Performance Management System Reform: Results-Based Budgeting in Alberta (2012-2014)

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ABSTRACT

This thesis examines the concept of performance management in the context of program evaluation and the management of public administration systems. The thesis begins by outlining and examining the common theoretical underpinnings of performance management. Once the theory is developed, the thesis reviews and identifies the key findings of the empirical literature that attempts to identify and explain the variables that impact the implementation of performance management systems. Following this the contemporary case of Results-Based Budgeting (RBB) in the government of Alberta is examined and contrasted with the theory. The examination of RBB in Alberta reveals that the theoretical literature is useful for classifying performance management systems in practice, but that the possible outcomes of performance management reform extend beyond the typical purported benefits of efficiency, effectiveness, and accountability associated with the rational actor model of performance management. In Alberta, some of the outcomes of RBB include horizontal integration, strategic policy alignment, and cultural change. Alberta’s experience with RBB also supports the constructivist model of performance management, which suggests that these systems contribute to public sector organizations by structuring policy analysis and dialogue, enhancing strategic planning, and other benefits.
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Introduction

Where do we want to go, how will we get there, and once we get there, how will we know? These three questions must be answered by any organization contemplating a policy or strategy. In other words, what is the objective of the policy, what means will be used to achieve it, and how can the success of that policy be measured? Policy evaluation “refers broadly to the stage of the policy process at which it is determined how a public policy has actually fared in action. It involves the evaluation of the means being employed and the objectives being served.”

In other words, did the government get where it was trying to go, and were there any problems along the way. In the current fiscal environment, governments are under increasing pressure to demonstrate that not only did they get there, but that they did so efficiently. Within the policy literature evaluation is characterized as the final stage in the policy cycle as outlined by Howlett et al.:

- Agenda-Setting;
- Policy Formulation;
- Decision-Making;
- Policy Implementation;
- Policy Evaluation.

In the above stages of the policy cycle, evaluation occurs after the implementation of policy is complete.

Howlett et al. discuss the challenges of policy evaluation. They explain how policy evaluation has developed over the last half century. Earlier positivistic approaches from the 1960s and 1970s attempted to develop strong quantitative approaches to evaluation that rested upon unrealistic rationalist assumptions about how organizations can and should behave. Conversely, some post-positivist positions characterize evaluation as “an inherently political

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2 Ibid, 13.
activity, albeit, like the other stages [of the policy cycle], with a technical component.”

Either view they argue is insufficient. Rather, they suggest that to “get the most out of policy evaluation, the limits of rationality and the political forces that shape it must also be taken into account, without going so far as to believe that the subjective nature of policy assessments allows no meaningful evaluation to take place.”

In other words, evaluation is potentially useful, but our expectations for what it can give organizations must recognize that a political system cannot provide completely objective assessments, nor can decision-makers be expected to faithfully obey the conclusions of evaluators, regardless of how rigorous their methods are. However, if approached in good faith, evaluation can provide decision-makers with useful information to make better decisions.

There are various genres of evaluation. In the policy literature evaluation is conceptualized generally as a learning exercise. By examining the effects of a policy against its objectives, policy makers can learn what worked and what did not. Howlett et al. classify evaluation for the purposes of improvements to efficiency and effectiveness of program delivery as “administrative evaluation”. Further, they identify evaluation sub-categories that assess:

- Process;
- Effort;
- Performance;
- Efficiency; and
- Effectiveness.

This characterization of evaluation identifies the features of organizational activity that evaluation can assess. In practice this level of delineation does not occur. In practice evaluations assess programming on all of these criteria. For example, one approach to policy evaluation is performance management. Performance management systems typically assess efficiency,
effectiveness, effort, process, and performance. Performance management is a particular approach to policy evaluation that emphasizes the need for organizations to continually evaluate performance, or measure performance, and manage based on these measurements. Performance management is ongoing and active, whereas evaluation is post-hoc, and passive in nature.

This thesis begins by introducing and defining the concept of performance management. The practice of performance management is informed by a theory of performance management (arguably also an ideology or agenda) and general public sector reform that envisions government as increasingly efficient and effective through the implementation of reforms that enhance government control over the consequences of its actions. The various theoretical perspectives on performance management, as well as the various competing theoretical perspectives, are outlined and summarized in what is referred to as the general theory of performance management, which combines the core concepts that all of the theories generally agree upon.

Performance management is approached differently by different organizations. In Canada each province has developed a unique approach to managing performance. The Government of Alberta (GOA) is in the process of implementing a system-wide evaluation and budgeting system called Results Based Budgeting (RBB). RBB is an attempt by the GOA to systematically review all programs to ensure they are efficient, effective, and relevant. The goal of RBB is to budget for results, rather than increase budgets incrementally. Programs that fail on these measures will be given options to reform and improve, or will be eliminated.

This thesis draws on Alberta’s experience with performance management system reform to examine, assess, and build upon the theory. A survey methodology is employed to gather the

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contextual information necessary to outline and explain the institutional experience and response to the implementation of this system in the GOA. This research is important because governments continue to experiment with evaluation and management systems to improve efficiency and effectiveness. It is important to be able to determine whether the theory is useful in describing the possible applications of performance management.

The academic treatment of performance management falls into two camps. First, the theoretical/descriptive literature attempts to explain and assess the value of performance management as a practice. In this first stream much has been written about why performance management systems are of value, and what governments that implement these systems can expect. Conversely, much has been written on the shortcomings of performance management. The second stream of literature is the empirical literature, which is primarily devoted to assessing whether performance management systems actually achieve their objectives in practice. This paper differs from these approaches in that its primary objective is to critically examine performance management theory and contrast this with a concrete example of performance management system reform to further develop and enhance performance management theory. Further, the thesis focuses on the internal organizational dynamics of performance management system reform, which provides unique insights into how bureaucrats use performance management systems, and how these actors work within new systems to construct practices that support their work.

This thesis does not question or defend performance management. It accepts it as a common practice in contemporary public administration, and attempts to build the theoretical understanding of it. It also draws upon alternative theories of performance management and decision-making to critically examine and further develop the theoretical explanation of
performance. It does not criticize or challenge Alberta’s chosen approach to performance
management. Rather, it attempts to learn from it. This thesis does not deal with a sample size
large enough to make general assumptions about performance management in all cases and
contexts, but it does provide sufficient depth of analysis to examine, explore, and expand upon
the theories and concepts that inform the study of performance management in public
administration systems.

In summary, this thesis attempts to carefully explain the theory of performance
management, compare that theory with a case study, and suggest possible modifications to the
theory of how performance management systems operate within governments. This analysis is
used to identify how performance can be conceptualized within a dynamic understanding of
policy as context bound rather than hyper rational, as the traditional approach to performance
seems to suggest.
Chapter 1: Performance Management in Public Administration

What is Performance Management?

Performance in the context of public administration can be traced back to the 1900-1940s when performance became the focus of government organizations through the social, survey movement, scientific management, and cost-accounting. According to Dooren et al., the focus on performance was a response to conditions including poverty, industrialization, social unrest, and government corruption. Government organizations believed that the rationalization and quantification of policy solutions could address increasingly complex issues. Performance in this context was all about government gaining a scientific understanding of how its work impacted the policy environment, and using this information to more effectively solve problems. This first movement was a general attempt by government to understand and improve its impact. The 1950s to 1970s saw the implementation of performance based budgeting, which was an attempt by government to attach dollar figures to intended results. This had varying levels of success, but was largely judged to be a failure except in very limited circumstances. The 1980s and onwards saw the implementation of New Public Management (NPM) reforms, including those reforms which turned the focus of managers from processes to performance, or results. The idea that what does not get measured does not get managed became the mantra of governments throughout the OECD.

Performance management for the purposes of this thesis is best situated within the context of NPM reforms. Christopher Hood’s article on NPM discusses the doctrinal components

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7 Ibid, 38.
of NPM, including: the importance of developing explicit standards and measures for all
government activities, and focus of organizations on output controls and results. The doctrine
places great emphasis on the value of managers having the discretion to make management
decisions to improve performance, and the strategic and managerial value of leaders focusing on
the intended outcomes of their work, rather than on the processes. NPM is a major public
administration shift that occurred in the 1980s and continues to drive government reform to this
day. The relationship between NPM and performance management is beyond the scope of this
thesis. However, it can be said that performance management is compatible with NPM and
gained prominence in contemporary public administration through the rise of NPM.9

The term performance in the context of performance management refers to “intentional
behaviour” by either individuals or organizations, which can be assessed by qualitative or
quantitative measures.10 To put this into context, we can imagine a hospital being judged by
whether the work it did resulted in healthier patients measured both quantitatively and
qualitatively. The distinction between intentional and unintentional behaviour is important
because it is the actions that lead to the results that are analysed by the term performance, not
just the results. If this distinction were not made, performance would not refer specifically to
what are considered to be the consequences of organizational activities, but rather to the state of
affairs in general. If that were so, performance would not be a useful concept for isolating
organizational activities, studying their consequences, and learning from them to inform future
policy and program decisions.

The definition of performance measurement has evolved over the past ten years.

Performance measurement used to be a term that described everything from data collection to

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10 Dooren, Wouter Van, Geert Bouckaert, and John Halligan, Performance Management in the Public Sector (New
York: Routledge, 2010), pg. 1.
performance management. For example, Paul Thomas defines *performance measurement* as “the regular generation, collection, analysis, reporting and utilization of a range of data related to the operation of public organizations and public programs, including data on inputs, outputs and outcomes.”¹¹ In this definition, performance measurement is understood as the entire scope of activities that occur within performance systems (measurement, monitoring, information use, and management). This explanation does not distinguish between these features, but rather bundles them together. While the goal of any effective performance system is to ensure performance measurement is taking place and information is being integrated into decision-making, the integration of the two does not always take place. Management systems within an organization need to be developed to ensure that performance data is collected and actively translated into information to be utilized by decision-makers.

In terms of distinguishing between performance measurement and *performance management*, Mohammad Ehsan is very clear:

> In simple terms, performance measurement refers to *quantifying*, either qualitatively or quantitatively, the input, output, or level of activity of an event or process; whereas performance management is *action*, based on performance measures and reporting, which results in improvements in behaviour, motivation, and processes, and promotes innovation.¹²

In short, whereas performance measurement is an administrative activity that measures the results of a policy or program, performance management is the management strategy that is taken in response to the performance information collected through performance measurements. Performance measurement and management are two different concepts, but performance management cannot take place without performance measurement, and performance

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measurement without a system that utilizes information to make decisions is just a research exercise that may or may not result in informed decision-making. Donald Moynihan’s definition adequately summarizes performance management as a system that generates performance information through strategic planning and performance measurement routines and that connects this information to decision venues, where, ideally, the information influences a range of possible decisions.  

Performance Management in Organizations

The various models employed by academics and institutions to outline the structure of performance management share many similarities. These models share the following stages: planning, implementation, performance measurement, evaluation, and program management/modification. Below is visual representation of this model:

The above model outlines a management cycle in which systems are in place to measure performance, evaluate, and then incorporate performance information into organizational decision-making processes. Performance management “is a type of management that incorporates and uses performance information for decision-making.”

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management cycle is almost identical to the policy cycle as defined by Howlett et al. in *Studying Public Policy: Policy Cycles & Policy Subsystems*. The stages of the cycle are Agenda-Setting, Policy Formulation, Decision-Making, Policy Implementation, and Policy Evaluation. Instead of conceiving of the evaluative mechanism in a policy system as occurring at the end of the policy cycle, the performance management cycle views performance as integrated throughout all of these key stages so that it is more than an afterthought. This highlights the difference between performance management, and performance evaluation. Performance evaluation can be a post-hoc exercise, whereas performance management by its nature is ongoing, and fully integrated within the policy and management cycles of public organizations.

**Planning** is the stage during which the goals, objectives, strategies and actions that will be used to achieve those goals are chosen. That way, the measurements of success are immediately identified, and the proposed course of action for achieving that success is also chosen. This stage is most commonly undertaken through corporate planning activities such as strategic planning, business planning, and other activities that set goals, objectives, and strategy. **Implementation** is the stage during which resources are deployed to implement policies through program activities. Implementation is what organizations spend most of their time doing. Insufficient planning will result in a lack of clarity in this stage. **Performance measurement** is the qualitative and quantitative measurement of the results of the implementation phase. Dooren et al. conceive of this taking place through several steps: “The first step is about targeting the measurement efforts. The question what will be measured needs to be answered. Next, indicators need to be selected. Subsequently, data needs to be collected and results need to be analysed.

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Finally, findings need to be reported.”\textsuperscript{16} Performance measurement often makes use of tools such as logic models to distinguish between program inputs, activities, outputs, and outcomes to identify components of the program and develop measurements for those. The logic model helps an organization work through this theory of change underpinning a program to “target measurement efforts.”\textsuperscript{17} A theory of change is a set of assumptions, risks and external factors that describes how and why the program is intended to work. This theory connects the program’s activities with its goals. It is inherent in the program design and is often based on knowledge and experience of the program, research, evaluations, best practices and lessons learned.\textsuperscript{18}

Logic models are a visual representation of the theory of change underpinning the program. By identifying the elements of a program that can and should be measured, organizations can evaluate success against these measurements. \textit{Evaluation} is the analysis of performance against targets set during the planning stage. Evaluation is the final stage in the performance management cycle. Evaluators assess whether intended results were achieved, and what factors were determinative of that outcome. As with the policy cycle, there are generally speaking, three types of findings that come out of evaluation: 1) the intended result is achieved, and the policy or program should be continued; 2) the intended result is not achieved for various reasons, and possible program or policy changes are identified; 3) or major problems are identified, in which case the policy or program may be cancelled altogether.

\textit{Incorporation} is the key stage in the performance management process. Incorporation “is about integrating performance information into policy and management cycles of among others

\textsuperscript{16} Dooren, Wouter Van, Geert Bouckaert, and John Halligan, \textit{Performance Management in the Public Sector} (New York: Routledge, 2010), 54.


\textsuperscript{18} Ibid.
policy-making, budgeting and contract management.” Dooren et al. describe the use of performance information by decision-makers as incorporation and use. Incorporation is the stage during which the findings and recommendations of the evaluation stage are utilized to shape the ongoing management of programs and policies. Without implementation, the recommendations of the evaluation stage are not useful. But this can occur in organizations, and leads to the criticism that the program just led to more paper. Implementation is the critical piece in making an evaluation exercise more than just an academic undertaking.

**Categorizing Performance Systems**

The definitions of performance management in this chapter place the incorporation of performance information into decision-systems as the central feature of any performance management system. This is correct but does not go far enough in explaining how the differences between ad hoc fragmented performance systems and vertically and/or horizontally integrated performance systems. Bouckaert and Halligan provide a clear conceptual framework to categorize performance management systems based on their structure, function, and outcomes. The ideal types are not meant to be representative of perfect systems that exist in practice. Rather, these idealized models highlight various features that existing performance management systems may exhibit, and generally speaking, may fit within.

The first ideal model is *performance administration*. These systems measure performance through tools that capture performance data. Performance administration systems focus on program inputs and processes but not on outputs and outcomes. For example, they can measure whether processes are being followed and how many resources are being expended. These systems work best for measuring inputs, compliance with rules, and other features of a

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well functioning orderly bureaucracy. These systems are useful to track efficiency and tell us whether or not a system is utilizing resources as planned. A good example of this type of system is the traditional performance audit.

The second ideal model discussed is *Management of Performances*. These systems are characterized by specialized performance measurement systems and secondary processes for the incorporation of performance into management functions. They are characterized by a disconnected use of performance information throughout entire governance systems, and are also challenged by incoherence within the larger system. This idealized type is more advanced than the first type. It can measure inputs and outputs, and be used to track how inputs are converted to outputs and outcomes by organizations and used to manage and improve performance. However, these systems are fragmented systems where performance is managed differently in different places throughout governance systems and does not integrate across the system. Bouckaert and Halligan suggest that this “results in a diverse range of managements of different performance in personnel management, financial management (budgets, accounting systems, audits), strategic and operational management, customer management and communication management.” In these systems there is no linked hierarchical and logical approach to performance management, but rather a fragmented performance focused agenda that is managed in different ways for different purposes throughout the governance system. Outcomes do not unite programming in different areas, but rather, the focus on performance takes place at the micro level of various programs. For example, one branch of government may engage in performance measurement and incorporate these into contracts, budgets, business plans, strategic plans and program evaluation tools, but these activities are not connected formally to the activities of other branches, divisions,

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21 Ibid, 38.
ministries, nor are they integrated through central bodies to ensure policy coordination takes place. A good example of this type of system is a value for money audit, which measures how much value is created through the expenditure of resources, and other systems that can be utilized in various organizational settings without having to be integrated.

The third ideal model is called *Performance Management*. This ideal is characterized by hierarchical performance measurement systems that are integrated with management systems that utilize this information to inform decision-making. These are not bureaucracies within which performance measurement is done in one area but not another, or in which performance information is used inconsistently. These systems are well organized and consistently managed. For this reason, they are distinguished from ad hoc systems that manage performance. The distinctive features of this type of system are: “coherence, integration, consistency, convergence and comprehensiveness.” These systems have performance management structures that integrate performance information throughout the organization so that coherent strategy can be developed to improve system-wide outcomes. System-wide initiatives such as performance based-budgeting initiatives that involve the system-wide collection of performance information and the incorporation of that information into decision-making processes are examples of this.

The fourth ideal type is *Performance Governance*. This new term does not appear regularly in the performance management literature. Performance governance is a system that collects performance information from multiple organizational contexts to be used to manage inter-organizational strategies through policy coordination regimes to achieve broad results by both government and non-government organizations. These systems are uncontrollable and unmanageable by one organization.

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22 Ibid, 38.
The four ideal types help identify the diversity of systems that exist in practice. In practice systems will probably have features from all four of the systems. By distinguishing between the four ideal types, the language used to discuss performance in government management takes on a new level of precision, which helps to distinguish what is occurring in various circumstances. These distinctions allow us to clearly explain that performance can be categorized into 4 types differentiated by four levels of analysis as described in the following chart.

**Classification of Ideal Types**

<table>
<thead>
<tr>
<th>Type of System</th>
<th>Performance Measurement/Administration of Performance</th>
<th>Management of Performances</th>
<th>Management of Performance</th>
<th>Performance Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance is Measured</td>
<td>Performance Information</td>
<td>Systematic Use of Info</td>
<td>Extra Organizational/Horizontal Use of Information</td>
<td></td>
</tr>
</tbody>
</table>

The types of systems represented by this chart increase in complexity the more elements they contain. In the first example, performance measurement is all that occurs, whereas in the third not only is performance information produced, but the information is utilized systematically by integrated management systems.

The mere existence of different elements of performance in a system does not provide enough information to determine what kind of a system is in place. The entire system must be assessed to see how the various components fit together before it can be classified. This is important because it moves the analysis away from vague terminology about performance to a precise analysis about whole systems. With this shift, possibilities within a performance system
increase. Performance becomes more of a dimensional quality that can be combined with management, measurement, and other factors to create various possibilities.

**Rationale for Performance Management**

Performance management is an approach to solving some of the perceived weaknesses of public administration systems. Donald Moynihan cites several common criticisms of government that performance management is responding to:

1. Government is inefficient.
2. Government can transform itself to become more efficient.
3. The poor performance of government is of major consequence in terms of fiscal health and public trust in government.
4. Government can and should make more rational decisions.
5. Performance information will improve decisions and can be used to foster accountability.  

Understood this way, performance management is an approach enhancing government capacity to achieve goals effectively: “The term ‘performance’ expresses a programme of change and improvement which is promoted by a group of like-minded actors that are usually only loosely coupled.” Moynihan notes that the concept of performance “has become central to public management reform, reflecting a fusion between the key values of both management and efficiency, now more broadly redefined to include effectiveness.” Governments that demonstrate effectiveness will be viewed as legitimate. Performance management promises to bring a level of control over outputs into the hands of government organizations, thereby enhancing effectiveness. Related to this is the value of accountability. Governments that track performance can demonstrate if they have held true to their promises, and are thus more

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accountable. Performance management promises to achieve all of the above, and is thus viewed as the answer to many of government’s current problems.

The following table summarizes several theorists’ explanation of the rationale for utilizing performance management in organizations:

*Justification for Performance Management*

**Figure 2**

<table>
<thead>
<tr>
<th>Theorist</th>
<th>Characterization of Rationale for Performance Management</th>
</tr>
</thead>
</table>
| Moynihan     | - Accountability: By having governments collect performance information, the public is informed of how public resources are being managed.  
- Efficiency: Performance management systems encourage government organizations to examine the nature of processes and their relationship to results, which is designed to create opportunities for processes to be altered to reduce the amount of resources required to produce results.  
- Effectiveness: Performance Management re-focuses government organizations from compliance with processes, to producing outcomes.  
- Informed Decision-Making: Performance management systems provide decision-makers with information which helps them make better decisions. |
| Behn         | - Performance management systems are important for organizations to:  
  o Evaluate  
  o Control  
  o Budget  
  o Motivate  
  o Promote  
  o Celebrate  
  o Learn  
  o Improve.  
- The key reason for PM systems is to institutionalize improvement of performance in the system. |
| Dooren et al.| - Create opportunities for *learning and improvement*.  
- Are useful for *steering and controlling* sub-systems.  
- Further build accountability into the system. |

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Moynihan focuses on the outputs of performance management systems; Behn focuses primarily on the role that performance management systems play in incentivizing performance; and Dooren et al. focus on the learning processes built into performance management systems that create value.

**Challenges to the Performance Focus in Public Administration**

Many scholars question the value of performance management in public administration systems. Criticisms range from the charge that performance management regimes tend to have unintended or problematic consequences,\(^2^8\) to the suggestion that performance management systems have short-term impacts on behaviour.\(^2^9\) It is true that performance management systems often suffer such problems. A poorly constructed performance measurement can incentivize behaviours that are counterproductive to the intended outcomes of a program. For example, funding attached to the number of procedures performed in a hospital can incentivize the hospitals to service a higher volume of patients at the expense of patient care quality and long-term health.

In *Challenging the Performance Movement: Accountability, Complexity and Democratic Values*, Beryl Radin suggests that the ideal of performance management and the focus on outcomes, though appealing, is difficult to operationalize in reality. This is because government programing “frequently involves a range of actors with different agendas and conflicting values operating within a fragmented decision process. And the decisions that emerge from the public sector do not always create a situation that makes it possible to determine what program


outcomes are anticipated.” In other words, the system is heterogeneous, driven by different actors and world-views, dealing with a multitude of goals and interpretations of goals, often immeasurable outcomes, and therefore cannot be seen as behaving in a linear, rationale, fashion.

These challenges are a concern for performance management and deserve attention in any evaluation of the value of performance. The position taken by a select group of academics is that even though performance management may suffer from these problems, it nevertheless is a useful tool for measuring and managing organizational performance. Moynihan succinctly summarizes this perspective as follows:

> Notions such as management-by-objective, strategic management, performance budgeting, managing for results, results-based management and entrepreneurial budgeting all share a common logic that public organizations should produce performance information and use this information to inform decision-making (Moynihan 2008). We follow this relatively down-to-earth approach to performance management – which is broad but precise and analytical rather than normative.\(^\text{31}\)

This type of approach takes the concerns of the critics of performance management seriously, but it develops a middle ground position that sees performance management as an important practice and examines what it is doing in public organizations.

Moynihan contributes to the theory-building process on performance management with his interactive dialogue model. This model can account for some of the criticisms of performance management systems. His focus is on ”understanding why performance management reforms are adopted and how the nature of adoption affects implementation.”\(^\text{32}\) He agrees with critics that performance management will have varying levels of success depending on factors such as financial resources, leadership, political pressures, corporate culture, etc. Where his approach


differs is in the attention he directs to how actors within public administration systems interpret and use performance information, and the dynamics of this interaction. Moynihan’s Interactive Dialogue Model examines how performance information is socially constructed. The language surrounding performance management suggests a level of objectivity of information and rationality of actors. Moynihan points out that performance information does not provide objectivity or clarity. Indeed “[p]erformance data is ambiguous and subject to disagreement . . . (and) interested actors interact in a dialogue to establish its meaning.” The model serves as an alternative understanding of performance management in contrast to the otherwise “mechanistic metaphor of decision making in performance management doctrine.” The mechanistic approach can be seen in the models discussed earlier, which explained performance information as impacting decision-making in a logical linear fashion.

This Interactive Dialogue Model is informed by a series of case studies that examine how information is used. Moynihan’s case studies reveal that performance information does not feed into decision cycles leading to “evidence-based decisions”, as the basic theory of performance management suggests. In this model information is not only exchanged in dialogue, the meaning is actually established through dialogue, thereby making the information much more subjective and transitional, subject to the dynamics of interaction. The Interactive Dialogue Model highlights the political nature of performance management. Whereas other models gloss over the political nature of performance management, suggesting that performance information drives decision-making, this model suggests that actors construct performance information and utilize this information to suit their purposes.

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32 Ibid., 95.
34 Ibid, 95.
The budget-making process serves as an example of how dialogue and social construction of values is more determinative of the outcomes of performance management systems. Performance information can be used to inform budget making. Moynihan notes that contrary to standard theory, performance information does not provide clear solutions for several practical reasons: 1) it is difficult to allocate costs to performance; 2) decision makers disagree on acceptable measures of performance and have difficulty comparing performance across various sectors; and 3) even if measures can be agreed upon, the value of programs cannot be agreed upon. The basic linear approach to performance management suggests that performance information will inform decisions, forcing decision-makers to comply with the “facts”. In other words, that it will “speak truth to power”. While a benefit of performance management may be that it presents decision-makers with important information about performance, it is not realistic to expect performance management to override the political process. A realistic theory will show that performance management informs dialogue and outcomes but is not determinative of it.

The Interactive Dialogue Model suggests that performance management is about creating information to drive dialogue in organizations, and that this facilitates negotiation between different groups by creating a context within which divergent positions can be communicated in a structured manner. Politics and predetermined positions will not be removed by a system such as this, as might be expected by the rational performance management system, as described by most theorists. This is not the benefit of performance management. The benefit of performance management is that it creates opportunities for actors to bargain, discuss, and interact utilizing a common language to structure dialogue. The process is not nearly as logical as the basic theory of performance management would suggest, but it does provide a necessary structure.

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Can Systems Behave Rationally?

As discussed by Moynihan, most theorists posit a basic rationality or at least bounded rationality of policy and program systems. Performance management is rooted in policy evaluation, which began as an attempt to objectively and systematically study the effects of public programming. Performance management provides decision-makers with information, and implicitly posits a rational actor model in its assumption that good information will lead to better outcomes and continuous improvement. Recent academic work in the field of decision-making questions the assumption of rationality. Several authors have written extensively on the barriers to rational decision-making.

In “Maintaining the Status Quo: How Institutional Norms and Practices Create Conservative Water Organizations” Lach et al. examine a case study of reform attempts in water management systems in the United States. In this case study water usage was exceeding system capacity. Water managers had the opportunity to improve the system through various reforms. What the authors found in their analysis was that water managers leaned heavily towards minor incremental change even though the evidence suggested the need for larger reforms. Because water availability is unpredictable and water shortages so catastrophic, water management organizations have developed stable processes to ensure stability. This conservative approach to risk is reinforced by organizational routines (routinization of the irregular), the dependence of organizations on craft skills and local knowledge, and an adherence by these organizations to a

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38 Ibid, 143.
40 Ibid, 2030.
hierarchy of values that have been designed to ensure stability of the system. Routinzation of the irregular is the common practice of building systems for worst-case scenarios. This is seen in the building of over-sized reservoirs to avoid worst-case scenarios that are highly unlikely. Because these systems have resulted in stability over time, they are not challenged. Second, the system is reliant on individuals with craft skills that are highly valued, but only within the industry. These skills are reinforced by the norms of the industry, and countervailing worldviews about water management are resisted. The system resists changes that the evidence would suggest might help them become more cost effective, and responsive to external demands. This is relevant because what can happen in one policy system can happen in another. Even if performance management agendas are employed and provide decision-makers with good information, this does not mean that recommendations supported by good performance information will be readily adopted if there are deep-seated organizational norms that resist such change.

In “Maps of Bounded Rationality: A Perspective on Intuitive Judgment and Choice” Daniel Kahneman outlines how the rational actor model of choice in decision-making is problematic because it assumes the capacity of actors to think and behave logically. Kahneman’s findings show that the outcomes of decision-making are contingent upon irrational tendencies of individuals to be swayed based on framing and other factors:

The assumption that preferences are not affected by variations of irrelevant features of options or outcomes has been called extentionality (Arrow, 1982) and invariance (Tversky & Kahneman, 1986). Invariance is an essential aspect of rationality, which is violated in demonstrations of framing effects such as the Asian disease problem (Tversky & Kahneman, 1981).

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41 Ibid, 2030.
42 Ibid, 2039.
In the classic demonstration of framing effects on decision-makers, two options are presented to decision-makers. The two options are exactly the same, but the results are emphasized differently. The scenario is described as follows:

the United States is preparing for the outbreak of an unusual Asian disease which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed . . . If Program A is adopted 200 people will be saved [;] If Program B is adopted, there is a one-third probability that 600 people will be saved and a two-thirds probability that no people will be saved. Which of the two programs would you favour?44

Interestingly, the majority of respondents favoured program A, which indicates risk aversion. This risk aversion clouds rational decision-making, which would have to conclude that neither option is the preferred option. When the problem is rephrased as follows, the results differ again: “If Program A’ is adopted, 400 people will die [;] If Program B is adopted, there is a one-third probability that 600 people will be saved.”45 Interestingly, the majority of respondents favoured program B, which is the risk seeking option because “outcomes that are certain are over-weighted relative to outcomes of high or intermediate probability. Thus, the certainty of saving people is disproportionately attractive, and the certainty of deaths is disproportionately aversive. This points to the fact that even though individuals attempt to behave rationally, they are not able to control how they will respond to different stimuli, and thus invariance is violated.

Similarly, in “Beyond Nudges: Tools of a choice architecture” by Johnson et al. the way choice is presented to decision-makers is shown to be determinative of the decisions.46 The purpose of this article is to outline the various known tools for structuring decision-making architecture. Again, the implications of this are to put into question the rational actor model. This

44Ibid, 457
suggests that unless a performance management system is cognizant of the affects of framing on decisions, it may inadvertently lead decision-makers down the “wrong” path.

The challenges to the assumption of rationality in decision-making, such as those featured above, do not appear to have made their way into performance management theory. The rational actor model is implicitly (if not explicitly) at the centre of performance management theory. In theory, performance information is an input into a rational performance management system for delivering the best services to citizens, or consumers of government services. In practice, the boundaries of rational behaviour may inhibit this ideal from being achieved.
Chapter 2: Performance Management in the Canadian Provincial Context

A brief scan of four Canadian provinces identifies four clear examples of performance management approaches in use in the 2005-2014 period:

• Ontario makes use of a system called Results-Based Planning (RBP). The Ontario approach is a planning process that integrates planning, budgeting, and performance measurement to ensure outcomes are clearly outlined in business processes, and measured through systems of performance measurement. This system is very much about reporting to the public on results.47

• Manitoba makes use of a system called Performance Reporting. This is an organized process to assist government organizations with clarifying outcomes, monitoring progress, and reporting to stakeholders. The purpose of performance reporting is to provide decision-makers with information on performance so that improvements can be planned for future implementation.48

• Saskatchewan is undertaking performance system reform through the implementation of LEAN, which is an attempt to re-engineer processes to improve results. This system is combined with program reviews, which are an organized approach to assessing general performance of systems, and used as a preliminary assessment to determine if further performance improvements can or should be made.

• Alberta’s system, which is the focus of this paper, is undergoing major performance management reform through the Results Based Budgeting initiative, which is designed to ensure that the government is efficient, effective, and relevant. The first

stages of this program have involved reviewing the status of government programming, and developing measurements to ensure that these assessments can be made.

What all these systems have in common is a focus on results, and the need to report on results and improve results through performance measurement, planning, and redesign of programming in light of what the measurements tell managers about how well programming is going. But beyond that, the differences between two systems can be quite significant in terms of scope, function, and outcomes. As demonstrated below using Saskatchewan as a comparator with Alberta, performance management systems vary between jurisdictions, even if they rely upon a similar understanding of key concepts such as efficiency and effectiveness.

**Alberta Performance Management System Reform**

In the Province of Alberta, the passing of the *Results Based Budgeting Act (2012)* brought with it a renewed focus on results within the public administration. The Act is an important addition to the results management and accountability framework because it greatly expands, formalizes, and universalizes the requirement that ministries and agencies measure, report, and manage progress on intended outcomes. The *Results Based Budgeting Act* became law in February 2012. In the *Government of Alberta – Results Based Budgeting: Report to Albertans*, the province lays out its rationale for this policy. The report explains that the province is implementing Results Based Budgeting (RBB) policy because Albertans “want the Alberta government to deliver programs and services that meet their needs, and they want this done responsibly. They expect us to deliver results…while managing their tax dollars effectively.”

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RBB was implemented over roughly a three-year period. RBB reviews were guided by the principles of relevance, efficiency, and effectiveness. The report cautions that RBB:

is not about reducing budgets to meet an arbitrary spending reduction target, although savings are expected. It’s about budgeting to achieve results, rather than adding incrementally to the prior year’s budget. The focus is as much about effectiveness as it is about efficiency. Significant value will not come from simply making an ineffective program run efficiently.\(^{50}\)

After passing the Results Based Budgeting (RBB) Act, the Government of Alberta developed a process and schedule of RBB implementation to take place over three cycles (roughly three years). The process is as follows: All government programs have been divided into 13 major Lines of Business (LOBs). LOBs can be thought of as thematic areas that different government organizations deliver programming on. LOBs are artificial thematic groupings of government programming regardless of Ministry. As an example the Municipalities and Regional Planning LOB includes programming from within the ministries of Municipal Affairs, Aboriginal Relations, and Transportation that supports community planning and infrastructure, and that provide supports to municipalities and local governments.

Once an LOB is established, a proponent for that LOB is designated. Proponents (also referred to as lead Ministries) lead the reviews for their respective LOB. Typically proponents are chosen based on which Ministry within the LOB has the most capacity to lead an LOB because of the amount of work involved. For example, the Ministry of Municipal Affairs was chosen as the Lead Ministry to review the Municipalities and Regional Planning LOB because it had the most capacity and the most programming of any Ministry being reviewed in that LOB.

Once a proponent is chosen, Challenge Panel members are chosen. The Challenge Panels are comprised of several individuals external to government that have some level of expertise in business, non-profits, the academy, or other subject matter relevant expertise and that can serve

\(^{50}\) Ibid, 2.
as reviewers of the RBB process. Once Challenge Panels are chosen, the LOBs prepare review plans and technical briefings that explain programming. LOBs submit these review plans and briefings to Treasury Board and Finance, which then provides them to the Challenge Panel. Challenge Panels review the plans and provide feedback to the LOB. The review plans must:

- Identify program/service outcomes;
- Performance measurements; and
- Ask questions that evaluate relevance, efficiency and effectiveness.

The challenge panels serve as a sub-committee of the Treasury Board. They assess the “methodology” being utilized in review plans and provide feedback to ensure that the review plans are comprehensive. The role of the Challenge Panel is not to provide policy specific recommendations, or advocate for one program over another. Rather, it is to ensure that reviews are conducted in a rigorous manner, and where evidence of this is lacking, to question the process utilized to identify findings.

After receiving feedback from the Challenge Panels, the LOBs undertake the review and develop final reports with recommendations on how the ministry could improve results. They then present their findings to the panel. Again the Challenge Panel’s role is to provide feedback to help the LOB ensure that it has asked the correct questions, and to challenge whether the review was thorough enough. Once the Challenge Panel has provided feedback, the LOB submits their recommendations to Treasury Board and Finance. TBF reviews the recommendations provided by the LOB in their report, as well as the Challenge Panel’s comments. At this stage recommendations are reviewed and then approved by the appropriate body (Cabinet, Treasury Board and Finance, or the individual Ministry). After this, implementation of the approved recommendations occurs. Implementation can occur immediately in the case of process related recommendations, or after the appropriate policies
have been passed, as in cases where policies or legislation need to be changed. The following figure taken from the *Results-based Budgeting: Report to Albertans 2013* provides a visual overview of this process:

**Results-Based Budgeting Process**

![Figure 3](image-url)

The *Results-Based Budgeting – User Guide*, which has been produced in multiple iterations throughout the process, provides reviewers with a good overview of what they will

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need to do to complete the RBB review process. The user guide provides Ministers, Deputy Ministers and other program proponents with information on how to develop a review plan. It explains that the 13 lines of business have been “mapped” to the seven goals/outcomes of the 2012/2014 GOA Strategic plan.

Proponents are given the flexibility to design a review plan and processes appropriate for their LOB. The review plan must address the following issues:

1) **Identify a “unit of review”:** Proponents are encouraged to break their programming into smaller units of review to improve accuracy, and link the units of review to the programs through the review plan. The proponent determines a unit of review, based on how its programs and services are arranged and what makes the most sense. Often units of review are determined by organizational structures.

2) **Outcomes:** In the review plan, proponents are already given an outcome to link their work to because the LOBs were determined based on how they contribute to the seven Strategic Goals of the GOA. However, proponents can choose additional outcomes for their programming if they can demonstrate that this is reasonable and that it is supported by stakeholder input.

3) **Program/Services Metrics:** The guide document notes that the success of the RBB will depend on the GOA’s ability to identify the effect of changes implemented through the review. In order to assess the effect of any changes, an understanding of the current metrics for programs/services is required. The recommendation is that program areas work through a “results model”. The results model is identical to the logic model in that it distinguishes between inputs, activities, outputs, immediate outcomes, intermediate

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outcomes, and final outcomes. Some programs choose to utilize logic models, but this is not a requirement.

4) **Key Questions:** The review plan also must identify how the programs meet the three RBB pillars of effectiveness, efficiency, and relevance. A standard list of questions designed to test program areas on the three values are available from Treasury Board, but can be modified by the LOB. The purpose of this is to give LOBs the opportunity to reflect on opportunities for improvement and to identify ameliorative actions.

**Is RBB A Performance Management System?**

RBB is a government-wide approach to measurement of performance and management of results in the GOA. It can be considered a performance management system because not only does it measure performance, it connects performance information to decision-making venues so that management decisions can be informed by that information. It is governed by the Treasury Board, which ensures that recommendations will be implemented, and this makes it a clear example of performance management, separate from a mere performance measurement system as described in the above section on ideal types.

**Saskatchewan Accountability Framework**

Saskatchewan provides a useful comparison with Alberta because the processes and tools of that system are structured differently. Both systems are performance management systems but, as will be demonstrated, Saskatchewan’s system is more complex and includes specific tools for specific uses. Saskatchewan plans, measures, and manages results through the Saskatchewan Accountability Framework. The Saskatchewan Accountability Framework includes a planning system with government-wide, ministry specific, strategic, operational, divisional, branch and individual planning. A performance measurement and reporting framework is in place, which
includes financial and non-financial measurements and targets for the various divisional levels. The Saskatchewan model makes use of program evaluation tools, program reviews, and Lean to assess and manage performance excellence.

The Accountability Framework can be summarized as having the following key functions:

• Plan
• Do
• Check
• Act/Adjust

In other words, the system plans outcomes, implements the work to get there, checks whether it has achieved results and whether the systems are adequate, and then acts or adjusts depending on what was discovered from the review. The key components of the Saskatchewan system are: program review, program evaluation, and Lean.

**Program Review** is the main tool used for core business review, and is used to ensure Ministry programs and lines of business are efficient and effective. Program review assists ministries with determining the “right” programs to deliver. A program review is a quick assessment of a program that examines relevance, performance, alignment of programming with client needs, and alignment with strategic policy. The review is used to determine if further actions should be taken to improve the program, and can be thought of as a check-up. If issues are identified, other tools such as Program Evaluation and/or Lean can be employed. The assessment utilizes a survey methodology that examines available data to review the status of the program. The review is not a long-term process, but provides decision-makers with sufficient information to make an initial assessment.\(^5^3\)

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**Program Evaluation** is a detailed evaluation of programming against established outcomes. The type of analysis performed to undertake a program evaluation is in-depth, lengthy, and requires significant resources and expertise. In-depth interviews, focus groups, questionnaires, and other methodologies are utilized to examine the effectiveness of programming. Program evaluation is reserved for scenarios where issues, challenges, or the need for improvement is identified by program review.

**Lean** is a tool for simplification and reengineering of processes to enhance efficiency. It is based on private sector production management techniques developed for the Toyota Production System of the 1950s and 1960s. The purported value of this system is its propensity to eliminate waste. A modified version of Lean is being applied to Saskatchewan government organization to eliminate waste and increase efficiency. Lean, as described on the Government of Saskatchewan’s Lean website, “identifies and eliminates unnecessary steps, streamlines process, and ultimately improves value for the end users: our clients and customers.”54 The Government of Saskatchewan has stated that it believes Lean will continually improve service delivery by improving systems and processes and streamlining work.

Lean focuses on what the clients and customers value to eliminate processes that do not add value. According to the Government of Saskatchewan, Lean engages employees to learn how to work better and smarter. The system is designed to be highly adaptable, so that a system can be transformed rapidly through the deployment of Lean. The Government states in its explanation of Lean that it is not designed to cut jobs or reduce government, but to improve the way work is done so that resources saved can be invested into the system to add value where they are needed. There is no end date to Lean. The Government intends to establish a culture of

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Lean in the workplace so that managers and employees can apply Lean to their work in the long-term.

Lean achieves the aforementioned objectives through an enhanced planning process that works through the following steps to enhance the outcomes of programming:

- **Step One – Identify the Issue:** Select a government process that could be improved.
- **Step Two – Identify the Steps in the Process:** The purpose of this is to outline the steps in the process and examine the resources expended through the process as it is organized.
- **Step Three – Identify Outcomes:** The purpose of this stage is to identify the “end goal” of the process by asking “What do you hope to achieve? What do your clients and other end users expect?” Then participants are asked to determine whether the steps in the process, or various client interactions could be combined, altered, or eliminated.
- **Step Four – Identify and Eliminate Barriers or Issues:** At this stage, participants identify barriers or unnecessary steps in the process, and try to identify options to improve the processes.
- **Step Five – Develop the Future State:** At this stage participants work to identify a future state that could be achieved through process changes. Questions are asked about whether process changes will improve client outcomes. Lean makes use of a Value Stream Mapping exercise (VSM) that examines the value added by every stage in a process. Lean is being implemented across the Government of Saskatchewan and throughout it’s agencies, commissions, etc.

To summarize, Saskatchewan’s system utilizes program reviews to determine if further evaluation is necessary, or if process changes should be contemplated to improve efficiency. The

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55 Ibid.
56 Ibid.
tools utilized by this system help Ministries make sure their programming is efficient as possible so that resources are available to achieve the desired outcomes of government programming. The tools are meant to be utilized in whichever way makes the most sense for the programming being examined. Saskatchewan’s system is also a performance management system because the system produces and utilizes performance information systematically to improve results.

Comparison Between Two Systems

Alberta’s RBB is a new initiative that is building upon an older performance planning and performance measurement system. The RBB initiative has a start and an end date. Although it has been announced that the RBB system will be in place beyond its original three-year timelines, it is still something that has not been renewed indefinitely. The Alberta system is based on the values of efficiency, effectiveness and relevance. It is managed by Treasury Board and implemented at the ministry level. The methodology of the Alberta system is loosely defined, has a general purpose, and involves some external review processes. The Albertan system refers to beneficiaries of the programs as “Albertans” which stands in contrast to the Saskatchewan system, which refers to beneficiaries as “clients” or “customers”.

The Saskatchewan model differs from Alberta’s in that it appears to be a mature system that has incrementally developed through the addition of various tools. The Saskatchewan model involves a clear distinction between planning, review, evaluation, and process redesign. It follows the classic performance management cycle as demonstrated in the plan, do, check and adjust stages. The system differs from Alberta’s in that it has different tools for different purposes. By distinguishing the tools for different purposes, it is conceivable that the Saskatchewan model is more adept to deal with different performance challenges in an orderly and coordinated fashion. The Albertan system appears to be more ad hoc at this point.
Both systems are performance management systems but are structured differently and take different routes to achieve performance improvements. The reason for comparing the two is to show that the standard performance management approach discussed in theory, does not translate neatly into similar systems in practice. Performance management is a relatively open ended concept, and can take different shape in different administrative concepts. It is interesting that two public administration systems in similar geographic and political landscapes can take such different shapes.
Chapter 3: RBB Implementation 2012-14

Each year since passing the *Results-Based Budgeting Act*, the GOA has published a *Report to Albertans* outlining the results of the RBB process. The first report explained the process of RBB and what programs were being reviewed in the first cycle. The second report *Results-based Budgeting: Report to Albertans* was published in November of 2013. The report provides highlights of the findings and recommendations that were approved and are being implemented. The following is an overview and assessment of this process. Following this is an overview of the interview data that helps explain the basic findings of this report.

**Review of Cycle 1**

In Cycle 1, the GOA reviewed 150 programs and services in 6 different lines of business. These included:

- Municipalities and Regional Planning;
- Support to Albertans in need - Supports for disabilities;
- Early childhood development;
- Health - Primary Care and Health Benefits;
- Enterprise and Ministry Support Services; and
- Economic Development - Market Access, Value Added and Diversification

Final reports and over 170 recommendations were presented to challenge panels in May 2013.

The report notes that RBB will establish a new approach to government budgeting that focuses on outcomes and ensuring government meets Albertan’s priorities, and delivers value for their tax dollars. It states specifically that the process will give government the option to redirect dollars to priority initiatives and ensure projects and programs are delivered effectively and efficiently.\(^57\) But the report cautions that RBB is not about arbitrarily cutting costs. Rather, RBB will eliminate automatic budget increases, by linking increases to outcomes. The reviews that

were done in Cycle 1 identify areas for improvement in programming “including better alignment between programs and services and opportunities to better allocate resources to bring increased value to Albertans.” However, the report does not show how outcomes are attached to a budget figure.

Cycle 1 was completed in 2013, and recommendations were presented to Treasury Board Committee in June of 2013. The purposes of the recommendations are to “improve outcomes for Albertans by reducing duplication, improving access, reallocating resources to higher priorities, and streamlining processes.” The chart below provides a quick overview of the types of recommendations that were identified through the RBB Cycle 1 Process. The three categories were chosen because they adequately capture the type of recommendations that occurred as a result of RBB. Process recommendations include improvements such as consolidation of programming, and other process improvements that were recommended to improve efficiency and effectiveness of programming. Policy recommendations cover all recommendations that deal with policies and strategies. The performance category is for any recommendation designed to improve performance management and performance evaluation capacity.

The different LOBs came up with different types of recommendations. Some LOBs were very focused on process recommendations, such as consolidating programming to reduce duplication and increase efficiency. Other LOBs were very policy focused, identifying the need for policy clarity, strategy development, and policy alignment. Other LOBs were very focused on the need to enhance performance management systems. Still, others were very balanced, such as “Early Childhood Development” which included a similar number of policy, performance management, and process recommendations. The Cycle 1 – Report to Albertans identifies some

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58 Ibid, 3.
59 Ibid, 5.
of the key recommendations. The following chart classifies the types of recommendations that came out of this process, but is not inclusive because not all recommendations were made public.

*Classification of Cycle 1 Recommendations*\(^{60}\)

Figure 4

<table>
<thead>
<tr>
<th>LINE OF BUSINESS</th>
<th>RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Policy</td>
</tr>
<tr>
<td>Municipalities and Regional Planning</td>
<td>1</td>
</tr>
<tr>
<td>Support to Albertans in Need – Supports for Disabilities</td>
<td>10</td>
</tr>
<tr>
<td>Early Childhood Development</td>
<td>3</td>
</tr>
<tr>
<td>Health – Primary Care and Health Benefits</td>
<td>2</td>
</tr>
<tr>
<td>Enterprise and Ministry Support Services</td>
<td>3</td>
</tr>
<tr>
<td>Economic Development – Market Access, Value-Added and Diversification</td>
<td>5</td>
</tr>
</tbody>
</table>

(See Appendix C for a detailed classification of recommendations).

Each of the reviews had a different focus depending on the LOB being examined:

- Municipalities and Regional Planning was very process focused, with consolidation of grant programming being recommended to make program delivery more efficient and more effective.

• Support to Albertans in Need: Supports for Disabilities was policy focused. The highlights of this LOB were the consolidation of disability supports under the Ministry of Human Services, and the creation of a Social Policy Framework to articulate common principles to govern social policy across the GOA, and throughout the network of service providers in Alberta.

• The focus of Early Childhood Development was to engage stakeholders to build more comprehensive policy and enhance the performance management system as well as improve standards to govern service providers.

• Health – Primary Care and Health Benefits was entirely policy focused, with the creation of a Primary Health Care Strategy and other policy redesign initiatives as the priorities for this LOB.

• Enterprise and Ministry Supports was focused on process and internal policy improvements to provide more efficient and effective services to GOA clients.

• Economic Development – Market Access, Value-Added and Diversification was very policy focused. Clarity of outcomes to coordinate programming and measure and manage performance were the primary focus of this LOB through the enhancement of Performance Management system components and the creation of an economic development framework.

Clearly RBB has different outcomes for different LOBs. It is not possible to say that a policy ministry (Municipal Affairs) will be more policy focused than a ministry that delivers services (Health and Human Services), because the LOBs dealing with health and social services were the most policy focused in this list of LOBs, whereas Municipal Affairs mostly focused on process improvements to enhance efficiency of service delivery. Different LOBs came up with
different recommendations, which suggests that ministries approached RBB very differently depending upon priorities and context.

**In-depth Interview Assessment of RBB**

Semi-structured interviews were held with 12 members of the Alberta Public Service involved in various capacities with the Results Based Budgeting (RBB) process in all three of the cycles. Interviews were targeted with individuals working in various levels of the GOA including centralized planning functions for various ministries, individual programs, and central agencies for the entire GOA. Interviews were held with program staff, managers, senior managers, and teams of staff involved with RBB in various capacities from these various organizational contexts. A semi-structured interview was used to gain an in-depth understanding of the scope, purpose, and structure of RBB. A snowball approach was used to identify various sources until saturation occurred. Saturation was deemed to have occurred once the interviews were no longer producing significant divergence in themes, and multiple subjects had confirmed the themes outlined in this thesis. The interviews identified a number of themes emerging through the implementation of RBB that help explain the issues, challenges, and lessons learned.

**Themes and Issues Identified**

**RBB – Advancing the Results Focus in Alberta**

RBB, from the perspective of all practitioners interviewed, has contributed to Alberta’s accountability and results management framework by focusing the attention of government on outcomes. Business planning and other practices focus more on performance and outcomes instead of outputs as a result of RBB. RBB, creates a common language around results

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61 The interview consent form is attached as Appendix A.
62 A list of some the types of questions used in the interviews is attached in Appendix B.
management, and creates a common approach to performance management. The key difference between RBB and the accountability systems already in place is that RBB contributes to the creation of an integrated system of performance management with a strong focus on outcomes aligned with the key strategies of the GOA.

One of the major outcomes of RBB is to improve the understanding of performance by GOA employees, or in other words to generate performance literacy. Michael Howlett and Joshua Newman studied the knowledge and skills of policy professionals in the provinces and territories. They found that there was a lower level of knowledge of technical skills among these professionals when compared with their federal counterparts in Ottawa. In terms of evaluation capacity, the frequency of which policy analysts classify themselves as evaluators is 23.2 percent. In terms of specific analytical techniques utilized, policy analysts across the country reported using sophisticated modeling tools only 11.2 percent of the time. This is similar to Alberta's situation. While no solid data sources exist to confirm this, it was reported by one participant that prior to RBB, less than 20% of public servants in Alberta would have had experience utilizing logic modeling and other performance management tools. After RBB, most public servants would have been exposed to those tools. Through the implementation of RBB, most people have been exposed to these and other tools. Performance information is being incorporated through various ministerial processes such as business planning. Business and strategic planning processes now incorporate these outcomes and performance measures are beginning to inform future plans and strategies.

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63 Respondents 2 and 3.
65 Respondents 2 and 3.
Review Process: Semi Structured and Horizontal

RBB reviews were done across ministries through Lines of Business (LOB) for programming with similar outcomes, something many reported they were not accustomed to. Traditionally government organizes reviews vertically by ministry. This horizontal integration of reviews was unprecedented. Treasury Board (TB) maintains that the process was designed to be cross-ministry focused to encourage collaboration around outputs so that work would be better aligned across government. Generally respondents thought the LOB system made sense and were pleased with the opportunity to work with other ministries to review work and better align work with outcomes, even though this was a new and challenging experience. Some respondents did note that in a number of cases the LOBs did not make sense. These respondents did not suggest that the idea of having LOBs was problematic, but rather, that some of units of review did not fit within their LOB.66

The review process was only partially structured by Treasury Board, which permitted great flexibility within each Line of Business. All respondents verified that Treasury Board did not require reviews to follow a predetermined structure with templates and other documents. This meant that the review provided opportunities to design the review in a manner that met the needs of the various LOBs. From the perspective of Treasury Board (TB), this semi-structured approach allowed innovation to take place. Further, TB was concerned that if they provided too much direction, RBB would be perceived as a cost cutting exercise. TB wanted program areas to adopt lasting cultural change through RBB. By leaving the review process semi-structured,

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66 Respondents 4, 5, 9, and 12.
program areas had the flexibility to make the review process work for their unique programming and policy circumstances.67

Most LOBs have used a standard approach, dividing programming into units of review and then conducting the reviews utilizing logic models and tools that define inputs, outputs, outcomes, and measures. Because no rigid structure was in place there was significant diversity. One small unit working with educational programming and advanced learning approached this matter much differently. This division realized early in the process that they did not have a clear set of outcomes around which programming was designed. RBB gave them the opportunity to review their existing outcomes, and develop a more useful outcomes framework. Instead of utilizing a granular approach that looks at measuring each program activity individually, they took a systems approach to define and examine the outcomes of the entire system. The system they are dealing with involves multiple external institutional partners, and therefore defining shared outcomes for the system is believed to be useful for coordinating policy outcomes. This division believes that it is difficult to make sense out of the systems they are engaged with by reviewing and reporting on individual programs. This division is not aware of anyone else approaching RBB in this way. Most areas are utilizing a standard logic model approach and examining individual programs to come up with recommendations on improvements.68

**Staff Reaction to RBB**

Initially staff were concerned that RBB was about cutting positions.69 Implementation of RBB did first take place around the same time that Alberta was dealing with revenue shortfalls due to the rising price differential between bitumen and traditional crude. At this time there were

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67 Respondents 2, 3, 4, 5, and 9.
68 Respondents 4 and 5.
69 Respondents 2, 3, and 12.
a lot of discussions in the media about the upcoming budget that would involve tough choices and reduced spending. This may have contributed to that fear. Most respondents reported that after participating in the exercises staff became aware that RBB was a dynamic process that involved more than searching for cost savings. After working with the process, staff became less intimidated by it because they saw it as a tool that would assist them with doing better work because through RBB they would be better equipped to measure their impact. In short, what was initially viewed as a threat became viewed as an opportunity to make programming better. The change in staff perception of RBB was attributed to the consistent messaging from political leadership and senior management that RBB was not just about cutting spending and reducing jobs. One respondent involved with coordinating RBB noticed that while at first staff were very concerned about RBB, as executive management (Assistant Deputy Ministers and Deputy Ministers) engaged in the process and demonstrated openness to staff suggestions, many staff began to see RBB as a potential opportunity. This individual attributed this change in perspective to two things: 1) clear messaging from senior management reinforcing the dynamic role of RBB; and 2) the desire of public servants to made a difference, and the fact that RBB provided an avenue for improvement.70

The majority of interviewees also suggested that the move towards horizontal integration of reviews was smooth. People were less territorial than what was expected, and participants found this new approach useful and rewarding. This speaks to system-wide cultural change that appears to be occurring as a result of this and other GOA initiatives.

**Challenge Panels:**

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70 Respondent 2.
Many respondents thought there could be process improvements with the Challenge Panels because they did not feel the panels were able to provide very useful feedback due to lack of knowledge of subject area, and lack of time to thoroughly assess the information being provided to them. Some questioned whether they could add significant value as outsiders with little program specific knowledge given the amount of material they had to review within such short timelines. Several respondents questioned whether conversations with Challenge Panels truly resembled the intent of RBB, which is outcomes-based thinking. There were several circumstances where Challenge Panels were making recommendations on the outputs and outcomes a program should be focused on, rather then engaging them about how they came to the recommendations they had prepared. Other interviewees noted that some challenge panel members were focused on policy specific recommendations, which is not what the Challenge Panel was designed to do.\textsuperscript{71}

Several respondents noted that the Challenge Panel’s role is functionally limited. Good conversations were held with Challenge Panels. However once recommendations had been made through the RBB process, time and resource constraints on behalf of the LOB meant that they would be submitted to the Treasury Board regardless of whether the Challenge Panel agreed with them or not. It would then be up to Treasury Board to determine whether to require changes to be made. It was suggested that this system does not really challenge program areas to the degree intended. There seemed to be a view that the system could be re-organized to elicit more meaningful challenges.\textsuperscript{72} This issue was partially addressed in Cycle 2, with far greater emphasis placed on the role of dialogue in the conversations between LOBs and the challenge panels.

\textsuperscript{71} Respondents 4, 5, 9, and 12.
\textsuperscript{72} Respondent 12.
In summary, the challenge panel approach was reported as a good opportunity and welcomed for external analysis, but this did not seem to occur as planned. What can be learned from this is that while external assessment is associated with transparency and accountability, programs are very complex and simply providing external assessors with briefing materials does not necessarily provide an opportunity for external examiners to understand programming and provide meaningful analysis and challenges.

**Outcomes of RBB**

**RBB and Decision-Making**

One question in the study of RBB in the GOA is whether RBB contributes to effective and rational decision-making by government decision-makers? The presupposition of RBB is that decisions are often made without adequate attention to performance and that, by providing decision-makers with strong performance information, good decisions based on sound evidence can be made. Interviewees suggested that while it is too early to say whether RBB is impacting better decision-making, by collecting more indicators and telling a better performance story the view seems to be that decisions are at least better informed. RBB is not expected to fully drive decision-making. Rather, RBB is best thought of as one approach to encourage evidence-based decision-making in the Government of Alberta. RBB has led to an enhanced discussion about results and data collection for evidence-based decision-making (about resource allocation, policy development, etc.) and has built the infrastructure necessary to implement such a system.

**Interconnection and Complexity of Programming Outcomes**

From cycle two, one Ministerial RBB unit learned that when a single program is examined and recommendations are made from the examination of that program alone, the
recommendations have limited applicability. This is because most programs do not exist alone, but have shared outcomes with other programs. This RBB unit has found a broad strategic approach to implementation is more useful because programs can be assessed in the context of interconnected business and outcomes. This realization occurred through the broad assessment of programming required by RBB. It was noted that many approaches to performance management explain away complexity through program logic models that tell a simplified linear story related to program activities. To avoid this pitfall, they spent time discussing and defining outcomes, developing a framework of outcomes for all programming in their LOB, and examining how programs contribute to those outcomes in multiple different ways. The purpose of this was to ensure that complexity in programming was understood and assessed in the context of the actual program implementation, rather than in the context of simplified production models. The strength of RBB in that respect is that it enables programs to have this broader level strategic discussion.73

**Context is Important**

Another lesson learned is common-sense but nonetheless deserves some attention. The key lesson is that context matters when implementing an initiative such as this. In 2013 there were significant budget cuts to the stakeholders of one program area that was reviewed through RBB in that same year. The success of RBB in this context was contingent upon not framing RBB strictly as an accountability and cost-cutting mechanism, but as a general tool for improving programming and enhancing outcomes. By framing RBB in this manner, the program area was able to see RBB as an opportunity, even the prospect of being reviewed was somewhat

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73 Respondents 4, 5, and 9.
threatening. But by framing RBB as an opportunity to have a discussion about outcomes the perception of threat was reduced.\textsuperscript{74}

**RBB and the Policy Environment**

Another lesson was that RBB is not a stand-alone process, but is inter-related and reinforced by other policies. One key related process is Reaching Our Full Potential (ROFP), a GOA staff development and workplace excellence initiative that is being implemented across the GOA to encourage staff to develop as professionals and produce results for Albertans by showing leadership, challenging processes and working together. ROFP was rolled out in tandem with RBB, which appears to have enhanced and facilitated cross-institutional conversations, relationship building, and collaboration across the organization. This is something the GOA wanted but they did not know they were going to get this when they set up the program. ROFP specifically speaks about the need for employees to feel empowered to show leadership from all levels regardless of organizational hierarchy, and to be given the permission to challenge processes to improve outcomes. These two organizational strategies are complementary and reinforce one another because they both emphasize challenging processes and focusing on outcomes over protocol and the hierarchical structure.\textsuperscript{75}

**Challenges**

Notwithstanding the above, there appears to be a lack of clarity as to what RBB is supposed to be doing. Not all respondents clearly understood how RBB would align outcomes, inform resource allocation, and measure outcomes. None were in total agreement over how the various goals of the system could be accomplished together, and which goals were more

\textsuperscript{74} Respondents 1, 2, 3, and 12.

\textsuperscript{75} Respondents 1, 2, 3, 4, 5, 9, and 12.
important. Some respondents felt that a lot of confusion had been created by the name RBB because it does not appear to them to be a budgeting exercise, but rather a results planning exercise.76

One philosophical challenge to performance management came from the one RBB team that suggested the entire approach to performance management in public administration is flawed. This group contends that governments have favoured the simplification of policy and programming over complexity. They see government as historically married to simplified linear planning processes, which are problematic because they impose a simplified structure on a complex world. From the perspective of these evaluation professionals, there is no certainty in much of what government does, especially with social matters, and performance systems that view the programming in that way do not help manage the complexity and achieve outcomes effectively. The challenge for this unit of review was to communicate the value of approaching RBB from a different perspective that recognizes the inability of the public service to do away with the messiness of the world. They appeared to have some success in this endeavour because the review process is not highly structured. They were able to jettison what they saw as over-simplified review tools in favour of more dynamic approaches deriving from theories such as “systems thinking.” The difference between this LOB and other LOBs interviewed, was that this LOB’s programming is largely implemented through third-party delivery agents. The complexity of the programming was easily communicated, and may have contributed to the ability of this unit to demonstrate the need to utilize an alternative approach to performance management.

For the bigger Ministries leading the process, the challenge has been to effectively evaluate massive ministries within short timelines. The way they have coped with this is to begin with a strategic review to meet RBB review deadlines, but with the plan of doing a second in-

76 Respondent 7.
An effective in-depth review would require hiring many extra staff, which was not possible. This adaptation speaks to the fact that RBB is being taken seriously, and being embedded into the management systems of the GOA, but that lack of resourcing, at times unrealistic expectations, and a lack of clarity of purpose has challenged the process.

A very big challenge that is perhaps understated is getting program managers to take the time to think about and analyse their work utilizing the language and tools of performance management. One respondent spoke to this challenge, noting that while they have utilized logic models in their planning work before, it is challenging because people do not have time to always think this way. This person asserted that the intense pressure to produce results within limited time periods forced public servants to focus most of their attention on activities and outputs, and less on outcomes. Therefore, the emphasis on outcomes is difficult to implement in practice. The other challenge is that people are worried about losing their jobs, so it is hard to get them to openly discuss the need to change programs in order to achieve outcomes. One of the barriers to this is that RBB involves a significant amount of work that has to be done in addition to everything else. For this reason it is unreasonable to expect that the results will be perfect. This is especially problematic for those Ministries that do not have adequate performance measurement frameworks. Through RBB, this weakness was noticed, and many Ministries have included in their recommendations the need to develop stronger measurement frameworks. This will take time, but is expected to lead to stronger capacity for review in the GOA, thereby addressing some of the concerns above.

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77 Respondent 12.
78 Respondents 7, 8, and 9.
**Factors leading to success**

Factors leading to success were support from leadership, including everyone from the Premier to Ministers and senior executives. Communication of RBB as a dynamic multi-dimensional process and not a single dimensional budgeting process has had the effect of reducing anxiety over the potential for job losses as a result of reviews taking place. By communicating RBB as an opportunity for improvement rather than a threat due to potential cuts, RBB appears to have been taken seriously.

**Summary of Findings**

In summary, RBB appears to work as a semi-structured review process that permits innovation by allowing implementation to take different shape within different organizational units. The process, guided by the goals of efficiency, effectiveness, and relevance, is integrated horizontally and vertically. It is horizontally integrated because LOBs are based on shared outcomes that link different organizational units from different ministries together and have them review their programming together. The system is vertically integrated insofar as it is directed by Treasury Board (TB) and managed by lead ministries, and coordinated in each ministry through central planning agencies. As outlined in the organizational structure chart below, Treasury Board coordinates the execution of RBB across all LOBs. Each LOB has a lead ministry that coordinates the reviews, and rolls up the data for the LOB. Under each Lead Ministry there are several participant ministries that are included in the LOB. In this way, the RBB process is vertically and horizontally integrated. Vertically because a central body coordinates RBB across government, and horizontally because multiple ministries are grouped together within multiple LOBs based on often overlapping policy outcomes.
RBB has created a common language about results and a common approach to performance management in the GOA and has increased awareness of performance management. Perhaps because RBB has a flexible implementation structure, there does not appear to have been any major opposition to RBB and no major concerns were raised by any of the respondents interviewed. This suggests that allowing LOBs to develop their own approaches reduced conflict. RBB appears to have increased clarity of outcomes, and brought once separate ministries together to work in collaboration on shared goals. If nothing else, RBB has lead to greater horizontal integration of the GOA, and an increased focus on the need to measure and manage outcomes. The process was somewhat cumbersome but did achieve some significant results in early reviews of a large quantity of programming and produced a significant number of recommendations that are currently being implemented.


Chapter 4: Comparing Theory with Practice

The theories that informed the earlier discussion of performance management can now be compared with the case study. Does the theory help explain what occurred in Alberta? Do unique features appear in the Alberta system that are not explained by the theory? Mohammad Ehsan’s basic conditions for having a performance management system are that the system measures performance and incorporates information into actions. RBB constructs performance information during the review stage and incorporation of information takes place through the development and implementation of recommendations. RBB both measures and incorporates, and thus meets these minimum conditions.

The basic cyclical model of performance outlined in Chapter 1 is supported by Alberta’s experience with RBB. RBB is used to clarify objectives, measure and evaluate, and make improvement. This meets the basic stages of plan, implement, evaluate, and incorporate findings into further planning outlined by Dooren et al. either through the policy, contract management, or financial cycles. Dooren et al.’s basic model highlights the importance of performance for planning, managing, evaluating, and re-designing government. In the GOA, the importance of performance for these organizational processes has been heightened by RBB. But prior to RBB, the GOA focused primarily on the concept of performance in the context of accountability. Performance measurements were used for business planning and annual reports that generally spoke to the outputs and proximal impacts of programming. RBB has shifted the focus of performance from accountability issues to other importance values such as efficiency and effectiveness. This can be explained by Bouckaert and Halligan’s model of the four ideal types of performance systems.

Bouckaert and Halligan introduced the four ideal types of performance systems in chapter one. This classification system is useful because it can help distinguish generally between more
advanced and less advanced performance systems. RBB appears somewhere between a fragmented “management of performances” system and an integrated “performance management” system. RBB is used to manage performance in the GOA in all programs and services, and integrates performance information through the review process with centralization and information management taking place through the Treasury Board. This would seem to suggest that RBB is in some ways an example of the performance management ideal. In terms of integrating programming, RBB was structured to integrate similar programming through the LOBs. The LOBs have grouped programming for the purposes of the RBB review, but from the perspective of ongoing organizational management, RBB does not change the fact that government ministries operate vertically regardless of outcomes, and that performance information is incorporated and utilized differently in different systems throughout the government unless further integration is imposed from the centre. Performances within individual ministries are still managed individually by individual ministries that have different approaches to managing performance. The trajectory of RBB appears to be moving towards a more systematically integrated performance management system, but it is not clear that this has materialized yet. It does not fit neatly with any of Bouckaert and Halligan’s ideal types because it is still being developed and the structure, function, and outcomes of the system have not taken hold. Bouckaert and Halligan’s classification system is useful because it clearly identifies the various components of different types of performance management systems.

Chapter 1 identified the common rationale for performance management systems. How did RBB align with this? The need to monitor the outcomes of government activities to ensure government operates efficiency and effectively, and is accountable to the public are related and common justifications of performance management. RBB has required every program of the
GOA to be examined on the basis of efficiency, effectiveness, and relevancy, and then report on this and identify recommendations for improvement to external review bodies. This ensures that the process is transparent and accountable. The RBB system has been defended on the grounds that it can deliver on these objectives, which implicitly suggests that the system requires improvements, and thus conforms to the rationale outlined in the theoretical accounts discussed in chapter one. The RBB process never set the targeted level of improvement. Thus, it is not possible to quantify whether RBB has actually increased the efficiency or effectiveness of programming because the process has not been in place for very long, and has not resulted in the kind of information required to make that assessment.

**Strategic Performance Management, a New Era?**

As the name would suggest, RBB is designed to find cost savings and efficiencies by allocating financial resources to results. Most respondents from the GOA did not see a direct connection between financial resource allocation and budgeting, as the name RBB would suggest. This was partly due to the fact that RBB is in the early implementation stages, and it was not possible to make that connection during the initial cycles. It is helpful to examine other jurisdictions where performance budgeting has taken place to see how RBB differs from these examples, and perhaps explain why these differences may have occurred.

In the state of Florida, Performance-Based Budgeting (PBB) was enacted through legislation, and similar to RBB, was phased in over several years beginning in 1995. This system was characterized by a much tighter linkage between budgets and performance from the beginning, unlike RBB, where the connections have yet to be clearly drawn. Organizational units

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identified outcomes and performance measures and requested funding specifically for approved outcomes and performance measures. Budgets were directly based on performance data submitted to the budgetary office, which in the case of these organizations was based on the first year of operation during the PBB since that would have been the first year in which this data was actually collected. Sometimes performance standards were based on past levels, whereas in other cases, standards were set politically. For example, the legislated standard for number of children killed from neglect or abuse was set at zero, even though past performance suggested that this outcome was highly unlikely. Incentives for performance were also built into this program. If an agency achieved above average performance they would benefit from additional transfers, more flexibility, or some other reward designed to incentivize better management. The outcome of PBB in Florida was greater legislative oversight, stronger understanding of goals and objectives, budget flexibility, and efficiency and effectiveness. The system, which was set up in the early 1990s is still in place today.

Carl Moravitz, in “Performance-Based Budgeting: Integrating Objectives and Metrics with People and Resources” assesses the practice of performance based budgeting. He writes that in the past, performance-based budgeting was about linking budgets to outcomes and only paying for results. The idea was that the state wasted too much money paying for processes that did not produce results, and by focusing budgets on results, systems would become more efficient and effective. This perspective ignored the inherent political nature of policy systems. Moreover, performance based budgeting systems did not provide relevant information to decision-makers because information was too technical and did not fit with the political

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80 Ibid, 323.
81 Ibid, 324.
The new era of performance based budgeting, according to Moravitz, is characterised by a systematic approach to performance improvement. It requires an ongoing process of establishing strategic performance obligations, measuring performance, collecting, analyzing, reviewing and reporting performance data and using the data to drive performance improvement.

This new approach to performance systems is not as idealistic as previous systems, which claimed to be able to tightly link budgetary decisions and management decisions to performance data. This loose approach to performance budgeting emphasizes planning and clarity of outcomes as the areas within which the most progress can be made and the most impact can be garnered. RBB appears to fit within that more strategic approach, but there is no evidence to suggest this was intentional. Rather, it appears to have occurred rather haphazardly.

The examples from other Canadian provinces also reveal a stronger emphasis on planning than on budgeting. The majority of provinces examined are not working with rigid performance based budgets, but rather, are developing performance plans with clearly articulated outcomes and strategies. With this evidence one cannot determine if this is because the Canadian jurisdictions are simply less advanced than those other jurisdictions with fully functional performance-based budgets, or if the provincial systems have been chosen because of sub-optimal results elsewhere. In any case, Alberta’s experience is not unique in this regard, and appears to fit with the trend of building strategic performance management systems to measure and manage performance. This could signal a major shift in performance management practices towards performance as a tool for goal clarification and strategic planning and away from strictly cost-control and efficiency mechanisms.

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83 Ibid, 367.
Performance, Dialogue, and Post-Rational Actor Models

The experience of RBB in the GoA also appears to support Moynihan’s Interactive Dialogue Model of performance management. Moynihan’s Interactive Dialogue model suggests that performance systems are not valuable because they provide objectivity and clarity to decision-makers through mechanistic structures that define, measure, track, and enforce results regardless of people, politics, and context. The traditional model of performance management envisions bureaucrats being able to “speak truth to power” by providing decision makers with the “facts” about what policies will produce optimal outcomes. Moynihan posits that performance systems are valuable for different reasons. Performance management systems are loose systems for structuring dialogue, and clarifying goals. According to Moynihan, performance data is ambiguous and utilized by interested actors that engage in dialogue. A realistic theory of performance management will show how performance systems inform dialogue and outcomes, but are not determinative of outcomes. From Moynihan’s perspective, performance management systems create information to drive dialogue in an organization and facilitate conversation leading to resolution towards policy and programming options that are supported by the actors involved. By using a performance management system, actors have a consistent structure on which to build arguments, plan policies, and facilitate meaningful interactions. RBB could be understood in this way. The system is very much focused on structured dialogue that begins at the level of the LOB and filters down to various ministries that are part of that LOB. The dialogue is then elevated to a higher strategic level where LOB recommendations are reviewed by the Challenge Panels. After the first interactions during Cycle One, the Challenge Panels requested that LOBs provide less detailed analysis, and spend more time explaining programming and recommendations through dialogue. The RBB system has structured dialogue
through these processes, which is consistent with Moynihan’s findings. This differs from the traditional mechanistic performance management models developed by Dooren et al. and other theorists cited above.

The fact that RBB was relatively unstructured also suggests that the system values cooperation, collaboration and dialogue over uniformity and precision, which are seen in the traditional model of performance management with its focus on linear implementation and decision-making cycles. Treasury Board was very clear that they wanted RBB to create long-lasting cultural change in the public service, and there was a concern that if the system was too structured it would stifle innovation as well as be perceived as a strictly cost-cutting exercise by Treasury Board. Interestingly, this may have been one of the keys to the success of RBB. By allowing individual units to work with RBB in a manner that they believed to be appropriate, Treasury Board created the conditions within which RBB could be viewed from the perspective of a win. By creating the conditions within which RBB could be viewed as a win, RBB could be embraced as part of the solution to the challenges facing public servants, trying to solve complex problems. This was due in part to RBB being structured as a collaborative horizontally and vertically driven process rather than a rigid top-down process. This is a major departure from standard performance management theory. It is important to note however, that the Challenge Panels are in place, and provide a check to ensure methodology is rigorous, which augments the loose structure, providing a third-party feedback loop to Treasury Board.

Furthermore, the structure of RBB has been found to be compatible with the use of alternative review approaches that may be necessary in the context of policy and programming that is difficult to measure using traditional means. Leading theorists such as Beryl Radin argue that performance management systems typically incorrectly conceptualize organizations as
logical, rationally driven, and unconstrained by the environment. Radin suggests that these systems ignore the complexity of problems. In chapter one several distinct challenges to rationality of policy systems was advanced (Lach et al., Kahneman). One interview unearthed a number of similar concerns about performance management in government. The participants argued that standard rationalist approaches to performance management (logic models) are not very useful for complex policy systems with competing priorities, and where success is difficult to measure. The view articulated by these practitioners fits well with the position discussed in chapter one (Moynihan, Dooren et al., Behn and others) that characterizes performance management as an important practice that, while suffering from the challenges of irrationality and oversimplification, can be useful for constructing management systems that connect information to decision venues to improve policies and programs. The participants that identified this challenge in the interviews have found a middle ground position by utilizing the flexibility built into RBB to develop an alternative approach to conducting reviews. This group has focused on developing an outcomes framework to clarify goals before conducting any in-depth evaluation. This suggests that although performance management does have the tendency to reduce complex systems to simple metrics, it can also be used to cope with some aspects of complexity if structured properly. RBB seems to have built in the possibility of a critical understanding of performance, something that has not appeared in any of the other empirical examples assessed.

The above innovations in the practice of RBB are interesting in that they have allowed the bureaucracy to utilize RBB to improve how programs are managed. Nevertheless, the charge that performance management systems assume a rational actor model is a valid criticism of RBB. RBB does assume that through the collection of information, the review of information, and the
development of options and recommendations, that policies will improve along with outcomes for Albertans. It is beyond the scope of this paper to adequately assess whether this is the case in Alberta. To answer this question would require the assessment of the conditions under which recommendations were developed and decisions made, and a comparison of program outcomes prior to and after the implementation of changes. This is a topic that could be addressed through further research into the constraints upon rational decision-making in performance management systems through a series of case studies.

It is clear from the decision-making theorists discussed in chapter one that rationality is limited by psychological constraints. Even if the RBB system was perfectly designed and politics were not a factor, which is impossible, the limits to human cognition mean that any performance management system will still produce sub-optimal results because the tendency towards risk aversion and the status quo are very strong. Even Donald Moynihan’s interactive dialogue model which focuses on the value of performance management systems for structuring dialogue does not address relevant concerns waged by Johnson et al. on how decision-making architecture can determine decision outcomes.

The contrast between the traditional Weberian rational actor model of performance management and the constructivist (Moynihan) approach can be viewed as the shift from the modern (Weberian) approach to a post-rational actor approach. The modern approach conceptualizes public administration systems as being capable of behaving rationally in accordance with rules that, if observed, will lead to optimal outcomes -- towards a conceptualization of performance as driven by values and interests. The rationalist model sees values and norms as a distraction from optimal outcomes that can be achieved by maximizing benefits for all. The post-rational actor approach does not concern itself with the optimal
outcome because there is no single perspective, and therefore there is no optimal outcome. Moreover, even if there were an optimal outcome, bounded rationality and other psychological constraints to rational decision-making would prevent this from occurring anyway. A post-rational actor approach to understanding performance management systems that can be developed from this distinction accepts the limitations to rational behaviour and the constructed nature of values. Taking these two together, performance management does not have to be abandoned, but the hyper-rationalist traditional approach to performance management must be augmented by other important values such as seen in RBB where the values of employee participation, horizontal integration, cultural change, and policy coordination can also flourish. These values are important not because they always lead to the optimal outcome, but because they improve cooperation within systems, improve policy clarity, and deliver other important components needed in a well-functioning system. It is clear that RBB, is a system that fits somewhere between a constructivist and a Weberian approach because it still clings to the values of optimal efficiency and effectiveness, but allows for alternative values to thrive because it is structured loosely and allows variation. It is this nature of the RBB system that has allowed it to be reshaped by a creative group of bureaucrats and politicians trying to improve programming, without being crippled by the unrealistic demands of hyper-rationality. This may have been intentional or unintentional. It is interesting to note that RBB appears to have been framed in the context of a traditional rationalist model of performance management, but through implementation, has come to operate, at least in part, in a constructivist manner as defined by Moynihan. This has lead to some very interesting but unforeseen outcomes that were not outlined in any of the theories discussed. This suggests that something as seemingly straightforward as results management framework can have multiple unforeseen results.
First, RBB has advanced horizontal integration. RBB, through the LOB system, has brought similar units doing work for similar outcomes together to discuss how to measure their work and how to more effectively achieve their outcomes. This has lead to recommendations for the consolidation of similar programs, the redesign of processes, and most interestingly, the development of strategic policy frameworks, as with the recommendation for the implementation of an Alberta Economic Development Framework.

Second, RBB has initiated cultural change. All respondents agreed that RBB’s biggest potential was in creating a culture of results management in the GOA. By allowing LOBs to work within flexible structures to develop recommendations, the GOA fostered the development of a results culture. By introducing the RBB system at the same time as Reaching Our Full Potential, the GOA further emphasized the need to challenge processes and focus on outcomes for Albertans.

Third, RBB emphasizes the need for the alignment of policies and programs with outcomes. Traditional performance management theory is about assessing the results of program activities. RBB is more strategic, and talks about aligning outcomes across government. This makes RBB a potentially strong policy tool for coordinating the bureaucracy, something that performance management literature has not touched upon. Performance management systems are characterized as management tools to manage policy systems that have already been developed. Of course, the performance management literature makes room for policy learning to take place, but it does not speak to the potential role of performance management in coordinating policy, which appears to have been one of RBB’s biggest contributions to the Albertan system, and not the allocation of resources to results as the name suggest. At this point, RBB is largely about allocating activities to policy outcomes. RBB has facilitated conversations around shared
objectives and given Ministries the opportunity to reformulate and restructure arrangements to produce results, but it has done this without dealing with the reallocation of financial resources to any significant level. Perhaps the most interesting thing about RBB is that it has not done what it is designed to do. This is in part due to the fact that the three cycles have yet to be completed, after which allocation of dollars for performance could conceivably take place. Thus far, RBB has functioned as more of a policy tool than the theory of performance management seems to allow for.

RBB is interesting not because it did or did not do what it was designed to do. It is interesting because of what was not explicitly articulated as a benefit of RBB, but which occurred during the implementation stage. The messaging around RBB did not include these benefits yet they have featured more significantly than any other potential benefits in the interviews. Moreover, the theory of performance management did not identify these benefits as common outcomes of performance management.

In conclusion the theory is adequate for describing and categorizing performance management systems, and for explaining what governments can expect generally from a performance system. However, what actually occurs in practice is highly dependent upon the structure, policy, and politics of the institution. Little research has been done on how performance management systems are utilized by public servants, and this type of research might produce a richer theory that is predictive of possibilities, which would then provide some opportunities to assess the impact and value of performance, beyond narrowly-defined questions of efficiency and effectiveness. There is no definitive outcome of any performance management system. Alberta’s system is unique, and demonstrates the value of studying these processes on the ground. The theory is an attempt to classify, describe, and understand what occurs in practice,
and the study of performance management must continually revisit practice to ensure the theory is adequate. Some of the theory appears to be lagging behind and is focused primarily on questions of efficiency and effectiveness. For example, do performance management systems actually lead to greater efficiency and effectiveness? By focusing on how RBB was used in Alberta, and ignoring questions of whether RBB did or did not achieve its intended goals, it was possible to identify alternative uses of performance management systems, which provides a competing account of what performance management systems can achieve, and the values that can be supported by these systems. It was beyond the scope of this paper to assess whether these unintended consequences have improved the system in Alberta. To do this would require an in-depth theoretical account of legitimate performance management values, and a rigorous comparison of system outcomes pre and post-performance management reform. In order to move performance management theory forward, this type of research would be very useful.
Bibliography


Works Consulted


Appendix A – Interview Consent Form

Interview Consent Form

You are invited to participate in a study entitled: “Performance Management in Public Sector Organizations: Results Based Budgeting in the Government of Alberta”

Investigator: Kristopher Schmalz, University of Saskatchewan, Canada

Purpose and procedure: We would like to receive your responses to research questions. Performance management is an approach to managing public sector organizations that continues to be developed in various contemporary public sector institutional contexts, such as Alberta’s most recent approach to managing performance through Results Based Budgeting. This paper examines the theory of performance management in the context of program evaluation and management of public administration systems, and compares the theory with findings from a case study where performance management system reform is taking place. The purpose of this is to determine if the theory accurately explains what seems to take place when public sector organizations contemplate, develop, and implement performance management systems. The purpose of this type of study is to refine theory through the study of practice. The methodology of this study includes primary interview data. We will be interviewing key actors within the Government of Alberta and the network of government organizations in order to gain insights into the circumstances and factors surrounding the implementation of RBB in the Government of Alberta.

Your voluntary participation in this study is appreciated. The interview should last between 30 and 60 minutes. You may withdraw at any time during this process should you feel uncomfortable or at risk. All interviews will be audio taped and you have the right to shut off the tape recorder at any time if you choose. You should also feel free to decline to answer any particular question(s). Should you choose to withdraw from the study no data pertaining to your participation will be retained.

Potential risks/benefits: Mr. Schmalz will make every effort to preserve the confidentiality of your comments (see below). If for some reason Mr. Schmalz wishes to quote you in some way that might reveal your identity, he will seek your permission beforehand. Your participation will help develop a greater understanding of how public sector organizations navigate the implementation of performance management systems, and how this compares with the understanding of the major theories of performance management and may serve to inform dialogue on, and the development of best practices to the design and implementation of performance management systems.

Storage of Data/Confidentiality: The transcripts and original audio recording of the interview will be securely stored by Dr. Peter Phillips at the Johnson-Shoyama School of Public Policy for a period of at least five years. Anonymous data will be aggregated with data gathered from other portions of this research. Your interview will be transcribed by Mr. Schmalz. After your interview, and prior to any data being included in a final report, you will be given the opportunity to review the transcript of your interview, and to add, alter, or delete information from the transcripts as you see fit. Interview transcripts will be seen only by Mr. Schmalz and Dr. Peter Phillips.

The research conclusions will be published as a master’s thesis. These materials may be further used for purposes of conference presentations, or publication in academic journals, books or other academic literature. In these publications, the data will be reported in a manner that protects confidentiality and the anonymity of participants. Participants will be identified without names being used, giving minimal information if this information is relevant. Pseudonyms or composite profiles may be used to disguise identity further, if necessary. In principle, actual names will not be used; however, leaders whose position involves speaking on behalf of the organization may be asked if certain comments they have made can be attributed to them by name in publications. Any communication of these results that has clear potential to compromise your public anonymity will not proceed without your approval.

Questions: If you have any questions concerning the study, please feel free to contact the Researcher at 587-990-4822. This research project has been approved on ethical grounds by the University of Saskatchewan Research Ethics Board. Any questions regarding your rights as a participant may be addressed to that committee through the Research Ethics Office ethics_office@usask.ca (306) 966-2975. Out of town participants may call toll free (888) 966-2975.

Consent to Participate: I have read and understood the description provided above; I have been provided with an opportunity to ask questions and my questions have been answered satisfactorily. I consent to participate in the study described above, understanding that I may withdraw this consent at any time. A copy of this consent form has been given to me for my records.

(Signature of Participant)    (Date)    (Signature of Kristopher Schmalz)    (Date)

Participant’s Name (printed)
Appendix B – Sample Interview Questions

1) Could you explain how your organization approaches performance measurement and performance management?
2) Could you explain what RBB is, and your role with its implementation within your ministry?
3) How does it fit with other performance management practices (business planning, budgeting, etc)? How does it differ?
4) What steps did your organization take to prepare for the Results Based Budgeting Process?
5) What do you understand to be the rationale for implementing RBB (what will it do for the GOA), and why is it needed?
6) Who makes the recommendations for changes as a result of RBB?
7) How is progress monitored and enforced?
8) From your perspective working with your ministry, what impact, if any, has RBB had on organizational decision making within?
   • For example, in terms of management decision-making, are programs managed differently as a result of the existence of more information about results?
   • In terms of policy and planning, how does performance information factor into decision-making as a result of RBB?
9) What are the expected results of RBB?
10) Have there been any unexpected results?
11) What kind of feedback did the challenge panels provide to your organization, and how did this guide you in your reviews?
12) Factors that contributed to success:
   • The following are considered by one author writing on performance management to be associated with the success of any performance management system: 1) a clearly defined strategy; 2) strong committed sponsorship; (3) A clear and urgent need; 4) the support of mid-level managers; 5) the appropriate scale and scope; 6) a strong team and available resources; 7) a culture of measurement; 8) alignment between business and IT; 9) trustworthy and available data; 10) a solid technical infrastructure.
13) From your perspective, what were some factors that contributed to the success of RBB in the GOA?
14) Factors that were challenging?
15) Lessons learned in general?
16) Other comments on your experience with implementing RBB in practice vs. the theoretical expectations that underpinned the GOA’s experimentation with RBB?
## Appendix C: Classification of Cycle 1 Recommendations

The chart below outlines and classifies the RBB Cycle One recommendations in detail. The following recommendations are paraphrased from *Results-based Budgeting: Report to Albertans, November 2013*, pages 6-15.

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<th>LINE OF BUSINESS</th>
<th>RECOMMENDATIONS</th>
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<tr>
<td>Municipalities and Regional Planning</td>
<td><strong>Policy</strong>&lt;br&gt;• Phase out MSI Operating funding over three years and realign the funding to the RCP to encourage all municipalities to work with each other to achieve regional priorities and objectives.</td>
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<td><strong>Support to Albertans in Need – Supports for Disabilities</strong></td>
<td><strong>Early Childhood Development</strong></td>
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<td>• Enhance employment opportunities for Albertan’s with disabilities.</td>
<td>• Clarify roles and responsibilities and clearly define governance boundaries</td>
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<td>• Maximize community capacity building.</td>
<td>• Devine expected services standards against which service providers are monitored and</td>
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<td>• Developing a housing strategy.</td>
<td>• Enhance family managed options,</td>
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<td>• Amend and integrate existing legislation.</td>
<td>• Address support needs earlier to optimize outcomes and prevent inappropriate utilization of high cost services.</td>
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<td>• Adopt assessment tools that focus on individual strengths and needs.</td>
<td>• Develop a performance management framework.</td>
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<td>• Target supports to address unmet needs.</td>
<td>• Implement one outcome-based contract for each service provider.</td>
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<td>• Shift the role of community governance to focus on outcomes by ensuring the governance model for disability supports aligns with and enables the vision.</td>
<td>• Shift the role of the Premier’s Council on the status of Persons with Disabilities.</td>
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<td>• Continue to shift resources from facility-based to community-based settings.</td>
<td>• Enhance family managed options,</td>
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<tr>
<td>• Enhance family managed options,</td>
<td>• The Ministry of Human Services working more closely with the ministries of Health and Justice and Solicitor General to support Albertans with disabilities.</td>
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**Early Childhood Development**

- Clarify roles and responsibilities and clearly define governance boundaries
- Devine expected services standards against which service providers are monitored and
- Engage community partners to increase access to Parent Link Centre programs for
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<th>Health – Primary Care and Health Benefits</th>
<th>Implement the Primary Health Care Strategy, which includes transitioning from a diagnosis and treatment focus to services that also focus on broader social determinants of health, including employment and housing supports.</th>
<th>Develop robust and objective baseline capacity indicators to determine which service providers have the ability to provide a base level of early childhood development services.</th>
<th>Support distribution of comprehensive parenting resources to parents and at-risk families.</th>
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<td>between ministries, stakeholders and program delivery agents.</td>
<td>• Build in flexibility for service providers as different communities require different services.</td>
<td>• Provide opportunities for service providers to share best practices in service delivery and assessment across regions in order to foster ongoing improvements in services quality standards.</td>
<td>• Support distribution of comprehensive parenting resources to parents and at-risk families.</td>
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<tr>
<td>• Support distribution of comprehensive parenting resources to parents and at-risk families.</td>
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<td>Enterprise and Ministry Support Services</td>
<td>Economic Development – Market Access, Value-Added and Diversification</td>
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• Develop a detailed business case for a more efficient service model across the division.  
• Make recommendations for operational and organizational change to ensure the division is more adaptable and can better focus on government priorities.  
• Finish ministry migration to the Government of Alberta’s domain to reduce duplication and lower contract costs.  
• Consolidate and re-engineer data facilities to increase efficiency of operations and mitigate risks.  
• Consolidate some of the 1,900 government bank accounts.  
• Issue e-government guidelines.  

| • Finalize and implement an economic development framework for Alberta.  
• Clarify the mandates of all bioenergy sector programs and explore alignment or consolidation opportunities.  
• Clarify mandates and expected outcomes of rural economic development entities such as the NADC and RADF.  
• Expand Alberta’s international | • Build a performance management system. |
profile and access to markets.

- Implement program improvements, redesign or transition for programs that may have achieved their mandates, or that require redesign to better achieve economic outcomes more effectively and efficiently.