

**Establishing a Performance
Management Framework With The
Escendency System**

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Introduction

This document is intended as a guide to organisations wishing to quickly implement a performance management (PM) regime with the aid of tools provided by the Escendency Performance Management (ePM) System.

The information presented here is not intended as a user guide to the ePM system, rather, it is designed to show which parts and processes in the ePM system relate to which aspect of the performance management process.

Getting Started

There are three phases to setting up a PM framework within an organisation, the set-up phase, the measurement phase and the review phase. Each of these phases requires action both within the ePM system and (perhaps more importantly) 'off-line' by key members of the organisation. Figure 1 shows a schematic representation of the three phases.

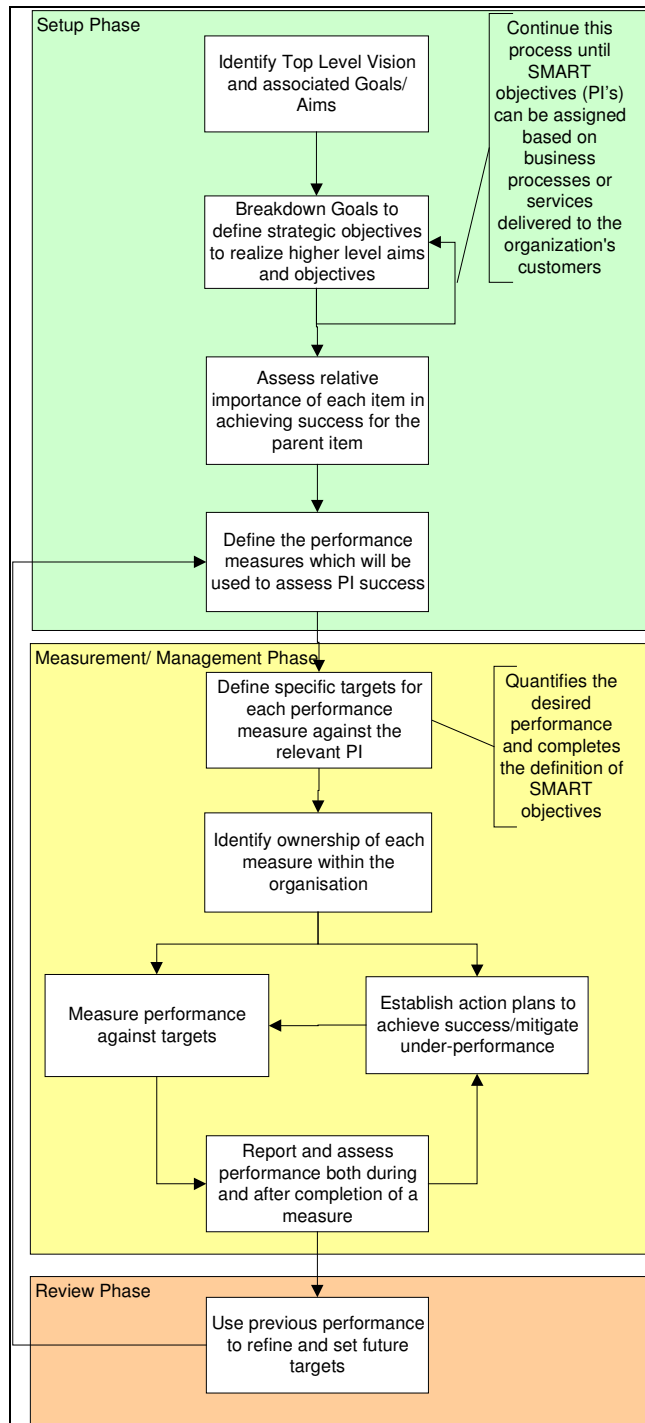


Figure 1: Three phases of a performance management framework

The Set-Up Phase

Setting up the organisations performance framework, particularly the identification of strategic goals is perhaps the most important part of the whole PM framework, since it provides the foundation for achieving the organisations goals. Time spent on tasks within the set-up phase will primarily involve key decision makers within the organisation as well as the ePM system administrator.

1. Identifying Top Level Vision and Associated Goals

The first step in the setup phase is for key decision makers to identify what it is they wish the organisation to achieve. Although this sounds obvious, it is not always clear from an organisations mission/vision statement what actually needs to be achieved.

To support the mission/vision statement it should be possible to define clear (though still high level, strategic and not directly quantifiably) goals that need to be achieved in order to succeed in the mission. If clear goals cannot be derived that support the mission/vision statement, it is likely that the statement itself does not encapsulate the values and aspirations of the organisation. These goals will go into the system as the top level of the aims tree/ strategy map.

It is important that the organisation's key decision makers formulate these goals and achieve agreement on them, since it is these individuals that have the ability to drive change through the organisation.

The number of goals that will be defined will vary for different organisations, however experience suggests that between three and six is a sensible compromise between comprehensive coverage and manageability.

As an example, a local authority might have the following mission statement:

"This Council's ambition is to provide a district recognised for its quality of life, arising from social well being, care for our environment and economic opportunity."

From this, three goals can be easily deduced:

- To provide an excellent standard of social care and services
- To protect and enhance the environment of the district
- To encourage sustainable economic development opportunities

It can be seen that if all of these goals were met, then the authority would be well on the way to achieving its mission.

2. Breakdown Goals To Define Top Level Objectives

Now that the top-level goals have been defined, these should be further broken down to identify sub-objectives that will contribute to the accomplishment of the goal.

This is a recursive process that should be continued until a 'tree' structure has emerged ending with items that can have success quantifiably measured.

For example, the local authority described above, might break down one of its three goals in the following way:

- To protect and enhance the environment of the district
 - Protect and enhance the natural environment
 - Reduce the impact of human activities
 - Reduce impact of waste on the environment
 - Reduce the amount of waste generated within the district going to Landfill
 - Increase the percentage of waste being recycled
 - Improve air quality
 - Reduce the quantity of household waste being incinerated.

- Reduce number of vehicle miles travelled for authority business

From this breakdown it becomes clear that the authority has decided that it can achieve its environmental goals by protecting and enhancing the natural environment and by reducing human impact. It can also be seen that the objective to reduce human impact has been further broken down to a level where sub-objectives could be directly measured (since it is possible to measure amounts of waste that has been recycled etc.). It is not possible to directly measure 'Protect and enhance the natural environment' thus this item would need to be broken down further.

System note: At this stage, when all goals are broken down to measurable items, the System Administrator can populate the ePM strategy map (Select Strategy Map from the navigation bar)

3. Assess Relative Importance Of Each Strategy Map Item In Achieving Success For The Parent Item

Now that the organisation has defined what it wishes to achieve, to a point where success can be measured, it is time to evaluate which parts of the defined strategy map are the most important to the organisation.

This recognises that although the organisation desires success in all of the areas identified, certain items will carry a higher priority.

To assign a relative contribution to items in the aims tree, we recommend giving each item beneath a parent item a score relative to it's siblings.

For example, our hypothetical local authority might assign the following scores to part of its strategy:

- To protect and enhance the environment of the district
 - Protect and enhance the natural environment [1]
 - Reduce the impact of human activities [2]
 - Reduce impact of waste on the environment [1]
 - Reduce the amount of waste generated within the district going to Landfill [5]
 - Increase the percentage of waste being recycled [1]
 - Improve air quality [1]
 - Reduce the quantity of household waste being incinerated. [1]
 - Reduce number of vehicle miles travelled for authority business [2]

In this example, the authority has decided that '*Reduce the impact of human activities*' is twice as important as '*Protect and enhance the natural environment*' in meeting the goal '*to protect and enhance the environment of the district*'.

The implication of this is that even if the authority were to meet all of its measurable targets beneath '*Protect and enhance the natural environment*', it would only meet 33% of its environmental goal from those contributions.

Similarly, the authority has decided that it's measurable target '*Reduce the amount of waste generated within the district going to Landfill*' is five times as important as '*Increase the percentage of waste being recycled*' in meeting the parent item '*Reduce impact of waste on the environment*'.

This prioritisation exercise is a useful way for an organisation to see where it could most productively be allocating resources to achieve success (of course in an ideal world there would be sufficient resources to achieve all aims!). Prioritisation also plays a key role within the system in calculating the level of performance of non-measurable items.

System note: Once the strategy map has been entered into the system, items can be prioritised using 'Strategic Contribution' option from the navigation bar.

An alternative scoring strategy that some organisations may feel more comfortable with is to assign a score to each item as a percentage of achieving the parent item (so sibling items would have scores adding up to 100). From a system viewpoint this is not necessary as the system will calculate percentage based on relative contribution score entered.

System note: When the strategy map contribution has been entered, relative and percentage-contribution scores can be seen in the 'Corporate Performance Overview' report.

Contributions can be changed at any time, should the organisations priorities change, or new items be added to the strategy map. Any item that is assigned a score of zero does not contribute to the success of its parent.

Warning: By changing relative contributions for items it is possible to affect the appearance of progress on higher-level items (e.g. by assigning a much greater contribution to an on-target item than a failing item, the parent might change from behind-target to on-target). Care should be taken to ensure that the organisation does not delude itself into thinking all is well by under-emphasising the importance of failing items.

4. Define the Performance Indicators That Will Be Used To Assess Success

For each measurable item that has been defined in the strategy Map, it is necessary to define a 'performance indicator' that specifies exactly how success will be measured.

Every performance indicator has a number of attributes that defines what data should be measured and how the measurement should be carried out. This enables information about performance to be collected in a consistent way for each performance indicator.

System note: The following information (as a minimum) needs to be defined for each performance indicator defined in the system:

- Title – Identifies the performance indicator
- Measurement Type – Specifies how measurements will be entered (a whole number, decimals, percentages, yes/no etc)
- Unit Of Measure – Optional. What units the measure is in (e.g. £, Kg etc)
- Category – Optional. Indicators can be categorised to allow different views of the organisations performance in reports.
- High/Low/Range – Defines whether a higher or lower figure indicates better performance or whether values should fall within a range.
- Current Value Type – How the ongoing performance is to be calculated from all measurements entered.
- Measurement/ Validation/ Reporting Interval – How often data is collected and checked for the measure.

As an example, if we consider the following measurable item from our hypothetical authority:

'Reduce the amount of waste generated within the district going to Landfill'

The authority might decide to define the associated performance indicator as follows:

- Title: Amount of waste disposed of to Landfill
- Measurement Type: Floating Point Number
- Unit Of Measure: Tonnes
- Category: Environmental
- High/Low/Range: Low
- Current Value Type: Cumulative
- Measurement Interval: Monthly
- Validation Interval: Quarterly

What this means is "The amount of waste disposed of to Landfill, in tonnes, will be measured monthly (and the measurements entered validated every three months) and the measurements added together to provide an ongoing total. For any given measurement period, a lower amount of waste is better."

System note: Once the performance indicators used to assess each measurable item have been decided, there are two routes through which these can be input into the system.

The first route is to enter the measure by selecting the 'Performance Indicators' option from the navigation bar. This option can also be used to manage existing indicators.

It is also possible to define a performance indicator when assigning targets to a measurable strategy map item to create a target. This is described in the Measurement Phase, below.

The Measurement Phase

At this point, the organisation has stated what it wishes to achieve in order to satisfy its overall goals. It has not, however, stated objectively (in measurable figures) what will constitute success for a measurable strategy map item, nor has it said over what timescale it intends to achieve a given target.

This is the purpose of the measurement phase, where the organisations aspirations are actually put into practice (or should be!). This phase is where the strategic planning within the organisation crosses over into operational affairs.

1. Define specific targets for each performance indicator against the relevant strategy map item.

For each measurable item, the organisation now needs to decide what its target should be for a given period of time. The organisation should use previous experience to identify a suitable target. By doing this, the organisation is able to create a 'SMART' (Specific, Measurable, Attainable, Realistic, Timed) target for everything it wishes to achieve.

As an example, our hypothetical authority might decide to assign a target for the amount of waste disposed of to Landfill of no more than 300 tonnes for a period covering one financial year.

System note: A measurable item in the strategy map is turned into a 'SMART' target, through the act of creating a target. A target links a measurable map item with a performance indicator definition (either an existing one or a new one) and allocates a time period and a quantifiable target (along with ownership information) for attainment.

An target is created by right clicking on a measurable item in the strategy map tree (accessed by selecting 'Strategy Map' from the navigation menu), then selecting the add/view targets option from the pop-up menu.

2. Identify ownership of each item within the organisation

A number of people (or roles within the organisation) need to be identified for each target. These are the Target Owner (Who has overall responsibility for achieving the target, this should be someone with the authority to ensure success), the Validating Post (Who has responsibility for ensuring that measurement data is correct) and the member(s) of the organisation who are responsible for the entry of the periodic measurements.

System note: Posts within the organisation (as opposed to individuals) are assigned responsibility during the target creation process. The system will prompt for the identification of an Owner, Validator and Reporting post (the reporting post will identify a position to whom periodic status reports will be made – this functionality is to be implemented in a forthcoming release).

These three roles can be fulfilled by the same post within the organisation if desired, however, this is not recommended, since there is a potential conflict of interest between the person with responsibility for achieving targets and the person who validates the data entered.

After a target has been created, the system will prompt the user to assign measurement responsibility. This can be assigned to either a single post (who would be responsible for entering data on an organisation wide basis) or to multiple posts within the organisation (each of which would be assigned responsibility for achieving part of the organisations target).

It is recommended that multiple post assignment be used for targets which are true individual measures of performance (such as number of sick days per employee or monthly sales per salesperson) and single post assignment used for organisation wide targets (such as sales/profit)

Example: Our hypothetical council, having decided upon an annual target for landfill waste, decides to assign ownership to the Head of the Waste collection & recycling service, assigns validation responsibility to the Council Auditor and decides that periodic reports will go to the Director Of Resources.

Measurement responsibility is assigned to a single post (since this is an organisation wide item, rather than a personal target), the Waste Collection Officer.

3a. Measure performance against targets

Having set up the measurement regime, the person responsible for measuring performance will collect the necessary data and enter it into the ePM system, where it will be collated and processed to allow ongoing performance to be reported.

System note: Having set up a target post-holder(s) with a measurement responsibility will be prompted at appropriate intervals with measurement tasks on their Control Panel. All the user needs to do is click on the task and enter the relevant performance data for the measured period.

Similarly, Validators will be notified with validation tasks when it is time to check the accuracy of entered data.

When a measurement is entered or validated, the system will calculate how the organisation is progressing towards a particular target and assign a colour-coded status (on-target, failing etc) that is used to provide an at-a-glance indication of performance.

3b. Establish action plans to achieve success/mitigate under-performance

All of the work performed in determining strategic goals and defining targets for measurable items done so far, has been about stating *what* the organisation wishes to achieve, not *how* it is going to achieve it.

Achieving strategic goals is an operational responsibility for the staff of an organisation, in order to do this it is necessary to plan and implement a business or action plan which describes who will do what to achieve targets and goals.

There are two kinds of action plan; proactive plans that are established at the start of a measure and reactive ones that are established and followed in order to correct poor performance.

System note: Action plans can be created at any time by selecting the Action Planning option from the navigation bar. An action plan can be linked with strategy map items or targets (or both) and tasks can be assigned to any member of the organisation.

3c. Report and assess performance

During the course of a measurement phase (target) it is necessary for key personnel to review the progress towards a meeting a target and if necessary to instigate actions to recover underperforming areas.

Strategic performance reviews should be held frequently enough to enable timely identification of problems, yet not so frequently that reviewing performance interferes with operational duties.

System note: The Escendency system provides a wide range of reporting tools to enable performance to be monitored. Discussion of these reports is beyond the scope of this document.

The system reports provide the business performance information necessary for strategic decision makers to perform reviews.

The Review Phase

After the end of a target it is necessary to review the final performance to assess how targets were achieved or what went wrong! Also, since the activities (and therefore the goals) of an organisation tend to be fairly static, it is likely that a new period of measurement (using the same performance indicator) is desired.

An organisation can use the information recorded in a recently completed target to inform decision making when setting new targets.

It is also possible that part of the strategy map will require slight modification as business processes change and evolve. However, organisations should be wary of making wholesale changes throughout the strategy map, since this would suggest that the original map is not a good representation of the organisation's strategy.

After reviewing results, the performance management process begins again, which allows a history of performance to be built up over time.