

Managing the Team

To achieve important public goals, the State will have to dramatically change how the public workforce is managed, beginning with the management corps itself. Reducing recidivism, improving foster care and moving more people into the workforce requires focus on goals rather than duties, outcomes instead of compliance and management capacity in place of spending authority.

The State's management system is structured around the duties and functions of specific positions and programs. Few departments clearly articulate their goals, how they will achieve them and who is tasked with producing those outcomes. Held back by restrictive budget and statutory requirements, managers have few tools to effectively improve outcomes. Internal budget decisions, legislative oversight and audits zero in on the tasks that departments are required to undertake, but often ignore whether outcomes are improving. These traditional tools of governance seldom seek to replicate high performance or address the causes of dismal failure.

In 1993 the State initiated a pilot project on the use of performance-based management, most notably performance-based budgeting. Five departments took part initially, but just two followed through. Between 1993 and 1998 when the pilot ended, both the Department of Parks and Recreation and the California Conservation Corps translated the performance initiative into improved service to customers, enhanced results and greater efficiencies.⁸⁴

Despite the value of performance-based management strategies, few departments have adopted these tools to improve outcomes. To focus the State's workforce on improving performance, departments must put in place a performance management system with the following components:

- 1) Departments must adopt clear goals to guide decision-making.
- 2) State agencies must define, gather and use performance information.
- 3) Managers must be given expanded authority and responsibility to address challenges.
- 4) Oversight and accountability mechanisms must monitor outcomes rather than compliance with procedural requirements.

To put in place these mechanisms, the State must reform current policies and practices.

Problem #6: Departments have not articulated clear goals to guide decision-making, inspire employees and focus attention on outcomes.

Each week, California's 212,000 employees put in nearly 8.5 million hours of work, representing a tremendous potential to serve Californians. But few state agencies have a clear purpose that guides management decisions on how best to allocate those hours, or allows employees to discern priorities or improve strategy.

In 1998 the Department of Finance directed departments to develop strategic plans.⁸⁵ Although statutory requirements for planning were dropped, the Department of Finance continues to direct departments to link requests for additional funds, personnel or expanded authority to their strategic plans.⁸⁶ In practice, the Department of Finance fails to consult the plans that do exist and is unconcerned when they are absent.

Some departments have endorsed the value of strategic planning and clear missions, and use these tools to guide internal decision-making. But the majority of state agencies have not articulated clear goals that can guide the work of managers and other employees.

The U.S. Comptroller General asserts that high-performing organizations rely on a clear, well-articulated and compelling mission to engage employees in making a difference.⁸⁷ An organizational mission that is poorly understood, not in use or that competes or conflicts with other values can quickly demoralize employees. But setting and sticking to strategic plans is difficult, particularly when policies, programs and core practices are not in line with articulated goals. Employees quickly recognize these conflicts and either move on or become resigned to limited progress.

For example, the Department of Mental Health has an articulated mission to lead California's mental health system, and ensure the "availability and accessibility of effective, efficient, culturally competent services."⁸⁸ But for years mental health clients have been locked out of California's community mental health system. State policy requires rationing care only to the most severely ill. And the department's budget directs its attention away from community mental health needs. Nearly 98 percent of all department personnel are dedicated to operating the State's mental hospitals.⁸⁹ Despite dramatic unmet mental health needs among California's children, adults and families, the department has few

staff available and limited expertise to help communities improve access and quality of mental health care.

Most state departments have some form of mission statement, but few provide clear guidance on goals, priorities, or how to get there. For example, the Department of Social Services has a declared mission to “serve, aid, and protect needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.” But that mission has not been used as a foundation to build a results-oriented department.

In 2002, state officials told the Commission that the counties, not the State are responsible for protecting children.⁹⁰ In response, county officials asserted that the State must take on that charge.⁹¹ In 2003, the federal government criticized state efforts to protect children and fined the State \$18.2 million. The fine has been temporarily waived as the State implements reforms.⁹²

The Urban Institute recommends that states improve their use of strategic planning to communicate with workers, stakeholders, policy-makers and the public about goals and priorities.⁹³ Strategic plans should guide budget development, workforce planning and technology investments, as well as funding decisions.⁹⁴ In 1993, the federal government passed the Government Performance and Results Act, which requires each federal agency to develop goals and objectives, define performance measures and monitor progress. The lessons from a decade of effort suggest that improvements are difficult, but federal departments are making progress.

California’s agencies would benefit from similar requirements. The vague mission statements in place for many state agencies, which call for administering programs, dispensing funds and serving Californians, are insufficient to guide management decisions, employee behavior and public understanding.

The Government Performance and Results Act

The Government Performance and Results Act of 1993 was intended to shift the focus of government decision-making and accountability away from activities – such as grants dispensed or inspections made – to results – such as gains in employability, safety, responsiveness, or program quality. Under the act, agencies are to develop multiyear strategic plans, annual performance plans, and annual performance reports.

A 2000 survey conducted by the GAO found that federal managers have been challenged in their efforts to build organizational cultures that focus on results. Key barriers to their efforts include poorly defined performance measures, insufficient authority over fiscal, personnel and information resources, and budget and oversight mechanisms that fail to support results-based management.

Source: U.S. Government Accountability Office. 2001. “Managing for Results.”

Solution #6: The State must renew its commitment to planning strategically, defining goals, clarifying roles and setting priorities.

- ❑ ***Departments should undertake a strategic planning process.*** Planning should involve employees, clients and other stakeholders to define goals, clarify roles, develop performance measures and assess workforce, funding and technology needs.
- ❑ ***Planning should address crosscutting goals.*** Each cabinet agency should ensure that department strategic plans address crosscutting goals that involve multiple departments, such as reducing crime, expanding access to affordable health care, protecting the environment and ensuring sufficient, affordable energy to meet needs.
- ❑ ***Strategic plans should include program goals for individual managers.*** The process should provide managers with clear information on priorities, initial strategies for success, and the specific programs and goals for which they are individually responsible and accountable.

Problem #7: Departments are not gathering or using performance information to guide management decisions and direct reforms.

The State is a tremendous data repository, but data are rarely used to guide management decisions. For those departments that do have data, few use them to determine what is working, what is not and where reforms are needed. For the rest, information systems are not designed to provide management information and gleaning useful performance data from those systems is difficult, costly and often confusing.

For instance, the California Community Colleges collect data on the number of students who enroll in classes, whether they persevere through their courses, the grades they earn and their progress toward degrees.⁹⁵ But the information is rarely used to guide funding, policy

Community College Performance

The State collects detailed data on community college students, including whether they complete coursework. But performance data are not used to shape reforms and improve outcomes. Between 1998 and 2004, student retention has hovered between 81 and 83 percent, indicating that students fail to complete about one-in-five courses. But that information has not lead to reforms to improve retention.

Source: Community Colleges Chancellor's Office.

and management decisions. This information also is not used to help students find the colleges and programs most capable of meeting their needs.⁹⁶

The Department of Corrections invests \$6.5 billion in prisons and parole services and has faced increasing scrutiny for a dismal record in preventing recidivism.⁹⁷ But the department explicitly prevents some community correctional facilities from tracking outcomes for the offenders being served.⁹⁸

And the Child Welfare System Case Management System contains detailed information on children in foster care. But the data often are incomplete, and

the system has limited utility for tracking health, education and workforce outcomes for children raised in the State's foster care system.⁹⁹

But performance information is essential to helping employees, policy-makers and the public understand the quality of public programs, their value and areas needing improvement. The U.S. Comptroller General asserts that fact-based understandings of public efforts provide essential guidance for improving outcomes where there are deficiencies and recognizing accomplishments where there are successes.¹⁰⁰

In testimony before the Commission, J. Christopher Mihm, the managing director for strategic issues at the Government Accountability Office, said

Effective Performance Management

The GAO identified these key characteristics of an effective performance management system:

1. **Align individual performance expectations with organizational goals.** An explicit alignment helps individuals see the connection between their daily activities and organizational goals.
2. **Connect performance expectations to crosscutting goals.** Placing an emphasis on collaboration, interaction, and teamwork across organizational boundaries helps strengthen accountability for results.
3. **Provide and routinely use performance information to track organizational priorities.** Individuals use performance information to manage during the year, identify performance gaps, and pinpoint improvement opportunities.
4. **Require follow-up actions to address organizational priorities.** By requiring and tracking follow-up actions on performance gaps, organizations underscore the importance of holding individuals accountable for making progress on their priorities.
5. **Use competencies to provide a fuller assessment of performance.** Competencies define the skills and supporting behaviors that individuals need to effectively contribute to organizational results.
6. **Link pay to individual and organizational performance.** Pay, incentive, and reward systems that link employee knowledge, skills, and contributions to organizational results are based on valid, reliable and transparent performance management systems with adequate safeguards.
7. **Make meaningful distinctions in performance.** Effective performance management systems strive to provide candid and constructive feedback and the necessary objective information and documentation to reward top performers and deal with poor performers.
8. **Involve employees and stakeholders to gain ownership of performance management systems.** Early and direct involvement helps increase employees' and stakeholders' understanding and ownership of the system and belief in its fairness.
9. **Maintain continuity during transitions.** Because cultural transformations take time, performance management systems reinforce accountability for change management and other organizational goals.

Source: J. Christopher Mihm, Managing Director, Strategic Issues, U.S. Government Accountability Office. August 26, 2004. Testimony to the Commission.

that effective performance management systems provide information that can drive internal change as well as achieve external results. These systems help departments manage on a day-to-day basis.

For instance, the Federal Aviation Administration helps their employees understand how their individual efforts translate into reducing aviation accidents and saving the lives of passengers.¹⁰¹ In Missouri, the workers who paint yellow stripes on the road know what is expected of them. Line painters, their supervisors and senior managers are each held accountable for improving roadway safety to reduce traffic deaths.¹⁰² And in Minnesota, each department is required to post on a Web site information on goals, measures and targets for the year. Biannual reports are required for each department on the use of technology, financial and capital management, results management and human resource management.¹⁰³

To guide improvements, communicate progress and highlight needs, each department must define the results they intend to achieve, develop strategies to monitor outcomes and put in place systems to track progress. Agencies need to understand who is served, at what price and with what results.

Solution #7: The State must make a commitment to performance management.

- ❑ ***Departments should identify the public outcomes they will promote.*** Consistent with strategic planning, departments should establish outcomes that reflect their mission. Outcomes should be meaningful to the public and policy-makers and provide employees with guidance on department priorities.
- ❑ ***Departments should identify the programs needed to achieve those outcomes.*** Consistent with strategic planning, departments should link outcomes to specific programs or projects. Managers must be able to see the nexus between their daily work and desired outcomes.
- ❑ ***Departments should identify measures for monitoring progress.*** Measures should be designed to provide managers, employees, the public and policy-makers with clear information on whether progress toward goals is being made, where improvements are needed and how to proceed.

Problem #8: Managers do not have the tools needed to improve outcomes.

Well-defined goals and performance measures provide clear direction to managers, but progress also depends on managers having the authority, tools and support to develop improved strategies. Legislative mandates, statutory restrictions and directive budget language often tie the hands of managers who may better understand the problems to be solved, the solutions likely to work and how to implement them. Budget and policy deliberations must recognize how these constraints may impede performance.

Three primary tools are available to managers to leverage state resources to meet public goals: people, technology and financial management. But state statutes and regulations limit the utility of these tools for improving outcomes.

People. California's classification system is the backbone of the civil service system. State employees are hired, paid and retained based on their ability to perform the specific duties defined in their job classification. But the classification system prevents departments from shifting workers efforts from low-priority to high-priority challenges. Workers who are asked to deviate from their job duties can claim violations of civil service policies. If managers cannot reassess and reassign employees, and if employees cannot seek permission to alter the nature of their work to better align their efforts toward goals, then improvements are unlikely.

Collective bargaining agreements also can unduly limit the ability of managers to address deficiencies. For example, the Independent Review Panel, in its review of the correctional system, charged that the labor agreement with the Correctional Peace Officers Association "seriously undermines the ability of management to direct and control" the work done in correctional programs. The panel found that existing contract provisions, which dictate membership on departmental committees, restrict management decisions on training and hinder flexibility in making job assignments, are beyond the scope of what should be part of labor-management negotiations.¹⁰⁴

A number of states are revising their personnel systems to infuse greater flexibility into workforce practices. Louisiana and South Dakota allow managers to negotiate starting salaries for hard-to-fill positions and for jobs in remote areas.¹⁰⁵ Virginia has reduced the number of job classifications it uses, drawing upon fewer but broader classifications to better deploy employee competencies and skills.¹⁰⁶

Personnel reforms are essential to ensure that state government has the people with the skills needed to achieve the goals articulated by policy-makers. The Commission and other entities have identified

Commission Reports on Government Operations

The Commission has released two reports on reforms to California's civil service system, a report on the need for reform to the State's use of technology and has recommended organizational reforms to the health and human service agency to improve its ability to manage the funding it sends to local partners who provide services. These reports are available through the Commission's Web site.

Of the People, By the People: Principles for Cooperative Civil Service Reform

(Report #150, January 1999)

<http://www.lhc.ca.gov/lhcdir/150rp.pdf>.

Too Many Agencies, Too Many Rules: Reforming California's Civil Service

(Report #133, April 1995)

<http://www.lhc.ca.gov/lhcdir/133rp.html>.

Better.Gov: Engineering Technology-Enhanced Government

(Report #156, November 2000)

<http://www.lhc.ca.gov/lhcdir/report156.html>.

Real Lives, Real Reforms: Improving Health and Human Services

(Report #173, May 2004)

<http://www.lhc.ca.gov/lhcdir/report173.html>.

opportunities to improve California's civil service system. In 1995, the Commission identified the specific reforms that are needed to better align personnel rules with organizational needs.¹⁰⁷ In 1999, the Commission recommended a collaborative process to bring together unions and the administration to jointly solve problems and improve outcomes.¹⁰⁸

Technology. The State has a dismal reputation for using technology to enhance productivity and improve outcomes. In 2000, the Commission issued a report specific to the technology challenges facing state government.¹⁰⁹ Despite the high cost of failure, the State has been slow to implement needed reforms.

The State's chief information officer has issued a strategic plan for the acquisition, management and use of information technology.¹¹⁰ But without sufficient political capital to implement the plan, monitor improvements and address deficiencies, changes will not be forthcoming.

Financial management. Few public policy issues are completely within the domain of state government. The State primarily influences outcomes by allocating resources through partnerships with federal agencies, local governments, the private sector and community-based organizations. The tools of state governance increasingly rely on financing and other indirect strategies to serve communities.¹¹¹ A number of states are turning to improved financial management tools, including performance contracts, and blended and braided funding, to better manage their partnerships and improve services.¹¹² But state managers in California are not well equipped to leverage these strategies to enhance efficiency and improve outcomes. In 2004, the Commission recommended organizational reforms to the State's health and human services agency to better enable the State to coordinate its partnerships with local agencies and better support desired outcomes.

Moving to performance management will require the State to assess the tools presently available to managers and to expand managerial discretion and authority.

Solution #8: Managers must be given the authority and responsibility to manage.

- ❑ **Departments need discretion in the deployment of personnel.** The administration should assign a personnel leader to identify needed reforms to enhance the capacity of departments to assign, reassign, train, mentor, discipline and promote managers and rank-and-file workers to better meet policy goals.
- ❑ **Managers must make better use of technology to achieve policy goals.** Partnering with personnel and financial management leaders, the State CIO should identify and champion reforms that would give managers improved capacity to leverage technology to improve the efficiency and effectiveness of state operations and improve public outcomes.
- ❑ **Managers must have improved authority to manage limited public funds.** The director of the Department of Finance should identify state-of-the-art tools to manage public finances and develop and champion reforms that would enhance the ability of managers to apply those funds in ways that produce improved outcomes.
- ❑ **Limit the impact of collective bargaining on management capacity.** Collective bargaining should not unduly restrict management capacity. Proposed collective bargaining agreements should be subject to independent analysis and available for public comment.

Redeploying Managers

To ensure the efficient deployment of managers, departments should periodically assess and refine their management ranks, ratios of managers to employees and distribution of authority. The State's personnel leader should advise departments on how best to undertake these reviews and provide assistance to overcome obstacles to success.

Problem #9: Oversight and accountability mechanisms push compliance and ignore outcomes.

Managers and employees need clear information – linked to goals – to guide day-to-day decisions. Performance information also can guide immediate and long-term policy and fiscal deliberations. But performance management will require changes in how the State's control agencies and the Legislature pursue oversight and accountability.

In the absence of meaningful information on the value and performance of specific programs and departments, policy-makers have turned to compliance monitoring as a strategy for oversight and accountability. Compliance audits, legislative hearings, personnel audits and other oversight activities routinely focus on whether departments have followed the often Byzantine rules that govern state operations.

Program oversight. Few public programs have clear goals, performance data and outcome measures, thus reviews mostly focus on procedural requirements. In addition, the auditor is often directed by the

Legislature to respond to specific problems, rather than overall performance. For example, in its review of California's licensing system for care homes, the State Auditor verified that the Department of Social Services was failing to follow procedures. But the audit was largely silent on whether the State's licensing goals are being met, whether people are being safely cared for and protected from abuse.¹¹³

Managers largely view "oversight" activities as something to endure or survive, but not as a mechanism for improvement. In 2003, the U.S. Department of Justice condemned the quality of care at the State's only mental hospital serving children.¹¹⁴ The Legislature held a public hearing to review the findings, but only one lawmaker attended the hearing, and policy-makers neglected to implement procedures for ongoing monitoring to ensure deficiencies were addressed and outcomes improved. Two years following the federal report, the State's mental health oversight panel has not decided whether to examine the quality of care at Metropolitan State Hospital.

In 1991 the Legislature directed the Department of Mental Health to develop performance measures for community mental health programs. After more than seven years of development, the department began to release performance information, but those data are not used to monitor outcomes, inform budget allocations or drive policy decisions. And those data provide little helpful information on the problems at Metropolitan State Hospital and whether the children served by the hospital move on to lead productive lives.

Personnel oversight. State regulations require departments to conduct performance evaluations for each employee. But performance appraisals are not linked to outcomes or improving value to the public. Standard performance reviews in state service highlight whether employees meet deadlines, follow policies, use their time well and produce work that is "neat, well-organized, thorough, and effective."¹¹⁵ They serve as a form of end-of-year report card, which can provoke confrontations when reviews are poor, and provide little guidance on how to achieve improvement.¹¹⁶ And in the absence of clear job goals, information in performance reviews is not linked to outcomes.

Some state departments have migrated toward more effective performance evaluation systems. For example, the Department of Social Services evaluates upper-level managers on a more comprehensive set of competencies.¹¹⁷ But overall, the State fails to use personnel evaluations to drive outcomes. Consistent with the efforts of the GAO, a number of states are linking job performance and evaluations to outcomes. In Pennsylvania, rank-and-file employees are evaluated much the same as in California. Managers and supervisors are reviewed on similar factors

along with their use of performance management tools. But senior managers are specifically evaluated in the context of major work products that reflect state priorities.¹¹⁸ Washington state also has bolstered personnel evaluations to focus on performance.¹¹⁹

To move forward, the State must shift its oversight and accountability efforts away from compliance monitoring and toward outcome management.

Solution #9: Oversight activities should focus on outcomes, not compliance with rules.

- ❑ ***Policy-makers should focus on the outcomes that are expected.*** Budget hearings, legislative briefings and policy discussions should be predicated on desired outcomes, performance measures and the progress to be expected.
- ❑ ***Control agencies should rely on strategic plans.*** The Department of Finance and other control agencies should review budget, personnel and policy proposals in the context of departmental goals and strategic plans.
- ❑ ***The Department of Personnel Administration should guide the reinvention of employee performance reviews.*** In consultation with employee organizations, the department should improve the strategy for assessing employee performance. The strategy should provide rank-and-file workers and managers with clear information on how employee performance is linked to public goals and how improvements can be achieved.

Managing the Team

Putting in place a performance management strategy is difficult, time consuming and rife with conflict. State officials must work closely and collaboratively with employee unions, management associations, local governments and other partners, as well as the members of the public who are served by specific programs. Without focused leadership, agencies and departments can quickly become pitted against each other as they maneuver to avoid accountability for outcomes they cannot individually achieve. To succeed, the reforms must have the sustained support of the Governor and senior cabinet officials. A performance management initiative will not take hold with an executive order alone. It must be implemented through a sustained effort, lead by a capable and experienced official accountable directly to the Governor.

- ❑ **Calling for leadership.** The Governor and Legislature should charge the State's personnel leader with implementing a performance management initiative and bolstering the quality of management throughout the administration.

The State must build a management strategy that does not rely on extraordinary leadership to overcome bureaucratic barriers to improvement. Instead, the State must design a management system in which well-trained professionals are enabled to produce extraordinary results. Other states have formed labor-management task forces to identify challenges and opportunities, build knowledge and promote collaborative efforts to improve outcomes. A labor-management task force can ensure that California's performance management system is workable, reliable and achieves desired outcomes.

- ❑ **Promoting a structure for cooperation.** The Governor should establish a labor-management workgroup to provide a healthy and honest forum for driving and monitoring improvements and preventing and resolving conflicts.

More than budget or regulatory requirements, the culture of the State's workforce will determine whether performance management strategies will take hold and public needs and outcomes will drive day-to-day decisions. To improve outcomes, the Governor and Legislature must reinvent the culture of public service. Employee unions must progress from stalwart opponents to allies. Senior officials and policy-makers must embrace the needs of the public and focus their energies on improving and documenting public outcomes.

- ❑ **Elevating the culture of public service.** To re-craft the culture of public service, the Governor, cabinet secretaries and department directors must publicly and consistently declare the goals to be achieved through state programs, the progress being made and the accomplishments of public servants.