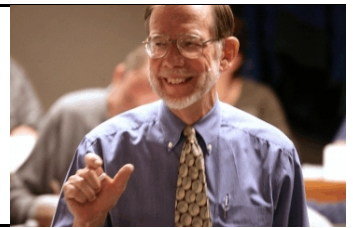


Bob

# Behn's Performance Leadership Report

An occasional (and maybe even insightful) examination of the issues, dilemmas, challenges, and opportunities for improving performance and producing real results in public agencies.



On why all public executives should exploit

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## The Value of Distributing Comparative Data

When Atul Gawande of Harvard Medical School went to McAllen, Texas to find out why health-care costs there were high, he discovered something interesting. The people in McAllen—including the executives who ran the key hospitals there—did not know that their costs were high. They had no clue. Zero.

In McAllen, Gawande reported in *The New Yorker*, health-care costs were not just high. They were off the charts. But you'd never know that if you had never seen the charts, if no one had ever shown you the charts, if you had never gone looking for the charts.

There are lots of different kinds of charts for displaying data. After all, there are lots of different kinds of data, and depending on how the data are analyzed and displayed, they can offer different insights. Baseball (as I have often noted) collects a multiplicity of data on players, on teams, on match-ups, on circumstances. Yet, compared with medicine and health care, baseball is a simple enterprise.

Still, the basic comparative data on health-care costs aren't all that complicated. You need a numerator: total costs. And you need a denominator, which is often more difficult to select. The most obvious denominator for comparative health-care costs is population. If you divide total dollars spent on health care in a region by its total population, you get a useful first-order measure with which to compare health-care costs.

Obviously, the underlying characteristics of the populations being compared may be different. And such differences may explain the differences in the comparative data. For example, if a region's population is significantly older than another's, it could easily have higher health-care costs. After all, in the United States, people over the age of 65 consume over a third of all health-care costs.

Still, unless the age distribution of two geographic areas is significantly different, it isn't going to drive signifi-

cant differences in per-capita health-care costs. Whenever data are compared, those at the bottom have a standard defense: "You don't understand. We're different." But this explanation [excuse?] is valid only if this difference is both large and relevant.

Any large public agency divides its responsibilities among subunits. But does each subunit know how well its performance compares with its peers? Or in the absence of any data, can a subunit dupe itself into believing that it is at least above average—if not truly superior? If subunit managers can assume that they are doing just fine, they have little motivation to improve.

To ratchet up performance, effective public executives set **targets**—both for the entire organization and for each subunit. Then, they distrib-

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ute comparative data to help every subunit honestly appraise its own performance—to ensure that subunits with similar targets have a realistic understanding of how its performance compares with that of its peers.

Fortunately, public executives have two simple yet compelling ways to provide feedback comparing subunit results: The Bar Chart and **The List**.

The simple bar chart presents the results for each unit and may include a horizontal line that defines the target for all units. When a bar chart is displayed, everyone focuses on the tallest bar (why is this unit doing so well?) and on the shortest bar (why is this unit doing so badly?)

The List is even simpler. One piece of paper has two columns. Column A

lists the units that made their previous period's target. Column B lists the units that didn't make their targets. When The List is distributed at a meeting of subunit directors, behavior is very predictable. First, people look for their own unit's name, then for the name of their friends' units.

Comparative data grabs everyone's attention, providing them with three useful pieces of information:

- (1) The data tell every unit how well it is doing.
- (2) The data tell every unit how well every other unit is doing.
- (3) The data also tell every unit that every other unit knows how well *it* is doing.

Indeed, comparative data about results can motivate many managers and their units to improve.

To be motivational, however, the data must be quasi-public: This performance feedback must be distributed to everyone who has a role in achieving the overall target as well as achieving the targets for their individual units. It doesn't work if people are only told the height of their organization's bar. It doesn't work if people are only told if their organization is in Column A or in Column B. The Bar Chart and The List can motivate people because both provide a basis for social comparison.

The Bar Chart and The List reward—with recognition and prestige—high-performing units and managers. They also reprove—with embarrassment—low-performing units and managers. Both of these feedback mechanisms can influence unit managers who value **peer esteem** by motivating them to focus on the organization's key performance targets. **B**

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