Robert M.
La Follette School of Public Affairs
at the University of Wisconsin-Madison

Working Paper Series
La Follette School Working Paper No. 2009-020
http://www.lafollette.wisc.edu/publications/workingpapers

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Donald P. Moynihan
La Follette School of Public Affairs, University of Wisconsin-Madison

dmoynihan@lafollette.wisc.edu

Robert M. La Follette School of Public Affairs
1225 Observatory Drive, Madison, Wisconsin 53706
Phone: 608.262.3581 / Fax: 608.265-3233
info@lafollette.wisc.edu / http://www.lafollette.wisc.edu

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Understanding the Effects of Performance Regimes

Donald P. Moynihan, La Follette School of Public Affairs, University of Wisconsin-Madison

Submitted to Public Performance and Management Review, MS #PPMR20080328

Abstract

While governance increasingly relies on performance regimes, we have relatively limited empirical knowledge of the full effects of these regimes. This article presents a roughly drawn map of such effects, identifying relevant variables and speculating how they interact with performance measures, and are reconstituted by performance regimes.

Keywords: performance information use, gaming, leadership

Introduction

The doctrine of performance management promised a more efficient and accountable public sector (Moynihan, 2008a; Radin, 2006). Performance data would be used to better allocate resources, make decisions about strategy, reengineer processes, motivate workers and usher in a new era of accountability.

What was problematic about the claims of performance management doctrine was not that they were wrong – there is mixed evidence on this question – but that they conceptualized the effects of results-based reforms too simply and too narrowly. The central argument of this paper is that performance routines interact with a wide variety of contextual variables, resulting in a diverse array of short and long term impacts. Currently, the nature of these interactions and their consequences is only dimly understood, as through a glass, darkly.1 While not claiming to comprehensively categorize all of the effects of performance regimes, this article maps the diversity of such outcomes in contemporary governance.

How We Use Performance Information: Passive, Political, Perverse and Purposeful

A first step in thinking about the variety of effects of performance regimes is to take a single aspect of performance management – the use of performance information – and to identify the multiple aspects of this variable.

The study of performance information use generally treats it as a single construct, when in fact it has multiple categories, and indeed, subcategories. There is a danger that we may overlook some of these categories or ignore important distinctions between them. Here, performance information use is categorized as the four Ps: passive, political, perverse, and purposeful.

- Purposeful: The central hope of performance management doctrine is that public employees use data to improve program performance. Such improvements can come via goal-based learning that gives rise to efficiency improvements, better targeting of resources and more informed strategic decisions, or by tying indicators to rewards/sanctions in contract arrangements (Behn, 2003).
- Passive: Results-based reforms may result in passive reactions, where agents do the minimum required to comply with requirements to create and disseminate information, but do not actually use this information. The poor record of previous reforms, and growing

bureaucratic disillusionment with current reforms make a passive response highly plausible (Radin, 2006). This approach is most likely in hierarchical relationships, where actors often lack strong incentives to use data but are not penalized for not using it. It is also likely if the current reform is perceived as temporary, and if elected officials, stakeholders and agency leaders demonstrate little real interest in implementing performance management tools. But where results-based reforms have a permanent statutory basis it becomes more difficult for bureaucrats to assume they can wait it out.

- Political: Results-based reforms are based on a demand for public agencies to present evidence that they are performing. As a result, agents may see performance information as a means to define their efforts and success. Performance data becomes a means of advocacy in a political environment (Moynihan, 2008a). In many cases, agents have some degree of influence in selecting and measuring the performance goals they are judged by. They are likely to select, disseminate and interpret information that portrays them in a favorable light.
- Perverse: In some cases, the pressures to maximize measured performance may be so great that agents will improve these measures in ways that are in conflict with the underlying or unmeasured goals of a program. Agents may game program indicators through a variety of tactics, including making up data, creaming easy-to-serve clients, changing performance goals to limit comparison across time, or manipulating measures (Coutry & Marschke, 2004; van Thiel & Leeuw, 2002).

The Influence of Performance Regimes

Much of the literature on performance management has focused on purposeful effects of results-based reforms. While there is certainly a need to verify if such effects actually exist, a focus on purposeful effects is limiting in two ways. First, it tends to focus on direct relationships between results-based reforms and outcomes, overlooking how performance routines interact with other variables, and gradually come to reshape those variables. Second, to fully understand the impact of performance regimes we need to document a wider variety of dependent variables influenced.

Results-Based Reforms as Interactive and Path-Dependent

Changes in governance are path-dependent and incremental. Institutional theory demonstrates how new ideas and reforms become enmeshed with their political and organizational context (March & Olsen 1995; Skowronek, 1982). Structuration theory proposes a similar relationship between individual preferences and institutions (Giddens 1984).3 Individuals are shaped by institutional arrangements, but human agency, in turn, reconstitutes these arrangements.

Results-based reforms set afloat new social processes amid a sea of existing institutions.2 Performance routines interact with other institutions and individual preferences. For example, the use of the performance data may become embedded as an appropriate norm in an organizational culture over time, reshaping the attitudes of individuals in that organization, and making them more amenable to using performance data in the future. Over time, performance routines may come to dominate other routines, be drowned out, or, more likely, both mutate *and* influence these other routines.

The potential of performance routines to become dominant institutions depends on a number of factors. Results-based reforms that are at odds with supportive routines or individual beliefs are likely to be met with a passive response. For example, results-based reforms in state government led to the creation and dissemination of new performance information, but often failed to foster broader organizational changes that would have supported a results orientation (Moynihan, 2006a). On the other hand, if results-based reforms are introduced to a setting with supportive preexisting conditions (e.g., a complementary organizational culture, a fit with leadership preferences), or are accompanied with broader changes (e.g., a reliance on contract arrangements, high powered incentives, and greater autonomy) they are more likely to quickly become a central institutional norm.

In short, performance routines are influenced by, and influence, both other institutions and individual preferences in an ongoing dynamic. This reflects the fact that one reform does not make a new governance system. As we move to an era of governance by performance management, we should look to document the compromises and adaptations with what went before.

The Range of Dependent Variables

The variety of effects of performance management extends beyond the four Ps discussed above in two ways. First the range of behaviors that fits in each category is broader than we understand. For example, descriptions of perverse behavior tend to focus on actions driven by rational self-interest, but performance regimes may lead to perverse responses that are not driven by self-interest (see the discussion of employee frustration in Soss, Fording and Schram, 2008, below). Second, we need more categories. For example, as organizational theorists, we can examine how performance routines shape employee and organizational norms, beliefs, and actions. As democratic theorists, we can examine how performance routines are shaping non-mission based values such as citizenship, social equity, due process and equity.

A couple of empirical examples illustrate some of the complexities of performance management in action, reflecting how a variety of variables interact to lead to multiple outcomes. The first is a case study of the Vermont Department of Corrections (Moynihan, 2005). Department leadership viewed results-based reforms as a mechanism to pursue a new philosophy of restorative justice that was distinct from the prevailing preference for punitive policies. In doing so, the department used strategic plans and performance reports to make the case that traditional approaches were more costly and less effective than the programs they were proposing. They were successful in convincing the legislature to let them experiment with new programs, partly because of surveys that demonstrated that citizens and stakeholders supported new approaches. Over the course of two decades, performance reforms help the department to reshape the politics of corrections policies.

In the Vermont example, performance data was used for advocacy as well as for purposeful goals. The success of this advocacy, the role of stakeholder groups, and the willingness of the legislature to give the department some autonomy to experiment all facilitated significant organizational learning and policy change. Without the interplay of all of these factors, the case outcomes would likely have been significantly different.

A second example is the use of performance contracts in job training programs. Much of the decentralized US welfare system is governed by performance contracts, which often include high-powered incentives. There is significant evidence that contractors have been motivated by performance incentives, but often engage in perverse behavior. Where measures do not perfectly reflect underlying goals, contractor activity may maximize measured objectives while undercutting underlying goals, a form of goal displacement. Heinrich and Choi (2007) note that in the state of Wisconsin, state government principals have responded by adding new measures that try to limit gaming, but that contractors find ways to game the new standards.

Other research has examined how welfare contracts are executed on the front lines, and the effects on clients and contractor employees (Dias & Maynard Moody, 2007; Soss et al., 2008). Profit oriented managers create rules and incentives that improve outputs, but at the expense of the quality of client treatment. For example, employees complain that they are not providing adequate time or resources on clients who have significant problems, but simply process them as quickly as possible, or place them into dead-end jobs.

In some cases, contractors improve measured performance by eliminating less tractable clients from their client rolls. Soss et al. (2008) report on a job-training agency in Florida that received to poor performance scores. The agency reacted by deliberately creating administrative barriers to access to all but the most diligent clients. Only those with the time, resources and capacity to negotiate these barriers could continue in the program, and the number of clients on the contractor's rolls plummeted.

In addition to clients, employees also appear to be negatively impacted by the performance contract arrangements. These employees report a loss of autonomy. "Their discretion is *broad*, in the sense that they are authorized to make a wide variety of decisions affecting the clients, and it is *ineradicable*, in the sense that case managers almost always know some way to push a decision in a preferred direction. But case manager discretion does not run very *deep* if by "deep" means an individual liberty to treat clients as one would like" (Soss et al., 2008, p.29, italics in original).

New contractual arrangements are more likely to place service providers and clients in adversarial relationships. Whereas classic treatments of street level bureaucracy argue that front-line officials identify more with client needs than organizational goals, the outcome of performance contracts in welfare has been to often pit employee interests against those of the client. The emphasis on individual extrinsic incentives can crowd out intrinsic motivations (Deci & Ryan, 1999), weakening public service motivation (Moynihan, 2008b). Dias and Maynard-Moody (2007, 204) report in their case study of welfare employees that some of the most experienced employees left the organization in frustration, with one saying: "why am I working here? We are not helping anybody. It's horrible I hate it…Now I am…almost embarrassed to work here."

In some cases, employee treatment of clients may not reflect a rational pursuit of performance incentives, but simply a frustration with the context in which they work. Soss et al. (2008) find that employees under performance pressures are more likely to sanction clients and deny services. This punitive treatment has no rational purpose, since the employees themselves believe it is actually counter to improving performance. Soss et al. also show that such punitive treatments are more likely to be directed at minorities or those with lower education, and to be levied in politically conservative areas.

In the welfare example, we see performance regimes have a number of specific effects on front-line employees. They cooperate in gaming, but also act perversely out of frustration; and suffer from reduced employee morale and sense of public service. Employees lose autonomy and the capacity to "do right" by clients they identify with less and less. There is also a change in who these employees actually are. They are recruited through private employers, offered little job security, and in some cases exiting when they see little public service reward in their job.

The changing nature of front-line interactions also affects clients. They can lose due process and be denied service in order to increase contractor performance. Not surprisingly, many feel they are treated as numbers to be processed. Their ability to change their standing via political processes declines, while the contractors become a political force that shape and influence the nature of the welfare system. In some cases, punitive treatments of clients follows a clearly discriminatory pattern, directed toward the less tractable, lower educated and minorities.

To understand the outcomes of the two examples described above we need to understand more than the results-based reform that was introduced in either case. We need also to understand how new performance routines were shaped by, and in some cases shaped, a variety of variables, such as advocacy, the political context, measurement ambiguity, incentives, leadership, autonomy, employee motivations and beliefs, client treatments, and stakeholder involvement. The next section expands upon this challenge.

Identifying First and Second Order Effects

Table 1 offers an example of a range of hypotheses that arise from a broader study of the effects of performance regimes. Neither the list of mediating variables nor the various effects hypothesized are intended to be comprehensive. Instead, I draw on my own research and that of others to illustrate a wider range of possible relationships between performance routines, mediating variables, and dependent variables than we normally account for in performance management research.

Insert table 1 here

The hypotheses recognize what we might call first and second order effects of results-based reforms. First order effects examine how results-based reforms interact with key mediating variables to shape how performance management is used (e.g., the organizational culture is inconsistent with performance routines, and acts as a buffer to their use). Second order effects examine how results-based reforms reconstitute the mediating variable (e.g., over time performance routines reshape the organizational culture itself).

Both types of effects reflect how performance routines interact with other important variables. But first order effects are usually indicative of the short-term impact of new reforms. Second order effects will become more pronounced if and when performance routines become a central institutional influence. This will occur either via a long-term embedding of performance routines into the rules and norms that form a logic of appropriateness for public actors (March & Olsen, 1995), or where governance mechanisms have been radically reorganized to make performance routines dominant, such as the contracting examples discussed above.

Existing research provides more information about first order effects, but still not enough. By focusing on broader long-term impacts, the hypotheses on second order effects are necessarily more speculative. However, the examples cited above show that we already have some evidence of second order effects. While modeling first order effects is perhaps more tractable, examining second order effects is the more important long-term research challenge and the ultimate indicator of how results-based reforms have affected governance.

Conclusion

From a research point of view, the recognition of second order effects introduces endogeniety into models of performance effects. Add the fact that many of the mediating variables are likely to be related to each other and have additional interactive effects (for example, intrinsic motivations might have differential effects on performance information use if placed in the context of high-powered incentives), and studying performance regimes quickly becomes very complex.

Given the limited nature of existing knowledge, we should view such methodological issues as problems to be resolved rather than barriers to research. While the expansive approach to studying performance management suggested here certainly raises new research difficulties, it also brings new opportunities. The study of performance management is considered by many to be the study of a relatively narrow and technocratic topic. The opposite is, or should be, true. The study of performance management should be central to the study of governance. This will happen only if research incorporates an understanding of the varied relationships between results-based reforms and many of the key features of governance. Some excellent research has begun this task, but there is much to do.

Endnotes

1 The idea of incomplete knowledge is evoked by the passage from St. Paul, Corinthians in the King James Bible "For now we see through a glass, darkly; but then face to face: now I know in part; but then shall I know even as also I am known." This is generally taken to mean that understanding is akin to looking through an opaque window. But the original interpretation is somewhat different. Glass was shorthand for looking-glass or mirror at the time of the King James translation of the bible, and the Greek translation on which it was based referred to a mirror. Common to either interpretation is the uncertainty of future knowledge – for the Greeks mirrors were made of polished metal that offered a distorted image of the viewer. But in the Greek interpretation the uncertainty is centered on ourselves, rather than the world around us.

2 I use the terms routines, institutions and social processes interchangeably. My use is consistent with the perspective of new institutional theory, especially the emphasis on a logic of appropriateness proposed by March & Olsen (1995).

3 Giddens uses the term structure to incorporate what I am referring to as institutions, and what organizational theorists would typically refer to as both structure and culture.

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Table 1: The Interaction of Performance Routines with Key Aspects of Governance

Mediating variable	*First order effects (interaction of mediating variable and results-based reforms)*	*Second order effects (performance regimes reconstitute the mediating variable)*
Autonomy	Lack of autonomy discourages performance information use, since the potential to us insights to foster change is limited (Moynihan, 2008a; Willis, Mastrofski, & Weisburd, 2007).	Performance targets can reduce autonomy among front-line employees, creating greater social control of employee behavior (Soss et al., 2008) Performance advocates may call for greater autonomy in order to fully realize the benefits of performance management (Moynihan, 2006a).
Agency clientele and stakeholders	Supportive clients without competing demands foster goal clarity (Chun & Rainey, 2005), which makes the use of performance tools easier (Yang & Pandey, forthcoming) Greater demand for performance data among stakeholders/public facilitates use of results-based reforms (Poister & Strieb, 1999; de Lancer Julnes & Holzer, 2001; Yang & Hsieh, 2006).	Creation of participation opportunities may increase/reshape stakeholder involvement, or may be seen as a competing source of legitimacy, and undermine participation (Moynihan & Pandey, 2008). May lead to more punitive treatment for less popular or powerful client groups (Soss et al., 2008) May lead to creaming of client population to select most favorable group (Heinrich, 2004).
Political context	Use of performance data will be shaped by the institutional and political context. Advocates will use performance data to support existing goals/beliefs (Moynihan, 2008a)	Effective advocacy can reshape the political context, making new policy ideas appear rational (Moynihan, 2008a). Stakeholders created by performance regimes may lobby to reshape terms of policy, e.g. contractors lobbying for new contract terms.
Nature of function	More complex programs make the use of performance regimes more difficult, since it becomes difficult to verify whether outputs connect to outcomes (Radin,	May lead to efforts to divest more complex functions, or structurally separate functions with different goals (Moynihan, 2006b)

	2006; Wilson, 1989). In turn, this undermines the potential for learning, since it is unclear if innovations actually improve outcomes.	
Measurement ambiguity	Leads to multiple measures and incomplete contracts, which in turn facilitates gaming and perverse behavior (Heinrich & Choi, 2007)	Principals may try to reduce ambiguity by creating more and better measures. This may both limit perverse behavior and also increase transaction costs (Heinrich & Choi, 2007). Principals may deal with ambiguity by narrowing the purpose of the program.
Resources	Performance regimes require basic resources to succeed (to collect and disseminate data, to allocate time and resources to develop and execute new strategic initiatives) (Askim, Johnsen & Chrisophersen, 2008; Moynihan, 2008a). . Lack of resources may discourage innovation. If innovation is primarily directed toward cost-saving, underfunded programs may see little benefit in innovation (Moynihan, 2005).	Creates stakeholders who support provision of resources for performance routines. May lead to more resources if agencies are effective performance advocates, or loss of resources where agencies lack strong stakeholders and performance is weak.
Worker characteristics and beliefs	Employee role and experience affect the capacity to use performance information (Moynihan & Pandey, 2008). Mission orientation is consistent with use of performance reforms (de Lancer Julnes & Holzer, 2001; Moynihan & Landuyt, in press). Prosocial beliefs might make employees more willing to pursue performance reforms (Moynihan & Pandey, 2008).	Prosocial beliefs may become crowded out by extrinsic incentives tied to performance indicators (Dias & Maynard Moody 2007; Moynihan 2008b; Thompson 2006). Goal displacement may increase as employees pursue measured objectives that do not fully reflect program goals (Bohte & Meier, 2000), and reduce attention to non-mission based values such as equity, due process rights, or citizenship (Piotrowski & Rosenbloom, 2002; Radin 2006; Rosenbloom 2007; Wichowsky and Moynihan 2008). Employee morale may decline and frustration may increase

		(Dias & Maynard-Moody, 2007).
Organizational culture	Culture can act as a buffer to block, welcome, or adapt performance reforms in ways consistent with organizational norms (Broadnax & Conway, 2000; Jennings & Haist, 2004; Moynihan, 2005)	May reshape cultures over time, by changing rules, norms, beliefs, and by incorporating contract organizations into delivery of public services.
Leadership	Leadership attitudes toward performance reforms can encourage its use, or lead to passivity (Askim et al., 2008; Dull, in press; Broadnax & Conway, 2001) Leaders can shape *how* performance data is used, linking it to their organizational agenda (Moynihan, 2008a).	The leadership role may become increasingly defined by its management of performance. For example the Bush administration passed Executive Order 13450 in 2007 to create the role of Performance Information Officer, and require that agency leaders are involved in performance routines. Much of the "Stat" movement has portrayed agency and political leaders as managers of performance (Behn, 2006)
Incentives	High powered incentives direct greater attention to performance indicators. Where incentivized indicators are imperfect measures of organizational goals, this may create goal displacement via perverse behavior and gaming.	Performance advocates could argue that use of performance measures is incomplete with accompaniment of high powered incentives and contractual arrangements. If successful, this would lead to a more market-like public sector (Moynihan, 2008b). Concern that high-powered incentives leads to perverse behavior could lead to their abandonment (Heinrich & Choi, 2007).