

MEASURING PUBLIC VALUE CREATION

H. Sherman; M. Weinberg; M. Lewis

Voinovich Center for Leadership and Public Affairs, Ohio University, USA

Abstract

Do public managers have a role in shaping and creating public value or is their only responsibility to carry out the intent mandated by the legislature? What are the steps public sector managers should be taking in order to make strategic decisions that guide the agency toward better performance? What proven concepts from the private sector can facilitate better use of public sector resources and authority? We propose a new approach or framework that can be used by public sector executives to strategically manage performance in the public sector.

Theoretical Foundations

So, it is not enough to say that public managers create results that are valued; they must be able to show that the results obtained are worth the cost of private consumption and unrestrained liberty forgone in producing the desirable results. Only then can we be sure that some public value has been created. (Moore, 1995)

In his work, *Creating Public Value: Strategic Management in Government*, Mark Moore lays out a framework specifically for managers in public agencies. Moore's concepts are, "predicated on the judgment that society needs value-seeking imaginations (and associated technical skills) from its public sector executives no less than from its private sector managers." (Moore, 1995, p. 21) The framework, called the Strategic Triangle, integrates: 1) value strategy—what is valuable for the agency to do in relation to its public sector mission; 2) political management—what are the expectations of various political stakeholders and how can the manager/agency work to manage the political environment, thereby ensuring that resources and authority will flow; and 3) operational capacity—what is feasible for the manager to push the organization to accomplish, and what capacity needs to be developed to move forward on the value the value strategy.

Our work with public sector executives has confirmed that the Strategic Triangle framework helps focus managerial attention on the three key areas, which are necessary for managers to create greater success: value creation, political management, and operational capacity.

However, we found that one of the problems with the model was the need to measure the effectiveness of a manager's focus on these three strategic areas. Managers need to develop outcome measurements for each on the elements of the triangle--value creation, political management and operational capacity. Managers are then able to constantly monitor progress towards a goal or a strategy—monitoring all components that are necessary for successful implementation. Managers have a tendency to focus on areas that they feel most comfortable. For example we have found that many public managers know that to be successful, they need to develop and implement a political communication strategy but most managers feel uncomfortable doing so. If they do not set specific goals for this area of the triangle they tend not to spend the needed time obtaining the necessary political authorizing support.

Case Example – The City Of Chillicothe, Ohio

The presenters will highlight Chillicothe, Ohio Mayor Margaret Planton as a case example of public sector strategic performance measurement. Previous to Mayor Planton's administration, Chillicothe had no performance management system. This is not unusual for municipal government in Ohio, especially among small cities in rural parts of the state. Under Ohio law, there are no professional qualifications for the position of mayor. Many are elected to the position having never managed an organization, and suddenly find themselves in charge of a complex physical infrastructure, safety and security of citizens,

tourism, transportation, small business development, and many other facets of city life. Many leave the planning and execution of service delivery to the various department heads, with no overall strategic direction and no deliberate measures of success. They then interact with the department heads for budgeting and problem solving—usually dealing with issues after they become a problem and parceling out attention to the departments causing the most headaches for the city administration.

Soon after Mayor Planton assumed office, she and the other key administrators developed a traditional strategic planning document and a set of measures based on the plan. The group developed a mission statement, key goals and objectives for the city, complete with interim and long-term measures of success, and publicized the document. This was a fairly bold move for a city administration. Citizens of a municipality in Ohio are not usually given such clear measures of success or failure of an elected official and her appointed administrators. Mayor Planton was clearly articulating what she planned to do with the citizens' tax dollars, and telling them specifically how they (and her opponents in the next election) should hold her accountable—clearly a risky move by an elected official.

Chillicothe's strategic plan had been in place a few months before the mayor attended the Ohio University Executive Leadership Institute. Based on the concepts presented at the institute, Mayor Planton saw the need to work with her executive staff to reshape the city's performance measures based on the three areas of the Strategic Triangle. She recognized her current system as focused on measuring outputs and operations, with little or no regard for the "political" nature of the work of city government—that citizens and the city's legislature have to recognize the value that the administration is creating in order to provide additional resources and authority.

A simple illustration relates to a safety measure for citizens. Fire safety is a major value strategy of the city administration, and prevention of fires through such activities as education and safety checks had been a key goal in the original strategic plan. The old performance measurement system was tracking the number of fire prevention programs conducted in the community. This was an activity measure, and could certainly be linked to a value strategy measure, i.e. the reduction of fires over time. However, in the long-term implementation of traditional performance measurement systems, activity measures often get separated from the value strategy they were originally designed to address. People are then measuring an activity and forgetting why.

Under the revised system based on the Strategic Triangle, the value strategy is to prevent fires. A performance measurement related to that value strategy is fewer fires (trend analysis). An operational capacity measure is the number and quality of fire prevention programs conducted in the community, and a political management measure is the number of positive news stories on prevention activities such as the "touch a fire truck" fire safety education program for children, or a member of city council (a separately-elected office that controls the city's budget) highlighting the city's fire prevention program in his or her campaign. The deliberate link to the value strategy and the inclusion of the political management measure helps the mayor and the city administration judge their success in implementing the program as well as their success in illustrating its value to the citizens, leading to sustained or additional resources and authority to continue focusing on this particular value strategy. If budget cuts are required, city council will be less likely to cut a fire prevention program that is visible and has widespread community support. This stakeholder support should not be left to chance; the political management measures help direct the city administration in the best ways to build political capital for key strategies.

It is important to note that the political management measures are often less substantial and harder to track than the value strategy or operational capacity measures. Also, they are not often publicized; instead, they are used as internal measures of how well the organization is managing its own environment. For instance, in the above example the mayor herself is judging how much political capital the current fire prevention program is giving her with the city council and the citizens through soft measures such as the rhetoric of council and the coverage in the press. If she judges that the program is not garnering political capital, she can decide to refocus the program or work to make the value more transparent to the public and other elected officials. Deliberately measuring the political environment related to every value strategy is difficult; however, the political management measures are a way for the executive to constantly be communicating with stakeholders and managing the political environment in order to garner additional resources and authority to support and grow key areas of the value strategy.

The Chillicothe, Ohio example is an excellent illustration of the framework applied: 1) to the individual executive, and 2) to the public sector organization. The importance of this dual applicability is imbedded in the realities of the public sector. In many public entities, there is no performance measurement requirement. In others, the public sector agencies are locked in to a performance measurement system mandated by statute or bureaucratic mandate. These mandated measurement systems usually do not measure the organization's progress toward creating public value. However, if the manager is able to implement our framework, he or she can measure performance toward creating increased public value. This recognizes the public sector manager as in some ways an independent agent—an entrepreneur who has the ability and some would argue the responsibility to drive the organization toward public value and managing the political environment.

Implications for Performance Measurement the Public Sector

The traditional strategic planning models that have been used in the public sector have often not been found to effective for making strategic decisions. The model we have presented argues that the public manager is in the best position and has a responsibility to shape the strategy and the value that the organization is to achieve.

The advantages of this model include the following. First, the focus of the process should be on the manager's ability to identify and measure those critical elements that they need to achieve their objective – public value. Traditional strategic planning models have been more focused on the process of bringing in stakeholders and getting the entire staff “on board” than for the attainment of ongoing outcomes related to guiding the organization's strategic decisions.

Secondly, the performance measures developed in many traditional strategic planning processes are not as effective, because the manager needs to change as situations change more quickly than the plan can be changed. In an environment of rapid change public managers need to concentrate on creating value not on just how to implement mandated policies consistently and efficiently. The public sector strategy model described here recognizes the value of vision, mission and goals, but emphasizes entrepreneurial imagination as the key to value creation. In *Creating Public Value*, Mark Moore asserts that, “good strategic managers learn not only how to plan actions, but as important, how to exploit unanticipated opportunities as they arise.” Therefore, it is important that the performance management system actually encourages the manager to respond to new opportunities not to overlook them because they are not listed as one of their outcomes.

As a result, managers using this more agile planning process, should only concentrate on a few critical indicators. However, these few indicators still need to measure all of three areas of the triangle that are necessary for successful implementation. Most of the past performance measures concentrate only on the operational capacity area of the triangle. In addition to operational capacity it is important for the public manager to keep track of the progress they are making in the political arena as well as most importantly the most important objective the value they are creating for the public. Setting up an information system to check the three areas of the Strategic Triangle is the key to the successful implementation of this management framework.

Finally outcomes, which are normally used by government agencies, are mandated by the legislature and usually measure specific processes. We argue that the public manager should be concentrating on the creation of public value.

Future Directions

Over the past three years, we have been working with executives from dozens of agencies throughout the state of Ohio. In addition, we are currently part of a national infrastructure program for children's services agencies located in ten different states.

Many of these agencies have requested that we assist them in implementing this model. One of the areas they have asked for assistance is in developing a strategic performance management system that keeps them focused on the critical tasks that they need to accomplish. Over the next two years, we have the

opportunity to gather data to compare the success of agencies that have implemented this model versus those agencies that have not.

Reference

Moore, M.H. (1995). Creating Public Value: Strategic Management in Government, Harvard University Press, Cambridge, MA.