

PERFORMANCE MANAGEMENT: GET READY TO FLY

Malcolm Morley
Harlow Town, UK

PERFORMANCE MANAGEMENT – GET READY TO FLY

INTRODUCTION

In the private sector performance management is fairly straightforward. At its simplest the focus for performance management can be illustrated by a series of questions. Are the customers happy? Is the business generating a growing and profitable cash flow representing an acceptable return on investment? Are the banks and shareholders happy?

In the public sector performance management is more complex. This complexity stems from the extensive range of stakeholders with different definitions of success to be kept happy, statutory requirements influencing investment decisions, the willingness and ability to achieve economies of scale, politics and increasing customer expectations and demand within a severely resource restricted environment.

In England we have seen a series of initiatives to encourage public sector organisations to measure and manage performance more effectively. Literally hundreds of targets have been developed and performance measurement has become a major area of activity consuming valuable resources and time.

Great tomes of data have been produced for managers. Returns have been made to Government and judgements made on how Councils and other public sector bodies have performed. The mantra became: If you're not measuring it, you can't be managing it. Recently, however, there has been a re-think of the burden of performance monitoring and what is really required – performance management.

This paper seeks to explore performance management, its challenges, opportunities and implications.

PUTTING PERFORMANCE MONITORING, PERFORMANCE REVIEW AND PERFORMANCE MANAGEMENT IN CONTEXT

Performance monitoring is the collection of data about performance. Data about the number of houses built in a year, the unit cost of house construction, the average time to let a house, the average repair cost of a house per new letting, the average length of stay of a homeless family in temporary accommodation before gaining a tenancy.

Performance review is the comparison of this performance data against a performance target or comparative benchmark. Performance monitoring and performance review against operational targets and operational budgets occurs in most organisations in one form or another.

Performance monitoring and performance review enable managers and others to identify what has happened. It is backward looking. Projecting the past performance data forward is not performance management; it is only forecasting.

Performance management is what you do with the products of performance monitoring and performance review. Performance management relates to now and the future. **It is the action proposed and taken to confirm or change the performance of the organisation.**

It is important to state that performance management can include deciding not to change something. Organisations may decide not to change performance in the top quartile (when compared nationally) for a priority service or indeed not to change lower quartile performance for a non-priority service. The key is the positive choice that is made. **Decision-making by default (i.e. through no choice being made) is not performance management.**

Performance management requires a consistent linkage between the strategic intent of the organisation and the objectives and performance targets for individuals. It also needs a process to ensure that this linkage actually leads to effective individual, operational and corporate performance.

It is often the case, in both the public and the private sectors, that management initiatives come to prominence but quickly fall out of favour to be replaced by the next big thing. This phenomenon often results from the lack of understanding of what the 'initiative' is trying to achieve and a lack of consistency and discipline in applying it. It also results from a lack of understanding of the challenges that such initiatives make to the organisational cultures and systems within the organisation.

Performance management is often not introduced effectively. This failure is explained by statements such as 'it was not fully understood' or 'it was seen as too difficult' or 'it required investment disproportionate to the perceived benefit'. Performance management often really fails because it challenges managerial comfort zones, it challenges existing power/organisational structures and requires proactive decision-making within a shared and transparent set of objectives and priorities. It challenges existing organisational cultures and the taken for granted assumptions about why organisations exist, how they are actually performing and what they are actually achieving.

It is vital to recognise the difference between performance monitoring, performance review and performance management. It is also vital to recognise that performance management is a means to an end and not an end in itself.

The key question for all those seeking to improve performance management is:

To what end is performance being managed?

This seems an obvious question but my experience, in both the public and the private sectors, is that it is often not even asked or where it is asked it is

answered in simplistic terms. Organisations sometimes get trapped by their history.

I saw this most starkly in the Czech Republic shortly after the 'velvet' revolution when I advised a number of organisations. These organisations believed that their business was to produce particular products and they couldn't understand why they were struggling in the marketplace. I had to get them to understand that the customer decides what they want and the organisation has, through a combination of product and service portfolio development, to change to meet customer needs.

Too often in the past in the public sector, products and services have survived largely unchanged because of the lack of ability to challenge what is provided. The customer's need could only be addressed through a very limited number of suppliers (in some cases only one). Power was in the hands of the supplier and not the consumer.

In such cases, performance review might have illustrated that the organisation's performance was good. Economy and efficiency targets could all have been met. The reality, however, was likely to have been that effectiveness was very poor. If the organisation hasn't got the right objective to create the context for performance review and performance management, it can create the illusory perception of success when in fact the organisation is failing to meet the needs of its customers.

The essence of the above is to move from being supply/supplier focused to being customer/outcome focused. This cultural and strategic change has been a Rubicon the public sector in England has had to acknowledge and try to cross. Organisational history is good as a reference point but must not be allowed to constrain external focus, organisational strategy development, evolution of the organisation's culture and performance improvement.

Regulatory regimes have their role to play in this change. Too often regulatory regimes create pressure to illustrate reductions in inputs to achieve greater outputs (economy and efficiency). This pressure often provides an excuse for managers not to challenge the definition of the business that they are in and to continue to concentrate upon inputs/outputs rather than outcomes (effectiveness).

Whilst providing more houses more economically is very important; what about the impact of housing on sustainable communities and health? Putting housing provision and its management in the context of outcomes is more challenging for managers and indeed for performance management.

Deciding what an organisation (and indeed a sector) is seeking to achieve will determine what is to be measured/monitored and how performance will be managed. Context is very important.

A cautionary note: It is very easy to state that the objective is to reduce ill-health or to create a sustainable community. These objectives, however, are

meaningless unless they are defined and organisational performance towards their achievement can be measured and managed.

Whilst there is a clear relationship between poor housing and ill-health e.g. respiratory illness and overcrowding, the elements of that relationship need to be understood and decisions taken about what is to be measured and how that data is to be both collected and evaluated. What is the target to be achieved? How is that target to be determined? Does a baseline exist? Is there the ability to compare performance with other organisations?

Similarly with a sustainable community. What does this mean? What is going to be used to define success and how is data to be collected? Who is going to review and to manage performance?

The above raise the issue of the cause and effect relationship in the context of performance management. It is relatively easy to monitor and to manage the relationship between input and output. We invest X in building houses and we get Y number of houses built. If we get less than Y we look at the development process, the contract management, the specification, the contract etc. Fairly straightforward. (If we get more than Y we try to understand why, celebrate, try to learn from it, disseminate that learning and then try to apply that learning.)

The relationships between input, output and outcomes have a lot more variables in them. They also often involve time lags and other organisations making inputs. Can we be sure that the input that our organisation has made at point A in time has led to output B and outcome C sometime later? What if the achievement of outcome C was frustrated by another organisation's actions or inaction?

A to B is probably known. B to C is much more difficult to assess.

Performance management for resource inputs and outputs is easy. Performance management for outcomes is more difficult. The real value is added for communities, however, where performance management delivers improved outcomes.

Performance Management and Accountability

Councils (Municipalities) in England have been subject to performance monitoring by the national regulatory body, the Audit Commission, largely based upon A to B. This has been undertaken in the form of Comprehensive Performance Assessment (CPA).

CPA has provided a pressure for Councils to concentrate on improving their economy and efficiency. Councils are rated by either a number of stars or into categories of poor, weak, fair, good and excellent. These ratings are published and sanctions are available to Government to address the failings of those rated in the lowest categories.

CPA seeks to evaluate the Best Value Performance Indicators(BVPI) of a Council and also considers its use of resources. There are Key Lines of Enquiry that seek to test the Council's clarity of purpose and how it has managed its resources and performance to fulfil that purpose.

All Councils have been through the CPA process and have been subject to on-going review. Where the Audit Commission believes that there has been a deterioration in a Council's performance (assessed through the BVPIs and audits) they can undertake a formal CPA re-assessment. Where a Council believes that it has evidence to illustrate a sustained improvement in performance it can apply for a re-assessment.

Whilst CPA undoubtedly acts as a stimulus for many Councils to improve their performance it has been recognised that concentrating so heavily upon the relationship between inputs (economy) and outputs (efficiency) is insufficient. This recognition is based upon the reality of the plurality of contribution to the creation and evolution of sustainable communities.

If it is recognised that many organisations contribute to a sustainable community and that public sector investment should produce synergy in outputs/outcomes, it follows that an evaluation of performance has to be based upon how different organisations deliver outputs/outcomes together.

The acid test will be how public sector organisations work together and with the private and voluntary sectors to ensure that resource inputs are maximised to deliver optimum efficiency and effectiveness in the context of the shared objectives and priorities for communities. This new approach, Comprehensive Area Assessment (CAA) is still being developed.

This new approach will create many challenges and raises issues about how organisations work together to agree shared objectives and priorities. It also raises challenges about how performance is going to be delivered in partnership, who manages service commissioning and service provision, how performance review is carried out, how performance management is to be undertaken and who is going to be accountable for performance.

Organisations already agree upon a set of common objectives and priorities for a community in the form of the Community Strategy but they often have great difficulty in achieving a consistent alignment of their organisational priorities and resource investments to deliver those shared priorities. They also find it difficult to submit themselves to performance review and performance management on a partnership basis.

This should not be a surprise. As a management consultant I often used to find that organisations were not single organisations but collections of 'tribes' working under the umbrella of an organisation. Each tribe had its own objectives, priorities, working methods and perceptions of status. Whilst this often led to organisational underperformance, the entrenched organisational cultures were such that this underperformance was ignored and achieving change was very difficult – hence the need for a management consultant!

Change requires empowered (and empowering) leadership with the ability to challenge and to change organisational culture, strategy, resource allocations and performance. **How can organisations work effectively in partnership with others if they do not have effective internal partnerships focused upon the delivery of shared objectives and priorities?**

If organisations are not working effectively as internal partnerships there will be ineffective performance review. Performance management will either be ignored or become a battleground upon which issues of status and power will be played out. Tribal leaders within organisations will resist accountability to the organisation as a whole and to those outside the organisation. Members of the tribes will seek to work by their tribal rules rather than seek to deliver the organisation's objectives and priorities.

Different tribes will define the business the organisation is in and success differently. In such cases control over resources and activity becomes increasingly important. Even the opportunities to increase efficiency and to release resources from back office services to front line services will be frustrated.

The above is often illustrated by organisations failing to release resources from non-core activities by seeking to aggregate purchasing power through partnerships, or working to procure the delivery of services more economically and efficiently. Why do so many organisations have so many non-core activities provided in-house? Why do so many organisations forego the opportunities to improve their investment in front line services?

All of the above provide huge challenges to performance management. If people within organisations are not prepared to be accountable internally performance management will be undertaken (if at all) out of context. The opportunity cost of this performance mis-management is often significant for organisations and, most importantly, for those customers in need of the outcomes.

Where organisations do have effective internal partnership working and are jointly accountable internally, performance management is more likely to be effective. These organisations, however, still face challenges when working in partnership externally - particularly where joint performance management is required.

Joint external performance management often requires new ways of working and the willingness and ability to cede power to others. Not everybody can take the lead and sometimes the context will require that individual organisational priorities and practices have to be changed if the jointly-agreed outcome is to be delivered.

In England, Government has increasingly acted where it has become frustrated by Councils' and other public sector organisation's lack of

willingness and ability to act in partnership. The message is clear: Work in partnership to deliver community outcomes.

To re-inforce this message assumptions are to be made about the improvements in economy and efficiency that partnership working will deliver in Government resource allocations to Councils. Power is leaking away from Councils as new organisations are being created with community leadership and service commissioning roles.

The CAA regime being created will require the focus of all public sector organisations investing within communities to focus upon outcomes and will challenge how accountability is currently operated. It will certainly challenge performance review. The biggest challenge, however, will be performance management.

CONCLUSION

When thinking about the importance and challenges of performance management I'm reminded of a poem by Christopher Logue:

“Come to the edge.
No, it's too high.
Come to the edge.
No, we might fall.
Come to the edge.
And they did
And he pushed
And they flew.”

Effective performance management provides the potential for organisations to fly. It takes belief, however, that the organisation will not fall. As a bird must develop before it can fly so too must organisations. They have to have the organisational cultures, leadership and clarity of purpose that enables them to challenge existing ways of doing things and to put performance into an externally focused context. This often provides a significant challenge to many organisations but as Lord Tennyson stated:

“The shell must break before the bird can fly.”

It is preferable for organisations to break the shell themselves to provide the potential for flight before the Government or a regulator decides to break it for you.

Malcolm Morley

June 2007

The views expressed in this paper are those of the author and not necessarily those of his employer.