

**FAIR HOUSING IN THE SUBURBS:
THE ROLE OF A MERGED FLEET BOSTON IN
THE DIVERSIFICATION OF THE SUBURBS**

*Report to the Federal Reserve Board
Concerning the Merger of BankBoston Corp. and Fleet Financial Group*

Presented on Behalf of:

Belmont Fair Housing Committee/Belmont Housing Partnership
Town of Belmont

Prepared and Presented by:

Roger D. Colton
Fisher, Sheehan & Colton
Public Finance and General Economics
34 Warwick Road, Belmont, MA 02478-2841
617-484-0597 (voice) *** 617-484-0594 (fax)
roger@fsconline.com (e-mail)
<http://www.fsconline.com>

July 7, 1999

INTRODUCTION

One question presented to federal regulators by the proposed merger of Fleet Financial Group and BankBoston Corporation is whether the merged bank will adequately address the credit needs of the community. In assessing whether this will occur, there is a need to differentiate between the urban and the suburban communities. There is a significant focus of attention today on developing affordable housing in the urban community. That focus is clearly necessary. Unfortunately, however, there is much less attention focused on the suburbs. One of the next major steps that must occur in community development and fair housing is to facilitate the diversification of suburban communities.

The data discussed below present a compelling argument on this need for diversification in the suburban community. The following discussion focuses on one slice of Boston's suburbia, beginning with Belmont and radiating north and west eventually to capture the following ten communities:

Belmont	Winchester	Sudbury
Waltham	Arlington	Concord
Lexington	Bedford	
Woburn	Burlington	

Information on Lincoln was sought but was not available. The data show a need for:

- ∅ Greater socio-economic diversification; and
- ∅ Greater racial and ethnic diversification.

Each of these needs will be documented below. In addition, a proposal for action to be imposed as a condition of the merger will be advanced.

THE BELMONT FAIR HOUSING COMMITTEE

The Belmont Fair Housing Committee is a Committee of the Town of Belmont. The Committee has been in existence since 1989. In the *Policy Statement and Preamble* to the creation of the Fair Housing Committee, the Belmont Board of Selectmen stated, amongst other things, that:

IT IS HEREBY RESOLVED that the Town of Belmont affirms its commitment to ensure equal opportunity in housing for all persons who are or who desire to reside within its boundaries. In the conduct of all Town of Belmont programs and activities affecting the housing of town residents, the

policy of the Town of Belmont shall be to promote equal choice and access to housing for all persons.

* * *

The Town of Belmont recognizes that discriminatory practices are detrimental to its citizens and to the future development of Belmont, and manifests its support for Fair Housing Legislation. The Town of Belmont shall take necessary action to remedy the effects of discrimination and prevent the growth of such practices. The Town will aggressively move to counteract any activities which restrict the potential for equal opportunity in housing.

The Town of Belmont encourages all real estate brokers, agents, home builders, and developers, mortgage holders, and landlords to review operating practices and work with the Town in providing equal housing opportunities.¹¹

SOCIO-ECONOMIC DIVERSITY IN HOMEOWNERSHIP

The first major credit need in the suburban community, as relevant from the perspective of this report, involves the promotion of socio-economic diversity. One lesson found in the available data is that the affordability of units is not the only barrier to homeownership in the ten communities studied. Homeownership is unavailable even when affordable homeownership opportunities exist. Information was obtained for each of the study communities on the number of units that are affordable at different levels of median income. This information shows that merely because a unit is affordable at a designated income level does not mean that it is actually occupied by a family (or household) with that income. "Occupancy distribution" has been discussed in detail elsewhere.¹²

Not surprisingly, there are few affordable homeownership units available at the lowest levels of median income in the ten study communities. Belmont, for example, has only five homeownership units affordable for households at or below 30 percent of median income and only 24 units affordable at or below 80% of median income. Only Sudbury has fewer affordable homeownership units. Even the three communities with the most units that are affordable at or below 80% of median income (Waltham: 241; Burlington: 217; Woburn: 213) do not have a large number units relative to the total size of those communities. This

¹¹ *Belmont Fair Housing Plan*, Section I, Policy Statement and Preamble, adopted by Belmont Board of Selectmen (June 6, 1989).

¹² Roger Colton (Spring 1997). "Fair Housing and Affordable Housing: Availability, Distribution and Quality." *Colloqui* (Cornell University journal of planning).

data is presented in Table 1.

The lack of affordable housing in these suburban communities, however, is not the story to take notice of in this context. Even aside from the lack of available affordable units, even those affordable homeownership units that *are* available are not occupied by households with lower incomes. Of the 101 homeownership units affordable at 0 - 30% of median income in Bedford, for example, 0 are occupied by households with incomes at 0 - 30% of median income. Of the 106 homeownership units affordable at 50 - 80% of median income in Burlington, only 27 are actually occupied by households with incomes at or below 80% of median income. The totals for the ten communities are set forth in Table 2 below.

As can be seen, the lack of a supply of affordable housing units is not the only barrier to socio-economic diversity in the ten study communities. Less than one-fifth of the units affordable at 0 - 30% of median income are actually occupied by households with those incomes ($91 / 477 = 19.1\%$). Only roughly half of the homes affordable at 31 - 50% of median ($116 / 241 = 48.1\%$), as well as at 51 - 80% of median ($234 / 468 = 50.0\%$), are occupied by households with incomes at or below the affordable levels.

It is often asserted that Boston's suburban community lacks a greater socio-economic diversity because of the lack of affordable housing. The data above confirm that this is frequently the case. The data further show, however, that something more stands as a barrier to socio-economic diversification. The data present a compelling case that even when and where affordable homeownership units exist, they are not being purchased by households at lower incomes. To meet the needs of diversifying the suburbs, specific proactive steps are necessary. The need is more than simply to "avoid discrimination." A proposal for action is presented below.

Table 1
 Availability of Affordable Homeownership Units vs. Occupancy of Affordable Homeownership Units
 By Percent of Median Income of Unit Occupant
 By Individual Community (10 Northwest Boston Suburbs)

	Units Affordable at 0 - 30% Median Income		Units Affordable at 31 - 50% Median Income		Units Affordable at 51 - 80% Median Income	
	Total Units	Units Occupied by HHs @ 0 - 30%	Total Units	Units Occupied by HHs @ 0 - 50%	Total Units	Units Occupied by HHs @ 0 - 80%
Arlington	34	0	9	0	49	25
Bedford	101	0	21	0	3	3
Belmont	5	0	6	6	13	13
Burlington	77	15	34	0	106	27
Concord	29	23	11	0	6	0
Lexington	52	0	28	24	71	24
Sudbury	6	0	0	0	0	0
Waltham	103	44	45	41	93	48
Winchester	21	0	30	8	10	0
Woburn	49	9	47	37	117	94

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

Table 2
 Availability of Affordable Homeownership Units vs. Occupancy of Affordable Homeownership Units
 By Percent of Median Income of Unit Occupant
 Cumulative Totals (10 Northwest Boston Suburbs)

	0 - 30% of median		31 - 50% of median		51 - 80% of median	
	Affordable	Occupied /a/	Affordable	Occupied /b/	Affordable	Occupied /c/
Total (10 communities)	477	91	241	116	468	234

NOTES:

/a/ Occupied by households with incomes at 0 - 30% of median income.

/b/ Occupied by households with incomes at 0 - 50% of median income.

/c/ Occupied by households with incomes at 0 - 80% of median income.

RACIAL AND ETHNIC DIVERSITY IN HOMEOWNERSHIP

The second major credit need in the suburban community, as relevant for purposes of this report, involves the promotion of racial and ethnic diversification. The data from the ten study communities used for this report show a lack of diversification even when controlling for income (as measured by percent of median income). Merely because units may be affordable to households of color³¹ does not mean that households of color are becoming homeowners in these suburban communities.

Table 3 presents data on the distribution of African-American homeowners with incomes at or above 80% of median income. Table 4 presents data for Hispanic homeowners.

The lack of racial and ethnic diversity in the ten study communities cannot be attributed exclusively to the lack of affordable housing availability. As Table 3 reveals, throughout the ten communities, the number of total African-American homeowners with incomes at or above 80% of median income is consistently less than one percent of the total number of homeownership units affordable at those levels. The performance is nearly identical relative to Hispanic homeowners at that income level.

By definition, the price of housing is not the limiting factor in this analysis. The data is limited to housing determined to be affordable at 80% of median income or more with which to begin. The data is also limited to African-American and Hispanic households who have incomes of at least that amount. Something more than the mere unaffordability of homeownership is creating barriers to suburban homeownership for households of color.

Consider the total numbers rather than simply the percentages. In Arlington, there are 10,638 homeownership units affordable to households with incomes at or above 80% of median income, but only 41 African-American homeowners with incomes above 80% of median income. In Concord, while there are 4,393 homeownership units affordable above 80% of median income, there are only six (6) African-American homeowners with incomes at that level. In total, while there are 65,628 homeownership units affordable at or above 80% of median income in the ten study communities, there are only 356 African-American homeowners with those incomes in the ten study communities.

The data is nearly identical for Hispanics. While there are 65,628 homeownership units affordable at or above 80% of median income in the ten study communities, there are only 376 Hispanic homeowners with those incomes in those communities.

³¹ Persons of color are defined to include black (not of Hispanic descent) and Hispanic.

Table 3
The Number of African-American Homeowners in Ten Northwest Boston Suburban Communities
Controlling for Incomes at or Above 80% of Median Income

Northwestern Boston Suburbs	Units Available Above 80%	Black (not Hispanic) Homeowners			
		81-95%	95%+	Total 81%+	Percent
Arlington	10,638	0	41	41	0.4%
Bedford	3,070	0	44	44	1.4%
Belmont	5,735	0	0	0	0.0%
Burlington	6,013	0	29	29	0.5%
Concord	4,393	0	6	6	0.1%
Lexington	8,476	6	58	64	0.8%
Sudbury	4,304	0	45	45	1.1%
Waltham	9,282	20	53	73	0.8%
Winchester	5,690	11	25	36	0.6%
Woburn	8,027	0	18	18	0.2%
Total 10 Communities	65,628	37	319	356	0.5%

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

Table 4
The Number of Hispanic Homeowners in Ten Northwest Boston Suburban Communities
Controlling for Incomes at or Above 80% of Median Income

Northwestern Boston Suburbs	Units Available Above 80%	Hispanic Homeowners			
		81-95%	95%+	Total 81%+	Percent
Arlington	10,638	0	79	79	0.7%
Bedford	3,070	0	16	16	0.5%
Belmont	5,735	0	21	21	0.4%
Burlington	6,013	0	37	37	0.6%
Concord	4,393	0	5	5	0.1%
Lexington	8,476	6	51	57	0.7%
Sudbury	4,304	0	12	12	0.3%
Waltham	9,282	17	35	52	0.6%
Winchester	5,690	0	6	6	0.1%
Woburn	8,027	18	73	91	1.1%
Total 10 Communities	65,628	41	335	376	0.6%

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

As can be seen, the lack of a supply of affordable housing units is not the only barrier to racial-ethnic diversity in the ten study communities.

Identifying and seeking remedies for these barriers to diversity in homeownership is one essential element in fair housing lending. Fair housing lending involves more than merely "avoiding discrimination." Fair housing lending has as its ultimate goals the elimination of the effects of any fair housing impediments identified through the lender's analysis outside the lender's control and the elimination of any identified impediments within the control of the lender. Translating these goals into objectives and programs is discussed below.

PROPOSED REMEDY

Based on the two credit needs of the suburban communities identified above, it would be appropriate for Fleet Boston to commit to working with the greater Boston fair housing community to develop, by the end of Calendar Year 2000, a Plan of Action to promote the diversification of the suburbs. This Plan would include a stated goal; supported by quantifiable, verifiable short-term (1-year; 3-year) and long-term (5-year) objectives; a written work plan in furtherance of accomplishing the objectives, including an overall strategy and implementing tasks; an evaluation mechanism to determine performance relative to the stated objectives; and a review mechanism (including both internal and external persons) charged with utilizing the evaluation to formulate recommendations on modifications, as needed, to the Plan of Action should the objectives not be achieved.

The Program Model

This Plan of Action should be based on fundamental planning principles. Bank lending programs to further fair housing in the suburbs are but one type of a "program."⁴⁾ Basic planning principles dictate that certain steps are as applicable to the planning and implementation of fair housing lending as they are to any program of any nature. The program design for a fair housing initiative to support diversity in the suburbs should include the following steps:

1. **Articulating the program goal:** The program goal is the ultimate end-in-view resulting from the program.
2. **Establishing one or more program objective(s):** Program objectives are to

⁴⁾ "A 'program' may be any activity, project, function, or policy that has an identifiable purpose or set of objectives." U.S. General Accounting Office, *Performance Measurement and Evaluation: Definitions and Relationships, Glossary*, at 1 (April 1998).

be both attainable and measurable. It is against program objectives that program performance is subsequently measured.

3. **Identifying the strategy to accomplishing the objective(s):** The "strategy" of a program is the overall direction in which the program intends to move.¹⁵¹
4. **Identifying one or more tactics through which to implement the strategy:** Program "tactics" are the specific action steps through which a strategy is implemented. Tactics are those program elements which would be included in a work plan. A program may, and likely will, have multiple tactics to implement the strategy.
5. **Measuring program performance:**¹⁶¹ Measuring a program's performance involves measuring outcomes.¹⁷¹ Measuring outcomes is different from measuring outputs or activities. Neither output measures nor activity measures contribute to a determination of whether the program objective is being met. Accomplishment of an objective can only be measured through an analysis of program outcomes.
6. **Evaluating program performance in light of the program objectives:** Program performance should be measured relative to the program objective.¹⁸¹ This involves creating a feedback loop. The feedback loop provides the planner with the ability to determine if the objective was met, and if not, what changes need to be made to improve performance.¹⁹¹

¹⁵¹ The strategy is important in that it is disconnected from tactics. A tactic may be effective and yet still not accomplish the program goal if the strategy is flawed with which to begin.

¹⁶¹ "Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), and/or the results of those products and services (outcomes)." *Performance Measurement and Evaluation, supra.*

¹⁷¹ "Performance measurement focuses on whether a program has achieved its objectives, expressed as measurable performance standards." *Performance Measurement and Evaluation, supra.* As is thus evident, it is possible to know that a program reduces energy burdens and/or energy bills, without documenting what *outcome* that program result generates.

¹⁸¹ "Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards preestablished goals." *Performance Measurement and Evaluation, supra.*

¹⁹¹ "A program evaluation's typically more in-depth examination of program performance and context allows for an overall assessment of whether the program works and identification of adjustments that may improve its results." *Performance Measurement and Evaluation, supra.*

These program planning steps are illustrated in Figure 1. Two important observations need to be made about this planning process. First, it is critical to distinguish between strategy and tactics. Even successful tactics fail if the strategy is flawed in the first place. If a strategy is in error, the effectiveness of the tactics becomes irrelevant, since successful tactics cannot be used within a flawed strategic framework to accomplish program objectives. Second, an appropriate strategy can fail due to unsuccessful tactics. Under these circumstances, the appropriate planning response is to determine whether the tactics had some underlying flaw, or whether they were poorly implemented.

The Evaluation Model: Outcomes/Not Activities

The model proposed above represents an important change in the approach to fair housing lending in the suburban communities. Rather than focusing attention on "activities" or "outputs" on the part of a merged Fleet Boston, the proposed program focuses instead on performance or "outcomes." An outcome-based focus is not merely a different word for "quotas." Outcome-based planning and evaluation is a recognized and growing planning tool for all types of program design and development.

Of the performance measurement obligations that are increasingly being applied to both public and private programs today, perhaps best known is the Government Performance and Results Act of 1993 (GPRA). GPRA was designed to address the same conceptual issues a lender must address for its fair housing programs: "to grapple() with how to best improve effectiveness and service quality while limiting costs."^{10\} GPRA was enacted in response to:

the need to shift the focus of government decisionmaking and accountability away from a preoccupation with the activities that are undertaken. . .to a focus on the results of those activities. . . The key concepts of this performance-based management are the need to define clear agency missions, set results-oriented goals, measure progress toward achievement of those goals, and use performance information to help make decisions and strengthen accountability.^{11\}

The transformation to performance-based management is not easy under GPRA. But the substantial difficulties which federal agencies will face are much the same that Fleet Boston

^{10\} James Hinchman (Acting Comptroller General). (June 24, 1997). *Managing for Results: The Statutory Framework for Improving Federal Management and Effectiveness*, at 1, Testimony before U.S. Senate Committee on Appropriations and Committee on Governmental Affairs (GAO/T-GGD/AIMD-97-144).

^{11\} *Id.*

will face with its fair housing programs. As the U.S. General Accounting Office (GAO) has observed, one goal of the statute for the federal government is to:

ensur(e) that agencies are managing to achieve results rather than just focusing on activities or processes. Many agencies have a difficult time moving from measuring program activities to establishing results-oriented goals and performance measures. The fundamental reason that this is so difficult is that, to manage on the basis of results, agencies must move beyond what they control--that is, their activities--to focus on what they merely influence--their results.^{\12\}

In this observation, one could replace the word "agencies" with the words Fleet Boston and the fundamental truth of the statement would still attend.

Federal agencies have been provided substantial guidance on the aspects of GPRA that relate to the issue of definition of adequate and appropriate performance measures. The *Executive Guide: Effectively Implementing the Government Performance and Results Act*^{\13\} states that its review of private, as well as state and foreign government agencies "that were successful in measuring their performance" had developed performance measures that were based on four characteristics:

- o They were tied to program goals and demonstrated the degree to which the desired results were achieved;
- o They were limited to a vital few that were considered essential for producing data for decisionmaking. "These vital few measures should cover the key performance dimensions that will enable an organization to assess accomplishments, make decisions, realign processes, and assign accountability."^{\14\}
- o They were responsive to multiple priorities, forcing managers and policymakers to take "competing interests into account and create incentives for managers to strike the difficult balance among competing demands."^{\15\}
and

^{\12\} *Id.*, at 8.

^{\13\} Comptroller General of the United States, U.S. General Accounting Office, GAO/GGD-96-118 (June 1996).

^{\14\} *Id.*, at 25.

^{\15\} *Id.*, at 25.

- o They were responsibility-linked to establish accountability for results. "A clear connection between performance measures and program offices helps to reinforce accountability and ensure that, in their day-to-day activities, managers keep in mind the outcomes their organization is trying to achieve."^{16\}

As implementation of GPRA has made clear:

Even the best performance information is of limited value if it is not used to identify performance gaps, set improvement goals, and improve results. . . [S]uccessful organizations recognize that it is not enough just to measure outcomes. Instead, they must also assess the main processes that produce the products and services that lead to outcomes. Such organizations typically assess which steps or activities of a process are the most costly, consume the most labor resources, and take the most time to complete. By analyzing the gap between where they are and where they need to be to achieve desired outcomes, management can target those processes that are in most need of improvement, set realistic improvement goals, and select an appropriate process improvement technique.^{17\}

As can be seen, a crucial element of performance management is, indeed, establishing and reporting the desired goals and outcomes so that gaps in performance can be identified and rectified. There should be monitoring, reporting, evaluation and feedback within the Fleet Boston fair housing planning process, with program modifications flowing therefrom as appropriate. An appropriate feedback loop is illustrated in Figure 2.^{18\}

CONCLUSIONS AND SUMMARY

Based upon the above discussion, the following conclusions are appropriate:

^{16\} *Id.*

^{17\} Johnny C. Finch (Assistant Comptroller General) and Christopher Hoenig (Director, Information Resource Management/Policies and Issues). (June 20, 1995). *Managing for Results: Critical Actions for Measuring Performance*, at 9, testimony before the U.S. House Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight.

^{18\} This analysis does not set forth proposed objectives and performance indicators since establishing those objectives and indicators is an essential step in the program planning process. Fleet Boston, in cooperation with the local fair housing community, should develop both the objectives and the performance indicators.

1. Fair housing lending requires more than simply avoiding discrimination. It involves seeking to eliminate the effects of any fair housing impediments outside the lender's control and to eliminate any identified impediments within the control of the lender.
2. Two major credit needs have been identified for Boston's suburban community. The first major credit need in the suburban community, as relevant from the perspective of this report, involves the promotion of socio-economic diversity. The second major credit need in the suburban community, as relevant for purposes of this report, involves the promotion of racial and ethnic diversification.
3. The data confirm that Boston's suburban community frequently lacks a greater socio-economic diversity because of the lack of affordable housing. Something more, however, stands as a barrier to socio-economic diversification. Even when and where affordable homeownership units exist, they are not being purchased by households at lower incomes. To meet the needs of diversifying the suburbs, specific proactive steps are necessary.
4. The lack of a supply of affordable housing units is not the only barrier to racial-ethnic diversity in Boston's suburban communities. The data from the ten study communities used for this analysis show a lack of diversification even when controlling for income (as measured by percent of median income). Merely because units may be affordable to households of color does not mean that households of color are becoming homeowners in these suburban communities. By definition, the price of housing is not the limiting factor in this analysis. Something more than the mere unaffordability of homeownership is creating barriers to suburban homeownership for households of color.
5. Based on the above conclusions, it is appropriate to impose as a condition of this merger, the requirement that Fleet Boston commit to working with the greater Boston fair housing community to develop, by the end of Calendar Year 2000, a Plan of Action to promote the diversification of the suburbs. This Plan would include a stated goal; supported by quantifiable, verifiable short-term (1-year; 3-year) and long-term (5-year) objectives; a written work plan in furtherance of accomplishing the objectives, including an overall strategy and implementing tasks; an evaluation mechanism to determine performance relative to the stated objectives; and a review mechanism charged with utilizing the evaluation to formulate recommendations on

modifications, as needed, to the Plan of Action should the objectives not be achieved.

BACKGROUND OF PERSON PROVIDING COMMENTS

Roger Colton is a member of the Belmont (MA) Fair Housing Committee (a committee of local government) and the Belmont Housing Partnership. Colton is also a member of the Advisory Committee of the Fair Housing Center of Greater Boston.

An attorney and an economist, Colton is a principal in the research and consulting firm of Fisher, Sheehan and Colton, Public Finance and General Economics (FSC). FSC has prepared fair housing analysis of impediments studies for local governments. In addition, Colton is a member of the national *LIHEAP Advisory Committee on Managing for Results*, for the U.S. Department of Health and Human Services, Administration on Children and Families (HHS/ACF), charged with developing outcome-based performance standards for the federal Low-Income Home Energy Assistance Program (LIHEAP). Under contract to the U.S. Department of Labor, Occupational Safety and Health Administration (OSHA), Colton prepared an *ex ante* performance review of OSHA's proposed standard to control the occupational exposure of workers to tuberculosis in homeless shelters.

FIGURE 1: BASIC PROGRAM PLANNING STEPS

1. Articulate the program goal

The program goal is the ultimate end-in-view resulting from the program.

Illustration: To maintain better contacts within one's family.

2. Establish one or more program objective(s)

Program objectives are to be both attainable and measurable. It is against program objectives that program performance is subsequently measured.

Illustration: To be home for holidays.

3. Identify the strategy through which to accomplish the objective(s)

The "strategy" of a program is the overall direction in which the program intends to move.

Illustration: To acquire frequent flyer miles to fund airplane tickets for holiday trips home.

4. Identify one or more tactics through which to implement the strategy

Program "tactics" are the specific action steps through which a strategy is implemented. Tactics are those program elements which would be included in a work plan. A program may, and likely will, have multiple tactics to implement the strategy.

Illustration: To limit all business trips solely to a single airline to increase the accumulation of frequent flyer miles.

FIGURE 1: BASIC PROGRAM PLANNING STEPS

5. Measure program performance

Measuring performance involves measuring outcomes, a process that differs from measuring either outputs or activities. Neither output measures nor activity measures contribute to a determination of whether a program objective is being met. Accomplishment of an objective can only be measured through an analysis of program outcomes.

Illustration (outcome measure): Was I home for New Years Day, Labor Day, Fathers Day?

Illustration (activity measure): Did I fly all my business trips on one airline?

Illustration (output measure): Did I accumulate sufficient frequent flyer miles to fund a trip home for the holidays?

6. Evaluate program performance in light of the program objectives

Program performance should be measured relative to the program objective. This involves creating a feedback loop. The feedback loop provides the planner with the ability to determine if the objective was met, and if not, what changes need to be made to improve performance.

Illustration (flawed strategy): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but my home town does not have an airport.

Remedy (change strategy): To dedicate one week of vacation per year to be home for Christmas.

Illustration (flawed tactic design): I flew 100% of my business trips on one airline, but I took only three business trips.

Remedy (change tactics): To purchase all business supplies using a credit card offering frequent flyer miles.

Illustration (flawed tactic implementation): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but the airline on which I took all my business trips does not fly to my home town.

Remedy (improve implementation): To change airline on which I fly business trips.

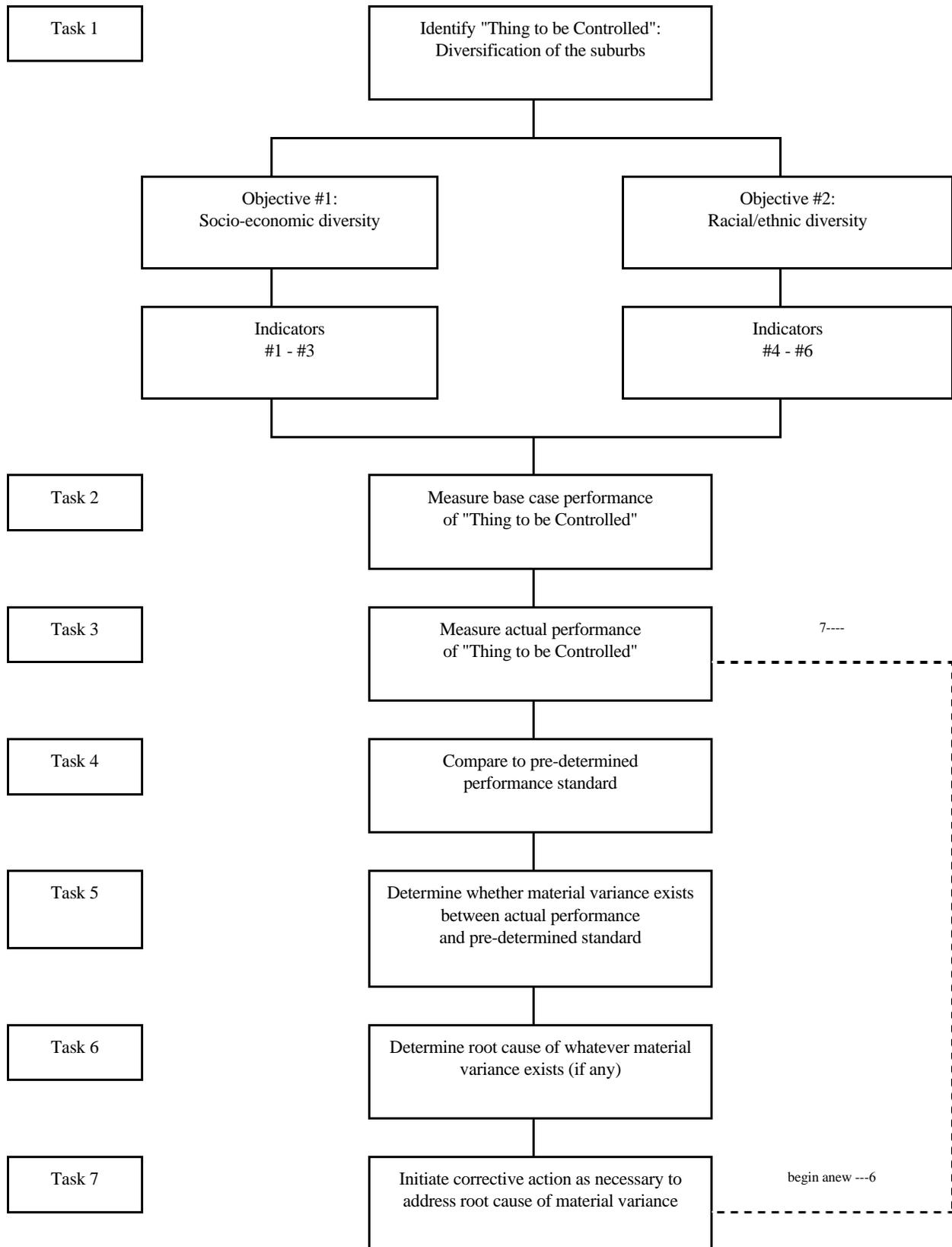


FIGURE 2: USE OF PERFORMANCE INDICATORS IN EVALUATING PROGRAM PERFORMANCE

