

# Delivering efficient public services through better performance management frameworks



Performance management is now firmly established on the agenda of public sector managers and there is extensive experience of implementing performance management frameworks. Managers are ready to move to a more ambitious programme to take advantage of the recent advances in performance measurement techniques and methodologies that offer increased financial and operational efficiency, accountability and productivity. In this report we focus on how appropriate technology can help managers to achieve their objectives.

A report prepared by **Kable** in association with:





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# Introduction

## Why you should read this report

**This paper focuses on the implementation of performance management frameworks in UK government. We examine current thinking on best practice, and explore the extent to which performance management software can help public sector managers to address their challenging agenda.**

The core of the research is based on interviews held with 80 senior managers across central and local government in England. In addition we draw on the experience of Geac, Capgemini and Microsoft in helping public sector and commercial clients to implement world-class performance management systems in Europe and North America.

We conclude that performance management is now well established on the agenda of public sector managers, there is extensive practical experience of implementing performance management frameworks, and that managers are ready to move to a more ambitious programme. We therefore focus our attention on how appropriate technology can help managers to address the five factors that the government has identified as representing best practice in performance management:

- Bold aspirations which stretch and motivate the organisation
- Translating aspirations into a coherent set of performance measures which link financial and non financial measures
- Giving ownership and accountability to the individuals who ensure delivery
- Ensuring that continuous improvement is delivered, and expectations met
- Motivating individuals to deliver the targeted performance.





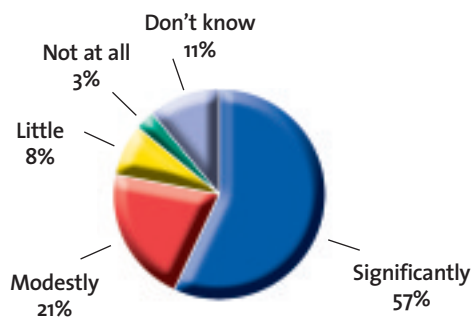
# Background

## The importance of performance management is well recognised

Performance management has become an integral part of modern government. “There is a continual demand to deliver more, and better, for less” – resulting in growing emphasis on measuring outcomes as well as inputs; and a growing focus on understanding and addressing the needs of clients.

More recently, interest in performance management has intensified. The efficiency programme plans for relocation of public services outside London and the South-East, and the merger of the Inland Revenue and Customs and Excise, have together been described as the most significant restructuring of public services for a generation. In the next spending round budgets will tighten, and achieving ongoing efficiency improvements of 2.5% per annum will put a premium on making best use of available resources.

### “How much will the ‘efficiency drive’ set out by the Gershon review affect your department?”



More than half of the survey respondents expect the Gershon review to have a significant effect on their department, with the perceived impact being slightly greater in Central Government. However, this is not the only pressure that managers are facing. Alongside the pressure for efficiency are the twin drives to raise the standard of public services, and to reform public service delivery. These are typically reforms that aim to empower the public service to deliver better services that are more personalised to individual users' needs.

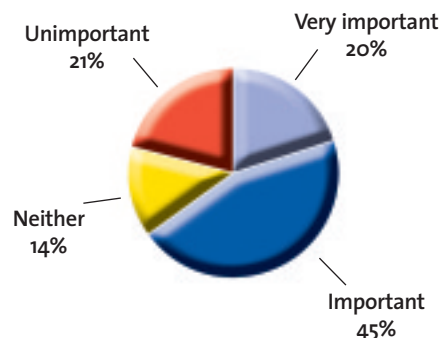
### What are your department's strategic objectives?

*Sample responses:* “accident reduction”; “better health”; “boost economy”; “better care to the elderly”; “cleaner environment”; “community regeneration”; “high standard of criminal justice”; “economic development”; “educational achievement”; “employment for disabled”; “focus on health and social well being”; “helping old people live independently”; “improve environment”; “improve services to vulnerable children and adults”; “increase compliance”; “raise standards of literacy & numeracy”; “reduce congestion”

There are obvious tensions between the drive for increased efficiency, improved service, and greater choice. Achieving these ambitious improvements in public service delivery depends on a wide range of factors: developing a clear vision; alignment between goals and operational management; capacity building across public service management and staff; and increased attention to developing and maintaining the commitment of staff.

This is demonstrated by the high level of importance which survey respondents give to the need for employees to understand strategic objectives, with two-thirds of managers rating this as either important or very important.

### “How important is it for all staff to have a detailed understanding of the Public Service Agreement?”





It is therefore no surprise that the need to develop more sophisticated systems that allow employees to fully engage in the measures of public service productivity and performance is receiving growing attention from policy

makers, from front-line managers, from stakeholders, and supporting NGO's. The range of different initiatives can be judged from the examples in the following table:

Performance management initiative	Reference document
<p>The joint Treasury and Cabinet Office review of Devolved Decision Making identified that reducing the number of national targets depended on confidence in local performance management</p>	<p>“Devolving decision making: Delivering better public services: refining targets and performance management” a 2004 budget supporting document (<a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>)</p>
<p>In calling for halving of current spend on inspecting local government, the Local Government Association recognises that this implies that local councils must develop stronger performance management arrangements</p>	<p>“Inspection – how does it perform?” a discussion document published by the Local Government association (<a href="http://www.lga.gov.uk">www.lga.gov.uk</a>)</p>
<p>The 2004 Spending review encourages public bodies to invest in performance management frameworks, including IT support</p>	<p>“Stability, security and opportunity for all: investing for Britain's long-term future” outlining public spending plans for 2005-2008. (<a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>)</p>
<p>A strategic collaboration between The Improvement and Development Agency (IDeA) and the Audit Commission has created a performance management resource for Local Government</p>	<p>The PMMI project is a collaborative effort of the Audit Commission and the IDeA to research and disseminate good practice in the development of performance management in local authorities (<a href="http://www.idea-knowledge.gov.uk">http://www.idea-knowledge.gov.uk</a>)</p>
<p>HM Treasury, the Cabinet Office, National Audit Office, Audit Commission and Office for National Statistics have developed a joint framework for Performance Information</p>	<p>“Choosing the right FABRIC: a Framework for Performance Information” (<a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>)</p>
<p>The Office of the Deputy Prime minister has stated that all Local Strategic Partnerships are expected to have effective performance management, and the Neighbourhood Renewal Unit has issued guidelines</p>	<p>“LSP Performance Management Framework” (<a href="http://www.neighbourhood.gov.uk">http://www.neighbourhood.gov.uk</a>)</p>
<p>The Employers Organisation for Local Government has published guidance on the human resource implications of performance management</p>	<p>“Performance Management” – under Strategic People Management (<a href="http://www.lg-employers.gov.uk">http://www.lg-employers.gov.uk</a>)</p>

## The state of play

It is clear that the importance of performance management is recognised at every level of government. The concepts are straightforward, and well understood, and support is in place to help with implementation. However, government service is complex and different organisations are at different stages of development. Some are still struggling to achieve effective implementation of performance management, but most are ready to broaden implementation, and adopt a more ambitious and demanding approach.

It would be foolish to imagine that every public sector organisation has the same level of maturity in the implementation of a performance management framework. We will therefore examine four different types of organisation, using the well-established pattern of innovation in the public sector – a pattern that can be observed across numerous innovations, and all industries:

### Leaders:

Around 1 in 6 leading organisations are prepared to take on the risks of adopting an innovation early, testing its viability and developing early experience of best practice. These are normally organisations with the resources and skills to take on risk and handle uncertainty. They may be driven by particularly critical problems, and will normally be proud to be recognised as innovators and opinion formers by their peers.

### Early adopters:

Around 1 in 3 organisations move relatively quickly to follow opinion formers, and to capitalise on their experience. These organisations are unwilling to move without a clear business case, but once the case is proven, they are prepared to move quickly and reap the benefits.

### Late adopters:

Around 1 in 3 organisations are more cautious in adopting innovation, and wait until experience of the innovation is widespread. They will not regard themselves as innovative, or be regarded by their peers as opinion formers, but they take pride in tracking, and following best practice among their peers.

### Laggards:

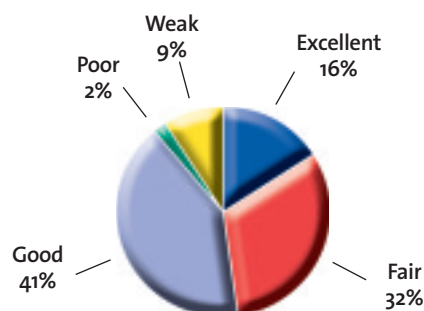
Around 1 in 6 organisations adopt innovation reluctantly. They may be satisfied with established processes and techniques, or they may have other priorities. While they see themselves as approaching innovation prudently in the face of uncertainty and risk, most of their peers view them as old-fashioned, and slow to react.

Characterising organisations in this way helps to distinguish the issues faced by organisations at different stages of development, and can help individual organisations to assess their progress in relation to peers.

Although it is difficult to formally measure and quantify the state of the market, the available data is strongly indicative. For example, the chart below is based on Audit Commission data for performance management in local government.

The Audit Commission has been publishing performance indicators for local authorities since 1992. The indicators suggest that roughly 1 in 6 authorities have achieved excellence, slightly more than 1 in 3 have sufficient experience to be rated as “good” at performance management, while around 1 in 3 are rated as fair, and the 1 in 6 that have moved more slowly can be characterised as “weak” or “poor”.

### Status of performance management in local government



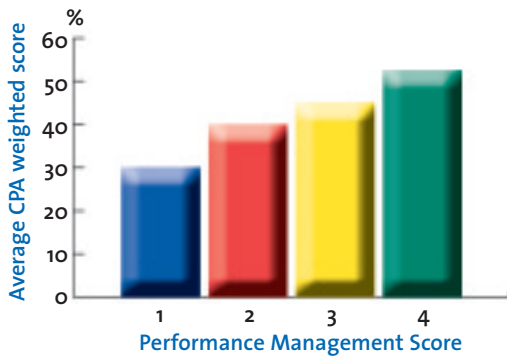
Source: Kable based Audit Commission Data





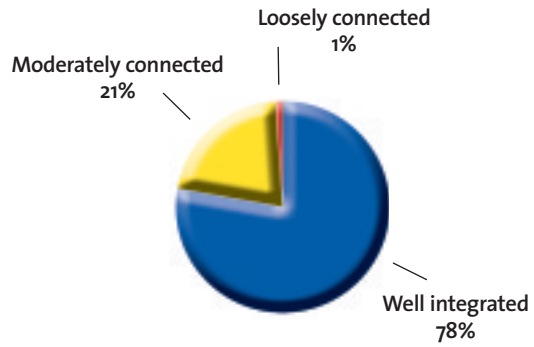
With such a range of experience in the market, it is no surprise to find that the quality of performance management affects the overall performance of an organisation. The Audit Commission rates performance management in district councils on a scale of 1-4, and higher ratings are associated with higher levels of corporate performance. This suggests a clear link between the quality of a performance management framework, and overall corporate performance. Some 75% of “Excellent” ratings are associated with strengths in performance management, while over 50% of “Weak” or “Poor” ratings are associated with weaknesses in performance management.

#### District Council Corporate Performance Assessment



Our survey shows a strong link between strategic objectives and departmental plans, with 90% of respondents stating that they measured performance against objectives; 78% describing plans and objectives as well integrated; and most describing a strong link between strategic and personal objectives – more than 70% of staff, in more than 70% of departments having personal objectives linked to performance plans. All of the managers interviewed in the survey had personal objectives linked to performance plans.

#### “How well connected are your departmental plans to meeting your strategic objectives?”



Our survey indicates that most performance monitoring is carried out on a cyclical basis. Although 5-10% of organisations carry out performance monitoring as needed, surprisingly few organisations have moved to continuous monitoring, and most are still monitoring on a monthly or quarterly basis.

**“We are very close to achieving our vision of an enterprise-wide Business Performance Management system that fully integrates the corporate planning and budget processes. Our recently approved budget is on our Website and shows how each strategic goal will be reflected in the budget. Using management reporting and analysis we will be able to compare actuals against budget and monitor change.”**

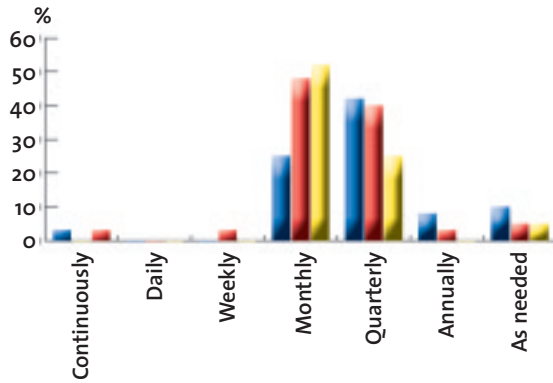
**“Our responsibility is to enhance the lifestyle of residents through innovations in community development and facilities. To achieve this we want to better execute our strategic plan and reflect this in our operational plans: this requires considerable effort, coordination and management. Geac’s MPC Performance Management software has added great value by making this process easier and more effective, helping us to meet our responsibility.”**

Greg Ponych, Principal Finance Officer,  
Brisbane City Council





### Frequency of performance monitoring



- How often do you measure this performance against Public Service Agreements?
- How often are performance measures checked against targets?
- How often is spending against the plan measured and controlled?

The challenge is demonstrating that this is so in an efficient manner. Best practice is to have a single performance management system that defines the objectives and plans in an unambiguous way, devolves responsibility and makes it easy for all affected employees to see how they are performing against their targets and how this impacts the overall performance.

Based on the results of our survey, on published government data and on our work with this market we characterise the current state of play in the sector in the table featured on pages 8 and 9 of this report.

## Performance Management – Level of Maturity

Category	Achievements	Next steps
<p><b>Leaders</b> – estimated as 1/6 of departments</p>	<ul style="list-style-type: none"> <li>• A robust and mature performance management framework is in place, and drives decisions</li> <li>• Performance management culture is strong, and improving</li> <li>• Systematic use of performance management in several service areas</li> <li>• Priorities developed in partnership by senior management team</li> <li>• Clear standards which cascade from corporate priorities to individual targets</li> <li>• Performance management is used to drive improvement, with effective monitoring at all levels, and a focus on priorities</li> <li>• Targets and standards available to relevant stakeholders, including public and their representatives</li> <li>• Local / internal indicators have been developed</li> <li>• Clear link between performance management and corporate performance</li> </ul>	<ul style="list-style-type: none"> <li>• Extend implementation to a wider range of services</li> <li>• Broaden engagement with partners and stakeholders, including links to service providers</li> <li>• Measure and incorporate more detailed perspectives of clients and external stakeholders</li> <li>• Integrate performance management more closely with staff development</li> <li>• Refine detailed performance indicators and maintain alignment with corporate priorities</li> </ul>
<p><b>Early adopters</b> – estimated as 1/3 of departments</p>	<ul style="list-style-type: none"> <li>• Performance framework in place for some services</li> <li>• Links between planning and performance management</li> <li>• Senior management team have translated priorities into consistent service standards, corporate plans and targets</li> <li>• Mix of internal and national indicators identified</li> <li>• Good financial management – with regular monitoring of budget &amp; resources</li> <li>• Staff are clear about what is expected, and have access to service standards. Performance of external providers is monitored</li> <li>• Approach to under-performance is robust</li> <li>• Some examples of performance systems driving service improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Extend external monitoring of client satisfaction beyond complaints system – including measurement of priority outcomes</li> <li>• Further development of the cascade from corporate priorities to individual performance targets</li> <li>• Consistent application of staff appraisal and development system</li> <li>• Embed performance management principles and practice</li> </ul>

## Performance Management – Level of Maturity

Category	Achievements	Next steps
<b>Late adopters</b> – estimated as 1/3 of departments	<ul style="list-style-type: none"> <li>• Embryonic performance management framework is now being developed</li> <li>• There is a commitment to continuous improvement</li> <li>• Performance information is collected</li> <li>• Effective budget management and sound financial control</li> <li>• Poor performance is scrutinised and targeted for action – there are some examples of corrective action</li> <li>• Managers receive limited performance information: performance is on team agendas</li> <li>• Emphasis on operational planning</li> </ul>	<ul style="list-style-type: none"> <li>• Develop links between planning and performance management</li> <li>• Senior management team to translate priorities into consistent service standards, corporate plans and targets</li> <li>• Provide staff with access to information on service standards</li> <li>• Improve consistency of performance information collection</li> </ul>
<b>Laggards</b> – estimated as 1/6 of departments	<ul style="list-style-type: none"> <li>• Sound financial control systems in place</li> <li>• Emphasis on external / national standards</li> <li>• Managers have access to some of the information they need to monitor performance</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce performance management framework</li> <li>• Improve coverage of performance information collection</li> </ul>

This represents a maturing of the way that performance management frameworks are used across government. There are a few organisations that have not yet embraced the principles of performance management, and several where implementation is embryonic.

On the other hand, few, if any, organisations would claim to have fully realised the benefits of a performance management framework. There is a broad base of experience across a large number of organisations. These are now well positioned to adopt a more ambitious and widespread implementation of performance management frameworks, and reap a wider range of benefits.





# Government needs world-class performance management

No innovation achieves widespread adoption unless it is compatible with the way that organisations operate. It must be capable of being grasped by the key stakeholders, and it helps if organisations can approach implementation by progressively refining their approach. Above all, successful innovations offer real advantages, that are clearly demonstrable.

Performance management frameworks have been successfully deployed across both public and private organisations, and the key drivers for their adoption in government mirror those that are driving adoption in commercial sectors:

- Increasingly challenging scrutiny of performance by stakeholders, which in the case of the public sector include the general public, regulatory bodies, and elected representatives.
- The need for management to demonstrate their ability to deliver on a range of different strategic performance objectives.
- An overriding need for greater operational effectiveness.
- The need for effective and responsive management processes in an increasingly complex and fast-moving environment.

Every organisation that implements a performance management framework is leveraging best practice to drive execution of strategy on an ongoing basis. All face challenges in driving and embedding change across their organisation. However, there are some specific characteristics of management in the public sector which present a unique challenge:

- Managers in all sectors are subject to external scrutiny – from shareholders, trustees, etc. However, government is open to a degree of public scrutiny that is unknown to commercial organisations. Managers are accountable to politicians, to other tiers of government, and to independent inspectorates. The performance of their organisation

is subject to intense scrutiny by the public and the press. An open approach to performance information can encourage informed public involvement and understanding, but it is not easy to capture the subtleties of different public expectations – particularly when these differ from group to group, and change over time.

- Public sector managers often feel that they are being pulled in several different directions. Faced with conflicting demands from different stakeholders, it can be particularly difficult in the public sector to determine priorities and set a coherent change agenda.
- The relationship with politicians is critical. Politicians set the framework in which public service managers operate; but they are also accountable to the electorate for public service delivery. In principle, elected representatives set direction and priorities, while managers translate these into effective action. In practice, one of the key factors for success is to achieve the right balance between involving elected representatives and offering managers the space to achieve outstanding performance.
- Public servants at all levels face a unique set of challenges over the coming years, and success depends on more than just reskilling and reorganisation. For many staff, commitment to professional standards and to the public service ethos is a key factor in their motivation. Translating plans into action depends on engaging the commitment and enthusiasm of front-line staff and ensuring that performance management becomes part of everyone's day job.

**“It's vital that we can fully understand all our financial and non-financial information in order to make effective decisions in the best interests of our general public. But this requires simultaneous access to multiple specialist systems as no one system can provide all the answers. Geac MPC, with its Strategy Management application, is the ideal mechanism to consolidate this information in a meaningful format for our users.”**

Paul Dale, Director of Resources, The London Borough of Bromley

It is well understood, but not always acknowledged, that technology can never provide the complete solution to a business problem, but experienced suppliers of performance management software have developed a range of tools and techniques that can help managers overcome the challenges that they face. Specialised solutions provide a platform that will help to accelerate implementation and create a sound foundation for future development.

- Public sector organisations often describe performance management in terms of a “golden thread” linking individual responsibility to actions and performance indicators, determined by the needs of their clients. By integrating planning, budgeting, forecasting and reporting, and other processes into a continuous loop, world-class performance management can help executives to align the operational response to strategic intent.
- By automating data collection, by filtering and formatting data, and by highlighting exceptions, world-class performance management technology can help managers to present large and complex data volumes in an easily understood form. By monitoring vital signals, and presenting summary information in different ways, it can help to reveal hidden and unrecognised issues and trigger timely action.
- World-class performance management tools provide strong analytical tools such as trend analysis, sorting, and charting to transform data into insight. They support comparisons over time, and benchmarking against peers. Collaboration tools help leaders to involve a range of different stakeholders at different levels of the organisation, with different skills – ensuring that aspirations are translated into a coherent set of performance measures which link both financial and non financial measures.
- World-class performance management tools extend across the organisation, allowing teams in different locations to work together, ensuring that updated information is available to every authorised user as soon as it becomes available – giving ownership and accountability to the individuals who ensure delivery.

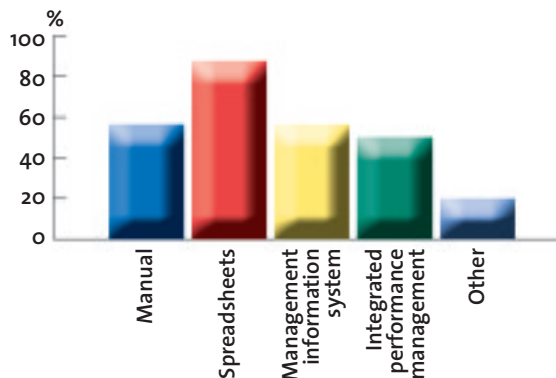


# The role of performance management technology

It is clear that performance management frameworks are widely used, well understood, and have achieved a level of maturity in government. However, when it comes to the use of performance management tools to support these frameworks, the picture is less consistent.

Spreadsheets are the most widely used technology, reported by over 90% of respondents. More than 50% of respondents still rely on manual systems, and 50% use systems designed primarily for use only by managers. All of these approaches lack the sophistication needed to achieve best practice in performance management. None of them has the inbuilt functionality that helps managers to develop a coherent set of performance measures, to share ownership and accountability with front-line staff, to support continuous improvement or motivate individuals to deliver. Around one in six respondents are using another approach – mostly bespoke in-house systems.

**“What tool or tools do you currently use to measure, manage and report on performance?”**

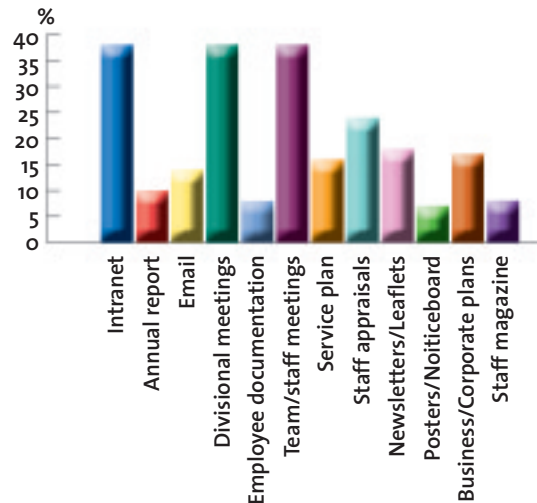


One of the most important reasons which has been identified for the success of performance management is that it helps to engage participation across the organisation. As we have seen, internal communication is particularly important in public service organisations with a strong ethos, and dependence on professional standards. Because of the number of external

stakeholders, and the importance of political and public scrutiny, external communication is equally important. In our survey of public sector managers we enquired about the type of mechanism used for communicating with staff and the general public.

We discovered a wide variety of different techniques used for communication with staff. Central government relied a little more heavily on formal plans and reports, but the pattern was broadly similar across both local and central government. There was a strong emphasis on face-to-face briefings, either at departmental level, or more commonly at team level. Apart from face-to-face meetings, the Intranet is the most widely used mechanism, although the number of references to the Intranet were surprisingly low at only 25% of responses in central government and 30% in local government.

**“What mechanisms does your department use to communicate the objectives to the internal staff?”**



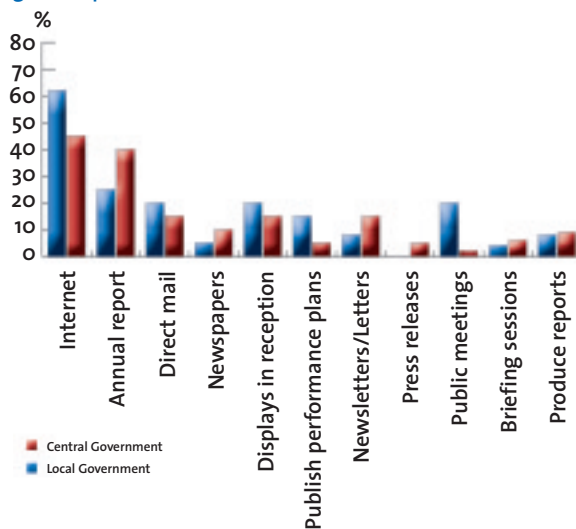
**“We use Oracle for our core financial ledgers, but although it is a sound system it does require specialist user training and knowledge of the underlying system. Instead, we feel our users would prefer Geac’s MPC proven web-based capabilities as it is such an acceptable way to present information. After all, even the best quality information loses its effectiveness if it isn’t easily accessible to non-finance users.”**

Neil Graham, Financial Systems Manager at The London Borough of Bromley



Communication with the general public relies on an equally wide variety of different mechanisms. There is some reporting of face-to-face activity, although this is a little defensive- “just word of mouth: this is something we need to improve on”. The Internet is widely used – in more than 50% of cases overall, with particular importance for central government. Central government also makes widespread use of the press. Printed material appears to be preferred in Local Government with annual and other reports, reports, and newsletters receiving relatively large numbers of mentions.

**“What mechanisms does your department use to communicate your performance externally to your general public?”**



There are a number of features that any performance management technology needs to provide in order to fulfil its role:

**Database content:**

- Facilities to handle different levels of geographic detail
- The ability to hold contextual information, in a variety of different textual and graphic formats
- The ability to hold, and analyse historical data, and trends
- The ability to introduce and integrate new metrics
- The ability to carry out comparisons against equivalent data for different peer organisations
- The ability to support a variety of different performance management models
- The ability to create links between measures of public service, strategy and performance indicators

**User features:**

- The ability to drill down from summary information to more detailed information in order to identify underlying causes
- Standard and custom reporting to meet the needs of different types of user
- The flexibility to change the metrics used for different circumstances
- The ability to integrate a variety of application software and compatibility with the associated data
- Ease of use
- Appropriate levels of security, performance, and reliability
- Compatibility with the existing technology infrastructure
- Accessible across the network

We asked respondents “If you were able to develop a performance management tool what are the key features that you would include?”

Some were forthright – “exactly what we have – it meets all our needs”, “cheap” and “to be honest I wouldn’t develop it myself”. Most were driving for “something that does more than we do now”.

Their vision goes beyond the basic requirements of a performance management system. They are demanding systems that help them to stretch and motivate their organisation, translate public expectations into action plans, give ownership and accountability to individual members of staff and deliver continuous improvement. There were several key themes:

**Accessible to all:**

“can be sold into the organisation as something they believe in”; “ease of use”; “if it’s complicated no one will use it”; “accessibility, simplicity and presentation of data and information”; “make it visually attractive”; “performance measures which could be accurately defined by all users”; “relevant information to each officer”; “able to update own information and use the system to self monitor”



#### **Linking corporate vision to specific detail:**

“linking from personal to community strategy”;  
“to gather performance information for one team in one place”; “put all relevant information onto one page”;  
“service-specific score card”; “performance information from corporate strategy right down to the teams”;  
“monitoring outcomes as well as inputs”; “a breakdown of costs and outputs going down to team levels”

#### **Driving improvement:**

“it will have a chase facility via emails/ excellent reporting facility”; “not require programming hence not needing IT specialists”; “alert systems”;  
“escalation”; “compare to the previous figures”;  
“able to see historical trends”

#### **Integration:**

“the people who are responsible for input should not have to duplicate any information or undertake the calculation”; “integration is most important so all systems can work together”; “able to link between databases / systems”

#### **Value for money:**

“some large organisations might need a large array of tools – what we need as a small organisation is only have those facilities that are useful for the organisation”

## **Bold aspirations**

It is clearly understood that excellent implementation of performance management is founded on strong frameworks, centrally driven, with leadership from the top. World-class performance management tools will help to speed the planning processes, improve the quality of planning and broaden the range of stakeholders who can become involved.

Multidimensional modelling can help organisations to test the impact of new initiatives, partnerships, and investments prepare realistic plans for the future. The use of graphical interfaces can simplify comprehension and analysis. Analytical tools help to transform data into insight. Trend analysis and benchmarking can help managers to develop a realistic view of how the organisation is performing in comparison to its targets and its peers.

By linking strategic plans to operational plans, budgets and performance measures, organisations can visualise,

report and analyse how the actions of operating units and individuals contribute to overall strategic goals. Scenario planning facilitates better decision-making, and helps management to identify and test the sensitivity of the plan to specific indicators.

## **Coherent performance measures**

Insight into different facets of corporate performance helps to establish strategic direction. Managers are demanding a performance system that connects top-down goals to more detailed budgets and operational plans.

A world-class performance management system helps users to focus on analyses rather than gathering and cleaning data. It uses a coherent database to avoid the need to link spreadsheets, verify data integrity, and search through lengthy reports. The quality and detail of performance indicators is enhanced by extracting data directly from operational systems, and automating key functions such as the loading, validation and consolidation of data. This often involves using different ledgers, ERP systems and charts of accounts. In some cases the software must be able to handle conversions, and adjustments, leaving full audit trails to satisfy auditors.

**“The resources put into collecting performance information should be proportionate to the benefit which the information brings.”<sup>1</sup>**

The London Borough of Bromley is using performance management technology to provide financial management and performance information related to special education needs. The plan calls for 300 users across the authority, including 60 elected members with internet access to critical performance data. The project is expected to enhance financial control and provide cohesive reporting to boost decision-making across the authority.

In the initial phase, performance management will be linked to the council’s existing Oracle Financials and Education Management System to provide a consolidated single view of finance and non-finance performance management information, enabling decision makers to understand the ‘cause and effect’ of financial and operational decisions.

<sup>1</sup> Choosing the right Fabric – a Framework for Performance Information



## Individual ownership and accountability

Managers are demanding a framework for the communication and deployment of strategic plans throughout the organisation.

**“It’s great to see all the performance information for each service at the click of a button. Widespread easy access to this data can only encourage everyone to help push the Council towards delivering excellence.”**

Luton Borough Council is using Geac MPC performance management to help its drive towards excellence. Initially, the solution will be used to: streamline budget planning, simplifying calculation of the budget estimates and central recharges; provide a single, continuously updated source of performance information to everyone at the Council who has a computer, with at-a-glance diagrams to highlight important facts; check and validate raw data before these are added to budget forecasts or the performance information database, thus preventing problems caused by inaccurate data and allowing exception-based reporting.

Cllr Martin Pantling, executive member for finance and performance, said: “It’s great to see all the performance information for each service at the click of a button. Widespread easy access to this data can only encourage everyone to help push the Council towards delivering excellence.”

## Continuous improvement

World-class performance management shares information throughout the organisation to provide ongoing feedback and promote collaborative decision-making. Using existing data sources avoids placing an additional burden on front line staff, and helps to ensure that decisions are based on common information. It ensures that performance management is integrated with the budget process, and helps to ensure that reporting is transparent and honest.

The typical budget cycle ties up too many resources, takes too long to complete, and is therefore soon out-of-date. World-class performance management reduces the time, effort and errors associated with traditional spreadsheet-based budgeting by providing online collection of data, a single database to ensure only one version of the figures, and automated calculations. It allows organisations to plan for different programs and initiatives across different management structures. A continuous flow of accurate financial and other performance data from operational systems supports the creation of rolling budgets and forecasts; and continuous monitoring.

Few of the organisations we surveyed have achieved continuous monitoring of performance – most still review on a monthly or quarterly basis.

## Motivating individuals to deliver

It is clearly understood that effective implementation depends on a system that is accessible to all. The managers we surveyed emphasise the need for a system which is easy to use, and which provides the ability for users to create unique, personalised data views. They recognise the importance of being able to monitor performance, not only at organisation or department level, but also down to team and individual levels.

### **Will performance management draw resources away from front-line delivery?**

The Learning and Skills Council (LSC) is responsible for funding and planning education and training for over 16-year-olds in England. As a result of implementing an integrated performance management system, LSC has accelerated the budgeting and forecasting process across its 50 offices in the UK. Geac’s MPC solution replaced a complex spreadsheet system that was not meeting the organisation’s reporting and forecasting needs.

Bob Boswell, budgetary control manager at LSC, comments:

“Previously, we spent a great deal of our time manipulating spreadsheets, which proved to be inefficient. Geac Performance Management has sped up the entire process, providing more detailed and accurate reports. We’re hoping to roll it out to all budget holders which will embrace 800 users.”





# Evaluation of benefits

**Acquisition programmes and procurement projects in civil central government are subject to OGC Gateway Reviews. Gateway-5 is concerned with evaluation of benefits, and normally takes place some 6-12 months after implementation – at the stage when there should be sufficient evidence available of the benefits that can be achieved.**

The OGC guidelines demonstrate both the relevance of performance management to any project, and a summary of the areas where a performance management project will deliver benefits.

The guidelines ask:

## Is the business case still valid?

**Anticipated response:** The decision to implement a performance management system represents a major commitment for any organisation, and the issues and options will have been considered in depth at the most senior levels of the organisation.

It would be distressing for everyone involved to discover issues with strategic fit at the time of benefit evaluation. Of more immediate concern to our clients at this stage is whether the implementation project and roll-out have proceeded on plan, and within budget.

Our solution is designed to offer high levels of technical compatibility with existing infrastructures, and to be accessible to users. Our partnership shares considerable experience of implementation and rollout in both commercial and public sectors. No substantial change project is without problems, but we take pride in the fact that our clients have been pleasantly surprised by the ease and speed with which our solutions can be implemented.

## Are the business benefits being realised as set out in the business case? Did the organisation achieve more?

**Anticipated response:** The business case for a performance management framework is well developed, but broad in scope. In contrast, the initial business case for adoption of performance management software often relies heavily on the predictable savings that can be achieved from more efficient use of skilled resources, and the reduced cost of maintaining and developing existing ad-hoc solutions.

However, it would be disappointing if implementation resulted only in achievement of predictable benefits. A functionally rich solution offers considerable scope for users to grow in their ability to leverage its capabilities. An open architecture facilitates expansion of scope to additional parts of the organisation, and to new metrics. Continuous improvement should ensure that further benefits are realised over time. We would therefore be disappointed to see no improvement over the original financial case: a key aim of performance management is to enable senior managers to identify more widespread opportunities for performance improvement.

## Have the needs of the business and/or end-users changed?

**Anticipated response:** The most persuasive argument for implementation of a world-class performance management solution is the ability to cascade increasingly powerful performance indicators throughout the organisation.

There would be little point in a performance management project that achieved no change in working practices. With more detailed understanding of key performance indicators, senior managers should be well positioned to refine the priorities, and operational staff better positioned to address critical issues, as the performance management solution should provide the link between cause and effect. As this process gathers pace, it is the changing needs of the business, of managers, and of operational staff that confirms the wisdom of an initial decision in favour of a world-class performance management solution, capable of handling changing needs.

#### Have all the stakeholder issues been addressed?

**Anticipated response:** Performance management is a tool to help senior managers transform their organisation. However, it is not only a tool for senior managers. It is well established in this report that successful performance management builds on engaging commitment throughout the organisation. Uniquely in the public sector, the ultimate intent may not only be to transform the organisation, but to transform the lives of the community. Performance of the organisations is scrutinised by the public, its political representatives, and other stakeholders.

In this context, to address all potential stakeholder issues is, at best, a long-term goal. Nevertheless, we would be disappointed by a project that affected only internal management processes, with no visibility or relevance to the wider stakeholder community. Our experience is that staff welcome the opportunity for greater involvement, take pride in the performance of their organisation, and like to see this performance communicated effectively to external stakeholders. Performance management software can play a vital role in this process.





# Best Practice

**A performance management framework is not appropriate for every organisation. In the wrong context, performance management software can be counter-productive. For managers who are either considering the introduction of a framework for performance management, or considering the acquisition of performance management software we offer two checklists that can help to provide a quick assessment of whether this is an appropriate time to invest resources.**

The first checklist concentrates on whether the organisation is ready to embrace the principles of world-class performance management. In the right environment technology can help to stretch and accelerate implementation of a performance management

framework. The second checklist concentrates on the characteristics of world-class performance management solutions. We encourage consideration of an architecture that addresses the key issues for successful adoption of a performance management framework.

## Ten questions to ask of the current business performance management framework

1. Does your organisation have major high-level goals that must be achieved over the next few years, and which are agreed between key stakeholders?
2. Has your organisation identified and agreed the key strategic themes on how these goals will be achieved?
3. For each strategic theme, has your organisation defined the measure of success that will denote fulfilment of the strategy?
4. Have operational managers created activity plans on how each strategic theme will be implemented?
5. For each activity, has your organisation defined measures that will inform on how implementation is progressing?
6. Have budgets been developed which focus on the resourcing of activities?
7. Does your organisation assign clear responsibility for implementation?
8. Does your organisation clearly communicate plan and performance to internal stakeholders?
9. Does your organisation clearly communicate the plan and performance to external stakeholders?
10. When reviewing performance, does your organisation correlate the implementation of activities with the success of the strategy?

## Number of YES answers

- 9-10** Among the global leaders in best practice. Such performance will rarely be achieved without the support of world-class technology.
- 7-8** A high standard, setting the benchmark for others. Organisations in this group will have the confidence to share both good, and bad experience with others. Performance management technology may help such organisations to stretch their ambitions.
- 4-6** Room for improvement. Depending on the inhibitors to further improvement, there may be a role for supporting technology to help managers to implement performance management more widely.
- 2-3** Below average performance. It is unlikely that supporting technology has a role to play until the business issues have been more thoroughly addressed.
- 0-1** Low performance. A focus on supporting technology at this stage would be totally counter-productive.

## Ten questions to ask before purchasing business performance management software

### 1. Does it offer complete integration?

A performance management system should encompass planning, budgeting, forecasting, financial consolidation, reporting, and analysis – making it possible to align strategic initiatives with tactical plans and budgets. The technology should be based on standards that allow integration with existing systems.

### 2. Does it extend across the organisation?

The technology should provide an infrastructure that allows teams to work together on processes, from anywhere at any time, without the need for IT to annually load software on each machine. This consistency of technology reduces training levels required and helps ensure high user adoption given the familiarity with the interface.

### 3. Does it focus on exceptions?

An effective performance management system will highlight exceptions, focussing user attention where it is most needed. Once an exception is identified, the user should be able to drill down into the detail.

### 4. Does it automate data processing?

Performance management systems should automate the processing of ratios, conversions, allocations, consolidation which in turn reduces response times.

### 5. Does it filter and format data?

The system should be capable of summarising large volumes of data and presenting it in an easily understood form such as Excel. Integration with software such as this should therefore be considered.

### 6. Does it provide users with on-demand access to information?

The system should exploit the web to allow access to both financial and non-financial information in disparate systems, at different locations and in different formats. A central portal should make access and navigation easy and intuitive. The system should support collaboration facilities such as e-mail, instant messaging and bulletin boards.

### 7. How easy is the technology to deploy?

The system should be easy to deploy in an iterative fashion, allowing you to deploy quickly and to start reaping the benefits of your projects faster. This will lead to faster ROI while saving on implementation and latency costs. This is the case with a Server-based solution.

### 8. Does it provide insight?

Performance management systems should provide strong analytical tools, such as trend analysis, sorting and charting to transform data into insight in a timely manner. Response times are an important consideration here.

### 9. Does it automatically monitor vital signs?

Performance management systems should continuously search underlying data and proactively warn users of exceptions that are typically hidden and unrecognised in summarised reports. Information requiring action should be delivered directly to the user.

### 10. Does the vendor demonstrate a proven commitment to performance management?

Be sure that the vendor has developed their own solution, uses web protocols and mainstream database technologies, has received positive reviews from industry analysts and clients, and uses its own product.



# Supplier Profiles

Capgemini, Geac and Microsoft have forged a partnership that integrates consulting experience with best-of-breed software applications and world-class technology. Individually Capgemini, Geac and Microsoft have delivered hundreds of projects for government entities worldwide. These skills have now been brought together to deliver successful public sector change programmes that combine innovative strategies and consulting services from Capgemini with Geac's proven performance management solutions and Microsoft's leadership in technology.

Ultimately, our approach can provide solutions that can increase financial and operational efficiency, accountability and productivity.



Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. It is active across every area of UK government, with experience in a third of all executive agencies; many local and health authorities; and a wide range of other Government bodies.

In addition to leading the partnership which runs the Inland Revenue's IT systems, Capgemini clients in central government include the Department for Education and Skills, Department for Work & Pensions, The Home Office, The Inland Revenue, Foreign & Commonwealth

Office, Department for Transport, National Assembly for Wales, the Scottish Executive, the Scottish Parliament and Office of the Deputy Prime Minister. Local government clients include the City of Westminster, London Borough of Croydon and Kent County Council.

Capgemini (in consortium with Qi Consulting) have been selected as service providers across the majority of S-Cat and GTC categories.

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Geac is a global enterprise software company specialising in business performance management solutions. The company has over 30 years of experience providing core financial and operational solutions and services to more than 18,000 customers worldwide.

Geac provides the first web-based application that offers modules for budgeting, planning, forecasting, financial consolidation, strategy management and reporting in a single integrated solution, all residing on a central database. The solution enables you to effectively model, visualise and agree strategic plans and initiatives across

organisational boundaries and connect these top-down goals to day-to-day operational plans. The outcome of activities can be monitored to provide a full cause and effect analysis and cohesive reporting can dramatically boost decision making across departments.

Clients in UK government such as The Learning & Skills Council, London Borough of Bromley and Luton Borough Council use Geac solutions to underpin their drive for high quality of service delivery.

#### Geac

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## Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realise their full potential.

Microsoft Ltd. is a subsidiary company of Microsoft Corporation – based in Redmond, Washington State – USA. The UK subsidiary was formed in 1982, currently employs over 1,500 people, and is headquartered at Thames Valley Park in Reading, Berkshire.

Microsoft serves all areas of the public sector, with depth of government experience, both globally and in the UK, and its products are key components in the technology infrastructure of government.

Microsoft Ltd. has been active in the development of UK e-government solutions, such as the government Gateway.

Microsoft also has close relationships with technology companies that offer complementary products and services. Examples include OEM agreements with the major hardware manufacturers, partnerships with application solution providers, and collaboration with service providers.

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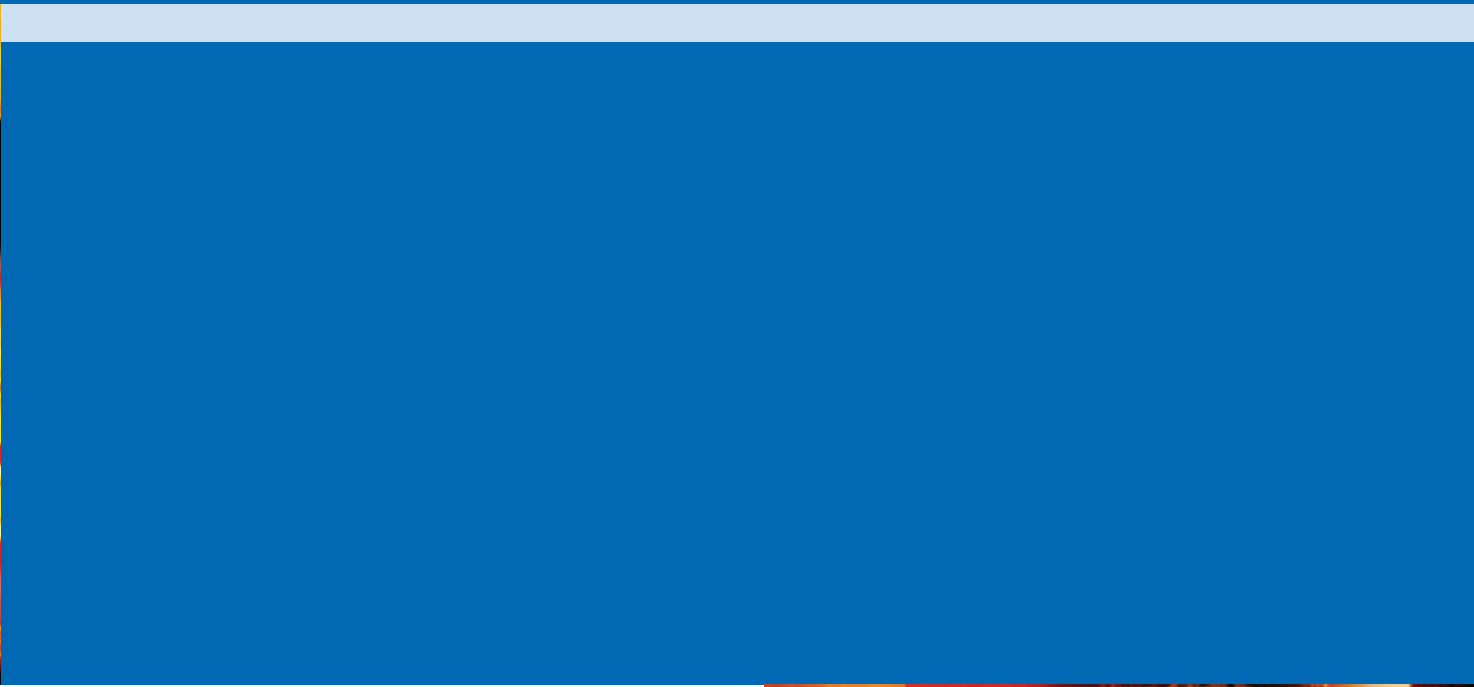
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A report prepared by **Kable** in association with:

