Stage 2 - LEADERSHIP FOR STRATEGY

# Module 18 –
# PERFORMANCE
# MANAGEMENT

The Leadership Academy is a learning and action programme for mayors, senior officials and elected representatives of local government.

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# 1 MODULE OVERVIEW

## 1.1 BACKGROUND

- Citizens deserve and expect services of good quality; performance management facilitates the setting of realistic targets for service performance that can be used to drive up service standards.
- Performance management is the systematic approach to identifying, collecting and using performance data to improve standards of service provision. It particularly focuses on setting out key performance indicators in priority areas, agreeing minimum standards of performance and using the annual planning process to set and monitor targets to improve performance.
- Performance management is used increasingly by national and local government in Europe to drive up the standards of service provision. The Council of Europe is promoting the development of performance management in local government to support the improvement in public services.

## 1.2 LEARNING OBJECTIVES

- To deepen understanding of performance management and how it can be used to more effectively deliver outcomes by the organisation.

## 1.3 LEARNING OUTCOMES

- Participants understand the value of performance management in raising the standards of local government.
- Participants recognise the critical factors that are necessary to make performance management effective.
- Participants understand the current maturity of performance management approaches in your organisation and what is required to achieve improved results.

As a result of this training, participants will be able to introduce a more effective approach to performance management in their own organisation.

## 1.4 DURATION

- 90 minutes

# 2 MODULE STRUCTURE

## 2.1 GROUP EXERCISE 1 – PERFORMANCE MANAGEMENT MATURITY ASSESSMENT

- Participants, in groups of 2/3, complete the Section 5.1 Table 'Performance Management Maturity Assessment' to understand the strengths and areas for development within their organisation;
- Participants discuss in groups on the key areas to be developed.

## 2.2 PRESENTATION AND DISCUSSION ON KEY PRINCIPLES OF PERFORMANCE MANAGEMENT

- A presentation provides participants with a broad overview of the key principles of performance management, the types of indicators, a model performance template and performance reporting approaches.

## 2.3 GROUP EXERCISE 2 – DEVELOPING A PERFORMANCE INDICATOR

- Participants, in groups of 5, develop a performance indicator in an area which is a) relevant to the key priorities of the organisation and is b) outcome focused;
- Participants complete the template in Section 5.2 and present the indicator back to the whole group.

## 2.4 GROUP EXERCISE 3 – COMPLETE THE PERFORMANCE MANAGEMENT TABLE

- Participants, in groups of 5, complete the performance management table in Section 5.3, showing how the indicator developed in Section 2.3 above will be supported with clear milestones and have associated reporting arrangements and individuals responsible for delivery;
- Participants report back to the whole group and explain their work.

# 3 WORKING DEFINITIONS

## 3.1 BASELINE

A baseline is an established starting point. This allows a comparison of present performance over time.

## 3.2 MINIMUM STANDARDS

Minimum standards can be set nationally or locally. This allows a comparison of present performance with standards below which performance should never fall.

## 3.3 TARGET

Targets can be set nationally and locally. They give staff a performance goal; performance information can tell them how far they have travelled towards that goal.

## 3.4 BENCHMARK

A benchmark sets out the performance level of, say, a group of the best-performing local authorities or a set of agreed standards; this allows an organisation to compare its performance within local government or against a recognised level of performance.

# 4 KEY CONCEPTS

The use of robust performance information is essential for leading a successful organisation. Increasingly performance management is used to demonstrate the delivery of outcomes which are set out in the organisations strategy – this in itself is developed in partnership with key stakeholders including citizens.

The proper use of performance management in an organisation can make a real difference in driving up standards of performance. But it has to be introduced sensitively.

The system must be clear and straight-forward; it must focus on priorities; it must distinguish between the information needs of the different levels of the organisation (community, corporate, service, and individual). It should at least cover efficiency, effectiveness and impact (outcomes). Satisfaction surveys of stakeholders should be part of it.

The system has to be owned by the staff themselves, so that they want to use the information derived from the performance management system to drive up their own standards of performance. But elected representatives take ultimate responsibility for the organisations performance. Both staff and elected representatives need therefore to be engaged in it. It should therefore be relatively simple, built from the bottom up and focus only on what is important.

Performance management implies risks. It can be used inappropriately to control rather than to inform; it can soak up resources unnecessarily; it can add to bureaucracy; it can de-motivate staff if not used properly. These risks must be understood and avoided.

This is why the organisations leaders, both political and managerial, have an important role to play. The Mayor and senior management must decide what priorities to focus on, how the system will operate and which staff take key responsibilities.

Senior managers must motivate the staff to use the system wisely. They must show the link between the performance information and the staff's own work in order to secure their engagement. They must show the courage necessary for putting key performance data in the public domain, even when it reflects weaker performance. Only in this way will they engage local people and organisations in driving up the standards of performance of the organisation.

The types of performance indicator.

| | |
|---|---|
| Input indicators provide information on the resources committed to a service in terms of finance, staffing, equipment, land and property | - unit costs<br>- number of staff<br>- area of property or land in use |
| Activity indicators provide information on the processes, systems, cultures and procedures needed to deliver a service | - trend in use of information technology<br>- response times to complaints<br>- speed of telephone answering |
| Output indicators provide information on the performance of the service provided in terms of, for example, capacity, through-put and service level | - no. of service users<br>- no. of hours of service provided<br>- passenger miles of transport services<br>- level of awareness of service<br>- proportion of service users to potential service users<br>- books lent by the library<br>- no. of diplomas awarded |
| Outcome indicators provide information on the impact the service has on users and on the wider community | - increased level of public participation<br>- reduction in crime committed by young people<br>- reduction in long term unemployment |

| | - trends in literacy levels |
|---|---|
| | |

The attributes of good performance indicators (cfr. SMART criteria):

- Specific: Clear, unambiguous and easy to understand by those who are required to achieve them.
- Measurable: Set a target for which success can be gauged by referring to a specific measure or measures. Establish workable processes for the timely collection of the information. Ask yourself the question; 'can I prove it?'
- Achievable: Express specific aims that staff feel can realistically be achieved, with some effort. Ask staff involved if it is achievable. Involve staff in the process and ask them what needs to be done to

achieve the target. Always consider available resources and priorities when considering achievability.

- Relevant: Targets need to be relevant to those who will be required to meet them; they must have enough control over their work to be able to meet their targets. There is a delicate balance to be struck between ambitious targets that inspire and challenge people to achieve them, and targets that are un-achievable, which can lead to people giving up.
- Timed: There should be a set timescale for achieving a target; open-ended targets do not encourage a focused effort on improving performance.

*The Performance Management Template*

| Activity | Milestone(s) | Time-scale | Measure of Success (Performance Indicator) | Monitoring arrangements | Budget | Outcome | Responsibility |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |

# 5 EXERCISES

## 5.1 EXERCISE 1 – GROUP EXERCISE 1 – PERFORMANCE MANAGEMENT MATURITY QUESTIONNAIRE

Please rate the following on a scale of 1 – 5:
*1 = not at all     2 = not very     3 = quite     4 = very     5 = totally*

| | | SCORE (1 – 5) |
|---|---|---|
| 1 | Does the organisation have clear corporate priorities? | |
| 2 | Are priorities informed by local consultation and by analysis of local needs? | |
| 3 | Is delivery of priorities measured? | |
| 4 | Are there relevant plans to support delivery? | |
| 5 | Are the plans clear? Do they have clear targets? | |
| 6 | Are the plans monitored regularly?  Is action taken if they are not being delivered? | |
| 7 | Do you use any performance management system? | |
| 8 | Is performance information used? | |
| 9 | Are resources linked to the priorities, such as financial and human resources? | |
| 10 | Is there an annual report setting out the results of monitoring outcomes and examining performance against targets? | |
| 11 | Is there a public discussion on the performance of the organisation? | |
| 12 | Are there targets for individuals to deliver their part in the plans? | |
| 13 | Would better performance management help to improve services? | |

## 5.2  EXERCISE 2 – GROUP EXERCISE 2 – PERFORMANCE INDICATOR DEFINITION FORM

Organisation objective:

| Indicator: | | | |
|---|---|---|---|
| Rationale | [State here the reason for needing an indicator] | | |
| Definition | [Define the performance indicator] | | |
| Formula | [Set out any formula that may be required for an indicator such as the % of missed domestic waste collections] | | |
| Worked example | | Good performance | [What would represent good performance - achieving a certain % etc.] |
| Collection interval | [How often would the performance indictor be analysed] | Responsibility | [Who is responsible for performance of the indictor concerned] |
| Comment | [Any general comments] | | |

### 5.2.1    Performance Indicator Definition Form (Example)

Organisational performance area: Road maintenance

| Indicator :  ipal roads where maintenance is required | |
|---|---|
| Rationale | Provides an indication of the proportion of roads where maintenance is needed. |
| Definition | The indicator measures the percentage of the organisation's roads where maintenance is needed.<br><br>The performance indicator is derived from a survey of the surface condition of the local road network.<br><br>Results are reported for 100% of the local network.<br><br>All road surface types should be included. |
| Formula | The indicator is the amount of the local road network that requires maintenance as a percentage of the total local road network.<br><br>$$\left(\frac{x}{y}\right)*100$$<br><br>where:<br><br>x = length of road identified as having a condition that requires maintenance<br><br>y = total length of local roads |

| Worked example | N/A | Good performance | Good performance is reflected by a low percentage. A reduction in levels represents improvement. |
|---|---|---|---|
| Collection interval | Annual survey | Responsibility | Head of Transport Services |
| Comment | | | |

## 5.3 EXERCISE 3 – GROUP EXERCISE 3 – PERFORMANCE INDICATOR TABLE

Local government strategic objective: ………………………………………………………………

| Activity | Milestone(s) | Time-scale | Measure of Success (Performance Indicator) | Monitoring arrangements | Budget | Outcome | Responsibility |
|---|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

*NB. Activities might cover: increasing jobs, strengthening skills of entrepreneurs, providing facilities to support new businesses, launching initiatives to attract new businesses, a joint marketing campaign with neighbouring local government organisations, introducing business skills to students etc.*

# 6 REFERENCES

IDeA. (2001). All in a day's work: delivering effective performance management (London)

IDeA. Manager's Guide to Performance Management (London)