



Chapter Title: Introduction

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Book Author(s): Frank Camm and Brian M. Stecher

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Introduction

In the past few decades, private-sector and governmental organizations have become increasingly interested in using formal methods to improve their own performance. In the private sector, quality-based management systems¹ that highlight customer priorities and seek to align production processes to serve those priorities in a more cost-effective manner were initially developed in Japan. They began to spread to American companies in the 1980s, and now they are applied in almost all types of commercial industries and corporate settings through such techniques as lean production and Six Sigma. As interest in privatizing traditionally governmental activities grew in the 1980s, public-sector organizations in a number of English-speaking countries found their own techniques for improving the delivery of public services. Like their commercial counterparts, these techniques increased emphasis on what an activity delivered to its ultimate customer—in this case, members of the general public—and measured the performance of an activity from the outside (focusing on the net value it created) rather than from the inside (focusing on its own priorities). The central ideas behind their approaches have come to be known as new public management. Beginning around 1990, these broad trends hit the United States in a rising tide of local, state, and federal efforts to “reinvent government” that continues to this day. The Government Performance and Results Act of 1993 (Pub. L. 103-62) (GPRA) became the centerpiece of federal efforts to promote performance-based management.²

The application of these approaches continues to grow in the public and private sectors, involving ever more organizations and more activities within these organizations. The growing application of formal quality-based management methods in competitive industries strongly suggests that these methods are having a positive effect—how could firms that apply them continue to prosper in competitive settings if these methods were not worth their cost? But what is the evidence that they improve performance in government settings, in which dif-

¹ The glossary provides simple descriptions of the quality-related approaches mentioned in this summary. They share a common theme that production processes, incentive systems, or both must change to increase the cost-effectiveness of activities in achieving an organization’s goals.

² The activities affected by public-sector initiatives can exist in the public sector, such as in public schools and government-run health facilities. They can also exist in the private sector, as they do in neighborhood child-care centers and for-profit or not-for-profit hospitals. These activities can provide service directly to a government agency, such as a highway construction contractor, or to a private-sector user who pays for at least some portion of the cost of the activity for which public funds partially pay, such as a user of public transit. For descriptions of government agency efforts to improve the performance of the activities they manage or oversee, see Abramson and Kamensky (2001); Brudney, Hebert, and Wright (1999); Burgess and Metcalfe (1999); Ferlie (1998); Kettl (1998); Kettl and DeIulio (1995); Lynn (2006); Moon and deLeon (2001); Moynihan (2006); National Academy of Public Administration and Financial Accounting Foundation (1997); Osborne and Gaebler (1993); Poister and Streib (1999); Radin (2003); Sterck (2007); Thompson (2002); and Wang (2002).

ferent activities occur and very different economic and social factors shape decisionmaking in these activities? In addition, to provide helpful information to public-sector policymakers, researchers would like to know what empirical evidence exists on factors that appear to induce governments to apply these formal methods, which specific methods governments prefer in various situations, how these methods change the organization of and distribution of roles and responsibilities within government activities, and how the methods affect the performance of these government activities.

This report provides an analytic framework for a research study that seeks to answer these questions with respect to one particular method for inducing improvements in governmental activity, a performance-based accountability system, or PBAS. In the simplest form of performance-based management, policymakers monitor the performance of service activities of interest to them and use information on the performance of these activities to improve their provision of services. In what we call a PBAS, policymakers explicitly tie performance measures to incentive structures that they then exploit to promote performance improvements.

For example, in the case in which government controls the delivery of the service, policymakers can directly reward good providers of services and sanction bad providers by tying things about which they care to their realized performance. These incentives might be the income or opportunities of the owners, managers, or employees of organizations that provide services or the budget, authority, or freedom from outside interference of these organizations. For example, a transportation agency can pay a highway contractor more for completing repairs more rapidly. A school district can require schools that perform poorly to make management changes that better-performing schools do not have to make.

Alternatively, in the case in which government is not the provider of the service, policymakers might publicize the identity of high-performing organizations (e.g., child-care providers) to encourage users to seek their services. This approach simultaneously improves the services made available to users by directing them to the best providers and, presumably, rewards the providers with higher demand (as well as the honors, revenues, personal benefits and compensation, and expanded authority that higher demand brings). Publicizing the performance ratings of child-care centers presumably helps match customers to the kinds of providers they seek and helps higher-quality providers justify fees or public support for the higher level of service that they provide.

Policymakers considering the use of PBASs would benefit from answers to a number of questions? How common are PBASs? When and where are they most likely to arise? What do they look like? How well do they work? What lessons can be learned from one PBAS about how to structure another or about how well another might work? Remarkably little formal empirical evidence is available to answer many of these questions.

This report is one product of a research effort to gather readily available empirical information to answer these questions. It presents an analytic framework that we applied to collect and document information on the role, structure, and behavior of PBASs in five sectors: child care, education, health care, public health emergency preparedness (PHEP), and transportation. Chapter Two presents our understanding of the key elements of a PBAS and the factors that are relevant to how the PBAS works. Chapter Three uses the material in Chapter Two to identify more specific and focused questions that helped us organize the empirical information we collected on PBASs in the five sectors. The questions focus inquiry on why these PBASs appeared where they did, why they look the way they do, how they work, and how well they

work. Chapter Four briefly recaps the material discussed here, and an appendix summarizes the key elements of a PBAS in one table.

A companion monograph (Stecher et al., 2010) presents the results of our analysis of PBASs in these five sectors. It explains what PBASs look like in each of these sectors, focusing mainly on experience in the United States. It then looks across these five sectors, using information from each sector to identify insights that hold across the sectors. These insights clarify the role, design, behavior, and performance of PBASs; suggest ways to improve their design and performance; and point to areas in which additional formal empirical analysis could expand our understanding of the role, design, behavior, and, ultimately, the performance of PBASs as a management tool available to government policymakers.

