

# Implementing Performance Budgeting at the State Level: Lessons Learned from New Jersey

Marc Holzer

*SPAA, Rutgers University, Newark, New Jersey, USA*

Lauren Bock Mullins

*Department of Health Care and Public Administration, Long Island University, Brookville, New York, USA*

Marco Ferreira

*Federal University of Vicosa, Vicosa, Brazil*

Peter Hoontis

*SPAA, Rutgers University, Newark, New Jersey, USA*

This article considers barriers and strategies for implementing performance budgeting in real-time application by a state-level government. The lessons learned from the State of New Jersey's implementation of the Governor's Performance Budgeting Initiative offer guidelines for public and nonprofit sector organizations attempting similar efforts. Data was gathered through a series of focus groups with key executive-level administrators. Observations and recommendations for enhancing and reenergizing current performance budgeting strategies for a state or agency are suggested.

Keywords: budgeting, management, performance, public sector, state government

## INTRODUCTION

The public management literature addresses important factors for improving the performance of public organizations. The likelihood of such success increases with strategic interventions enhanced by performance budgeting. The literature also highlights how public managers face many barriers, impediments, and obstacles throughout the process of performance improvement. Such hurdles that restrict the ability of public-sector managers to improve the performance of their organizations are termed performance barriers (Ammons, 2004). Different alternatives have been proposed to overcome or circumvent these barriers, although simply recognizing them is still a significant challenge for many public organizations.

This article provides a case study related to strategies and barriers for implementing performance budgeting in relation to real-time application at the state government level. The lessons learned from our examination of the State of New Jersey's implementation of the Governor's Performance Budgeting Initiative suggest guideposts for public and nonprofit sector organizations attempting to initiate or reevaluate similar efforts. We introduce this case study with a review of the literature, followed by the theoretical model, methods, and findings. We conclude with a prescriptive discussion of observations and recommendations for enhancing performance budgeting strategies at the state, local government, or agency levels.

## LITERATURE REVIEW

Researchers propose that a high level of public and political support is essential to the success of performance improvement initiatives (Bland & Clarke, 2006; Bourne,

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Correspondence should be addressed to Lauren Bock Mullins, Department of Health Care and Public Administration, Long Island University, 100 Hoxie Hall, 700 Northern Blvd., Brookville, NY 11548, USA. E-mail: [lauren567@gmail.com](mailto:lauren567@gmail.com)

2005; de Lancer Julnes & Holzer, 2001; Cavalluzzo & Ittner, 2004; Goehrig, 2008; Graham, 2004; Liou & Korosec, 2009; Moynihan & Pandey, 2005). Some works suggest both executive and legislative support as determinant factors to enhance public performance systems and to improve results. For example, Gilmour and Lewis (2006) examined the Office of Management and Budget Program Assessment Rating Tool (PART) scores under the Bush Administration, and found that performance budgeting at the federal level can work to some extent, but that there are roadblocks that come into play, especially of a political nature.

The issue of *how* to implement performance improvement is a substantial one. The PEW Charitable Trusts (2008) assessed management quality of all the US states based on empirical research, specifically looking at people, infrastructure, information, and finances. By grading states on their performance, PEW reminds us of the importance of performance measurement and improvement. Moynihan's (2006) assessment of the states' implementation of public management reform found that states tend to focus on measuring performance and strategic planning while neglecting reforms to enhance authority of management, which generates problems and hinders performance improvement.

In order to improve performance, it is imperative to build a performance measurement culture based on the value of data, accountability, transparency, organizational support, and enhanced citizen engagement. To this end, it is crucial to promote continuous assessments and the use of data collected in the process of performance management, thereby improving the quality of decision-making and maintaining institutional transparency by making information accessible to citizens. It is also important to learn from previous failures and successes of implementation.

Performance measurement that enhances communication between citizens and government can also help to create a more trusting relationship, and citizens who are encouraged by the performance reporting of government agencies will then be more likely to engage in ongoing constructive dialogues (de Lancer Julnes & Holzer, 2008). In a recent study of nonprofits, Smith (2010) states that the only way for nonprofits to be innovative, excellent performers is for citizens to be closely integrated into the process. This concept of open communication of information also applies internally. Fernandez and Moldogaziev (2011) studied empowerment in relation to performance in federal agencies and found that providing employees with knowledge and skills that were related to their jobs and giving them the power to change work processes, improved performance perceptions; surprisingly offering rewards for performance and giving employees information about performance and goals seemed to have no effect on performance perceptions.

While performance initiatives are becoming more popular, there are also possible inherent dangers. In their analysis of how to design measurement systems geared toward performance improvement in the Government Performance and

Results Acts (1993), Kravchuck and Schack (1996) suggest that managers need to be aware of the limitations of measurement systems and how performance measures are also capable of providing misinformation that can hoodwink managers. Accuracy of measurement and precision of the link between goals and what is being measured are likely challenges.

What about performance budgeting as a tool for performance measurement and enforcement? Literature on performance budgeting is somewhat sparse and conflicting, despite many governments and organizations claiming to implement performance budgeting programs. Melkers and Willoughby (1998) surveyed the 50 states to determine the status of each state's performance-based budgeting (PBB), and found that it was a widespread concept that was being implemented in all but three states, some of which had passed legislation or provided specific budget guidelines regarding PBB. But the ways PBB are defined can vary by state and local government, and often the way a state defines what performance budgeting is can affect not only implementation in linking the budget to performance, but also the effects and outcomes. Klase and Dougherty (2008) looked at how performance budgeting impacted state outcomes and found that it had a positive effect on budget outcomes when measured by per capita expenditures.

However, exactly how is performance budgeting defined? It depends on whom you ask. Burkhead (1956) proclaims due to operational differences, it would be impossible to exactly define performance budgeting. According to Joyce (1996), the public budgeting literature has never offered a universal definition of performance budgeting with which everyone has agreed. Melese (1999) explains that while traditional budgets have an "input" focus, performance budgets are more focused on planning and management, or "output", which allows for a better integral concern for and link to stakeholders. These outputs go beyond financial measurements, and softer, substantive concerns may also be incorporated. As Finkler (1991, pp. 404–405) explains:

A performance budget is a budget for the activities of a cost center or organization. Rather than focusing on the objects of spending, such as the costs for salaries, supplies, or equipment, a performance budget is primarily concerned with the activities of the organizational unit, such as providing direct care, indirect care, or working on quality of care improvements. Specific objectives for each activity are stated in a performance budget and specific financial resources are associated with each activity.

Rivenbark and Kelly (2006) caution that there may be a problem with transferring private-sector values to the public sector when it comes to performance budgeting:

Clearly, performance budgeting has a normative component, suggesting that resources *should* be located on the basis of their most efficient and effective operational use. There

are two important assumptions inherent in this approach to budgeting. The first is that a performance focus can do for the public sector what it, anecdotally, did for the private sector—enhance efficiency and effectiveness. The second is that efficiency and effectiveness are what the public desires most from their public services (p. 35).

Perhaps they are onto something, and the public sector's most coveted outcomes are not efficiency and effectiveness, but in tough fiscal times, governments and agencies of all sizes are struggling to accomplish all of their goals on a strict budget, which makes performance budgeting more important now than ever. The other difficulty is that, as Rivenbark and Kelly hint, the private sector has not necessarily achieved efficiency and effectiveness perfectly at all times (if at all), and so the appropriateness of using the private sector as an idyllic model can and should be called into question.

As Mucha (2011) explains, performance budgeting involves fundamentally adjusting a process so that the information collected can be applied for “learning” and “improvement,” so that the decision-making process incorporates performance data. Herzog (2006) believes performance budgeting allows organizations to answer the following questions:

What is planned? Why is it planned? How much will it cost?  
When will it be provided? What resources (human, financial, physical, technological) will be needed? And what will be the end result?

Herzog explains how performance budgeting enjoyed a resurgence of popularity in the early 1990s with the “reinventing government” movement, citing Osborne and Gaebler (1992). Since then, many more governments and agencies have tried to design and implement performance budgeting programs, with varying results. This case study captures the experience of just one state government's creation and implementation of a performance budgeting program after the first of three stages (which is typically the most complicated, important, and formative), to extract vital lessons that might be applied by other governments and organizations trying to implement their own performance budgeting programs.

## THEORETICAL MODEL

Barriers often impede performance improvement initiatives, and to overcome or circumvent them is an essential part of the public manager's activity. According to Ammons (2004), capable managers of productive public organizations are adept at finding ways to overcome those barriers to performance improvement. No successful manager has been spared this challenge, because no organization is immune to such obstacles in various forms and combinations.

Because performance is a function of several factors, such as technology, staff ability, motivation, environment, public attitudes, policy shifts, and personal characteristics, improvement should focus on synergistically addressing these factors (Buntz, 1981, p. 308).

Ammons grouped these various factors into three clusters, which he termed Organizational, Environmental, and Personal Barriers (Figure 1).

Ammons (2004) refers to the environmental barriers as factors that most clearly distinguish the public-sector environment from that of the private sector and confound productivity initiatives. These may include political factors that influence decision-making, lack of enthusiasm for gradual gains, dominant preference for the status quo, procurement, and personnel procedures.

The organizational barriers seem like common characteristics found at varying degrees in public-sector organizations (Ammons, 2004). These may include a bureaucratic socialization process, lack of accountability, perverse reward systems, focus on input rather than outcomes, and inadequate management commitment to productivity.

The individual barriers refer to individual traits, attitudes, and behaviors that may influence an administrator's inclination and ability to tackle productivity improvement opportunities (Ammons, 2004). These may, for example, include inadequate control of time, conceptual confusion, risk avoidance, and managerial alibis.

None of the three clusters presented in Figure 1 is inviolate. The grouping of various barriers is often interchangeable (Ammons 2004).

Therefore, more important than classifying the barriers, it is necessary to better understand them and propose effective ways to address them. In short, scholars and practitioners have been trying to build strategies to neutralize the effects of potential threats and to enhance performance, despite the existence of limiting components. In this debate, the model of 10 steps to enhance performance presented by Holzer and Lee (2004) contributes significantly, offering a framework for implementing performance measures.

Holzer and Lee (2004) proposed the 10-step model not as an infallible rule to be implemented for public managers, but as a flexible guideline for performance improvement, in general. The steps include (1) obtaining top management support; (2) locating models; (3) identifying promising areas; (4) building a team; (5) planning the project; (6) collecting program data; (7) modifying project plans; (8) expecting problems; (9) implementing improvements actions; and (10) evaluating and publicizing results (Figure 2).

The implementation of the 10-step model is not a way to avoid the barriers either. It is a process of performance improvement based on a set of organizational procedures; they are systematized in a logical sequence in order to enhance the results in the short and long terms. It sums up to providing sustainability for the performance initiative in a broad way.

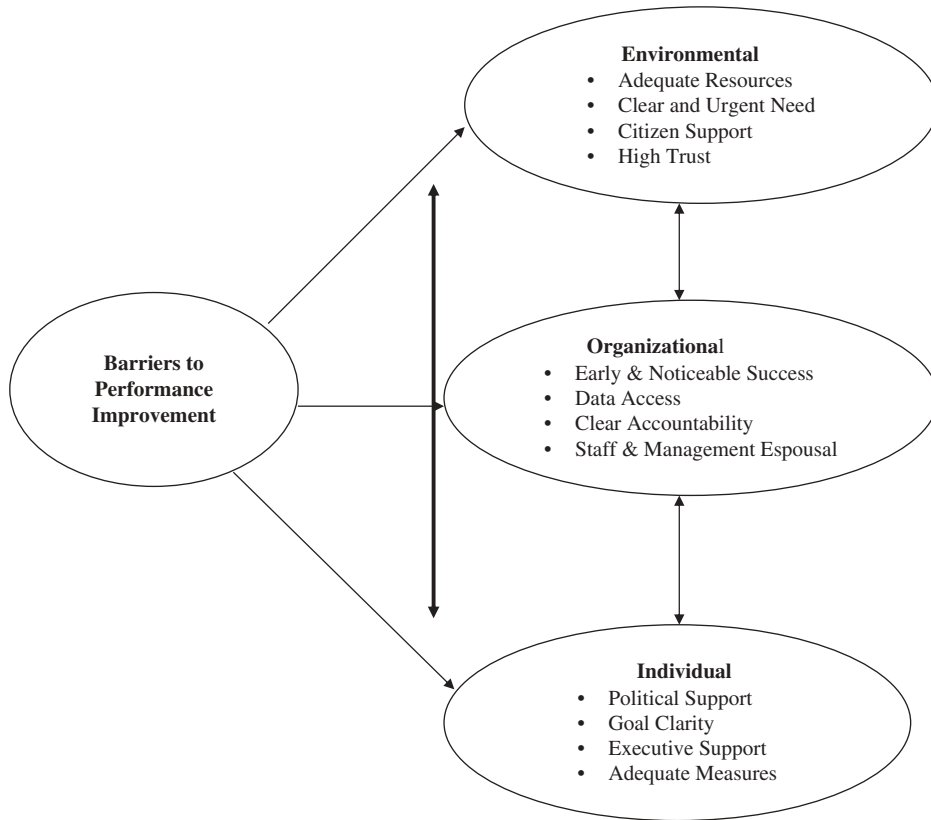


FIGURE 1 Barriers to performance improvement.  
Source: Adapted from Ammons (2004).

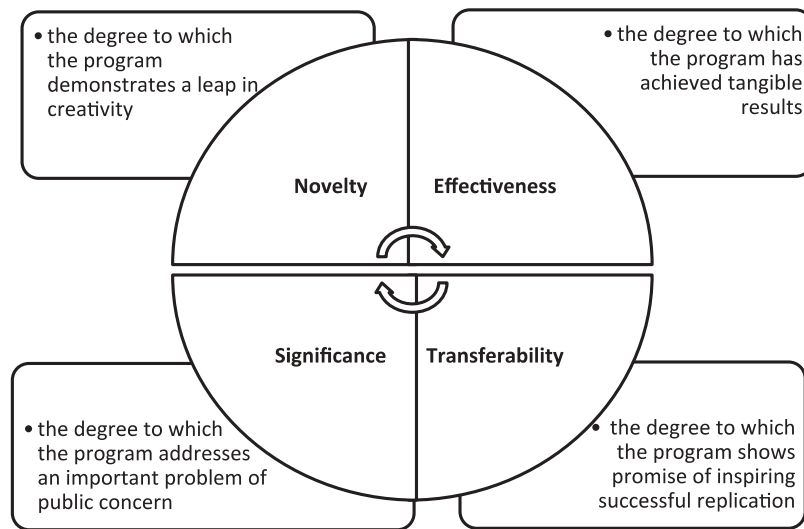


FIGURE 2 A 10-step model of performance improvement.  
Source: Adapted from Holzer and Lee (2004).

As stated by Holzer and Lee (2004), performance improvements are not easily accomplished in any sector. Smith et al. (2001) found changing organizational culture to be the most difficult aspect of implementing strategic planning in St. Louis, Missouri's information systems. The public sector imposes additional challenges because it requires the synchronization of many different actors to achieve organizational success.

Well-constructed and well-managed public-sector performance improvement programs will, however, benefit all interested parties. The public would access high-quality services and products and the public agency would receive visible support to go ahead with the successful programs as well as to correct the ineffective ones.

According to Ammons (2010), not all barriers can be removed. While some barriers can be overcome directly and sometimes quickly, others must be circumvented or their effects simply monitored. This can be attributed to many different factors such as limited time, scarcity of resources or even the lack of ability, or training to address the situation.

One can say that the whole concept of performance improvement remains quite simple: to enhance efficiency and effectiveness by using all the resources available in the organization in the best possible way. In the public sector, the major problems are (1) how to do it and (2) how to secure the necessary support for maintaining it beyond the initial implementation phase.

The Harvard Kennedy School Ash Center Innovations in American Government Awards enhances the model developed for the purposes of this case study, with an external stakeholder's perspective. These awards recognize government initiatives that are creative, sustainable, transferable, and data driven. The award selection criteria were incorporated into our study. These criteria include novelty, effectiveness, transferability, and significance (Figure 3).

The theoretical model employed in this study is an adaptation of Ammons' (2004) potential factors that impede performance improvement (organizational, individual, and environmental barriers); Holzer and Lee's (2004) strategy for performance improvement (including goal clarity, best practice modeling, teamwork, continuous improvement, and celebrating wins); the Governor's four stated goals related to the Performance Budgeting Initiative; and the Kennedy School's Innovations in Government Awards criteria. This model was used to create a focus group protocol that guided focus group discussions and provided focus to the data collection process.

## THE CASE OF NEW JERSEY

New Jersey frequently makes national headlines for its fiscal crisis and no-nonsense Governor, Chris Christie. Less frequently mentioned or given attention in the media is the progress the State of New Jersey is making in implementing

Executive Order 8 of January 21, 2010. This order mandates that all 22 of the State's Commissioners, by the start of fiscal year 2013, adopt a performance budgeting approach to the management of their agencies. The School of Public Affairs and Administration Rutgers University, Newark, NJ, was invited to conduct an independent review of the status of the Governor's Performance Budgeting Initiative following the first year of the three-year implementation plan. The researchers had unprecedented access to top-level executives charged with leading the effort and benefited from their open participation in a series of focus group interviews. The analysis of the New Jersey plan based on our findings provides a case study other State governments could learn from as they implement performance budgeting or consider launching similar initiatives.

Governor Christie's Executive Order No. 8 of January 21, 2010, directs Department of the Treasury to implement New Jersey's Performance Budgeting Program. This program is intended to link budget decisions to performance management. The goals of this initiative are to (1) improve the performance of every department within the State of New Jersey, (2) enhance transparency, (3) align the budget with core department missions, and (4) build a culture of innovation. A three-year plan was set to assure achievement of these goals. This action plan was developed by the State Department of the Treasury led by State Treasurer Andrew P. Sidamon-Eristoff, and it called for the establishment of performance measurement and reporting plans in Year 1, the use of performance metrics to manage in Year 2, and linking budget decisions to performance measurements in Year 3. In order to achieve buy-in from all agencies, they were asked to come up with their own missions to which their performance would later be linked. This initiated a process of agencies evaluating and reevaluating their purposes and priorities and in some cases adjusting them to better fit current standards and objectives. In order to assess the status of the implementation plan, the School of Public Affairs and Administration, Rutgers-Newark, launched an effort to assess the status of the implementation plan under the leadership of Dean Marc Holzer and in coordination with the senior staff in the Treasurer's office: Regina Egea, Chief of Staff and Jennifer D'Autrechy, Analyst—along with three senior research associates from the School.

The researchers were fortunate to be given exclusive access to these executive agency administrators as a mutually beneficial agreement to assist them as consultants and produce valuable scholarly research in the process. Rutgers School of Public Affairs and Administration, under the direction of Dean Marc Holzer, followed up with the Treasury Department throughout the second and third stages and remained a resource for the State throughout the process of implementation. Due to the political nature of the project and the unprecedented high-level access to executive state officials across all agencies, collecting data and reporting on results was a process subject to scrutiny of State officials, and

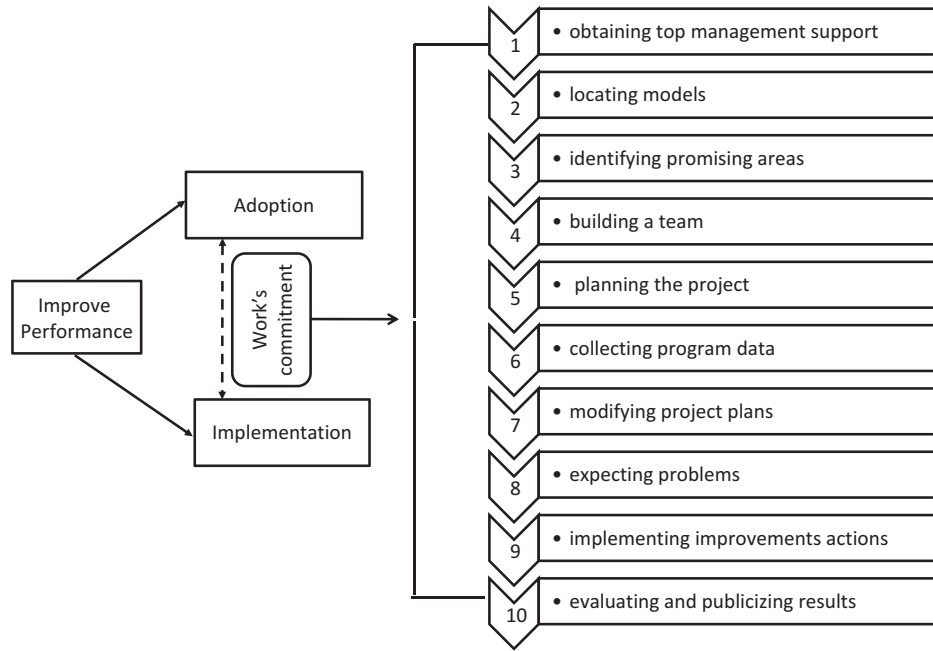


FIGURE 3 The Harvard Kennedy School Ashe Awards Criteria on Innovation in Government.

due to time and access constraints, we were unable to collect data after the second and third stages. However, there was rich and plentiful information gathered and analyzed after Phase 1, which in many respects can be most fruitful for others beginning the creation and implementation process of a performance budgeting program.

### RESEARCH DESIGN AND METHODS

This qualitative case study assessed the status of the New Jersey Department of Treasury’s implementation of the Performance Budgeting Initiative (Executive Order 8) after the first year of their three-year plan (2010–2013) in order to propose ways to understand the effects of this initiative and how it enhanced performance or did not achieve its goals. The research consisted of a four-step process including a review of the State of New Jersey Treasury Department’s Leadership Team Performance Budgeting vision and strategic goals, identification of study participants who were invited to participate in the focus groups via email, conducting focus groups, issuing a preliminary report to the Treasury Department’s leadership team, and then presenting a final report to Treasury.

This study offered a unique opportunity for practitioners to express their opinions and knowledge about this process, referencing their own experiences to improve the organization’s performance. Such feedback and knowledge function as a necessary factor for dialogue and reflection as opposed to simply assuming the process of performance improvement is concrete and unfailing.

To put performance management in the State of New Jersey into perspective and to add new elements to the public management literature, this study sought to answer the question: *After one year of operationalizing the Governor’s Performance Budgeting Initiative, what have been the successes and what remain the challenges to achieving the State of New Jersey’s performance goals?* The study consisted of assessing the strengths and challenges of the implementation process of the Governor’s Performance Budgeting Initiative based on the experiences provide by an elite group of high-level state agency leaders who are members of the Performance Budgeting Steering Committee.

Three focus groups were conducted in April and May 2011 over the course of two weeks, involving 16 members of the Steering Committee (executive agency administrators) who represented 10 of the 22 departments. Identical 36 questions were discussed in each focus group. Four and a half hours of tape recordings were transcribed and analyzed by three researchers using verbal analysis independently and then common themes were extracted. Audio recordings were obtained with the permission of the participants and then transcribed (Krueger, 1994) and direct quotes were selected that represented themes linked to theory. Due to the large amount of information respondents’ answers to each group of questions were clustered and then related back to the theoretical model. Latent information (notes taken by focus group observers) was used to help build the case analysis. The findings included strengths, challenges, and recommendations. The findings were disclosed based on the interpretation and labeling of each group of answers in order to understand how the topics were related to theory as well

as to the practice of the performance budgeting initiative in New Jersey.

The study's focus group protocol was based on linking the goals of the Governor's performance budgeting program to the theories of Ammons (2004), Holzer and Lee (2004), and the Kennedy School's Ash Center Innovation in Government Awards criteria. The first series of nine questions focused on alignment (goal clarity, gaining support, utilizing proven models, and use of teams) (Ammons, 2004). Alignment is one of the state's performance initiative goals. The second series of questions related to performance improvement (focusing on promising areas for improvement, adequate planning, collecting data, modifying plans, and expecting and solving problems) were extracted from Holzer and Lee's 10-step strategy for success. The questions modeled after Holzer's strategy included inquiries related to gaining clarity of goals, obtaining support, locating best practice models, identifying promising areas, building a team, planning the project, collecting program data, modifying project plans as needed, expecting problems, implementing improvement actions, and publicizing results (Holzer & Lee, 144–145). The third series of questions related to transparency (evaluation and feedback). Transparency is one of the state's performance initiative goals. These questions focused on the degree to which shortfalls and challenges were reported and how accountability was assigned. The final set of nine questions addressed the Ash Awards criteria. These included novelty, effectiveness, significance, and transferability. Novelty is defined by the Ash Center as "the degree to which a program demonstrates a leap in creativity." Effectiveness is defined as "the degree to which the program or initiative has achieved tangible results." Significance is defined as "the degree to which the program or initiative addresses an important problem of wide-spread public concern," and transferability is defined as "the degree to which the program or initiative, or aspects of it, has been successfully transferred to other government entities or shows promise of being successfully applied in other settings" (Ash Center, Harvard Kennedy School, 2011).

## FINDINGS

The outcomes of the focus groups are summarized below and presented along with the three dimensions defined above.

### Organizational Dimensions

To examine alignment of goals in relation to the organizational dimension, we posed the following questions to the focus groups:

1. *Is what you are measuring important to your agency's mission?*
2. *Are your department's goals in line with the performance initiative?*

3. *How much of your daily activity is directly related to achieving the goals of the performance initiative?*

The New Jersey Performance Budgeting Initiative (PI) was viewed as an important tool in evaluating the effectiveness of agency programs. It made agency staff question: "why are we doing what we are doing?" Focus group participants claimed, however, that little time is spent thinking about or talking about the outcomes. Although they had tried some other "strategic tools" and "exercises" in the past, now it is top-down; that top-down relationship seems to boost confidence about the process of implementing the PI and improving its sustainability: "we've tried this before . . . but the value of it was never supported or lead by the 'top' and so it systematically crumbles. The good thing about this is that it's Treasury's baby, so now you have to do it." The resistance to changing behavior in order to accomplish the goals related to the PI was identified at the operational level of some agencies. As an example one participant stated: "people, by human nature, think that the change will hurt them." Some participants partially agreed with that: "changing directions during strategic planning is not good at all." Focus group participants acknowledged the importance of the PI as well as the importance of maintaining the quality of day-to-day activities: "we should try not to disturb the daily activities of gathering data." These responses are closely linked to the tested theories. Based on the theoretical framework it is possible to highlight the PI as a central factor in producing positive externalities. These positive externalities include: a more positive feeling about change, the need to balance this new initiative with the day-to-day activities of operating a department, the sense of leadership's support of the line managers and administrators with regard to this new program, a sense of empowerment and autonomy in allowing management and staff to set performance priorities together, and a stronger working relationship among department staff. Positive externalities impact the whole process of implementation by improving responsiveness, commitment, and stimulating organizational culture shifts. Thus, it is possible to take advantage of this initiative (PI) as an internal development process of learning, as stated by Holzer and Lee (2004). It also transforms culture, helping to break organizational barriers and encouraging positive behaviors necessary to face external challenges (Ammons, 2004).

To examine performance improvement in relation to the organizational dimension, we posed the following questions to the focus groups:

4. *Do you feel you have executive support in this process?*
5. *Do you feel you have legislative support in this process?*
6. *Do you feel you have support within your agency?*

There was unanimity within the focus groups in having the full support at the executive level on this initiative. They acknowledged, however, that there is a lack of ongoing training that limits their ability to better understand the process of

implementing PI. Respondents indicated that in most agencies, staff recognizes the importance of gathering data to improve performance; understanding how this task (collecting data) is linked to budgeting will boost staff motivation. They described the legislator's involvement as a missing link. Holzer and Lee (2004) identify the full cooperation of top management and elected officials as a prerequisite to the success of any program. Ammons (2004) described inadequate management commitment as a source of organizational barriers.

To examine transparency in relation to the organizational dimension, we posed the following questions to the focus groups:

7. *Is it clear what the goals are?*
8. *Are there adequate measures to evaluate the new performance initiative?*
9. *Is your department deeply committed to reporting?*

Focus groups stated they are committed to reporting requirements and understand the goals of reporting: "it's good government to be transparent, in and of itself." However, they also expressed frustration in that they spend little or no time analyzing the data and looking for ways to improve the agencies processes and the overall performance of the organization. They question themselves after gathering the data: "is that program effective . . . what is the story behind the collected numbers?" They see themselves in a process of performance measurement instead of performance management, where they are not always necessarily seeing the value in measurement without managing for better performance results. At times, focus group participants expressed a sense that they (the State of New Jersey) are lagging behind other states; this is a possible source of frustration. Ammons (2004) addressed the impact of inadequate management commitment, ambiguous objectives, and supervisory resistance as threats to success that should be addressed. Based on focus group participants, these factors were not identified at the organizational level; however, Ammons (2004) also underscored the importance of having adequate organizational flexibility and adequate dissemination of program information, which may be a factor evidenced in the focus group comments noted above. Holzer and Lee (2004) highlight a step to enhance performance that may prove beneficial in this regard: "clarifying goals and obtain support." They emphasize the necessity of establishing reasonable goals and objectives and keeping the organization focused on them.

To examine culture of innovation in relation to the organizational dimension, we posed the following questions to the focus groups:

10. *Are partnerships important to the success of this program?*
11. *Is the use of teams important to this process?*

#### *12. Have plans needed modification?*

Focus group participants indicated that they use teams in all strategic activities within their agencies, including the PI activities. The use of teams, however, appears to be at the senior manager levels rather than within the line-staff ranks. They acknowledge that they are still in the beginning stages of the process and it will take time to have all staff involved at the desired levels. Holzer and Lee (2004) describe the use of teams as a prerequisite to building an efficient performance system. They also note that teams should develop and agree to a specific statement of scope, objectives, tasks, responsibilities, and time frames, which helps to improve the quality of the process. Some participants saw this as a natural path (establishing core missions, tracking to these missions, and linking to the budget).

Some focus group members admitted to being a bit skeptical as to how this process will lead to better budgeting. They were not sure how to measure the overall result of this process, but the PI helped them to maintain their commitment to the process with the belief that in the long term the more strategic objectives would be realized. They described this process as motivational.

#### **Environmental Dimensions (Citizen Support, Adequate Resources, Urgent Need, Trust)**

To examine alignment in relation to the environmental dimension, we posed the following questions to the focus groups:

13. *Does the public presentation of data link to core mission goals?*
14. *Do you believe there is an urgent need to reach the core mission goals?*
15. *Do you have a high level of trust in the new performance budgeting system?*

Participants mentioned that some agencies project more urgent (public perspective) core missions than others. As an example of using performance indicators in strategic decisions, one participant offered that their agency uses the data gathered to promote benchmarks via other agencies and itself. Some participants expressed concerns about the potential (damaging) use of the information (public use/interpretation). They acknowledged their concern as to how the public would interpret the reported information. This has led them to be careful about what they have been reporting. Most of the concerns were related to the accuracy of the data. While reflecting on the data before submission and being sure that it is accurate: "no one wants to report something wrong [inaccurate]." Other participants stated that they are unsure if anyone outside the PI steering committee and agencies is really accessing these data. But they concluded that internally it is an important exercise. According



to Ammons (2004), the absence of market pressures is often an environmental barrier in the public sector and so linking urgent needs of core values and mission to this program becomes increasingly important as an impetus for improving sustainability. There is a concern among many participants that reported information would be misconstrued or used against them, which is not surprising since a common environmental barrier is how political factors might influence decisions (Ammons, 2004). Holzer and Lee (2004) suggest locating models that can help avoid mistakes and guide success through literature, conferences, and computer networks. By seeking out models of similar initiatives that have avoided such pitfalls, and being careful to follow similar guidelines, sharing these models with agency leadership may help to alleviate this concern.

To examine performance improvement in relation to the environmental dimension, we posed the following questions to the focus groups:

16. *What are the biggest external challenges you face in implementation?*
17. *What aspect of the new program is in urgent need of work?*
18. *How would you describe the reporting process of the performance budgeting plan?*

*(Please note that although some of these responses are not directly related to the questions, they were stated during this sequence of questioning.)*

Participants indicated lack of access to more advanced technology and funding as factors that are limiting implementation. Some participants voiced concerns related to constraints due to cuts in the federal budget. Respondents acknowledged the need to assure the quality of the information delivered (valid data collection and reporting). Not being fully aware of the long-term plan was also viewed as a challenge to implementation: "I don't know how they intend to measure the overall success of this effort." According to Ammons (2004), a common environmental barrier is limited options for achieving economies of scale, and so it is common for factors such as lack of technology and money to limit improvement, as is the case here. Holzer and Lee (2004) recommend modifying project plans based on the team's identification of possible alternatives to solving problems and finding the best and feasible solutions.

To examine transparency in relation to the environmental dimension, we posed the following questions to the focus groups:

19. *To your knowledge has the public been asking about this initiative?*
20. *Have you had any engagement with or inquiries from outside your agency on the performance initiative?*
21. *Do you have any recommendations for future site development that would enhance its user friendliness?*

The majority of participants indicated they are not receiving any sort of feedback from public. They mentioned that they are curious to know how interested the public is about what they are reporting, while a few focus group participants did not think the public would be interested or capable of providing anything valuable to the initiative. It was mentioned that the transparency website has been helpful in touting small successes: "we are using the 'Highlights on the [Transparency] website (<http://www.yourmoney.nj.gov/>) to start giving some stories about the good things we are doing." Ammons (2004) states that the public might lack patience with operational changes, and this environmental barrier is reflected in the concern of some of the focus group participants. Holzer and Lee (2004) remind us: "elected officials, the press, and citizen groups are more likely to accept claims of success if they are backed up by hard data" (p. 145).

To examine culture of innovation in relation to the environmental dimension, we posed the following questions to the focus groups:

22. *To what degree have citizens participated in this program?*
23. *Is there a method for tracking citizen participation?*
24. *What strategies have been used to improve citizen participation?*

Participants stated that they have not witnessed increased citizen engagement since the PI started. They mentioned that citizens typically go straight to the agency websites to access the information they need. They are unsure about the public's reaction to the PI. These findings reflect Ammons' (2004) environmental barriers in terms of a dominant preference for the status quo, and the public's lack of patience with government's operational changes (as in accessing information on a centralized website as opposed to going to separate agency websites). Holzer and Lee (2004) recommend identifying promising areas to target in order to build up a record of success in areas about which there are the most citizen complaints. This could help to attract positive attention from the public and may encourage them to more readily accept the new program initiative.

#### Individual Dimensions (Early Wins, Data Access, Management Support)

To examine alignment in relation to the individual dimension, we posed the following questions to the focus groups:

25. *Is what you do linked to what is measured and what is important to you in your work?*
26. *How would you describe the connection between management support and the new performance budgeting program?*
27. *Are you certain about how your role is linked to the objectives of the performance initiative?*

Many participants stated that collecting data is not new to them. One participant said the discussion should focus on whether it changes how you look at the agency after interpretation: “if it’s business as usual going down the road, then all that we’re doing is wasted.” The link between data collection (performance indicators) and the budget process was presented as a “not-simple” activity. Participants mentioned that they haven’t seen the direct benefit of the PI to the budget process, noting: “most of the budget comes from federal funding or constitutional mandates.” One participant stated that the real question should be “why haven’t goals been achieved?” Poister (2003) identifies the SMART (specific, measurable, achievable, relevant, and timely) strategy for successful implementation of a performance measurement system. Poister notes: the measure has to have a specific purpose, it has to be measurable to really get a value of the dimension, the defined norms have to be achievable, the improvement of the dimension has to be relevant to the success of the organization, and finally it must be time phased, which means the value or outcomes are shown for a predefined and relevant period.

To examine performance improvement in relation to the individual dimension, we posed the following questions to the focus groups:

28. *Have you enjoyed any early wins in this initial stage of the performance initiative?*
29. *In your opinion, what is the ideal outcome of the performance initiative?*
30. *If you could recommend one way to improve performance in implementing the performance initiative, what would it be?*

Participants mentioned experiencing some early wins, such as a decrease in time spent delivering services and information at the agency level. Some improvements in the quality of services were also mentioned. Others observed improvements in the capacity to make management decisions. Some participants reported that it has raised internal discussion about the process of performance improvement, although they feel like they are still behind in the process of performance management in comparison with other agencies. Holzer and Lee (2004) recommend identifying areas where the benefits are highly recognizable and offering intrinsic motivation to the staff involved in the implementation process, thus quickly building momentum and a success record. Celebrating these wins is also important.

To examine transparency in relation to the individual dimension, we posed the following questions to the focus groups:

31. *Do you know to whom you are reporting with regard to this project?*
32. *Do you have access to all the data necessary to perform your role?*
33. *How has the new performance budgeting plan influenced your role in measurement?*

Although transparency plays an important role in PI, participants mentioned minimal improvement in this area. In fact, they confessed they have more questions than answers with regard to how this first phase plays into the long-term goal: linkage to budget decisions. Participants appeared to be skeptical about citizen engagement in the PI process, although they acknowledged this as an important factor in the success of the PI.

To examine the culture of innovation in relation to the individual dimension, we posed the following questions to the focus groups:

34. *How do you identify and celebrate success?*
35. *Do you consider any of these practices transferable?*
36. *How do you motivate the staff to embrace the program?*

Participants did not identify specific ways to celebrate successes, although some of them offered that they have already celebrated early wins related to improvements in internal services and the quality of process and service delivery. The majority of participants mentioned that this initiative could be applied at the municipal level.

Participants also mentioned that they would like to improve the use of technology in their agencies as this was viewed as a way to motivate the staff. They cited the use of maps, charts, visual tools, and simulation techniques as important ways to gather data, provide information, and improve the decision-making process. The Ash Center for Innovation in Government suggests that the applicability of performance improvement models from one level of government to another level strengthens both the sustainability of the innovation and its duplication.

## Summary

After one year of implementing the Governor’s Performance Budgeting Initiative, the results clearly underscore that the implementation plan was on target and slightly ahead of plan for Year 1 based on stated goals and timeline. There is evidence that state departments are embracing the plan, and there is a consensus on specific areas that need to be addressed while moving into Years 2 and 3.

The reason we believe there has been significant progress is three-fold. First, there is evidence of strong executive-level support for the implementation of the PI and this is appreciated by agency staff; second, agency staff view the Performance Budgeting Initiative as a valuable management tool and as a “culture changing” movement; and third, “small wins” were evidenced during the first year as agencies developed core missions and began tracking results. These points of progress are “success” building. By capitalizing on this momentum, nurturing the strengths while simultaneously addressing the challenges, we are on balance, optimistic about the future success of the New Jersey Performance Budgeting Initiative and its ability to deliver the goals as set forth by Governor Christie.

## CONCLUSIONS AND DISCUSSION

The conclusions from this study fall into 10 “lessons learned” that are applicable to any governmental or non-profit organization seeking to implement the performance budgeting plan following the New Jersey model.

1. *Utilize a Top-Down/Bottom-Up Integrated Approach:* Create flexibility and participation in developing performance indicators by putting some power in the hands of department heads and middle-level department managers. This approach will help to relieve fears of usurpation of power or undermining of authority and will help to build a culture of commitment to the initiative.
2. *Executive Leadership Matters:* Commitment from the CEO is essential and must be a constant presence.
3. *First Focus Internally:* This is first and foremost management tool, and therefore, it needs to be fully supported and understood by the staff before going public.
4. *Integrate Data Collection Methods:* Tracking indicators for performance budgeting must be integrated within current reporting systems, not in addition to them, to avoid duplication of effort, which can frustrate staff and leave people feeling disenchanting with the initiative.
5. *Define External Stakeholder's Roles:* Once management understands and supports the system, it is important to include external stakeholders (owners, citizens, consumers, legislators) in the process of establishing performance indicators and budget linkages.
6. *Provide Ongoing Training:* Initial and continuous training is important for the long-term success and viability of the performance budgeting system.
7. *Build an Explicit Link to the Budget:* There must be a direct link to budget allocations and monitoring, and this link must be clearly communicated to all stakeholders.
8. *Be Inclusive when Defining Results:* Outputs are easier to observe than outcomes, but each must have equal focus. It is important to not lose sight of outcomes.
9. *Develop Trust:* Establish an internal auditing system for insuring report integrity and create a baseline (minimum requirement) for all reports across departments.
10. *Recognize Diversified Revenue Sources:* Recognize and account for different funding streams that may or may not be easy to include in performance budgeting for a specific unit. This is of particular importance when funding for a department is from a source outside of the state revenue streams (an example is federal funding and one-time allocations for specific projects).

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