

Performance management 18128



**ASSIGN
BUSTER**

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 sound 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 if 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
for Tending
- 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.

It is a highly practical tool for analysing and driving improvement and implementation of projects and services.

The key drivers of Performance Review are as follows: -

- ? Increased Decentralisation
- ? Needs for qualities as well as quantitative review
- ? Increased resource limitation
- ? Shift in Focus from efficiency to effectiveness
- ? Need to improve monitoring of contracted services

The review process can be managed, and recorded by the use of an Action Plan contains the details of the objectives, the milestones and the performance indicators.

Performance Indicators are a tool by which to measure progress and thus lead, by a variety of means, to activity choices and changes in practice and behaviour.

There are problems associated with performance indicators. The design and use of Performance Indicators produces a mismatch of objective measurement techniques and behavioural judgements.

Examples of Uses of Performance Indicators are: -

? Measuring frequency Variety

? Performance often measured in comparative terms with other similar bodies

? Input success

? Output Success etc.

Going back to the earlier example of the Estates Director the Performance Indicator is the Deadline Date the Milestone should be achieved.

In the example of the Director of Finance the performance indicator could be a cash value negotiation at the time, or agreed savings from other budgets at a particular time etc.

When using Performance Management techniques and Review it is important to gauge an awareness of the different interest groups, which drive decision making and how they can influence the process, both formally and informally.

Stakeholder groups could be defined as groups who will be directly affected by the project; they have a vested interest in the developments, as they will be directly affected by the resulting outcomes. The following stakeholder groups are identified as the most likely groups to be affected by the proposed Arts, Media and cultural centre.

? Political groups: the main concern for this group is that of electability. This is essentially a combination of the main defining characteristics of good performance.

Economy: They are required to decide if they believe the project can be made economically, the project must prove to give value for money inputted. If it fails to do so, it is likely that the local community will decide the money would have been better spent elsewhere.

Efficiency: The project will need to prove more efficient than the current existing alternatives. If this can not be shown, then it is likely that the project will not be proven acceptable.

Effectiveness: The project will need to meet all the goals, to a recognisable extent, if it is deemed to be a success. Should the project be viewed as a failure it will negatively influence political electability.

Equity: it must be considered whether the project can be viewed as fair to the local community. The views of the other stakeholder groups must be thoroughly considered when drawing conclusions here.

When these factors have been considered a conclusion can be drawn regarding how the project's adoption or rejection will effect electability of

both national and local politicians. It is important to remember that the opposition politicians will adopt views contrasting their counterparts in the hope of increasing their own electability.

The local council would have a mixed view on the possible development, facing something of a dilemma. It would look great for them if they could build this new Arts centre and would attract new welcome interest from other places, but finding the finance would possibly put financial strain on the council. Further the council may find it difficult to justify spending the 15million pounds on this project plus the 1million pound a year running costs when they have to find a 5million pound reduction in the Arts and Media Budget.

? Local Businesses: There will be two contrasting views regarding the local business community. Firstly, there will be the businesses located near the new site. These are likely to react positively to the project, as it would increase the profitability and value of their business. In contrast, the businesses located near the possible existing sites are likely to react negatively to the project, as it will reduce the levels of business in the area due to the removal of through trade generated by the existing establishments. There is likely to be a positive reaction from local construction companies as they will be aware of the opportunities to tender a bid for the construction.

? Local community: There will be a variety of issues that will influence the opinions of the local community. The issue of employment will be significant. Opinions will be effected by either the creation or destruction of employment

opportunities. Should the project create employment then the community will react positively to the project. However, if the centralisation of three separate areas creates the opportunity for economies of scale to reduce employment, such as one reception will be required as opposed to three, then the community are likely to react more negatively to the project. A major influence on the reaction of the community will be their opinion on how the money is being spent. If they believe the centre is needed then they will react positively to the project. However, it is always possible the community will react negatively, as they may believe that the money may be spent on more important areas of the community, such as the building of day care centres, hostels and other amenities. This opinion is likely to be derived from the social class and affluence of the area. If it was a deprived inner-city area, it is likely that although cultural and educational enrichment may be valued, the support of single parents room through free day care are more likely to be better received. However, if the area is highly affluent, then it is likely that a project such as this will be well received by residents. This is largely an issue of Equity.

? Educational groups: This group has a large vested interest in such a project. There are two opposing situations that could occur. Firstly, the huge educational potential of such a development will positively impact on this group. The proposed centralisation of three significant elements of art, media and culture will increase the educational value of visits to the centre, by putting the three elements into one location. However, in contrast the change of location may prove negative to the educational groups. It must be considered that the relocation of the previously separate elements may take

them further away from the educational centres. If this were the case it would be expected for the group to oppose the move due to the negative educational effect.

As you can see there are mixed opinions on the development, but this is to be expected as not everyone can have what they want, but the local council must use the views intertwined with performance management techniques to gain the optimum outcome for the project.

If the project is successfully implemented the Performance Management does not stop as it can continue with the development of the Arts, Media and Culture Centre.

With the evolution of the facility, new Performance Indicators can be introduced for further review. Examples of this are as follows.

A performance indicator as a standard may be set for attracting X number of clients per Day/Week/Month etc.

So X people per month could be the Performance Indicator to compare with the actual figure.

The actual and the Performance Indicator can be compared and if they are not in sync, action to bring it into alignment can be devised and implemented.

Similarly revenue/income can be considered as a performance indicator, based on collecting the 1million running costs.

This again can be monitored routinely to see if the assumptions were completed, what the time of year effect is etc.

Excessive use of Performance indicators, particularly those published externally, may encourage particular actions by public sector managers:

1) Tunnel Vision - refers to the idea of managers being so concerned with reaching performance targets that they exclude other important areas.

2) Suboptimization - is the problem of managers pursuing their own objectives and ignoring opportunities for the organisation.

3) Myopia is the problem of concentration on the short term with lack of concern as to what might happen in the long term due to simply trying to meet current performance targets.

4) Convergence this is the problem of the objective being set as simply not to stand out as being a bad performer, rather than to try and do the best.

5) Ossification the practice of avoiding innovation. 6) Gaming This is altering the organisations behaviour so as to gain a strategic advantage. 7)

Misrepresentation This involves trying to fix the figures, using such methods as creative accounting and fraud.

Managers are also made sensitive to the indicators with which the electoral representatives are held to account. The idea that managers of public services leave their political views etc. at home, is widely discredited. People working in public sector organisations are not neutral, and tend to develop

their own goals that may or may not be compatible with the goals of the organisation.

There are also other problems with this approach that must be taken into account. There are a number of problems with comparability with other authorities in terms of the breakdown of standardisation of any performance management approach, the fact that inputs vary between authorities (also different items under managerial control), the fact that if budget does not allow for maximum capacity it will lead to different unit costs for the outputs and it being hard to judge the true intangible value of services.

There are specific problems generated by an organisational resistance to stretch. After it has been laid down a while, staff learns to fool the system and creative accounting may also be used. These are further examples of staff pursuing self-interests rather than the interests of the organisation.

Performance Management is a subjective means of managing projects using performance indicators and performance review.

There are a number of interest groups and their views and interest are an important part of Performance Review.

The key to successful implementation of Performance Management and Review Techniques to assist with the complex decision implementation of the new Lottery Funded Arts, Media and Cultural Centre and ensure effective delivery are as follow: -

(a) Ensure the objectives are realistic

- (b) Ensure all objectives link together
- (c) Ownership of the objective is paramount
- (d) Should not be used as a stick to control someone
- (e) Ensure all milestones are measured
- (f) Ensure the recipient of the objective knows how, when and where reviews will take place
- (g) Don't review too often too quickly.

Despite the mentioned problems, there is still a great deal of potential for performance management and review systems. A great deal of effort needs to be put into constructing a performance management system, but as long as the users are aware of the potential difficulties, many problems can be overcome.

Bibliography

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