

PUBLIC SECTOR PERFORMANCE 2001

Tailor-making the market's Balanced Scorecard for the Public Sector

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Te Kaunihera o
MANUKAU
City Council

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Tailor-making the market's Balanced Scorecard for the Public Sector At Manukau City Council

1.0 INTRODUCTION

1.1 Background

Manukau City Council is still in the early stages of measuring its performance in an organised, meaningful way. And like most organisations we try to find ways to link and align long-term strategy with short-term actions and to link individual efforts and accomplishments to organisational objectives.

The approach at Manukau City Council began with using a model borrowed from the private sector. This was initially aimed at measuring operational efficiency. The model was then modified to facilitate an organisation that is now focussing more and more on its strategic direction – the model is the Balanced Scorecard.

1.2 This Presentation

To provide a context, the presentation begins with reference to the operating environment of Manukau City Council. The questions phrased in the promotional document will be addressed in a variety of ways. Those around use of market/profit driven models will be addressed through looking at the principles underpinning the Balanced Scorecard, and their fit within a public sector context. The Scorecard 'fit' is approached through looking at the path that Manukau City Council has taken in its Scorecard development, this also includes links to citizen and customer outcomes. The presentation moves along by providing an overview of problems encountered, positive outcomes achieved, lessons learned, and challenges for the future. The concluding slides answer the question: can the model work elsewhere?

1.3 The City

The area over which Manukau City Council exercises its governance role has a land area of over 500 square kilometres and a population of over 280,000 (2001 census). This makes it the third largest city in New Zealand by land area and population. At the current rapid rate of growth the population is expected to grow by some 50,000 in the next 10 – 15 years.

Around 51% of residents are non-European heritage and over 43% of residents are under the age of 25. This ethnic mix, of 145 different cultures, the growing and youthful population and the commercial, industrial and rural activity, calls for a unique approach to the governance of the City.

It calls for an approach that ensures this diversity is understood and catered for to facilitate wellbeing of residents, and that the rapid growth is managed in a sustainable manner.

To ensure this, we needed to gather information about our stakeholder expected outcomes, plan to address these, monitor progress and organise to address anomalies.

1.4 The Voice of the Stakeholder

In its governance role, Manukau City Council in 1993, facilitated a strategic direction for the city. To achieve this, we went out to the community with a blank piece of paper to ask people what they wanted their City or community to look like in ten years time. This identified change drivers and a vision for the city that had a major impact on Council over the ensuing period. Council sought to align this community feedback into a citywide vision for the development of Manukau, and of its own role.

Now 8 years on, the city direction is being reviewed using a broad consultation process called '*Tomorrow's Manukau – A Vision for Manukau into the Future*'. This will also have a huge impact on Council direction.

Tomorrow's Manukau is a key document that forms part of the strategic context in which Council operates and informs the top level strategies and policies of Council.

Stakeholders are telling us what is important to them, for example transportation, the need for waste to be managed, that they want the image of the city cleaned up and so on. These are the things that are important to citizens and therefore should be considered important to council. They are the key drivers that influence Council strategic direction and performance measurement.

2.0 PERFORMANCE MANAGEMENT CULTURE

To help develop a focus on achieving citizen's outcomes a strategic planning philosophy was introduced in 1996. This showed how city direction would be expected to link to the work of Council. Our vision, mission, strategic priorities, strategies and policies are then driven from this. These strategies and policies therefore help translate the vision into action

2.1 Strategic Planning Philosophy and Framework

The philosophy was shaped when elected members of Manukau City Council expressed a need to be able to:

- know where they could make a difference,
- know how they could make a difference and,
- be in a position to know when they have made a difference.

Through this, management recognised that **prioritisation, planning** and **measurement** needed to occur in order to facilitate a response to councillor & community expectations. These concepts then became the underpinning philosophy to strategic planning in the organisation.

To activate this philosophy a Strategic Planning Framework was then developed. This identified the major steps and processes contributing to translating City outcomes into organisational action. The framework shows how feedback from stakeholders shapes City direction. This then helps shape Council strategic priorities.

The task then was to develop process to implement these concepts – the Balanced Scorecard approach was the tool selected to do this.

3.0 THE SCORECARD

3.1 The Market Model Scorecard - Financially Driven

Kaplan & Norton, two Americans, came up with the Balanced Scorecard over 10 years ago. For those interested, you can read about their work in:

- HBR Jan-Feb 1992
- HBR Sept-Oct 1993
- HBR Jan-Feb 1996
- The book - The Balanced Scorecard (1996) and a more recently published version of this.

The traditional business Scorecard concept is one where planning and measurement is conducted from four perspectives:

- How do we look to our "owners"/Shareholders? i.e. the **financial perspective**.
- How do Customers see us? i.e. the **customer perspective**
- What processes must we excel at? i.e. a **business process perspective**

- How do staff see things? How can we improve and create value? i.e. a staff **innovation and learning perspective**.

The general idea is that informed by your business strategy, you identify objectives and measures from each of these perspectives. This helps identify the organisational resources and performance drivers required achieving the strategy.

3.2 Key Principle

The traditional business Scorecard is focussed on achieving financial results as the key strategy. However the principle is that you measure your business success on a balanced approach of all four perspectives (not just from a 'bottom-line' financial perspective).

A well-planned Scorecard can also show how activity links. It does this in two ways - it facilitates links between activity at the micro level to strategies at the macro level, and it can also show the link between different parts of the organisation.

At Manukau City Council the linkages are continually strengthened and are promising to be very powerful in being able to focus organisational effort. Scorecards are being developed at:

- a strategic level (the Council elected arm and senior management),
- tactical level (managers and teams in the policy specification function),
- operational level (managers and staff in the service delivery function),

This linking principle fits a public sector perspective

Knowing this, it seemed a suitable tool to develop an efficient, effective, customer focussed Council.

4.0 OUR PATH

4.1 The Beginning

The Structure of Council is one that consists of two primary functions - the policy/purchasing function and the service delivery function that is the operational arm of Council. The Scorecard was first introduced in 1996 into our service delivery function called Manukau City Services. The initial City Services 'Success Scorecard' was developed over 19 months in the period April 1996 to October 1997. During this time, intensive activity took place resulting in:

1. Establishment of Goal Teams that:
 - Started work on issues in August 1996
 - Identified goals and measures in November 1996
 - Published an initial Group Scoreboard in March 1997
 - Introduced Scorecards for each business unit in October 1997
2. The four Scorecard perspectives were agreed. These were:
 - Financial ,
 - Customer,
 - Business Process,
 - Staff Learning and Development

4.2 A 'Business-like' Council

Council wanted its service delivery arm to become more 'business like'. So to achieve this, three business strategies were determined. These were:

- Operational Productivity and Capability
- Core competencies and Team Development
- Strategic Direction and Positioning

These business strategies reflected what the City Services Group was working to achieve, and upon which each of the perspectives of Financial, Customer, Business Process and Staff Learning and Development align. Key performance indicators (both the measure and the target) for each business were then negotiated and on a quarterly basis a group-wide review was carried out led by the City Manager, to get the best indicators.

The Success Scorecard was at that time, very operational in focus and was in fact 'business like'. In this model, the traditional Balanced Scorecard has proved very effective in terms of use in the public sector, to improve efficiency, productivity and customer service.

Although the City Services Scorecard has been and still is, very successful, the one drawback is that it did not at that time, align cleanly to the organisation's strategic priorities and hence the city outcomes, such as improving transportation or reducing waste in the city.

5.0 THE MANUKAU CITY COUNCIL SCORECARD

Knowing this, we then looked at what tools a public sector organisation could utilise to address our Strategic Planning Philosophy related to **prioritising, planning and measuring**.

5.1 On Prioritisation...can it help focus on the important things?

Kaplan and Norton, when devising the Scorecard model proposed that a 'cause and effect' impact could be captured in a Scorecard. The key principle being that to improve financial prosperity an organisation needs to improve its responses to customers, and to do this requires sound business processes which are then dependant upon the degree of collective organisational learning that can be brought to bear on those processes. The success or otherwise of one, being largely subject to successful results of the other.

This principle fits a public sector organisation.

5.2 On Planning... can it help turn strategy into action?

The Scorecard methodology seeks to identify the organisational strategies required to reach a vision and mission and in doing this it helps formulate strategic position.

This same approach has been employed at Manukau City Council where identification of Scorecard perspectives, the strategic priorities and the specific actions to be undertaken to achieve these have been recorded in the Scorecard.

The underlying principle once again, fits the public sector.

5.3 On Measurement... can it show progress to the strategic direction of the City?

When developing a Scorecard, measures of progress related to initiatives and strategies are identified. These should show links to activity and should be easily monitored. A good measurement process enables problem solving during activity, enabling interventions to address poor performance where necessary. This area is still particularly difficult at Council where much of the sought after results are hard to measure.

At Manukau City Council we now start with the Citizen and Customer perspective, then ask how financials can help achieve citizen and customer outcomes, how business process contributes to good financial outcomes and how staff innovation and learning contributes to good business processes.

This therefore takes the business model and modifies it to achieve our Strategic Planning Philosophy and Framework.

6.0 BUILDING UP THE COUNCIL STRATEGIC SCORECARD

6.1 Annual Planning

The key was having the scorecard approach part of the regular Annual Planning process. By doing this, several positive results emerged that saw the strategic Scorecard used:

- To facilitate Elected Member decisions on priorities and direction,
- As the methodology for determining Annual Plan objectives,
- To develop measures for those objectives,
- To provide a focus on internal resources, ensuring these were lined up to Strategic objectives,
- To help align organisational effort with City outcomes

The Balanced Scorecard was originally a performance measurement tool for measuring efficiency, it now provides a tool to facilitate being both 'business-like' & 'strategy focussed'

This year we are making a scorecard link to the Service Level Agreements (SLA) these are the contracts between the purchasing function and the service delivery function of Council. This should then show clear linkages to the City Services Scoreboard and individual staff objectives

6.2 The Path is not Smooth

Council is still struggling with the strategic scorecard. This is because of the relevance given to the Citizen and Customer perspective (Council's 'profit' line). Outcomes in this area (such as city image) are notoriously difficult to measure if accountability for results is to be assigned.

The biggest hurdle to overcome is that the strategic scorecard is still not yet fully embedded as a part of the organisational culture regardless of proven success at the operational level.

Each of Council's business units have or are developing, a 'unit scorecard'. This is supported by 'team scorecards' at the next level, which flow or cascade into them. However it is difficult to align through to team level, more work is being done on this.

Some team level measures seemed to duplicate at the unit level and it has been necessary to clearly define at which level, performance was being measured.

Collecting some data meant new systems, i.e. the introduction of a time costing system. Overall, data management (collection, storage and retrieval) has been one of the most difficult aspects – although this would happen with any measurement project. Developing technological systems will assist this.

Choosing the critical few measures to be included in the scorecard has meant a careful examination of all the data that was being collected. We clearly had to focus on what was of greater strategic importance to our goals and objectives.

6.4 The Positives

There have been many positives in using the Scorecard. For example:

- Improved reporting - A high standard of quarterly reporting to the City Manager, Directors and Managers has been achieved. Team Leaders and Staff systematically sharing information and results has helped this.
- Improved communication - A major achievement has been to develop a way to compare and aggregate results group wide, across all service delivery units.
- Removal of duplication – The sharing of results and measures has helped remove doubling up.
- Identifying causes which drive results - We have been able to translate "what is important" and "what are meaningful and appropriate measures" to support the business strategy.
- Staff sharing & analysing - This has been empowering and helps staff identify their contribution to Council and City direction.

- Managers working across boundaries – This has helped identify priority areas and measurement techniques.
- Greater understanding of citizen, customer, and community outcomes - Service delivery Managers and policy specifiers are working more closely to introduce improved links to community, economic and environmental outcomes that we can measure and report against.
- Council is now 'business-like' & 'strategy focussed'

6.5 Continuing to Build a Strategy Focussed Organisation

Tomorrow's Manukau - a strategic direction for the city, includes long-term measures and targets. The challenge for us is to build a close alignment between the city targets and councils scorecard targets. To really "make a difference" the strategic targets have to be closely linked, with internal organisational effort lined up to deliver on those targets.

Given all of this, we need to be planning strategy that provides direction, yet is flexible enough to accommodate the dynamic environment of public sector

7.0 WHAT HAVE WE LEARNED?

The process is ongoing, however so far we have learned more about:

- how a market model can be adapted
- the significance of having the 'citizen & customer' perspective as your primary focus rather than a 'financial' perspective
- the importance of having a strategic perspective that underpins a measurement program
- the need for commitment and leadership at all levels
- making the scorecard work at the operational level with an emphasis on measurement
- the value of using the scorecard methodology at the strategic level with an emphasis on planning and strategic direction
- the value of leading and lagging indicators and their impact on each other - cause and effect.

8.0 CHALLENGES FOR THE FUTURE

8.1 Legislative and Environmental Pressures

The operating environment for local government is a dynamic one. Currently the Local Government Act requires that Councils consult, bringing a focus on citizen outcomes. The Act is currently under review and I believe will put an even greater focus on planning for citizens and communities. This creates tremendous challenges in such a vibrant, diverse and unique city as Manukau and will always test our planning and prioritisation processes. The Auditor General specifies the way local authorities report. This is currently undergoing change and will impact on our measures and reporting procedures and the way we express our strategic direction (should see more of an outcome focus).

The Resource Management Act (also under review) continues to impact on the way Council measures, reports and strategizes its way forward. The requirement to measure the state of the environment means for example, we have measures for the natural environment that would ideally also be linked to councils strategic Scorecard.

The scorecard in its role as a strategic planning and prioritisation tool must be able to cope with this.

8.2 Citizen Expectations

There has been a reliance on customer satisfaction surveys over the past three years. However, Council is now moving to a more focused individual relationship with its citizens, customers and community. The

surveys should be asking - how good is our relationship, what can we do to add value, what is the “best imaginable service” you could receive from us?

8.3 Linking Individual Performance Objectives to Team and Unit Scorecards

The performance of all staff is measured on an individual basis through a ‘Managing for Performance’ system. This system uses a series of objectives to measure performance and includes a competency gap analysis and training plan for each person. Each objective needs to be linked to outcomes divided into the four quadrants of the balanced scorecard.

8.4 Keeping a Focus on Measuring Outcomes

Targets across units need to be aligned to enable credible reporting at the strategic outcome level rather than just a series of outputs.

Given all of this, we need to be planning strategy that provides direction, yet is flexible enough to withstand the dynamic environment that is the public sector.

9.0 CAN IT WORK?

YES YES YES - I recommend it.

In summary, the key attributes of the Balanced Scorecard methodology match the Strategic Planning Philosophy of Council by providing a focus on planning, prioritisation and measurement. This ensures:

- Implementation of the Strategic Planning Framework and reinforces a performance culture.
- Encourages a focus on outcomes,
- Encourages a focus on efficiency and customer value.

Having said that, it is important to clearly identify your purpose in considering the Balanced Scorecard in the public sector, or indeed when implementing any other ‘market driven’ tool. It is the unique purpose of the project that will identify the best tool to deliver what you are seeking.

Be mindful of the pros and cons of the market tool you are considering. For example, the Scorecard in its market form was great for Manukau City Service in its efforts to be more business-like, but did not serve to fulfil broader community outcomes.

Look for the key principles that underpin the model you are considering. If the principles are a good match then you can probably adapt the model for the public sector.

And - don’t be afraid to break the rules!

In closing - Manukau City Council’s experience of the Balanced Scorecard commenced as an exercise in measuring service delivery unit performance. However, within a year or so, this developed into business strategy and analysis to achieve targets. The Council Strategic scorecard has also developed to align organisational effort with community outcomes. Our challenge is now to link them together in a way that can add value to our citizens, customers and community