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EFFICIENCY UNIT

STEP-BY-STEP GUIDE TO PERFORMANCE MEASUREMENT

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服務市民
SERVING THE COMMUNITY

香 港 特 別 行 政 區 政 府

THE GOVEREMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

Development Of This Guide

This booklet has been produced under the leadership of the Steering Group on Performance Measurement which was chaired by the Secretary for the Civil Service and supported by the Efficiency Unit.

The content of the Step-by-Step Guide draws on the earlier Best Practice Guide to Performance Measurement and pilot work with Civil Engineering Department (CED), Fire Services Department and the Civil Service Training and Development Institute, whose co-operation was invaluable. In particular CED kindly agreed that Slope Safety and CED could be used as the basis for a hypothetical worked example in the Step-by-Step Guide.

The booklet has been prepared by the Efficiency Unit with assistance from PricewaterhouseCoopers Consultants and Edgecumbe Consultants.

Contents

Introduction

Managing for performance is one of the Government's four core management principles and the Chief Executive has committed the Government to managing for results by results. This has led to the development of policy objectives covering all areas of Government activity supported by the Target-based Management Process. These policy objectives specify the results we aim to achieve for the community and how we will measure success. Properly used they can provide an excellent way of focusing Government's efforts and managing performance.

To achieve this we need to improve the quality of performance measurement within Government. This is a topic on which many bureaux and departments have approached the Efficiency Unit for help and the performance measurement section is the most frequently visited page of the Unit's Public Sector Reform web site.

Performance measurement is a key part of our commitment to deliver the best results for the community we serve. All civil service managers have a role in developing performance measures for their areas of responsibility. We are all accountable for the delivery of defined results and these measures will be your means to manage progress and demonstrate success. The performance measurement process will also enable you to make more informed choices about priorities and resource allocation.

This booklet, developed under the leadership of the Secretary for the Civil Service, provides you with a Step-by-Step Guide to developing performance measures that will enable you to play your part in the drive for accountable and effective government. Please take the time to read the Guide and to develop high quality performance measures to enable you to demonstrate commitment to delivering the best results for the community.

The Efficiency Unit would also be happy to provide advice and assistance to departments seeking to apply the lessons from this Guide in their area. Please feel free to get in touch.

Colin Sankey
Head, Efficiency Unit

The Importance Of Performance Measurement

Who should use this guide?

This booklet brings together best practice and practical guidance for all civil service managers engaged in setting performance measures and monitoring and managing performance. The development and pilot work done to date focuses mainly at the departmental and delivery level, but the principles and broad approach should also be of assistance to bureau managers.

Why is performance measurement important?

Research in both the public and the private sectors demonstrates that "what gets measured gets done" and shows that good systems of performance measurement can facilitate dramatic increases in the quality of services provided and increased job satisfaction to employees. For managers in the public sector, comparative performance information and results of performance against targets are essential for assessing whether the best services are being provided or purchased at the lowest cost and whether those services are meeting the needs of the community. Studies in the Government of the HKSAR have shown that there are significant opportunities to improve the standard of performance measurement.

This in turn will support the Chief Executive's drive for management by results, and the achievement of Government's policy objectives through:

- Focusing attention on specific outcomes and directing resources appropriately
- Improving control and accountability mechanisms
- Providing improved performance information for the budget and resource allocation exercise
- Ensuring staff understand their role and how their performance will be evaluated
- Providing feedback on overall satisfaction with Government services

What is my role?

As a public service manager, you are personally accountable for the delivery of results for the community. It is your responsibility to the community as a whole, to your service users and to your staff to measure progress and manage performance. You are responsible for designing, developing and producing performance information and should be aiming for an end result that satisfies the criteria and guidance set out in this booklet. Whilst the booklet is intended to provide help rather than impose a compulsory process, it is hard to see how managers can make an effective contribution to the improvement of performance without having some means by which to measure that performance.

Your contribution to the performance measurement process will also help to provide the Government with the information it needs to assess performance overall and to provide the public with feedback on progress towards the objectives for Hong Kong as a whole.

How should I use this booklet?

The first three sections provide useful information about the background and context of performance measurement in the Government. The second section, "How Performance Measurement Fits With Broader Developments", is essential reading if you are interested in knowing how all the different levels of performance management fit together. "Selecting And Developing The Measures" introduces the value of some of the concepts.

If you are comfortable that you understand the framework and context in which this is taking place, you may wish to go straight to the Step-by-Step Guide which outlines the process for developing performance measures.

How Does Performance Measurement Fit With Broader Developments?

Introduction

This section explains how improved performance measurement fits in with the Government's other initiatives to achieve continuous improvement.

Continuous improvement in public services

Performance measurement is important in itself, but it is also a vital, integrated part of the Government's broader efforts to achieve continuous improvement in the management and delivery of public services. Continuous improvement is crucial if we are to meet the ever increasing growth in community needs and rising expectations whilst keeping within our Budgetary Guideline that growth in public expenditure should not exceed growth in GDP.

In a speech to the Hong Kong Institute of Directors on 26 April 1999, the Chief Secretary summarised her vision of the civil service in 5 years' time as:

> *"We have defined a clear vision of the way in which Government will manage and deliver public services by, say, 2005. This embraces excellent customer service, managing for results by results, and achieving world class productivity."*

Serving the Community

Serving the Community is the Government's single most important aim, to which all civil servants should be committed.

It requires the Government to provide the services the community needs, and to provide the leadership Hong Kong needs. To do so, we act in the public interest to:

- foster stability and prosperity,
- improve the quality of life for the whole community,
- care for those who need help
- protect the rights and freedoms of the individual,
- maintain the rule of law, and
- encourage people to play their part in their community.

In support of this aim we have established four management principles:

- **Being Accountable**, because the Government has an obligation to answer to the community which it exists to serve
- **Living within Our Means**, because the Government must determine how best to meet the community's needs within the resources available
- **Managing for Performance**, because the Government must deliver the best possible services for public money
- **Developing Our Culture of Service**, because the Government must be a responsive organisation, committed to quality service

To put these principles into practice the Government has established three major programmes for continuous improvement in public services:

- **Target-based Management Process (TMP)**: to clarify objectives and priorities, focus on results, ensure delivery of outcomes for the community, and measure performance
- **Enhanced Productivity Programme (EPP)**: to achieve a lasting improvement in civil service productivity
- **Customer Service Programme (CSP)**: to understand better customers' needs and improve the quality and timeliness of response

Overall management framework

Performance measurement therefore has a vital role to play in our vision of the civil service of the future and in the various programmes to deliver it. Performance management can be seen as the glue that binds and links together the various levels and aspects of the Government's management process. It is a mechanism for ensuring that the Government's overall vision, objectives and priorities, as expressed by the Chief Executive in his Policy Address and by the Administration in the supporting documentation, are put into effect. This is achieved by setting clear performance measures and targets at policy and departmental levels which both align effort and allow us to manage progress and results.

Because the management process itself is constantly evolving to improve its effectiveness there is no simple or perfect fit between all the layers and elements, but the broad relationships are described overleaf. The introduction of the TMP has led to significant improvements at policy level and these are still filtering through to departmental level.

Policy level

At policy level there are the following elements:

- **Policy Address**: Sets out the vision both for Hong Kong and for the Government's role in facilitating delivery of the vision, together with high profile Government actions
- **Policy Objectives**: Cover the whole of Government's activities, setting out the overall results to be achieved for the community by the relevant policies and programmes. The policy objective booklets specify which policy secretary leads on each objective and the other policy bureaux, departments and agencies supporting delivery.
- **Key Result Areas**: For most policy objectives there are around four to six key result areas which represent the main steps in the process of delivering the policy objective. These key result areas are supported by various baseline activities (summarised in the text on each key result area in the booklets and itemized on the computerised Performance Review System (PRS)) and initiatives (listed in the booklet and on PRS). The policy objective booklets and the PRS indicate which agencies lead on each initiative, and PRS also specifies this information for baseline activities.

Departmental level

At departmental level there are the following elements:

- **Vision and Mission**: Many departments have developed overall statements of their vision and mission in order to communicate to their customers and staff the overall purposes they serve and the way in which they seek to do this. Many of these statements pre-dated the policy objectives but because departments and bureaux participated in the setting of both the policy objectives and the vision and mission statements, they are generally complementary. Over time departments will need to take account of the relevant policy objectives when they review or develop vision and mission statements.
- **Programmes**: As part of the programme management system departments have analysed their activities in terms of one or more programmes, and this is the basis on which the Controlling Officer's Reports in the Annual Estimates are structured. Again the programmes pre-date the policy objectives and key result areas. In cases where the programmes were structured around the department's outputs and the delivery process, it is generally possible to align programmes to the policy objectives and key results areas.

In other cases where the programmes are based more on the departmental organisation structure this can be more difficult. Here again departments will need, over time, to review the alignment of programmes to the policy objectives. In some cases the Government has carried out Fundamental Expenditure Reviews (FERs) as part of the EPP, and this has helped to clarify the alignment.

- **Activities**: Under the programme management structure many departments identified the activities supporting each programme. These activities are the same concept as the baseline activities referred to as part of TMP and PRS. When the TMP team worked with departments to develop the baseline activities they drew on the existing activities.

Existing performance measures

Performance measures, and in some cases targets, already exist at many of these levels in the management process. There are targets published for each policy objective, along with indicators and targets for each key result area and initiative. The TMP team worked with each department to seek to develop performance measures and targets for baseline activities.

At departmental level, the Controlling Officer's Reports set out targets and indicators for each programme. These and other measures and targets have been used as the basis for the Quarterly Performance Reports and reviews. These should, increasingly, be replaced by the PRS as the baseline activities and performance measures and targets are populated on the system.

Need for improvement

Thus performance measurement is not new for the Government or for the civil service. However, as we now have greater clarity about Government's policies and priorities through the policy objectives, there is an opportunity both to improve the quality of performance measures and to secure better alignment between the measures and targets at each level. This will in turn help to focus effort on working together across traditional organisational boundaries to deliver the best results for the community from available resources. This Guide is intended to help managers to develop performance measures for their areas which will help to align efforts to delivering Government's overall priorities for the community.

Selecting And Developing The Measures

Types of measures

In the past, there has been a tendency to focus heavily on financial measures, such as unit costs. This kind of measure is relatively easy to define and calculate and is easily understood by most users. However, whilst financial measures are very important, they can lead to a focus on controlling spend and economy to the neglect of other key types of measures which look at quality, efficiency and effectiveness issues.

More recent developments on performance measurement have introduced the concept of a "balanced scorecard", which means a range of measures which give a broader picture of different aspects of performance. This is based on identifying a number of different dimensions of performance which need to be measured. The concept of adopting a broader range of measures was first introduced by Robert Kaplan and David Norton in 1992 in an article in the Harvard Business Review. They coined the phrase balanced scorecard and introduced the original thinking about the use of four high-level measures which covered internal processes, customer perspectives, organisation innovation and improvement and financial results.

At its most general level, the concept of a balanced scorecard involves selecting performance measures which embrace:

- Internal measures, such as those focused on working processes, and external measures, such as those focused on customers.
- A mixture of inputs (such as staff and capital), throughputs (processing times), outputs (numbers of cases dealt with) and outcomes (achievement of broader policy aims).
- Both working processes and the final results achieved.
- The long term capability and viability of the organisation, including its staff and its ability to develop and innovate.
- Historic, or lagging measures showing past results and forward looking or leading measures giving warning of likely future trends.
- Financial measures (expenditure and unit costs) as well as non-financial measures (quality and customer satisfaction).
- The interests of all key stakeholders, including the community, customers, policy bureau and departmental managers, staff and suppliers.

Experience from other countries

A recent review of civil service reform in the 29 countries of the Organisation for Economic Co-operation and Development, has shown that performance management is a key factor in many cases, with an increased focus on results being a key objective in most cases. Although the research shows that cultural differences have produced different approaches to performance measurement, there are some useful common themes and lessons for the future:

- Performance measurement is becoming much more widespread and is now being applied at programme and service delivery level
- Senior civil servants are being required to focus on results rather than rules and procedures
- Performance measurement information is being used as a tool for accountability to political leaders and the public in general
- Targets have tended to be set around measurable rather than important areas of activity
- Financial targets have tended to be given higher priority than service quality
- There may be an over emphasis on achieving targets, which may lead to the overall goal being lost

This booklet draws on these lessons.

The performance measurement framework for Hong Kong

Having reviewed and assessed best practice, and piloted the approach with three Government departments, a model has been developed which defines four main dimensions of measurement for Government. When combined, these give a balanced review of performance.

The four dimensions are given overleaf, together with examples of what these may look like in the Government context. It should be emphasised that this framework was developed to assist civil service managers in developing performance measures appropriate to their area. It should not be regarded as a centrally imposed requirement or a straitjacket. Different Government organisations are involved in very different activities and may well need to tailor and develop the framework. But the framework will provide a good starting point, and a sound indication of the sort of issues which should be included.

You should be aiming to produce a set of measures which provides a balance between the various dimensions and does not give an uneven picture based on over-reliance on one type or another.

Objective dimension

This measures how well activities contribute to overall Government objectives as stated in policy objectives, key result areas and initiatives. This dimension also provides information on financial performance.

Examples:

- Progress towards achieving policy objectives and key result areas
- Performance to budget
- Unit cost of each item of output
- Meeting revenue collection targets
- Increasing community satisfaction

Customer dimension

This assesses the way in which the mission statement on customer service is translated into specific activities which meet the needs and requirements of all its customer groups.

Examples:

- Level of customer satisfaction
- Achievement of customer service targets
- Levels of public awareness of key issues or services

Process dimension

This includes measures which look at how business processes support objectives and customer requirements and the extent to which the processes used support and deliver customer satisfaction.

Examples:

- Efficiency of core processes (eg numbers of units of output / service delivered)
- Accuracy and quality in delivery of core functions
- New processes developed or refinements introduced

Organisation and staff dimension

This dimension looks at the extent to which continuous improvements, such as better training and staff development or new processes contribute to improvement in staff satisfaction and organisational performance.

Examples:

- Introduction of new processes or initiatives
- Performance compared to last year
- Numbers of staff trained
- Staff satisfaction and moral
- Quality of management information

The terms measures, targets and indicators are commonly used in relation to performance measurement and the difference between them is often misunderstood.

A performance measure is the actual metric or number chosen to assess performance eg the number of cases handled or the speed of response. Measures should be chosen as a result of consideration of what is important to manage and should focus on the key objectives, processes and activities of the organisation.

The Government of the HKSAR uses the term performance indicator when it is going to monitor and perhaps seek to influence a particular measure, but is not setting a quantified target.

The Government refers to targets when it has set a quantified level of performance it wishes to achieve, for example at least a given number of cases handled or no slower than a specified speed of response.

Government's intention is to set targets wherever possible as targets improve clarity of expectations, motivate performance, and improve accountability. There are, however, two situations where targets may not be set:

- In some cases it may not be possible to set a target yet, because there is still debate about the most appropriate measure or because there is no data on past performance (the baseline) against which to judge the appropriate target. In these cases a target should be set as soon as the issue is resolved or the information is available.
- In some cases Government may decide, as a matter of policy, that it would be inappropriate to set a target, for example because its policy is to let the market decide. The level of exports or the Hang Seng Index would be a good example here.

The secrets of success

You should keep the following questions in the back of your mind as you develop and evaluate proposed performance measures.

- Do they have a strategic focus which can be clearly identified with departmental or divisional objectives and higher level policy objectives?
- Overall, do they give a balanced coverage of planned activities and achievements?

- Do they provide a focus for the future and a bias for action?
- Do they focus on measuring outputs and outcomes and make a clear distinction between the two?
- Do they provide for an assessment of overall satisfaction?
- Will implementation be manageable and practical?

What the work should produce

At the end of this process, each manager should have the following information:

- A clear set of objectives (which may be in the form of a policy objective, key result areas, initiatives or baseline activities, depending on the scope of your role), which have been agreed with your line manager and your staff
- A documented series of processes and actions to achieve these objectives
- A set of performance measures to cover each area, which provides a balance of assessment between financial, process, customer service and organisation development factors
- Quantified, challenging but achievable performance targets for all appropriate measures
- An action plan for communicating and producing the performance measures on a day to day basis
- An agreed process for using, reviewing and acting on the performance information produced

Ensuring measures are used to manage performance

Any effort which goes into defining and collecting performance information will be wasted if this information is not put to good use. The final stage of the development process is to ensure that the information is used. Planning needs to cover how performance information will be presented, who will receive it, what questions recipients should ask themselves and what kind of responses are expected. The success of the introduction of performance measurement can be assessed by looking at how much interest there is, the type of debate which the information generates and the responses in terms of changes to process, activity or target as a result of information on the outputs and outcomes of existing practice.

Step-By-Step Guide

Introduction

This section gives a Step-by-Step Guide to setting performance measures and targets and gives detailed descriptions of the objectives and outputs of each step. A hypothetical worked example, based on Slope Safety and the Civil Engineering Department, is given for reference alongside each of the steps.

	Goal	Actions
Step 1	Identify objectives for your department or functional unit	◆ Agree the objectives to be pursued ◆ Answer the question “what are we aiming to achieve?”
Step 2	Translate objectives into activities	◆ Make decisions about actual processes and activities ◆ Answer the question “how are we going to achieve our objectives?”
Step 3	Identify performance measures	◆ Select the proposed measures to assess each of the objectives ◆ Answer the question “how are we going to measure our progress and achievements?” ◆ Make sure that we have a balanced and practical set of measures
Step 4	Set performance targets for the measures	◆ Identify which areas are suitable for target setting ◆ Answer the question “what level of performance do we aim to achieve?”
Step 5	Present data and prepare to implement measures	◆ Design presentation formats ◆ Develop and communicate a plan to implement performance measures ◆ Answer the question “how do we put the performance measures into practice and present them effectively?”
Step 6	Use the performance measures and monitor progress	◆ Undertake regular monitoring and progress reporting activities ◆ Take action in response to lessons from performance measurement information ◆ Answer the question “how do we make effective use of performance measures?”

Step 1 Identify the objectives of your department or functional unit

Purpose of this step

- To identify or formulate the departmental or divisional objectives for which you are responsible
- To ensure that all objectives are in line with the relevant policy objective(s) and key result areas

Background information needed

- Relevant policy objective booklets
- Annual Reports / Business Plan
- Vision and Mission statements (where available)
- Current budget and activity plans
- Controlling Officer's Reports

Who can help?

- Policy bureau
- Senior management
- Staff feedback on customer needs and requirements
- Customer and user feedback (for information on their needs and views)

How to approach this step

- Start by identifying which policy objectives your activities contribute to
- Ensure there is clear agreement about the contribution required from your department or unit
- Identify who else is involved in delivering this policy objective and consider how you interact with other contributors
- Consider whether your local objectives relate clearly to the desired policy objective outcomes. If not, review them
- Can you identify any internal objectives which are no longer required?

Tips, ideas and suggestions

- A good approach is to ask the question "what are we really trying to achieve?"
- An alternative is to ask "what would happen if we stopped our activities?"

Output

An agreed statement of departmental or divisional objectives, which are consistent with the related policy objective(s). These should be

- Specific in terms of "what" will be achieved
- Measurable in terms of the outputs or outcomes required
- Achievable and realistic (medium term)
- Include an indication of the timeframe for achievement
- Identify quality levels to be achieved
- Clear and unambiguous

Worked Example for Step 1

Policy Objective

Taken from Works Bureau policy objective booklet.

Policy Objective: Slope Safety for All
Lead Bureau: Works Bureau

Our policy objective is to meet Hong Kong's needs for the highest standards of slope safety by ensuring the safety of new slopes, enhancing the safety of existing slopes, promoting proper maintenance of slopes and providing public education, publicity and information services on slope safety.

Key Result Areas

Taken from Works Bureau policy objective booklet

Key Result Areas (KRAs) for Slope Safety Policy Objective

To ensure that this policy objective can be achieved, we must deliver results in a number of key areas, that is, we must:

KRA I	Improve slope safety standards, technology, and administrative and regulatory frameworks
KRA II	Ensure safety standards of new slopes
KRA III	Rectify substandard government slopes
KRA IV	Maintain all government man-made slopes
KRA V	Ensure that owners take responsibility for slope safety
KRA VI	Promote public awareness and response in slope safety through public education, publicity, information services and public warnings

Department Mission Statement

Taken from CED Annual Report

Mission Statement of CED

We will meet Hong Kong's needs for the highest standards and quality of services in slope safety, port development and land formation.

Department Objectives

Departmental Objective 1	To increase public safety by enhancing the stability of slopes and minimising the consequences of landslips in a cost-effective and cost-efficient manner.
Departmental Objective 2	To ensure availability of fill resources and mud disposal capacity in a cost-effective and environmentally effective way.

These objectives are derived from Programme 4: Slope Safety and Geotechnical Standards (as outlined in the Controlling Officer's Report)

Step 2 Translate objectives into activities to be undertaken

Purpose of this step

- To analyse the activities which you and your staff undertake to achieve each of the agreed objectives

Background information needed

- Agreed objectives (output of Step 1)
- Details of work plans, activities and capabilities
- Copy of the Controlling Officer's Report for information on existing programmes, activities, measures and targets
- Details from the PRS, which will give information about the policy related initiatives and agreed baseline activities to be delivered, and any existing performance measures to support them
- Details of activities undertaken in previous years for information on what is successful

Who can help?

- Colleagues with service delivery experience
- Colleagues with relevant technical expertise or knowledge
- Contacts in other departments who also contribute to this activity (if any)
- External specialists for new activity areas
- User groups and NGOs

How to approach this step

- Departments are already delivering activities which support objectives. The aim here is to analyse these and link them to objectives
- It is helpful to start by analysing the delivery process, which may well cut across traditional organisational boundaries
- Try to establish links between activities identified and the objectives
- Identify the factors which are critical and need to be controlled, understood and managed to ensure success

Tips, ideas and suggestions

- If you have a long list of activities, it may be helpful to re-analyse them at a summary level
- It may be possible for one activity to contribute towards more than one objective
- Involve people in other units or departments if they contribute to your working processes and activities. Objectives don't necessarily follow organisational boundaries

Output

An appropriate and manageable set of planned activities grouped into core processes against each objective. The activities should

- Cover all aspects of your unit's work
- Be clearly aligned to the objectives
- Taken together, be sufficient to achieve the objective

Worked Example for Step 2

Core Processes

Core processes for departmental objective 1 are:

PROCESS	KRA Reference
Set and revise slope safety standards, technology and administrative and regulatory frameworks	KRA I
Develop methods to measure efficiency and effectiveness of the Slope Safety System	KRA I
Check slopes as part of new development and input to land use planning	KRA II
Develop Landslip Preventive Measures strategy for pre-GEO man-made slopes	KRA III
Audit government slope maintenance systems and practice	KRA IV
Promote slope safety and ensure that owners take responsibility for slope safety	KRA V
Provide public education, publicity, and information services on slope safety, landslip warning and precautionary measures	KRA VI
Recommend clearance of squatter dwellings at risk from landslides	KRA VI
Provide emergency service	KRA VI

Critical Success Factors

Critical Success Factors for Objective 1

Quality of historical data and rigour of analysis

Technical capability and expertise availability

Inspection programme and effective landslide risk assessment methodologies

Early reference to GEO

Partnership working with government departments / HK Observatory / Geotechnical professionals / property management agencies / owners' corporations / community

Effective checking and detection of defects

Effective selection of slopes for further investigation

Throughput of slope investigation and upgrading work

Effectiveness of slope upgrading work

Effective public education on private slope maintenance

Effective emergency procedures / urgent repair methods

Effective landslip warning criteria and procedures

Effective public information dissemination processes and facilities

Step 3 Determine performance measures

Purpose of this step

- To identify performance measures to monitor progress towards the objectives

Background information needed

- Agreed objectives, activities and background information on critical success factors from previous steps
- Information about customer and staff needs from customer and staff feedback and performance evaluation processes
- Controlling Officer's Reports to inform decisions about target setting

Who can help?

- Colleagues
- Bureau contacts (to ensure that the measures meet their needs)
- Activity user groups
- Stakeholders who will use the results

How to approach this step

- Be careful not to choose too many measures, as this will confuse priorities and you will end up with too many performance targets
- Focus on what is important to measure in terms of relative contribution to achieving objectives rather than what's easy to measure
- Examine current performance and reporting information. Aim to select one set of measures that meets a host of reporting needs (eg to bureau, departmental management, LegCo etc)
- Consider the needs of all the various users of a service
- Aim to produce a balanced set of measures covering all the important aspects of performance
- Consider the practicality of collecting the data

Tips, ideas and suggestions

- Involve users, producers and line managers in the review process
- If it is impractical to use the ideal measures immediately, choose interim measures and plan how to collect the data
- It is preferable for performance measurement data to be drawn from the normal working processes and systems rather than requiring a special data collection exercise

Output

Balanced and practical set of performance measures to support the critical parts of each objective. These measures should

- Cover all four dimensions of measurement:
  - Contribution to the achievement of policy objectives and financial targets
  - Customers and their needs
  - The effectiveness of processes used
  - Continuous improvement in meeting the needs of the organisation and staff
- Be balanced between financial / non-financial, internal / external, objective / subjective and short term / long term

Worked Example for Step 3

Performance Measures

Customer dimension

Level of customer satisfaction

No. of complaints / compliments received

Time taken to respond to public requests / complaints

Level of public satisfaction with GEO

Level of public awareness of landslip warning and landslide hazard

Acceptance of data by scientific community

Usage rate of the GEO hotline and SIS

Level of user satisfaction with the GEO hotline and SIS

Objective dimension

% reduction in global risk

% success in prevention of major failure due to design defects in slopes checked by GEO

% success in prevention of major failure in slopes upgraded by GEO or upgraded as a result of DH order

% of failures investigated which identify a need for improvement in current standards or practices

% of major failures of known time which occurred when the landslip warning was not raised

Process dimension

No. of slopes investigated

No. of substandard government slopes upgraded

No. of DH Orders issued

% of departmental slope maintenance systems audited by GEO according to approved programme

% of corrective actions discharged within agreed timescales

% of slope owners who understand their maintenance responsibilities

% of private slopes surveyed and maintained to Geoguide 5

No. of squatter dwellings inspected

No. of squatter dwellings recommended for clearance on slope safety grounds

No. of technical guidance documents produced

No. of failures investigated

No. of serious incidents attended to

Average response time for serious incidents

% of public who understand the landslip warning

Organisation and staff dimension

% of staff trained to meet the required quality

Level of staff satisfaction on training

% of staff turnover

Availability of management / strategic information and measures

Availability of management / strategic skills in the organisation

Availability of IT systems and support

Step 4 Set performance targets for the measures

Objective of this step

- Identify all those measures for which it is appropriate to set targets
- Set measurable, challenging but achievable performance targets for all the key measures

Background information needed

- Agreed performance measures (from Step 3)
- Copy of policy objective booklet for this area of activity for information on targets and initiatives
- Copy of the Controlling Officer's Report for information on existing programmes, activities, measures and targets
- Details from the PRS and internal management information for details of previous year's performance and resource allocation for the current year
- Other business or operational plans which may contain possible targets

Who can help?

- Senior management colleagues, to agree priorities
- Managers and staff involved in the process of delivering the targeted level of performance to agree what is practical
- Bureau representatives to agree target levels and ensure co-ordination with policy objective statement

How to approach this step

- Think of targets as a proactive mechanism for managers to indicate the level of performance which the organisation aims to achieve, to motivate staff, and to provide a benchmark for assessing performance
- Decide which aspects of performance are appropriate for target setting
- Set targets for all measures unless there is a good reason not to
- Consider what level of performance was achieved in the past and consider whether you can improve on this
- Decide where it is inappropriate to set targets because it is not Government policy to intervene (eg the level of unemployment). This is unlikely to be an issue at operational level
- Where necessary, collect performance measurement data for a period to inform target setting

Tips, ideas and suggestions

- Targets communicate aspirations and standards to managers and staff. Consider the targets chosen and whether they send the right message
- Targets set should be stretching but achievable
- Targets should be specific and clearly defined to avoid problems of misinterpretation
- Check with colleagues that the target set is realistic and remember that this is not a negotiation but a management action in which motivation to accept ambitious targets has to be accompanied by supportive actions on the part of the management team
- Check with users of the information that the results will be useful
- Ensure that there is no conflict with other targets already set
- If organisations achieve targets 100% of the time, they are probably not setting challenging enough targets

Output

An agreed list of quantified, timebound performance targets for the coming year, which

- Are realistic, yet challenging, and will be useful in motivating performance improvements and greater efficiency
- Include the timescale and performance standard as well as the percentage or actual number to be achieved
- Provide useful information to managers and the users of the service

Worked Example for Step 4

Customer dimension	
Controlling Officer's Report CED Programme 4	To provide information about a slope within 10 days of application in 100% of cases in 1999
Objective dimension	
Overall progress against policy objective	To provide information about a slope within 10 days of application in 100% of cases in 1999
Overall progress against policy objective	To further reduce by end 2010 such risk to less than 25% of the risk in 1977
KRA II - Ensure safety standards of new slopes	Success rate of 99.8% in preventing major landslides in slopes checked as conforming to the current safety standard
KRA III - Rectify substandard government man-made slopes	99.8% success rate in preventing major landslides in upgraded government slopes
KRA IV - Maintain all government man-made slopes	50% of government slopes in an improved state of maintenance by September 2000
Process dimension	
KRA II - Improve slope safety standards	90% of new standards and guidelines completed within scheduled time
KRA III - Rectify substandard government man-made slopes	250 substandard slopes upgraded in the current year
KRA IV - Maintain all government man-made slopes	95% of government slopes having received a comprehensive inspection by a professional engineer on a five year cycle by September 2002
KRA V- Ensure that owners take responsibility for slope safety	300 private slopes to be subject to safety-screening in 1999 200 Dangerous Hillside Orders issued by Buildings Department on which remedial actions have been taken by private owners in 1999
KRA VI - Promote public awareness and response in slope safety	3800 squatter huts inspected and residents warned of potential danger in 1999
Organisation and staff dimension	
% of staff trained to meet the required competencies	Target to be considered
% of staff satisfied with training	Target to be considered
% of staff turnover	Target to be considered
IT systems and staff	All professional and technical staff have the necessary IT support to meet operational targets

Step 5 Present data and prepare to implement measures

Objective of this step

- To design and seek approval for reporting and presentation formats and timetables
- To develop an implementation plan to ensure a smooth introduction and production of the measures

Background information needed

- Outputs of all previous steps
- Information about internal management responsibilities and roles
- Timetables for other core internal processes such as budget deadlines and reporting times, staff appraisal, internal planning and external reporting requirements
- Examples of presentation formats opposite

Who can help?

- Senior management
- Managers responsible for collection of measurement information
- Information technology and finance division colleagues
- Potential users of the information to be produced (to ensure that it will meet their needs)

How to approach this step

- Consider what frequency would be most useful and what the various users really want to know
- Recognise that feedback should be frequent, timely, focused, highlight exceptions, be accessible and show comparative data
- Take into account requirements of other deadlines and reporting timetables to avoid duplication of effort
- Identify all the actions necessary to implement the improved performance measures
- Assign clear responsibilities
- Establish clear project management responsibility so that someone co-ordinates delivery of the implementation plan
- Focus on getting a working performance measurement and management process in place

Tips, ideas and suggestions

- Consult all potential users of the information to ensure that the proposed formats meet their needs and seek suggestions for formats
- It is worth spending time on presentation – well presented data communicates messages to managers
- Agree the format of the implementation plan to suit all users
- Consult everyone involved in implementation about the roles proposed for them
- Circulate the plan widely
- Integrate the plan into individual performance objectives

Output

Reporting formats which have been agreed with all those involved which are

- Easy to understand
- Practical to produce
- Effective in conveying the key messages
- Clear about responsibilities

Worked Example for Step 5

Summary and presentation

Reporting formats need to be carefully considered to ensure that they satisfy all user requirements. The key criteria for success are that the formats show a good range of useful information in a concise and meaningful way. Some suggestions for the kinds of summary formats that can be used are given below.

One page high level summary

This format selects the most important measures across the four categories and summarises the results against each in terms of whether actual performance met the targets set at the beginning of the year. A commentary section can be added at the end to explain any significant variances.

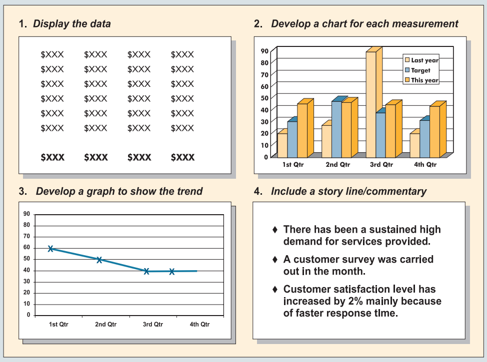
Multi-format reporting

This format uses a variety of diagrams and graphical forms to show some of the detailed performance measurement data. This is a good way of showing trends or highlights in performance which may not be seen so clearly in high level summary data.

Multi-layer format

This format enables you to distinguish between or highlight performance at different levels of the organisation. This is particularly useful where an activity is carried out in a number of locations or levels and can be used to compare efficiency and effectiveness between layers or locations. This can help to identify specific areas for more attention.

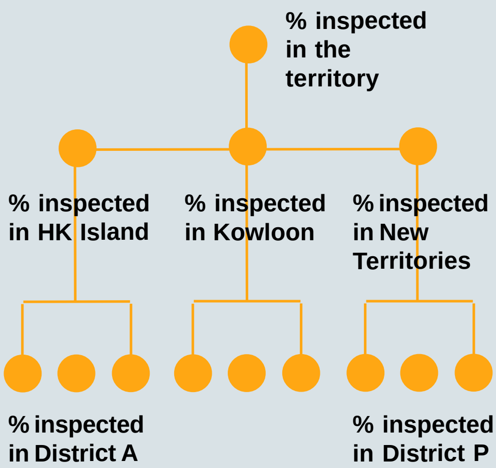
Multi-format Reporting



Exception Reporting

- ✓ = favourable variance (may require action to secure gains, spread success wider, raise targets)
- ↔ = within acceptance range (no action or comment required unless justified by trends)
- ✗ = unfavourable variance (must take corrective action to put performance back on track)
- ❍ = information not yet available (an indication on the timing of availability should be included)

Multi-layer Drill Down Format



Worked Example for Step 5 (continued)

A Hypothetical Example using CED as a Case Study

Departmental Objective (1) : To increase public safety by enhancing the stability of slopes and minimising the consequences of landslips in a cost-effective and efficient manner

Key Performance Measures	This Period			Year-to-Date			Forecast
	Actual	Target	Variance	Actual	Target	Variance	
Customer dimension							
Level of customer satisfaction	xx	xx	✓	xx	xx	✓	xx
Level of public awareness of landslip warning and landslide hazard	xx	xx	✓	xx	xx	✓	xx
Time taken to respond to public requests / complaints	xx	xx	↔	xx	xx	↔	xx
Objective dimension							
Level of reduction in global risk	xx	xx	↔	xx	xx	↔	xx
% prevention of major failure in slopes	xx	xx	✗	xx	xx	↔	xx
No. of substandard man-made slopes upgraded	xx	xx	✓	xx	xx	↔	xx
Level of change in landslip preventive actions taken by private owners	xx	xx	↔	xx	xx	↔	xx
Process dimension							
Efficiency of slope checking	xx	xx	✗	xx	xx	✗	xx
No. of substandard government slopes upgraded to the safety standard	xx	xx	✓	xx	xx	↔	xx
No. of government slopes maintained to Geoguide 5	xx	xx	↔	xx	xx	↔	xx
Accuracy of landslip warning	xx	xx	↔	xx	xx	↔	xx
Organisation and staff dimension							
% of staff trained to meet the required quality	xx	xx	↔	xx	xx	↔	xx
Availability of management / strategic information and measures	xx	xx	↔	xx	xx	↔	xx
Availability of IT systems and support	xx	xx	✓	xx	xx	✓	xx

Commentary on Performance :

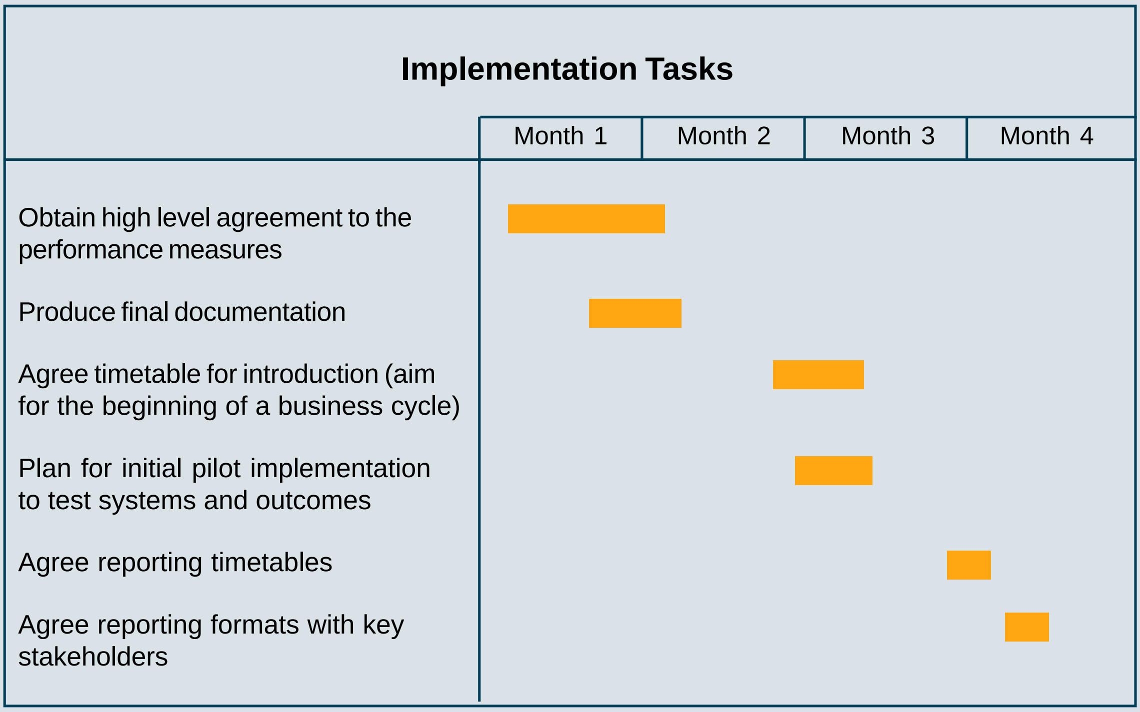
- Customer survey was carried out in this quarter. Customer satisfaction level has been increased by 2% mainly because of faster response time.
- The increase in no. of slopes upgraded was achieved through outsourcing.

Worked Example for Step 5 (Continued)

Typical Implementation Tasks

- Obtain high level agreement to the performance measures
- Produce final documentation
- Agree timetable for introduction (aim for the beginning of a business cycle)
- Plan for initial pilot implementation to test systems and outcomes
- Agree reporting timetables
- Agree reporting formats with key stakeholders
- Finalise monitoring plan
- Develop internal processes to meet reporting requirements
- Establish data collection methods
- Establish database and procure necessary software and hardware support
- Define clear roles and responsibilities for all levels
- Determine accountability for results
- Brief all staff on performance measures and their role
- Conduct training for key staff
- Provide help desk support
- Abandon any old measures which do not fit the new framework
- Monitor implementation
- Conduct post – implementation review

Typical format for an implementation plan



Step 6 Use the measures and monitor progress

Objective of this step

- To put the performance measures into action and use them as a management tool to monitor and report on performance and take corrective action where necessary

Background information needed

- Performance measurement reports
- Comments and feedback from producers of reports and users of the information
- Progress reports against implementation plan

Who can help?

- Senior management
- Colleagues
- Users of the performance measurement information

How to approach this step

- Check progress against implementation plan timetables
- Assess whether performance measurement information is being produced in line with the implementation plan
- Consider how the performance information has been used by stakeholders
- Examine the feedback received about the information
- Review whether the information meets the needs of all users
- Consider whether action is being taken as a result of performance information (either to change activities or processes or the measures themselves)

Tips, ideas and suggestions

- Test whether people are actively using the new measures and reports to manage their activities – if not, implementation has not succeeded yet
- Circulate ideas for improvement or any positive results from the reports

Output

- Working process for monitoring and managing performance
- Management interventions prompted by performance feedback
- Improved performance over time

Worked Example for Step 6

Monitoring Plan (Extract) - Increase public safety (1)

Performance measures adopted	Responsible officer	Monitoring timetable
Level of public awareness	Assistant Director	Annual survey
No. of slopes investigated / upgraded	Assistant Director	Quarterly data returns
No. of squatter huts inspected	Assistant Director	Monthly data returns
Level of staff satisfaction on training	Chief Training Officer	Annual review

Questions And Answers

Introduction

This section identifies and answers some of the most likely questions and queries which will arise as you work through the guide.

Are performance measures compulsory?

Defining and producing performance management information is an essential part of effective management. Although there is no universal required "system" with formal procedures, deadlines and sanctions, there are many situations where civil service managers must set and manage against performance measures and targets (such as policy objective booklets, Controlling Officer's Report and Quarterly Progress Review). It is hard to see how a manager could achieve the goal of managing for results without a robust performance measurement process.

Who should take ownership of the finished product?

Policy secretaries and department heads have responsibility for reporting performance against policy objectives, and all other departmental policies and programmes. There are some formal occasions for reporting, eg to LegCo and Star Chamber. However, the management of performance should be a core management process at all levels of Government and in all areas.

Even though the proposed measures will need to be agreed at senior management level, the responsibility for measuring performance extends to all civil service managers, and all staff should understand and support the process and be committed to the achievement of objectives.

How should I prepare?

A number of general considerations are important. These include:

- Gathering the necessary background information
- Finding the most appropriate people to contribute to the process (to spread the workload and ensure that you have all the information you need)
- Setting timetables and tasks for individuals
- Providing the necessary formats and documentation
- Agreeing reporting deadlines, frequency and formats with recipients.

Who can help?

You will benefit significantly both in terms of the efficiency of the process and the quality of the result if you seek the advice and help of others. The key is to find those people with first hand knowledge of the objectives you are aiming to achieve and the activities which will be carried out to meet them.

The choice of people to involve will vary according to your situation, but is likely to include:

- Bureau staff with policy development responsibility
- All other managers in your department including your line manager, programme managers, front-line service delivery staff and other division and service area managers
- Staff from bureaux or departments with related roles and responsibilities
- Your main customer or client groups

How do I choose what to measure?

The key is to measure what matters most and not spend a great deal of time measuring things which are not priority activities.

You should seek answers to the following questions:

- What are our core functions and services?
- What are our current priorities?
- What are our key financial, output, quality and efficiency measures?

The answers to these questions will provide the basis for the choice of measures.

What other information is needed?

There is a wide range of potential sources of relevant information. Some ideas have been listed in Appendix 1 for reference.

When do I start?

Performance measures and targets should be developed as part of the process of agreeing objectives and budgets in the course of the annual planning process in conjunction with management in the relevant bureaux and departments. The exact timing will depend on the context. The key dates in the annual cycle are the Chief Executive's Policy Address in October (and subsequent publication of Policy Objective Booklets) and the publication of the Annual Budget Estimates in March. Both of these deadlines provide a need to review performance and reconsider activities and outcomes.

Of course, in practice, many managers take the initiative at other times of the year to improve performance management. If you have missed these key dates for current year, there would be real benefit beginning the process now and cover a part year, rather than waiting until the beginning of the next cycle. Developing performance measures takes some time and often requires several iterations. Making an early start is a good idea.

How many measures should there be?

There is no definitive answer to the number required. This will depend on the level, complexity and scope of the activities.

As a rough guide, there should probably be a handful of measures for each objective. These should be spread across the four dimensions (customer, objective, process and staff) and should give coverage of financial, output, quality and efficiency factors.

What kind of reporting formats should I use?

There is no general prescribed format for reporting performance measurement information though documents such as the policy objective booklets and the Controlling Officer's Reports do specify formats. The key criteria to apply is to ensure that the formats chosen meet the needs of the people who will be using the information. The reports should be comprehensive in terms of providing a good picture of overall performance, but should also be easy to understand and not too heavy on detailed information.

Step 5 in the Step-by-Step Guide includes some ideas for reporting formats and some completed examples.

How do these measures relate to individual performance measurement?

These measures can be used as a basis for assigning individual objectives for staff. Each staff member has a role to play in the management of performance and the achievement of objectives.

How often should they be reviewed?

This will vary according to level. High level outcome based results will take some time to deliver whilst shorter term throughputs and outputs may change much more quickly. Generally senior teams will review performance less frequently than hands on front line management.

It is advisable to review performance on at least a quarterly basis to assess progress and results. The Quarterly Performance Review meetings between bureau and department representatives provide a useful opportunity for this to take place. This process will provide a basis for management to consider any necessary changes to activities throughout the year.

A more formal review process should take place once a year and provide the basis for new targets and measures.

How does this process relate to other initiatives such as TMP and EPP?

These programmes are part of the overall effort to improve the quality and efficiency of public services. TMP relates to the management of performance against the key policy objectives which the Government is following and EPP aims for improvements in productivity.

Where do we go if we need more help?

A list of ideas and contact points to resolve any further queries is given below, for reference.

Subject / Issue	Contact
Policy objective details	Lead Bureau
Financial data	Treasury
PRS	Efficiency Unit
TMP	Efficiency Unit
Technical queries	Efficiency Unit
Assistance with developing performance measures	Efficiency Unit / Management Services Agency

APPENDICES

Appendix 1 **Checklist of Information Sources**

Appendix 2 **Glossary of Terms**

Checklist of Information Sources

Introduction

You will need to obtain information from a number of other sources, both people and documents. The types of information required and the likely source are outlined in the table below.

INFORMATION REQUIRED	POTENTIAL SOURCE
Theory and best practice guidance	Best Practice Guide for Performance Measurement in Government (available in 'The PSR Forum' at www.info.gov.hk/eu)
Policy objective guidance	Relevant policy objective booklets
Links to other initiatives	TMP coordinators Targets for EPP
Department level objectives	Senior management and / or Programme Managers Controlling Officer's Report
Department level initiatives, baseline activities and programmes	Senior management and /or Programme Managers
Financial measures	Finance Bureau and departmental Finance Division
Detail of background information and ideas for specific measures	Colleagues responsible for each activity Information Technology division Finance division within your own department
Format of reports and documentation	Relevant policy bureaux Senior management Worked Example on pg. 23 Efficiency Unit (for advice)
Availability of necessary performance information	Information Technology division Other colleagues
Information technology requirements and support	Information Technology division Finance division

Glossary of Terms

Baseline Activities

The "business as usual" activities carried out day in day out to deliver services, generally by departments, which form the backbone of the effort to deliver the policy objective.

Continuous Improvement

The Government of the HKSAR has committed itself to the policy objective of achieving "Continuous improvement in public services". This is based on the view that there is always scope to improve the management and delivery of public services, and that managers and staff should be engaged in an on-going search for opportunities to improve the results achieved for the community. Performance measurement has an important part to play here by enabling managers to set stretching targets which motivate continuous improvement.

Economy

Achieving the maximum amount of resources of a given quality or specification for the minimum financial cost.

Efficiency

Achieving the maximum level of output for a given level of inputs.

Effectiveness

Maximising the extent to which objectives and desired outcomes are achieved.

Enhanced Productivity Programme (EPP)

EPP is a government wide initiative aiming to deliver improvements in financial efficiency in all areas of government spending by setting a targeted reduction on annual estimate expenditure of 5% over the three years from 2000/1 to 2003/4.

Fundamental Expenditure Reviews (FERs)

Part of the EPP, FERs are top down, policy driven reviews of a chosen policy objective led by the lead policy secretary with support from supporting bureaux and departments. The aim is to ensure that resources are effectively targeted towards the achievement of stated policy objectives and priorities. The FERs involve analysing the match between current activities and resources and the priorities stated in the policy objectives. In many ways the FERs are simply an accelerated implementation of the disciplines established by TMP.

Indicators

Chosen where we wish to monitor and perhaps seek to influence a particular measure, but it would be inappropriate to set a quantified target. The level of unemployment would be an example of this.

Initiatives

These are the specific steps taken by goverment to improve performance in a key result area and thus the overall policy objective.

Inputs

All the resources such as people, equipment, funding, which are required or consumed to enable the process to occur.

Key Result Areas (KRAs)

Key result areas describe the key elements in the delivery process, or the things that must be got right, to achieve each policy objective.

Lag measures

A lag measure is based on past trends and performance. It measures existing or previous activities and provides information about what has happened in the past. For example, it may look at the results of a programme over the previous five years to demonstrate whether performance is improving or declining. Often measures of outcomes are lag measures. Lag measures are therefore important, but they can take some time to provide useful information for managers.

Lead measures

A lead measure gives early warning of likely trends in future performance. Often lead indicators are more concerned with processes than results, but they have the advantage of allowing managers to act before poor results occur. Thus speed of completing preparatory work on an application may be a lead indicator for the overall time taken to consider applications and thus customer satisfaction. Managers alerted to delays in preparatory work may be able to tackle them before customers become dissatisfied.

Measures

The actual metric or number chosen to assess performance, for example, the number of cases handled or the speed of response. Measures should be chosen as a result of consideration of what it is important to manage and should focus on the key objectives, processes and activities of the organisation.

Mission

A department's mission is its statement of purpose, and of what it must do to achieve is vision.

Outputs

The end results of a process from a customer's perspective, which are produced by a particular government body, for example, a licence approval or a public housing development.

Outcomes

Relates to the ultimate effect or impact of a process for the community.

Performance Management

A management process which takes the outcome of performance measurement and uses it to analyse current performance against target and drive future improvements in performance. Performance management is an important element in the overall management process for planning and delivering services.

Performance Measurement

The process of selecting key aspects of performance to measure, developing measures, and collecting information on actual performance. Performance measurement is an important element in performance management.

Performance Review System (PRS)

The PRS is a computer based system which supports the TMP. The system is designed to hold performance information on results achieved and progress to date on Policy Objectives, Key Result Areas, Initiatives and Baseline Activities. It also indicates the roles and responsibilities of bureaux and departments. Responsibility for updating the information in the system is assigned to appropriate officers throughout the administration. Used properly the PRS provides structured up-to-date performance information.

Programme Management System

An approach introduced by the Government in the early 1990s whereby departments analysed their activities in terms of one or more programmes. Each programme is supported by activities. Taken together the programmes and activities should embrace everything a department does. Departments report on their performance and progress in achieving the objectives of their programmes in their Controlling Officer's Reports and during the Quarterly Performance Review. TMP and the Policy Objectives do not replace the programme management system, but they do provide greater clarity about the top down objectives and priorities for departments.

Policy Objectives

Policy objectives set out the overall results to be achieved by the relevant policies and programmes. They focus on the high level outcomes to be delivered for the community. These are developed and reviewed by policy bureau each year and published at the time of the Chief Executive's Policy Address.

Target-based Management Process (TMP)

A management tool which requires bureaux and departments to define clear objectives and publish quantified targets for achievement. This is supported by allocating clear roles and responsibilities for service delivery, management and reporting of results and by the establishment of a clear link between resources used and results achieved.

Targets

Targets are set where it is possible to specify a quantified level of performance which the Government wishes to achieve, for example, at least a given number of cases handled or no slower than a specified speed of response.

Throughputs

The amount of resources including elapsed time taken involved in passing through the process.

Vision

A department's vision is its statement about the future and the department's place in it. Above all, a vision should inspire.