

# Translating Performance Metrics from the Private to the Public Sector

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It is a truism that we live in an era of accelerated change, and no organization can survive without increasing its own pace of decision-making. Hence an increased emphasis on realistic planning is being recognized, and in fact the US Congress has mandated such an emphasis in legislation such as the Government Performance and Results Act (GPRA) of 1993. It requires governmental agencies to develop strategic plans and performance plans that evaluate the success of the strategic plan. The intent is to make governmental agencies more accountable for results to their ultimate customer -- the taxpayers.

But there is a significant amount of 'translation' required to convert the language of the private sector into terms that are appropriate for nonprofit and governmental organizations. The amount of translation has usually been underestimated in the sincere attempt to make governmental agencies emulate private-sector business practices. However, since the goal of planners is to define appropriate metrics for performance, it is important to clarify these distinctions.

All governmental agencies exist not for profit but to fulfil their charter or mission, which is an "inherently governmental function". Government agencies have authority to conduct their mission that is delegated either by congressional statute or by Executive Order. Moreover, in US law, government agencies are prohibited from direct competition with the private sector in providing products and services. Hence, unlike private-sector businesses that can change in any way they please, government agencies are constrained to work within their authorized mission. On the other hand, private corporations are prohibited from engaging in some activities that are authorized for the government only; these exclusions are described in the Constitution. Hence, the Department of Defense has the authority to develop weapon systems and hire personnel to operate them. The General Services Administration has the authority to develop and implement policies for management and office processes throughout the government. The State Department has the authority to develop and implement foreign policy.

The key metric for government (or nonprofit) performance, therefore, is not financial in nature, but rather *mission effectiveness*. But mission effectiveness is not a definite and static thing. Usually, an agency has a rather broad general mission, which incorporates many specific sub-missions or departmental missions within it. At any given time, some departmental missions may be more important than others for the needs of the country. The selection of the departmental mission priorities is an ongoing strategic planning responsibility.

To summarize the similarities and differences of strategy between public and private-sector organizations, the following table was prepared:

## Comparing Strategy in Private and Public-Sector Organizations

Strategic Feature	Private Sector	Public Sector
General Strategic Goal	competitiveness	mission effectiveness
General Financial Goals	profit; growth; market share	cost reduction; efficiency
Values	innovation; creativity; good will; recognition	accountability to public; integrity; fairness
Desired Outcome	Customer satisfaction	Customer satisfaction
Stakeholders	stockholders; owners; market	taxpayers; inspectors; legislators
Budget Priorities Defined by:	customer demand	leadership; legislators; planners
Justification for secrecy	protection of intellectual capital; proprietary knowledge	national security
Key Success Factors	growth rate; earnings; market share	best management practices
	uniqueness	sameness; economies of scale
	advanced technology	standardized technology

Examination of this table will illustrate the often significant differences between public and private-sector organizations. The only clear similarity between the two is in the desire for "customer satisfaction", but even here there is a difference, because the definition of "customer" is different in the two cases. This table illustrates the necessity for significant revision or 'translation' of much of the private-sector focused guidance commonly available for implementing the balanced scorecard and other strategic planning efforts.

### Government agencies need to exist; why bother to measure performance?

It is sometimes stated that as a consequence of the GPRA, budgets will be determined based on performance as evaluated by the Office of Management and Budget (OMB). However, this is oversimplified, private-sector language. Actually, budgets for many government agencies will always be provided to a large extent based on the necessity of the agencies' missions, irrespective of their performance. For example, if the police force in a city has poor performance, will the budget for that force be cut? That is unlikely; probably the opposite will occur as more funds are made available for hiring, training, etc. The government agency's right to exist remains intact because of its validity on a political level. This is totally unlike the situation for a private sector company.

Of course some agencies do not have charters as permanent as that of police forces. There are many offices, bureaus, commissions and administrations that were established by legislators for a temporary task, and sometimes a 'sunset clause' is included in the charter to ensure that the organization doesn't continue after its task is done. And even within a large permanent agency, such as the Department of Defense, there are many

smaller agencies and offices that are temporary in nature. For such agencies, there may need to be a periodic review of their strategic need in light of new conditions.

From this discussion, it sounds as if the whole intent of the GPRA, to improve governmental performance and results for the taxpayers, is being undermined. If agencies have a political right to exist, regardless of their level of performance, what is the need for performance assessments?

Indeed there is an important role for the GPRA, but it is not based on strategic needs. Its value lies elsewhere -- in something that should be pervasive throughout the government: *the GPRA's focus is on the effectiveness and efficiency of the agency's authorized work.*

Since each agency has its assigned mission, the metric for success of that mission will be unique to the agency. Success is thus defined specifically to the agency's charter. "Performance" in this context means, "How well is the agency doing its mission?" Metrics of performance answer the question "How do you know how well the agency is doing?" The answer may take the form of a balanced scorecard on the mission-oriented workforce.

But in addition to mission work, every agency also contains a support workforce that does the same kinds of tasks: business systems such as payroll and human resources, financial data accounting, etc., utilities, facilities, maintenance, file management, forms processing, and other kinds of office work that are "generic" -- essentially the same in all agencies. These support functions are necessary but they do not relate directly to the mission of the agency -- although they do play a role in its effectiveness and the viability of the organization. The important difference between generic and specific (mission-related) metrics is that the *generic metrics can be benchmarked across other organizations*. This provides a way for agencies to compare their processes with the best practices in the private sector, and to identify processes with exceptionally high or low efficiency. Typically the Baldrige criteria are used for such assessments, although other methods can yield the same kinds of generic performance metrics.

Criteria or metrics for government or nonprofit agency performance can thus be broken down into the following three categories:

1. Strategic need (current and in the foreseeable future)
2. Mission-specific effectiveness metrics (uniqueness and viability)
3. Generic efficiency metrics

In [another essay](#), details regarding the definition of metrics in each category will be outlined based on the concept of *triage*.

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