Performance Reference Model: Value In Government IT

The federal government’s new Performance Reference Model will be a valuable tool for decision makers looking to justify and rationalize their IT investments, as well as satisfy increasingly rigorous legislative requirements.

On 17 September 2003, the Office of Management and Budget (OMB) of the United States government released the Federal Enterprise Architecture Performance Reference Model (PRM). The PRM is a standardized framework designed to enable government agencies to measure and improve the performance of their IT investments and their contributions to the agencies' overall program performance. The release of the PRM follows the release of three of the five federal enterprise architecture reference models:

- Business Reference Model
- Service Component Reference Model
- Technical Reference Model

The Data Reference Model is currently in draft.

(For more information on these models, see "What the Federal Enterprise Architecture Means to You.")

The release of the PRM is a significant development in the U.S. government’s ongoing drive to increase the efficiency and effectiveness of its IT initiatives and the agency efforts they support. The PRM will help agencies develop integrated responses to disparate, but closely related, legal, regulatory and budget requirements.

Federal government agencies are already under pressure to meet the requirements of a growing number of legislative initiatives governing the ways they manage and measure their performance. Among the most important of these are:
The E-Government Act of 2002 — designed to encourage interagency collaboration and the development of consistent IT performance measures

The Clinger-Cohen Act of 1996 — designed to encourage government agencies to make technology investment decisions based on investments’ contributions to program performance

The Government Performance and Results Act of 1993 — designed to encourage agencies to plan and report on how resources are used to achieve desired outputs and outcomes

The Chief Financial Officers Act of 1990 — designed (along with other related legislation) to encourage agencies to provide timely, reliable, useful and consistent financial information to improve decision making

The PRM will help government agencies address established and forthcoming budgetary and legal requirements. By 2005, alignment with the PRM will be required for OMB Exhibit 300 justification of major IT projects. It should also be a useful tool when used in conjunction with the Program Assessment Rating Tool (PART), a set of program evaluation questions used to analyze the effectiveness of federal government programs that is part of the administration’s Budget and Performance Integration initiative. Finally, it will also integrate with the Federal Enterprise Architecture (FEA) Business Reference Model. (For more information about the PRM and the PART, visit the FEA Program Management Office at www.feapmo.gov.)

The PRM structure is designed to clearly articulate the cause-and-effect relationship among inputs, outputs and outcomes. The OMB recognizes that this relationship is seldom direct and that showing IT’s alignment with performance objectives is difficult. For this reason, the PRM structure has been designed to search out the contributions IT initiatives make to improving process and business performance. (For a detailed discussion of the demands of architectural compliance in government, and techniques for meeting those demands, see "Designing Government Enterprise Architecture" and "Architecture, Government and Real Life.") The next release of the PRM will incorporate operationalized — that is, agency-derived — performance indicators. This means the PRM will become more useful as agencies provide action-oriented indicators.

To ensure that the outcomes that agencies identify are appropriately aligned to what the agencies actually do, the Mission and Business Results Measurement Area of the PRM is driven by the Business Reference Model. More specifically, the
PRM's Measurement Categories are the same as the Business Reference Model's Business Areas and Lines of Business. (For more information on the Business Reference Model, see "What the Federal Enterprise Architecture Means to You" and visit the Business Reference Model section at www.feapmo.gov.) This is crucial, because OMB Circular A-11 requires that government agencies identify the primary Business Reference Model alignment for all proposed IT initiatives by FY05 to determine the process a project is intended to support and how its success can be measured.

The Business Reference Model business areas are very high-level. Agencies may find that the entire breadth of business functions they perform fall under only one high-level business area. It is incumbent on agencies to identify more-detailed performance metrics and to define real value for IT investments. Circular A-11 also mandates strict measurement criteria, including at least one measurement indicator from each of four measurement areas:

- Mission and Business Results
- Customer Results
- Processes and Activities
- Technology

A sound business case for a government IT project should consider three primary categories of concern: operational efficiency, constituency service and political return. The structure of the PRM addresses the first two categories quite effectively, but it does not fully take into account the need for identifiable political return. (For an in-depth discussion of these and related issues, see "Creating a Business Case for a Government IT Project".)

The PRM will require a fundamental cultural shift within government agencies that have not built performance-based IT management into the mainstream. It will also require significantly increased collaboration by the staffs of chief financial officers, budget offices, program planning organizations and chief information officers. A key goal of this collaborative process will be to define the success factors for alignment with the PRM. The PRM was developed with inputs that address the demands of major legislative and best-practice drivers:

- E-Government and Clinger-Cohen legislation, which mandate performance measurements for government projects
The Government Performance and Results Act (GPRA), which requires a detailed description of a project's goals and the processes that will be used to achieve these goals.

- Balanced scorecards, which take into account customer and business-process perspectives.
- Baldrige Quality Criteria, which include business results, customer/market, process management and human resources focuses.
- Six Sigma, which is designed to improve business processes by increasing quality and reducing errors.

The successful implementation of the PRM by government agencies will depend on the application of a key set of best practices. The most-important requirement may be a serious, ongoing commitment to change by management at the most-senior levels. Front-line personnel must also be involved from the outset, and other critical business partners and stakeholders must be brought into the process. The PRM demands a diverse, cross-functional team, as well as a strong working partnership between business and IS organizations. Finally, agencies must clearly and effectively communicate the goals and success of the PRM project internally and externally.

**Bottom Line:** The primary value of the Performance Reference Model lies not only in its ability to help government agencies demonstrate the value of IT initiatives, but in its alignment with legislative, regulatory and business-process requirements and with the Business Reference Model. The PRM can be a useful tool for government agencies developing performance metrics for IT initiatives and aligning these initiatives with enterprise architecture. These are key steps in ensuring that governments derive real value from IT.