

The definition of performance management

[Business](#), [Management](#)



A local council has just received approval for £15 million from the National Lottery to build a new Arts, Media and Cultural Centre but it needs to find the matching capital money for the project. It has also to find the annual running costs of £1 million for the new facility at the same time as it needs to reduce its total Leisure and Arts budget by £5 million.

How can performance management and review processes assist with this complex decision and ensure that effective delivery of the project is agreed?

The local council has three main problems to resolve from this scenario.

These are:

1. Matching the capital money and running costs of the proposed project.
2. Significantly reducing the leisure and arts budget, the sector in which the proposed project is in.
3. Keeping all major interest groups internally and externally from the project, relatively content.

However, the problems involving the interest groups are virtually impossible to resolve. This is due to people's contradicting needs; this creates the task of catering for each individual group's needs, which is unobtainable.

Therefore, the council must take an interest in the most significant party, the public; this includes the implications of the other major problems.

Performance management and review can be an aid to this project, by analysing the various options and solutions and deciding on the best course of action. Each of the three main problems may be divided into a list

containing various sub problems, which create the overall problems. Each of these problems must be solved by prioritising in order of importance, in order to produce the most effective solution to the project.

Performance management has been defined as " a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors: (Armstrong and Baron 1998). Another definition however is that performance management is the systematic design, collection, analysis and review of information. In order to manage there is a need to establish and quantify what may be managed and how.

For the ability to use performance management within the project, it needs to be segmented into various sections that can possibly be measured over the duration of the project. The project has multiple objectives that need defining. These objectives are usually defined and the outcomes normally judged using the five E" s:

Economy: The effective acquisition of inputs, largely a value for money concept.

Efficiency: The ratio of inputs to outputs. The efficiency level will be increased if the output is consistent while input levels fall, or output is raised while input while input remains consistent.

Effectiveness: The extent of goal achievement

Equity: Observance of criteria of fairness. This is probably the most significant condition for good performance.

Electability: Political affirmation of good performance that will prove essential for survival.

These five factors aid in providing parameters for judging performance.

To enable measurements of the performance, the project needs to be subdivided into various sections known as milestones. To achieve the various milestones, the manager will need to create an action plan. This is a breakdown of what, where and when various activities are going to occur.

There are many problems associated with public sector performance management. Some of these problems are as follows:

There are not enough targets to attain.

There tends to be too many indicators.

There is a lethargic reporting style, however the reporting systems tend to be loose.

In the case of this project for the local council there needs to be a hierarchy of objectives, these must range from corporate to individual objectives.

The corporate objectives for the local council may be as follows:

1. To design, build and tender for the centre within the budget allocated and within any time frame allocated by the capital provider.

2. To allocate appropriate funds from the local authority budget to enable the project for the centre to proceed.

3. To increase, restructure or divert the revenue budgets of the local authority to accommodate the running of the centre.

The examples of the objectives above are broad in context. This is deliberately to enable any changes through revenue and allocations of funds to the centre to be accommodated for within the objectives. There may be political issues involved within the development of obtaining these major corporate objectives. These may include the raising of tax, the proposed centre having to match the running costs or possibly the allocation of funds from other local authority departments. These objectives are not as narrowly defined as those from the private sector or if it were a PFI (Private Finance Initiative) project, this is due to the need to insure that all stakeholders may be taken into consideration.

Although these objectives are corporate, they usually are allocated to an individual to oversee. This method within the public sector could cause problems within the board; these problems are due to the possibility of one-upmanship.

Within the local authority, there are other objectives which must be satisfied, these link and are interdependent with the corporate objectives.

An example may be that the Arts and Leisure Director needs to set out his objectives for achieving the design and building requirements. Example – Objective Carry out the Tender procedure within 6 months: -

Activity or milestone Action Deadline

A. Appoint Consultant By End of Month 1

B. Approve Budget By Start of Month 2

C. Finalise Design By End of Month 2

D. Send spending specification By Start of Month 3

E. Evaluate Tenders By End of Month 4

F. Appoint Contract By End of Month 5

G. Complete Contract By End of Month 6

The Milestones are time related, they can be measured and if slippage occurs, action can be taken to bring the plan back on schedule or negotiations can take place to approve an extension.

Another example may be that of the Director of Finance or the treasurer's objective, such as the following:

1. Reassign budget areas and make alterations to the allocations Negotiate the Leisure and Arts Budget.
2. Reallocate revenues for the proposed Leisure and Arts centre for the first year of opening.
3. Construct and consider various options for revenue generation to support the running costs of the proposed facility.

Each of these objectives would have numerous milestones, which would be addressed in order to achieve the set objective goals.

The objectives and milestones flow down the organisation, each linking into the one higher up the pyramid.

The objectives set need to be linked to a review process. This is a crucial tool in timing strategic argument into practical actions – a lever to effectively policy implementation.