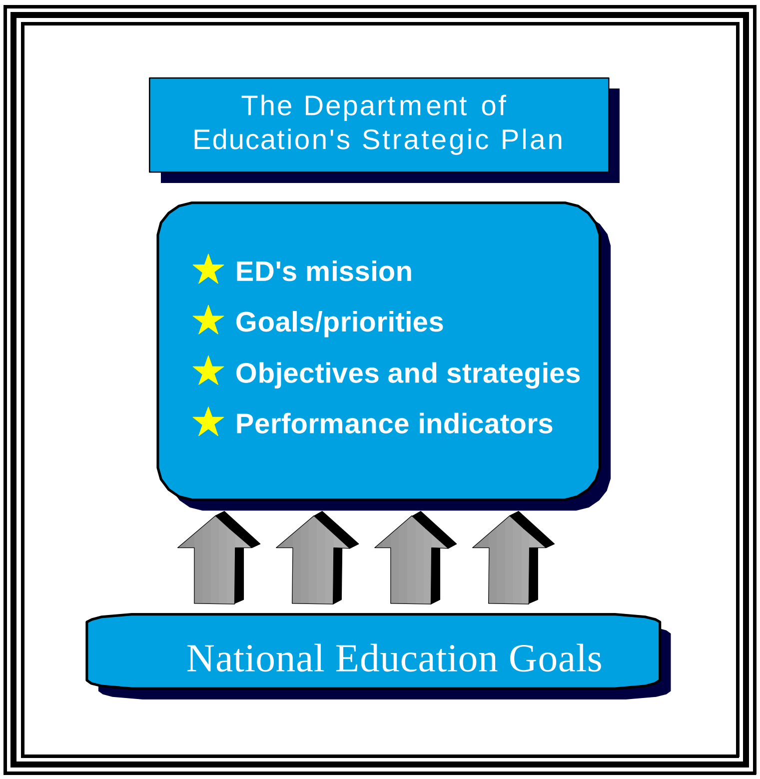
Strategic Planning and Performance Management: The U.S. Department of Education's Experience



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Preface

As with any new endeavor, learning from the experiences of others helps the reform implement faster and more smoothly. Further, given the considerable breadth of federal government activities, no one model will fit all agencies, and the more examples and lessons learned that are available the better. The U.S. Department of Education is pleased to be able to share its experience with strategic planning and performance management and looks forward to learning from the experiences of other agencies.

Thanks are due to the American Society for Public Administration's Government Accomplishment and Accountability Task Force as well as the Office of Management and Budget for initiating these case studies of federal agencies' GPRA implementation. Grateful recognition is due to Rod McCowan, former assistant secretary for management in the Department of Education, who provided both the "how to" knowledge and the prodding that helped get the department moving. The department also would not have been ready to move on GPRA without the quality improvement work started by David Kearns, former under secretary of education and, before that, president of Xerox Corporation, Inc.

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Section 1. Background and Context

Overview

The Government Performance and Results Act (GPRA) and the Reinventing Government initiative launched by Vice President Gore are directed at making the management of government more responsive and cost-effective. Although far less visible than the legislative and budget struggles following the 1994 election, the combination of these twin reforms could bring about revolutionary changes in how the federal government manages its operations.

This paper describes how the U.S. Department of Education (ED), an agency with a troubled management history, embraced strategic planning and new management agendas to correct its well-documented management problems and to support implementation of its legislative reforms. The Department's strategic plan evolved out of a planning process that was itself initially quite fragmented and lacking in direction. The planning process improved based on experience—and by necessity. This paper describes the Department's process, identifies some initial successes, and notes key implementation challenges.

The Department's strategic planning process may be most relevant for agencies that administer social welfare programs in collaboration with states and local providers or for those that administer large credit programs similar to our student loan programs. However, many agencies may have a few similar social welfare programs or activities, or may need to impact large systems not under their direct control, and would find the Department's experience informative.

Facts about ED

Mission of the U.S. Department of Education (ED)

The Department's mission is to promote educational excellence and equity throughout the nation.

Size and scope of the agency

The Department is a relatively small agency, with less than 5,000 staff. Its basic functions are to give out money, primarily through grants or student loans; to provide research and information on best practices in education; and to ensure that publicly funded schools and education programs observe civil rights laws. It administers a variety of grant and contract programs, including aid for disadvantaged children; aid for children and adults with disabilities; student loans and grants for higher education; vocational and adult education; research and evaluation; and a variety of smaller programs. The Department's organizational structure is shown in appendix B.

Some specific facts about ED, as of FY 1996:

- FTE ceiling for the Department: 4,750
- Total appropriation, FY 1996: $29.4 billion
- Budget for federal administration (S&E) in FY 1996: $485 million
- Grants to state and local educational agencies, other grants, contracts, loans: $28.5 billion.
- Number of programs administered: approximately 180.

- In 1993: Federal funds represented—
  —8.8 percent of all education funding (public and private).
  —6.4 percent of K-12 funding (public and private).
  —12.3 percent of funding for postsecondary institutions (excluding student financial aid).
  —About 70 percent of all postsecondary student financial aid.

Factors Demanding a Coherent, Overarching Strategic Plan

The Department's operating environment does not fit a traditional planning structure in which most services are under the direct control of the organization.

- ***To achieve the Department's goals almost always requires working in partnership with other systems.*** Except for the Direct Loan student aid program and civil rights investigations, ED rarely provides direct services to individuals. Yet the ultimate audience is not the institutions involved but students and teachers. Further, the Department's goals usually involve many players and very large target populations. The systems involved are complex: the elementary and secondary education system involves state education agencies, other state agencies, local school districts, other service providers, universities and colleges (for professional development), and national organizations concerned with educational standards and improvement.

- ***While ED's funding is a small percentage of the overall amount spent on education in the U.S., some programs represent a large proportion of funding for particular services or to specific target populations.*** Overall numbers belie ED's importance for total national spending on particular activities. ED's assistance is important to fill gaps, such as in student financial aid, as noted above; in elementary and secondary teacher and professional training where ED assistance supplies more than most State agencies; and in compensatory education for disadvantaged elementary and secondary school children, where ED's funds may add one-fifth to spending in high poverty schools.

- ***ED has many stakeholder groups—due partially to the large number of programs it administers***. ED has 15 large formula-driven programs that account for about 85 percent of all funds dispersed. But it also runs many smaller formula and discretionary grant programs. Each may be justifiable in their own right, but they collectively add up to a large number of separate activities that must be administered and accounted for separately, and engender enthusiastic and vocal support as well as pressure for continuation from advocacy groups.

- ***ED's organizational structure is also complex, with many offices established by Congressional legislation to respond to particular client groups.*** (See appendix B for a chart of the Department's organizational structure.) Being responsive to its customers is essential to ED's mission, and individual constituencies want their own lines of communication into the Department to ensure that their particular needs are appropriately addressed. But again, the cumulative effects are challenging. For its plan, ED needed to identify an overall strategic framework which could cut across organizational boundaries to ensure coordinated operations of key processes. Not every agency would need to do this when developing its strategic plan.

Motivators for Planning and Management Reform

While good management alone would have warranted implementation of a strategic planning system, several outside motivators pushed the agency faster than it probably would have acted on its own. These included a critical General Accounting Office (GAO) report, new legislation passed by Congress, the Government Performance and Results Act, and the Vice-President's Reinventing Government initiative.

Serious management problems

Early in 1993, the General Accounting Office in a comprehensive review of Department operations identified deep-rooted operational deficiencies covering:

- Lack of management vision.
- Little commitment to management by Education Department leadership.
- Critical need to improve basic management systems.
- Poor human resource management.
- No formal planning process
- Need for a cultural change from an agency that was focused on the short-term, had highly centralized decision-making, and had poor internal communications.

GAO's report and recommendations significantly influenced senior Department officials who had just arrived in the new Clinton Administration. The report made them aware of how serious ED's management problems were and the need to start out with very basic management reforms.

New policy achievements that demanded better management

By mid-year 1994, the Clinton Administration had successfully obtained Congressional approval for far-reaching legislation that sought to restructure the federal education role. These legislative successes demanded strong management improvements to support sound implementation of new authorities.

- The *Goals 2000: Educate America Act* is supporting the development in States and communities of rigorous academic standards to improve teaching and learning.
- A companion reform of the Department's $7 billion program of aid for disadvantaged children (*Title 1 of the Elementary and Secondary Education Act*) connects the Goals 2000 framework to improve the quality of education services for children in low income areas.
- The *School-to-Work Opportunities Act* has promoted stronger connections among high schools, post secondary institutions, and businesses to prepare students for work or college, while supporting development of entry-level occupational standards.
- At the postsecondary level, the *Student Loan Reform Act* authorized the federal government to make direct loans to students, instead of through banks. The administration was able to convince the Congress that it was worth establishing a competitive program of direct payments that would be cheaper and more effective by taking the middleman out of the loan-making business.

Two new federal reform initiatives—GPRA and Government Reinvention

To redress its considerable management problems, the Department of Education brought together key elements of GPRA and Reinvention into an integrated approach of strategic planning and performance management. GPRA requires both strategic planning and development of annual performance plans. The law will also require federal agencies to justify the annual budgets for each of their programs using performance indicators that measure the programs' achievement of objectives.

The Vice-President's reinvention initiative seeks to change the culture of government through introducing modern business practices built around quality service. Reinvention involves infusing business practices such as customer service standards and surveys, streamlining and delayering of organizational operations and structures, employee empowerment, and process reengineering.

Collectively, the two reforms involve:

- A strategic plan focused on setting and achieving clear goals.

- Business quality principles that frame the goals around meeting customer needs and designing improvement strategies to strengthen agency processes critical to serving government's customers.

- Performance measurement that assesses accomplishments and feeds this information back as part of a continuous improvement process.

Section 2. Planning

Development Process for the Strategic Plan

Cross-cutting management structures were put in place early

Past experience suggests that requirements imposed from the outside, such as GPRA’s, may produce reports, but not necessarily fundamental improvements. Agencies need reasons to change processes in more than superficial ways and they need to establish the organizational conditions for reforms to take hold.

Cross-cutting organizational structures had to be created to manage Department-wide reforms. The Department’s organization resembled more a loose federation of independent fiefdoms, encompassing 17 distinct program and staff offices, rather than a coordinated organization supporting a few core priorities. Team management structures that businesses would take for granted for discussing and making Department-wide management decisions simply didn’t exist.

Oversight for Departmental management was given to Deputy Secretary Madeleine Kunin, who as a former governor understood that the Department had to be more helpful and responsive, but also more strategic, less reactive. Although the Deputy maintained a strong interest in policy issues, staff were able to call upon her as needed to make key decisions for management improvements and to give greater internal visibility to Department-wide management initiatives.

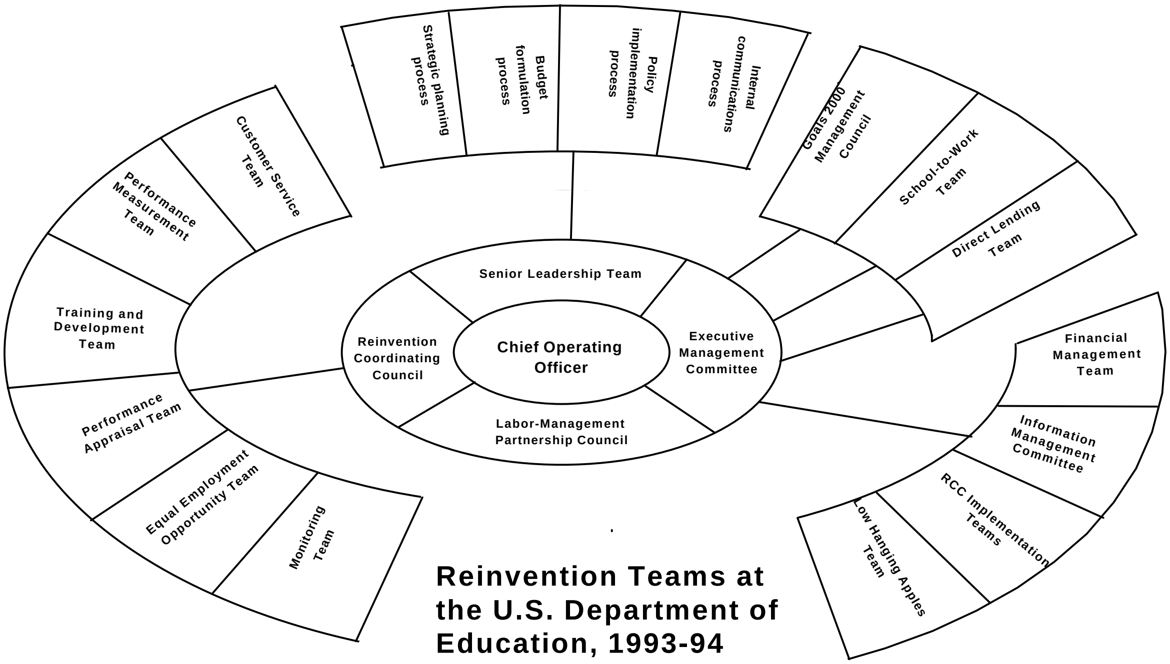
Lacking a formal organization charged with making cross-agency decisions, the Department evolved a "starship" management structure. (Chart 1) The central hub consisted of an executive management council, composed of heads of key staff offices to make critical decisions on operations, and a reinvention coordinating council (RCC), consisting of political staff and senior career employees working with union representatives, to identify and carry out Department-wide priorities for management reform. The RCC in turn chartered as many as twelve cross-cutting implementation teams, some focused on carrying out new legislative initiatives and others on overseeing reforms of key management processes such as personnel hiring and ED’s grant award system.

Finally, the Department established a functional and productive Labor-Management Partnership Council, which has provided key support and direction for major management and organizational reforms.

The strategic vision was already established—through prior legislative development

Traditional strategic planning processes include the developing of overarching visions of where the organization should be headed and involve key customers and stakeholders—as well as management at all organizational levels—in development of the plan. The Department, however, had just gone through two years of active legislative development, backed up by several years prior work with OMB, Congress, and constituency groups. The new policy strategies—systemic K-12 reform, school-to-work, and postsecondary student aid reform—had been developed through extensive negotiations at the very highest levels of government. They reflected coherent visions of education reform on the part of the President, Secretary of

Chart 1: "Starship"



Education, Congress, state governors, senior executive leadership, chief state school officers, and national and state education associations. Department managers at all levels had been involved in task forces and in legislative development on the new policies.

To go over this ground again when developing the Department's first strategic plan would have been time-consuming, redundant, and costly. Thus the Department's initial planning process focused on encapsulating already set policies and on how to best implement them.

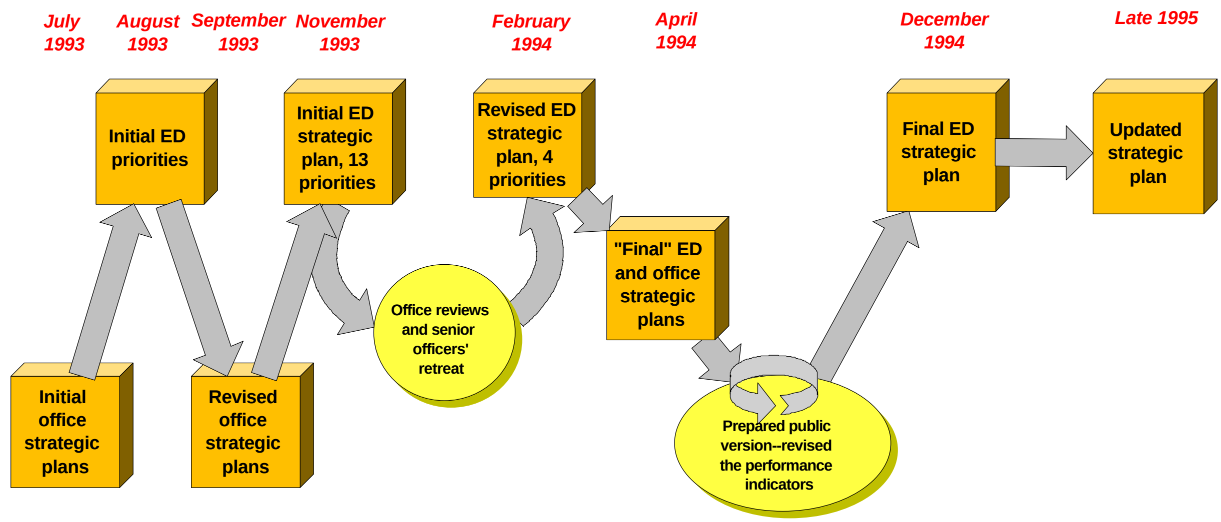
The development process: bottom-up and top-down planning

The Department's process for developing its strategic plan was heavily influenced by the numerous prior reforms that lay strewn across the history of past federal management interventions. These included Planning, Programming, Budgeting Systems (PPBS), Zero-Based Budgeting (ZBB), and Management by Objectives (MBOs). On top of this U.S. experience, the ultimate centralized planning system of them all—Communism—had recently collapsed.

Fearful of repeating past failures, the Department started with a bottom-up planning process in which each office developed its own plan, with the only guidance being that each identify goals, objectives, strategies and performance indicators. A one-size fits all approach would be avoided, since planning strategies would be developed by those who know the actual conditions of service delivery and plan ownership would be fostered. (See Chart 2 for graphic portrayal of this process.)

It turned out that this approach of letting a hundred flowers bloom was better in theory than in practice. The Department soon learned that weeds were as likely to grow as flowers. When a cross-departmental team of career staff reviewed the quality of office plans their conclusions were quite harsh. Bottom-up planning tended to produce less than fundamental reengineering of systems across the Department. More often than not

Chart 2
Bottom-Up/Top-Down Strategic Planning Process for the U.S. Department of Education



it resulted in tinkering within narrow existing organizational arrangements, avoiding fundamental restructuring that could threaten existing structures. The individual office plans lacked the coherent vision of agency-wide priorities, which the chief executive and the top-appointed leadership could provide.

Interestingly, offices began asking Department leadership for top-down guidance on Department priorities—guidance they would have originally resisted if it had been handed down at the start. The offices responsible for planning and management responded with a statement of 13 priority areas, which broadly covered the goals included in the individual office plans. These priorities were designed to make sure that most offices could clearly see at least one goal pertaining to them.

However, consensus building was also a poor criterion for goal setting, as the 13 goals were too many, making for a complex Department wide plan that failed to achieve meaningful priority setting. An executive retreat—facilitated by the Federal Quality Institute—involved the Secretary and more than 40 of the Department's key political and career staff. The retreat took two days but succeeded in whittling the thirteen priorities down to four, and the Department's plan began to emerge.

Lastly, when it was announced after the retreat that the plan would be published and made available, a whole new seriousness of purpose ensued. The subsequent inclusion of performance indicators upped the ante even more. Managers and staff were concerned about the prospect of public dissemination of performance indicators based on outcomes—unnerving to federal employees long used to less threatening input-based indicators of performance. It took another nine months to gain final acceptance of the plan with performance indicators included.

One means to address staff anxieties and to signal that the plan was not set in concrete was to publish it as a "working document." While this risked making the plan seem tentative, it also helped to demonstrate top-level support for flexibility in planning.

Distribution and communication of the strategic plan

Once the plan was developed and printed, it was distributed to every employee in the Department. Deputy Secretary Kunin, assistant secretaries, and senior staff personally put the plan on every desk in the Department's five main buildings, plus the plan was shipped in bulk to the Department's nine regional offices. Additional copies were readily made available—especially to assistant secretaries to use when meeting with outside groups to explain the Department's priorities and key strategies. The plan was also sent to the Office of Management and Budget and to all Congressional committees involved with education.

Continued communication of the plan's contents has occurred within other contexts:

- During periodic reporting on progress to senior officers;
- When managers and staff have developed personal performance agreements;
- In developing policy and budget materials that relate to the plan's priorities;
- During development and review of program performance indicator plans;
- Through questions in two employee surveys that have checked on employees' familiarity with the plan and how they are helping to implement it.

Content of the Strategic Plan

As noted earlier, the Department's legislative development process occurred in advance of its strategic plan development. The strategic plan made explicit the reform legislation objectives and converted them to clear management strategies for the Department. The plan identified the management areas which were in need of attention if the new legislation was to be successfully implemented. The plan also stressed the development of performance measures to evaluate progress and to hold us accountable for performance on the goals.

The plan's goals were as follows:

Chart 3
Priorities/Goals in the U.S. Department of Education's strategic plan

- Priority 1. Helping elementary and secondary students reach high academic standards.
- Priority 2. Creating a comprehensive school-to-work system.
- Priority 3. Promoting access to high-quality postsecondary education and lifelong learning.
- Priority 4. Transforming the Department of Education into a high-performance organization.

The content reflected predetermined policies and management reforms.

The common answer to questions about strategic plans has been that they are needed to determine agency strategies, but this was not the primary purpose of the Department's plan. Mintzberg (*The Rise and Fall of Strategic Planning*, 1994) makes a coherent and convincing case that the most effective contribution of strategic planning is for strategic programming (i.e., clarifying and elaborating strategies) and communication and control to align operations with strategic priorities. To date, the Department's experience bears out Mintzberg's conclusions.

The focus in the plan on implementation strategies rather than on policy development was not a decision made for all time. Now that the planning process is established and firmly underway, the planning process in future years could include a more significant role for broader priority setting.

The plan's crosscutting goals focused on key customer groups.

The first three of the Department's four goals concentrate on the needs of key customers (for example, students and learners of all ages) differentiated at critical transition points of student learning. The fourth goal is aimed at reforming the Department's internal management systems—beyond the specific supports needed for the first three goals. (See Chart 3 for the priorities/goals and appendix A for all priorities/goals and objectives and for selected indicators.)

The plan addresses the need of one ultimate customer—the taxpayer—in two ways:

- ***Directly.*** For postsecondary student aid, the taxpayers' interest is addressed directly, with indicators directly aimed at measuring the efficiency of the student aid programs.

- ***Indirectly.*** Elementary and secondary education presently lacks good efficiency indicators relating resources to outcomes; so the plan put emphasis on effectiveness in attaining desired results. However, education needs to give more attention to indicators of efficiency. To do so will require improvement in data systems at all levels of operation—local, state, and federal—in order to provide the base for the efficiency measures.

The plan's objectives and strategies focused on critical processes.

Process leaders and cross-cutting process teams were designated for each of the four goal areas. Critical processes were identified for each goal. These processes represented the collections of activities that most contribute to achieving the desired goals.

Objectives were specified for each process. At this point, the objectives tended to be more qualitative, indicating general aims, rather than identifying specific quantitative targets. In the Department's plan, the targets were included at a later step.

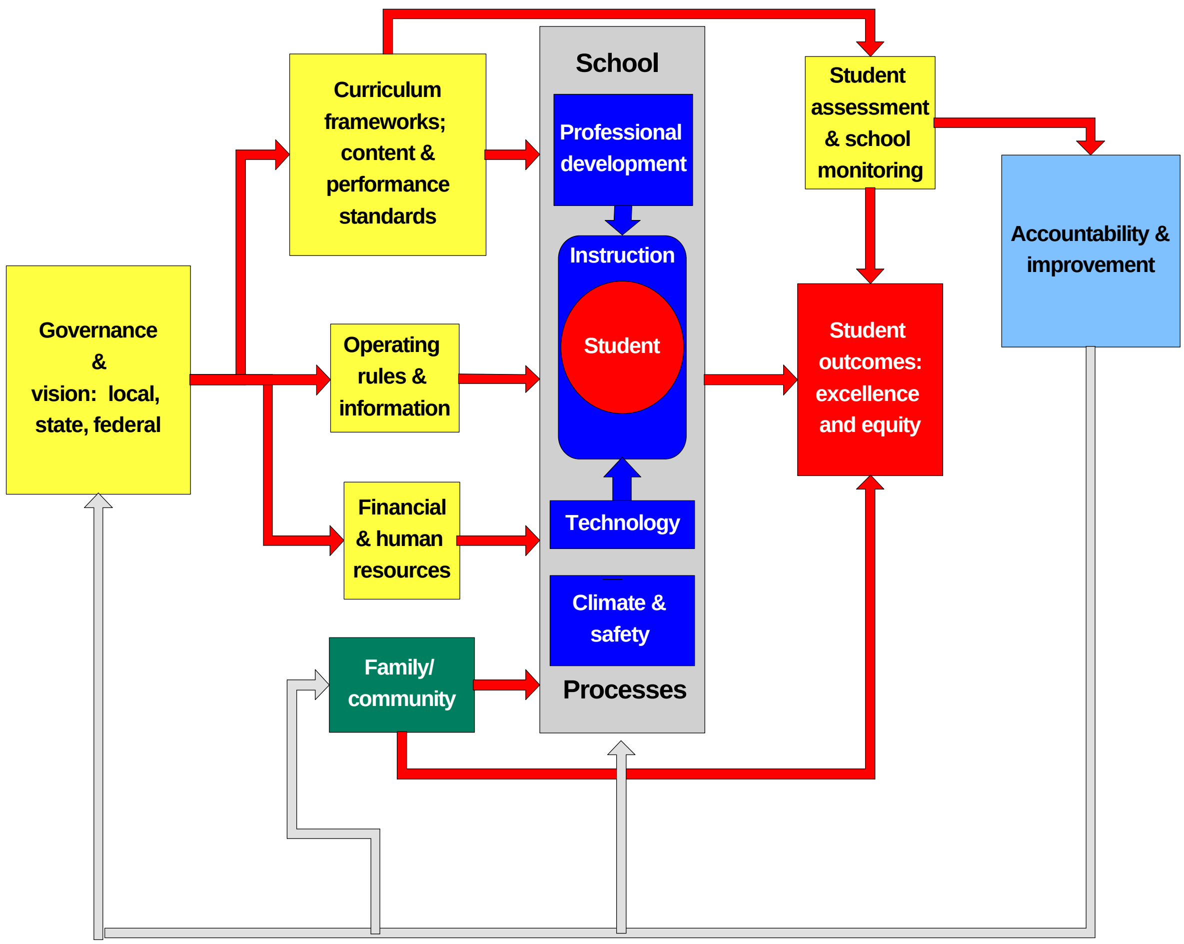
Process leaders then set out strategies to identify how the Department would go about accomplishing its objectives. The strategies often supported the new legislation—for example, building a knowledge base, promoting information and participation, rolling-out and sequencing new strategies, creating demonstration pilots and monitoring early progress. Strategies also concentrated on improving department systems management, including building solid financial management controls, data processing and other information technology, and specialized employee training.

Chart 4 shows a model of the key processes in systemic reform of elementary and secondary education. Many of the model's processes are addressed as objectives in Priority One of the Department's plan.

Performance indicators were included in each section of the plan.

Performance indicators measure the degree to which outcomes achieve the objectives in the Department's plan. By focusing on performance, the strategic plan shifts accountability toward results and away from input measures traditionally used by government offices as their measure of success.

Chart 4: Systemic Reform Model



Performance indicators refer to desired outcomes for program participants or to the achievement of improvements in the education system or in internal Departmental operations. The indicators range from end outcomes such as effects on students and teachers to outcomes for key intermediate steps, such as changes in the Department's operations or the way grantees administer federal funds. The Department's indicators are used as feedback for improvement as well as accountability.

Examples of performance indicators from the Department's strategic plan are:

- *Student achievement (an end outcome):* Between 1994 and 1998, the proportion of students who meet or exceed proficiency levels in reading and math on such measures as the National Assessment of Education Progress (i.e., the primary national student achievement test) will increase by at least 10 percentage points.

- *Student participation (an intermediate result):* By fall 2000, at least 450,000 youth, 50 percent of high schools and community colleges, and 50,000 employers will be participating in school-to-work systems.

- *System improvement:* Student loan default rates, which decreased by 33 percent from 1990-1992, will continue to decline significantly—by at least 5 percent a year.

- *Management improvement.* By 1998, ease of access to the Department through its gateway 1-800-USA-LEARN number will double (as measured by how often service is received as the result of a single call).

The performance information—actual outcomes in relation to desired results—creates the critical feedback connection to promote continuous improvement.

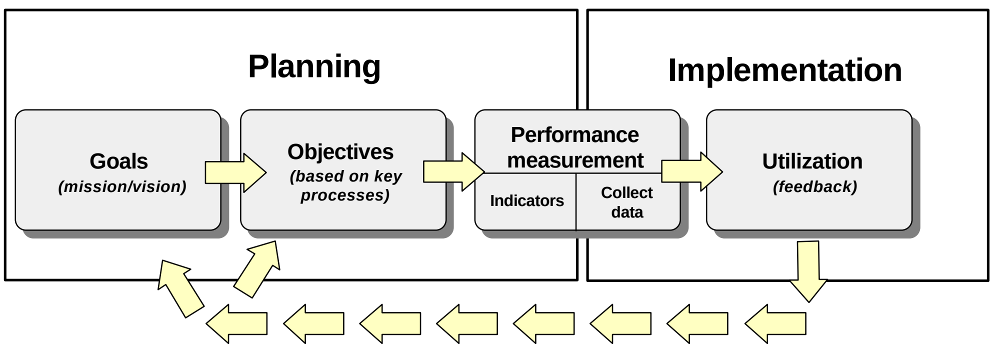
Other comments:

- The plan's development process and content were based on a planning model that explicitly includes the key components of performance measurement, feedback, and using the plan as a management tool. See Chart 5.

- Some further steps are needed to fully cover GPRA requirements for annual performance plans and explicit linkage to the strategic plan. At present, the department is working to develop program indicator plans (goals, objectives, and performance indicators) for all of its programs, concentrating on the largest and/or most important first. Once there is a reasonably good set of program performance plans, the agency will have the building blocks needed for good linkage between the overall strategic plan and individual program plans—and for annual performance plans.

- GPRA's "key external factors" need to be addressed more explicitly. The plan includes many performance indicators that will provide feedback on external factors, such as changes in student achievement, that would affect policies and program funding. Future plans will draw a more explicit picture of these factors as well as the political and economic factors that limit or encourage strategies and targets. Also, GPRA's requirement for annual performance plans will necessitate development of intermediate performance targets.

Chart 5: Strategic Planning and Performance Management Cycle



Section 3. Implementation

Measuring Performance

Determining statistical quality. Ideally, performance indicators should meet the same type of statistical standards as those considered integral to evaluation design. However, quality control may be harder to achieve. Performance information is often collected by program staff who lack data collection and analysis expertise. It also usually comes from management information systems rather than specially designed (and managed) evaluation studies.

Strategies that have helped the Department to strengthen the quality of performance information include:

- *Developing clear definitions*. Much administrative record keeping has focused on reporting of participants and funding and has not established clear reporting categories for results-oriented information.

- *Building on proven instruments or data collections used for evaluation or statistical agency reporting*. For example, performance on the National Assessment of Educational Progress, the federal government's major assessment of student learning, are being compared with performance on a state's own test to provide an independently established performance measure for student academic progress.

- *Applying multiple measures*. Redundancy is not necessarily bad if it produces independent verification of complex results. When the Department evaluated the performance of its $7 billion Title I program for at-risk students, it corroborated its findings three ways: cross-sectionally on different participants across grades; longitudinally on a participant cohort; and nationally against the general progress of at-risk populations.

Covering ED's multi-level performance environment. A challenge for performance measurement in education is to generate multi-level and appropriately disaggregated indicators. National evaluations are fine for budget or legislative decision making, but are not always sufficient for program management. ED works with multi-level educational systems or complex financial organizations to carry out the vast majority of its programs. Further, managing these organizations requires information on each type of provider in addition to overall system-level results. When the landmark federal report *A Nation At Risk* (1982) questioned the performance of the American elementary and secondary education system, then Secretary of Education Terrell Bell had the Department develop state-by-state outcome measures. The Secretary found that governors accepted the overall conclusions of the report while at the same time perceiving their own state as doing just fine.

The Department has specifically identified the need to distinguish performance measurement within three provider contexts:

- *Project level. Measures of change and participant outcomes in the particular projects funded* (e.g., Did participating schools change the way they work? Did participating children in the schools improve achievement?)

- *Intermediate system level. State or district measures of system change* (e.g., Have most states adopted challenging academic standards? Did participating children improve achievement?)

- *National system measures* (e.g., What are the overall national rates of successful implementation of school reform? Did all disadvantaged children improve academic skills?)

Reporting

Three times a year—rotating every month—each of the four priority leaders report progress to senior officers and the Deputy Secretary and Under Secretary. The priority leaders' briefings concentrate on progress on performance indicators, including review of any updated data and judgments about whether good progress is being made towards the objective ("green"), some problems have surfaced ("amber"), or serious doubts about accomplishment are raised by the data ("red"). Once past the first or second presentation, the priority leaders' briefings increasingly focused on new information, highlighting changes from the previous presentation.

Two important reports include the "Strategic Plan Summary Report" and the "Indicator Performance Chart."

- The "Summary Report" (Chart 6 at the end of this section) contains information on the priority in summary form for the objectives, indicators, assignments, status and comments on progress, and the indicator data sources.

- The "Performance Chart" (Chart 7 at the end of this section) is a detailed status report on each indicator, including data or bullets on the indicator results, a judgment about status ("red, amber, green"), and a designation of whether responsibility for the indicator is ED's alone or is shared with states and local providers. The four priority leaders submit a databook of these performance charts—along with summary materials—for their quarterly progress report.

The Department is in the process of putting the performance reports and summary report online—into the Department's network. The system will use Lotus Notes to facilitate use of a variety of graphics software and to provide opportunity for comment and response. When the system is completely up and running, it will be known as the SPORT system (Strategic Plan Online, Real-Time system).

Using the Performance Results

Although cause and effect of Departmental changes with the planning process and the strategic plan is never certain, a number of Departmental improvements appear closely associated in time and content with planning:

- Employee surveys show that Department staff have a much increased grasp of the Department's mission and strategic priorities than they did two years ago when the first employee survey was undertaken prior to strategic plan development.
- The phones are now answered better; the grant process has been simplified and devolved from a centralized grants office to program offices; and first-time launchings of customer satisfaction surveys have been launched for the first time for many programs in the Department.
- The Department had eliminated or reinvented 68 percent of regulation pages by September 1996, compared with a total of 2,164 pages of regulations existing June 1995.
- New efforts to link across related, but heretofore uncoordinated services are underway. Comprehensive technical assistance and monitoring teams are piloted across federal elementary and secondary reform

programs; school-to-work and vocational education activities are increasingly coordinated with regular elementary and secondary education; and parental involvement activities are being brought together across the Department to align information support and technical assistance.

- All employee performance agreements now require priorities in the Department's strategic plan to be addressed.
- Program performance reports and evaluations are aligning with performance measures and information from statistical agencies are being sought that can inform program performance.

None of the planning processes—Department level, office level, or for programs—has led to organizational restructuring. This lack of effect on organization is due partly to quite specific legislative restrictions in the organization creating the Department. Given the difficulties and high costs anticipated in reorganizing, many senior leaders deliberately chose to work within the current structure.

Linking the Strategic Plan Internally to GPRA and Externally to Stakeholders

Development of program indicator plans as required by GPRA. The process of measuring program-level performance began with the Under Secretary holding meetings with each program Assistant Secretary on objectives and indicators for one or two key programs. By late summer 1996, the Under Secretary had met with all program offices and covered about nine major programs in the Department. The programs represented more than 50 percent of all agency budget authority.

This process ensured that every program office had at least some experience with developing performance indicator plans, and resulted in models that could be used by the offices as they worked on their own programs. The process also demonstrated in a very concrete way how important planning and performance management are to ED's senior leadership, by involving high senior officials in substantive dialogue with middle level managers about the content and measures of indicator plans.

By late summer 1996, two other key processes began that forced development of indicator plans by program managers.

- As a result of the FY 1998 budget guidance, all programs that wanted to request money had to submit at least draft performance indicator plans with their request.

- In preparation for the Biennial Evaluation Report to Congress, which contains chapters on virtually every program in the Department, program offices were instructed to include performance indicator plans as part of their submission.

Coordination with outside stakeholders and customers. Externally, the Department faces a significant challenge in coordinating its planning and performance efforts with its numerous stakeholders who operate within highly decentralized delivery systems.

- Legislation within vocational rehabilitation is already requiring the Department to work with appropriate stakeholders to agree on a national set of performance measures.

- In the case of elementary and secondary education, in which federal funding is a far smaller share of total funding, States are explicitly given the primary role for establishing outcomes. The Department has begun work with the Council of Chief State School Officers, who represent State education agencies, to develop strategies for aligning federal performance reporting with State developed standards.

- For smaller federal project grants, a possible model is that used for the Goals 2000 parent assistance centers, in which the federal manager worked with a subgroup of grantees to develop a common performance reporting instrument.

Costs to Support Plan Implementation

Financial costs of developing the Department's plan or ongoing reporting are not available.

Costing tools that would let the agency track actual or even rough costs of activities such as strategic planning are not currently available in the Department. The agency is working on an activity-based costing model that should provide a very useful tool for future tracking of costs and benefits.

Even without specific cost data, however, good planning and performance management are not cheap. For example:

- Annual evaluation costs for the largest ED programs exceed $1 million and run as high as $7 million for a program. The total annual budget specifically set-aside for independent evaluations, most of which support performance measurement, is around $30 million.

- Initial costs for good management information systems are significant, but decline over time. The initial annual costs for the Even Start program serving 120 projects was about one and one-half percent of the program's annual appropriation for a MIS reporting system and another one percent for a rigorous national evaluation with control groups. This declined to less than 1 percent after several years of implementation.

- Training is essential as many program managers and staff have no training in data-base development, analysis, or computerized graphical display.
  - — ED is developing linked training modules for strategic planning and performance management. Much of this cost can be financed through internal reallocation of training funds away from some of the softer management areas to support planning and performance management.
  - — For its external customers, it is developing evaluation guides for major program areas that will be linked to technical support by federal technical assistance centers. The publication costs are not large, but the technical assistance for performance measurement by the centers and ED staff will run several million dollars.

Chart 6: U.S. Department of Education Strategic Plan Summary Report, Excerpt from Priority 3

U.S. Department of Education Strategic Plan Assignments and Summary Report —DRAFT

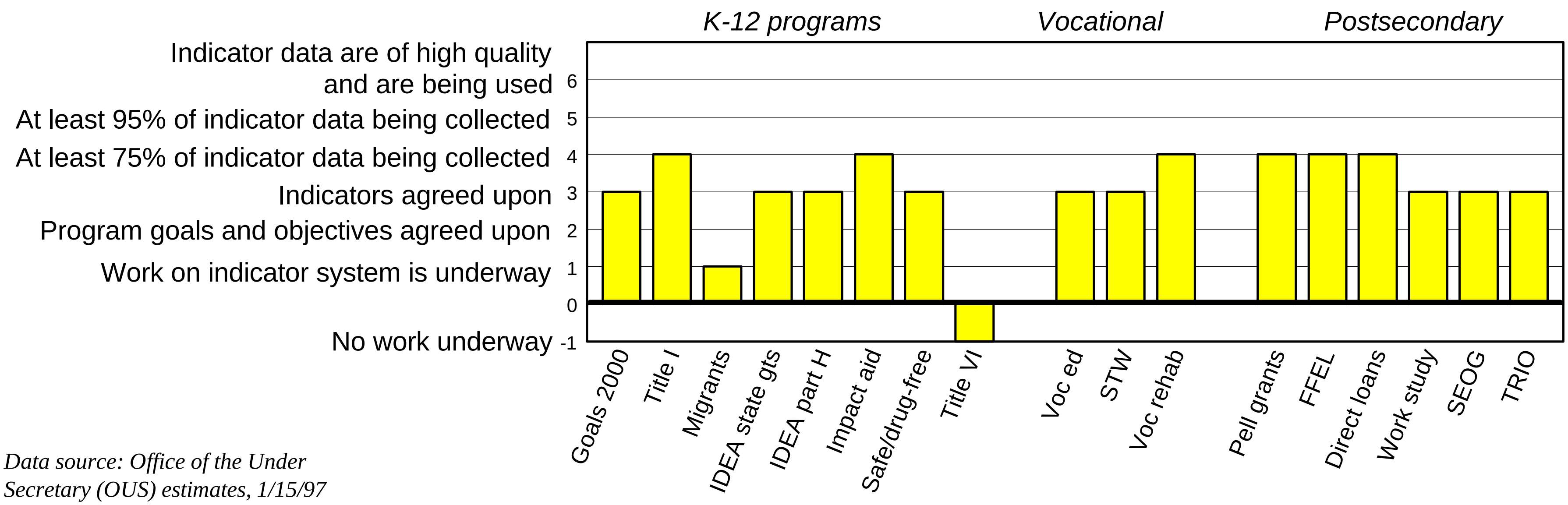
Objectives and Assignment	Performance Indicators and Contact	Indicator Status, Findings, *Comments*	Data Sources
Priority 3: Ensure access to high-quality postsecondary education and lifelong learning — David Longanecker			
12. Provide financial and support services to enable all students to have access to and succeed in postsecondary education. (Longanecker)	1. The awareness of federal student aid resources and expectations for postsecondary education, as well as financial and academic preparation, will increase significantly for low income elementary and secondary education students. (Maureen McLaughlin)	AMBER "Dissemination strategies, including increased use of the ED World Web site, will foster increased awareness."	OUS, 1997
	2. The gap in college participation between high-performing secondary students with high and low income will continue to decline. (Maureen McLaughlin)	AMBER "The gap between low and high income students' college enrollment after high school graduation decreased from 36 percent to 29 percent from 1983 to 1993."	NCES, OUS-PES
	3. After leaving postsecondary education, graduates will find employment in increasing rates. (Maureen McLaughlin)	AMBER "While no trend data are available, in 1992 both males and female college graduates had earnings at least 70 percent higher than high school graduates and unemployment rates 50 percent less."	NALS, 1992
13. Provide the leadership, management, and oversight to administer and deliver postsecondary education programs effectively. (Longanecker)	4. The Department will accelerate both long-term and short-term measures to reduce unnecessary paperwork and regulatory burden on both institutions and students. (Maureen McLaughlin, Claudio Prieto, Betsy Hicks)	GREEN "Several burden reduction efforts, including burden reduction for high-performing schools are underway; some are paying off already."	
	5. The Department will improve and broaden its communication and information dissemination strategies to improve customer knowledge and understanding of postsecondary education programs. (Betsy Hicks, Claudio Prieto)	GREEN "Ready access is available to consumer information through a wide array of media."	OPE, OUS-PES
	6. Customer satisfaction with the Title IV student aid delivery system as a whole, including Direct Loans, will increase significantly. (Betsy Hicks)	AMBER "Postsecondary institutions are generally pleased with ED's administration of student aid programs."	OUS, 1996

Chart 7: Sample Performance Chart

PERFORMANCE CHART: Indicator 36
By 1996, performance measures will be used to guide policy and program improvement efforts for the Department's 15 largest programs. (Mike Smith)

Priority 4: Transform the U.S. Department of Education into a high performance organization. (Winston/Rasmussen)
Objective 22: Increase accountability through performance measures, financial management, and evaluation. (Ginsburg/Laine)

INDICATOR RESULTS: ***Considerable progress has been made on developing indicator systems and collecting data for 5 of ED's 15 largest programs:***



Data source: Office of the Under Secretary (OUS) estimates, 1/15/97
Next update: 2/28/97

Analysis and Comments:

- The Under Secretary has met with program assistant secretaries on performance indicator plans for most of these programs. He approved sending them, in draft, to OMB.
- OMB staff have reviewed all the plans sent with the FY 1998 budget. They sent a list of ones that could be shared with Congress. We are also awaiting OMB specific comments on certain plans.

Budget and Legislative Implications:

- Congressional committees have expressed considerable interest in seeing performance indicator plans. One said they may develop their own goals and indicators for Dept. programs if ours are not available.

Corrective Action/Next Steps:

- Need to refine the plans approved by DS and OMB (put in common format, include strategies column, respond to OMB comments, and polish). Then (1) send to Congressional committees and (2) start a process of consultation with stakeholders.
- PES and Budget are starting work on a tracking system for all indicator plans.

Status: AMBER

Responsibility: ED

Section 4. Lessons Learned

The strategic plan needs to set overall priorities and strategies which programs and offices can align with—not cover every program and lay out "how to do it" in detail.

The goals, objectives, and performance indicators in the Department's strategic plan are a template for systems around the Department to take and use to align their own processes around performance. Sometimes strong alignment occurs, for example when programs adopt goals and objectives to promote specific plan priorities. Budget justifications can use the same indicators, and evaluations and management systems are reworked to provide the needed performance information.

But the Department's focus on a performance-driven plan has also set in motion a cultural change, in which many programs and processes apply a performance template that may be only loosely coupled with the specifics in the Department's plan. A strategic plan that is truly strategic and visionary can't also be comprehensive and highly detailed. While individual programs and management support systems should work within strategic plan priorities, the Department has created lots of opportunities for individual offices to focus on performance in their own way; such as through performance agreements with staff or by building into grant awards performance reporting around objectives. Over time we expect increasingly strong alignment with ED plan priorities as low performance activities are weeded out. But continued flexibility to allow for emergence of new ideas will be necessary.

Leadership must deal with managers' legitimate concerns about shared responsibility for performance indicator results.

Department program officers honestly ask how they can be held responsible for results not under their control. They accept responsibility for getting grants awarded and out the door and for offering some technical assistance, but the actual delivery of education services is through states, school districts, and institutions. Why they ask, with some degree of reasonableness, should they be held responsible for student learning over which they have no direct control?

However, if each level of the education delivery system sees itself as part of a larger delivery system and, further, as having little control over that system, then no one may ever take responsibility for end-results, including student learning. *Shared* responsibility may mean *no* responsibility for achieving key objectives.

Additionally, if managers refuse to accept indicator data unless they are on activities within their control, they will lack essential feedback on whether programs and initiatives are accomplishing the ends for which they were created. The managers won't be able to tell whether the actions they are directly responsible for are worth doing—or could use reform.

A possible solution to these dilemmas is to differentiate performance indicators under direct ED control from system-level or end-outcome indicators. (See chart 8 below for examples.) Managers would be held accountable for accomplishing direct performance measures, including determining customer needs and satisfaction and ensuring that federal funds are spent in compliance with legislative and regulatory requirements. However, they would also be accountable for the collection and use of indirect measures —not necessarily the results of those measures, but the appropriate use of them. If student learning doesn't improve

Chart 8:
Direct and Indirect Performance Indicators for ED: Examples

Direct	Indirect
Federal administration ▪ Customers are satisfied with ED performance ▪ Department completes key action ▪ Department meets key deadline ▪ Costs of operation go down ▪ Department is more productive ▪ Grantees, contractors, or students receiving aid are complying with federal requirements	**Effects on systems** Schools, school districts, state agencies, or postsecondary institutions-- ▪ Achieve a desired level of services ▪ Increase or improve services to students ▪ Are cost efficient ▪ Change governance arrangements (for example, charter schools, privatization) ▪ Allocate funds to neediest populations ▪ Establish effective collaborations with other agencies, community groups, etc. **Effects on people** ▪ Improved coverage for target population (children, youth, or adults) ▪ Improved educational or social outcomes for: – Program participants – Overall target population – Teachers – Families – Communities – Employers

under a program aimed at that purpose, managers would be expected to know that and determine what is needed to improve the program, not just keep on processing grants efficiently.
*Similarly, at the agency level, the Department's strategic plan must include accountability measures that track the implementation of strategies, including output indicators and changes in key processes for accomplishing its goals and objectives. But—especially in a strategic plan—broad measures are also needed of effects on the multilevel system of education in the U.S. and the end outcomes for which the agency's initiatives and programs exist.

Appropriate use of performance data can be problematic. Incentives are needed to promote a focus on improvement.

Too often, program managers in the Department collect data that aren't analyzed or used to monitor the program's operations or suggest areas for improvement. In some cases, the quality or utility of the data are questionable, yet little is done to collect better data. In other cases, the program office does not seem to have the resources—staff time or capability—for data analysis and use.

Most managers do attempt to make the best use of the data available when developing legislation, determining budget requests, or managing their programs and initiatives. However, there may be little benefit to them from ensuring that appropriate data are available for decision-making. Further, there may even be considerable risk if the data show poor performance. A manager can't be penalized if no one really knows how well (or how poorly) the program is doing. The manager may be penalized if indicator data reveal problems, even if the manager is doing everything that could be expected in response and the reason for poor performance lies elsewhere.

As Lou Winnick of the Ford Foundation noted:

> "In government all the incentives are in the direction of not making mistakes. You can have 99 successes and no one notices, but one mistake and you're dead!"

Vice President Gore's *National Performance Review Report* (September 1993) noted the following:

> Inside government, bad management stifles the morale of workers. The "system" kills initiative. As Vice President Gore, responding to the concerns of Transportation Department employees, put it: "One of the problems with a centralized bureaucracy is that people get placed in these rigid categories, regulations bind them, procedures bind them, the organization chart binds them to the old ways of the past. The message over time to employees becomes 'Don't try to do something new. Don't try to change established procedures. Don't try to adapt to the new circumstances your office or agency confronts. Because you're going to get in trouble if you try to do things differently.'"

The Department has told managers developing performance plans that performance data should not be overly focused on compliance and accountability—that feedback indicators are needed to give guidance for improvement. The idea has been hard to sell—staff frequently express concern about being held strictly accountable for negative indicator results, no matter whether it makes sense or not. Support from external authorities—OMB and Congress—will be essential in helping to change the compliance mind set of lower-level managers. We look forward to the time, as John Koskinen, Deputy Director for Management at OMB, has promised, when OMB approves a budget increase for a program whose indicators went down—because more resources were needed to achieve the results desired.

Partnerships and collaboration are important for performance measurement in multi-level systems.

Experience suggests that many providers want assistance and will voluntarily follow general federal specification of performance measures, which they would be less willing to commit to if measurements were mandates. The Department is now working collaboratively with state education agency leaders to measure the impact of new elementary and secondary education reforms. Another partner is the National Science Foundation in a project to develop indicators of progress in professional development for mathematics and science teachers.

Performance indicators should include intermediate measures that provide early warnings as well as appropriate outcome measures.

In the move away from almost exclusive use of input data (a perennial problem in social program data systems), indicator systems may focus too heavily on collecting end outcome data (e.g. changes in student learning) and neglect to get information on intermediate outcomes that are critical for achieving the end outcomes (e.g. extent of state implementation of academic standards or hours of professional development received by teachers). Information on key processes provides early warnings of the need for adjustments and clues to what works and what doesn't. In their absence, managers can be four or five years along in a project and find a real disaster on their hands if they wait to learn about performance from end outcomes.

Section 5. Next Steps

The Department is building a strong base of performance indicator systems that are aligned with its strategic plan and intended to provide useful information to managers and grantees as well as policy makers. Implementing strategic planning and performance management systems that last requires strategic thinking; collaboration with a wide variety of stakeholders, partners, customers, and sponsors; flexibility; and sustained attention to keeping the burden down on everyone. Time is needed for development, re-orienting managers' thinking, and gaining the support of key players; yet deadlines help too.

Next steps include:

- Developing a process to respond to problems or the need for new ideas as they are identified by senior officers during reporting. Effective implementation of the plan depends on bringing to bear policy analysis, research, identification of best practices, benchmarking studies, or model development as needed to support strategic priorities.

- Developing better performance measures—particularly better cost measures.

- Encouraging managers to develop more specific strategies for achieving goals and objectives.

- For some key ED programs, being able to set performance standards that are grounded in real experience. Also, standards are needed that are challenging—truly world class—yet also realistic and achievable within a reasonable time period.

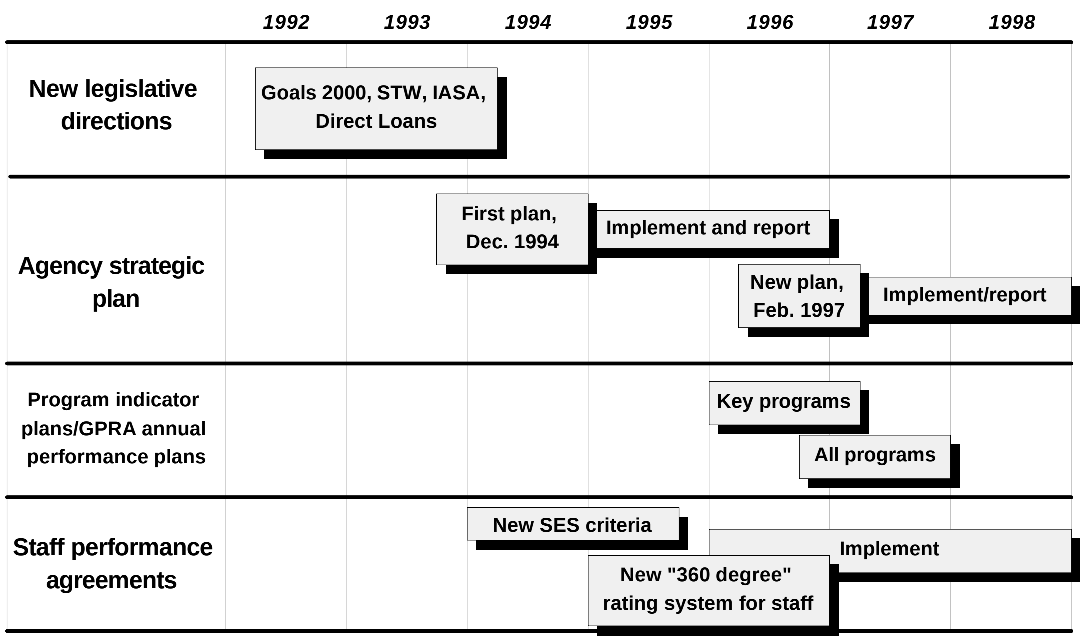
- Determining how to work with states to give them flexibility in setting goals, objectives, and measures while still developing a nationwide picture of performance.

- Arranging for an independent evaluation of the strategic planning and performance management process to review implementation throughout the agency and to assess its accuracy and usefulness.

- Developing annual performance plans that meet GPRA requirements (building on the base of program indicator plans) and showing how the Department's strategic plan relates to the annual performance goals.
- Fully implementing new staff performance systems for SES and career staff that support the strategic plan.

The time-line for the Department's strategic planning and performance management process is shown in Chart 9 below.

Chart 9: ED's Evolving GPRA Process



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Appendix A: Strategic Plan Highlights

STRATEGIC PLAN

U.S. DEPARTMENT OF EDUCATION

December 1994

HIGHLIGHTS

By adopting the goals, objectives, and performance indicators in this strategic plan, the Department of Education is entering into a performance agreement with the President of the United States and with the American people. The measure of our success will be the progress we make toward our goals.

Richard W. Riley, ***Secretary of Education***
Madeleine M. Kunin, ***Deputy Secretary***
Marshall S. Smith, ***Under Secretary***

The U.S. Department of Education's Mission

To ensure equal access to education and to promote educational excellence throughout the nation.

U.S. Department of Education Priorities, Objectives, and Selected Performance Indicators

Priority 1: Help all students reach challenging academic standards so that they are prepared for responsible citizenship, further learning, and productive employment.

Objective 1: Build public understanding of the need for challenging academic standards, and promote family involvement and broad-based community support in helping all students reach these standards.

Objective 2: Help create safe, disciplined, healthy, and drug-free environments for learning.

Objective 3: Support the development and adoption by states and local schools of challenging academic standards, occupational standards, and assessment systems linked to these standards.

Objective 4: Promote excellent teaching that will enable students to meet challenging state and local academic standards.

Objective 5: Change the way the Department works in order to support coordinated implementation of elementary and secondary programs.

Objective 6: Promote federal, state, and local efforts that bring about excellence and equity in educational opportunities for all students, to enable them to achieve at higher levels.

Objective 7: Promote the use of technology in education.

Selected Performance Indicators:

- *Between 1994 and 1998, the proportion of students who meet or exceed proficiency levels in reading and math on such measures as the National Assessment of Educational Progress will increase by at least 10 percentage points.*
- *Student drug use, drinking, and violence in school will decline significantly.*
- *Family involvement in learning will improve in all types of schools and communities.*
- *The number of schools actively working to enable students to reach high standards will increase each year.*
- *Greater use of technology in the classroom will help students achieve challenging standards.*
- *The Department will take effective steps to simplify or eliminate bureaucratic requirements.*
- *Research findings on promising practices and "what works" will be extensively disseminated to people who need and will use the information.*

Priority 2: Create a comprehensive school-to-work opportunities system in every state.

Objective 1: Provide national leadership to states and communities in the design and implementation of school-to-work systems through technical assistance, research and evaluation, coordination with other federal initiatives, and outreach to employers, educators, workers, community groups, elected officials, parents, and students.

Objective 2: Ensure that *all* students—including students who are disadvantaged, have limited English proficiency, have dropped out of school, or have a disability—have opportunities to participate in school-to-work systems that prepare them for college and careers.

Objective 3: Promote high-quality learning and teaching that integrate academic and occupational learning, link secondary and postsecondary education, connect school- and work-based education, and promote the use of technology.

Objective 4: Ensure that youth in school-to-work systems have the opportunity to earn a high school diploma and a skills certificate tied to challenging academic and occupational standards, and are prepared for postsecondary education and training and for high-wage jobs with career ladders.

Objective 5: Align school-to-work opportunities systems with the Goals 2000: Educate America Act, Improving America's Schools Act, Carl D. Perkins Vocational and Applied Technology Education Act, Adult Education Act, Individuals with Disabilities Education Act, Job Training Partnership Act, and related federal programs.

Selected Performance Indicators:

- *By fall 2000 at least 450,000 youth, 50 percent of high schools and community colleges, and 50,000 employers will be participating.*
- *A coordinated federal system supporting education and job training for in-school and out-of-school youth will be in place by 1997.*
- *Employers will express a high degree of satisfaction with graduates of school-to-work systems and with the quality of the systems.*
- *States, communities, and major stakeholder organizations will be satisfied—measured through a customer survey in early 1996—with the federal administration of the initiative and the timeliness and quality of response to requests for information and assistance.*

Priority 3: Ensure access to high-quality postsecondary education and lifelong learning.

Objective 1: Remove financial barriers by providing an appropriate combination of grants, loans, and work-study funds o enable students at all income levels to finance postsecondary education.

Objective 2: Provide the necessary leadership, oversight, and support services to ensure that all students have access to postsecondary education programs that develop their academic and vocational skills.

Objective 3: Enable adults to have access to a system of lifelong learning in order to advance literacy, employment, and personal development.

Objective 4: Provide opportunities and access to postsecondary education by ensuring civil rights for all students.

Selected Performance Indicators:

- *The gap in college participation between high-performing secondary students with high and low income will decrease significantly.*
- *The percentage of learners who complete adult secondary education programs or the equivalent and who then enroll in two- or four-year college programs will increase significantly.*
- *Both short-term and long-term measures will be taken to reduce management and paperwork burdens on institutions and students.*
- *Student loan defaults, which decreased by 33 percent from 1990 to 1992, will continue to decline significantly—by at least 5 percent a year.*

Priority 4: Transform the U.S. Department of Education into a high-performance organization.

Objective 1: Manage the Direct Loan program in an enterprising and efficient way that gets results.

Objective 2: Build partnerships with our customers and provide maximum flexibility in the administration of federal programs.

Objective 3: Empower our employees.

Objective 4: Develop a world-class information system for the Department and our customers.

Objective 5: Allocate the Department's resources to achieve strategic plan priorities.

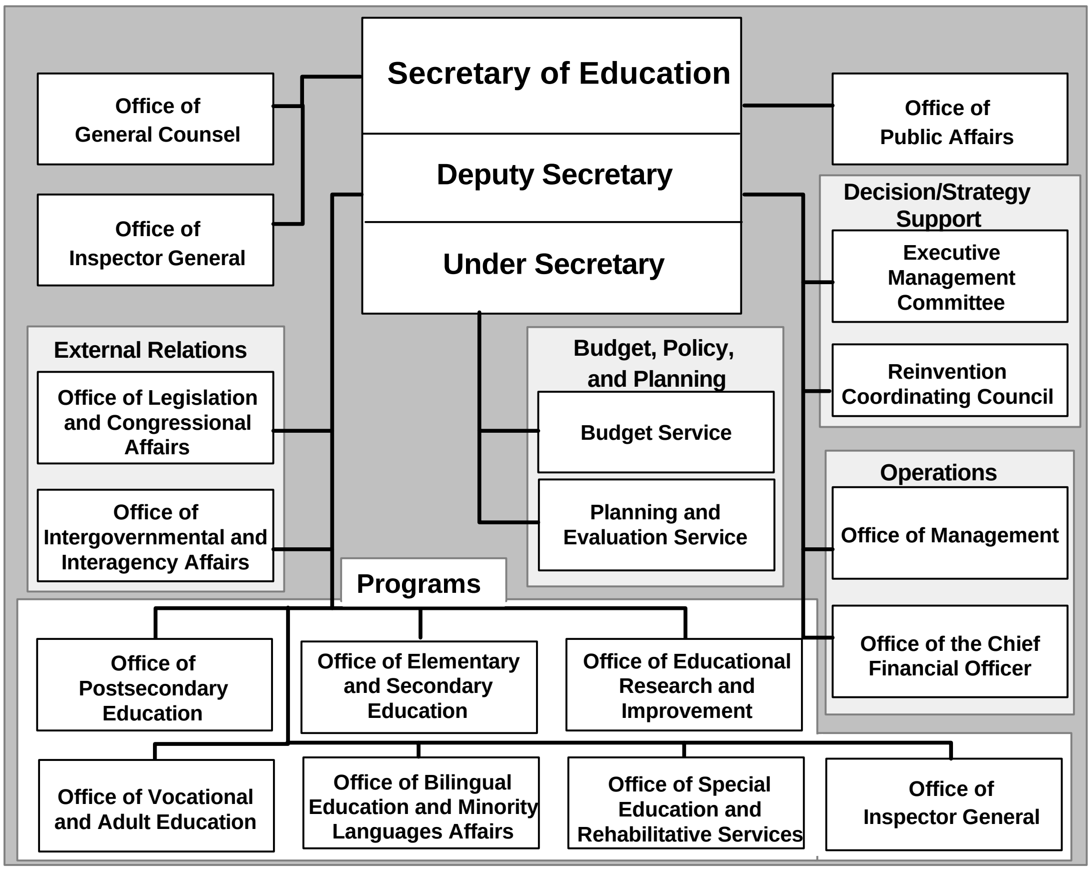
Objective 6: Increase accountability through performance measures, improved financial management, and evaluation.

Selected Performance Indicators:

- *Surveys of institutions and borrowers will indicate high degrees of customer satisfaction with all facets of the Direct Loan program.*
- *By 1998 our customers' ease of access to the Department through the gateway 1-800-USA-LEARN number will double (as measured by the times in which service is received as the result of one call).*
- *A survey of external customers will indicate a high level of satisfaction with the Department's services and administration of programs and with their ease of access to the Department.*
- *Periodic "test runs" by evaluators will indicate that Department staff provide quick and reliable information.*
- *By 1998 the Department will have implemented a redesigned, integrated financial management system.*
- *By 1996 the cycle time for the personnel office to fill a position, once posted, will be reduced by 25 percent.*
- *By 1995 performance measures will be used to guide policy and program improvement efforts for the Department's 15 largest programs.*
- *Organizational layers will be reduced to five layers by 1995 and to three layers by 1997.*

Appendix B: Department of Education Organization Chart

as of May 8, 1997



Appendix C: How this case study was developed

This case study was developed by Department of Education staff, including the Director of the Planning and Evaluation Service and the Chief of Staff for the Deputy Secretary. It was adapted from an earlier document developed to describe what the Department had accomplished in strategic planning and performance management and intended for publication.