures of Performance (MOPs) which serve as yearly targets which are used as benchmarks for the performance of that business. Typically, each business BSC has around 20 – 25 metrics,

out which 12 – 15 are chosen to assess the performance of that business. These business goals are then drilled down to each department within that business.

Once the department's goal sheet has been prepared, individual goals are finalized. Each manager is assigned 3 – 5 KRAs which are decided upon jointly by himself and his reporting manager. Each of these KRAs is assigned a specific weightage, along with Measures of Performance (MOPs). These mutually agreed upon KRAs all follow the SMART methodology – they are Specific, Measurable, Agreeable to both the manager and his superior, Realistic and Time Specific, i.e. they have all clear timelines. The MOPs are also assigned different levels depending on the scale, difficulty and timeline of each task. This applies not only to functions which are easy to quantify like sales, production etc. but also to functions which traditionally posed problems in terms of quantification, like HR, R&D, Accounts etc. For example, a Level 5 MOP would require a training needs analysis to be done for 50 managers in 3 months whereas a Level 3 MOP would require the same training need analysis to be done for only 30 managers in 4 months.

As with the business and department goals, the individual goals are also subject to periodic review. (Both business and department goals are reviewed quarterly by senior management, and with much higher frequency as one moves to the “front-line” of the market and production shop-floor)

2) Performance Assessment: The final assessment of performance happens in a one-to-one meeting between the manager and his superior. The discussion is driven by the manager's level of achievement against each of his KRAs, which are benchmarked against the MOPs decided at the goal setting stage. Thus, each manager is given a rating from 1 to 5 based on the level of MOP he has achieved in that particular KRA. Once a manager has been rated on each of his KRAs, these ratings are used as an input to arrive at his Performance Pay. The Performance Pay calculations use the level of performance (MOP) achieved in that particular KRA while also taking into account the weightage of that KRA.

However, the Performance Pay depends only partly on the individual performance; a portion depends on the overall business performance. As one moves further up the hierarchy, the overall dependence of Performance Pay on individual performance diminishes in favour of business performance. At the very highest levels, business and individual performance have an equal 50 – 50 impact on the Performance Pay.

The percentage of performance pay as a component of total pay also increases as one moves up the hierarchy till it becomes 25% to 30% at the senior most management level. This ensures that senior managers concentrate on the achievement of business goals as well, and do not neglect them while focusing on their individual targets.

3) Overall Potential assessment: of an individual is the management's assessment of where, and how far, an individual can move in the leadership levels. It is based partly on the individual's performance assessment over a period of time, and partly on the assessment of his proficiency levels for the seven Mahindra Leadership Competencies i.e.

Customer Focus
Teamwork
Innovation Lead Transformation
People Development
Vision and Strategic Orientation
Result Orientation with Execution Excellence
Global Mindset

The assessment is based on multiple “tools” and the judgment of a cross-section of managers who interact with concerned individual in his everyday life. The tools include Development Centers, 360 Degree feedback, Gallup scores and annual appraisal forms, which are then moderated by discussions in the network of Talent Councils which drive the Mahindra Talent Management process. The basic idea is to view the individual through multiple lenses in different situations over a period of time, so that individual biases and one – off events do not lead to wrong judgement calls. However, it still remains subjective in the final analysis, but is based on “objective” inputs.

The potential assessment finally results in one of the following 5 scores for the individual every year. It should be noted that while there is no bar on the number of individuals getting a “perfect” score on KRAs which determine performance pay, a strict distribution curve for the population is adhered to in terms of the percentage of people who can get a particular level in the overall potential appraisal.

Level of overall appraisal	Maximum % of Population
ES (Expectation significantly exceeds)	10
S (Exceeds expectations)	50
G (Meets expectations)	35 to 40
MI (Must improve)	} 0 – 5
U (Unacceptable)	

This score decides promotions, job rotation, annual salary increases, development inputs, membership of cross-functional teams, long term incentives etc.

Conclusion: It is to be stressed that while the hardware aspect of architecture, process / system definition and rigour, identification of metrics etc. is necessary, these by themselves are not sufficient. Ultimately it is the nature of conversations that take place, the perception of transparency, equity and fairness, and an overall atmosphere of trust, that will decide how effective the performance management system proves to be. And this depends upon the intention, mind-set and attitude of the managers and leaders as manifested in their daily behaviour and interactions.



Performance Monitoring and Evaluation System for Government Departments

Dr. Manmohan Singh
Hon'ble Prime Minister

On September 11, 2009, the Hon'ble Prime Minister approved the following system for monitoring and evaluating the performance of government departments.

A. BEGINNING OF THE YEAR

- At the beginning of each financial year, with the approval of the Minister concerned, each Department will prepare a Results-Framework (RF) document consisting of the priorities set out by the Ministry concerned, agenda as spelt out in the manifesto if any, President's Address, announcements/agenda as spelt out by the Government from time to time. The Minister incharge will decide the inter-se priority among the departmental objectives.
- To achieve results commensurate with the priorities listed in the Results-Framework document, the Minister incharge will approve the proposed activities and schemes for the Ministry/Department. The Ministers incharge will also approve the corresponding success indicators (Key Result Areas – KRAs or Key Performance Indicators – KPIs) and time bound targets to measure progress in achieving these objectives. Cabinet Secretariat will lay down broad guidelines for the format of the RF document and the methodology for evaluation, keeping in mind the variation in the tasks performed by various Ministries/Departments.
- Based on the proposed budgetary allocations for the year in question, the drafts of RFs will be completed by 5th of March every year. To ensure uniformity, consistency and coordinated action across various Departments, the Cabinet Secretariat will review these drafts and provide feedback to the Ministries/Departments concerned. This process will be completed by March 31 of each year.
- The final versions of all RFs will be put up on the websites of the respective Ministries by the 15th of April each year.
- The Results Framework of each Department/Ministry will be submitted to the Cabinet Secretariat, by the 15th of April each year. It will take into account budget provisions and in particular the Outcome Budget. The Results Framework will be drawn up in such manner that quarterly monitoring becomes possible. Quarterly reports will be submitted to the Cabinet Secretariat.

B. DURING THE YEAR

- After six months, the Results Framework as well as the achievements of each Ministry/Department against the performance goals laid down, will be reviewed by a Committee on Gov-

ernment Performance consisting of the Cabinet Secretary, Finance Secretary, Expenditure Secretary, Secretary (Planning Commission), Secretary (Performance Management) and the Secretary of the Department concerned. At this stage, the Results Framework may have to be reviewed and the goals reset, taking into account the priorities at that point of time. This will enable to factor in unforeseen circumstances such as drought conditions, natural calamities or epidemics. The report of the Committee on Government Performance may be submitted to the PM, through the concerned Minister, for further action as deemed necessary.

C. END OF THE YEAR

- At the end of the year, all Ministries/Departments will review and prepare a report listing the achievements of their ministry/department against the agreed results in the prescribed format. This report will be expected to be finalized by the 1st of May each year.
- After scrutiny by the Cabinet Secretariat, these results will be placed before the Cabinet for information by 1st of June each year.

Implementation Update

As part of our programme to implement the Performance Monitoring and Evaluation System approved by the Hon'ble Prime Minister we are taking the following steps:

a. Guidelines for Drafting Results-Framework Documents

We have prepared Guidelines for preparing the Results-Framework Documents (RFD). These are available on our website: www.performance.gov.in

b. Briefing on the Guidelines to Departmental Coordinators

Each department has been asked to appoint a Joint-Secretary level coordinator to steer this exercise in their respective departments. A briefing meeting for departmental coordinators to explain the Guidelines and other aspects of the PMES will be held on October 21-23, 2009, in the Committee Room, Cabinet Secretariat, Rashtrapati Bhavan.

c. Workshop on Results Framework Documents

The Cabinet Secretariat is organizing a series of six 2-day workshops on the art and science of designing an effective Results-Framework Document. These workshops will be held in November 2009.

d. 24 x 7 Help Desk

Officers can visit our website (www.performance.gov.in) for a 24 x 7 Help Desk. We expect to be able to answer most questions and queries within 24 hours. During office hours, for clarification and help you may call Dr. G. Narendra Kumar, Joint Secretary, at 011-23012749 or send us an email at: performance@nic.in

It has been decided to implement the Performance Monitoring and Evaluation System in phases. Phase one covers 59 departments and ministries listed in the table that follows.

List of Departments and Ministries included in Phase I of Implementation

Serial Number	Name of Department / Ministry
1	D/Agriculture & Cooperation
2	D/Agricultural Research & Education
3	D/Animal Husbandry, Dairying & Fisheries
4	D/Chemicals & Petro-Chemicals
5	D/Fertilizers
6	D/Pharmaceuticals
7	M/O Civil Aviations
8	M/O Coal
9	D/Commerce
10	D/Industrial Policy & Promotion
11	D/Telecommunications
12	D/Posts
13	D/Information Technology
14	M/O Corporate Affairs
15	D/Food & Public Distribution
16	D/Consumer Affairs
17	M/O Culture
18	M/O Dev. of North Eastern Region
19	M/O Earth Sciences
20	M/O Environment & Forests
21	M/O Food Processing Industries
22	D/Health & Family Welfare
23	D/AYUSH
24	D/Health Research
25	D/o AIDS Control
26	D/Heavy Industries
27	D/Public Enterprises
28	D/School Education & Literacy
29	D/Higher Education
30	M/O Housing & Urban Poverty Alleviation
31	M/O Information & Broadcasting
32	M/O Labour & Employment
33	M/O Mines

Serial Number	Name of Department / Ministry
34	M/O Minority Affairs
35	M/O Micro, Small & Medium Enterprises
36	M/O New & Renewable Energy
37	M/O Overseas Indians Affairs
38	M/O Panchayati Raj
39	M/O Petroleum & Natural Gas
40	M/O Power
41	D/Rural Development
42	D/Land Resources
43	D/Drinking Water Supply
44	D/Road Transport & Highways
45	D/Shipping
46	D/Science & Technology
47	D/Scientific & Industrial Research
48	D/Bio-Technology
49	M/O Social Justice & Empowerment
50	M/O Statistics & Prog. Implementation
51	M/O Steel
52	M/O Textiles
53	M/O Tourism
54	M/O Tribal Affairs
55	M/O Urban Development
56	M/O Water Resources
57	M/O Women & Child Development
58	D/O Sports
59	D/O Youth Affairs

24 Departments and Ministries have been left out and they will be included in Phase II of the implementation.

Abbreviated Time Lines for 2009-2010

Normally, the Results-Framework Document (RFD) is supposed to coincide with the financial year (April 1 – March 31). However, this year the Union Budget was approved in July 2009 as opposed to February 28, 2009. Similarly, Prime Minister approved the policy on Results Framework Document on September 11, 2009. Therefore, it is proposed that only an abbreviated schedule will be implemented for the current financial year. The Results Framework Documents for this year will only cover the period from January 1 – March 31, 2009.

The following time-table will be followed:

WHEN		WHAT	WHO
2009	November 30	Submit final draft of Results-Framework (RF) document to Performance Management Division (PMD), Cabinet Secretariat.	Departments/ Ministries
	December 9-18	Review Meetings with the Ad-hoc Task Force (ATF) on Results Framework	Departments / Ministries / ATF
	December 28	Finalise Results-Framework document after incorporating suggestions of High Power Committee (HPC) on Government Performance	Departments/ Ministries
	December 31	Place Results-Framework document on departmental websites	Departments/ Ministries
2010	May 1	Submit year-end evaluation report on progress during the year	Departments/ Ministries
	May 10-18	Review Meetings with the Ad-hoc Task Force (ATF) on year-end evaluation results	Departments / Ministries / ATF
	May 27	Finalise year-end evaluation results after incorporating suggestions of High Power Committee (HPC) on Government Performance	Departments/ Ministries
	June 1	Place the Evaluation Results before the Cabinet.	Departments/ Ministries
	June 1	Place the Evaluation Results on the website of the Ministry/Department.	Departments/ Ministries



Holding Government Officials Accountable for Results: The Kenyan Experience

Dr. Prajapati Trivedi is Secretary (Performance Management) in the Cabinet Secretariat. He can be reached at: prajapati.trivedi@nic.in

On December 8, 2006, Kenyan President announced a list which ranked all the permanent secretaries in Kenya according to their performance for the fiscal year 2005-2006. The results for top five ministries / departments are listed below:

NO.	MINISTRY/DEPARTMENT	COMPOSITE SCORE
	EXCELLENT	
	None	
	VERY GOOD	
1.	Ministry of Agriculture	1.97
2.	Ministry of State for National Heritage	2.15
3.	Ministry of Tourism and Wildlife	2.15
4.	Ministry of State for Provincial Administration and Internal Security	2.17
5.	Ministry of Information and Communications	2.19

Legend:

Composite Score	Rating	Interpretation
1.00 – 1.49 =	Excellent	Achievement of 30% above target
1.50 – 2.49 =	Very Good	Achievement of target
2.50 – 3.49 =	Good	Achievement below target but above previous year's performance
3.50 – 4.49 =	Fair	Achievement equal to previous year's performance
4.50 – 5.00 =	Poor	Achievement below previous year's performance

These results were based on a system of Performance Contracts introduced in Kenya as part of the Kenyan government's "Economic Recovery Strategy for Wealth and Employment Creation 2003-2007." Essentially, a Performance Contract (PC) is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets.

First introduced in France after the publication of the famous Nora Report on the reform of state-owned enterprises in France, today almost all OECD countries use some variant of

performance contracts in managing their public sector. Adoption of Performance Contracts received a massive fillip after they were introduced in New Zealand as part of that country's pioneering public sector reforms. They gained further momentum and legitimacy when they were introduced in the US government as part of the Government Performance and Results Act (GPRA) of 1993. In the U.K. they were introduced by Margaret Thatcher as part of the creation of Next Step agencies. Today, they are widely used in all British government agencies in their latest incarnation as Public Service Agreements. It would not be an exaggeration to suggest that the concept of Performance Contracts is a key pillar of what has come to be regarded as the field of New Public Management (NPM).

Yet, arguably, no other country in the world has implemented a more theoretically sound and politically bold version of performance contracts than Kenya.

The Kenyan experience stands out in several respects. First and foremost, in no other country PCs have had the kind of political support that they enjoy in Kenya. The declaration and adoption of such a policy, in and of itself, requires a great deal of political will and determination. That explains the limited number of developing countries that have adopted this policy wholeheartedly, without any external pressure to do so. The size of this group shrinks dramatically when we look for countries that have used PCs in all areas of public sector. Kenyan PCs cover government departments, state-owned enterprises and municipalities. In fact, Malaysia is the only other developing country that has a PC policy of comparable scope.

In most developing countries, PCs have been introduced only for the state-owned enterprises (SOE). While profit may not be the best measure of SOE performance, at least the balance sheet provides a starting point. In the case of civil servants, however, it is hard to find even a starting point to measure their performance. Thus to hold bureaucrats accountable for results is a much tougher political task than holding the SOEs accountable for results.

The clearest evidence of strong political will for implementing PCs in Kenya came when the results were announced on December 8, 2006. While PCs were introduced in the US government as part of the GPRA (1993), the results of Performance Agreements (the name for PCs in America) were never announced by President Clinton. According to David Osborne and Plastrik in their book *Banishing Bureaucracy*, the reason for this reticence was the warning by President Clinton's political advisors about the negative fallout from announcing the results publicly. The brief experiment with PCs in the Canadian government seems to have met with a similar fate. Yet, in Kenya, President Kibaki not only recognized the top performers in a public function organized for the occasion, but also identified the worst performers in the government. The fact that some of his closest colleagues in the government were at the bottom of the list did not deter him from announcing the list.

Kenyan effort also distinguishes itself in the area of theoretical design of the system. After an extensive survey of all existing systems, Kenyans adopted a methodology for their system that is clearly far ahead of the other countries that have used PCs for their government departments. Unlike the Performance Agreements in New Zealand, Malaysia and USA, Kenyan system

allows the government to prepare a list of government departments arranged in a descending (or ascending) order of their performance. This is possible because unlike other countries, Kenyans use a methodology that allows them to convert the performance of a government department into a composite score with a range of 1 to 5, where “1” stands for excellent performance and “5” for poor performance. While this methodology has been used by Korea, India, Pakistan, Philippines and Thailand for PC with their SOEs, only Costa Rica used it for evaluating performance of government departments.

This is not an obscure academic point. In fact, given the design of Performance Agreements in the US government, even if President Clinton wanted to announce the top performers, it would have been impossible to do so without being hugely subjective. The design of Performance Agreements in the US did not lend itself to an objective evaluation of performance at the end of the fiscal year. There were two fatal flaws in the US system of Performance Agreements that made inter-departmental comparisons impossible. First, the performance criteria included in the Performance Agreement documents were not prioritized. Hence, at the end of the fiscal year it would be difficult to say whether meeting 8 out of 10 targets was good performance or poor performance. If the two targets that were not met were the most important ones for the government department, then the performance ought to be considered unsatisfactory. Similarly, in the US version there was no ex-ante agreement on how to judge deviations from the targets. For example, it was not clear how to judge, say, a 10 % shortfall in a particular target. As we know, in some cases, a variation of 30% from the target can be considered normal, whereas in other cases a variation of 5% could be considered unacceptable. International experience suggests that an ex-ante agreement on judging variations from the target is absolutely essential to avoid subjectivity.

The independence, objectivity and neutrality of those evaluating the performance of the public agencies represent the third distinguishing feature of the Kenyan PCs. The performance at the end of the year was evaluated by group of professionals that were not part of the government. This group, called the Ad-hoc Task Force, consisted of members from the private sector, academia and retired civil servants with excellent professional reputations.

Even when PCs are used, it takes some time for the “accountability” to trickle down the entire public service. To speed up the spread of accountability, Kenyan included a Service Delivery Charter as part of their PCs. This charter lays down the service standards expected from civil servants. In addition, Kenyan PCs include a target requiring all government departments to become ISO 9000 compliant.

Finally, Kenya PC system also differs from other similar systems in terms of the degree of ownership of this reform. Unlike many other difficult reforms that have been tried in developing countries (including Kenya), this initiative is not only home grown but has also been implemented without any external help. Thus, it is seen by Kenyans as a completely indigenous product fully suited to the needs of Kenya. This may partly explain why there has been hardly any serious resistance to its adoption.



Results Minneapolis: Performance Measurement Guides Good Decisions

Steven Bosacker is the current City Coordinator of Minneapolis, Minnesota and the most powerful appointed official in Minneapolis. At the state and federal -- and now city -- levels, Steven has developed results oriented government. He directed the creation of performance architecture at the State of Minnesota and produced the first ever comprehensive and objective "report card" of a governor's results. This article describes Results Minneapolis, the next generation of Citistat. He can be reached at: steven.Bosacker@ci.minneapolis.mn.us

Integration and alignment are the key characteristics of the performance measurement system developed by the City of Minneapolis, Minnesota. The city has strived to integrate both an operational and a strategic focus by linking its CitiStat-inspired system, Results Minneapolis, with an extensive strategic and business-planning effort, Minneapolis 2020. By including performance data in the budget process, the city stands to significantly improve its budget discussions. Performance measures assist in keeping budget discussions focused on expected outcomes, allowing for greater creativity in how those outcomes are achieved; they can also give both policy makers and department management the language they need for discussing what resources are needed and why.

Performance Measurement in Minneapolis

Minneapolis has been using performance measurement for several years. The current system is aligned with the city's strategic plan, which includes its long-term vision (Minneapolis 2020), five-year goals and strategic directions, and departmental business plans. Results Minneapolis, the city's new system of accountability, consists of weekly discussions between city leaders and one of the operational departments, focusing on that department's progress and using its key performance measures to guide the discussion. Business planning began in 2003, and each department has produced an annual business plan since 2004. Performance measures are tied to the business plans, which are then aligned with the city's goals and looked at during the Results Minneapolis discussions.

Minneapolis focuses on outcomes and results, as opposed to outputs and activity-based measures.

Minneapolis 2020 is the city's vision for the future. Following the mayoral election in fall 2005, the city's executive leadership started a new strategic planning process, taking three months to identify six city goals and 31 strategic objectives. They wanted to place increased emphasis on business planning and maximizing the performance measurement infrastructure put in place by the previous city administration.

Business plans illustrate how the departments will implement these city goals and strategic directions. The departments' alignment of priorities with services helps them to effectively manage their resources and more accurately measure their progress.

The departments' business plans average 40 pages and contain many components, including an organizational chart, mission statement, brief description of primary business lines, department goals and objectives, and the identification of the department's alignment with city goals and performance measures. It is within the business plans that the link between city goals, department goals, and department objectives is clearly designated in table format. The extensive departmental business plans had been updated annually, but that generated a lot of work for department heads, overwhelming them with planning and taking time away from execution of these plans. Now the plans are updated every five years, with yearly progress reports in between.

Results Minneapolis began in June 2006. Through this program, department heads are held accountable for the measures tied to the department business plan. A panel of senior city management -- composed of the city coordinator, mayor, one council member (the chair of the committee that has oversight responsibility for that particular department), the director of planning and management, and the directors of finance, human resources, and business information services -- meet with the department head to review and discuss progress toward city and departmental goals.

They typically look at eight to 15 key performance indicators, a select group of measures from the business plan that best illustrates the department's activity as it relates to city and department goals. Each department meets with the panel at least twice a year, and the larger departments such as police and public works meet four times a year. The managers involved can now have meaningful discussions about results.

The focus on outcomes (results), as opposed to outputs and activity-based measures, is what distinguishes Results Minneapolis from other stats programs. For example, Minneapolis officials look at the overall conditions of the city's roads rather than how many miles of street are repaved or how many potholes are filled. They look at resident water complaints rather than examining how many miles of water pipe are lined each year, and at

Minneapolis 2020 is a long-term vision for Minneapolis as a vibrant and welcoming city that encourages learning and innovation and embraces diversity. The idea is to create a livable city and stimulate growth through a mixture of accessible housing, jobs, and educational opportunities. Neighborhoods are seen as providing comfort, safety, and connectedness, while thriving commercial areas are to be linked by state-of-the-art transit and generous green spaces, and renowned cultural and recreational activities will entertain and inspire. Minneapolis is a valued state resource, and Minneapolis 2020 seeks to shape the city's future through thoughtful and responsible leadership, in partnership with residents and coordinated with a regional vision.

the number of convictions made rather than the number of cases that have been prosecuted. Departments are encouraged to look at output and activity measures, but outcomes are the focus of the Results Minneapolis discussions.

Several initiatives have provided valuable information for the departments and the Results Minneapolis discussions. One helpful addition has been the implementation of the city's 311 system, which offers a significant amount of new data on service delivery, in terms of both timeliness and quantity. The city has also established service-level agreements (times to complete the services) for the 311 requests that allow for better monitoring of volume and timeliness of work. In addition, the city has begun using specialized off-the-shelf software in some departments for data analysis and reporting. It is also upgrading its financial system, which is expected to lead to better financial reports and offer the potential to better tie programmatic performance data with financial data.

Performance measurement is also integrated into the budget process. The budget requests received from departments each spring are accompanied by answers to a questionnaire that includes performance information from the business plans. The requests go to the mayor, who discusses them with department heads. Participating in Results Minneapolis allows the mayor to be informed on department activity, and this information, in addition to what he learns during the budget process, is considered when making budget recommendations.

One example in the public works department illustrates the impact of this process on budgeting. Public works uses a pavement condition index (PCI) for gauging the quality of the city's streets. The city had initially used the index to quantify results for the city at-large; however, a geographical breakdown illustrated which areas of the city were below average, allowing the city to focus on trouble spots in its road repair efforts. Performance indicators allowed city officials to quantify the level of resources necessary to maintain a certain minimum PCI number. Tying budget numbers to programmatic numbers allows the city to evaluate the data and determine the amount of money necessary for maintaining roads at a certain level. City officials can use this knowledge to maintain the status quo or decide to lower their standard for the PCI and dedicate funds to something else.

Minneapolis also integrates the results of a citizen survey into its performance measurement efforts. The biennial survey serves many functions: gauging satisfaction with city services, determining needs and expectations for services,

Minneapolis has six five-year goals, each of which delineates five or six strategic directions for achieving those goals:

1. A Safe Place to Call Home
2. One Minneapolis
3. Lifelong Learning Second to None
4. Connected Communities
5. Enriched Environment
6. A Premier Destination

Department business plans set forth strategies for achieving these goals.

Source: <http://www.ci.minneapolis.mn.us/council/goals/>.

identifying citizens' priorities, and understanding citizens' sources of information pertaining to city services. This information guides strategic and business planning efforts, as well as the goal-setting process. Because many questions are consistent from one survey to the next, the answers can be used to compare and track department performance over time.

Another feature of the Minneapolis program is transparency. Based on the belief that the public should have access to the same information as city decision makers, Minneapolis recently created a Web site that has all of the most current Results Minneapolis and business planning materials for each department.

Results

Performance measurement guides good resource allocation decisions, informs citizens, and results in enhancing governance, city management, and relationships with citizens. Through its performance measurement system, the city has demonstrated a focus on outcomes. One example of this is the reconfiguration of department business plans, which now focus on what they want to achieve rather than what the department does.

Previous business plans included lengthy descriptions of departmental business lines and service activities.

While Results Minneapolis was being developed, there was anxiety among staff that the program would be used in a punitive way. The emphasis, however, has been on laying out the facts and determining which strategies work and which do not. Despite the initial trepidation, the staff has appreciated the support that has been built into the system.

Management asks questions such as "How can we help you achieve what you want to achieve?" and "What resources are needed to achieve these goals?" making the weekly discussions probing, strategic, and constructive.

City officials have also learned several lessons through this process of becoming more focused on outcomes:

- It is necessary to have an internal champion to drive performance measurement. An internal champion, especially someone in a position of authority, is key to the system's success.
- "Plan your work and work your plan." Focus on measuring outcomes you want to achieve - if you're going to look at 10 things, pay attention to outcomes rather than activities and work backward down the chain.
- Evaluate how division managers are involved. Do they have access to the right information? Are they properly trained to read and interpret data? You must make sure your managers are looking at the right information because if they're looking at the wrong data, they will draw the wrong conclusions. Division managers need to track performance measurement reporting on a departmental level while focusing on ultimate outcomes.

- Technology can enable you to get information into the right hands, but it's also a double-edged sword because it is challenging to get processes in place.

Results Minneapolis

Welcome to the Results Minneapolis Web site! Inspired by discussions with residents, this site strives to be a public-friendly gateway to performance information on the City's key issues. In our continual quest to become a more results-driven and transparent municipality, we hope you find this site useful and informative. To begin, click on one of the category pages above.

Key Features:

- Each measure has a narrative providing background on the measure and work related to improving performance.
- The raw data is easily accessible by clicking on the "data" text above the charts.
- Neighborhood level data is available using maps or drop downs for many of the measures.
- Every measure has a "related links" section for additional information.

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This information is maintained by City of Minneapolis, [Business Information Services](#).

The development of this site was supported by the Alfred P. Sloan Foundation.

Resources for information about the Minneapolis Performance Measurement Program

For more information on the program, please visit the Result Minneapolis website at:
<http://www.ci.minneapolis.mn.us/results-oriented-minneapolis/resultsminneapolis.asp>

Prime Minister's remarks at the MOU Excellence Awards function

SCOPE, October 15, 2009, New Delhi

It is a real pleasure for me to be amidst you today on this very happy occasion of the presentation of the MOU Excellence Awards and SCOPE Awards for Excellence and Outstanding Contribution to Public Sector Management. Let me begin by congratulating the award winning organizations and their Chief Executives. I hope their performance will inspire others to higher achievements. I wish the award winners even greater success in years to come.

This award function is, in a way, a celebration of the achievements of our Indian public sector. It is being held against the background of a global economic slowdown, which has affected the large part of the world and which has shown some signs of moderating only now. As you all know, India has weathered the slow down better than most other countries. Ours today happens to be the second fastest growing economy in the world. This is a reflection in large measure, of the strengths of the Indian economy, one of which is a robust and reliable public sector. I hope our Public Sector Enterprises will continue to play a very significant role in processes of nation



building, as they have been doing all these years.

I recall that when we began the process of liberalized our economy in the early nineties, many experts were of the view that our Public Sector Enterprises would not be able to face local and in-

creased global competition. Many years down the line, these fears and apprehensions have proved to be unfounded. Our Public Sector Enterprises have done quite well and they are now poised to grow even faster in years to come. In the post reform period, i.e. 1990-91 to 2007-08, their turnover increased nine times and their cumulative net profit

has grown more than 35 times. Though some of them have not done so well in this period, on the whole, we have reasons to be confident about the ability of India's public sector to operate in an increasingly open environment and thereby face the challenge of increased competition both domestically and globally.

There is no denying the fact that Public Sector Enterprises are here to stay in the Indian economy. Some of them have shown sustained profitability and good consistent performance. The listed ones on the Stock Exchanges account for more than 24 per cent of the total market capitalization of the Bombay Stock Exchange (BSE). In terms of market capitalization, of the top-10 listed companies on the BSE, 5 are Public Sector Enterprises. More and more Public Sector Enterprises are entering the capital markets and are striving to become active global players. Over the years, the number of Public Sector Enterprises making profits has steadily increased while the number of those which are loss making has been on the decline.

I recall that the last time I addressed this distinguished gathering in 2007, I had dwelt on three important issues which merited greater attention. These related to the listing of shares of Public Sector Enterprises on the Stock Exchanges, corporate governance standards in them and performance of State level Public Enterprises. It gives me satisfaction to note that our country has since become one of the very few countries in the world which has implemented a Code of Corporate Governance for its Public Sector Enterprises. A number of Public Sector Enterprises have since got their shares listed on the stock markets and many more are eager to do so. This is a measure of the increased vitality of our public sector. This also shows that they are not shying away from the processes of market scrutiny and that they are ready to face new challenges in an increasingly competitive world. I am also happy to know that both the Department of Public Enterprises and SCOPE have taken initiatives to strengthen the management of Public Sector Enterprises to enable them to improve their performance. But we cannot be satisfied with the status-quo. We live in a world where science and technology are creating an environment where human knowledge is increasing at an unimaginable fast pace. If India is to regain its place in the comity of nations, then there has to be sustained efforts on our part to improve productivity, to pay increasing attention to research and development and to operate on the frontiers of modern scientific and technological knowledge.

Let me state once again today that our Government is committed to giving our Public Sector Enterprises the flexibility and autonomy they require to operate effectively in a competitive environment. We have delegated more powers to the Boards of Navratna and Miniratna companies in order to facilitate further improvement in their performance. We have also implemented revised salaries for executives of Public Sector Enterprises and we have introduced innovative measures such as performance related pay. The incentives for the employees have been linked to individual, group as well as company performance. We expect

all this to lead to sound practices for the development of human resources, which are of critical importance in today's competitive environment. Our Government is encouraging the listing of Public Sector Enterprises on the stock markets as this would unlock the true value of a company, improves its corporate governance standards and also help it in raising resources for funding future expansion plans. As far as sick and loss making organisations are concerned, we have made efforts to restructure and revive them, wherever this is possible. An amount of Rupees 15250 crore has been provided by the Government in the last 5 years or so as cash and non-cash support to 36 such enterprises. We will continue to take steps to strengthen the public sector to enable it to play the role expected of it in a modern, fast growing economy.

Let me conclude by once again complimenting the award winning organizations. I urge all of you to contribute to the strengthening of our public sector. Indeed, by doing so you will be strengthening our country. I wish all of you the very best. May God bless your efforts.

Contacts :

Editor

PERFORMANCE MATTERS

Chanakya Bhavan (1st Floor)

New Delhi 110021

Phone : 24675762

Email: performance-cabsec@nic.in **Website:** www.performance.gov.in