

## 9.0 Making Performance Management Work

Unlike sections three through eight, this section does not have an identified component of the framework. This section moves the discussion from theory to practice and focuses largely on the practical aspects of performance management. In this section you will find some guidance regarding:

- managing the performance management framework improvement project – which has been deliberately written from the point of view of reviewing an existing framework rather than starting again
- identifying and assessing all of the elements of your current performance management framework
- some of the practical considerations in implementing performance management framework improvement
- who to involve in your performance management framework improvement project
- building a performance management culture, and
- links between the performance management framework and the disclosure/information requirements with respect to CCOs.

### 9.1 A Performance Management Project Process

The process that is illustrated in Figure 9.1 has been designed for consistency with the performance framework developed in section one and with the processes for reviewing levels of service set out in section six. But it has also been designed with the wider information needs that are common to local authorities and, while part of the overall framework, are not necessarily part of the LTCCP. Some may not necessarily relate directly to service delivery, but instead to the capability that supports service delivery.

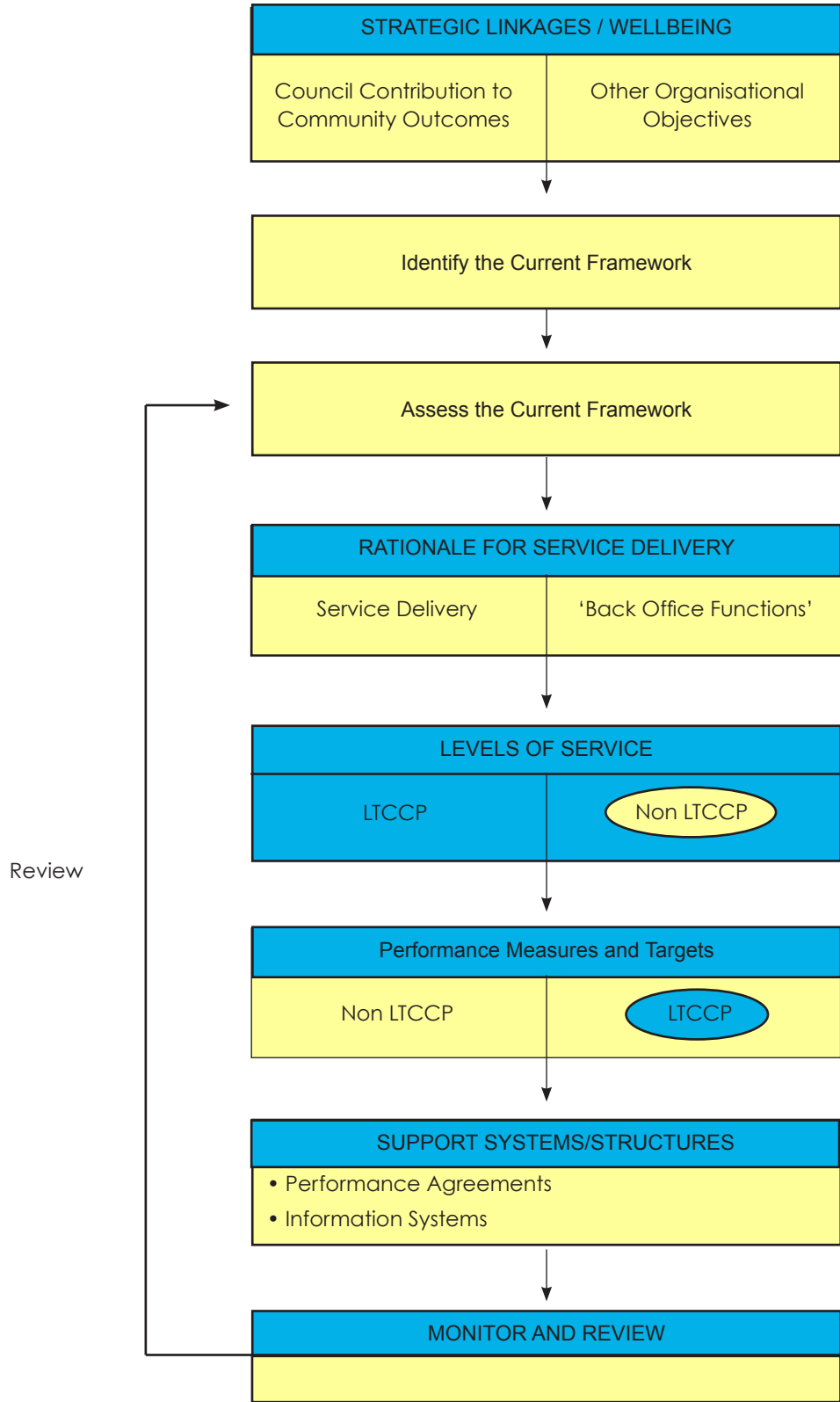
This section has been written from the point of view of a local authority that has a framework in place that has some issues but is not 'completely broken'. The performance management project is then better described as a 'performance management improvement project'. The performance management framework improvement project is a (very approximate) sequenced series of steps as set out in Figure 9.1.

#### 9.1.1 Strategic Context

This step in the process covers the conduct of the community outcomes process, and the identification of the council's contribution to community outcomes, the identification of activities (and groups) and the rationale for service delivery.

A good performance management system will bring in all of the elements that make for organisational success (finance, human resources), and not just the service delivery aspects of the Local Government Act. The measures and targets selected in each should flow from an understanding of the overall vision of the local authority and be able to demonstrate the contribution each element makes to the achievement of that vision.

**Figure 9.1: A Performance Management Framework Improvement Project Process**



Your local authority's strategic direction will be recorded in a number of documents. The key users of performance management information from this perspective are the elected members, the community and management. The key requirements of these users are to understand if the adoption of a strategy, policy or plan is actually delivering the change or outcomes that were envisaged. If the document contained a significant implementation plan, then the users would want to know progress against this implementation plan. It is also important to know what effect the strategy is having ie while implementation may be 'to plan' but if the results that were anticipated are not occurring then this needs to be known.

Council and management requirements are not likely to diverge greatly, with management perhaps needing the ability to drill to a greater level of detail. This planning effectively sets out the basis for what your authority as an organisation is attempting to achieve. Without this the identification and assessment of your current framework is likely to be little more than an academic exercise.

### 9.1.2 Identifying Your Current Performance Management Framework

Like your local authority and the community it serves, your framework is a living system that must be constantly resourced, maintained and improved if it is to achieve results.

Assuming that you don't need to (or want to) start building your performance management framework from scratch then you will probably need to undertake an assessment of your current framework. Don't be concerned if at first glance you think you have nothing. All local authorities will have a performance management framework, but many will not have overtly identified everything as being part of their framework.

The first step then is to sit down and list all of the elements of your current performance management framework. At this point it is wise to identify everything in your framework including:

- the information disclosed to the public in your LTCCP (we will use the shorthand term 'the LTCCP disclosures')
- other performance measures and targets that are not disclosed in the LTCCP but are used for the management and governance of the organisation (we use the term 'the wider framework')
- other aspects of the operating systems used within the organisation to measure, maintain and improve performance (including systems and processes for setting targets gathering and reporting performance information), and
- the informal elements that feed into the process of assessing performance such the Mayor's Monday meeting with the Chief Executive and the open forum many local authorities have during their regular council meetings.

For your local authority it must include:

- your statement of community outcomes, the monitoring and reporting arrangements agreed with outcomes partners and reports against outcomes
- service performance information in your statutory plans, policies and reports such as the LTCCP, the annual plan and the annual report
- statements of intent and half-year and annual reports from any CCOs
- other statutory reporting requirements (eg RMA)
- reporting on legal compliance
- performance monitoring for CCOs, and
- the Chief Executive's performance agreement.

In addition to the above mandatory requirements many local authorities will have some of the following in their framework:

- service performance information in non-statutory policies, plans and reports
- management reporting to the elected members
- internal management reporting
- performance management systems for employees, and
- any other supporting governance and management structures and processes.

### 9.1.3 Assessing Your Performance Management Framework

Decisions on the future improvement and resourcing of your PMF should be based on an informed assessment of its current strengths and weaknesses.

Appendix 9.1 presents one possible tool that could be used as a check on your performance management framework. The tool is based on the 'management by fact' literature that appears in various guises in several of the more common performance improvement methodologies such as the Baldrige criteria, and the Balanced Scorecard. Further detail on these two methodologies is provided in appendices 9.2 and 9.3. You are encouraged to adapt the tool to the needs of your local authority.

This tool is an internally based process of self-assessment calling for the exercise of honest professional judgement supported by evidence. To obtain the maximum benefit from the health-check, where the check reveals there is room for improvement, then that needs to be supported with a discussion of what needs to be done to improve.

It will need to be supported by some form of process to gather feedback from external parties – especially with respect to the service delivery aspects that form the basis of the LTCCP disclosures. These include any public readers of your public documents, news media, your elected members, your managers and staff. Tools for obtaining their feedback can range from submissions to your plans, to face-to-face meetings, debrief workshops, or written reader and user surveys, to name a few.

### 9.1.4 Rationale for Service Delivery

Having taken stock of your existing framework and whether it is appropriate to your objectives, you are then in a position to begin redevelopment of the framework.

The processes for this and the next two steps are described in previous sections of the Guide (especially section six). Although that section is focused on the LTCCP disclosures, these should be viewed as a subset of the wider information needs of the organisation, thus the same principles apply. All activities, including support functions such as finance and human resources, play a role in the promotion of community wellbeing, but in some cases the contribution is of an indirect nature (eg finance ensures that the local authority receives the financial resources the organisation needs to deliver on organisational objectives).

Some levels of service for the back office functions may not need to be disclosed in the LTCCP (by and large the public are unlikely to care much about the organisation having a full set of human resource policies, or administering leave ). As you work through the process of identifying performance measures and targets remember that not all measures (especially those of a technical nature) will be disclosed in your LTCCP (represented in figure 9.1 by the bubble shaded yellow).

## 9.1.5 Systems Design

The design of systems for capturing information and reporting on that information are factors that need to be kept in mind throughout your project. A word of warning - be clear on what it is you expect from your performance management framework, and what your information needs are likely to be, before actually sitting down to design or acquire a system<sup>15</sup>. You will need to give thought to:

- *one system or several* – in addition to managing the service delivery aspects that your local authority engages in (and which form the bulk of this guide), your local authority also has obligations to report on financial results, and an obligation to monitor and report progress against community outcomes (both in the annual report and on a three yearly basis). These call for three quite different information sets, and while ideally they would be integrated (thus supporting the intent of the Act that planning would be approached in an integrated manner), it may not always be possible to develop a single system that can manage all three types of information – especially if the system is computer based. In particular, the community outcomes information may be difficult to run on a mechanical system without a degree of manual input of data.
- *administration* – is the system one that is administered at a central point (eg corporate services or the organisational performance type units that exist in some of the larger local authorities), or one that is decentralised (ie each business unit has responsibility for the aspects of the system that are relevant to it). The degree of 'ownership' of the system will be greatly enhanced if the system is administered on a decentralised basis.
- *control, integrity and security issues* - establishing who has the rights to enter performance data into and retrieve data from the system, and the conditions under which users perform those tasks. This also includes arrangements for protecting data from unauthorised amendment or deletion (whether accidental or otherwise) and procedures for verifying data as it enters into the system
- *management and governance information needs* – while there is a degree of legal requirement to the performance management framework, it is to a large degree only codifying that you need to gather information you need to do the job. In designing the actual systems that support your framework you will need to consider the actual day to day use of the information for governance and management purposes. The input of budget/activity managers should be sought on:
  - frequency of input and output of information
  - format and content of output reports (in other words what information they need to manage and how they want it presented)
  - frequency, and
  - types of specific analyses that the system should permit.

This is likely to be the key consideration in whether to buy a commercially produced software application or design your own.

- *delivery vehicles* – the performance management system for local government will be dealing with what could 30 activities, reporting against what could be 4-6 levels of service with associated performance measures, and integrating the financial and non-financial performance information. These systems are complex and need to be accessed by a range of users throughout the organisation, suggesting a computer based system will meet these needs.

---

<sup>15</sup>In fact, try to avoid even letting the vendors of reporting software 'in the building' until you are clear on these aspects – nothing impresses the inexperienced more than a whiz-bang presentation with lovely charts

*This does not necessarily mean the purchase of a commercial application - some small-moderate sized local authorities are operating perfectly good tracking systems on spreadsheet based packages. Indeed, it may well be that operating on a spreadsheet based system for a while may provide some incentives to separate out the 'must have' information from the 'nice to knows'.*

In the event that a spreadsheet based system is unsuitable then you may need to consider either building your own system or investing in one of the commercial applications. In either case, the important thing to bear in mind is that your performance management system is designed to meet the information requirements of governance and management, and also to meet legal requirements. Those needs should have primacy – at all costs steer away from buying/developing a software application and retrofitting the performance management framework around it. As the old saying goes look before you leap.

To help you in making some of your systems design decisions we have prepared a list of questions that an informed client would ask. It may also be a useful checklist for those who want to build their own systems be it spreadsheet based or something more sophisticated. You can find the tool in Appendix 9.4.

### **9.1.6 Managing a Performance Management Framework Project – Some General Points**

*Allow plenty of time – especially if you are trying to 'fix' a 'broken' framework ...*

Designing and implementing a performance management framework is an exercise in:

- logical reasoning (especially if there deficiencies in the logical flow of the framework)
- finding out what ratepayers value (which involves processes of engagement), and
- change management (depending on the scope of your project).

The performance management framework project is therefore not a task that can be done properly in a short period of time, especially if significant change is contemplated. Regardless of the approach taken to the managing the project, time needs to be set aside to allow clear thinking and establishing logical linkages at an early point in the project.

*Development of performance management frameworks is best done initially at the activity level.*

The basic building block of the LTCCP is the activity. When you ask for business plans and initial budgets it is generally an activity manager you are asking.

Rationale for service delivery can be markedly different for two activities that might otherwise look quite similar, and needs to be thought through on an activity by activity basis. For example, water and wastewater may both have a common rationale that in both preserve public health and safety, but the former is part of promoting economic development which is not necessarily the case with the latter. Differences at the 'top level' of the framework expand as you move to lower levels – different rationale for service delivery mean different levels of service, which mean different performance measures.

While the Act permits disclosure of the schedule 10 details at the level of groups of activity, this can have the impact of obscuring key information. This is particularly true of levels of service and the associated measures and targets where it is difficult to summarise what might be 15-20 quite different measures into something sensible for a layperson reading the document.

Fortunately the Act provides local authorities with the flexibility to define their activities and groups of activities as they wish, provided its consistent with the principles of the Act (conduct of business in a transparent and accountable manner etc). In the transitional LTCCPs and again in 2006, some local authorities either defined their groups of activity at a lower level or had a mix of disclosure at group and activity level. You may find it easy to build your performance management framework at activity level and then consider how to aggregate up to groups of activities.

## 9.2 Who should be involved in the Performance Management Framework Development/Improvement Project

There are two aspects to developing or improving your performance management framework. First, there is the information you disclose in your LTCCP, which is a subset of the second, the wider information set you and your council find necessary to govern and manage.

Your performance management framework improvement project, will most likely draw on the following sets of skills and expertise:

- the project manager's role should be assigned to someone who has an indepth knowledge of the local authority and community<sup>16</sup>. The project will draw on expertise from across the organisation but is ideally led by someone a background in leading project teams
- the project manager and team need to have a clear line of sight to the elected members. Ideally the project sponsor would be a member of the executive leadership team or, possibly, the CEO. You should also consider when and how elected members can input into the process
- other members of the team should be drawn from across the local authority –ideally from those with experience in one of more areas of the council operations. Ideally these team members will have demonstrated a strong customer service orientation, value continuous improvement, have knowledge of the requirements of, and be committed to the principles, of the Local Government Act. .
- *the manager/team leader of every business unit* within your local authority needs be involved in the project, including those that manage the service delivery, and those that manage the support functions. Their technical knowledge is an important resource to draw upon – especially when you reach the lower levels of the framework. Their interest should be clearly evident to them in that their unit's objectives/deliverables flow from the performance management framework (the best means for ensuring an objective is achieved is to make sure someone is accountable for meeting it, and knows they are responsible). A strong performance management culture will see people wanting to be actively involved
- it is desirable to have communications input into the project as they can help develop the overall 'story' that underpins the various aspects of the framework and put the more technical aspects of the framework into 'plain English'. Communications staff also provide a check on the flow of logic and the ease of understanding of the framework – if they don't understand one or both of these aspects, no-one else is likely to.

---

<sup>16</sup> Ideally the person who was involved in the development of the current performance management framework would also be involved in the project, though not necessarily as the project manager.

## 9.3 Building a Performance Management Culture

The volume of resources about performance management culture is vast. Much of the literature tends to take the form of management style 'cookbooks', each with a single recipe consisting of slightly different ingredients and methods. Rather than trying to provide a definitive 'chop-suey' style recipe for building a performance management culture (ie made up of bits and pieces of each recipe) or (worse) recommending one particular recipe, we have set out what appear to be the common points that need to be addressed and some practical steps to achieve them.

### Clarify and reinforce organisational objectives

- staff are members of the community as well as employees of the local authority – they need to understand the objectives too. Don't produce a community version and a policy/management textbook version of your documents
- state and restate the objectives at every opportunity
- personalise the objectives by emphasising both these and employee's role in achieving objectives as part of the induction process (and with existing staff make time to do this in venues such as their annual performance interview).

### Align your systems and resources to objectives

- ensure your systems for allocating resources align with the priorities
- the CEO and senior managers must be willing to take decisions/provide free and frank advice as to what should be dropped in the event that priorities change
- ensure that measures and targets reinforce your local authorities values and those of its community
- the linkages between your strategy and the performance management framework should be obvious and direct
- reduce the number of organisational policies to the bare minimum necessary and allow people the freedom to manage
- keep the performance measures to the minimum, too many measures, runs the risk of creating an undue compliance burden.

### Take people with you

- look for ways that managers can change and ensure that they do
- make sure agreed actions are followed up on
- involve the experts in framework design and use their input to develop good information.

### Encourage learning

- analyse why targets get missed (with emphasis on the 'why' rather than the 'who did it/didn't do it'), in other words seek to learn not seek to blame
- encourage innovative/out of the box thinking - recognise the individuals whose improvements deliver, but not just through the traditional 'bonus based' structures
- look for sensible lessons that you can draw with other local authorities – including the use of benchmarking that is honest both in purpose and method

- time and resources are set aside for learning/debriefing exercises from all significant projects, and regular debriefing sessions are held for teams that have either frontline service delivery or support service responsibilities
- ensure team meetings regularly set time aside to reflect on performance.

## Refocus jobs

- this does not necessarily mean refocus in the sense of a restructure
- link the achievement of performance targets to the performance agreements of all staff, not just the managers/team leaders
- delegate responsibility for decision-making to the right level (NB this doesn't necessarily equate to either the highest or lowest)
- training objectives and programmes are negotiated with individuals as part of the performance management process, and failure to meet these objectives is placed on the same footing as failure to meet other objectives.

## 9.4 Performance Management and CCOs

CCOs come in many forms. Your framework should show how your local authority will promote community wellbeing, if CCOs are used for that purpose, they should be incorporated in your performance management framework.

A CCO may be:

1. contracted to deliver particular service(s)
2. treated as an independent service delivery provider, either:
  - a) funded by council grant, or
  - b) owned by council but self-sufficient for operational funding.

If a CCO is contracted to provide services (eg a council contracting company maintaining council's roads or reserves), then no special reporting issues should arise. Performance reporting will come through your local authority's activity statements, and the same good practice principles that apply there will apply to services provided by a CCO.

A CCO funded by grant, especially where that grant is material in financial terms, is effectively delivering services on your local authority's behalf. It would be expected that those services would contribute to achieving the community outcomes (otherwise why would council make such a grant), and therefore it is reasonable to expect a suitable performance reporting system to be in place so that council, and in turn the community, can assess the effectiveness of its expenditure. A common example of CCO's funded in this way are those with economic development objectives. The OAG guideline [Principles to underpin management by public entities of funding to non-government organisations](#) June 2006, provides guidance on managing such arrangements, including performance monitoring and assessment. Much of the information that might be relevant to Council's monitoring of such arrangements could usefully be in the public domain as part of Council's PMF.

Some CCOs manage substantial assets on behalf of your local authority, but do not require direct operational funding as they obtain operating revenue from direct user charges. Examples include some of the country's major sports stadia, and water and wastewater CCOs. In such cases the public are well aware that do not have a direct say in the performance of those entities, and that your local authority is acting as an intermediary between them and the CCO, both as owners and customers. A good framework will ensure that there is sufficient non-financial performance reporting from those CCO's that their contribution to community outcomes can be publicly assessed. Such a framework will have a multi-year horizon and will go beyond the statutory minimum of an annual Statement of Intent.

The elected members will also be concerned, where a CCO manages substantial assets that adequate asset management practices are in place to ensure that the ongoing capacity of the assets to deliver service is maintained. In a wider sense, your local authority as owner should be satisfied that the CCO is maintaining its organisational capability to deliver the services agreed, but in this context, should be careful not to step too far into the management of the CCO.

Some CCOs are owned and or funded jointly by more than one council. This is common, for example, of economic development agencies operating at a regional or sub-regional level. The fact of the multiple ownership/funding arrangements does not detract from the requirements of a good framework, but does call for a joint approach to developing and applying the framework so that the CCO can set up cost effective systems to provide the information required by its multiple local authority stakeholders.

## 9.5 Performance Benchmarking

A further opportunity to develop a council's approach to performance management lies in benchmarking performance data with other councils or against other relevant industry standards. A number of councils have already gone some way towards this with the establishment of the Council E-benchmarking Group, which uses a web-based database to exchange information on a range of indicators on a quarterly basis.

These local authorities have spent some time getting to a stage where they feel they are able to compare apples with apples and now believe the benchmark data provides a robust basis for performance comparisons leading to the identification of areas of best practice from which all can benefit. A number of group member councils are also actively engaged with the NZ Business Excellence Foundation and this provides a further basis for benchmarking work. The convener of the group is Diane Ashby of Auckland Regional Council who welcomes enquiries from any wishing to join the group.

## THINGS TO REMEMBER: MAKING PERFORMANCE MANAGEMENT WORK

1. Although a small core team (or maybe one person in a small local authority) will be needed to collate information from across the organisation and check for consistency, activity managers need to be involved in the process.
2. Allow plenty of time for all aspects of your performance management project – it will need time and space for thinking, community engagement and managing the change (systems design, getting into performance agreements, any cultural shifts and the like).
3. The most value from performance management frameworks comes when they are taken in their wider context – focusing on the statutory requirements only will encourage people to see this as a compliance exercise. The performance measures you disclose in your LTCCP will probably be only a small subset of the total set of information you collect for performance management purposes.
4. There is a vast array of literature on performance management and performance management culture, and many different models to choose from. Whatever model, you choose the bottom line is that the model you choose must help your local authority promote community wellbeing and demonstrate how your authority is contributing. A performance management culture stems from a culture of learning.
5. Moving an activity to a CCO does not absolve your local authority of responsibility for the activity. Attention needs to be paid to the performance information they are providing you with, to ensure that they are fulfilling the role they agreed to, and that their story matches yours.

## Appendix 9.1: Making Your Framework Work for You – A Prompter

### A. Strategic Direction

#### Organisational Strategy

1. Do you know what your organisation's key strategic objectives are? What are they? If you asked a random fellow employee the same question at the next corporate function would they be likely to answer the same?
2. Has your council developed a clear statement of its role in promoting the present and future wellbeing of the community?
3. Is your councils' statement of the role it intends take in promoting the community outcomes specific? (or is it of a more general nature such as 'we will work with the community to promote these outcomes etc')
4. Are there other strategies of a more specific nature within your organisation eg recreation strategy, regional land transport strategy etc?
5. Is the purpose of the strategy clear? (or does it exist because someone said 'lets have an xxx strategy'?)

### B. Community Outcomes

6. Did the community outcomes process set out priorities? Do these 'fit' with the priorities identified by your council?
7. Were the results of the community outcomes process used to develop and allocate specific actions amongst the parties capable of influencing the promotion of community outcomes?
8. Has your council made judgements in regards to how it wishes to report progress – does it wish to clearly separate and report against its contribution to community outcomes out from those of others?

### C. Levels of Service, Performance Measures and Targets

#### Rationale for Service Delivery

9. Does the rationale for delivering the service explain how the service contributes to community wellbeing or some council strategies?

#### Levels of Service

10. Do the levels of service cover all of the aspects of the activity?
11. Do the levels of service actually describe things that the community value? Did you actually asked the community what it values as part of the process of determining levels of service?

12. Are the levels of service expressed in a manner that makes them understandable and relevant to the community?
13. Does each level of service relate to only one aspect of the activity?
14. Are all levels of service and the associated budgets disclosed in your LTCCP? (And explain the reason for any non-disclosures)

## Performance Measures and Targets

15. Does every level of service in the framework have at least one performance measure linked to it?
16. Are there any 'orphan' measures ie measures that are not linked to a level of service? (Most likely these will be the result of an historical interest that an elected member or manager has expressed in 'knowing something'?)
17. Are you changing levels of service at some point in your planning horizon and has this been factored into the targets and budgets?
18. Have you defined what the 'business purpose' for collecting and reporting against this particular measure is? (If not then have a stab at defining it **NOW**)
19. Are the measures you disclose in your LTCCP things the community can understand and relate to? Do your elected members use this measure (and understand what it's telling them)?
20. Can you demonstrate where the data supporting your performance measures came from and can you reproduce the results readily?
21. Have you documented the methodology and assumptions underpinning the performance measures (eg are measures generated by some form of sampling technique and if so what is the sampling error)?
24. Have year by year targets been set across the planning horizon (which may well be longer than the ten years required in the LTCCP)? (Note that the LTCCP disclosures require the disclosure of levels of service and measures in detail for the first three years and in summary for years 4-10 of the LTCCP.)
23. How many measures relating to customer satisfaction/perception appear in this framework, and are they all relevant to the measure?
24. Do you have reliable reporting in place to track progress against mandatory requirements?

## C. Translating Performance Management Information Into Results

25. Are your financial and other resources allocated in such a way as to support the accomplishment of your plans and objectives?
26. Does your performance management framework identify short and long term measures and targets?

27. Could you explain succinctly to an outsider why the differentiation matters and how you arrived at the short and long-term measures?
28. Is the information delivered by your performance management framework used to:
  - review the progress towards objectives described in strategies (and if necessary make amendments to the strategy)
  - inform the annual planning process
  - monitor day to day progress at management level (this may not be relevant for all activities).
29. Are there regular reviews of service delivery processes in the light of performance results?
30. Does responsibility for the achievement of particular objectives in your local authorities strategies and plans feed through into team and individual performance plans?
31. Do you think the tasks necessary to ensure the information in the framework remains current are seen as a chore?

## Appendix 9.2: About the Balanced Scorecard

### Development of the Scorecard Concept

The Balanced Scorecard was developed by Professor Robert Kaplan & Dr David Norton and first mooted in the Harvard Business Review in the early 1990s.

It has since become internationally recognised as a tool for developing organisational strategy and assessing the performance of strategy.

### What's the Scorecard for?

A Balanced Scorecard is a set of measures which allows managers to view the overall performance of their organisation quickly and comprehensively. It expands the horizon of performance management from traditional financial measures to give a view of all perspectives critical to long term value, sustainability and success.

Kaplan and Norton specifically developed the scorecard model to address a serious deficiency which they had identified from research - the inability of most organisations to link their long-term strategy with their short-term actions.

It is important to understand that the purpose of a balanced scorecard is to clearly articulate the strategies of your organisation, and to give decision makers instant access to the few pieces of information critical to understanding the performance of those strategies.

As such, it is not about vaguely keeping an eye on things or numbers that might be useful one day.

Adopting the Balanced Scorecard solely as a repository for measures is a serious error and one which has led to disappointment and wasted effort in a number of organisations. The Scorecard delivers its real benefit when used in a more positive, sweeping and strategic approach.

### The Perspectives of the Scorecard

There are many variations on the Balanced Scorecard. Some are very effective in certain situations; equally, a great number of local improvisations and hybrids have emerged and many of the latter have failed completely.

As mentioned above the Balanced Scorecard is not a matter of measures placed into four or more boxes. The boxes (known in the literature as 'perspectives') in fact model a series of cause and effect relationships. This ensures that no key aspect of managing the organisation is overlooked.

It is useful for anyone contemplating the use of the Scorecard to understand what might be called the 'classical' approach for government agencies, so that they can assess the effectiveness of any variations for themselves.

The traditional Scorecard in a not-for-profit agency is often organised into four perspectives which are designed to ensure a balanced approach to organisational management and performance:



There are of course a number of variations on these perspectives. 'Customer' might be replaced by (or teamed with) 'Shareholder', for example, or 'People and Organisation' might be substituted for 'People'.

The general logic chain, however, remains the same: a clear articulation of what your organisation must actually deliver, as well as the key people, process and financial enablers which must be in place to make this possible.

By putting performance measures to this strategy, the Balanced Scorecard sharpens focus on outcomes and priorities and makes the success of your organisation much more likely.

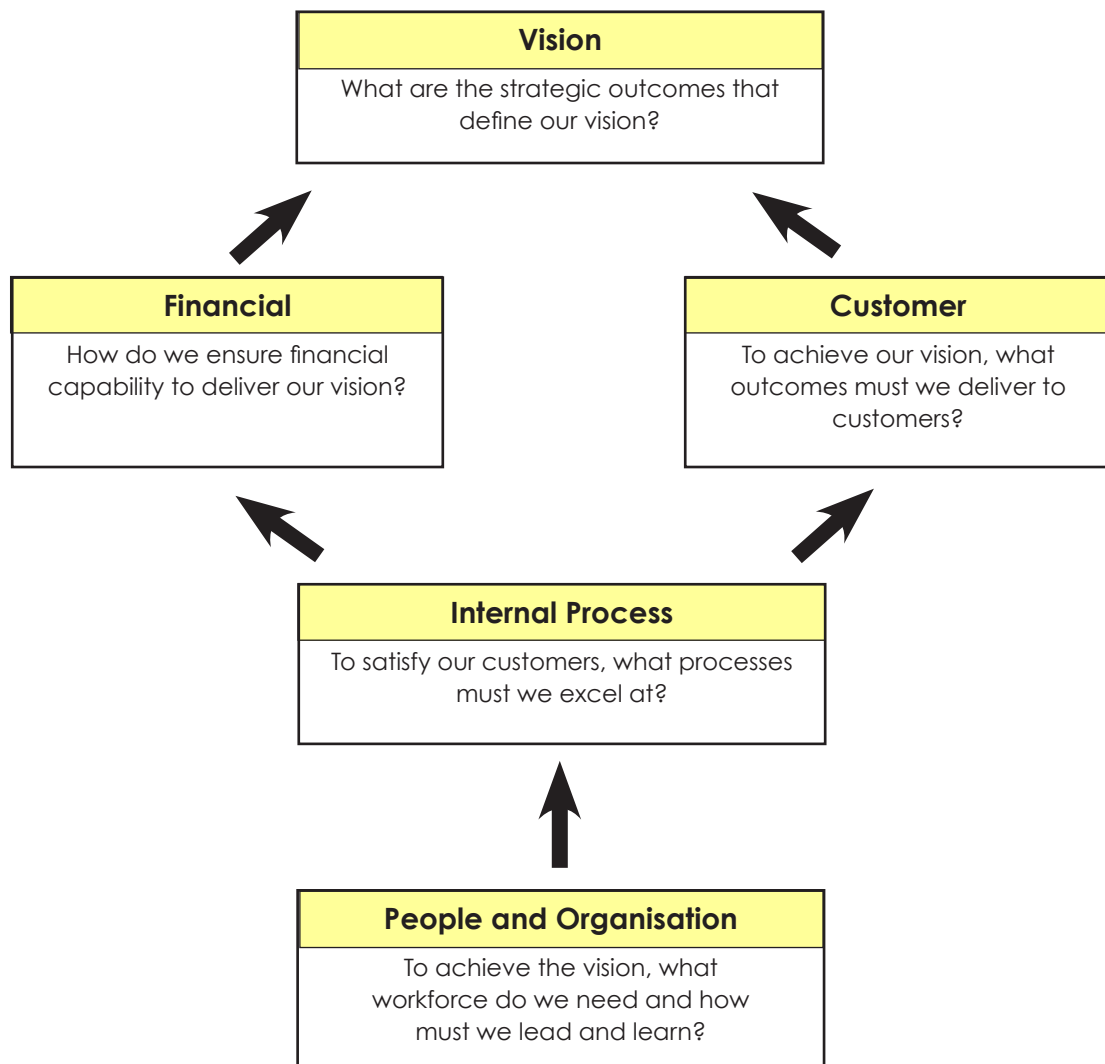
### Links:

<http://www.corporater.com/forums/>

<http://www.bscol.com/>

---

## Typical Scorecard perspectives in not-for-profit agencies



## Appendix 9.3: Malcolm Baldrige Award Criteria for Performance Excellence (aka Baldrige)

### Introduction

The use of an Excellence framework as a key performance evaluation tool is growing significantly in New Zealand. Moreover, local government in New Zealand is taking up the model at a far greater rate than the private sector. Central Government, through the Ministries of Economic Development and Environment, has also endorsed the Baldrige framework and advocated its use by organisations including local government. A large and increasing number of local government organisations have adopted this framework.

### Why Excellence?

The need for a focus on excellence is common to all organisations, public, private, large small, but is amplified in the public service. Key reasons include:

- unlike the private sector, public sector organisations generally do not have a single/ bottom line measure of success. There is no other factual and accurate way to describe the extent to which the organisation and its results have improved from year to year
- unlike product-focused organisations, public sector organisations produce a complex range of services for a complex set of stakeholders and citizens that are varied and often have long time frames for achievement, and
- as a predominantly ratepayer funded organisation, we have a strong obligation to use public resources in the most efficient and effective manner possible. Section 14 of the LGA has established some of these concepts in law.

### Criteria for Performance Excellence Goals

The Criteria are designed to help organisations use an integrated approach to organisational performance management that results in:

- delivery of ever-improving value to citizens, stakeholders and customers
- contributing to operational success and results on the ground
- improvement of overall organisational effectiveness and capabilities, and
- organisational and personal learning

### Core Values and Concepts

The Criteria are built upon the following set of interrelated Core Values and Concepts:

- visionary leadership
- community, stakeholder and customer-driven excellence
- organisational and personal learning
- valuing employees and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- social and public responsibility
- focus on results and creating value, and
- systems perspective.

## Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven categories, as follows:

- 1 Leadership
- 2 Strategic Planning
- 3 Customer and Community
- 4 Measurement, Analysis, and Knowledge Management
- 5 Human Resource Focus
- 6 Process Management
- 7 Results

However, the process goes further than this, and directs the relative weight that each of these categories has in an overall assessment of the performance of an organization. Put simply, the effect of this is to make results achieved the overwhelmingly important factor in determining the success of an organization. When an assessment is carried out, 45% of the value of an organization is attributed to its proven results. What this means is it is impossible to reach any level of recognition under this system without at least a reasonable degree of achievement in results.

### System Operations

The system operations are composed of the six categories that define our operations and the results we achieve. Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasise the importance of a leadership focus on strategy and customers. Councillors and senior leaders set our organisational direction and seek future opportunities for the organisation. Human Resource Focus (Category 5), Process Management (Category 6), and Results (Category 7) represent the results triad. Our organisation's employees and key processes accomplish the work of the organisation that yields results. All actions point toward Results—a composite of customer, product and service, financial, and internal operational performance results, including human resource, governance, and social responsibility results.

### System Foundation

Measurement, Analysis, and Knowledge Management (Category 4) are critical to the effective management of our organisation and to a fact-based, knowledge-driven system for improving performance and competitiveness. Measurement, analysis, and knowledge management serve as a foundation for the performance management system.

### Focus on Performance

Organisational performance areas:

- (1) Customer and community-focused results
- (2) Product and service results
- (3) Financial and market results
- (4) Human resource results
- (5) Organisational effectiveness results, including key internal operational performance measures
- (6) Governance and social responsibility results

The use of this composite of measures is intended to ensure that strategies are balanced, that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

## The Criteria are Non-prescriptive and Adaptable

The Criteria are made up of results-oriented requirements. However, the Criteria do not prescribe:

- that our organisation should or should not have departments for quality, planning, or other functions
- how our organisation should be structured, and
- that different units in our organisation should be managed in the same way.

These factors differ among organisations, and they are likely to change as needs and strategies evolve.

The Criteria are non-prescriptive for the following reasons:

- (1) The focus is on results, not on procedures, tools, or organisational structure. The criteria encourages us to develop and demonstrate creative, adaptive, and flexible approaches for meeting requirements. Non-prescriptive requirements are intended to foster incremental and major ('breakthrough') improvements, as well as basic change.
- (2) The selection of tools, techniques, systems, and organisational structure usually depends on factors such as organisational type and size, organisational relationships, our organisation's stage of development, and employee capabilities and responsibilities.
- (3) A focus on common requirements, rather than on common procedures, fosters understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

## Key Characteristics of the Criteria

The criteria support a systems perspective to maintaining organisation-wide goal alignment. The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organisational Profile, the Criteria, and the results oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from our organisation's processes and strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralised decision making, or overly complex process management.

Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralised decision making. A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

- (1) Planning, including design of processes, selection of measures, and deployment of requirements
- (2) Executing plans
- (3) Assessing progress and capturing new knowledge, taking into account internal and external results
- (4) Revising plans based upon assessment findings, learning, new inputs, and new requirements

The Criteria and the Scoring Guidelines make up a two part diagnostic (assessment) system.

The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions and the key factors used to assess each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 performance-oriented requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

## **Self-assessment or external evaluation**

An organisation can use the criteria to drive performance improvement without having to undertake a full external evaluation. This self assessment process is facilitated by an expert in Business Excellence. Opportunities for improvement are identified.

An external evaluation involves the submission of a 50 page document describing the ARC using the criteria. A team of 4 – 8 evaluators evaluate the submission and if their interim score is high enough they will conduct a 1 -2 day site visit. Their final report should be used to inform the Strategic and Business Planning processes.

## Appendix 9.4: What to look for in a system

The attached is a sample from a form that a local authority used when it recently put its services out to tender. You are encouraged to adapt this to your own circumstances – but remember your system should follow your needs, not the other way around.

| CRITERION                             | SUPPLIER A |       | SUPPLIER B |       |
|---------------------------------------|------------|-------|------------|-------|
|                                       | Comments   | Score | Comments   | Score |
| Core product?                         |            |       |            |       |
| Complete package or modules?          |            |       |            |       |
| Opportunities for add-ons             |            |       |            |       |
|                                       |            |       |            |       |
| <b>Look and feel</b>                  |            |       |            |       |
| • User friendliness,                  |            |       |            |       |
| • Visual appearance                   |            |       |            |       |
|                                       |            |       |            |       |
| <b>Usage</b>                          |            |       |            |       |
| Ease of use for users                 |            |       |            |       |
| • Who does what:                      |            |       |            |       |
| • Planning team                       |            |       |            |       |
| • Departments                         |            |       |            |       |
| • Vendor                              |            |       |            |       |
| Ease of loading initial data          |            |       |            |       |
| Ease of monthly input                 |            |       |            |       |
| Are there prompts for monthly update? |            |       |            |       |
|                                       |            |       |            |       |
| <b>Sub-total</b>                      |            |       |            |       |

| CRITERION  | SUPPLIER A |  | SUPPLIER B |  |
|--|------------|--|------------|--|
| Quality of user groups?                            |            |  |            |  |
|  |            |  |            |  |
| <b>KPIs</b>  |            |  |            |  |
| Target plus actual monitoring?                     |            |  |            |  |
| Comparatives?                                      |            |  |            |  |
| Graphs, tables etc?                                |            |  |            |  |
| Opportunities for further customisation?           |            |  |            |  |
|  |            |  |            |  |
| <b>Strategic Objectives</b>                        |            |  |            |  |
| Quality of monitoring against strategic objectives |            |  |            |  |
|  |            |  |            |  |
| <b>Capital Projects</b>                            |            |  |            |  |
| Quality of monitoring on capital projects          |            |  |            |  |
|  |            |  |            |  |
| <b>Reporting</b>                                   |            |  |            |  |
| Style of reports                                   |            |  |            |  |
| Space for managers' comments?                      |            |  |            |  |
| Can reports be customised?                         |            |  |            |  |
| <b>Sub-total</b>                                   |            |  |            |  |

| CRITERION                                  | SUPPLIER A |  | SUPPLIER B |  |
|--|------------|--|------------|--|
| Customisation by user or vendor?           |            |  |            |  |
| Ease of understanding of reports           |            |  |            |  |
| Visual look of reports                     |            |  |            |  |
| Is reporting user definable?               |            |  |            |  |
| Dashboards?                                |            |  |            |  |
|  |            |  |            |  |
| <b>Compatibility with existing systems</b> |            |  |            |  |
| Pathway                                    |            |  |            |  |
| Finance One                                |            |  |            |  |
|  |            |  |            |  |
| <b>Support in New Zealand</b>              |            |  |            |  |
|  |            |  |            |  |
| <b>Implementation / training</b>           |            |  |            |  |
| Implementation days                        |            |  |            |  |
| Training days                              |            |  |            |  |
|  |            |  |            |  |
| <b>Licences</b>                            |            |  |            |  |
|  |            |  |            |  |
| <b>Sub-total</b>                           |            |  |            |  |

| CRITERION   | SUPPLIER A |  | SUPPLIER B |  |
|---|------------|--|------------|--|
| <b>Price</b>  |            |  |            |  |
| Licence   |            |  |            |  |
| Implementation  |            |  |            |  |
| <b>Total costs</b>  |            |  |            |  |
| <b>Maintenance</b>  |            |  |            |  |
|   |            |  |            |  |
| Support Desk  |            |  |            |  |
|   |            |  |            |  |
| <b>Any other upgrades required?</b>                       |            |  |            |  |
|   |            |  |            |  |
| <b>Reference Sites</b>                                    |            |  |            |  |
| Quality of feedback from reference sites                  |            |  |            |  |
| Quality of reference site visits                          |            |  |            |  |
|   |            |  |            |  |
| <b>Vendors</b>  |            |  |            |  |
| Understanding of our business and of how product will fit |            |  |            |  |
| Market penetration  |            |  |            |  |
| Vendor focus on this product                              |            |  |            |  |
|   |            |  |            |  |
| <b>Opportunities for further development?</b>             |            |  |            |  |
| Eg usage for development of our planning processes?       |            |  |            |  |
|   |            |  |            |  |
| <b>Total</b>  |            |  |            |  |