

# The Ideal of Performance Measurement

Implicit in the government reports and the secondary literature promoting performance measurement is an image of an 'ideal' system. The key features of this ideal system are as follows. (See **Exhibit 2**.) It gives most attention to impacts or outcomes, not just to descriptions of activities and to volumes of outputs. It employs a focused, manageable and cost-effective set of measures. The measures are valid, clear, consistent, comparable, and controllable, in the sense that they measure matters over which the organisation has control. The measures must also be relevant, meaningful and informative to the leaders/funders of the organisation. Evidence from the system must be presented in a balanced, comprehensive, and understandable and credible fashion. The performance measurement system is embedded in the organisation, it is linked to other key activities like planning and budgeting, it is a source of intelligence which guides decision-making on a regular basis and it is an institutionalised part of the culture of the organisation to which people throughout the organisation are committed. This image of the ideal performance measurement system represents an aspirational statement rather than a description of what is. Most systems fall far short of the ideal, which may represent a destination that is never reached because of the problematic and controversial nature of the whole enterprise. There needs to be more realism in the discussions of the potential and the problems of applying the performance measurement approach to the public sector.

## **Exhibit 2 — The 'Ideal' Performance Measurement System — A Destination Never Reached**

- It has clearly defined purposes and uses.
- It focuses on outcomes, not just on inputs and outputs.
- It employs a limited, cost effective set of measures.
- It uses measures which are valid, reliable, consistent, comparable and controllable.
- It produces information which is relevant, meaningful, balanced and valued by the leaders/funders of the organisation.
- It is integrated with the planning and budgetary processes.
- It is embedded in the organisation, is stable and is widely understood and supported.

In somewhat less abstract terms, the Canadian Comprehensive Auditing Foundation (CCAF) has developed nine principles 'to provide direction for future advances in performance reporting in Canada.'<sup>1</sup> **Exhibit 3** presents the nine

principles. According to the CCAF, the principles 'reflect a unique integration of the differing perspectives of legislators, managers and auditors — three groups with an important stake in public performance reporting.'<sup>2</sup> The first five principles provide guidance about **what** governments should report, while the remaining four relate to **how** governments report. The principles 'start out as ideals, the ceiling that reporting aspires to reach', but over time they become 'standards, the floor below which reporting may not sink.'<sup>3</sup> Taken as a set, the nine principles are meant to provide a framework for performance reporting. The CCAF recognises that there are obstacles to applying the principles, that different governments and individual organisations within them will have greater or less difficulty in applying the principles, and that organisations will be at varying stages of readiness to apply the principles.

### **Exhibit 3 — Nine Principles of Better Performance Reporting**

1. Focus on the few critical aspects of performance.
2. Look forward as well as back.
3. Explain key risk considerations.
4. Explain key capacity considerations.
5. Explain other factors critical to performance.
6. Integrate financial and non-financial information.
7. Provide comparative information.
8. Present credible information, fairly interpreted.
9. Disclose the basis for reporting.

Canadian Comprehensive Auditing Foundation, Reporting Principles: Taking Public Performance Reporting to a New Level. Ottawa, 2002.

There is much that is sensible and realistic in the CCAF's principles and the discussion of their implementation. Because the CCAF report focuses on performance reporting, a great deal of attention is paid to the communications requirements for building a sound performance measurement system. There is a recognition of the need for leadership and communication to gain understanding, acceptance and legitimacy for the system with employees of the organisation, and with other stakeholders. There is a recognition of the need to tell the 'performance story' and not become too mesmerised by the numbers themselves. Developing a strategic communications approach to performance reporting is discussed later in this paper. Suffice to say at this point, that formal performance reporting is only one window through which internal and external audiences will gain information and form impressions about performance. To call for more and better reporting assumes that the relevant audiences will read the documents and use them to judge performance. There is evidence to be

discussed later, which suggests this optimistic assumption does not apply for all audiences at all times.

## ENDNOTES

<sup>1</sup> Canadian Comprehensive Auditing foundation. *Reporting Principles: Taking Public Performance Reporting to a New Level*. Ottawa: CCAF-FCVI inc. 2002. p.3.

<sup>2</sup> *Ibid.* p. 3.

<sup>3</sup> *Ibid.* p. 17.