

INITIATIVE:



EMPOWERMENT ZONE/ENTERPRISE COMMUNITY



Building Communities: Together

Performance Measurement System Guide





“For the past 5 years, we have worked to bring the spark of private enterprise to inner city and poor rural areas—with community development banks, more commercial loans in the poor neighborhoods, cleanup of polluted sites for development. Under the continued leadership of the Vice President, we propose to triple the number of Empowerment Zones, to give business incentives to invest in those areas.”

—*President Bill Clinton*
State of the Union, January 20, 1998



“Our empowerment agenda is built on the belief that everyone has a positive contribution to make, and that all communities can create the climate that calls forth that contribution . . . if we give them the tools they need.”

—*Vice President Al Gore*
Los Angeles Empowerment Zone
October 16, 1997



“The concept of Empowerment Zones and Enterprise Communities couples national objectives with local means, Federal goals with local ingenuity. It’s a true and equal partnership, the hallmark of which is performance. It’s an approach which believes that one size does not fit all, that Washington does not know best.”

—Andrew Cuomo
Secretary, U.S. Department of Housing and Urban Development
Boston Globe, July 18, 1997

Dear Communities,

The Empowerment Zone/Enterprise Community (EZ/EC) Initiative is one of the most innovative and exciting approaches to urban community revitalization ever initiated by the Federal Government. Launched in 1994 by President Clinton and Vice President Gore, 105 communities across the country were designated as Empowerment Zones and Enterprise Communities in December 1994.

Since that time, these Zones and Communities have successfully begun to turn their neighborhoods around through the creation of partnerships and the leveraging of billions of dollars in private investment. Community residents and organizations have been engaged not only in the planning of successful programs and projects, but also in their implementation. Private and not-for-profit sectors, education and religious communities, and government have also been key partners.

Spurred by the success of the first round of EZ/ECs, we are embarking upon a second round of designations, in which we will be designating another 15 urban Empowerment Zones.

This publication, entitled *Strategic Planning Guide*, is designed to assist communities applying for designation to create the kind of Strategic Plan that will not only serve as the core of their applications, but will be useful in guiding the revitalization of their communities beyond the life of the EZ/EC Initiative. We urge you not to think of strategic planning as just the means of preparing your application for Empowerment Zone designation, but to really embrace its principles and process for the long-term benefits that it will yield for the community.

The philosophy of comprehensive strategic planning is one that we use extensively at the Department of Housing and Urban Development. Throughout the agency, we are taking the concept of a comprehensive approach and are developing a streamlined, coordinated package of programs that every community across the country can utilize. A well-developed Strategic Plan will help in fulfilling the planning requirements for the full range of our housing and community development programs.

There is no one "right way" to do strategic planning. However, this guide sets forth sound principles and alternative ways to approach the process. Building new partnerships and doing collaborative planning is not always easy, but the results are always worth the effort.

I wish you the best.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Cuomo". The signature is fluid and cursive, with a large initial "A" and "C".

Andrew Cuomo
Secretary



**PERFORMANCE MEASUREMENT
SYSTEM GUIDE**

**LINKING PERFORMANCE
MEASUREMENT TO
STRATEGIC PLANNING**

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PREFACE

This *Performance Measurement System Guide* is designed to help communities integrate performance measurement into their strategic planning efforts. In order to ensure accountability and efficiency in the allocation of resources, communities must consider whether their goals can be realistically achieved and how progress toward attaining those goals will be measured. It is critical to work discussions of performance measurement into early debates on establishing goals.

Each performance measurement system is unique because it is designed to meet the needs of particular stakeholders. This guide does not prescribe any particular performance measurement system. Once designations are made, the U.S. Department of Housing and Urban Development (HUD) will work closely with the new Empowerment Zones to refine a system of performance measurement that meets the needs of both HUD and the Zones.

INTRODUCTION

The hallmark of the Empowerment Zone/Enterprise Community (EZ/EC) Initiative is the creation of powerful, collaborative relationships among diverse partners to foster economic opportunity and sustainable community development. Providing communities with the tools that help them map a path from their present to a future that holds better outcomes for all citizens is critical to making this vision become a reality. The purpose of this guidebook is to outline how such a Performance Measurement System can be designed and implemented.

Performance measurement is not about creating yet another layer of bureaucracy or additional Federal reporting requirements. If done correctly, it creates a powerful system that allows the community to track how well programs perform and to see where its hard work is paying off and where additional effort is needed. More importantly, these measures of success are not handed down by government mandate, but are created by citizens themselves as part of the EZ/EC application process.

While the creation of a Performance Measurement System is required in the application, how that System is developed, how the measures are designed, and what constitutes success is the community's decision. One factor that sets the EZ/EC Initiative apart from other programs is the emphasis on using collaborative decision-making that involves diverse partners, a process emphasized in this guidebook and its companion publication, *Strategic Planning Guide*.

In addition, the EZ/EC Initiative is distinctive because it is a performance-driven program. This new paradigm recognizes that citizens and government alike need to know where their money is being spent, be informed about what results are produced, and participate in shaping programs and projects to improve outcomes for the community. The Performance Measurement System allows the community to oversee the program effectively, oversee the program results, and then make sure that information is made available to all stakeholders to facilitate decisionmaking.

This new paradigm is being implemented at all levels of government. At the Federal level, Vice President Al Gore has been working closely with the National Partnership for Reinventing Government. The National Partnership was created in 1993 by the Clinton/Gore Administration to work with Federal agencies and departments to develop innovative approaches to improving efficiency, promoting accountability, and using performance results to drive system change. Indeed, the EZ/EC Initiative is at the leading edge of this new movement to make government more effective and responsive to citizens.

Performance measurement is not easy. It requires hard thinking and choices in order to frame clear goals and to define measurable outputs to track results. For many organizations, tracking results rather than process is a new way of thinking about the success of a program. It is important to ensure that all stakeholders have a clear understanding of how their community will be monitoring their performance. With this understood, decisions driving resource allocation will be much less difficult and successful outcomes much more likely. Though challenging to implement, the Performance Measurement System should make implementing the Strategic Plan much easier.

There are two parts to creating your community's Performance Measurement System—the what and the how. This guidebook begins the discussion by outlining the what; that is, describing the basic components of the Performance Measurement System. The rest of the guidebook focuses on the how, the ways in which your community can use the strategic planning process to design a Performance Measurement System that works for everyone.

CHAPTER 1: UNDERSTANDING THE BASICS OF A PERFORMANCE MEASUREMENT SYSTEM

WHAT IS A PERFORMANCE MEASUREMENT SYSTEM?

All communities struggle with hard decisions about the best ways to allocate scarce financial and human resources to address their most pressing problems. Further, citizens and government officials alike want to know which programs and projects *really* do what they were intended to do. A Performance Measurement System (hereafter referred to as the System) is simply an organized process for gathering information to track how well programs and projects are meeting their goals, then using that information to improve performance. The System is an integral part of your community's Strategic Plan because it puts in place a valuable tool that measures the results of ongoing work and indicates where changes need to be made.

What makes the System such an important part of an effective strategy for change is the innovative nature of the EZ/EC Initiative. Rather than solve a community's problems piece by piece, EZs seek to create a framework that connects individual programs and projects in ways that help them work together to tackle multiple problems. For this type of strategy to work, it is essential to know where efforts are making a difference and where there is need for improvement. The System creates a powerful tool for tracking progress and making critical decisions that affect the community.

At a basic level, the System begins by collecting data on how well a community is doing in the priority areas defined during the visioning stage of the Strategic Plan. A framework is then created to collect data on the results produced by programs and projects. As one of its duties, the governance structure works with funders, partners, providers, and the community to determine how data on program performance will be used to make corrections and changes. This cycle of evaluation continues throughout the life of your community's EZ/EC Initiative, providing a constant source of feedback to improve results.

It is important to understand what goes into the System and why it is important. There are four basic reasons why the System is essential to the success of an effective EZ/EC Initiative:

- **Supports a Long-term Plan:** The EZ/EC Initiative recognizes that significant changes in a community are not likely to happen overnight. With a 10-year plan, significant work will have to be done throughout your community's initiative to review, adjust, and improve programs and projects. By defining key milestones used to judge progress, the System helps to keep long-term plans on track and ensure that resources are targeted for the greatest impact.
- **Facilitates Mid-course Corrections:** Changes in the regional and national economy, migration into and out of the community environment—these are only a few of the factors that can affect how well programs and projects perform. The System creates an “early warning network” that shows where shifts in the larger political, social, and economic environment are impacting on the Strategic Plan, and helps the community make mid-course corrections to solve problems and capitalize on new opportunities.
- **Allows Effective Use of Scarce Resources:** While funds provided by EZ designation are significant, they are not infinite. Through evaluation of the results created by programs and projects, a well-constructed System can help to channel resources where they make the most difference. With this type of information, changes can be made to keep the Strategic Plan responsive to the community.
- **Shows Relationships Through Charting Results:** Complex social problems are created by the intersection of many issues; effective solutions work by approaching these problems from several directions. A System that accurately tracks results can show the combination of programs and projects needed by revealing where efforts are having a significant effect. Through continuous evaluation, strategies for change are matched with the needs of the community.

This chapter explains the basic elements of an effective System. Chapter Two goes into greater detail on how communities might create a System. Chapter Three discusses implementation or what needs to be done as programs and projects get off the ground. Chapter Four describes how to work with a System during the life of the EZ/EC Initiative. Chapter Five concludes with a brief review on how to sustain momentum and use results to improve long-term program performance.

ELEMENTS OF A PERFORMANCE MEASUREMENT SYSTEM

While a Performance Measurement System has many parts, the four core elements are baselines, outputs, outcomes, and milestones. Each program or project will begin with a number of baselines or information that indicates the current state of the community so progress can be tracked after implementation. Outputs describe the more immediate products of programs and projects, such as the number of staff trained or the number of businesses served by a new program. Outcomes are the larger effects of the outputs, such as decreases in unemployment or increased high school graduation rates. Finally, milestones are interim measures along the way that indicate where work is on track to meet overall goals and where changes are needed. Each of these elements is described in more detail below:

- **Baseline:** This covers basic data that describe the “starting point” of the community. If the problem was poor educational outcomes, baseline information would include school dropout rates, standardized test scores, student to teacher ratios, teen pregnancy numbers, and other measures related to school performance. Baseline information is gathered at the community level as one of the first steps in getting ready to create a vision statement in the strategic planning process. As programs and projects are developed, they should have their own baselines as the starting point for tracking progress.
- **Outputs:** These are the results immediately created when a program or project is implemented. This could include providing after-school programs for 200 students at a recreation center, forming a partnership with three local companies to employ youth after school, and implementing a new computer science curriculum in three high schools. Outputs are set when programs and projects are designed, and should clearly explain what quantifiable “product” is created by the community’s “investment.”
- **Outcomes:** Simply stated, outcomes are the larger effects created by the outputs. For example, if an output was to create 100 jobs, the outcome might be reduce unemployment. Outcomes are more difficult to measure than outputs because it is not always possible to see the link between cause and effect and because many other factors may be at play. For instance, a year after a school-to-work program has been created, youth unemployment might be down in the EZ. Establishing that the decline was related to the new program is more difficult to determine.

- **Milestones:** These are measures that mark the path from the baseline to the goal, telling a community when programs and projects are on track. Milestones can refer to both outcomes and outputs, and provide “early warnings” about when changes in programs and projects are needed. Milestones are generally selected through a dialogue among stakeholders who are working directly with programs and projects and the governance structure of the EZ. For example, if the project was to build a recreation center, milestones might be marking the date by which you develop a plan, marking the date you hire a developer, and marking the date you break ground.

If the Strategic Plan designed by your community is a map of how to get to a better future, the Performance Measurement System is the navigator that helps keep you on track and find your way there. Baseline information and a needs assessment help to chart the terrain of where the community is starting. Determining outputs and setting milestones to measure progress make sure that implementation plans stay on track. Defining clear and measurable outcomes tells the community when its goals have been achieved.

CHARACTERISTICS OF A PERFORMANCE MEASUREMENT SYSTEM

There are two important characteristics of an effective Performance Measurement System:

- It has measurable data, and
- It creates accountability.

Measurable Data

Improving the educational performance of youth in the EZ is probably a goal that many would agree on. If after 3 years of work, fewer students are graduating from high school, but more of those who do graduate are employed, is your program to improve educational outcomes a success? What do the data tell you about why graduation rates are going down? Is the program responsible for higher youth employment? A good Performance Measurement System will help you to answer these kinds of questions. It is also the reason why every community needs reliable, measurable data to understand the trends, and qualitative information (the stories and dialogue) to complete the analysis. For example, it may take interviews with students and their families to allow staff to figure out that the school is not adequately serving those for whom English is a second language.

Accountability

Accountability also creates a number of difficult issues. One of the key reasons for having a System is to tell you which programs and projects are producing results, and which are not. However, this kind of information can also cause conflicts, as stakeholders defend lower than expected results from their programs, argue about which projects to cut, and lobby for additional funds to reward successful results. This is why your community's System needs to be tied tightly into the governance structure, to make sure that accountability questions are dealt with in ways that reduce harmful conflict and strengthen the capacity for collaborative problem solving.

It is equally important to create ways to use the System to create external accountability to the general public. Citizens require clear and reliable information to motivate their participation in projects and programs, strengthen political support for the Strategic Plan, and effectively advocate for changes in policy and practices. An effective Performance Measurement System will provide that information.

FREQUENTLY ASKED QUESTIONS

Who is responsible for gathering all of the required information?

This important question needs to be addressed by the community as it develops the Strategic Plan. There should be a committee or working group charged with gathering data and information used by stakeholders to develop a community vision. As plans are developed, the stakeholders must decide how all the information generated will be organized and made accessible to the community.

How will the data gathered be used to make decisions?

At the beginning, data gathered for the Strategic Plan should be distributed to the community to help stakeholders participate effectively in the visioning process. As programs and projects start producing results, the governance structure for the EZ should have a process in place for making decisions. Making sure that there are clear procedures for deciding difficult issues—like what happens to a project not producing results—is essential to dealing effectively with potential disputes.

What is the community's role in the system?

An effective System is more than good staff work. For example, citizens and other stakeholders will be asked to make mid-course corrections in programs and projects, but will be unable to do so if they have not been continually informed about results. Further, community members provide an important kind of data—their stories, perspective, and information “on the ground” that give life to statistics. An effective System will recognize that all of this information is equally important and provide for a way to regularly solicit feedback from the community.

Where will all the information come from?

Much of this information already exists—in your local planning department, records from the school system, police databases, economic information gathered by local businesses, and similar places. The challenge is to identify the kinds of information the community needs to make good decisions, find that information, then organize it in ways that people can use.

CHAPTER 2: CREATING A PERFORMANCE MEASUREMENT SYSTEM

UNDERSTANDING THE PROCESS

CONNECTIONS WITH THE STRATEGIC PLANNING PROCESS

It needs to be stressed from the outset that the Performance Measurement System is an integral part of the overall Strategic Plan. The processes and suggestions found in the companion guide to this document, *Strategic Planning Guide*, provide a number of ideas about how to convene stakeholders and work collaboratively to develop a System.

There are no requirements as to *how* your community should create a System. However, this section walks through the role of the Performance Measurement System in each phase of the strategic planning process. Readers should refer to the companion guidebook on strategic planning for a full discussion of each stage of the process. This chapter concludes with suggestions about how the System can be integrated with the vision, goals, and implementation plans to improve performance.

Stage 1: Kicking Things Off— Initiating the Process

One of the first tasks is to identify sources of information that will be important to the community in the strategic planning process and begin to collect data. It is useful to start by developing baselines, which are the data that describe the existing situation. It is also important to identify trends, which are that data that show how things have changed over time.

An initiating group might form a small task force that focuses on data gathering and analysis. This would help give stakeholders access to important information in preparation for the visioning process and lay the foundation for creating a Performance Measurement System.

Stage 2: Understanding Your Community— Learning From Each Other

Obviously, a big part of understanding the strengths, weakness, opportunities, and trends (the SWOT analysis) is gathering and

analyzing data about the community. At this point, the community might want to expand its data collection efforts significantly to ensure that the SWOT analysis has a firm foundation and that all stakeholders have equal access to information that helps them make good decisions. One way to assist with these efforts would be to create a data clearinghouse, where stakeholders can get assistance in finding and understanding statistics, reports, and other sources of information about the community. Some planning processes will have briefings or town meetings to bring people up to speed on the data. These meetings can also be used to elicit the stories that bring the numbers to life. Again, knowing that this operation will evolve into the Performance Measurement System can help all stakeholders plan ahead.

Stage 3: Imagining the Future— Creating a Community Vision

A big part of creating a shared vision for the community is identifying a broad range of goals that need to be met to achieve success. One factor that affects how goals are selected is knowing that outcomes can be measured. An important exercise for stakeholders during the visioning process could be to gain consensus on a preliminary set of outcomes for each goal that can guide the discussions about designing specific implementation plans. (See Stage 4 below.) This discussion will help form the basis of the Performance Measurement System.

Stage 4: Getting Down to Business— Designing the Implementation Plans

During this stage, stakeholders generally organize into smaller working groups to design strategies and specific implementation plans. Having dozens of groups working on separate implementation plans can lead to significant confusion. At this point, the data clearinghouse (or committee or staff team or task force) could provide a single source of assistance in helping the stakeholders develop implementation plans that are consistent and meet reporting requirements.

Stage 5: Pulling Together—Building a Governance Structure for Implementation

As the stakeholders design a governance structure for making decisions in the EZ, they should ensure that a part of its organizational structure includes the Performance Measurement System.

This includes a committee or group responsible for monitoring the outputs and outcomes of programs and projects and for gathering new data as needed. Equally important is a protocol that explains how decisions will be made using the information gathered by the System. Who decides which programs get funded? What happens when there is a dispute about outcomes or outputs? Who is responsible for reporting results to the governance structure? To HUD? To the community?

Stage 6: Moving From Planning to Doing— Making Things Happen

As the Strategic Plan moves forward, the Performance Measurement System should not be hidden. Releasing annual community report cards on outcomes and press releases on progress in different areas of the EZ, while proactively keeping stakeholders supplied with information, are some of the activities that can create momentum and support for the Strategic Plan.

What the Performance Measurement System looks like and what it does may change several times over the life of the strategic planning process. The concluding section of this chapter touches on several suggestions that can be helpful in constructing the System at all stages of the process.

PRINCIPLES FOR CREATING A PERFORMANCE MEASUREMENT SYSTEM

While the principles for strategic planning discussed in the companion guidebook apply equally well to the process of developing a Performance Measurement System, there are a few specific suggestions your community should keep in mind. These include:

- **Coordinate Outcome Measures With the Vision, Goals, and Implementation Plans:** One test for all three of these elements of the Strategic Plan is to see if they can be matched with measurable outputs and outcomes. If it is difficult to come up with measures of success for a program, chances are that the idea needs more work. In other cases, as measures of success are developed, it may become clear that a specific project does not work toward achieving the goals chosen by the community. Addressing that in the planning process is much more effective than allowing scarce funds to be spent on efforts that do not move the community to where it wants to go. In all cases, the outcome measures should serve as clear guideposts that show how programs and projects achieve the goals and vision.

- **Engage the Community:** While designing a System may sound like the domain of experts, the process requires the participation of all stakeholders. If the System is poorly understood by the community, there is a greater chance that decisions based on performance measures will generate controversy and conflict. On one hand, neighborhood residents, local business owners, grassroots leaders, and others can be valuable resources for collecting needed data. On the other hand, stakeholders become more effective partners and participants in the strategic planning process when they have a fuller understanding, through data analysis, of the issues.
- **Use Collaborative Decision Making:** Do not expect that even the most well-designed System will provide objective answers that clearly point the way to the best decision. Numbers showing that unemployment rates have fallen in the EZ do not tell you whether the job training program or school-to-work initiative is producing results; if both are; or if one needs to be retooled to use scarce resources more effectively. From the start of the strategic planning process, stakeholders should learn to use information provided by the System within the context of a collaborative approach to problem solving and decisionmaking.
- **Practice Performance Dialogues:** One technique that combines all three of the previous principles is the performance dialogue. When it comes to defining performance measures for the programs and projects in the Strategic Plan, all key stakeholders should be represented in the process. Service providers, service recipients, funders, partners, and others should work as a “dialogue group” to decide on what needs to be measured, how to measure results, and whether the measures will move the program or project toward the overall goals. As performance evaluations occur, the group should reconvene to work collaboratively on the evaluation process, rather than leaving matters to the “experts.”

The process used to design the Performance Measurement System in each community inevitably will be different. However, the principles that guide the process and the goals of the work should be similar. The next chapter looks in more detail at how to implement a System to make sure programs and projects run smoothly.

CHAPTER 3: IMPLEMENTING A PERFORMANCE MEASUREMENT SYSTEM

PUTTING THE PIECES IN PLACE

COLLABORATING FOR PERFORMANCE AND ACCOUNTABILITY

Once stakeholders have developed their Performance Measurement System, the next step is implementation. Stakeholders and the governance structure work together to decide how best to create monitoring and reporting structures that ensure accountability. With this in mind, this chapter begins with the importance of collaborative, inclusive decisionmaking.

For the implementation of a performance measurement system to be effective, it must be collaborative, just as in the strategic planning process. This is especially true because this effort requires data from so many different sources. While each source of data provides significant and valuable information, no one entity will have all the information required to create the Performance Measurement System. Indeed, the early process of building relationships among stakeholders starts with efforts to gather information. Following are several basic questions that many communities often have about how to implement a System successfully in a collaborative manner:

Who needs to be involved in performance measurement?

The answer is everyone—although getting everyone involved is not easy. Government agencies, nonprofit organizations, and others will have statistics, reports, and other sources of hard data about factors which affect the community, like the economy or school performance. Other stakeholders, such as neighborhood groups, have “on the ground” knowledge of what is going on behind the numbers. Both types of information are critical, which is why data gathering needs to be an inclusive process.

What do we need from each of the stakeholders?

Obviously, different stakeholders bring different skills and capacities to the table. During implementation, the governing entity needs to play a strong role by keeping the System connected to the vision and goals set out in the Strategic Plan. Nonprofit organizations, service providers, and their community partners need to develop performance measures for each of the implementation plans they are responsible for producing. Government agencies and educational institutions bring their technical abilities to the table, and can assist with data gathering, analysis, and stakeholder education. Regardless of the individual roles they play, all stakeholders must work together for implementation to be successful.

COLLECTING AND MANAGING INFORMATION

An important part of collaborating to implement the System is developing a process for gathering and analyzing information collected from the programs and projects. This is usually referred to as a management information system (MIS). A first step in setting up an MIS is to identify criteria for making choices about which data are important.

Criteria for selecting data

Consider the following three questions when selecting data:

- Does the measure communicate to a broad range of audiences?
- Are the data valid and can they be supported by research?
- Are the data available on a monthly or quarterly basis?

MONITORING PERFORMANCE AND GATHERING DATA

Once the decisions have been made on which data to use and the EZ/EC programs and projects are up and running, the Performance Measurement System begins to function. Again, the collaborative nature of the entire enterprise becomes apparent.

Involving the stakeholders

Each of the EZ/EC stakeholders has a distinctive role to play. The funders (public, private, and philanthropic) need to be clear in their monitoring expectations and prompt in their feedback. The

initiative managers (the local governance entity, local governments, and others) need to cooperate in their data collection and analysis tasks. Project and program operators need to be diligent in their recordkeeping and responsive in their reporting. Clients and affected neighborhoods need to be willing to offer data and therefore need to be clear about the reasons why information is being collected and comfortable with the uses for which it is intended.

Engaging the community

For any performance measurement system to be useful, it will need to consider not only conventional, usually quantitative, evidence of program performance and outputs; it will also need to draw on nonconventional, more qualitative forms of feedback. For this reason, the broader community must be involved in the monitoring activities. This can be accomplished through a variety of techniques, including public opinion polling, customer satisfaction surveys, and focus groups. These also need to be complemented by a public education and awareness campaign.

WORKING WITH STAKEHOLDERS

This section deals with analyzing the data after they are collected and reporting the information to various audiences. The next chapter deals with what happens after performance measurement information is collected, analyzed, and reported.

Audiences for Performance Measurement Reports

It is important to identify who your audiences are and their different information needs.

For *Funders* (such as HUD, other government agencies, foundations, and corporations) and *Managers* (such as the EZ/EC governance board and affected local governments), the focus might be on what was accomplished with the funds spent. The style will be analytical; the format, formal; and the presentation, complete.

For the *Service Providers* selected to carry out the programs and projects to implement the EZ/EC's strategies, the focus might be on program outputs (clients served, services delivered), with an emphasis on improving operations, learning from experience, and clarifying what works. The style will be management oriented; the format, programmatic; and the presentation, concise.

For the *Residents* of the EZ/EC, the focus will be more on success stories, using these as confidence builders and motivators for the challenges that lie ahead. The style will be narrative and qualitative; the format, integrated and holistic; and the presentation, visual and graphic.

For the *General Public*, the focus might be on the impact of EZ/EC initiatives on the targeted neighborhoods and on the community at large. Emphasizing results and outcomes is as important for public education as it is for program reporting. Accordingly, the style will be akin to investigative or civic journalism; the format will be a composite of those above; and the presentation will take a multimedia approach.

CHAPTER 4: WORKING WITH A PERFORMANCE MEASUREMENT SYSTEM

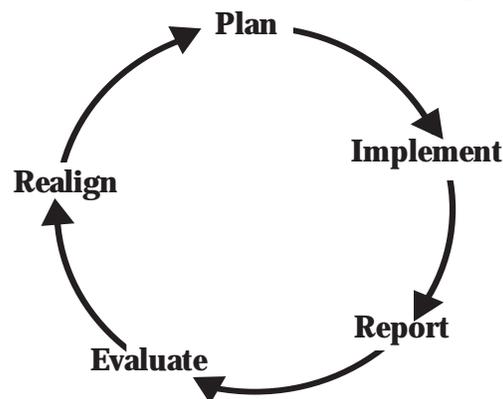
MAKING DECISIONS COUNT

UNDERSTANDING THE DECISIONMAKING CYCLE

As your community implements a Performance Measurement System, understanding where it fits within the decisionmaking process becomes critical. This chapter reviews several of the decisionmaking issues that your community's governance structure will have to deal with, no matter what shape your System takes. Keep in mind that during the process of making decisions based on performance measurement, some conflict is natural. The System serves as a monitor that constantly reminds all stakeholders of what is working and what needs improvement. Having a clear understanding of how the System fits into the decisionmaking process will resolve many disputes before they arise and help settle the ones that do arise before they become unmanageable.

Figure One illustrates a decisionmaking process that many communities, government agencies, and private businesses use in performance measurement:

Figure One: The Decisionmaking Cycle



Plan: As part of the strategic planning process used to develop programs and projects, you will need to define the baseline, outcomes, outputs, and other performance measures. By defining outcomes, it is easier to see if programs and projects target the right issues, use the proper resources, and employ a well-thought-out strategy for change and improvement.

Implement: As initiatives are implemented, provisions must be made for collecting data on results. Outputs are generally easy to track because they involve measures of results that are obvious and controllable, such as the number of neighborhood residents served by a job training program. Outcomes can be more difficult to measure. However, part of any good System is regular feedback from programs and projects as part of the implementation of the Strategic Plan.

Report: Regular performance reports must be made. However, different programs and projects may have different reporting cycles, depending on their timeframe, operating schedules, and the nature of the work. The reporting process is not just sending regular updates to HUD or to the governance structure, but also disseminating results to other stakeholders, the general public, the media, and others who need to be kept informed of progress in the EZ.

Evaluate: An important task is making decisions about programs and projects based upon the collected data. As discussed in Chapter Two, one method of doing this is to use performance dialogues, where all relevant stakeholders meet to discuss outputs and outcomes, analyze data, and provide feedback to improve results. The governance structure should use the evaluation process to make decisions.

Realign: In this stage, the process starts over again. Information from the evaluations is fed into planning for programs and projects, necessary changes are made, and new performance measures are developed, if necessary. Again, the overall length of this cycle will vary from case to case, although HUD does require an annual report.

No matter how your community sets up the decisionmaking cycle, there needs to be strong ties between the System and the governance structure, which is ultimately responsible for making and approving decisions based upon results. The following section reviews several issues related to decisionmaking that must be addressed.

CONNECTIONS WITH THE GOVERNANCE STRUCTURE

In most communities, the responsibility for managing the Performance Measurement System will probably fall to the governance structure. However, the following four issues are ones that will emerge regardless of the governance structure or System used.

- **Creating Mechanisms for Accountability:** Questions that must be answered from the start are “Who is accountable?” and “To whom are they accountable?” Do service providers answer directly to the governance structure? What about government agencies? Is the governance structure accountable to the mayor for results? These questions about roles and responsibilities need to be clarified with all stakeholders of programs and projects. Accountability questions must be answered with clarity and by consensus for the System to work.
- **Defining Responsibility:** One of the challenges of successfully working with the System is that many entities are involved in its workings. Service providers may have responsibility for gathering data on performance. Evaluation may be done by representatives from all of the stakeholders involved in a program or project. A data clearinghouse for disseminating progress reports and archiving data may be operated by a separate nonprofit organization. With elements of the System decentralized, it is important to define responsibility at the beginning of the decisionmaking cycle.
- **Designing Protocols for Decisionmaking:** The need to design a process for making decisions based upon performance measures is closely related to the first two issues. For instance, how will the governance structure decide what happens to a project that is showing positive, measurable results, but has not reached key milestones? Is funding increased or decreased? Are these decisions made by the governance structure, the stakeholders responsible for the project, the mayor, or someone else? This is why it is important to get consensus up front from stakeholders participating in the strategic planning process. If there is agreement about the process for making these kinds of decisions, they are easier to handle.
- **Connecting the System With the Budget:** One of the advantages cited by champions of performance measurement is that the System allows organizations to make more informed decisions about how to allocate resources. Measuring performance allows funding to be targeted to programs and projects that are creating results. To get the most out of the System, the governance structure will have to decide how the reports, feedback, and evaluations will be used to influence decisions about budgeting and funding.

SUGGESTIONS FOR SUCCESS

While creating a working Performance Measurement System can be challenging, it is helpful to keep in mind that government agencies, nonprofit organizations, businesses, and other types of organizations have successfully created their own Systems with tangible results. Based on these varied experiences, the following suggestions should be helpful in keeping your community on track.

Focus on Your Long-term Goals: You should be able to draw direct relationships among goals, strategies, and program outcomes. One of the challenges of maintaining momentum in long-term initiatives is that the ultimate goals can seem very far away. Using the System to illustrate success stories and progress helps show stakeholders the tangible impacts of their actions and motivate future efforts.

Communicate the Performance Measurement Concept as a Positive Opportunity for the Community: Outcomes are a new idea for many communities; they are a new way of doing business and a new way of thinking for local organizations and individuals. It is important to communicate that the System is designed to provide constructive feedback. The intention should be to work with programs that do not show desired results to make changes that will produce successful outcomes.

Keep the Words Simple: Everyone knows at least one story about confusing government jargon. Make sure that the language in documents is easily understood and that there is consistency in the meaning of terms and concepts.

Plan for the Performance Measurement System From the Beginning of the Strategic Planning Process: As you lay the foundation for collaboration in your community, describe this effort as an “outcomes-based” program. Give this message to all stakeholders as early and as often as possible.

Train All of the Participants in Outcomes: Incorporate performance measurement training during the strategic planning process. This concept may be a new way of thinking for people, and your partners may not have done it before. Use consistent language and ideas throughout the training process.

Make Performance Measurement an Important Part of Your Strategic Planning Process: Throughout every step of your process, keep participants aware of the importance of the System in strategic planning. Make a map of the process, post it throughout the planning effort, and be certain to trace progress. This can be difficult for some to understand; be patient and use as many examples and illustrations as possible.

Once the Performance Measurement System is in place, efforts should focus on sustaining momentum. Chapter Five provides several suggestions for making sure that the System's full benefits to the community are realized.

CHAPTER 5: MAINTAINING MOMENTUM

INSTITUTIONALIZING PERFORMANCE MEASUREMENT

TELLING THE COMMUNITY'S STORY

Performance Measurement Systems provide a wealth of success stories and information about the work going on within the EZ and throughout the community. One of the keys to sustaining the long-term commitments envisioned by the EZ/EC Initiative is to keep stakeholders involved and supportive of program and project activities.

If stakeholders feel that they can influence decisions and that their participation makes a difference, they will provide a wealth of talents and resources to sustain work in the EZ. One of the prime uses of the System should be as a framework for calling together stakeholders to evaluate, analyze, and rejuvenate their efforts. This also creates a continuous connection to the vision and goals set in the Strategic Plan, as stakeholders are periodically asked “Is our work on track and moving toward achieving the results we want?” There are a number of ways in which momentum can be sustained. The following suggestions are only a few of the possibilities that exist for turning the System into an engine that drives community involvement and creates ongoing interest in the EZ.

- **Issue Program and Project Report Cards:** One way to disseminate information to the community quickly is to create regular report cards that describe the progress of different programs and projects. Brief descriptions of outputs, outcomes, and success stories can be used to illustrate accomplishments and raise the awareness of other stakeholders about activities in the EZ. Reports could be distributed through neighborhood groups, schools, local media, and other sources.
- **Hold Community Summits:** One way to capitalize on the annual report required by HUD is to hold a community summit that brings stakeholders together to revisit their goals and vision and to continue planning for the future. At such an event, stakeholders would have the opportunity to discuss how well programs and projects are going and to provide feedback about performance.

- **Design a Media Strategy:** Another resource for spreading the word about work in the EZ is to engage the local media. Newspapers and radio are increasingly interested in “civic journalism,” and if included as stakeholders from the beginning, they can serve as an important resource for generating community involvement. Data generated by the System are often a good source of positive stories for reporters and others looking for information about the EZ.
- **Institutionalize Structures and Processes:** As part of sustaining both the System and the Strategic Plan, it is helpful to create a “home” for performance measurement activities. This may simply be a working group within the governance structure or a separate entity. Additionally, institutionalizing activities can make sure that performance measurement is a regular part of work in the EZ.

The kind of long-term change envisioned by the EZ/EC Initiative is a significant undertaking. The Performance Measurement System is a powerful tool that can help communities stay focused on and informed about progress toward their ultimate vision and goals. Like any tool, it takes practice to learn how to use it properly; however, the rewards can be immense. Thinking about how the System fits together with the other elements of the Strategic Plan will help strengthen community involvement, promote the effective use of scarce resources, and support a successful EZ strategy.

APPENDIX A

RESOURCES

WEB SITES

Many resources on Performance Measurement Systems are located on the World Wide Web. Some of the best sites include:

- The National Partnership for Reinventing Government's (formerly the National Performance Review):
www.npr.gov
- The Alliance for Redesigning Government, which is based at the National Academy of Public Administration:
www.alliance.napawash.org
- The Harvard Family Research Project has resources in its Evaluation Exchange on indicators, measurement, and evaluation: hugse1.harvard.edu/~hfrp

MAPPING AND SOFTWARE

Many communities have begun to use Geographic Information Systems (GIS) which take data and code them by location so the user can see where problems are concentrated determine, how resources are spread, and access related information. HUD has developed Community 2020 software which includes a substantial amount of data and provides a mechanism to load additional data. A guide to using the software has also been developed:

- *Mapping Your Community* describes the software and how it can be used in community planning processes. (Order from 800-998-9999.)

AVAILABLE PUBLICATIONS FOR URBAN COMMUNITIES

Notice Inviting Applications: Second Round Designation of 15 Urban Empowerment Zones: Published in the *Federal Register* and available upon request.

Empowerment Zones: Rule for Round II Designation: Published in the *Federal Register* and available upon request.

U.S. Department of Health and Human Services Preliminary Guidelines: Round II EZ/EC SSBG Grants for Empowerment Zones.

Application Guide: This *Guide* offers specific instructions as to how urban communities should prepare their application for Empowerment Zone designation.

Application Forms: Nomination for designation as an Urban Empowerment Zone (Parts I–IV): The *Application Forms* identify the eligibility information a community must submit to HUD or USDA to be eligible for Round II designation. Each set of forms contains certifications that the information provided is accurate and that the applicant will implement its Strategic Plan.

Federal Programs Guide: Provides a list of Federal Government programs available to distressed communities. Applicants can use this *Guide* to identify current or prospective Federal Government programs that can be used to help revitalize their neighborhoods.

Strategic Planning Guide: Provides a comprehensive overview of how to prepare a Strategic Plan: including a discussion of the planning process and the ways in which residents, community-based organizations, businesses, nonprofits, government entities, and others come together to create a shared vision for the future.

Performance Measurement System Guide: Provides communities with a “how-to” approach to establishing and implementing a performance measurement system. Performance measurement systems provide an organized process for gathering information to track how well programs and projects are meeting their goals, and then using that information to improve performance and report to interested stakeholders.

Internal Revenue Service Publication 954, “Tax Incentives for Empowerment Zones and Other Distressed Communities”

What Works! in the Empowerment Zones and Enterprise Communities, Volume II: A compilation of successful projects from current Empowerment Zones and Enterprise Communities (includes contact names and telephone numbers).

To request publications for urban communities, please call 1-800-998-9999.



U.S. Department of Housing and Urban Development
Andrew Cuomo, Secretary