



**RETHINKING BUDGETING**

# THE ACCOUNTABILITY TRAP



Why Too Much Focus on Results Can Make You Worse Off and What to do About It





## ABOUT THE AUTHORS

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Andrew is a nationally recognized leader in budgeting for outcomes, performance management, long-term financial planning, and business process improvement. He is the author of *City on the Line: How Baltimore Transformed Its Budget to Beat the Great Recession and Deliver Outcomes* (Rowman & Littlefield, 2018).

Andrew's career has included leadership roles in both local and federal government, including as Chief Administrative Officer for Montgomery County, Maryland; Budget Director for the City of Baltimore; and Acting CFO for AmeriCorps. For his leadership in guiding Baltimore through the Great Recession, Andrew received the 2016 National Public Service Award from the American Society for Public Administration and the National Academy of Public Administration.

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## ACKNOWLEDGMENTS

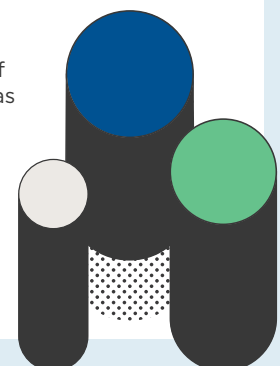
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## ABOUT GFOA

The Government Finance Officers Association (GFOA) represents over 21,000 public finance officers throughout the United States and Canada. GFOA's mission is to advance excellence in government finance. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

## ABOUT THE RETHINKING BUDGETING PROJECT

Local governments have long relied on incremental, line item budgeting where last year's budget becomes next year's budget with changes around the margin. Though this form of budgeting has its advantages and can be useful under circumstances of stability, it also has important disadvantages. The primary disadvantage is that it causes local governments to be slow to adapt to changing conditions. The premise of the "Rethinking Budgeting" initiative is that the public finance profession has an opportunity to update local government budgeting practices to take advantage of new ways of thinking, new technologies, and to better meet the changing needs of communities. The Rethinking Budgeting initiative will seek out and share unconventional, but promising methods for local governments to improve how they budget.



**L**ocal governments are faced with big challenges and are increasingly asked to address hard problems such as climate change, social inequalities and drug abuse. Addressing these problems may require considerable expenditure of public resources. Given the high stakes of the issues at hand and the potentially large sums of money involved, there can be a justifiable interest from elected officials and the public that the government (and its staff) be held “accountable.”

This sounds fine, in theory, but there are some practical problems with a focus on accountability. Wharton organizational psychologist Adam Grant points out that focusing on only accountability raises anxiety and impedes communication.<sup>1</sup> He shows that a misapplication of accountability contributed to the Challenger and Columbia space shuttle disasters because it prevented open communication about the problems that eventually produced the tragic consequences. “Accountability” was defined as achieving a successful mission. Bringing into question the standard practices that achieved success in the past were not welcome. In the Challenger and Columbia cases, some NASA engineers expressed concerns about the safety of the missions that were either ignored or rebuffed.

Government Finance Officers Association’s (GFOA’s) research echoes Dr. Grant’s findings. Performance measures have been promoted as a way to improve accountability in budgeting. However, GFOA research with local governments that were perceived to be leaders in performance measurement found that even these governments had problems. Some departments were picking “easy” measures and/or gaming the results to make it seem like they were meeting the measure.<sup>2</sup> In one case, a department reported service requests from the public as “closed” (i.e., completed), even though they weren’t, to meet a target for closing a certain percentage of requests on time.

Cheating on operational metrics may hide service deficiencies, but they won’t stay hidden for long, so long as dissatisfied residents know how to get in touch with their council members. Likely, the cheating covers up a failure to improve on status quo performance—which may or may not catch the public’s attention.

“When you set performance targets, people often find a way to achieve them—but it may not be the way you hoped.”

DR. ADAM GRANT



The potential downsides of accountability become more serious in the pursuit of larger community outcomes, such as public health and safety, cleaner air and water, and social equity. Here, gaming the data is harder to detect and can delay corrective actions that have life-or-death consequences.

A public administrator in one large city described efforts to bring accountability to how the budget impacts the health of the natural environment as a “box-checking” exercise, where departments gave vague assurances to the budget office that they were pursuing environmental goals by completing a form. It is not hard to imagine that a similar situation could develop around the efforts to budget for “equity” that some local governments are pursuing. This points to a broader risk of accountability. Those being held accountable tell the story that they know the people holding them accountable want to hear. This avoids discussing difficult issues that need to be confronted to get real results. Achieving measurable progress on issues like the environment and social inequalities is difficult under the best of circumstances. Local governments can make it even harder with the misapplication of accountability.

What is the solution? To be clear, we are not anti-accountability. As ancient wisdom prescribes, balance in all things. What balances with accountability? Psychological safety. Adam Grant describes psychological safety in Exhibit 1.<sup>3</sup> He points out that NASA did not have psychological safety: Engineers who raised problems were silenced by managers or even ignored. Other people did not feel comfortable bringing up problems at all.

EXHIBIT 1 | THE CHARACTERISTICS OF PSYCHOLOGICAL SAFETY

When You Have It	When You Don't
Seeing mistakes as an opportunity to learn	Seeing mistakes as a threat to your career
Willing to take risks and fail	Unwilling to rock the boat
Speaking your mind in meetings	Keeping your ideas to yourself
Openly sharing your struggles	Touting only your strengths
Trust in your teammates and supervisors	Fear of your teammates and supervisors
Sticking your neck out	Having your head chopped off

What balances  
with accountability?  
Psychological safety.







## Psychological Safety vs. Emotional Safety

Psychological safety is not the same as “safe spaces” or other forms of emotional safety that have gotten attention in recent years. Emotional safety refers to protecting people from words that they find upsetting or offensive. Psychological safety encourages people to bring up uncomfortable topics so that they can be discussed and resolved.



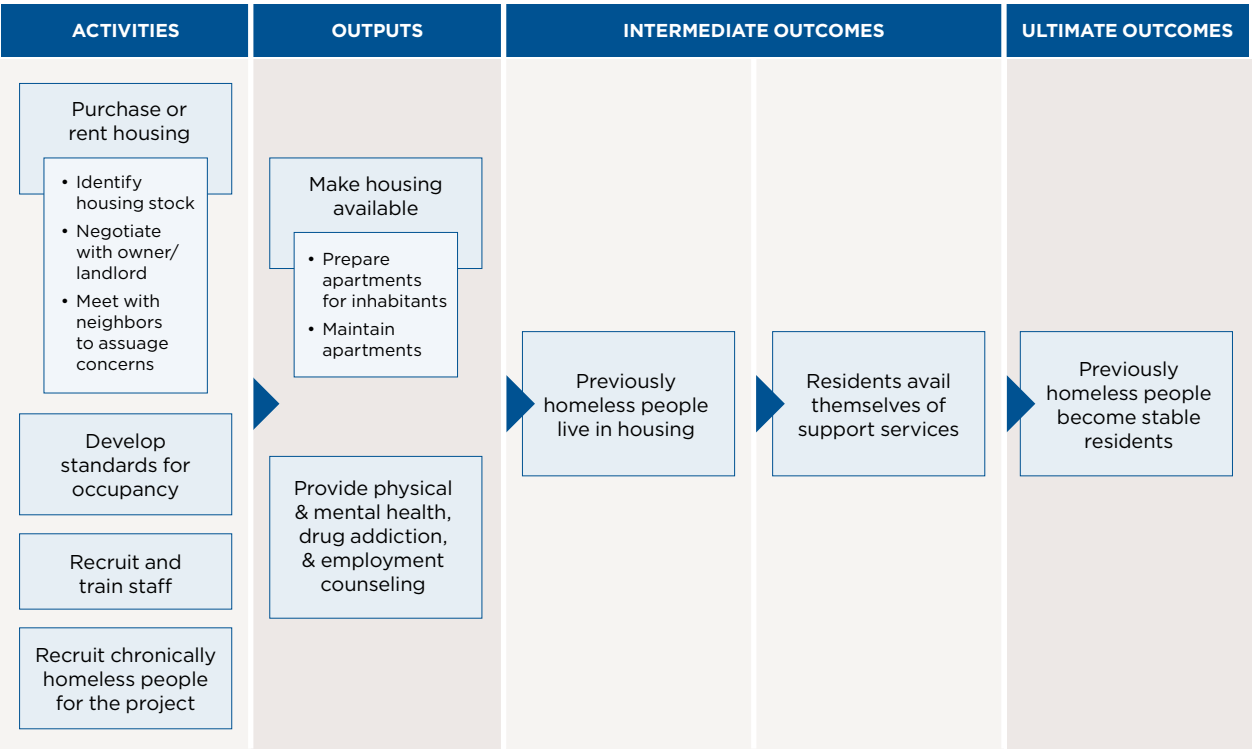
There is biology behind the need for psychological safety. According to the Harvard Business Review, researchers found that when the workplace feels challenging but not threatening, oxytocin levels in our brains rise, eliciting trust and trust-making behavior. Conversely, being put on the defensive ignites our brain’s alarm bell, the amygdala, triggering a fight-or-flight response and shutting down perspective and analytical reasoning.<sup>4</sup>

### How do you create psychological safety and integrate it with accountability?

First, differentiate between two kinds of accountability: accountability for results and accountability for process. It is common to think that decisive leadership “demands results.” However, Grant points out that this is precisely the kind of leadership that contributed to the Challenger and Columbia disasters. An emphasis on results meant that no one wanted to be seen as failing to deliver results, admitting that they didn’t have the answer, or questioning processes that have delivered results in the past. Process accountability, conversely, asks us to evaluate how we get to the results and learn how to do it better.

To illustrate, let’s consider King County, Washington. The county focuses its accountability on measures that are related to the process being used to meet a goal. Within a given budget cycle, the county can change the process based on feedback from its measures. The larger goal or outcome might be to reduce homelessness, but accountability during the budget cycle is centered around the actions and milestones required to meet the goal, such as how many apartments the county prepares for inhabitants each quarter. The actions and milestones can be the product of a logic model, like the one shown in Exhibit 2, which maps out the relationship of a program’s resources and activities to its outputs and outcomes.

EXHIBIT 2 | LOGIC MODEL



It is easier for leadership to ask questions about the process of preparing apartments and how that might be improved than it is to ask (and answer) the larger questions, such as why homelessness exists. For example, King County leadership asks questions like:

- **What is the target?** How many apartments do you aim to prepare?
- **What are the obstacles?** What might cause you to miss the target? How can county leadership help?
- **What are the countermeasures?** What actions can we take to overcome the obstacles?

Questions like these encourage an environment like the left-hand column of Exhibit 1, Grant’s table of the characteristics of psychological safety. These questions invite dialogue and honest inquiry from participants. Process accountability is not about losing sight of the end results that really matter; it’s about aligning accountability with responsibility and influence so that people feel they are treated fairly so the team succeeds or fails together. This is not to suggest that the larger questions about homelessness are never asked; rather, those questions are asked as part of a strategic planning process that produces a logic model like Exhibit 2. However, measures of the ultimate outcomes (the rightmost column in Exhibit 2) are not used to manage day-to-day performance. Instead, measures of the process are used (activities and outputs in Exhibit 2). Later in this paper, we will describe “Turn the Curve” planning—a method to ask the larger questions and arrive at answers that can be used to create process steps and measures.





Once process measures are in place, the data they produce can be periodically reviewed. King County has used “roundings” to review performance data. Executive management visits the departments, who lead their own presentations of the data. These are named after the rounds performed by doctors to check on patients. This is different from being called into the executive leadership’s office to explain data that the executive has gathered. The roundings contribute to an atmosphere of joint problem-solving between departments and executive leadership and not an atmosphere of inquisition. Roundings make departments the owners of a performance management process and not something executive leadership does to them.

Ultimately, balancing accountability (particularly process accountability) and psychological safety is about building a learning culture, where ideas that don’t work (which will be many when trying to address complex community challenges) are used to bring local government closer to ideas that will work.

Building a learning culture starts with leadership’s example. Convincing people that it is OK to bring up shortcomings is a hard sell. To create psychological safety, leaders can make a habit of admitting their own vulnerabilities and identifying how they, personally, are learning and seeking to improve. If leaders can be open and authentic about these things, then the people they lead will be more willing to do so. In fact, Grant found that when managers criticized themselves verbally in front of their employees, it increased psychological safety for a year.<sup>5</sup>

“

When you acknowledge your shortcomings out loud, you’re not just claiming you’re open to criticism—you’re proving you can take it.

DR. ADAM GRANT

”

In King County, leadership has put great effort into modeling “red is OK”—referring to an indicator being “red” on the stoplight-inspired color-coding system of indicator performance that the county uses. Leadership does not want staff to feel that they need to hide red indicators. Hence, red is OK, but departments may need to have a plan to deal with underperforming indicators (and executive leadership can help clear barriers to put the plan into action). This is an example of emphasizing process accountability over simply accountability for results.

Leaders may need to understand that everything they say and do, no matter how subtle, sends a signal that is monitored by their team. Something as mundane

as how a meeting room is arranged can set the stage for either collaboration or confrontation, or for feelings of freedom or fear. Many of the cities and counties that copied Baltimore's CitiStat concept did not copy the layout of the CitiStat room—a podium in front of a semicircular table that evoked a congressional hearing more than an internal work session (see Exhibit 3). Instead, they sat the participants around a large table. As a chief administrative officer, one of the authors took the further step of seating department heads next to him and not across from him in stat meetings so that they were looking at the data together, as partners.

### EXHIBIT 3 | THE ORIGINAL ROOM LAYOUT FOR BALTIMORE'S CITISTAT



A learning culture is built on more than empathy and equality. It requires practices that integrate learning into how the organization plans, operates and makes decisions. One such practice is “Turn the Curve” planning.

Turn the Curve planning, first introduced by Mark Friedman, is a disciplined way of thinking and taking action to improve performance and results for customers and communities.<sup>6</sup> The philosophy behind Turn the Curve is captured in a quote from John Dewey: “A problem well put is half-solved.”

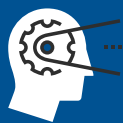
As shown in Exhibit 4, Turn the Curve starts with data about something that matters, be it a communitywide indicator, such as homelessness; the labor force participation rate; or a service-level performance measure, such as the percentage of job training graduates gaining employment. The process ends with strategies for how to turn the “curve”—or data trend—in the right direction. In between is an exploration into why the curve is shaped the way it is, where it will go if nothing changes, what might work to get better results, who can help, and what needs to be done.



#### EXHIBIT 4 | TURN THE CURVE PLANNING PROCESS<sup>7</sup>

- 1 What is the “end”?**  
Choose either a result and indicator or a performance measure.
- 2 How are we doing?**  
Graph the historic baseline and forecast for the indicator or performance measure.
- 3 What is the story behind the curve of the baseline?**  
Briefly explain the story behind the baseline; the factors (positive and negative, internal and external) that are most strongly influencing the curve of the baseline.
- 4 Who are partners who have a role to play in turning the curve?**  
Identify partners who might have a role to play in turning the curve of the baseline.
- 5 What works to turn the curve?**  
Determine what would work to turn the curve of the baseline. Include no-cost/low-cost strategies.
- 6 What do we propose to do to turn the curve?**  
Determine what you and your partners propose to do to turn the curve of the baseline.

Turn the Curve produces a well-informed action plan, the execution of which becomes the focus of accountability. Turn the Curve changes the role of performance measurement. Instead of being a grading system for managers, it becomes a way of determining if the strategies in the action plan are the right ones. In other words, it informs ongoing inquiry, not interrogation.



#### Numbers vs. Narratives

Many of the methods we described rely on data to help make decisions. It is important to remember that not everyone is an eager consumer of numbers. It is important to accompany numbers with stories and illustrative examples to communicate with the broadest possible audience.

To conclude, we agree that local governments need to be accountable for the resources they use. However, there is a paradox—emphasizing accountability for results may lead to worse results over the long run (and maybe even the short run). This is because people may be inhibited from asking tough questions and taking the necessary risks to figure out how to get results on difficult issues that local governments face. Governments should still be concerned with getting results, but they can be equally (if not more) concerned with examining the processes used to get results, continually refining the processes, and creating an environment where people feel safe to bring up concerns, admit shortcomings and offer ideas for new ways of working.

## ENDNOTES

<sup>1</sup> Grant, Adam. *Think again: The power of knowing what you don't know*. Viking. 2021.

<sup>2</sup> Kavanagh, Shayne. "Lessons from performance measurement leaders: A sample of larger local governments in North America." Government Finance Officers Association. 2013.

<sup>3</sup> Grant, Adam. *Think again: The power of knowing what you don't know*. Viking. 2021.

<sup>4</sup> Delizonna, Laura. "High-performing teams need psychological safety. Here's how to create it." *Harvard Business Review*. August 24, 2017.

<sup>5</sup> Grant, Adam. *Think again: The power of knowing what you don't know*. Viking. 2021.

<sup>6</sup> Friedman, Mark. *Trying hard is not good enough*. Book Surge Publishing. 2009.

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