

# CUTBACKS VS. PERFORMANCESTAT: WHAT'S THE CONFLICT?

## FINANCIAL DEFICITS AND ATTENTION DEFICITS

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### ABSTRACT

*Reductions in any organization's financial budget can cause reductions in the organization's performance (its outputs and outcomes). It is not obvious, however, that the primary cause will be direct: Less money to spend means less can be done. Instead, the bigger impact may come through the opportunity costs created by the financial cuts on the time budget of the members of the leadership team. For the attention that they must pay to any budget reductions automatically reduces the attention that they can devote performance improvements — and to everything else. It isn't the financial cuts themselves. Rather, it is that the deficit in the financial budget creates a deficit in the leadership team's time budget. The funding deficit in the financial budget imposes an attention deficit in the time budget.*

**Keywords** - Attention Deficit, Financial Deficit, Leadership, Performance Deficit, PerformanceStat

### INTRODUCTION

“In a world where attention is a major scarce resource, information may be an expensive luxury, for it may turn our attention from what is important to what is unimportant.”

Herbert A. Simon (1978, 13)

PerformanceStat is a leadership strategy for improving performance. It is the leadership strategy employed at the New York City Police Department by William Bratton and Jack Maple when, in 1994, they created the original CompStat. It is the leadership strategy employed by Baltimore's Mayor Martin O'Malley when, in 2001, he created

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CitiStat, adapting the strategy for an entire governmental jurisdiction. It is the leadership strategy that has been adapted by a variety of public executives who have created their own AgencyStat. It is the leadership strategy that has been adapted by a variety of mayors, county executives, and governors who have created their own JurisdictionStat.

PerformanceStat isn't the only strategy for improving performance. As the definition suggests, however, it does contain the basic leadership and management behaviors required (in most public organizations, at least) to produce better results:

A jurisdiction or agency is employing a PerformanceStat leadership strategy if, in an effort to achieve specific public purposes, its leadership team persists in holding an ongoing series of regular, frequent, integrated meetings during which the chief executive and/or the principal members of the chief executive's leadership team plus the director (and the top managers) of different subunits use current data to analyze specific, previously defined aspects of each unit's recent performance; to provide feedback on recent progress compared with targets; to follow-up on previous decisions and commitments to produce results; to examine and learn from each unit's efforts to improve performance; to identify and solve performance-deficit problems; and to set and achieve the next performance targets (Behn, forthcoming 2014).

Despite its reputation for helping public organizations produce better results, PerformanceStat has not been adopted universally throughout the public sector. Yes, most big-city police departments in the United States have chosen to employ CompStat (Weisburd, et al., 2004) as have all of the state police departments in Australia. And numerous U.S. cities have created their own CitiStat. And, yes, most public executives publicly salute the call to improve performance and produce results. Still, despite the attention, most public executives have failed to adopt the PerformanceStat approach or to create their own performance leadership strategy. And some of those who do create their own AgencyStat or JurisdictionStat lose interest, permitting their initiative to atrophy and (eventually) disappear.

### **THE ORGANIZATIONAL BARRIERS TO PERFORMANCE LEADERSHIP**

Although this definition of PerformanceStat is long and complex (suggesting that, to be effective, the organization's leadership team must engage in a variety of behaviors<sup>1</sup>), it is not that constraining. The leadership team has a lot of flexibility in deciding what performance deficits to attack, what data to collect, what targets to set, what meetings to hold, what feedback and follow-up to employ. Still, this definition does suggest that merely collecting some data and publishing it on a dashboard is not enough. Neither is complying with the provisions of the Government Performance and Results Modernization Act of 2010 requiring all agencies in the U.S. government to conduct quarterly performance reviews. After all, the letter (though certainly not the spirit) of this requirement can be satisfied by holding a series of show-and-tell meetings. Any public agency that fails to identify its performance deficits, or neglects to specify any performance targets, or disregards the importance of follow-up on past decisions and commitments is missing the opportunity to exploit the PerformanceStat potential.

Given all of the political rhetoric about the need for government organizations to improve performance, why haven't more public executives created their own PerformanceStat? If public executives really want to improve performance, why haven't they invented their own strategy for performance leadership?<sup>2</sup>

Unfortunately, as the definition PerformanceStat suggests, improving performance is difficult. The organization's leadership team has to engage in a variety of complex and interrelated behaviors. Improving performance is significantly more complicated than getting an organization to implement a new system – be this a new IT system, or a new personnel system, or a new accounting system. For such a new system is well specified; specific people have to do specific tasks in a specific order, in a specific way. All very specific.

People, of course, will resist these new specifications. Everyone hates change. They have to determine when they are supposed to do what, requiring them to restructure their daily routine. Some will even try to subvert the new system. But the specificity of the “system” provides a way to determine whether or not it has been implemented faithfully.

Unfortunately, there is no “system” for performance leadership. The PerformanceStat approach involves a variety of leadership behaviors that the leadership team must adapt to their particular purposes and to the particular characteristics of their organization. Moreover, the leadership team must adapt these behaviors to eliminate or mitigate the performance deficits that are inhibiting its ability to accomplish its purposes. Unfortunately, there is no system for selecting the performance deficits that deserve to be fixed first. Choosing this is a leadership responsibility for which there is no formula. Sorry.

Thus, it is not particularly surprising that many public executives do not make a significant commitment to improving performance. They may proclaim that they are going to improve performance, but not until . . . Here are several explanations (excuses) that public executives might employ – either explicitly when trying to decide whether or not to create their own PerformanceStat, or implicitly when dismissing it as something not worth doing:

1. First, I have to focus on policy – on getting the policies right. Others (my successors) will then have the opportunity to focus on the trivial task of implementing my (brilliant) policies to achieve the better results that I desire.
2. First, I have to recruit a better team. I can't employ a PerformanceStat strategy with my current staff. They aren't smart enough; they aren't competent enough; they aren't dedicated enough.
3. First, I have to ensure that my organization can do the basics. Before my organization can improve performance, it needs to improve its operational competence to be able to implement its standard policies and procedures. Only then can we move up to producing better results.

The list of possible explanations (excuses) is quite long. Indeed, it also includes the simply assertion:

N. I don't have to worry about producing better results. Performance is not a problem. My organization is doing quite fine.

Indeed, there are a host of practical, political, and managerial explanations why more public organizations – agencies or jurisdictions – do not employ PerformanceStat or other strategies of performance leadership (Behn 2002).

### **THE PSYCHOLOGICAL BARRIERS TO PERFORMANCE LEADERSHIP**

Moreover, there are a host of psychological reasons why more public executives do not employ the PerformanceStat leadership strategy. For one, the explicit use of performance measures can expose an organization and its leadership (Smith 1995; Julnes and Holzer, 2001; McGinnes and Elandy, 2012). Why would smart public executives create the opportunity for others to criticize them and their organization by telling the world that their results are not perfect?

An additional psychological barrier is that any focus on producing results conflicts with the traditional focus on following the rules. Whether the leadership team of an organization is employing the PerformanceStat leadership strategy or some other approach to producing results, it is requiring everyone in the organization – including themselves – to think differently. They have to think differently about their individual responsibilities and about their collective responsibilities. They have all mastered rule-driven government; they know how to make it work, how to abide by the regulations imposed by various overhead agencies (including which regulations are most important), and how to satisfy the various accountability holders. In short, they have learned how to stay out of trouble by following the rules that state exactly what to do and (even more importantly) what *not* to do. They have become quite expert at rule-driven government (Behn, 2002).

If, however, the leadership team decides it should improve performance, everyone has to learn to function within a new and different set of standards. And the standards of results-driven government are qualitatively different from those of rule-driven government. Results-driven government requires a thorough, philosophical and psychological, reorientation. For while the rules still exist – public employees still can't steal money or hire their cousins – the real test of their and their organization's value is whether or not they can produce improved results.

But what results? Who gets to pick the results? Who decides what results the organization will pursue, how to measure progress, and what counts as significant progress? If the legislature has already made these decisions, executive-branch managers don't have to think this through. More likely, the legislature has avoided the difficult task of choosing the purposes, results, measures, and targets. After all, such choices, while making some people happy, will also make some people unhappy – perhaps very unhappy. These choices will annoy those constituents whose priorities are at the bottom of the list (or not even on the list). Little wonder that legislators tell the executives that they should do the choosing.<sup>3</sup>

Thus PerformanceStat or any true form of performance leadership requires public executives to choose purpose, results, measures, and targets. Further, it requires them to de-

velop a strategy for hitting these targets, producing these results, and achieving these purposes. And given that the leadership team must function in its own, unique organization and political environment, the cannot merely copy the performance strategy successfully employed elsewhere. They can learn from other organizations, even very dissimilar organizations. But this requires them to be capable of learning the tacit knowledge that successful organizations have acquired. Moreover, this requires them to be able to adapt these lessons to their own environment. They can't copy. They have to learn and adapt.

Finally, they have to avoid the temptation to propose a series of policy changes, which can be instituted relatively quickly, while promising that the results produced by these new policies will, sometime in the future, become visible.

### **THE ABSOLUTE AND UNBENDABLE RESOURCE CONSTRAINT: THE TIME BUDGET**

All of these explanations reflect the fundamental resource constraint that faces every public executive. All humans, not just public executives, must work within this most absolute and unbendable resource limit. It is the limit in every person's "time budget": the 168 hours in the week.

Public executive can't do everything. They have to choose on which purposes, problems, and challenges to focus and thus (if only implicitly) which to ignore.<sup>4</sup> Thus, if a public executive is not being pressed to produce better results – either by executive-branch superiors, by legislators, by citizens, by constituent organizations, or by crusaders (journalists or advocacy organizations) – they will focus on other tasks. They will choose tasks in which they are more interested, tasks that they know how to do, tasks for which there exists a well-organized and influential constituency, tasks that the elected executive wants done or the legislature mandates.

Some public executives will decide for themselves that producing better results is their primary purpose. They will create their own PerformanceStat not because they are directly pressured to improve performance, but because they *want* to improve performance. This will be a personal decision – and a professional decision. These executives have decided that, each week, they will allocate a significant proportion of their 168 hours to producing results.

Such a professional decision will be based on a number of factors – including the need to improve performance, the ability of being able to make a significant improvement in performance, plus a strategy and other resources (particularly talent) for doing so. This is a professional judgment – a balancing of the individual's professional objectives with all of the other demands that will not go away. And given the plethora and diversity of these other demands, deciding *not* take on the performance challenge can be a defensible decision.

## PERFORMANCESTAT UNDER THE UBIQUITOUS FINANCIAL CONSTRAINTS

The time budget has a big disadvantage. It can never increase. No public executive has ever figured out how to increase his or her time budget to 169 hours in the week. Of course, the time budget also comes with a big advantage. It can never be cut. No interest group can mobilize a constituency movement that will (somehow) reduce an executive's week to 167 hours, though they can be a big enough pain to force a reallocation of the 168. Every week, every budget executive is guaranteed 168 hours (though some must allocate more of these hours to sleep than do others).

In contrast, financial budgets go up, and financial budgets go down. They do this in response, in part, to the business cycle. They also do this in response to the political cycle.

When budgets do go up, few public executives complain. When, however, budget cuts hit, they make the public executive's job much more difficult. For decremental budgeting is qualitatively different from incremental budgeting – and much more challenging (Behn 1985)<sup>5</sup>.

Yet, even when revenues are not going down, public executives always face financial constraints. They never have the funding necessary to satisfy every request from individual citizens and every demand from advocacy organizations. Public executives are constantly pressured to launch new initiatives, to propose new policies, to create new programs, to expand existing programs, to achieve new performance targets. They can't do everything. They never have enough funding. Public executives must always decide what they will do – and, in the process, what they will *not* do.

If the only real obstacle that was deterring public executives from creating their own PerformanceStat (or some other performance leadership approach) was a budget constraint, why did not more of them do so during the 1990s, when public budgets were growing. During the 1990s, revenues nearly doubled for both the U.S. government and for state and local governments. (See Table 1.) Yet, with two exceptions – police departments across the U.S. (Weisburd, et al., 2004) and government departments in New York City – very few public agencies were adapting the CompStat leadership strategy that NYPD created in 1994.<sup>6</sup> If revenue was the critical scarce resource, why did PerformanceStat (and other results-producing strategies) not flourish during the 1990s?

**Table 1: Revenues for U.S. State and Local Governments, 1990 and 2000, In Billions of Dollars**

	1990	2000	percent change
State & Local Own Revenues	895	1,650	+ 84%
From Federal Government	137	291	+ 112%
Total State & Local Revenues	1,032	1,942	+ 88%
Total Federal Government Revenues	1,083	2,057	+ 90%

Source: U.S. Census Bureau



Money may be necessary for launching a PerformanceStat leadership strategy, but it certainly is not *sufficient*. In fact, the amount of money that is necessary is not very significant. After all, for most large public organizations, the actual *financial* cost is insignificant. Indeed, a number of small municipalities with populations of 100,000 or less have created their own version of CitiStat.<sup>7</sup> There are some up-front, capital costs for computers and maybe to refurbish a room for the meetings. Also, if the organization has little or no data related (either directly or indirectly) to performance, it may need to invest in building the infrastructure necessary to collect the data that is needed to analyze performance – to know whether it is going up or down and why. And, of course, there are some ongoing, operating costs to pay for a few staff members. None of this, however, is particularly expensive.

Once the computers have been purchased, a room has been refurbished, and the data collection system has been created, closing down as PerformanceStat retrieves none of their capital costs. It only saves the direct costs from the financial (operating) budget. It may, however, save some time – perhaps a lot of time – from the leadership team's time budget.

### SEIZING THE OPPORTUNITY OF BUDGET CUTBACKS

When budget cuts hit, public executives have to decide which of the things that they have been doing they will no longer do. They will, of course, be exhorted with the universal mantra: "Do more with less" (Caraley 1982). They have, however, already been through multiple iterations of this "more with less" contrivance, making the latest iteration look a lot less feasible. And if the do-more-with-less exhortation contains no release from the storehouse of regulations about how this more must be done, the managers will lack the flexibility necessary to accomplish any more with less.

In the private sector, executives may shed an underperforming division or cancel a line of uncompetitive products. As a result, they may be able to "do" more profit with less production. In the public sector, however, doing more with less does not always come with the flexibility to do less of the less useful things so that the organization can do more of the truly valuable things.

Still, every public executive has a personal list of underperforming policies, programs, and units. If the executive could, somehow, make them disappear, performance per dollar would go up. Indeed, resource cutbacks can create a number of opportunities for significant changes (Behn 1983). Unless the financial cutbacks are only about 1 or 2 percent, the cutbacks *require* significant changes.

After all, when faced with financial cutbacks, public executives rarely have any win-win options. Some programs, some units, some people will end up with less. They will not think they are winners. And each activity has its own dedicated constituency and vocal advocates. None wishes to see their cherished activity cut back to satisfy some mere financial problem.<sup>8</sup> They will, to paraphrase Senator Russell Long (long the chairman of

the U.S. Senate Finance Committee), simply assert: “Don’t cut you, don’t cut me, cut that fellow behind the tree.”<sup>9</sup>

Nevertheless, unless all units and all programs happily agree to take an across-the-board, identical percentage, superficially fair<sup>10</sup> cut to their budgets, someone has to make some choices. That might be the legislative appropriations committee; it might be the jurisdiction’s budget shop. It might be the leadership team of the agency itself. If they can make a reasonable case for their approach (if they can avoid such transparently obstructive tactics such as closing the Washington Monument to get tourists to complain to their Representatives and Senators (Kennedy 2009)), they may find both legislators and budgeteers willing to accept their proposals (and thus avoid some responsibility for the cuts).

As always, the leadership team has to start with purpose (Behn 2010): What exactly are we trying to accomplish? To answer this question, the leadership team must choose. It has to decide on what purposes to focus (and what purposes deserve less attention). When budgets are expanding, such a need to focus can often be ignored; with incremental budgeting, everyone can get a little more. With decremental budgeting, however, this focus of purpose is essential. For purpose provides the basis for everything else. It provides the basis for identifying key performance deficits, for selecting performance targets, for designing strategies to achieve these targets, for motivating individuals and teams, for requesting flexibility, for justifying budget decisions.

Budget cutbacks can always be driven by organized, vociferous, and boisterous program advocates. Or they can be shaped by a coherent strategy designed to achieve important public purposes. That such a focused strategy will curtail or eliminate under-performing, poorly-performing, or non-performing programs, policies, and agencies will not escape their advocates. Now, however, the advocates may be forced to defend their favorites with more than noise and bodies. A focus on purpose, strategy, and targets can, if nothing else, raise the level of the budget-cutting discourse.

### WHY HAVE SO MANY PERFORMANCESTATS WITHERED?

Yet, a number of public executives have launched their own PerformanceStat only to then let it shrink and fade away. Why? Why would they launch a significant initiative to make some visible improvements in results, only to abandon it? When creating his or her own PerformanceStat (and its associated performance targets), a political executive – whether this is an elected mayor or governor or an appointed agency head – is investing a lot of political capital. This executive is making a public commitment to improve performance, to produce some specific results, to hit some publicized performance targets. Having made such a public commitment, why would this executive abandon it?

In some jurisdictions, the legislative body (which often views something like PerformanceStat as a mechanism that the executive branch is using to lower the legislature’s power, influence, and relevance) has used the need to make budget cuts to eliminate whatever line items support the operations of a PerformanceStat (primarily the personnel slots for the PerformanceStat staff). If a PerformanceStat is not producing visible



results that citizens value, the legislative body can always act on this pique and defund a executive-branch program that it dislikes. And certainly a new executive may wish to eliminate the predecessor's fancy new initiative, replacing it with his or her fancier initiative.

Still why would a public executive let his or her own fancy initiative – particularly one in which the executive has invested personal prestige – wither? Yet, even without the necessity of eliminating PerformanceStat's small operating budget, many have, indeed, withered.

Mostly, I think, those public executives who launched their own PerformanceStat failed to appreciate its cost to their “time budget.” They had made an accurate assessment of its cost to the “financial budget.”<sup>11</sup> Drawing up a budget for the staff, the technology, and the room is relatively straightforward. And although there may be more uncertainty about the financial cost of creating the necessary data collection system, making this estimate is still relatively routine. But estimating how much *time* it would take the organization's leadership team to run an effective PerformanceStat is an entirely different question. The team can visit another PerformanceStat, observe the meeting, and chat with agency managers, the PerformanceStat staff, and the chief executive. They will not (unless they devote multiple days to their site visit) observe all of the behind-the-scenes work necessary to make the strategy effective.

In particular, they won't really internalize all of the advance preparation work required to make each meeting effective. Thus, after holding a series of these meeting, when they finally appreciate how much the strategy costs their time budget, they begin to lose their enthusiasm. Thus they begin to postpone meetings, to cancel meetings, then to lengthen the time between meetings, and eventually to stop holding the meetings altogether.

### **BUDGET CUTS AND THE FATE OF GMAP**

Few public executives have made a bigger public commitment to their version of the PerformanceStat leadership strategy than did Governor Christine Gregoire of Washington State. Soon after she took office in January 2005, she launched GMAP, for Government Management Accountability and Performance, the first application of the PerformanceStat approach to an entire state government. And she didn't just hold her GMAP sessions in the governor's private conference room. She held them in a very large room in the state capitol; and she opened these sessions to all outsiders, including public employees from other agencies, citizens, and even journalists. Indeed, one reporter from *The Olympian* (the state capitol's newspaper) even blogged about the GMAP discussion during the sessions.

After a few years, however, the regularity and significance of GMAP declined. On April 24, 2013, Gregoire's successor as governor, Jay Inslee, closed it down. Yet well before then, GMAP had ceased to be consequential. Why?

As always, there is no single explanation. In 2009, Larisa Benson, the original director of GMAP and perhaps its most enthusiastic and aggressive advocate within Gregoire's

administration, left the governor's staff to be the director of performance audit for the state's (elected) auditor. Moreover, by this time, the recession of 2008 had already hit state revenues. In September 2009, the state's Economic and Revenue Forecast Council reported that basic state revenues had dropped by nearly 10 percent from FY 2008 to FY 2009, and forecast that they would not even return to FY 2008 levels by FY 2011.<sup>12</sup>

Any decline in revenues will get any chief executive's attention. A 10 percent decline from which recovery will take several years requires serious, sustained attention. Thus another contributing explanation is that, even before Benson left the GMAP office, Governor Gregoire and her key policy advisors could not afford the time necessary to ensure that GMAP was effective in continuing to ratchet up agency performance. The task of producing results could not compete – in the allocation of their time budget – with the big, immediate challenge of reducing costs to match revenues.

As a result, the Governor paid less attention to GMAP (and thus to performance). After all, as Herbert Simon noted, attention is a scarce resource.<sup>13</sup> The governor could not afford to pay attention to both the budget crisis and performance; she had to choose. And she chose (as would any elected chief executive) to focus on the budget not on performance.

State agencies continued to submit their performance data to the GMAP office. But most of the actual GMAP meetings were cancelled. Others were replaced by electronic communication, with the GMAP staff reviewing the data sending back their reactions, comments, and suggestions. But there was no human, back-and-forth discussion of the problems revealed in the data, no analysis and debate of possible alternatives, no problem solving. GMAP had become little more than an internal dashboard.

Moreover, when an agency had a problem achieving one of its established performance targets, it had a convenient excuse: the budget cuts. This included both the lost funding, which reduced resources that were originally budgeted to achieve the target, as well as management time which had to be shifted to manage the budget cuts. For the agencies, as for the governor and her staff, the cuts in their financial budgets changed how they allocated their time budget.

### FROM GMAP TO LEAN

Finally, interest in GMAP waned as the governor focused on her “Lean management initiative” (Governor's Office of Accountability & Performance, 2012, p. 1). In fact, in December 2011, Gregoire issued Executive Order 11-04 on “Lean Transformation” that, in part, stated:

WHEREAS, our current economic climate with lower revenues and higher demand for services requires state government to continue to streamline operational processes and prioritize limited resources; and . . .

WHEREAS, we must continue to transform government into a leaner, 21st century organization that is more effective and efficient, and put our state on a trajectory that ensures a strong financial foundation for years to come; and . . .

WHEREAS, it is necessary for state agencies to take additional steps to do more with the resources we have available. . . .

I . . . do hereby order and direct:

All executive cabinet agencies to begin implementing Lean by:

1. Learning about Lean principles, concepts and tools;
2. Completing a Lean project by August 31, 2012;
3. Deploying efforts to build capacity for Lean, while embedding Lean in the agency culture; and
4. Reporting Lean results and lessons learned to the Governor's Office by August 31, 2012 (Gregoire, 2011).

If the management and leadership challenge is to improve performance, a PerformanceStat approach such as GMAP may be a valuable strategy. But if the big political challenge is to do more with less, then a public executive may quite rationally decide to focus on Lean.

### **THE QUEST FOR EFFICIENCY: FOCUSING ON THE NUMERATOR OR THE DENOMINATOR?**

In the struggle to do *more* with *less*, Lean promises that it can do both (Womack and Jones, 2003). Certainly in the private sector, fewer inputs (money) that produce the same level and quality of outputs (products and services) will create larger outcomes (i.e. profits). Indeed, in the private sector, even if fewer inputs produce a lower level and lower quality of outputs, they still might create larger outcomes.

After all, efficiency is a ratio – with outputs or outcomes in the numerator, and inputs in the denominator.

$$\text{Efficiency} = \frac{\text{Outcomes or Outputs}}{\text{Inputs}}$$

Thus, the efficiency of any activity depends upon how the inputs are converted into outcomes or outputs.

In the public sector, however, the connection is not so obvious. After all, what is an outcome – let alone what is a good outcome – is subject to much debate. Government can easily measure the inputs the same way that the private sector does: in terms of budgetary costs. But government does not have the agreed-upon outcome measures (return on equity, return on sales, operating margin) that are easy to calculate from the organization's financial records. Thus, when calculating the efficiency of any governmental policy, program, or agency, a lot depends upon what is considered to be an output or outcome – what is considered to be a good output or outcome – and how it is measured.

In addition, because this output or outcome is not recorded in government's financial records, there is also the attribution problem. If there was a significantly improved out-

put or outcome, how much of that improvement can be attributed to the work of government?

Indeed, the meaning of performance for any public agency is subject to much debate. Does society agree on how to measure the performance of a state environmental agency? Of a county child welfare agency? Of any tax agency? Given the difficulty of measuring the numerator in the efficiency ratio, most efforts at improving the efficiency in government focus on decreasing the denominator, for which the measure is well specified and the desired direction is open to not very much debate (Behn 2008).

If, in the public sector, budgets are growing, public agencies may choose to focus on the numerator in the efficiency ratio: Use the increased resources in the denominator to produce even bigger increases in the numerator. But if government budgets are shrinking, the focus will quickly shift to the denominator: Drive down spending to match the available resources. Some may try to focus the cuts on the policies, programs, and agencies where the outcome impact will be the smallest. Given, however, that most of these will have an active constituency and allies within government, doing this may not be easy. While budget cuts force a decrease in the denominator of the efficiency ratio, the result may be an even bigger decrease in the numerator – and thus a total drop in efficiency.

### THE COMPETITION FOR THE CHIEF EXECUTIVE'S ATTENTION

Reductions in any organization's financial budget may well cause reductions in the organization's performance (its outputs and outcomes). It is not obvious, however, that the primary causal connection will be direct – less money to spend means less that can be done. Instead, the bigger impact may come through the opportunity costs to the leadership team's time budget created by the financial cuts.

For the attention that must be paid to any budget reductions (the denominator) automatically reduces the attention that can be paid to performance enhancements (the numerator) – and to everything else. It isn't the money itself. It's rather that the deficit in the financial budget creates another deficit: a deficit in the time budget. The financial deficit in the financial budget imposes an attention deficit in the time budget. Any decline in revenues will demand a chief executive's attention. A 10 percent decline from which recovery will take several years will demand serious, sustained, time consuming attention.

Improving the performance of any organization is a demanding undertaking – a time consuming undertaking. And in the public sector – where the meaning of performance is open to much debate – it is even more time consuming. Thus, in the public sector, the attention deficit imposed by the financial deficit is even bigger and more consequential.

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Thus the real challenge of improving (or even just maintaining) performance while cutting financial budgets is to manage the time budget. If every budget cut needs to be publicly justified, explained carefully to the injured constituency, and then fought over, the demands of the financial budget impose significant costs on the time budget.

Or, to put it another way, a financial crisis increases, for any public executive's time budget, the opportunity cost of exercising any form of performance leadership.

## NOTES

- <sup>1</sup> For a list of sixteen leadership behaviors that are part of the PerformanceStat leadership strategy, see chapter 15 ("Appreciating Leadership's Causal Behaviors") in Behn (forthcoming 2014).
- <sup>2</sup> I have chosen to use the phrase "performance leadership" to emphasize that improving performance requires the active engagement of an organization's leadership team. Too often, the phrase "performance management" is little more than a synonym for "performance measurement," suggesting (or permitting others to infer) that to measure performance is (almost automatically) to manage performance.
- <sup>3</sup> In the United States, both the Government Performance and Results Act of 1993 and the Government Performance and Results Act Modernization Act of 2010 did precisely this – giving the task of choosing results and measures to federal agencies.
- <sup>4</sup> They won't say that they are ignoring the problem. At most, they will allow that they can't solve this problem until they have put in place the necessary fundamentals, or foundations, or other prerequisites.
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### The Qualitative Differences Between Incremental and Decremental Budgeting

Incremental Budgeting	Decremental Budgeting
Is decentralized.	Is centralized.
Permits substantive decisions to be made in a fragmented manner.	Requires all substantive decisions to be put into a comprehensive package.
Focuses only on the increment; the base need not be examined.	Requires a reexamination of the entire budget.
Is routine and consensual.	Is chaotic and conflict-laden.
Involves negotiations and accommodation, based on mutual respect.	Requires confrontation and coercion, and generates mistrust.
Can be delegated to specialists and is mostly invisible.	Provokes political engagement and is very visible.
Appears to be merely distributive.	Is clearly redistributive.
Is historical, annual, repetitive, and predictable.	Is precedent-breaking, multiyear, erratic, and unpredictable.

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Is rewarding (for there is credit to be shared), creates stable coalitions, and thus is automatic.

Is painful (for there is only blame to be absorbed), involves unstable coalitions, and thus requires active leadership.

Source: Behn, 1985

- <sup>6</sup> You might argue that public executives who were responsible for neither a police department nor a department in New York City's government did not know about CompStat and thus could not be expected to adapt it. Yet, NYPD's CompStat was well publicized. In 1996, for example, it won one of the Kennedy School's awards for Innovation in American Government.
- <sup>7</sup> These municipalities include: Palm Bay, Florida (population 100,000) with PalmStat; Somerville, Massachusetts (75,000) with SomerStat; Union Township, New Jersey (54,000) with CitiStat, and Amesbury, Massachusetts (9,000) with AmesStat.
- <sup>8</sup> To terminate a public policy, program, or agency (or to cut its budget), arguing that it is not cost effective is much less politically effective than arguing that it is *bad* (Behn, 1978).
- <sup>9</sup> Long often claimed that advocates who appeared before his Senate Finance Committee about a pending tax bill would basically say: "Don't tax you, don't tax me, tax that fellow behind the tree!" (Mann, 2003, p. 333).
- <sup>10</sup> There is nothing "fair" about across the board cuts. The organizations that get hurt the most are the ones that are most efficient – the ones that have already reduced the various forms of waste. The organizations that have managed to maintain excess, unused, or unneeded resources are more easily able, at least, to do the same amount with less. They have fat to cut. Across-the-board budget cuts punish the efficient.
- <sup>11</sup> At almost every session of Baltimore's CitiStat that I have observed, there are also visitor's from other governmental jurisdictions. After the session, when the visitors get to ask questions of the CitiStat staff, the first question inevitably is: "How much does this cost?" By "cost," they mean the cost to their *financial budget*. They never ask about the cost to their *time budget*.

<sup>12</sup>

**Washington State Revenues**  
**"General Fund-State plus Related Fund"**  
**FY 2008-FY 2011**  
**(as of September 2009)**

<b>Fiscal Year</b>	<b>Revenues (cash basis, billions of dollars)</b>	<b>Percent change from Previous Fiscal Year</b>
FY 2008 (actual)	\$15.659	1.2%
FY 2009 (actual)	\$14.154	-9.6%
FY 2010 (forecast)	\$14.244	0.6%

Source: Economic and Revenue Forecast Council, Washington State Economic and Revenue Forecast, vol. 23, no. 3 (September 2009), p. 73.



- <sup>13</sup> "In a world where attention is a major scarce resource, information may be an expensive luxury, for it may turn our attention from what is important to what is unimportant. . . . Some of the practical consequences of attention scarcity have already been noticed in business and government, where early designs of so-called 'management information systems' flooded executives with trivial data and, until they learned to ignore them, distracted their attention from more important matters." (Simon 1978, p. 13).

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