

3.0 Principles of a Performance Management Framework

Imagine entering the cockpit of a plane and seeing only one instrument there. How would you feel about boarding the plane after this conversation with the pilot?

- Q. *I'm surprised to see you operating the plane with only one instrument. What does it measure?*
- A. *Airspeed. I'm really working on airspeed on this flight.*
- Q. *That's good. Airspeed certainly seems important. But what about altitude? Wouldn't an altimeter be helpful.*
- A. *I worked on altitude for the last few flights and I'm pretty good at it now. Now I want to concentrate on airspeed.*
- Q. *But I notice you don't even have a fuel gauge. Wouldn't that be useful?*
- A. *You're right – fuel is significant, but I can't concentrate on doing too many things well at the same time. So, on this flight I'm focusing on airspeed. Once I get excellent at that, and altitude, I'll concentrate on fuel consumption⁴.*

This section sets out the principles that should underpin the development of a good performance management framework. These include the following:

- horses for courses
- organisation-wide
- alignment
- robustness
- relevance
- efficiency
- clarity and transparency
- simplicity, and
- feedback.

A framework designed with these principles in mind will be widely used in your governance and management, and demonstrate value to the community.

Principle One: Horses for Courses

A performance management framework is a tool that should be developed against the background of each local authority's own individual circumstances.

Local government exists to promote the wellbeing of its particular community, which in turn is a reflection of the differing priorities of the community. Differing activities are important to local authorities in differing circumstances. Differing local authorities operate under differing legislation (regional councils have no responsibilities for health regulation or road construction and maintenance but do undertake regulatory responsibilities for navigation). What your local authority needs to do to demonstrate value to your community is therefore likely to be quite different from your neighbours.

There are many useful models (such as 'the balanced scorecard' and the Baldrige

⁴ See Kaplan and Norton, 1996. *The Balanced Scorecard*.

methodology) which meet many of the performance management requirements of local authorities. But care needs to be taken that your performance management framework reflects the things that are important to your local community. As a consequence, a decision to implement any given model should only be made after considering the requirements of your authority.

Principle Two: Organisation-Wide

Performance management has financial, service delivery and capability implications and therefore should be approached in a systematic and transparent way across the local authority.

Performance management is not just a concern for the planners or the corporate services people. Every part of a local authority contributes to the overall performance of the local authority and thus needs to be incorporated into the framework. Performance management cannot be anything other than council-wide as it stretches from community outcomes, through the LTCCP, into each business unit and on to each employee.

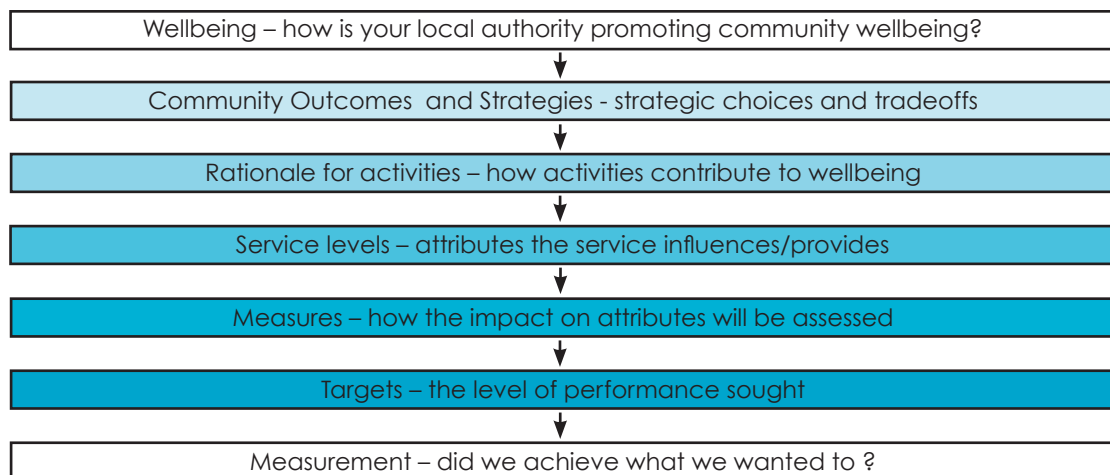
Principle Three: Alignment

A good performance management framework should have coherent flows of logic from strategic priorities (including your contribution to community outcomes) through service level decisions to performance measures and targets.

Figure 3.1 shows the flow of logic in the service delivery aspects. Your framework should support the narrative that is developed in a good LTCCP. The local authority's strategic priorities, including the elected member's judgement about your local authority's contribution to community outcomes, play an important part in determining what activities it undertakes, and the desired attributes that are provided by the activities.

The performance management framework is particularly relevant to the next three levels in the flow of logic: service levels, performance measures, and targets which in effect generate the information to determine whether the activity is generating the attributes that were identified as being desirable to promote community outcomes. This is the flow of logic in a performance management framework, rather than a hierarchy of plans.

Figure 3.1: Logic Flows in the Performance Framework



Source: Adapted from Office of the Auditor-General, 2006, *Local Government: Results of the 2004/5 Audits*.

Principle Four: Robustness

The performance management framework should deliver robust information that enables a realistic assessment of your local authority's performance.

This is perhaps the most important of all of these principles. A performance framework that is based on unrealistic targets, or flawed performance measures, or inaccurate data is a poor control tool, and a poor demonstration of value to the community. Measures and targets will be added and deleted over time. Data collection will become more refined, over time your framework will evolve into something robust.

Robustness has several aspects:

- *realism* – performance targets and the like should be realistic. An unrealistic target raises community expectations as to what can be achieved, can be seen as setting staff up to fail and is of benefit to no-one
- *comprehensiveness* - performance management frameworks should measure, collect and report upon the information necessary to form an informed judgement about the level of performance. Elements omitted from the framework should not be material to user's perceptions of overall performance
- *frequency* – performance management is an ongoing process
- *accuracy* – results should be an accurate reflection of the true state of affairs. Where elements of a framework are subject to potential uncertainties (eg forecast financial statements or survey based data such as customer satisfaction surveys) then the uncertainty and likely effect should be clearly stated
- *replicability* – results should be able to withstand independent scrutiny. A third party should be able to replicate the results using the same data and assumptions as the local authority. A reader should reach the same conclusions as the local authority on the basis of the information reported, and
- *neutrality* – your framework should be free of systematic bias in the selection, measurement and presentation of levels of service, measures and targets.

Principle Five: Relevance

The information generated by your framework gets to the people who have an interest in the information.

Simply put, your framework needs to get the right information to the people who need to know. The framework needs to be developed in such a way as to meet the differing information needs of management, the elected members, and the wider group of stakeholders (and they are generally likely to be different). This suggests that a performance management framework may well have different levels of information.

This implies that a performance management system need not be, and should not be driven, by the council's information technology. Like any other information gathering and reporting system, a performance management system needs to work on paper first. It is the information that should be first and foremost.

Principle Six: Efficiency

Performance management frameworks should collect only that information which is necessary to inform governance and management and enable an informed assessment of the overall performance of the local authority.

This principle is about collecting the right things for performance management purposes as opposed to the things that are easy to measure, or things that are interesting. Measures need to be designed with the end user(s) in mind. Measures should also be put through a cost benefit test. Performance management information should not be so onerous to collect that its measurement wastes valuable resources.

Principle Seven: Clarity and Transparency

Performance frameworks should be clearly understood by all and the methodologies used clearly documented and available to all.

All should understand:

- *what* is being measured, how it will be measured, and for what *specific* purpose
- what assumptions are being applied and why, and
- the context in which performance management is being undertaken, such as the strategic objectives of your local authority, other key issues facing the local authority, the environment in which the local authority is operating and the like.

Principle Eight: Simplicity

Performance management systems should be designed to be as simple to operate and understand as is necessary to meet the other requirements of a good performance management system.

Over time it is likely that your performance management system will become simpler. Generally organisations start with a desire to measure everything and no one wants to suggest a measure in their area is not relevant in case their area is seen as unimportant. However over time the number of measures should decrease as confidence grows that the measure remaining captures the essence of the issue at hand.

Principle Nine: Feedback

Measurement and feedback are the link between your framework and driving improvement in service delivery.

The best performance management system in the world is no more than an academic exercise without a feedback loop. The process of measurement and feedback answers questions such as 'what went wrong?' or 'how can this be improved in the future?'

THINGS TO REMEMBER: PRINCIPLES OF PERFORMANCE MANAGEMENT

The basic principles of performance management are:

1. Horses for Courses
2. Organisation-Wide
3. Alignment
4. Robustness
5. Relevance
6. Efficiency
7. Clarity and Transparency
8. Simplicity
9. Feedback
4. Monitoring and Reporting Community Outcomes

Authors Note. The 2009 and Beyond Guide to the Community Outcomes Process will be available on 29 February 2008. That guide will cover the community outcomes process right from identification of the community outcomes, through to monitoring and reporting against them, to how best to respond to the results. This part of the Guide will be revised should the need arise.