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# Performance Measurement and Reporting in the City of Lethbridge

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A Case Study

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# TABLE OF CONTENTS

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TABLE OF CONTENTS .....	1
EXECUTIVE SUMMARY .....	2
INTRODUCTION .....	5
BACKGROUND .....	7
CONCEPTUAL FRAMEWORK .....	32
METHODOLOGY .....	32
FINDINGS .....	43
RECOMMENDATIONS .....	72
CONCLUSION .....	76
APPENDICES .....	78
REFERENCES .....	96

# EXECUTIVE SUMMARY

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**This chapter provides an overview of the key research questions, the methodology used to address the key research questions and its findings, and a summary of the recommendations flowing from the findings.**

Citizens expect good value for their money. Providing an account for public spending is necessary to maintain public trust, a key value in all levels of government. However, unlike the private sector where profit and shareholder value is a clear goal, operational efficiency and effectiveness in the public sector can be difficult to demonstrate.

The literature suggests performance measurement and performance reporting are useful processes in this respect. Performance information is used for supporting decision making, monitoring performance, and improving accountability. The performance data must be credible and relevant to the users to be useful.

Performance measurement and performance reporting are conducted on a voluntary basis within the business units of the City of Lethbridge. The degree to which these processes are adopted across the organization varies. Mr. Bryan Horrocks, City Manager (retired), expressed an interest in exploring whether these processes could be used to improve the communication of organizational performance to City Council and the citizens of Lethbridge.

## **Key Research Questions**

This voluntary approach to performance measurement and reporting raises a number of important questions for this organization that this report attempts to answer. With respect to the City of Lethbridge, the questions considered in this research are as follows:

1. How is performance currently measured and reported?
2. How are business unit managers and members of Council using performance information?
3. What are the barriers to performance measurement and performance reporting?
4. How can the processes of performance measurement and performance reporting be improved?

The case study methodology used to address these questions included face-to-face interviews with business unit managers and members of

City Council and a documentation review. The interviews consisted of a series of close- and open-ended questions yielding large amounts of quantitative and qualitative data. A number of the questions asked both study groups were identical, offering a unique opportunity to compare the similarities and differences between the two groups of political and administrative local government officials.

## **Findings**

*How is performance currently measured and reported?* Different combinations of players are involved in the identifying and updating measures, monitoring performance, and developing performance reports. The frequency of reporting varies. Members of Council are mixed in their opinion the adequacy of the current level of reporting.

*How are business unit managers and members of Council using performance information?* The findings confirm that business unit managers and members of Council use performance information somewhat differently. The most significant difference in their responses was the perceived use of performance data to report to the citizenry. Most of the participants from both groups viewed performance data most useful for supporting budget decisions.

*What are the barriers to performance measurement and performance reporting?* The principal barrier to performance measurement and reporting as indicated by the business unit managers was the lack of staff capacity to capture and report information. The performance data reviewed by the participants is considered to be credible and relevant. The majority of the Council members and business unit managers do not consider reporting negative consequences a significant risk.

*How can the processes of performance measurement and performance reporting be improved?* Business unit managers identified additional training or direct support was required; City Council participants suggested the reporting should provide greater context, be less technical, and be reported in a consistent format.

Business unit managers suggested that it would be useful for Leaders to validate the relevancy of the reported measures. They also suggested that it would be useful for City Council to establish policy around levels of service where possible to facilitate the comparison between the current and desired level of service. Most participants from both groups agreed that the direct participation of the citizenry in the development of performance measures and performance reports would not improve these processes

## **Recommendations**

The following recommendations are presented for the consideration of City Council, Leaders, and the business unit managers:

1. *Clarify City Council's Expectations Regarding Performance Measurement and Reporting*
2. *Provide Some Feedback to Business Unit Managers Regarding the Relevancy of Their Business Unit's Performance Measures*
3. *Support a Change in the Organizational Culture*
4. *Adequately Resource Business Units To Sustain Performance Measurement*
5. Increase Training in Performance Measurement and Reporting
6. Where Possible, Standardize the Performance Reporting Process

In summary, this report provides a detailed description of the current activities with respect to performance measurement and reporting in the City of Lethbridge. The findings highlight the differences and similarities between how elected officials and administrative staff use performance information in the City. The findings also draw attention to a number of barriers and key issues that make it difficult to measure performance and may limit the usefulness of the information that is generated by these activities. The recommendations offered above address these issues. Ideally, the implementation of the recommendations will expand the opportunities for the City to report its performance and highlight the achievements of City Council for the citizens of Lethbridge.

# INTRODUCTION

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**This chapter offers the rationale for conducting this project and a summary of the deliverables.**

“Good value for money”. Local government officials are acutely aware that citizens expect it. In Canada, local governments are accountable for billions of dollars of public expenditures annually. This level of government delivers an array of services that have a direct impact on the day-to-day activities of their citizens. The devolution of Provincial and Federal Government services has left local government responsible for the direct delivery of government’s “most tangible public goods” (Brodie, 1999).

Several issues contribute to the complexity and challenges associated with the direct delivery of programs and services within the local government environment. Trends towards urbanization in Canada add pressure on local governments to maintain these programs and services. Local government officials are required to balance the resulting increase in demand for programs and services with a low tolerance for increases in taxation. To complicate matters, the scarce resources must be prioritized in an environment where the interests of citizens are often divided.

As a result, the need to support innovation and communicate “good value” to citizens is apparent. Providing an account for public spending is necessary to maintain public trust, a key value in all levels of government. However, unlike the private sector where profit and shareholder value is a clear goal, operational efficiency and effectiveness in the public sector can be difficult to demonstrate. Goals are frequently changed and outcomes are not easily quantified.

The literature suggests performance measurement and reporting can be useful tools for improving the delivery of services and enhancing accountability relationships in local government. Both processes have proven to be relatively robust models over the course of the last century. However, performance measurement does not ensure good performance. The performance information generated must be credible and relevant to be useful, and clearly, it is not the only factor influencing decision-making in local government.

This report explores whether performance measurement and performance reporting are useful processes in the City of Lethbridge. Specifically, the report provides a detailed description of the current activities associated with performance measurement and reporting within the City. Additionally, the report captures the attitudes and opinions of the members of City Council and Business Unit Managers regarding their use of performance information. What makes this study unique is the opportunity to compare the views of managers

(the suppliers of performance information) with the views of City Council members (the intended users of the performance information).

The report also identifies the barriers to performance measurement and performance reporting as well as opportunities to enhance these processes based on the responses of the participants. At present, performance measurement and reporting is not a mandatory feature of governance in the City of Lethbridge. The views of key stakeholders can speak to the prospects for performance measurement and reporting into the future. The following chapter discusses some features of the City of Lethbridge and introduces the rationale for conducting this project.

## BACKGROUND

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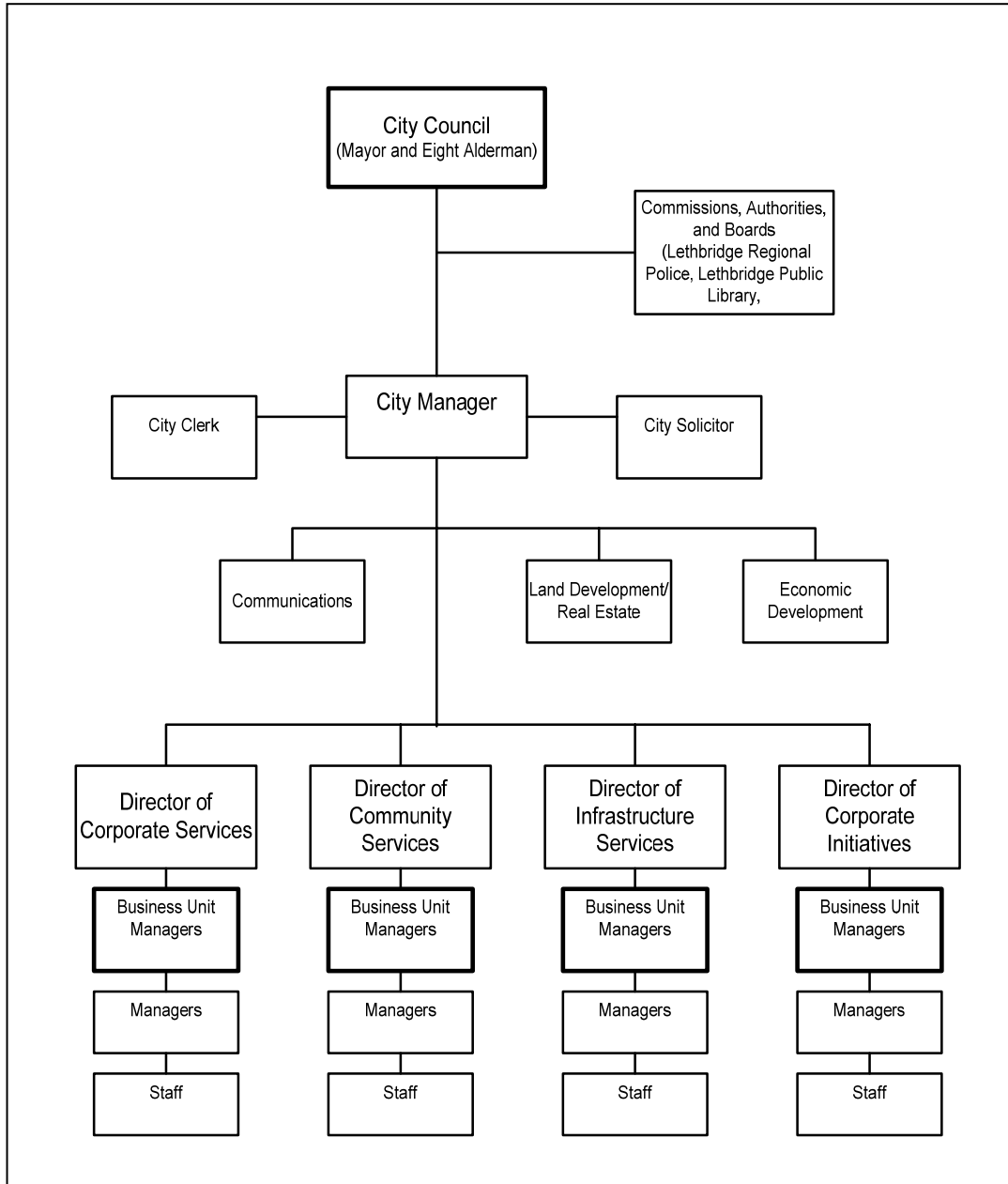
**This chapter of the report provides an overview of the City of Lethbridge and its structure, as well as the rationale for conducting this study.**

Lethbridge is a mid-sized city located in southern Alberta, with a current population of 83,960. Like most municipalities, the City of Lethbridge provides a broad range of services and programs. These programs and services have a direct impact on the lives of the citizens of Lethbridge on a daily basis. The resources necessary to deliver these services are substantial. The City of Lethbridge employs approximately 1400 full-time and part-time staff, and has an annual operating budget of \$232 million (City of Lethbridge Preliminary Operating Budget, 2009-2011).

Governance is provided through a council-manager structure (see Figure 1.). City Council and the position of city manager are established under, and empowered by, the *Municipal Government Act of Alberta, M-26, RSA 2000*. The nine person Council consists of the Mayor and eight Aldermen. City Council provides direction to the Leaders team, and is politically accountable for establishing levels of service and the overall fiscal performance of the City of Lethbridge.

The City Manager is responsible for providing leadership to the organization under the direction of City Council. The City Administration is composed of a several layers of management. A team of senior managers, or family “leaders”, consisting of the Treasurer, the Director of Community Services, the Infrastructure Steward, and the Director of Corporate Initiatives, assist the City Manager in directing the activities of the organization and developing corporate policy (see Figure 1.). Each of these senior managers leads a “family” of business unit managers, who are responsible for the daily operations of their respective departments. The mid-level managers supervise these activities within the larger business units.

Unexpectedly high rates of population growth and an expanding community footprint are creating fiscal pressures in Lethbridge. The employee base of the City has experienced considerable expansion in attempts to maintain services while keeping pace with growth. City Council faces difficult decisions in balancing levels of services with increases in local property taxes. The recent economic downturn exacerbates these issues. Together, City Council and the Administration must balance the increasing costs of services with the political sensitivity to the electorate’s tolerance for increases in municipal taxation.



**Figure 1. City of Lethbridge Organizational Chart**

One of the challenges for both City Council and Administration is making decisions regarding the use of resources. City Council sets the policy which establishes funding levels for specific programs and services. Administration implements City Council's policy decisions. Both entities are accountable to the citizenry for the organization's performance in achieving the desired service and program outcomes.

In the early 1990s, the City attempted to implement Total Quality Management (TQM) across the organization. A number of the administrative staff were trained in the principles of TQM. During this same period the City was experiencing the consequences of a recession which resulted in organizational downsizing. The TQM initiative was viewed by some as the mechanism to facilitate the downsizing. The consequence of this unfortunate timing was that TQM was abandoned.

Later in the 1990s, the City of Lethbridge introduced business planning across the organization. Business planning is conducted in concert with planning of the 3-year budget. Performance measurement and reporting is encouraged as part of this process. While some business units have successfully implemented performance reporting in their plans, many of the business units do not routinely report their performance.

### **Key Research Questions for this Project**

This voluntary approach to performance measurement and reporting raises a number of important questions for this organization that this report attempts to answer. With respect to the City of Lethbridge, the questions considered in this research are as follows:

1. How is performance currently measured and reported?
2. How are business unit managers and members of Council using performance information?
3. What are the barriers to performance measurement and performance reporting?
4. How can the processes of performance measurement and performance reporting be improved?

The project was initiated under the direction of Mr. Brian Horrocks, City Manager (since retired). Mr. Horrocks was particularly interested in understanding how organizational performance could be communicated to City Council and the citizens of Lethbridge. The report focuses on the two key stakeholder groups: members of City Council and business unit managers. The participants were asked a series of questions exploring their attitudes and opinions towards performance measurement and performance reporting.

There is a large body of normative literature describing why and how performance measurement systems should be designed and implemented in local governments. However, the literature acknowledges that the political and cultural environment influence the extent to which performance information is used in decision-making. The literature describing the actual implementation and use of performance measurement reflects these limitations. The following chapter provides a review of the contemporary performance measurement literature with a focus on local governments in Canada and the United States.

# LITERATURE REVIEW

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**This chapter provides a general review of the literature related to performance measurement and reporting, focusing on the local government context. It contextualizes this study, and provides a basis for developing an analytical framework and the instruments used in this study. This chapter can also be used as a reference for employees of the City of Lethbridge who may be interested in gaining an understanding of the contemporary literature regarding performance measurement and reporting.**

## **A Definition of Performance Measurement**

Increasingly, public sector organizations are working towards designing and implementing systems that are intended to identify goals and objectives that are focused on results, track whether and how well they are achieved, and provide information that can be used for both internal management and for external reporting.

Lindbald (2006) offers the following definition of performance measurement (p.646):

*“The use of goals, measures, and data to evaluate services is called performance measurement. Agencies measure performance in several ways: amount of inputs and outputs, degree of efficiency, and type of outcomes. Input measures describe the amount of human or financial resources used to perform a service. Output or workload indicators refer to the amount of work performed. Outcome or effectiveness indicators show the degree to which service goals and objectives are reached. The ratio of inputs or outputs to outcomes provides a measure of efficiency.”*

This definition offers a technical description of performance measurement but does not capture the organizational/cultural and political overlay. There is an important distinction between what “should” happen and what actually does happen when public organizations, including local governments, commit to designing and implementing performance measurement systems. The technical aspects of performance measurement include the identification of goals, objectives and strategies for the organizations in which performance measurement will be implemented, the development of measures that are appropriate and accurate, and the design of systems that support performance measurement (gathering performance information, organizing it, analyzing it, and reporting it).

In most public organizations, even if all these technical aspects line up, there is no guarantee that performance measurement will successfully be

implemented. In addition to the technical face of performance measurement, there is the cultural/political face that must successfully be navigated to get a performance measurement system that is actually delivering what it was designed to deliver (McDavid and Hawthorn, 2006). Negotiating what the goals, objectives and strategies are is one example of the intersection of the technical and the cultural/political streams in designing and implementing performance measurement systems.

## **The Rationale for Performance Measurement**

Broadly speaking, there are two general rationales for deploying a performance measurement system. First, it is intended as a key part of rendering public organizations and governments accountable. Second, performance measurement is intended to have an impact on the efficiency and effectiveness of organizations and their programs and services.

### *Improving Performance*

The literature suggests that performance measurement systems are indispensable for managing government agencies and are intended as a means to make more informed decisions (Poister, 2004; de Lancer Julnes and Holzer, 2001). From a management perspective, there is considerable agreement that the principal reason for performance measurement should always be to improve performance (Behn, 2003).

Behn (2003) provides the following list of eight reasons why public sector managers should measure performance:

1. Evaluate: How well is my public agency performing?
2. Control: How can I ensure that my subordinates are doing the right thing?
3. Budget: On what programs, people, or projects should my agency spend the public's money?
4. Motivate: How can I motivate line staff, middle managers, nonprofit and for-profit collaborators, stakeholders, and citizens to do the things necessary to improve performance?
5. Promote: How can I convince political superiors, legislators, stakeholders, journalists, and citizens that my agency is doing a good job?
6. Celebrate: What accomplishments are worthy of the important organizational ritual of celebrating success?

7. Learn: Why is what working or not working?
8. Improve: What exactly should who do to improve performance?

Behn (2003) proposes that the first seven reasons on the list support the goal of improving performance, which is the principal reason for managers to use performance measurement. However, his list may represent an ideal, as he does not address the issue that once captured, performance data has the potential to be used in different ways. A manager relinquishes a certain amount of control over the use of externally reported performance measures. When used as an accountability mechanism, external performance reporting can be used for the purposes of summative program evaluation, which may represent a significant risk to a manager.

### *Accountability*

Public trust is a key value for all levels of government. The citizenry expects transparency and accountability for both elected and appointed officials. Public, or external, accountability is the notion that governments must answer to their citizenry to justify the use of public resources; internal accountability refers to the notion that departments must report to their directors to justify the decisions made and the strategies followed (Bracegirdle, 2003). External accountability is the public face of performance measurement and is often associated with public reporting of performance results. Internally, performance measurement is reported to hold departments accountable for programs, operations, policies, processes and compliance with laws and regulations (Bracegirdle, 2003).

The complexity of performance reporting is illustrated by Kluvers (2003). He suggests that three complex accountability relationships emerge: (1) the council-citizen relationship; (2) the council-administration relationship; and (3) the administration-citizen relationship (Kluvers, 2003). In each case, the relative power and interests of the players within the three accountability relationships, and between them, will influence the nature and understanding of accountability.

Performance reporting is an important element of each of these accountability relationships (Forum on Municipal Governance and Accountability, 2006; Kluvers, 2003). "However, the problematic nature of accountability for performance is reinforced if it is seen to be reduced to the provision of performance information, since the data suggest that power, management control of performance information, the conflicting accountability relationships and the possible distortions created by these relationships could affect the integrity of the performance information (Kluvers, 2003, p.66)." The corollary between the emphasis on accountability as a rationale for performance

measurement and performance reporting is that a manager may be more likely to report favourable results as a strategy to minimize their perception of the risks associated with reporting negative results.

While performance measurement and reporting is not without its challenges, local governments have a long-standing interest in these processes. The following section provides a historical overview of performance measurement in local government.

## **History of Performance Measurement in Local Government**

Early public administration theorists began writing about the need for municipal administrators to measure and report performance directly to their citizenry late in the 19<sup>th</sup> century (Lee, 2006). The origin of the earliest sustained municipal performance measurement program in the United States can be traced back to 1906 and the New York Bureau of City Betterment, which was formalized a year later as the New York Bureau of Municipal Research (Holzer and Kloby, 2005; Williams, 2003). Democratic reform at the municipal government level was the driver behind the movement to report performance to the citizenry (Williams, 2003). The reports were used for political and managerial purposes (Williams, 2003).

Williams (2003) points out that these early efforts to reform local government included the measurement of inputs, outputs, and measurement of outcomes. He provides compelling evidence to support his assertion that these early predecessors of contemporary performance measurement not only developed outcome measures but also exhibited “sophistication in methods and some understanding of the difficulty in establishing a causal link between program activity and outcomes” (Williams, 2003). The data were used to measure and report efficiency, to make recommendations for improvement in service delivery methods, and to reconcile administrative discretion with accountability (Williams, 2003). Results were reported to the citizenry to provide them with the information needed to “keep watch on government” and “hold public managers accountable for their use of public funds” (Williams, 2003).

Throughout the 1930s, local government reporting had become a standard item in the training curriculum of municipal administrators (Lee, 2006). In 1938, ICMA published a volume titled “*Measuring Municipal Activities: A Survey of Suggested Criteria and Reporting Forms for Appraising Administration*” which provided 58 pages of performance measures, some of which are still in use today (Smith and Schiffel, 2006). “This was a pioneering report discussing the ways to measure the performance of a number of municipal services (Kopczynski and Lombardo, 1999).” By 1953, Ridley reported that 188 local governments in the United States were issuing periodic performance reports to the lay-public, a considerable increase from the 12 he reported in 1927 (Lee, 2006).

In the mid-1980s, the environment was ripe for change as governments grappled with debt resulting from large and persistent operating deficits of the 1970s and 1980s (McDavid and Hawthorn, 2006). Reform initiatives, including the renewed interest in performance measurement, were largely associated with the New Public Management (NPM) agenda (Hendrick, 2000). Hood (1995) describes NPM as the lessening or removal of differences between the private and public sectors and a greater accountability for results (as in Kluvers, 2003). NPM promotes multi-source suppliers of service from private or non-profit organizations, with the fundamental belief that market incentives will result in improved efficiency and effectiveness.

At the local government level, NPM was complemented by a series of budgeting and management reforms, such as Total Quality Management (TQM), focusing on performance and making government more productive, responsiveness to customers, and accountability for managing outcomes. (Hoque, 2005; Kluvers, 2003). Calls for improved accountability and transparency resulted in increased efforts from local governments to demonstrate the efficiency and effectiveness of public services (Pollanen, 2005). The response from all levels of government was a trend towards results-oriented restructuring of government services and performance-based management (Pollanen, 2005; Wholey, 1999).

### **Performance Measurement System Design and Implementation**

The literature distinguishes between the rational/technical exercise of designing and implementing a performance measurement system and the influence of political/cultural context of performance measurement in local government organizations. This section provides a review of the implications of both perspectives when designing and implementing a performance measurement system.

#### *Technical Considerations in Designing and Implementing Performance Measurement Systems*

Bernstein (2000) suggests performance measurement supports three local government functions: (1) Decision- making; (2) Reporting and Accountability; and (3) Performance monitoring (see Figure 2.). Bernstein's model illustrates the major flow of events that are intended as local governments design and implement performance measurement systems. "The model theorizes a logical relationship linking government activities and responsibilities for which information is needed, with government process and the functions supported by performance measurement systems (Bernstein, 2000, p.6)." As the performance measures are developed and implemented, the utility of the

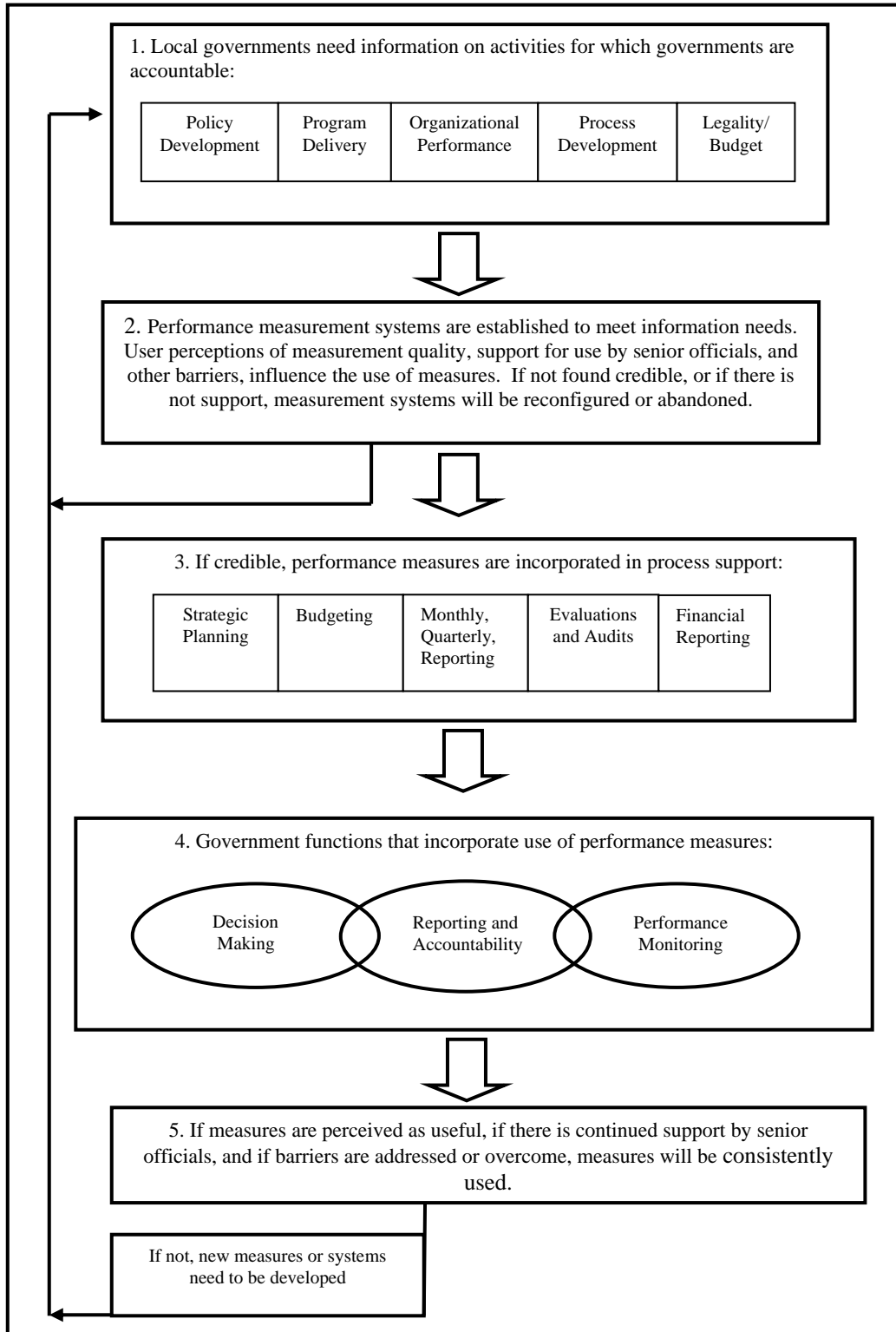


Figure 2. Developing a Performance Measurement System (Bernstein, 2000)

performance measures are assessed, creating a feedback loop that influences changes to the design and implementation of the performance measurement system (Bernstein, 2000).

Central to Bernstein's model (2000) is the notion of performance measure evaluation. Bernstein (2000) asserts, "users of the performance information evaluate the credibility and quality of the systems that produce performance measures themselves, and the extent of political and bureaucratic support for using performance measures (p.6)." If intended to support local government activities such as budgeting, program delivery, and policy development, user feedback should be employed to address technical or cultural barriers (Bernstein, 2000).

Bernstein (2000) also acknowledges the iterative nature of the development and implementation of a performance measurement system. The process is more "evolutionary than revolutionary" (Bernstein, 2006). Jurisdictions just beginning the process of developing performance measures should expect the evolution of performance measurement to be an iterative process and take several years (Bernstein, 2000). One thing to be aware of is the trade-off between measurement relevance and continuity that occurs when the system is frequently modified.

McDavid and Hawthorn (2006, p.308) list of 12 key steps to designing and implementing a performance measurement system that consider many of the factors influencing successful implementation (see Appendix C.) Among them, the following six are considered essential: (1) sustained leadership, (2) communications, (3) clear expectations for the system, (4) sufficient resources, (5) use of valid logic models, and (6) a valid and reliable measurement process that has the confidence of stakeholders. McDavid and Hawthorn (2006) acknowledge that unique local factors may influence this process and the steps they propose are to be considered as a guideline.

The literature identifies the importance of sustained leadership to the successful design and implementation of a performance measurement system in a local government setting (Bernstein, 2000). The early support of local government officials, including elected officials, top-level administration, and departmental managers, is critical to the success of performance measurement (de Lancer Julnes and Holzer, 2001). The implementation of a performance measurement system represents a major organizational change. It is important that organizational leaders champion this change and provide ongoing support to the process (McDavid and Hawthorn, 2006; de Lancer Julnes and Holzer, 2001).

A multi-channel communication strategy is an important consideration in managing the change effectively. McDavid and Hawthorn (2006) suggest that a communication strategy, including top-down, bottom-up, and horizontal

communication. The motivation for the implementation of a performance measurement system should be discussed and clear expectations should be established between the various stakeholders. These systems should be implemented primarily with the aim of being useful in improving organizational performance. “To attract the buy-in that is essential for successful design and implementation of performance measurement systems, McDavid and Hawthorne (2006) believe that performance measurement should be used *primarily* for internal performance management. Public reporting...should not be the primary reason for developing a performance measurement system (p.313).”

Sufficient resources are required to design and implement a performance measurement system. Insufficient resources are frequently cited barriers to collecting and reporting performance data (de Lancer Julnes, 2004; Bernstein, 2000). Implementation of a performance measurement system requires not only a significant front-end investment of resources but it must also be appropriately to sustain the system. Performance measurement may require an investment in technology to support the collection of data and will require a commitment of human resources to implement and sustain. Clearly, the cost and resources associated with the implementation of a performance measurement system is an important factor in considering the returns for local governments. When feeling strapped for resources, department heads may do the minimum required (de Lancer Julnes, 2004).

Valid logic models require clearly stated program objectives that should be developed with the input of stakeholders (McDavid and Hawthorn, 2006). Logic models can then be used to identify program outputs, measurable linking constructs, and outcomes. The key constructs of the logic model must be measurable with valid and reliable data. While quantitative data may be the most accessible, qualitative data should be used when warranted (Wang and Gianakis, 1999).

Valid and reliable data is especially important in establishing credibility with stakeholder. Data must be reliable, timely, and consistent from period to period (Pizzarella, 2002; Rogers, 2006). Interestingly, Chan (2004) reports that only about 60% of the administrators in United States and Canada were willing to “bet their job” on the quality of the financial information measured, and only one third said the same of the measures of employee performance and customer satisfaction. Further, Kelly and Rivenbark (2006) report that only a small percentage of the municipalities using performance measurement actually audit their data. In local governments, data is most often validated internally (Bernstein, 2000).

### *Political/Cultural Considerations in Designing and Implementing Performance Measurement Systems*

Performance measurement does not occur in a vacuum (de Lancer Julnes and Holzer, 2001). A number of factors contribute to the unique political and administrative landscape of local governments which have an impact on the successful implementation of performance measurement systems.

Municipal politics is quite open and the citizenry has relatively easy access to its elected officials and administrators (Forum on Municipal Governance and Accountability, 2006). Whereas historically the focus of local government accountability and performance was limited to the financial stewardship, the contemporary context of accountability has broadened and is increasingly complex (Kluvers, 2003). Today local governments are held accountable for not just fiduciary responsibilities, but also for community planning, quality of service, local by-laws and regulations, and revenue generation.

Citizens entrust elected officials with stewardship of public resources, who in turn empower professional administrators to manage those resources. However, the interests of the citizenry and interest groups often compete. Local politics, in essence, is a process of making decisions among competing values and interests. Limited financial resources will make prioritization of initiatives a necessity.

In establishing priorities, councillors must strike a balance between their own values, the interests of their constituents, and the interests of their community (Forum on Municipal Governance and Accountability, 2006; Masson, 1994). Decisions that are made are subject to after-the-fact scrutiny by individuals and groups. Elected officials and administrations can be exposed to criticism within the local media, particularly on issues around which there are continuing division. Although this kind of criticism is part of the territory of local governance, it can have a chilling effect on efforts to fairly report on the successes and challenges faced in trying to achieve objectives (McDavid and Hawthorn, 2006).

Performance measurement and reporting can be an ally in demonstrating that decisions, programs and services have outcomes that enhance the efficiency and effectiveness of local government. However, organizational and the local political culture clearly affect the degree of risk associated with reporting performance that includes evidence of whether initiatives, programs, and services have achieved their intended results. Internal interest groups, external interest groups and unions, and a local government's tolerance for risk taking are likely to determine how performance measurement systems are designed and implemented. Internal interest groups would include all managers and employees who may be threatened by the associated accountability of performance measurement systems.

Ideally, organizational cultures should be flexible, open, tolerant, and forgiving of mistakes to allow organizational learning to occur as individuals explore options, make mistakes, and learn (Hendrick, 2000). Perceived fear of being held accountable, particularly for outcomes, is frequently cited as a major barrier (Bernstein, 2000; de Lancer Julnes, 2004). Unionization has a slightly negative impact on the implementation of performance measurement, particularly performance measures that are used for evaluation or pay for performance (de Lancer Julnes and Holzer, 2001).

In their research, de Lancer Julnes and Holzer (2001) surveyed state, county and local government administrators. The results of their research suggest that cultural/political factors have a considerable affect on the implementation and the use of the system. De Lancer Julnes (2004) asserts that simply learning how to use the information is not the issue, “the real issue is that deciding what to do with the information is a political decision”.

Another key question the literature addresses is the extent to which citizens should be involved in the development and implementation of performance measurement systems.

### *Engaging Citizens in Performance Measurement*

Citizen engagement refers to the process of involving the citizenry in the design and utilization of performance measurement systems in local government. This topic raises a couple of key questions: (1) should citizens be involved in the process of designing and implementing a performance measurement system?; (2) and if so, how should citizens be engaged in this process?

Generally, the literature supports an inclusive approach, “involving employees as well as elected officials and citizens in evaluating performance measurement information, utilizing measurement information in the decision making process, and implementing comprehensive feedback mechanisms which allow for continuous improvement” (Plant et al., 2005). Halmachi (2005) asserts “organizational performance requires prudent management of the interface between the organization and important elements from its environment in general and citizens as taxpayers, ‘owners’ and ‘customers’ in particular”. “When done in the right way citizens’ involvement can become a promising strategy for managing performance by mobilizing support, new ideas and critical feedback that facilitate the timely fine-tuning of operations” (Halmchi, 2005).

Citizen participation in developing performance measures is not without its challenges. The process may be manipulated by political interest groups to embarrass elected officials or criticize city policies and should therefore be facilitated by a neutral party (Ho and Coates, 2002). Further, broad citizen

engagement is neither cheap, fast, nor easy, and should be reserved for community issues where political interest is deadlocked and there is sufficient time complete the process (Weeks, 2005). To the extent that current practice identified within the literature reflects attitudes of elected officials and administrations, the perceived challenges appear to outweigh the benefits, as the evidence to suggest that citizens are engaged in developing performance measures is nearly non-existent (Holzer and Yang, 2004; Poister and Streib 1999).

The literature considers a number of issues in designing and implementing performance measurement systems. However, performance measurement as a stand-alone process may not meet the expectations of citizens, elected officials, or administrators interested in achieving results. While it is hard to improve performance without the data, the collection of data by no means assures the improvement of performance (Halmachi, 2005). A broader, performance management approach may be more effective if the goal of performance measurement is to drive specific organizational results.

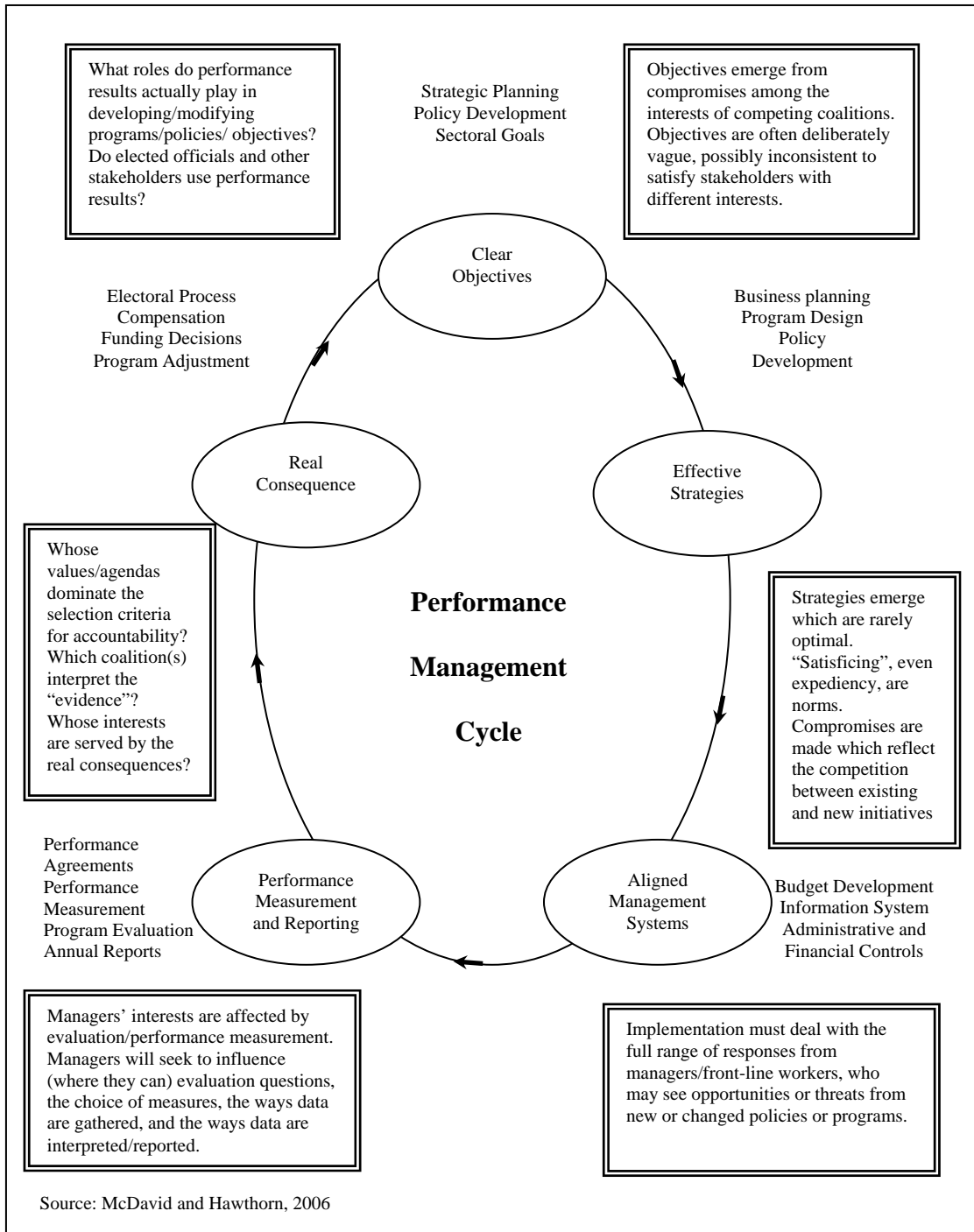
### **Performance Measurement: Necessary but Not Sufficient for Performance Management**

To connect performance measurement with performance management, it is helpful to describe the latter. From an organizational perspective, performance management “may be understood as the system of strategic organizational arrangements and practices that are intended to ensure that work-related behaviour conforms to organizational expectations” (Agocs, in Plant et al., 2005, p. 12). “The essential purposes of performance management are to attain: (1) effective, efficient, and responsive service delivery that contributes to a high quality of life within a changing local community; (2) citizen satisfaction with local government services and programs; (3) community well-being and sustainability; and (4) employee satisfaction and development (Agocs, in Plant et al., 2005, p.20). “

Plant et al. (2005) adds, “...the focus of most municipal implementations is primarily on performance measurement rather than performance management, because governments, particularly local governments, limit their performance enhancement activities to measurements rather than strategic management (p. 6).” The literature converges on the notion that performance management, a holistic or systems approach should be adopted to achieve the greatest improvement in organizational performance. Performance management incorporates both performance measurement and strategic planning, but the results of both those processes rely on the effectiveness of a municipality’s overall capacity for performance management (Poister and Streib, 2005).

*A General Performance Management Model*

In Figure 3., McDavid and Hawthorn (2006) offer a performance management framework.



**Figure 3. Public Sector Performance Management: Impacts of Organizational Politics**

The model lists the following five critical processes that must occur within the performance management cycle: (1) Set clear objectives through the strategic planning or policy development process; (2) Develop effective strategies to achieve the desired results within policy or programs; (3) Implement managerial controls to ensure alignment of management systems; (4) Report Performance measures; (5) The results of the performance measurement are transformed into real consequences. Performance measurement is one element of the system. The model also acknowledges that in practice, performance management systems must strike a balance between a normative/technical view of organizations, and a cultural/political reality.

When the focus of the system shifts from performance improvement to accountability, and the measures are used to compare or judge performance, performance management systems can promote unintended behaviours such as gaming (McDavid and Hawthorn, 2006). While some level of management control is required to ensure that resource utilization is aligned with the desired outcomes, the need for control within the performance management system must be balanced with the opportunity to take risks and develop innovative cost-efficient approaches to service delivery at the level of the line manager and employees producing services.

Clearly, performance management occurs within a dynamic environment. As a result, performance management systems are likely to influence behaviours but the nature of the influence depends on the balance between the perceived benefits of using the system as it is intended to be used, versus the political risks associated with generating and sharing performance information. "Greatest results will be achieved when measurement information is integrated into key processes and systems within the organization while factoring in the unique demands and limitations of the local government's organizational culture and environment (Plant, 2006, p.16)."

The normative literature, that is to say what "should" be done in implementing either performance measurement or performance management systems, is considerably more extensive than the literature identifying their actual uses in local government. The following section considers the actual uses of performance measures in local government in Canada and the United States.

### **Intended Uses of Performance Measurement in Local Government: Supporting Performance Management**

The literature affirms local governments' continued interest in utilizing performance measurement as an accountability and performance improvement tool in the new millennium. Local government officials report that the following local government activities can be supported by performance measurement and reporting:

### *Strategic planning*

Bryson (1995) defines strategic planning as “a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it” (as in Poister and Streib, 2005). In theory, performance measurement should be an integral part of the strategic planning process (Willoughby and Melkers, 1996, as in Bernstein, 2000). Poister and Streib (2005) distributed surveys to 1247 senior officials in local governments with populations over 25000 within the United States. Of the 512 municipal managers who responded, slightly less than half (225 or 44%) reported their jurisdictions had initiated formal citywide strategic planning over the past five years. Only 56% of the respondents who reported using strategic planning used performance measures to track accomplishment of goals and objectives in the strategic planning process (Poster and Streib, 2005).

### *Budgeting*

“Budget allocation and decision-making is often an extension of the strategic planning process, and may be a component of many local government performance measurement models (Bernstein, 2000)”. While administrators remain positive regarding the development of a performance measurement system, the literature suggests that performance measurement results continue to play a limited role in influencing the budget decisions (Melkers and Willoughby, 2005).

Melkers and Willoughby (2005) distributed 735 surveys and had 277 responses, including city managers and budgeters from 168 cities. When asked how important output and outcome measures were in the budgeting process, the median response was “somewhat important” (Melkers and Willoughby (2005).

However, the literature suggests performance measurement adds value to the budgeting process by providing information regarding performance results, costs, and activities (Melkers and Willoughby, 2005). Kelly and Rivenbark (2006) reported that elected officials are likely to discuss performance data during budget deliberations if the information is available.

The City of Fort Lauderdale links performance measures to budget allocations (Sharp, 2001). In 2000, the City had a \$337 million budget and a population of approximately 150,000. Program specific goals are established which are specific to the upcoming fiscal year. “Each program goal should have specific program and service objectives that are very specific in the terms of timeframe and measurability (Sharp, 2001, p.16).” For example, one of Fort Lauderdale’s goals is to “have a clean city” and a service objective of reducing the cost per ton of refuse disposal by separating yard waste by 15,000 tons. Performance inputs, outputs, and outcome measures are utilized. The performance data

must be included with budget submissions. The information is used “as the budget-balancing decisions are made” (Sharp, 2001, p.17).

### *Performance Reporting*

Performance reporting includes the internal and external communication of performance results. As discussed, internal reporting is most commonly associated with performance improvement efforts whereas external reporting is linked to the concept of accountability. Internal reporting improves communication across an organization. External reporting is increasingly becoming a legislated requirement for municipalities in the United States and Canada, which may affect the use of performance measures.

It is not entirely clear how this will affect the use and utilization of performance measurement. De Lancer Julnes and Holzer (2001) investigated factors influencing the utilization of performance measurement. Of the 513 respondents, 289 (57%) were local government employees. When asked whether there was a requirement to use performance measures, 68 (13%) stated their organization was required by law to use performance measures, 67 (13%) cited an administrative requirement, and 205 (40%) reported that they utilized performance measurement because of an internal policy. The results suggest that the use of performance measurement by local governments is more likely to be driven largely by internal policy requirements for external reporting.

### *Program Evaluations and Audits*

“As an activity designed to ensure government accountability, performance audits and evaluations can make use of information collected as either a part of a performance measurement system, or collected to assess the efficiency, effectiveness, and results of a program or service (Bernstein, 2000, p.46).” Performance measurement can be used to identify whether projects have been implemented and to track the accomplishment of goals and objectives (Poister and Streib, 2005).

### *Benchmarking*

Benchmarking is the process of comparison of individual performance measures, or benchmarks, and organizational processes across different municipalities through performance measurement (Bernstein, 2000). It is a form of performance reporting, but a characteristic that makes benchmarking unique is that the information is often only shared between the participants of the benchmarking program (Smith and Schiffel, 2006).

However, the development and use of comparative measures for services can be difficult (Melkers and Willoughby 2005). Superficial comparisons can be

fraught with potential problems because of frequently ignored differences of the nature, scope, and quality of services (Ammons, Coe, and Lombardo, 2001). That said, “gone are the days when local governments could proclaim their uniqueness and comfortably declare their immunity from comparison to other units (Ammons et al., 2001, as in Folz, 2004).

### *Program and Performance Monitoring*

Periodic monitoring of program performance is central to a performance management system. Inputs (costs), outputs, and outcome measures are monitored and analysed to identify changes in performance. Performance measurement is also increasingly being used to evaluate contract performance. Bernstein (2000) asserts that performance measurement is central to contract management and competitive bidding for city services.

There is a growing body of literature regarding the role of performance measurement in competitive bidding and managing contracts in public-private arrangements. Services such as refuse collection, which can be easily measured and monitored and the contract can be evaluated based on comparisons against baseline performance measures (Auger and Raffel, 2004; Bernstein, 2000).

The City of Indianapolis, known for both performance measurement and competitive bidding, reported that performance measurement was a key element in creating competition between the public and private sector (Lemov, 1998, as in Bernstein, 2000). The contracts are evaluated based upon the baseline performance measures.

The following section discusses two studies that explore the attitudes and opinions of local government officials with respect to the utility of performance measurement and reporting.

### **Actual Uses of Performance Measurement Systems by Local Governments in the United States and Canada: Findings from the Literature in Canada and the U.S.**

The literature investigating the actual use of performance measurement in local government is limited. Poister and Streib (1999) investigated the utilization of performance measurement in cities in the United States with populations greater than 25,000 (see Table 1.). The authors distributed 1218 surveys to mostly city managers and some mayors or finance directors; 674 valid responses were returned. The respondents represented a disproportionately larger group of cities with a population of 100,000 to 249,999. Thirty-eight percent of the respondents reported use of performance measures. Their research results suggest output, or activity, measures were used more than outcome or efficiency measures, which is not surprising because these are the

easiest to collect (Poister and Streib, 1999). Protective services, code enforcement, and parks and recreation were the areas most likely to be using reporting outcome, or effectiveness measures.

**Table 1. What performance measures are used in functional areas in your city and what type of measures do you use?**

Performance Measures Used in Functional Areas						
Functional Area	# of Cities Reporting Function Is Performed	Workload or Output	Percentage Using Measures			
			Unit Cost or Efficiency	Outcomes or Effectiveness	Service Quality	Client or Citizen Satisfaction
Police Service	230	77.8%	32.2%	64.8%	56.5%	53.0%
Fire Service	212	71.2%	30.7%	56.6%	56.1%	41.0%
Emergency Medical Services	151	58.9%	30.5%	44.4%	45.0%	37.1%
Animal Control	160	53.8%	22.5%	33.1%	27.5%	30.6%
Community Planning	233	57.1%	24.9%	45.1%	39.1%	41.2%
Code Enforcement	236	68.2%	31.4%	53.4%	44.1%	38.1%
Housing	146	44.5%	28.1%	43.8%	26.0%	28.8%
Water Supply/Sewage	198	67.2%	52.5%	46.0%	44.4%	37.9%
Solid Waste	199	59.8%	45.2%	35.2%	36.2%	35.2%
Street Maintenance	237	70.5%	46.8%	46.4%	40.1%	37.6%
Traffic Engineering	228	51.3%	34.2%	37.7%	34.6%	29.8%
Library System	136	60.3%	32.4%	39.0%	42.6%	47.1%
Parks and Recreation	227	67.8%	40.1%	49.8%	46.7%	54.2%

Based on 243 cities reporting use of performance measures.

Source: Poister and Streib, 1999

As reported in Table. 1, managers indicated that performance measurement had a number of moderate to substantial impacts in their organizations (Poister and Streib, 1999). The majority of the respondents reported that performance measurement had a substantial to moderate impacts on the following:

1. Improved quality of decisions (78.1%)
2. Changes in budget allocation (61.9%)
3. Changes in program priorities (56.7%)
4. Changes in the focus of programs (55.2%)
5. Improved service quality (71.6%)
6. Increased accountability of managers (71%)
7. Increased employee focus on organizational goals (67.9%)
8. Improved community relations (51.5%)

These results suggest that for cities with comprehensive performance measurement systems, performance measurement is perceived to be a useful exercise with broad impacts across these organizations.

In 2005, Pollanen surveyed 334 local government senior administrators from Canadian municipalities, examining the types of performance measures used across the functional units and the actual use of performance measures (see Table 3.). Pollanen (2005) reported that efficiency (cost/unit) and effectiveness (outcome) measures are used to some degree for most services or programs

provided by local governments. Unlike Poister and Streib (1999), Pollanen's (2005) results suggest that the use of efficiency measurements exceed the use of outcome measures in all areas except police services.

**Table 2. What is the Use of Performance Measures in Your Municipality?**

(Results based on a five point scale with the following anchoring: 1 = to hardly any degree; 2 = to some degree; 3 = to average degree; 4 = moderate; 5= to a great degree)

Purpose	Efficiency measures (mean)	Effectiveness Measures (mean)
Program and service management decisions	2.66	2.63
Budgeting and resource allocation decisions	3.17	3.01
Comparing performance with target	2.67	2.6
Comparing performance with other municipalities	2.23	2.14
Reporting performance to elected officials	2.99	2.92
Reporting performance to general public	2.35	2.34
Reporting performance to government agencies	2.17	2.13
Reporting performance to non-government funders/creditors	1.74	1.73
Reporting performance to employees and unions	2.24	2.24
Comparing administrator's performance with other municipalities	1.95	1.94
Determining administrator's pay incentive/non-monetary rewards	1.78	1.84

Source: Pollanen, (2005)

Table 2 lists the reported uses of performance measurement. Budgeting and resource allocation, reporting to elected officials, and performance comparisons were the most frequently identified use of performance measures (Pollanen, 2005). These results align with Poister and Streib (1999), supporting that performance measures are regarded as “legitimate and potentially useful for various managerial and reporting purposes, and highlight the need to focus specifically on the further development of meaningful effectiveness measures” (Pollanen, 2005).

For most Canadian municipalities performance measurement and reporting is a voluntary exercise. However, two provincial governments have implemented legislation making it mandatory for municipalities to report performance. The following sections describe the very different approaches taken by the Governments of Ontario and British Columbia in mandating performance reporting from local governments.

## A Provincial Perspective

The Governments of Ontario and British Columbia have legislated mandatory participation of local governments in performance reporting. The following discussion provides an overview of these performance measurement projects.

### *Ontario*

The Province of Ontario supports two major performance measurement projects, the Municipal Performance Measurement Program (MPMP) and the Ontario Municipal Benchmarking Initiative (OMBI). Participation in the MPMP is mandatory. In 2002, Ontario implemented the MPMP which requires 332 municipalities to report efficiency and effectiveness measures in 12 core service areas and a total of 51 measures (Ministry of Municipal Affairs and Housing, Province of Ontario, 2006). The Ministry of Municipal Affairs and Housing (MMAH) asserts that the MPMP provides taxpayers with useful information on service delivery and municipalities with a tool to improve those services (Province of Ontario, 2006). The results of the MPMP are shared publicly and available on the Municipal Affairs website. Participation in this program is mandatory. Training and start-up support was provided by the Province. For additional information, refer to the following website: <http://www.mah.gov.on.ca> .

In 2005, the Province of Ontario initiated the Ontario Municipal Benchmarking Initiative (OMBI). The purpose of the project is to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results in order to identify best practices of service efficiency and quality in Ontario municipalities. Participation is voluntary and the results appear to be available only to participating municipalities. The project's website suggests Provincial funding is available for start-up and support costs. Additional information is available on the website: <http://www.ombi.ca> .

Burke (2005, p.26) discusses a number of challenges encountered in the implementation of these initiatives:

*“Even though the ministry had been granted legislative authority to enact a performance measurement framework for municipalities in the province, the decision to make performance measurement a mandatory program generated some resistance in the municipal sector, especially among municipalities that were not practicing performance measurement at the time... A small number of municipalities continue to voice their opposition to the idea of measuring and reporting performance. Their voices will grow if they do not experience the benefits just described...”*

The results of the program suggest the performance information is being used to facilitate some performance comparisons and perhaps, some modest improvements in performance.

*“The program has created conditions for improving the quality of municipal services. It has also created the tools and data to verify this claim. While anecdotal evidence suggests that municipalities are making small yet valuable improvements in their operations, the program’s benefits become more apparent as comparative data are compiled each year (Burke, 2005, p.26).”*

### *British Columbia*

As of January 1, 2004, the Community Charter of British Columbia required local governments to prepare an annual report that will be available to the public and will include efficiency and effectiveness measures for the services provided by the municipality (Government of British Columbia, *Community Charter*, S.B.C. 2003, c26). The report is expected to identify the service objectives of the municipality and the performance measures linked to the objectives. Whereas Ontario prescribed specific measures, the Community Charter provides local governments the flexibility to develop their own measures. This Province has not taken a “one-size does not fit all” approach.

The following section identifies trends in performance measurement in the new millennium.

### **Emerging Trends in Performance Measurement for Local Governments**

Two general trends can be identified within the performance measurement literature over the last decade. First is the move toward outcome based performance measurement (Wang, 2002). Modell (2007) suggests that public sector reform is transitioning away from output-based governance to a more citizen-oriented and outcome focused performance management ethos. Melkers and Willoughby (2005) reported that the majority of the respondents to their survey reported using outcome measures.

The second trend emerging in the performance measurement literature is the growing movement favouring multidimensional performance management systems, such as the Balanced Scorecard. Figure 4 is an example of a balanced scorecard reporting framework developed for the OMBI project from Ontario.

The framework ‘balances’ measures across the following four areas of focus:

1. Community Impact: The effect programs have on communities. For example, the measurement of crime rates.

2. Service Levels: The number, type, or level of services delivered in communities. For example, the response times emergency vehicles.
3. Efficiency Measures: How municipalities use their resources. For example, the cost of transit per person.
4. Customer Service Measures: Quality of service being delivered in the community. For example, the percentage of roads where pavement quality is rated as good to very good.

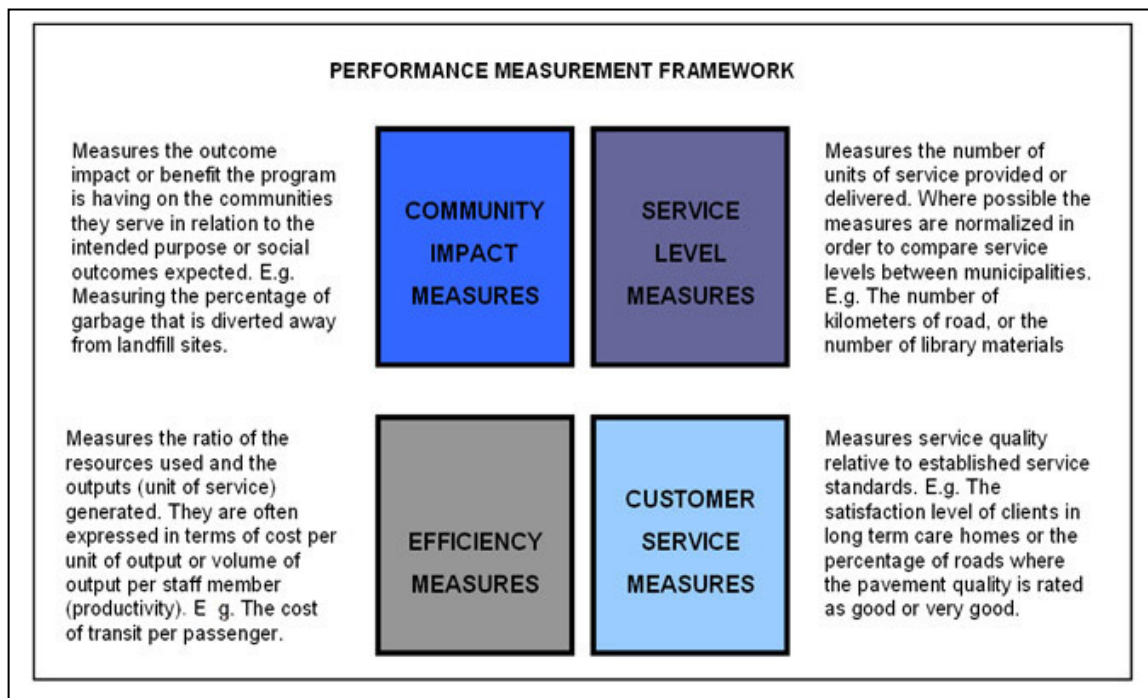


Figure 4. OMBI Performance Measurement Framework

Source: As retrieved on December 28, 2008, from <http://www.ombi.ca/docs/db2file.asp?fileid=176>.

This approach considers the complex and unique characteristics of municipalities, as well as the organizational context in which managers and staff must implement a performance measurement system. While there are a number of questions regarding the overall benefits of performance measurement, if it continues to be relevant to the political agenda, performance measurement is likely to remain an element of the local government landscape (Williams, 2003).

This literature review was used to inform the development of a conceptual framework, as well as the methodology and analysis of the findings of this project. It could also be used by the City of Lethbridge as an educational

resource for staff interested in learning more about the performance measurement and performance reporting. The following chapter describes the conceptual framework, attempting to apply theoretical elements of the Literature Review to the practice of performance measurement and reporting in the City of Lethbridge.

## CONCEPTUAL FRAMEWORK

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**This chapter offers a conceptual framework, based in part on the literature review, which guides the analysis of performance measurement and reporting in the City of Lethbridge.**

The conceptual framework represents the development of performance measures, the flow of performance information, and the use of performance information in the City of Lethbridge. It incorporates the following design principles:

- Developing a performance measurement system is an iterative process that ideally incorporates feedback from key users of the performance information (Performance Measurement Feedback Loop)
- Performance measurement and performance reporting are related but distinct activities
- The three key user groups, business unit managers, members of City Council, and the external users, may use performance information differently
- The political/cultural environment of the organization influences the implementation of a performance measurement system

These principles, illustrated in Figure 5, are described in greater detail in the following discussion.

### **Developing a Performance Measurement System: An Iterative Process**

The literature indicates that the development of a performance measurement system is an iterative process. Ideally, the development of performance measures and performance reports should include input or feedback from the key users of the performance information, including administration, members of City Council, and external users whenever it is practical to do so. Additionally, input from unionized staff could also be considered.

A multi-channel communication strategy should be developed to support a feedback loop that could be used to gauge the relevancy and credibility of the performance information as well as increase the buy-in to the system (McDavid and Hawthorn, 2006). The performance measurement feedback loop (green box in Figure 5) represents the performance measurement development process. It illustrates the potential flow of feedback from business unit managers, members of City Council, and external users of performance information.

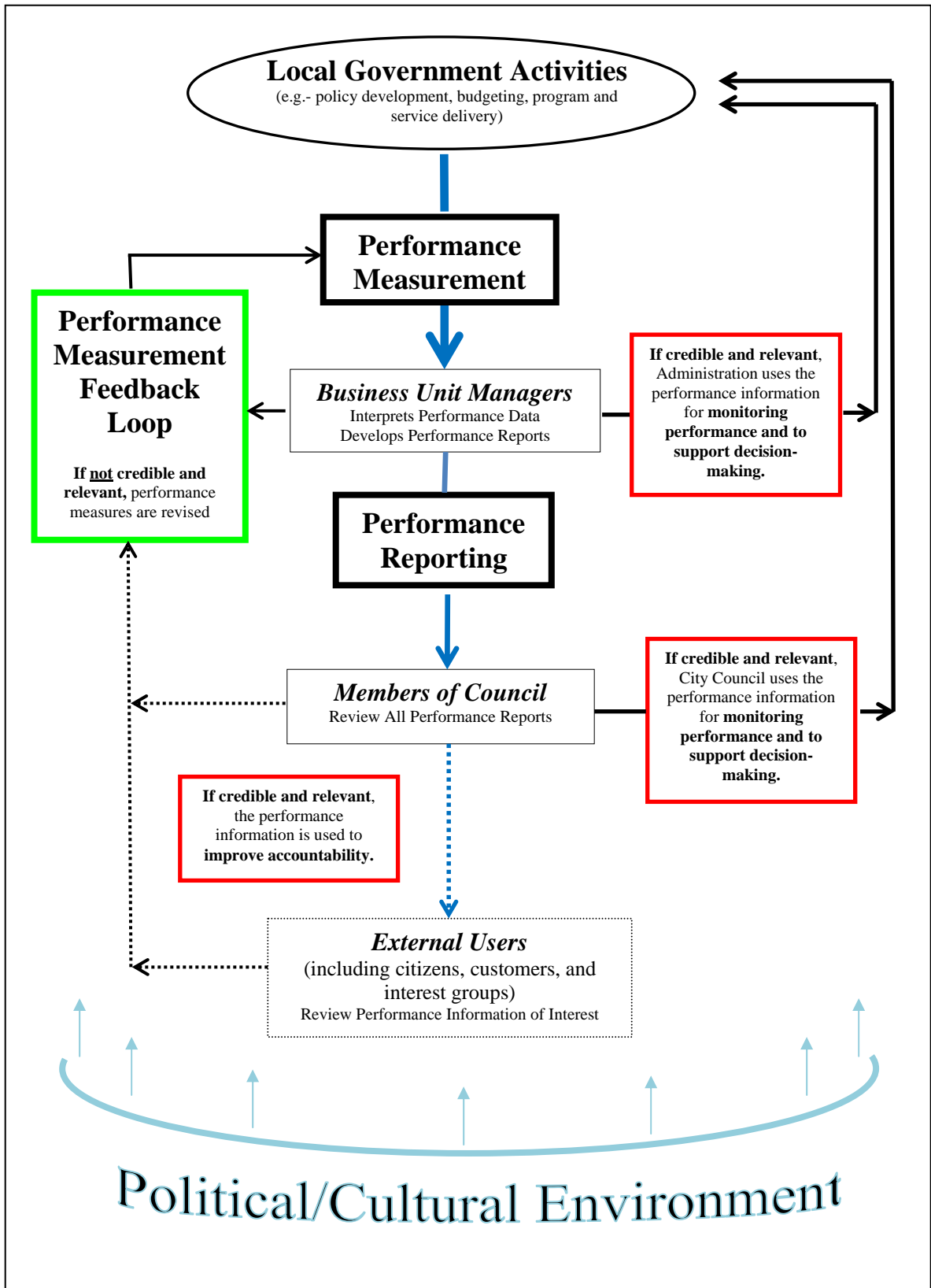


Figure 5. A Conceptual Framework of Performance Measurement and Reporting in the City of Lethbridge

Given the dynamic nature of local government, performance measures performance measures must be validated periodically. Gauging the user's perceived relevancy and credibility of the performance measures is an important factor in enhancing the utility of the performance information yielded by these processes. Therefore, the development and implementation of a performance measurement system is iterative and the required maintenance of the system is ongoing. In the City of Lethbridge, members of Council and external users should occasionally vet feedback regarding the relevancy and credibility of the performance reports when this it is feasible and pertinent to do so.

### **Performance Measurement and Performance Reporting: Related but Distinct Activities**

Figure 6 highlights the distinction between performance measurement and performance reporting with a particular focus on the flow of performance information through the City of Lethbridge.

#### *Performance Measurement*

Members of City Council, the administration, and staff engage in a number of activities such as budgeting, policy development, and service delivery, in their respective roles ranging from providing governance through to direct service delivery. In most cases the activities can be measured and the data generated used to reflect an organization's performance. However, the potential data set generated by these activities is far too large to capture exhaustively. In the City of Lethbridge, business unit managers select input, output, outcome, and ratio measures to represent the performance of their business units. In this sense, performance measurement is largely a technical exercise. The flow of potential performance information is limited to performance data that is captured for analysis. Inadequate use of the technology to automate data collection, lack of training, or lack of capacity can act as barriers to performance measurement.

#### *Performance Reporting*

An important distinction between performance measurement and performance reporting is that the latter consists of a filtered subset of the performance measures. It is the selection process that is the point of interest. The literature suggests that the selection of the reported measures should be a broadly inclusive process. In the City of Lethbridge, this is typically an administrative activity. Administrative staff use the data for formative purposes. As a result, the selected measures are often quite technical in nature and very specific to the business unit. This issue limits the relevancy of the performance information for members of City Council and external stakeholders of the

information that can be reported. The measures are selected and interpreted by the business unit managers. Figure 5 illustrates the reduction in the flow of performance information from business unit managers to City Council, and from City Council to the external users group.

### **Three Key User Groups May and Their Use of Performance Information**

For the purposes of this report, the users of City of Lethbridge performance information include the following three groups: (1) business unit manager; (2) members of City Council; and (3) the external users (including the citizenry, customers, stakeholders, and interest groups). The unionized staff represents a fourth potential group of users but were not included in the scope of this report. As a generalization, the three groups are likely to use the performance information differently. The red boxes within Figure 6 highlights the differences in use of performance information between the user groups. Bernstein (2000) suggests that performance information can be to support three local government functions: (1) performance monitoring; (2) decision-making; and (3) accountability (see p.10, Literature Review).

#### *Business Unit Managers*

The principal use of performance information by business unit managers in the City of Lethbridge is to monitor the performance of their programs and make informed managerial decisions regarding the operations of their respective business unit. Business unit managers are focused on the formative evaluation of programs and services. That is to say, they make decisions with the aim of improving the delivery of programs and services. As a result, the performance measures selected by managers are often quite technical in nature and very specific to the business unit. This may limit the relevancy of the information reported to members of Council and external users.

#### *Members of Lethbridge City Council*

The literature confirms that elected officials use performance information to support decision-making or increasing the accountability of the administration. If the performance information is credible and relevant, members of Council use performance information to support policy decisions such as the approval of the operating budget for the City of Lethbridge. Members of Council may use performance information for the purposes of formative and summative evaluation. Summative evaluation involves decision-making regarding the expansion, contraction, or discontinuation of programs or services. Members of Council could also use the performance information to increase the accountability of the Administration. The literature suggests that focusing on accountability may have a negative effect on the implementation of a performance measurement system.

### *External Users*

The main purpose of providing performance information to external user groups is to improve local government accountability. In theory, performance reporting may improve the accountability relationships between the external users, members of City Council, and the Administration of the City of Lethbridge. Kluvers (2003) identifies three accountability relationships within local government: (1) administration/council relationship; (2) Council/citizenry (including customers and interest groups); (3) administration/citizenry (including customers and interest groups). Performance reporting can play a role in improving and managing these relationships by enhancing the communication between these groups. For a number of business units, reporting to external agencies is legislated or required to receive funding. For others, local governments can improve perceived accountability with external users simply by making performance information available.

### **Political/Cultural Environment**

Local governments operate within dynamic and complex political and cultural environments. Elected officials at this level of government are very accessible to the citizenry and interest groups. The interests of these entities are often competing. The non-partisan nature of local politics and the frequency in which members of City Council change can shift priorities considerably every three years. The rational basis for decision-making is affected by the political reality of this complex environment. McDavid and Hawthorne (2006) point out that organizational decisions are often embedded in coalition politics, bargaining, conflicts, and compromises.

Further, the primary focus of a performance measurement is to improve organizational performance by focusing managers and organizations on results (McDavid and Hawthorne, 2006). Performance information should reflect performance relative to clearly stated organizational goals. However, publicly stated goals can represent a risk. Where the organizational culture focuses on personal accountability the utility of a performance measurement system is likely to be reduced. The perceived personal and organizational risk is likely to affect how a performance measurement system is implemented and how performance reporting is conducted. The likelihood of adopting a reporting strategy that is least detrimental, or gaming, increases with the perceived risk associated with reporting negative results. In other words, a strategy to report favourable results is most likely to be adopted. This behaviour undermines the intent of performance measurement.

In summary, the conceptual framework incorporates key elements of the performance literature used to model the implementation and maintenance of a performance measurement system in the City of Lethbridge (see Figure 5).

The conceptual framework focuses this investigation on potential issues regarding the implementation of a performance measurement system in a local government. In this way, the key principles discussed in the conceptual framework guided the development of the open- and close-ended questions used to explore performance measurement and reporting in the City of Lethbridge.

The following chapter describes the methodology applied in conducting this research.

# METHODOLOGY

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**This chapter describes the methodology employed in addressing the key purposes for conducting this project. It includes the rationale for selecting the research design and identifies some of the limitations of the methodology.**

## **Key Research Questions**

This methodology addresses the following four key research questions:

1. How is performance currently measured and reported in the City of Lethbridge?
2. How are business unit managers and members of Council using performance information?
3. What are the barriers to performance measurement and performance reporting?
4. How can the processes of performance measurement and performance reporting be improved?

## **The Research Design: A Case Study**

Case study methodology was employed to address the four key questions. Case studies are useful for investigating a “contemporary phenomenon within some real life context” (Yin, 2003, p.1). Case studies rely on multiple sources of data that converge in a triangulating fashion (Yin, 2003). Case study methodology is useful for descriptive and exploratory research, answering “who”, “what”, “why” and “how” questions (Yin, 2003, p.5).

Use of multiple sources of data is a key strength of case study methodology (O’Sullivan, Russell, and Berner, 2003). In this single-case approach, data was collected from three primary sources – interviews with the two groups of interest and a documentation review. The face-to-face interviews consisted of a mix of open- and close-ended questions. This balanced approach yielded a blend of quantifiable data and rich, qualitative data.

Another characteristic of the case study is that data collection and analysis are guided by prior development of theoretical propositions (Yin, 2003). The literature review provided in this report was used to highlight key issues in performance measurement and reporting at the local government level. In this way, this contemporary literature formed the underpinnings for the interview questions.

## **Data Sources: Interviews and Document Review**

Prior to initiating the enrollment of participants, Mr. Bryan Horrocks (City Manager, retired) distributed an email to all the subjects within both study groups. The email described the intent of the project. It also outlined that participation in the study was voluntary and confidential. Mr. Horrocks confirmed that all results would be aggregated in such a manner to ensure that individuals could not be identified.

### *Interviews*

Interviews were conducted with City of Lethbridge Business Unit Managers and members of City Council. The enrollment processes were identical for both groups. Invitations to participate were distributed to Business Unit Managers and members of City Council in an email. The emails were followed up by a telephone call in which the details of the research were discussed. Prior to the interview, each participant was required to review and sign the Informed Consent document.

During this period there were a total of 33 Business Unit Manager positions; five of the 33 positions were vacant while the interviews were conducted. Twenty-eight Business Unit Managers were emailed invitations to participate. Twenty-five Managers were interviewed (n=25), which represented an 89% participation rate. Eight of nine (89%) members of Council participated in the interviews (n=8).

A total of thirty-three face-to-face interviews were conducted from June – August, 2009. The interviews were structured in the sense that each participant was asked the same close- and open-ended questions in the same order (see Appendices A and B). Excerpts of the responses to the open-ended questions were documented during the interview.

### *Documentation Review*

The third source of data was City of Lethbridge documentation. All available business unit 2009-2011 Business Plans available by September 1, 2008 were reviewed. At the time the data was collected, nineteen Business Units had completed their 2009-2011 Business Plans. These documents are produced for members of Council and are also available to the public. Business Plans are the only documents routinely developed by business units.

## **Analysis of the Qualitative and Quantitative Data**

The qualitative and quantitative data generated by the interviews was transcribed into an electronic format in a spreadsheet. The open-ended questions yielded a large body of comments rich in detail. This quantitative

data was analyzed with descriptive statistics and the qualitative data provided rich detail by offering participants the opportunity respond to questions in their own words.

The qualitative data provided context to questions that would have otherwise been difficult to gain. It provides an opportunity to elaborate on the statistical findings. In some cases, the qualitative data was quantified by providing counts of specific themes captured in response to specific open-ended questions. The responses were clustered thematically. Counts of the responses categorized in each theme were collected and reported in the Findings section. The qualitative data was largely used in the Discussion chapter to compliment the statistical analysis presented in the Findings chapter.

The close-ended questions and the documentation review generated the quantitative data presented in the Findings. For some of the questions, simple counts of responses were collected. Several of the close-ended questions were developed using Likert scaling (see Table 3). Likert scaling is useful for measuring individuals' opinions and attitudes (O'Sullivan, Russell, and Berner, 2003). The lowest rating was assigned to a negative response.

Table 3. Examples Likert Scales Used in Project

Rating	Scale	Scale	Scale
1	Strongly disagree	Not at all useful	Not at all
2	Disagree	Rarely useful	Hardly any degree
3	Neutral	Useful to some degree	Some degree
4	Agree	Moderately useful	Moderate degree
5	Strongly disagree	Very Useful	Great degree

The quantitative data generated by the interviews was analysed by applying simple descriptive statistics. Means scores were calculated for the questions using the Likert scaling. The mean score was used to make inferences regarding the research questions. Additionally, the frequencies of specific close-ended responses were considered. The percentages of the frequency of specific responses to the close-ended were also presented in the Findings.

The 2009-2011 Business Plans were reviewed for the following: 1. Performance measures were developed; 2. Results of the performance measurement were reported; 3. Type of performance measure that was reported. Business plans with performance measures identified but not reporting actual results were counted. Further, business plans with reported results were counted, and the types of measures reported in these plans were also summarized in a count of relative frequency. Percentages of the number of business units reporting performance measures and the types of performance measures were reported in the Findings.

The opportunity to use a multiple sources of data is a main strength of the case study (Yin, 2003). As described above, data was collected from three sources in this research. The data were triangulated to develop a holistic understanding of performance measurement and reporting in the City of Lethbridge. Triangulation is a process of corroborating evidence, which as a consequence, reduces the risk of error or bias in the findings.

Additionally, wherever possible both interview groups were asked the same close-ended questions. This approach offered quite a unique opportunity to compare the responses of the two groups participating in the research. These differences may reflect the varying interests of elected and non-elected officials in local government regarding performance measurement and performance reporting.

### **Limitations**

A significant limitation in this research is the absence of data reflecting the opinions of external user groups or unionized staff regarding performance measurement and performance reporting. Face to face interviews are time intensive and the inclusion of these groups was beyond the scope of this report. However, the perspective of these two groups would be valuable in fully understanding the implications of implementing a performance measurement system.

The intent of the research was to gain an informed understanding of the issues outlined in the purpose of the research. The case study was limited to the activities and perceptions regarding performance measurement in the City of Lethbridge. No attempt is made to apply the finding of this research beyond the scope of these specific purposes. Given this, some of the potential threats to the validity of this methodology are limited.

The construct validity in this research is at some risk of bias. Construct validity refers to “establishing the correct operational measures for the constructs being studied (Yin, 2003, p.34).” Investigator bias and limited training in developing interview questions and conducting interviews may contribute to bias within the questionnaire, contributing to a flawed analysis. This is controlled in part by the triangulation of the data “because the multiple sources of evidence essentially provide multiple measures of the same phenomenon (Yin, 2003, p.99)”.

Participant self-selection bias is also a potential source of bias within the data. While the methodology does not control for this, the participation rates experienced in both study groups, which in both cases represented nearly 90% of the entire populations of the interest, limits the risk of the findings being strongly influenced or skewed by the opinions or attitudes any one individual.

The structured interview instruments enhance the reliability of the methodology. Reliability refers to the degree to which the methodology, if repeated, could produce similar results. This is particularly true of the close-ended questions and the quantitative data these questions yielded. The collection and analysis of the qualitative data is particularly susceptible to investigator bias or potential inconsistencies. This threat is controlled at least in part by limiting the attempt to quantify the qualitative data.

The following chapter discusses the findings yielded by this methodology.

## FINDINGS FROM the CITY of LETHBRIDGE STUDY

This chapter presents a summary of the quantitative findings generated by the responses to the interview questions and the documentation review.

This Chapter is divided into four sections, reflecting the four key research questions of the report. In each section, the key research question is addressed by a series of series of sub-questions.

### How is Performance Currently Measured and Reported in the City of Lethbridge?

#### *What Types of Performance Measures are Developed and Reported?*

A review of eighteen 2009-2011 Business Plans identifies that 83% of the business units that completed the Plan have developed some performance measures. These findings reflect the responses provided by the business unit managers, who reported that measures were drafted in 96% of the business units (see Table 5). It is difficult to determine whether the data is captured because not all the Plans present performance results. Performance results were reported performance in nine (50%) of the Plans (see Table 4). These findings do not reconcile with the responses of the business unit managers, who suggested that performance is reported in 88% of the business units.

**Table 4. Review of 2009-2011 Business Plans**

	<b>Count of Plans</b>	<b>% of Total</b>
Total	18	
Plans with performance measures	15	83%
Plans with measures and reported results	9	50%
<b>Reported Performance Measures</b>		
	<b>Count of PMs</b>	<b>% of Total</b>
Output	60	73%
Outcome	17	21%
Ratio	4	5%
Benchmarking	1	1%

Output, outcome, ratio and benchmarking measures were reported in the 2009-2011 Business Plans reviewed. The majority of performance measures reported were output measures (see Table 4). Outcome measures are utilized somewhat, but to a considerably lesser extent. Evidence of benchmarking performance measures with other communities is limited to a single example.

Currently, 23 (92%) of the business unit managers participating in this study reported that performance data was currently captured in their business units. Performance data was not currently captured in two of the participating business units. Another business unit manager reported that performance measures were drafted and updated but to date, the results of the measurements were not reported. The processes and participants involved in performance measurement and reporting varies across the participating business units.

*Who Drafts and Updates Performance Measures in Business Units?*

In 92% of the participating business units, all where performance data are captured, the business unit manager either leads or participates in drafting and updating performance measures (see Table 5). Other managers participate in 60% of the business units and the unionized staff is included in 36% of the business units.

**Table 5. Drafting and Updating Performance Measures**

	<b>BUs</b>	<b>% of Total</b>
BUM only	8	32%
BUM and Managers	6	24%
BUM, Managers and Staff	9	36%
Developed by External Agency Staff	1	4%
No PMs developed	1	4%

*Who Monitors the Performance Measures in Business Units?*

Similarly, Table 6 identifies that a number of combinations of business unit managers, managers, and staff are also monitoring performance measures. Business unit managers are the common link in 52% of the business units.

**Table 6. Monitoring Performance Measures**

	<b>BUs</b>	<b>% of Total</b>
BUM only	7	28%
BUM and Managers	3	12%
BUM and Staff	2	8%
BUM, Managers, and Staff	1	4%
Managers Only	2	8%
Managers and Staff	5	20%
Staff Only	3	12%
Not Currently Monitoring	2	8%

Managers and staff of the business units participate in 44% and 32% of the business units respectively (see Table 6). The frequency of monitoring

performance measures varies (see A.3, Appendix B). Most business unit managers (72%) monitor specific performance measures depending upon their perception of the need for this information. Two business unit managers reported that they were not currently monitoring data, one of whom had drafted performance measures but stopped monitoring them over the course of the past year.

*Who Interprets the Performance Data and Develops Performance Reports?*

In the most cases, business unit managers are involved in performance measure interpretation and reporting. They led or participated in the interpretation of data and reporting results in 76% of the business units (see Table 7). Three business unit managers report that they do not currently report performance data. Two business unit managers acknowledged that they were not collecting data and one stated that performance measurements were recently implemented within the unit but no data was reported.

**Table 7. Interpreting the Data and Developing Reports**

	<b>BU's</b>	<b>% of Total</b>
BUM only	6	24%
BUM and Managers	7	28%
BUM and Staff	5	20%
BUM, Managers, and Staff	1	4%
Mangers Only	1	4%
Staff Only	1	4%
External Agencies	1	4%
Not Currently Reporting	3	12%

*Do Members of Council Consider the Current Level of Reporting Adequate?*

The report explored the opinions of participating members of Council regarding the adequacy of the current level of reporting (see Table 8). Their responses suggest that they were divided in their opinions. Fifty percent of Council participants (4) reported that the level was adequate. The comments made by this group suggest there is recognition that the process is iterative and some business units are further along in developing adequate performance reports than others. Four (50%) of the participants made comments acknowledging that these processes required further refinement.

**Table 8. Adequacy of Current Levels of Performance Reporting**

<b>“In your opinion, is the current level of performance reporting adequate?”</b>	
	<b>Count</b>
<b>Yes</b>	4
<b>No</b>	3
<b>Undecided</b>	1
<b>Analysis of comments:</b>	
Iterative process that requires further refinement	4

### **How are Business Unit Managers and the Members of City Council Using Performance Information?**

Members of Council and business unit managers were asked to respond to a series of close-ended questions regarding their perception of the utility of performance data in supporting specific local government activities (see Table 9). The specific activities they were asked to comment on were drawn from previous research on uses of performance information in local government (see Literature Review, pp. 24-25). This approach presented the unique opportunity to compare the use of performance information between these two user groups. For each question, participants were required to select one of the following responses:

<b>Perception of Utility</b>	<b>Rating</b>
Not at all useful	1
Rarely useful	2
Useful to some degree	3
Moderately useful	4
Very useful	5

In Table 9, the responses were assigned a value from 1-5 (e.g.- not at all useful was assigned a value of 1). Mean scores and the percentage of participants finding the data moderately to very useful for a respective activity were reported. The results reflect the opinions of all participating members of Council (n=8) and 23 business unit managers (n=23). Two business unit managers reported that they were not currently receiving performance data which reduced the number of participants from this group to twenty-three.

**Table 9. Perception of the Utility of Performance Data**

	<b>Council</b>	<b>BU Managers</b>
<b>Is performance data currently useful for identifying strategic priorities?</b>		
Moderately to Very Useful	63%	74%
Mean	3.5	4.1
<b>Is performance data currently useful for supporting budget decisions?</b>		
Moderately to Very Useful	100%	91%
Mean	4.8	4.8
<b>Is performance data currently useful for supporting program evaluation decisions?</b>		
Moderately to Very Useful	88%	61%
Mean	4.1	3.7
<b>Would the citizenry find performance reports useful?</b>		
Moderately to Very Useful	63%	35%
Mean	3.9	2.7
<b>Is performance data currently useful for supporting service management decisions?</b>		
Moderately to Very Useful	NA	74%
Mean	NA	4.2
<b>Is performance data currently useful for reporting to City Council?</b>		
Moderately to Very Useful	NA	74%
Mean	NA	4.1
<b>Is performance data currently useful for monitoring service quality?</b>		
Moderately to Very Useful	NA	83%
Mean	NA	4.2
<b>Is performance data currently useful for benchmarking performance with other communities?</b>		
Moderately to Very Useful	NA	30%
Mean	NA	3.0

*Identifying Strategic Priorities.*

Business unit managers (74%) reported that performance measures were useful for identifying the strategic priorities facing their business units. Members of Council were less inclined to feel that performance measures were useful for this purpose. The mean response (3.5) of Council participants may infer that members of Council use more information from sources other than

performance data to identify strategic priorities. The comments made by this study group support this position (see Table 10). The members of Council identified a number of additional factors that influence their selection of priorities. Coding of the comments made by members of Council indicates that political factor (6), personal values (3), and cost (2) were also important factor in determining Council’s strategic priorities.

**Table 10. Additional factors influencing Council's priorities**

	Count
Political factors	6
Personal conclusions/values	3
Affordability/Cost	2

### *Budget Decisions*

In comparison to the other activities identified, both groups reported that performance information is most useful for supporting the budget process. The mean scores of members of Council and business unit managers were the same at 4.8, suggesting that both groups felt performance data is very useful for the purposes of supporting this activity. Comments made by both study groups confirm that data is very useful for identifying budget pressures and rationalizing the expenditures associated with the addition of resources.

### *Program Evaluation*

Eighty-eight percent of the Council participants reported that performance measures were useful for program evaluation and only sixty-one percent of the business unit managers shared their opinions. In discussion, both study groups made comments to suggest that this activity was not conducted frequently.

### *Reporting to the Citizenry*

A slight majority of the Council participants (63%) agreed that performance information is useful for informing the citizenry. Considerably fewer business unit managers (35%) shared this opinion. In their comments, participating members of Council suggested that reporting performance was useful for supporting accountability as well (see Table 9). In general, the business unit managers felt that the citizenry was largely uninterested in performance data, particularly if the data was of a technical nature.

### *Managerial Operating Decisions*

Managerial operating decisions were described to participants as the day-to-day operational decision-making conducted by managers. A number of the business unit managers (74%) felt that performance information was useful monitoring the performance within their business unit. They also made a number of references to the importance of using the data to rationalize their decisions regarding operational changes in the operations of their units.

### *Reporting to Members of City Council*

Business unit managers reported that performance measures are moderately useful for reporting their business unit's performance to Council. One of the key reasons some business managers were less inclined to agree with this position is that they were of the opinion that performance measures only reflected a particular element of the overall performance of the department.

### *Monitoring Service Quality*

Most business unit managers (83%) reported that performance data was moderately to very useful for monitoring service quality. This activity shared the second highest mean score (4.2) with making managerial operating decisions, a closely related task.

### *Benchmarking*

Benchmarking is the process of comparing performance measurements with other communities. Responses focused on the activity itself as opposed to addressing whether performance data was useful in comparing performance with other communities. Discussions with business unit managers suggest that there was limited interest in comparing performance with other communities. Only thirty percent of business unit managers felt that the activity was useful. The principal reason cited for this opinion was that direct comparison with other municipalities was difficult.

Both study groups were also asked to identify any additional uses of performance data (see Table 11). Council participants expressed the opinion that performance data is an important element of accountability to citizens and also that performance data was useful for political lobbying.

**Table 11. Are the data used in any other ways?**

	<b>Count</b>
<b>Analysis of Council comments:</b>	
Accountability to citizens	2
Political lobbying	1
<b>Analysis of BU Manager comments:</b>	
Individual performance evaluation	9
Report to external agencies	3
Contract management	4
Respond to ad hoc inquiries	2

The theme identified most frequently by business unit managers was that performance data is used in the organization to assess the performance of individuals. Business unit managers suggested that performance data was useful in defining and understanding employee outputs. Contract management is also supported by performance data. Business unit managers reported that some contracts they administered had performance requirements, which were monitored to gauge contractual compliance. Performance data is also being used to report to external agencies, such as the Provincial and Federal governments. It was also reported that performance data was provided to the individuals or interest groups in response to ad hoc inquiries.

### **What are the Barriers to Performance Measurement and Performance Reporting in the City of Lethbridge?**

This section identifies a number of the barriers to perceived to be a barrier to performance measurement and reporting by participating members of Council and business unit managers.

#### *What are the Barriers to Performance Measurement and Reporting Reported by Business Unit Managers?*

The performance literature reports a number of barriers to performance measurement and reporting identified in the performance literature. In Table 12, Participating business unit managers (n=25) were asked to provide their opinion regarding the degree to which they felt these barriers listed impeded their ability to measure and report performance. Participants were required to select one of the following responses:

Perception of Degree	Rating
Not at all	1
Hardly any degree	2
Some degree	3
Moderate degree	4
Great degree	5

The business unit managers confirmed that these barriers exist within the City of Lethbridge in varying degrees. Nearly half (44%) agreed that staff capacity was a considerable barrier. Difficulty in identifying appropriate measures was the second most significant barrier. Thirty-six percent of the business unit managers felt that they struggled to find measures that Council or the citizenry would find meaningful or that reflected the performance of their business unit adequately.

**Table 12. Barriers to Performance Measurement and Reporting**

	BU Managers
<b>Performance objectives are not clearly defined.</b>	
Mean	2.3
Moderate to Great Degree	16%
<b>Difficulty in identifying appropriate measures.</b>	
Mean	2.9
Moderate to Great Degree	36%
<b>Lack of reliable data</b>	
Mean	2.6
Moderate to Great Degree	16%
<b>Lack of staff competency in performance measurement.</b>	
Mean	2.6
Moderate to Great Degree	16%
<b>Lack of staff capacity to capture data and develop reports.</b>	
Mean	3.2
Moderate to Great Degree	44%
<b>Difficulty in using the performance measures in a meaningful way.</b>	
Mean	2.6
Moderate to Great Degree	20%
<b>Lack of requirement to report externally.</b>	
Mean	1.7
Moderate to Great Degree	12%

<b>Lack of measures comparable to other cities for benchmarking.</b>	
Mean	2.4
Moderate to Great Degree	16%
<b>Analysis of BU Manager comments regarding additional barriers:</b>	
	<b>Count</b>
Insufficient Capacity	9
Limited use of Technology	7
Organizational culture	6
Use of PM/Training in PM	4
Directors (Leaders) participation/direction	2
Labour-management concerns	1

The remaining barriers listed in Table 12 were reported to be of significance to 16% – 20% of the business unit managers. Difficulty in using measures in a meaningful way, difficulty in defining performance measures, lack of reliable data, staff competency in performance measurement, and the lack of measures that are comparable to other communities all fell within this range. These results do not suggest these barriers are less significant to the business unit managers experiencing them, but that the barriers were significant to a smaller percentage of business unit managers.

The requirement to report to other agencies or levels of government was the barrier least commonly reported as significant. Only 12% (3) business unit managers reported that if required to report externally, this would improve their reporting. This result is not surprising as most business unit managers reporting performance identified that they were currently required to report performance externally.

*Is the Quality of the Performance Data a Barrier to the Use of Performance Information in the City of Lethbridge?*

Bernstein (2000) emphasizes the importance of the data credibility to the use of performance information. Considering the importance of the issue of data credibility and relevance, this question was used as a starting point in the analysis of the barriers to the use of performance information in the City of Lethbridge. In Table 13, the two user groups are asked to comment on different characteristics of the data they review in their respective roles within the City of Lethbridge.

Both groups were asked to remark on the degree to which they agree with the statements regarding the quality of data of the performance information they were currently receiving (see Table 13). Participants were required to select one of the following responses:

To what degree do you agree with the following:	Rating
Strongly disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly Agree	5

Three business unit managers reported they were not currently reviewing performance data. As a result, the following results were based on 22 business unit managers (n=22). Participating members of Council and business unit managers were in agreement about the data's relevancy.

Table 13 identifies that most of the participants in both groups agreed that the data they review is relevant, fairly timely, and believable. A full 100% of the participants in both study groups agreed that the data is relevant. Similarly, 75% of the Council participants and 73% of the business unit managers suggested that the data is timely. Further, all of the participants from both groups agreed or strongly agreed that the data was believable.

**Table 13. Perception of Data Quality**

To what degree do you agree with the following:		
	<b>Council</b>	<b>BU Managers</b>
<b>The performance data is relevant.</b>		
Agree to Strongly Agree	100%	100%
Mean	4.3	4.6
<b>The performance data is easy to understand.</b>		
Agree to Strongly Agree	75%	91%
Mean	3.9	4.1
<b>The performance data is timely.</b>		
Agree to Strongly Agree	75%	73%
Mean	4.0	3.8
<b>The performance data is accurate.</b>		
Agree to Strongly Agree	50%	95%
Mean	3.8	4.2
<b>Overall, the performance data is believable.</b>		
Agree to Strongly Agree	100%	100%
Mean	4.4	4.5

Table 13 also identifies two key differences in the perceived quality between the participants. A smaller percentage of the members of Council (75%) agreed that the data is easy to understand. That a higher percentage of business unit managers find the data easier comes as no surprise. As presented, business unit managers are very involved in developing measures, analysing data, and developing performance reports.

The greatest differences in opinions between the study groups were evident in response to their perception of data accuracy. Business unit managers were largely in agreement (95%) that the performance data they reviewed was accurate. Council members are less inclined to agree that the data is accurate. Four members of Council (50%) offered a neutral response to their perception of the data accuracy. Qualitative analysis of comments confirms this position. Coding of this data reveals that five members of Council (63%) make reference to their reliance on their trust of administrative staff to ensure the data's accuracy. Therefore, even though it was difficult for several members of Council to agree that the data was accurate, they felt it was believable because they had a high degree of trust in their administrative counterparts.

**Table 14. Perceived Risk in Reporting Negative Results**

	<b>Council</b>	<b>BU Managers</b>
Not at all or hardly any degree	50%	60%
Moderate or great degree	25%	16%

*Is the Perceived Risk in Reporting Negative Results a Barrier?*

The results of the groups' responses were similar. The majority of business unit managers (60%) and members of Council (50%) reported that reporting negative results were not perceived as a risk (see Table 14). A number of members of Council and business unit managers commented on the importance being accountable and using measures to identify issues and so the issues could be addressed accordingly. Table 14 identifies a smaller percentage of participants from both groups who were at least moderately concerned about reporting negative results.

**How Can the Processes of Performance Measurement and Performance Reporting be Improved?**

Both groups of participants were asked to provide suggestions identifying opportunities to improve the current approach to performance measurement or reporting that would improve the usefulness of these processes. The comments were grouped thematically and listed in an order identifying the

frequency, or count, of the comments clustered within a theme (see Table 15 and Table 16). The order in which the comments are listed does not necessarily reflect the order of importance or magnitude of an issue.

*Comments Made by Business Unit Managers*

Business unit managers (n=25) made a total of 30 comments that identified opportunities to increase the utility of performance measurement and performance reports (see Table 15). The theme identified most frequently was the need for increased corporate support in developing performance measures and performance reports. The nature of issue varied from requiring additional training in developing performance measures, logic models, and identifying key measures to report, to a request for direct support in completing these tasks.

**Table 15. Opportunities to Enhance the Usefulness of Performance Measures Identified by Business Unit Managers**

<b>Analysis of comments:</b>	<b>Count</b>
Increase corporate support/training	9
Provide clearer corporate direction with regard to performance measurement	7
Enhance use of technology	7
Change organizational culture	4
Add capacity within the business unit	3

Business unit managers made seven remarks suggesting that it would be helpful to have a clearer understanding of what is expected from the business units regarding performance measurement and reporting by Leaders and City Council. They were not certain which business units should be reporting or how often they should report to City Council. A number of the participants stated that they were not clear what City Council's priorities were which contributed to the difficulty in reporting on these priorities. Additionally, their remarks included several suggestions that it would be helpful to have clearly defined service levels.

Similarly, business unit managers made seven comments surrounding the theme, use of technology. Their comments ranged from requests to adopt new technology solutions to collect and house data, to enhancing the implementation of the JDE software. Business unit managers also suggested that the organization's culture was an issue. The comments were quite closely linked to the uncertainty surrounding the expectations regarding performance measurement and reporting, and how in some cases this contributed to low buy-in to these processes within the business unit. Another common theme this group emphasized was the recognition that performance measurement

and reporting is time intensive and when competing with other work, it was often not done.

*Comments Made by Members of City Council*

Table 16 illustrates the themes expressed by City Council participants (n=8). Members of Council made a total of 12 comments regarding opportunities to improve reporting and the usefulness of the information provided to City Council. This group made four comments suggesting that it would be useful for the reports to include measures that provided context to the information that they were reviewing. They preferred measures that included trend data or a comparison to a recognized standard or the performance of another community.

<b>Table 16. Opportunities to Enhance the Usefulness of Performance Measures Identified by Members of Council</b>	
<b>Analysis of comments:</b>	<b>Count</b>
Report measures that provide context	4
Use a standardized reporting template	4
Use measures to highlight Business Unit and City Council achievements	2
Use fewer technical measures	1
Provide information earlier in budget process	1

Additionally, four comments made by members of Council supported the adoption of a standardized reporting template. They suggested that increasing the consistency of reporting, both in terms of format and in the process of reporting, would make the reports more useful.

Another issue identified in two comments by members of Council acknowledged that it would be beneficial if the reports highlighted the achievements of business units and City Council. The comment was also made that the technical nature of the performance measures made the reporting difficult to understand. This member of Council expressed that it would be useful if the measures were less technical. The timing and volume of reporting was also cited as an issue. One member of Council thought that the information would be more useful to provide Council with this information, specifically as it related to the development of the budget, earlier in the budget process.

*Who should be involved in developing performance measures?*

Members of Council and business unit managers were asked, “who should participate in developing performance measures?” (see Table 17). Business

unit managers (60%) reported an interest in having Directors (also the identified as the ‘Leaders’) participate in the development of performance measurement. Business unit managers commented that they would like high-level participation from their directors, providing some direction and context to the measures, and validating the measures (see C.4, Appendix B).

**Table 17. Who Should Participate in Developing Performance Measures?**

	<b>Council</b>	<b>BU Managers</b>
<b>Should Directors participate in developing performance measures for your business unit?</b>	<b>Yes</b>	60%
	<b>No</b>	40%
<b>Should members of Council participate in developing some performance measures?</b>	<b>Yes</b>	8%
	<b>No</b>	92%
<b>Should citizens be involved in developing some performance measures or performance reports?</b>	<b>Yes</b>	16%
	<b>No</b>	84%

Business unit managers (92%) were in agreement that members of Council should not participate in the development of performance measures for their business unit. Comments made by this group suggest that their performance measures reflect technical detail that would be difficult for Council to understand and that it was most helpful for them if members of Council focus on developing the policy, such as levels of service, which could be measured and reported (see C4, Appendix B.). Members of Council (75%) generally agreed with this position.

There was a high degree of consensus across both groups when asked whether citizens should participate in these processes (see Table 17). The responses suggest there is little support for including citizens in developing performance measures or performance reports. The business unit managers commented that citizens should provide input into the development of policy through City Council, but that there would be limited interest in participating directly in the process (see C4, Appendix B.).

The following Chapter integrates the findings of this report with the theoretical underpinnings of performance measurement and reporting in the City of Lethbridge.

## DISCUSSION

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**This chapter addresses the four key research questions with a summary of the quantitative findings and supplements the discussion of the research questions with the addition of the qualitative findings.**

The following discussion is structured around the key research questions.

### **A Description of Performance Measurement and Reporting in the City of Lethbridge**

#### *Business Plan Review: Identifying the Types of Measures Reported*

Business plans are one of the few sources of consistent and accessible information regarding individual business units. The review of the available 2009-2011 Business Plans acknowledges that the majority (83%) of the plans contain the business unit's performance measures. This finding is consistent with the activities reported by the business unit managers, who suggested that performance measurement was taking place in 96% of the business units. Examples of output, outcome, ratio, and benchmarking measures are found. Nearly 75% of the performance information reported is output data (see Table 4, Findings). Outcome measures represented 17% of the performance information that was reported.

These results align with the results of research conducted in local government (see Table 1, Literature Review). Local government departments are most likely to report output measures. One of the reasons for this is the accessibility of the data. Yet another may be that it committing to outputs as opposed to outcomes is perceived as lower risk for managers. A limitation of this approach is that output measures reflect a business unit's level of activity, not the outcomes or goals achieved by a specific service or program.

An inconsistency between the findings of the documentation review and the interviews with business managers was identified. Of the 18 Plans reviewed, the results of performance measurement were published in only nine (50%). The business unit managers stated that data interpretation and reporting is conducted in 88% of the business units (see Table 7, Findings). Several potential explanations for this discrepancy are plausible. One, business unit managers may be reporting the data internally within their respective units. Another possible explanation is that the information is reported to City Council in another format or document other than their Business Plan. Still another explanation is that the 18 2009-2011 Plans reviewed did not represent a good sample of all of the Plans completed by the end of 2008.

### *Drafting, Updating, Monitoring, and Reporting Performance Measures*

The results of this question identify that the players involved in these processes vary across the business units. Some patterns do emerge. The findings suggest that performance measurement and reporting is largely an administrative undertaking within the City of Lethbridge. The results confirm that business unit managers and mid-level managers drive the processes of drafting and updating performance measures, monitoring performance measures, and interpreting data, and developing performance reports. Unionized staff is involved to a much lesser degree in these activities. External stakeholders were reported to participate by one business unit manager.

In nearly all business units, business unit managers reported that performance measures have been drafted and are updated periodically as required. This process for updating performance measures also varies across the business units. Today, there are no formal processes for providing feedback on existing measures. The findings suggest that business unit managers update performance measures in an ad hoc fashion. The motivation for updating measures varies. Often performance measures are added because of a legislated requirement.

The performance literature highlights the balance that should be between updating specific and the need for stability of the performance measurement. This approach minimizes the risk of losing relevant trend data. Members of City Council commented on an interest in receiving performance information that provides greater context (see Table 16, Findings).

Similarly, different players monitor performance measures and the frequencies of these activities vary across the business units (see A.3 and A.5, Appendix B). In two business units, performance data is not currently captured or monitored. Another business unit began capturing data a short period prior to the start of this research and at the time of the interview had not reported performance results.

Organizationally, the rationale for performance measurement and reporting varies. Internal policy does not require business unit managers to measure or report performance. For some business unit managers, performance measurement is an exercise associated with business planning. For others, they value the data for supporting decision-making and monitoring the performance of their business unit. The effort expended within a business unit to measure performance is likely proportionate to the perceived utility of the exercise. In some cases, individual business unit managers have taken the initiative to develop some relatively sophisticated performance measurement instruments and reporting tools. Today, the most advanced performance reporting in the City of Lethbridge is evident from business units with a requirement to report specific data to an external body.

### *Do Members of Council Consider the Current Level of Reporting Adequate?*

The Conceptual Framework (p.30) identifies the flow of performance information in the City of Lethbridge. Business unit managers receive the majority of the performance data. The data is filtered and interpreted, in most cases, by business unit managers, and then reported. Select measures are reported to Council.

When asked whether the reporting was adequate, Council participants were divided in their opinions regarding the adequacy of the current level of reporting. However, the comments provided by Council members suggest that there is an interest in continuing to develop and refine the performance reporting reviewed by Council. Generally, there were a number of comments that suggest that the members of City Council recognize that performance reporting is evolving in the City of Lethbridge. The following remarks capture this sentiment:

“We (the City of Lethbridge) are just beginning to address this issue...”

“It is coming but it is not all there yet”

“We (City Council) needs to get more information on what is working, what isn’t, and what we can discontinue.”

In summary, performance measurement and performance reporting is taking place in a number of different ways in the City of Lethbridge. Output measures are the most common performance measures reported. Different players, or combinations of players, are involved in the identifying and updating measures, monitoring performance, and developing reports. Business unit managers are the common thread in these activities. Finally, while members of Council are appreciative of the current efforts in this regard, they are also hopeful that performance measurement and reporting in the City of Lethbridge will continue to be refined.

### **Uses of Performance Information by Business Unit Managers and Members of City Council**

This report focused on the two groups of interest – members of City Council and business unit managers. The Findings confirm that performance information to support a number of local government activities. In Table 9 of the Findings, both groups were asked to provide their opinions regarding the usefulness of performance information to support four specific local government activities, including the identification of strategic priorities, budgeting, reporting to the citizenry, and program evaluation. This provided a unique opportunity to compare the responses of the two user groups.

### *Key Similarities and Differences in the Use of Performance Measurement and Reporting by Business Unit Managers and Members of Council*

The participants of both groups were in agreement that performance information is most useful for supporting budget decisions (see Table 9, Findings). The mean scores of members of Council and business unit managers were the same at 4.8, suggesting that a similar percentage of both groups felt performance data is very useful for the purposes of supporting this activity. Comments made by both study groups confirmed that performance data is very useful for identifying budget pressures and rationalizing the expenditures associated with the addition of resources. These findings align with Pollanen's (2005) results; he reported that the most frequently reported use was budgeting decisions (see Table 2, Literature Review).

The responses between the two study groups differed somewhat when asked whether performance information supports program evaluation. Members of City Council were slightly more inclined to find performance information useful for making program evaluation decisions. This divergence reflects the differences in the interests of the two groups. Whereas business unit managers are likely to limit their use performance information to formative evaluations of programs, occasionally members of Council must also consider the summative evaluation of a program or service. As the ultimate authority in the matters of the budget, City Council is likely to have a greater interest in using performance data to support summative evaluation decisions regarding programs supported within the budget.

Another interesting difference between the two groups is their perspectives on the utility of performance data regarding the development of strategic priorities. Participating business unit managers were more inclined to use performance measures to identify strategic priorities. The Council participants suggested that other factors in determining priorities including, political factors, personal values/conclusions, and affordability/cost were also considered when setting strategic priorities (see Table 10, Findings). This difference illustrates the influence of the political environment on decision-making in local government (see Conceptual Framework).

A slight majority of the Council participants (63%) agreed that performance information is useful for informing the citizenry. In their comments, participating members of Council suggested that reporting performance was also useful for supporting accountability as well (see Table 11). Considerably fewer business unit managers (35%) shared this opinion. In general, the business unit managers felt that the citizenry was largely uninterested in performance data, particularly if the data was of a technical nature.

The most dramatic difference in the responses of the two user groups was reported in their perception of the use of performance data for reporting to the

citizenry is identified in Table 9. The mean scores affirm the sense that the members of Council perceive performance information to be more useful for reporting to the citizenry. Comments made by participating members of Council indicated that a number of the participants from this group felt that reporting performance was useful for supporting accountability (see Table 11). In general, the business unit managers felt that the citizenry was largely uninterested in performance data, particularly if the data was of a technical nature.

It comes as no surprise that members of Council use performance information more than business unit managers to improve accountability with the citizenry. Elected local government officials are much more accessible to the citizenry in comparison to their Federal and Provincial counterparts. Members of City Council are held accountable on a daily basis. As a consequence, it stands to reason that this group has a greater interest in using performance reporting to communicate results externally. Comments made by members of Council lend support to this position. For example:

“ Accountability should be based on sound data reporting...we don't just subjectively tell them...”

“ ...we (City Council) need to be able to show them (the citizenry) that they are getting value good value for their money...(performance measures are) useful for that”

“Decisions are very defensible when you have the information”

#### *Other Uses of Performance Information*

When asked whether they used performance information in any other ways, the theme most frequently identified by business unit managers was the use of performance measures to evaluate the workload and performance of individual employees (see Table 11, Findings). The literature expresses the risk of an increase in the gaming of performance reports when the performance measurement systems focus on increasing individual accountability. As a result, the literature suggests performance measurement systems should be implemented with principal goal of improving organizational performance.

In summary, the findings confirm that performance information is used for a variety of purposes in the City of Lethbridge. The participants' responses verify that business unit managers and members of Council use performance information somewhat differently. Most of the participants from both groups viewed performance data most useful for supporting budget decisions. The most significant difference in their responses was the perceived use of performance data to report to the citizenry. The percentage of participating members of Council who thought performance information was moderately to

very useful for this purpose was nearly twice that of the business unit managers.

## **Understanding the Barriers to Performance Measurement and Reporting in the City of Lethbridge**

The implementation of performance measurement and performance reporting systems is typically achieved through several iterations. To support the successful implementation of a performance measurement system, perceived barriers should be addressed to the extent possible.

### *The Key Barriers*

The business unit managers were asked to comment on the degree to which they felt the issues listed in Table 12 of the Findings were barriers to performance measurement and reporting in the City of Lethbridge. The following four barriers were most frequently identified as significant barriers by the business unit managers.

*Lack of staff capacity to capture data and develop reports.* The lack of staff capacity within the business unit, to capture data and develop performance reports, was identified as a barrier by 44% of the business unit managers. In most instances it was the business unit manager that was required to complete the analysis and develop the report. One participant noted, “*it is the one of the first things that comes of the plate because of our current capacity issues*”. Another manager made the comment, “*Measuring and reporting generate a workload...we simply do not have the capacity to measure performance*”.

*Difficulty in identifying appropriate measures.* Approximately one-third (36%) of the business unit managers remarked that it was difficult to measure the impact or outcome of certain activities or programs. Comments such as, “*making the connections between what we measure and true community outcomes is challenging*” reflected this common theme. A number of the business unit managers were required to report a defined set of measures as defined by legislation or regulatory bodies. One comment made was that it was difficult to know what to measure in the absence of defined service levels.

*Difficulty in using the performance measures in a meaningful way.* Twenty-percent of the business unit managers rated this as a moderate to great barrier; another 44% considered it to be a barrier to some degree. The context of the comments made by business unit managers regarding this issue varied considerably. Several comments reflected the concern that the performance measures captured do not reflect a department’s performance. One business unit manager commented, “*performance measures do not always reflect performance because some of the outcomes are out of your control*”.

*Lack of staff competency in performance measurement.* Sixty percent of the managers reported that the competency of both unionized and administrative staff was a barrier to some degree or greater. An example of this is illustrated by the comment, “we are all learning how to measure and report performance; we need additional support for performance measurement corporately”. The number of new employees entering the organization is a contributing factor. As this business unit manager suggests, “*we have a number of junior staff who lack experience*” in this area.

Business unit managers made were asked to identify any additional barriers not included in Table 13 of the Findings A (see C.2, Appendix B). The comments were coded thematically. The following two issues were cited most frequently:

*Limited use of technology.* A common theme in the comments made by business unit managers was the current technology they were using did not adequately support the collection or reporting of data. One business unit manager says, “current technology is outdated and does not support data capture or reporting”. Several additional comments were made reflecting the sentiment that the new management information system, JDE, might resolve this issue for many business units. Business unit managers were clearly optimistic that this solution would provide them with better performance data. For example, one manager stated, “*new data should be available in one year or so after JDE is fully implemented*”.

*Organizational Culture.* The organizational environment influences the implementation of a performance measurement system (see p. 32, Conceptual Framework). Analysis of the comments made by business unit managers drew attention to the issue that the organizational culture may be a barrier to performance measurement and reporting in the City of Lethbridge (see p.52, Table 15, Findings). Six of the managers made remarks inferring that cultural barriers to performance measurement and reporting may exist at all levels in the organization. One business unit manager said, “we are simply not used to measuring performance in this business unit, it is not part of the culture”. Another manager stated, “*it is the culture of the engineering approach - we don't monitor and don't track*”. And it was also noted that “*the personal filters of the staff*” act as a barrier.

*Is the Quality of the Performance Data a Barrier to the Use of Performance Information in the City of Lethbridge?*

Business unit managers and members of Council were asked to comment on their perception of overall data quality (see Table 14, Findings). Data quality was based on their opinions regarding its relevancy, ease of understanding, timeliness, accuracy, and overall believability. Business unit managers reported few concerns with the quality of the data. Occasional problems

receiving the data and reporting results in a timely fashion were attributed to capacity issues or a problem with technology.

The question of data quality generated interesting comments from the Council participants. There were some clear differences in the perceptions between the two groups. To begin, members of Council did not find the data to be as easily understood – the most frequent comment suggesting that some of the data was too technical for members of Council.

Another key difference, and the data characteristic that generated the most discussion, was the notion of data accuracy. Five of the participants commented on their reliance on their trust of administration to provide them with accurate data (see Table 13, Findings). These comments reflect the importance of maintaining credibility with users and receiving their feedback. One member of Council stated, “I don’t know, I have to trust in Administration’s expertise”.

Despite a 50% rating of neutral to the data’s perceived accuracy, a full 100% of the participating members of Council agreed that the information was believable. Similarly, all members of Council and business unit managers felt the data was relevant. Therefore, the quality of the data is not a barrier to performance measurement and performance reporting in the City of Lethbridge.

#### *Perceived Risk in Reporting Negative Results*

The implementation of a performance measurement system requires a certain amount of organizational trust. Members of Council must be able to trust that the performance reporting provided to them is accurate and valid. Business unit managers require trust in how members of Council chose to use performance information. Performance reporting can also be used to advance a political agenda, and therefore also requires a high degree of trust within City Council.

Both business unit managers and members of Council were asked about the degree to which they were concerned about the reporting negative consequences (see Table 14, Findings). As a generalization, the responses reflected that the participants were interested in using measures to identify problems and improve performance. Business unit managers made comments such as “*if something is not performing well we should be able to identify it*” and “*if we are falling down in an area, then we identify the problem and respond to it*”. Similarly, a member of Council states that the City of Lethbridge should be “*striving towards continuous improvement*”.

The majority of the participants felt no or very little risk, reflecting a relatively high degree of trust. For example, a business unit manager notes, “*if*

*information is camouflaged the problem does not get solved, and I don't have any concerns about that.*" A member of Council who expressed little concern over reporting negative results says, *"you have to be honest, warts and all"*. In general, the Findings suggest that the degree of trust across between members of Council and the Administration is high, which is a key factor in how performance reporting is conducted in an organization.

However, this perspective was balanced with an acknowledgement that performance reports could be associated with real consequences. One business unit manager who reported a moderate concern said, "If you are reporting a negative result there are reasons for that, and it may change the budget resources". Another business unit manager, who perceived a moderate risk, makes the point that *"there are always variables out of your control"*. A member of Council acknowledges the political risk in stating, *"certain environments may make it very damaging, and it requires a high degree of trust amongst members of Council"*. Generally though, these findings suggest that the perceived risk of negative consequences is not a considerable barrier to performance measurement or performance reporting in the City of Lethbridge.

To summarize this section, the principal barriers to performance measurement and reporting, as indicated by the business unit managers, were the lack of staff capacity to capture and report information and difficulty in identifying appropriate measures. Limited use of technology, organizational culture, and uncertainty in how to use performance measures and develop reports, or lack of training in these processes, were also common themes in the comments made by business unit managers. The data reviewed by the participants is largely viewed to be credible and relevant; the quality of the data does not appear to be a barrier to the use of performance information in the City of Lethbridge. Further, the key value of trust is a factor in the perception of data quality. Reporting negative results is perceived as a risk by some of the participants in both study groups, but the majority Council members and business unit managers do not identify this as an issue in the City of Lethbridge.

### **How Can the Processes of Performance Measurement and Performance Reporting be Improved?**

The participants from both groups were asked to identify opportunities to improve the processes of performance measurement and performance reporting. The comments were coded and grouped thematically and reported in Table 15 and 16 of the Findings. This section includes a sample of these comments in an effort to provide additional context to the reader.

#### *Comments Made By Business Unit Managers*

*Increase corporate support and training.* Business unit managers suggested that an increase in corporate support would be helpful in addressing the technical considerations discussed in the previous section. They commented that additional direct support in the development of performance measures and technical training in performance measurement would be beneficial. The following comments made by different business unit managers illustrate these points:

*“We need more education on performance measurement from the corporation.”*

*“We need corporate support in tweaking and refining the logic model and continued support in business planning.”*

*“...the corporation needs to provide additional training in performance measurement and in statistical analysis.”*

*Clarify direction and expectations.* This group also indicated that the expectations surrounding performance measurement were not well understood. Business unit managers identified that it would be helpful to clarify the policy regarding performance standards, and the expectations and uses of performance measurement and reporting in the City. Business unit managers stated:

*“Better communication would help - we need to know where the City is going with performance measurement.”*

*“It would also be helpful to have Council defined standards.”*

*“Council and senior administration may have different priorities; they need to improve clarity around what success looks like...”*

*Enhance the use of technology.* An equal number of comments highlighted the need to refine existing technology or invest in new technology to support data capture. In the context of this report, the use of technology includes the software solution required to capture data and the website to report performance. One business unit manager had this to say:

*“Technology - the software to capture the data is developed internally; we should consider better software to capture data.”*

As previously mentioned, a number of managers thought that the implementation of JDE would improve their ability to capture and report data. A comment was made that the implementation of the business intelligence module in of the JDE software package should be considered in the future.

*“Some of the problem with maintenance should be resolved with JDE, it provides the necessary technology.”*

*Change organizational culture.* Business unit managers also pointed out that there are cultural issues to performance measurement and reporting within their business units and across the organization that need to be addressed. This issue is linked to the perceived lack of clarity regarding the goals, expectations, and uses of performance measures and performance reporting.

As a generalization, they expressed some concern that the importance and the value of these processes were not well described and as a consequence, buy-in and support for performance measurement across all levels of employees throughout the organization varied considerably. These perspectives are highlighted in the following comments:

*“The importance of performance measurement needs to be developed within the culture of the corporation and the business unit.”*

*“It requires change in mind set of staff.”*

*“ We need to develop a clear team approach and communication of the values and goals of performance measurement; we need to have staff buy-in.”*

*Add capacity within the business unit.* Finally, a key issue for a number of business unit managers was the lack of capacity within the business units to analyse performance data and develop performance reports. The business unit managers identified that they simply could not measure and report performance because when pushed for time, performance reporting was secondary to doing their work. The Findings support this assertion. In the majority of cases, business unit managers are directly involved in developing performance measures, analysing data, and completing performance reports. The following comments provide some additional context to this position:

*“Staff resources - we need someone who is analyzing and ensuring the data is being collected.”*

*“ Increase our capacity to be able to work on the analysis and use the data to affect changes.”*

*“ We capture the data but we don't have the capacity to retrieve/analyse the data.”*

*Comments Made by Members of Council*

*Report measures that provide context.* Members of Council made four comments reflecting their interest in receiving performance information with context. They suggested that performance measures reflecting a single point, or lacking a comparator, were difficult to use for gauging performance or supporting decision-making. The following two comments reflect this concern:

*“report measure as a trend or standard to provide better context”*

*“you do something one year and you get a result, but then they do it the next and don't use the same parameters...comparisons with other communities and comparisons to standards in the industry is really helpful”*

*Use a standardized reporting template.* Four comments suggest that the format of performance reporting should be more standardized. These comments were made in the context of both the format and the content of performance reports. For example, two participants suggested:

*“...(performance reports) lack a standard format ...more consistency is imperative”*

*“The City should adopt the triple-bottom line.”<sup>1</sup>*

*Report measures that highlight achievements.* Two comments identify that performance information would be more useful if it reflected the achievements in business plans of business units and the strategic direction of City Council. The reports should highlight the achievements, or outcomes, of programs and initiatives.

*“...(the City) needs some way of looking at (reporting) that money is well spent...need the data to support it...need to use "outcome" or effectiveness measurements.”*

*Use fewer technical measures.* As well, a comment was made regarding the highly technical nature of some measures. It was thought that where possible, less technical information would be more useful.

*Report information earlier in the budget cycle.* The comment was also made that much of the performance information was provided in a short period of time associated with the budgeting process. It was suggested that it would be helpful to receive this information earlier in the budget cycle.

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<sup>1</sup> The triple bottom line is a decision making, and reporting, framework that includes economic, social, and ecological performance measures. This framework was adopted by the City of Calgary in 2005. (As retrieved on April 2, 2009 from <http://content.calgary.ca/CCA/City+Hall/Business+Units/Environmental+Management/Strategic+Environmental+Initiatives/Triple+Bottom+Line/Policy+vs+Framework.htm> ).

*Limit reporting to specific business units.* Participating members of Council were asked whether reviewing the performance information from some business units was a higher priority than others (see C.4, Appendix A). All the participants agreed that reviewing the performance of some business units, specifically those with high expenditures and financial reporting, is a priority.

*Should Leaders, members of Council, or the Citizenry be More Involved in Developing Performance Measures?*

Comments made by business unit managers indicate that Leaders participate in varying degrees across the business units. The majority of the business unit managers (60%) were in favour of having their Leader participate in developing performance measures. Most business unit managers suggested that it would be helpful if Directors participated at a high level and review or validate the performance measures selected. Only 8% of the business unit managers supported direct Council participation.

Members of City Council held a similar position. Seventy-five percent did not want to be directly involved in developing performance measures. A number of participants pointed that this was an administrative function. However, several participants indicated an interest in reviewing the performance measures.

There was little support for the direct participation of the citizenry in the development of performance measures (see Table 17, Findings). Participants from both study groups suggested that the citizenry had the opportunity to influence the policy development through City Council. The literature is mixed on this issue. Generally speaking, performance literature supports an inclusive approach; however, the literature also identifies the complexity and potential pitfalls of the direct participation of citizens or interest groups (see p. 17, Literature Review).

In summary, participating business unit managers and members of City Council identified a number of opportunities to address issues regarding the current approach to performance measurement and reporting and improve these processes. The themes most frequently cited by business unit managers included; one, the opportunity to increase corporate support providing additional training or direct support; two, the need to clarify the expectations of Leaders and City Council regarding these processes and; three, the opportunity to enhance the use of technology to support data collection and reporting. The three themes members of City Council identified most frequently were; one, the measures reported to City Council should provide context; two, the format of reporting should include a standardized template; three, the reporting should focus on business unit and Council achievements.

Further, participating business unit managers suggested that it would be useful for Leaders to vet their measures and validate their relevancy. The majority of the participants of both groups agreed that it would not be useful for members of City Council to participate directly in the development of performance measures; business unit managers suggested that it would be useful for City Council to establish policy around levels of service where possible to facilitate the comparison between the current and desired level of service. Most participants from both groups agreed that the direct participation of the citizenry in the development of performance measures and performance reports would not improve these processes.

# RECOMMENDATIONS

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**This chapter offers a number of recommendations that are intended to address the barriers to performance measurement and performance reporting and the opportunities to improve these processes as presented in the Findings and Discussion.**

The following recommendations are offered for the consideration of Lethbridge City Council, Leaders, and Business Unit Managers.

## **A Recommendation for the Consideration of City Council**

### **1. Clarify City Council's Expectations Regarding Performance Measurement and Reporting**

Business unit managers reported some uncertainty regarding City Councils' expectations regarding performance measurement and reporting from business units. Several comments were made suggesting that it would be helpful for them to understand whether City Council was interested in reviewing performance reports. They also commented that it would also be useful for them to understand which business were expected to report, how often they should provide performance information, and some verification whether the information they were reporting was useful to members of Council.

Members of Council reported that it was not necessary for every business unit to report performance publicly. If possible, City Council should consider identifying the business units that they would like to receive performance information regularly. Particular attention should be focused on ensuring that the rationale for performance reporting and the value of performance reporting is well understood within these business units.

Additionally, business unit managers commented that it would also be helpful to have City Council identify their expectations regarding service levels. Business unit managers suggested that approved levels of service could be used as a baseline from which the performance of their business units could be gauged.

## **Recommendations for the Consideration of Leaders**

### **2. Provide Some Feedback to Business Unit Managers Regarding the Relevancy of Their Business Unit's Performance Measures**

Business unit managers reported that it would be helpful for Leaders to review their performance measures. Where not already the case, business unit managers identified that it would be helpful for their Director, or the Leaders,

vet their performance measures. They expressed some concern in their ability to identify whether their performance measures reflected Leaders or City Council's expectations comments. A number of business unit managers also commented that it would be helpful if performance standards or service levels were endorsed by City Council.

The process of identifying and implementing performance measures should include prospective users where practicable. To be useful, the data must be credible and relevant to the user. Users should have some common understanding and agreement regarding the outcome of a program and understand how the key measures are linked to the outcome. It is difficult to gain insight into perceptions of the users when users cannot provide input or feedback into the performance measurement system. The measures should be reviewed periodically with users and changes made to the measures as necessary.

The literature affirms the position that the identification of performance measures should be an inclusive process. McDavid and Hawthorne (2006) state that a key step in implementing a performance measurement system is to "involve prospective users in reviewing logic models and its constructs in the proposed performance measurement system" (see p.13, Literature Review). The authors also identify that "participants and stakeholders" should validate logic models. "Buy-in at this stage of the development process will familiarize prospective users with the key constructs in the model(s) and set the agenda for developing performance measures (p. 320, McDavid and Hawthorne, 2006)."

### ***3. Support a Change in the Organizational Culture***

A number of business unit managers identified that organizational culture was both a barrier and that changing it would present an opportunity to improve performance measurement and reporting across the City of Lethbridge. The implementation of a performance measurement system represents a significant organizational change. It is also an ongoing change that must be sustained over time. Therefore it is important to identify a corporate champion at a senior administrative level in the organization who will provide ongoing support for performance measurement and reporting.

It would be useful for Leaders make performance measurement and performance reporting a priority across the organization. During the implementation phase of a performance measurement system, it is helpful to develop formal communication pathways between the users of the performance information. The rationale and expectations for the implementation of the system should be communicated throughout the organization.

#### **4. Adequately Resource Business Units To Sustain Performance Measurement**

The implementation of a performance measurement system can be a resource intensive initiative. Further, it should be noted that the implementation of a performance measurement system is akin to implementing a program, not a project. The resource requirements are ongoing. A significant barrier that the business unit managers commented on frequently was the lack of staff capacity within the business unit. This barrier can be addressed in one of two approaches. Additional staff capacity could be added directly to the business unit. Another approach would be to centralize the processes of performance reporting and increase the corporate support provided to the business units. This approach may also address the issue of reporting inconsistencies that was reported by members of City Council.

Additionally, numerous comments were made regarding the current perceived inadequacy of the technology used for capturing performance data. For a number of business units, the managers feel that JDE may resolve the gap in technology when it is fully implemented and functional. For others, new technology to assist in capturing reliable data and reporting should be considered. Options to address the capacity issue are very specific to business units. An analysis of the business case to add staff, shift existing work, or centralize the performance reporting should be completed.

#### **5. Increase Training in Performance Measurement and Reporting**

As a generalization, the technical understanding of the principles of performance measurement and performance reporting in the majority of business units was lacking. Further, business unit managers also identified that their experience in identifying measures and reporting performance was limited. These participants cited such barriers as difficulty in identifying appropriate measures, difficulty in using the performance measures in a meaningful way, and lack of staff competency in performance measurement.

Leaders should consider providing key staff within business units training in these processes. Corporately, training and support for developing logic models might also be considered. This approach aligns with the option to add capacity into a centralized corporate support group who could provide training and direct support in performance measurement and reporting throughout the City of Lethbridge.

## **A Recommendation for the Consideration of Business Unit Managers**

### **6. Where Possible, Standardize the Performance Reporting Process**

Members of Council suggested that it would be helpful if reported performance measures were less technical in nature. They also indicated that measures should reflect community outcomes and highlight business unit and City Council achievements. Council participants also expressed an interest in receiving performance data with greater context, such as trend data or comparison to standards. They also identified that performance reporting should be completed annually by select business units-particularly those involved in direct service delivery with large expenditures and the financial departments. It was also noted that it would be helpful if the performance reports were provided earlier in the budgeting process. The volume of information provided in a short period of time made it difficult to review and evaluate the performance information.

The Findings confirm that the frequency of reporting varies considerably across the organization. Additionally, the types of measures most frequently reported do not reflect organizational outcomes or achievements. The broader adoption of the use of logic models addresses a number of these issues. The use of logic models to develop measures is not entirely new to the City of Lethbridge. Some business unit managers have used this framework to identify outcome oriented performance measures in their business plan. The logic model is useful for identifying key measures, or constructs, that can be linked to community outcomes. This framework illustrates the causal relationship between inputs, outputs, and outcomes. The development of logic models is an iterative process that requires some common understanding and agreement surrounding the outcomes of a program.

Logic models as a reporting format can also be used as a standard reporting template or format. Key performance measures can be reported in a consistent and standardized format. An emerging trend in performance measurement in local government is the use of multi-dimensional performance reporting frameworks such as the Balanced Scorecard and the Triple-Bottom Line.

This Chapter provided six recommendations that address the barriers and issues identified by participating business unit managers and members of City Council. The intent of the recommendations is to improve performance measurement and performance reporting in the City of Letbridge. The following section concludes the study with a summary of the findings and recommendations, and concluding remarks.

## CONCLUSION

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**This chapter provides a summary of the findings of this report as well as the report's recommendations.**

Currently, the approaches to performance measurement and performance reporting vary throughout the business units in the City of Lethbridge. Output measures are the most common performance measures reported, which is consistent with the results reported in the performance literature (Poister and Streib, 1999). Different players, or combinations of players, are involved in the identifying and updating measures, monitoring performance, and developing reports. Business unit managers are the common thread in these activities. Finally, the opinions of Council participants are mixed when comment on the adequacy of the current levels of performance reporting.

Performance information is used to support a variety of local government activities in the City of Lethbridge. Business unit managers and members of Council use performance information somewhat differently. Most of the participants from both groups viewed performance data most useful for supporting budget decisions. Pollanen (2005) reported a similar finding.

The principal barriers to performance measurement and reporting, as indicated by the business unit managers, were the lack of staff capacity to capture and report information and difficulty in identifying appropriate measures. Limited use of technology, organizational culture, and uncertainty in how to use performance measures and develop reports, or lack of training in these processes, were also common themes in the comments made by business unit managers. Data quality is not barrier to the use of performance measures. The concern over reporting negative results does not appear to be an issue for most participants.

Participating business unit managers and members of City Council identified a number of opportunities to improve the current approach to performance measurement and reporting in the City of Lethbridge. The themes most frequently cited by business unit managers included; one, the opportunity to increase corporate support by providing additional training or providing direct support to the business unit; two, the need to clarify the expectations of Leaders and City Council regarding these processes and; three, the opportunity to enhance the use of technology to support data collection and reporting. The three themes members of City Council identified most frequently were; one, the measures reported to City Council should provide context; two, the format of reporting should include a standardized template; three, the reporting should focus on business unit and Council achievements.

Further, participating business unit managers suggested that it would be useful for Leaders to vet their measures and validate the relevancy of the reported measures. The majority of the participants of both groups agreed that it would not be useful for members of City Council to participate directly in the development of performance measures; business unit managers suggested that it would be useful for City Council to establish policy around levels of service where possible to facilitate the comparison between the current and desired level of service. Most participants from both groups agreed that the direct participation of the citizenry in the development of performance measures and performance reports would not improve these processes

The report makes six recommendations for the consideration of City Council, Leaders, and the business unit managers. The recommendations address the barriers identified by business unit managers and incorporate the opportunities to improve performance measurement and reporting reported by the participants of both study groups. The recommendations include the following:

1. *Clarify City Council's Expectations Regarding Performance Measurement and Reporting*
2. *Provide Some Feedback to Business Unit Managers Regarding the Relevancy of Their Business Unit's Performance Measures*
3. *Support a Change in the Organizational Culture*
4. *Adequately Resource Business Units To Sustain Performance Measurement*
5. Increase Training in Performance Measurement and Reporting
6. Where Possible, Standardize the Performance Reporting Process

In conclusion, this report provides a description of the current activities and the players involved in performance measurement and reporting in the City of Lethbridge. The findings confirm that despite being a voluntary exercise, most business units are involved in some level of performance measurement. The findings also indicate that the reporting of results varies considerably between the business units and this may be a process that requires further refinement. Ideally, the implementation of the recommendations will improve the ability of the City of Lethbridge to report organizational performance to City Council, and improve communication between the City and citizens of Lethbridge.

# APPENDICES

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## Appendix A. Council Interview and Responses

A1. Performance data from the Business Units are currently reported in documents such as the Annual Report and the Operating Budget.

Do you review any of this information? (yes/no)

Yes	8	100%
No	0	0%

To what degree do you agree with the following statements:

The performance data is relevant.

Mean	4.3		
Mode	4		
Distribution			
1	0	0%	Strongly Disagree
2	0	0%	Disagree
3	0	0%	Neutral
4	6	75%	Agree
5	2	25%	Strongly Agree
Agree to Strongly Agree	8	100%	

The performance data is easy to understand.

Mean	3.9		
Mode	4		
Distribution			
1	0	0%	Strongly Disagree
2	0	0%	Disagree
3	2	25%	Neutral
4	5	63%	Agree
5	1	13%	Strongly Agree
Agree to Strongly Agree	6	75%	

The performance data is timely.

Mean	4.0		
Mode	4		
Distribution			
1	0	0%	Strongly Disagree
2	0	0%	Disagree
3	2	25%	Neutral
4	4	50%	Agree
5	2	25%	Strongly Agree
Agree to Strongly Agree	6	75%	

**The performance data is accurate.**

Mean	3.8		
Mode	4		
Distribution			
1		0%	Strongly Disagree
2		0%	Disagree
3	4	50%	Neutral
4	2	25%	Agree
5	2	25%	Strongly Agree
(Uncertain were attributed to Neutral)	2	25%	
Agree to Strongly Agree	4	50%	

**Analysis of Comments:**

Qualitative analysis of Council comments regarding data quality:	Count
Requires trust in administration	5

**Overall, the performance data is believable.**

Mean	4.4		
Mode	4		
Distribution			
1	0	0%	Strongly Disagree
2	0	0%	Disagree
3	0	0%	Neutral
4	5	63%	Agree
5	3	38%	Strongly Agree
Agree to Strongly Agree	8	100%	

**A2. Do you receive additional performance information from any of the Business Units? (yes/no)**

	Count	%
<b>Yes</b>	5	63%
<b>No</b>	3	38%

**What form is it in? (written, oral presentation)**

<b>Written</b>	:
<b>Presentation</b>	:

**A3. In your opinion, is the current level of performance reporting from Business Units adequate?**

	Count	%
<b>Yes</b>	4	50%
<b>No</b>	3	38%
<b>Undecided</b>	1	13%

**Analysis of Comments:**

Iterative process that requires further refinement	4
Adopt multidimensional reporting	1

**A4. Currently, how does Council measure its performance?**

**Analysis of Comments:**

	Count
Completion of strategic plan/goals	5
Re-election	3

**A5. In your opinion, do the current performance measures of the Business Units adequately reflect progress on Council's strategic objectives or initiatives?**

	Count	%
<b>Yes</b>	5	63%
<b>No</b>	2	25%
<b>Undecided</b>	1	13%

**Analysis of Comments:**

	Count
Reporting requires further refinement	3
May not be necessary or possible to align directly	2

**Sample Comments:**

"It would be my hope that they would be clearly aligned with the strategic priorities of Council."  
 "Administration needs to do more to identify how and what we are doing is meeting Council's objectives. Today that is obscured."  
 "I'm not sure there is always a connection between what Council sets out to do and the business units."

**B1. To what degree is performance data currently useful for identifying Council's strategic priorities or objectives?**

Mean	3.5		
Mode	4		
Distribution			
1	1	13%	Not At All Useful
2	0	0%	Rarely Useful
3	2	25%	Useful to Some Degree
4	4	50%	Moderately Useful
5	1	13%	Very Useful
Moderate to Very Useful	5	63%	

**Analysis of Comments: Other factors that influence Council's priorities**

	Count
Political factors	6
Affordability	2
Regulatory requirements	1
Personal conclusions/values	3

**B2. To what degree is performance data currently useful for supporting budget decisions?**

Mean	4.8		
Mode	5		
Distribution			
1	0	0%	Not At All Useful
2	0	0%	Rarely Useful
3	0	0%	Useful to Some Degree
4	2	25%	Moderately Useful
5	6	75%	Very Useful
Moderate to Very Useful	8	100%	

**B3. To what degree is performance data currently useful for supporting program evaluation decisions?**

Mean	4.125		
Mode	5		
Distribution			
1	1	13%	Not At All Useful
2	0	0%	Rarely Useful
3	0	0%	Useful to Some Degree
4	3	38%	Moderately Useful
5	4	50%	Very Useful
Moderate to Very Useful	7	88%	

**B4. In your opinion, to what degree would the citizenry find performance reports useful?**

Mean	3.9		
Mode	5		
Distribution			
1	0	0%	Not At All Useful
2	1	13%	Rarely Useful
3	2	25%	Useful to Some Degree
4	2	25%	Moderately Useful
5	3	38%	Very Useful
Moderate to Very Useful	5	63%	

**Analysis of Comments:**

	Count
Perceived lack of interest	4

**B5. Do you currently use performance data in any other ways not already discussed?**

	Count
Accountability to citizens	2
Political lobbying	1

**In your opinion, what impediments or challenges currently limit your use of performance reports from C1. Business Units?**

**Analysis of Comments:**

	Count
Performance measures are not meaningful	3
Difficulty in measuring outcomes	2
Reporting format not standardized	1

**C2. What changes, if any, would you suggest to increase the usefulness of performance reporting from Business Units?**

**Analysis of Comments:**

	Count
Report measures that provide context	4
Use a standardized multidimensional reporting framework	4
Use measures to highlight Business Unit and Council achievements	2
Use fewer technical measures	1
Provide information earlier in budget process	1

**C3. How often would you like to review performance information from Business Units?**

	Count
quarterly	1
annually	5
every 3 years	2

**C4. Are the performance reports of some Business Units a higher priority to review? (yes/no)**

<b>Yes</b>	8	100%
<b>No</b>	0	0%

**Analysis of Comments:**

	Count
Business units delivering public services with large expenditures	4
Financial business units	2

**C5. In your opinion, should members of Council participate in developing some performance measures?**

<b>Yes</b>	2	25%
<b>No</b>	6	75%

**In your opinion, should citizens be involved in developing some performance measures or performance reports?**

<b>Yes</b>	1	13%
<b>No</b>	7	88%

**C6. Would you be interested in developing a set of performance measures for City Council?**

<b>Yes</b>	7	88%
<b>No</b>	0	0%
<b>Uncertain</b>	1	13%

**C7. Do potential political implications concern you if the performance results are not positive?**

Mean	2.8
Mode	2
Distribution	
1	1 12.5% Not At All
2	3 37.5% Hardly Any Degree
3	2 25.0% Some Degree
4	1 12.5% Moderate Degree
5	1 12.5% A Great Degree
Not at all to hardly any degree	4 50%

**Analysis of Comments:**

	Count
Council is accountable	2
Identify problem and address it	2
Identify good performance	1

**Sample Comments:**

"certain environments may make it very damaging, therefore it requires a high degree of trust amongst members of Council"

"You have to be honest, warts and all, and fix it if it is not working"

**C8. How important is the topic of performance measurement and reporting to you?**

Mean	4.5
Mode	5
Distribution	
1	0 0% Unimportant
2	0 0% Of Little Importance
3	1 13% Moderately Important
4	2 25% Important
5	5 63% Very Important
Important to very important	7 88%

**Sample Comments:**

"Council is taking measurement very seriously"

"It (performance measurement) is at the top of the list"

**C9. Is there anything that you would like to add?**

**Sample Comments:**

"Without performance appraisals, how else do you know whether you are succeeding"

"we need to raise the bar, programs need to be measurable"

"Performance measurement should not be a punitive exercise, it should be about measuring for continuous improvement"

"Given that we rely on the trust of our management, it would be helpful to know that there is a standard or qualification to know the performance reports are credible"

## Appendix B. Business Unit Manager Interview and Responses

A1.

Currently, does your business unit capture performance data?

Yes	23	92%
No	2	8%

A2.

Who is involved in drafting and updating the performance measures for your business unit?  
Who takes the lead in doing this work? Why?

BUM only	8	32%
BUM and Managers	6	24%
BUM, Managers and Staff	9	36%
Developed by External Agency Staff	1	4%
No PMs developed	1	4%

A3.

In your business unit, who monitors/tracks the performance measures? Why?

BUM only	7	28%
BUM and Managers	3	12%
BUM and Staff	2	8%
BUM, Managers, and Staff	1	4%
Mangers Only	2	8%
Managers and Staff	5	20%
Staff Only	3	12%
Not Currently Monitoring	2	8%
How Often?		
Varies	18	72%
Annually	3	12%
Semi-Annually	1	4%
Quarterly	1	4%
Not Currently Monitoring	2	8%

A4.

Who is involved in interpreting the performance data and developing the performance reports?

BUM only	6	24%
BUM and Managers	7	28%
BUM and Staff	5	20%
BUM, Managers, and Staff	1	4%
Mangers Only	1	4%
Staff Only	1	4%
External Agencies	1	4%
Not Currently Reporting	3	12%

A5.

In your work as a Business Unit Manager, how often do you review your business unit's performance data?

Varies	15	60%
Monthly	3	12%
Quarterly	1	4%
Annually	3	12%
Not Reviewed	3	12%

To what degree do you agree with the following statements:

**The performance data is relevant.**

Mean	4.6		
Mode	5		
Distribution	*of the 22 collecting data		
1	0	0%	strongly disagree
2	0	0%	disagree
3	0	0%	neutral
4	9	41%	agree
5	13	59%	strongly agree
Agree to Strongly Agree	22	100%	
not currently collecting	3		

**The performance data is easy to understand.**

Mean	4.1		
Mode	4		
Distribution	*of the 22 collecting data		
1	0	0%	strongly disagree
2	1	5%	disagree
3	1	5%	neutral
4	14	64%	agree
5	6	27%	strongly agree
Agree to Strongly Agree	20	91%	
not currently collecting	3		

**The performance data is timely.**

Mean	3.8		
Mode	4		
Distribution	*of the 22 collecting data		
1	0	0%	strongly disagree
2	1	5%	disagree
3	5	23%	neutral
4	13	59%	agree
5	3	14%	strongly agree
Agree to Strongly Agree	16	73%	
not currently collecting	3		

**The performance data is accurate.**

Mean	3.8		
Mode	4		
Distribution	*of the 22 collecting data		
1	0	0%	strongly disagree
2	0	0%	disagree
3	1	5%	neutral
4	13	59%	agree
5	8	36%	strongly agree
Agree to Strongly Agree	21	95%	
not currently collecting	3		

**Overall, the performance data is believable.**

Mean	4.5		
Mode	5		
Distribution	*of the 22 collecting data		
1	0	0%	strongly disagree
2	0	0%	disagree
3	0	0%	neutral
4	11	50%	agree
5	11	50%	strongly agree
Agree to Strongly Agree	22	100%	
not currently collecting	3		

**A6. Does your business unit complete a business plan? (Yes or No)**

Yes	23	92%
No	2	8%

**If yes, are performance measures linked to the initiatives identified in your plan?**

Yes	20	80%
No	3	12%

**A7. Are the current performance measures of your business Unit linked to Council's strategic objectives or initiatives?**

Yes	18	72%
No	6	24%
Uncertain	1	4%

**B1. To what degree is performance data currently useful for identifying your business unit's strategic priorities or objectives?**

Mean	4.1		
Mode	5		
Distribution	* of the 23 currently using data		
1	0	0%	Not at all useful
2	1	4%	Rarely useful
3	5	22%	Useful to some degree
4	7	30%	Moderately useful
5	10	43%	Very useful
Not receiving data	2	(Two business units have no data)	
Moderate to Very Useful	74%		

**B2. To what degree is performance data currently useful for supporting budget decisions?**

Mean	4.5		
Mode	5		
Distribution	* of the 23 currently using data		
1	0	0%	Not at all useful
2	1	4%	Rarely useful
3	1	4%	Useful to some degree
4	7	30%	Moderately useful
5	14	61%	Very useful
Not receiving data	2	(Two business units have no data)	
Moderate to Very Useful	91%		

**Analysis of Comments:**

Identifying need for additional resources	7
Rationalize funding	6

**B3. To what degree is performance data currently useful for supporting service management decisions?**

Mean	4.2		
Mode	5		
Distribution	* of the 23 currently using data		
1	1	4%	Not at all useful
2	0	0%	Rarely useful
3	5	22%	Useful to some degree
4	5	22%	Moderately useful
5	12	52%	Very useful
Not receiving data	2	(Two business units have no data)	
Moderate to Very Useful	74%		

**B4. To what degree is performance data currently useful for monitoring service quality?**

Mean	4.2		
Mode	5		
Distribution	* of the 23 currently using data		
1	0	0%	Not at all useful
2	2	9%	Rarely useful
3	2	9%	Useful to some degree
4	9	39%	Moderately useful
5	10	43%	Very useful
Not receiving data	2	(two business units have no data)	
Moderate to Very Useful	83%		

**B5. To what degree is performance data currently useful for supporting the comparison of performance with other communities?**

Mean	3.0		
Mode	3		
Distribution	* of the 23 currently using data		
1	4	17%	Not at all useful
2	0	0%	Rarely useful
3	12	52%	Useful to some degree
4	0	0%	Moderately useful
5	7	30%	Very useful
Not receiving data	2	(two business units have no data)	
Moderate to Very Useful	30%		

**Analysis of Comments:**

Difficult to make direct comparisons	11
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**B6. To what degree is performance data currently useful for supporting program evaluation decisions?**

Mean	3.7		
Mode	5		
Distribution	* of the 23 currently using data		
1	2	9%	Not at all useful
2	4	17%	Rarely useful
3	3	13%	Useful to some degree
4	5	22%	Moderately useful
5	9	39%	Very useful
Not receiving data	2	(two business units have no data)	
Moderate to Very Useful	61%		

**B7. To what degree is performance data current useful for reporting your business unit's performance to members of City Council?**

Mean	4.0		
Mode	5		
Distribution	* of the 23 currently using data		
1	0	0%	Not at all useful
2	2	9%	Rarely useful
3	4	17%	Useful to some degree
4	8	35%	Moderately useful
5	9	39%	Very useful
Not receiving data	2	(two business units have no data)	
Moderate to Very Useful	74%		

**Analysis of Comments:**

PMs don't reflect overall performance	4
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**B8. In your opinion, to what degree would the citizenry find performance reports useful?**

Mean	2.7		
Mode	2		
Distribution	* of the 23 currently using data		
1	4	17%	Not at all useful
2	7	30%	Rarely useful
3	3	13%	Useful to some degree
4	6	26%	Moderately useful
5	2	9%	Very useful
Not receiving data	2	(two business units have no data)	
Moderate to Very Useful	35%		

**Analysis of Comments:**

Perceived lack of interest 8

**B9. Do you currently use performance data in any other ways not already discussed?**

**Analysis of Comments:**

	<u>Count</u>
Individual performance evaluation	9
Report to external agencies	3
Used to manage contracts	4
Respond to ad hoc inquiries	2

**C1. The literature identifies a number of commonly cited barriers to the development, use, and reporting of performance measures.**

**In your opinion, to what degree do the following possible barriers limit performance measurement and reporting in your business unit?**

**a. Performance objectives are not clearly defined.**

Mean	2.2		
Mode	2		
Distribution			
1	7	28%	Not at all
2	8	32%	Hardly any degree
3	6	24%	Some degree
4	4	16%	Moderate degree
5	0	0%	Great degree
Moderate to Great Degree	16%		

**b. Difficulty in identifying appropriate measures.**

Mean	2.8		
Mode	4		
Distribution			
1	5	20%	Not at all
2	3	12%	Hardly any degree
3	8	32%	Some degree
4	8	32%	Moderate degree
5	1	4%	Great degree
Moderate to Great Degree	36%		

**c. Lack of reliable data**

	Mean	2.5		
	Mode	6		
	Mode	3		
	Distribution			
	1	4	16%	Not at all
	2	8	32%	Hardly any degree
	3	9	36%	Some degree
	4	3	12%	Moderate degree
	5	1	4%	Great degree
	Moderate to Great Degree	16%		

**d. Lack of staff competency in performance measurement.**

	Mean	2.6		
	Mode	3		
	Distribution			
	1	5	20%	Not at all
	2	5	20%	Hardly any degree
	3	11	44%	Some degree
	4	3	12%	Moderate degree
	5	1	4%	Great degree
	Moderate to Great Degree	16%		

**e. Lack of staff capacity to capture data and develop reports.**

	Mean	3.2		
	Mode	5		
	Distribution			
	1	4	16%	Not at all
	2	5	20%	Hardly any degree
	3	5	20%	Some degree
	4	4	16%	Moderate degree
	5	7	28%	Great degree
	Moderate to Great Degree	44%		

**f. Difficulty in using the performance measures in a meaningful way.**

	Mean	2.6		
	Mode	4		
	Mode	3		
	Distribution			
	1	6	24%	Not at all
	2	3	12%	Hardly any degree
	3	11	44%	Some degree
	4	4	16%	Moderate degree
	5	1	4%	Great degree
	Moderate to Great Degree	20%		

**g. Lack of requirement to report externally**

		1.6		
Mean		8		
Mode		1		
Distribution				
	1	17	68%	Not at all
	2	2	8%	Hardly any degree
	3	3	12%	Some degree
	4	3	12%	Moderate degree
	5	0	0%	Great degree
Moderate to Great Degree			12%	

**h. Lack of measures comparable to other cities for benchmarking.**

			2.3	
Mean		6		
Mode		2		
Distribution				
	1	6	24%	Not at all
	2	9	36%	Hardly any degree
	3	6	24%	Some degree
	4	3	12%	Moderate degree
	5	1	4%	Great degree
Moderate to Great Degree			16%	

**C2. Are there other barriers or challenges currently limiting the use of performance measures within your business unit?**

20 participants provided 29 comments

**Analysis of Comments:**

Insufficient Capacity	9	31%
Limited use of Technology	7	24%
Organizational culture	6	21%
Use of PM/Training in PM	4	14%
Directors (Leaders) level participation/direction	2	7%
Labour-management concerns	1	3%
	<u>29</u>	<u>100%</u>

**C3. What changes, if any, would you suggest to increase the usefulness of performance measures for your business unit?**

21 Participants made 30 suggestions

**Analysis of Comments:**

Increase corporate support/training	9	30%
Provide clearer corporate direction with regard to PMs	7	23%
Enhance Use of Technology	7	23%
Change Organizational culture	4	13%
Add Capacity	3	10%
	<u>30</u>	<u>100%</u>

**C4. Today, business unit staff develops most of the reported performance measures.**

a. In your opinion, should your leader participate in developing performance measures for your business unit?

If so, what would that process look like?

Yes	15	60%
No	10	40%
	<u>25</u>	<u>100%</u>

If yes, what does leader participation look like?

	<u>Count</u>
Provides context (political) between BU to Council	4
Review only or high level participation to validate that PMs meet expectations	9
Validate alignment with corporate policy and objectives	1
Participate in development in business planning	1
Leaders should only provide direction	4

**Analysis of Comments:**

	<u>Count</u>
Too specific or technical	4
Leader currently participates	5

b. In your opinion, should members of Council participate in developing some performance measures for your business unit?

If so, what would that process look like?

Yes	2	8%
No	23	92%
	<u>25</u>	<u>100%</u>

**Analysis of Comments:**

	<u>Count</u>
PMs are too specific or technical	5
Council's role to set policy and levels of service	7
Council's role to develop the strategic vision for the corporation	3
Council should limit participation to a general corporate or community level	6
Council should review PMs and confirm that the information is of value	3
Council is issue driven and may select PM that is difficult to measure or of little other value	3

c. In your opinion, should citizens be involved in developing some performance measures for your business unit? (Yes or No)

If so, what would that process look like?

Yes	4	16%
No	21	84%
	<u>25</u>	<u>100%</u>

**Analysis of Comments:**

	<u>Count</u>
Indirectly only, through Council or a Board in establishing policy and service levels	12
Perceived lack of interest	4
PMs are too specific or technical	3

**C5. To what degree are you concerned about reporting performance results that are not positive?**

Mean	2.04		
Mode	1		
Distribution			
1	13	52%	Not at all
2	2	8%	Hardly any degree
3	6	24%	Some degree
4	4	16%	Moderate degree
5	0	0%	Great degree
moderate to great degree		16%	
not at all to hardly any degree		60%	

**C6. How important is the topic of performance measurement and reporting to you?**

Mean			
Mode	4.28		
Distribution	5		
1	0	0%	Unimportant
2	0	0%	Of little importance
3	5	20%	Moderately important
4	8	32%	Important
5	12	48%	Very Important
Important to Very Important		80%	

**Sample Comments:**

One of the highest priorities in our organization; critical issue for us as a City  
 Need a foundation to make decisions - we can make judgements but I would like to rely on data  
 Reporting performance gives the community confidence in the service

**C7. Are there any additional comments you would like to make?**

**Sample Comments:**

"use of the term "performance measurement" infers the performance of individuals...which may be perceived as negative, so consider changing the term away from PM;

"external agencies receive training in performance measurement; do not set targets as outcomes "

"Being in the public sector we have accountability but we shouldn't spend an inordinate amount of time on measurement; PMs can be manipulated to represent positive results and therefore performance-based compensation can be problematic"

"I would hate to go overboard with measuring, it could use up a lot of resources"

"Should compare how measurement is done in other cities; Only so much control on outcomes therefore the ability to influence outcomes is limited"

"There is a real difference in the use of PMs when you work horizontally in an organization - our results increase performance of other business units and does not identify our success; Our results are presented by other BUMs"

<b>Review of 2009-2011 Business Plans</b>		
		<b>% of Total</b>
Total Reviewed	18	
Plans with identified performance measures	15	83%
Plans with reported results	9	50%
<b>Types of Reported Performance Measures</b>		
Total Measures Reported in Plan	82	
Output	60	73%
Outcome	17	21%
Ratio	4	5%
Benchmarking	1	1%

### **Appendix C. Key Steps in Designing and Implementing a Performance Measurement System (McDavid and Hawthorn, 2006, p.308)**

1. *Identify the organizational champions of this change.*
2. *Understand what a performance measurement system can and cannot do, and why it is needed.*
3. *Establish multi-channel ways of communicating that facilitate top down, bottom up, and horizontal sharing of information, problem identification, and problem solving.*
4. *Clarify the expectations for the uses of the performance information that will be created.*
5. *Identify the resources available for developing, implementing, maintaining, and renewing the performance measurement system.*
6. *Take the time to understand the organizational history around similar initiatives.*
7. *Develop logic models for the programs or lines of business for which performance measures are being developed.*
8. *Identify additional constructs that are intended or represent performance for aggregations of programs or the whole organization.*
9. *Involve prospective users in reviewing the logic models and constructs in the proposed performance measurement system.*
10. *Measure the key constructs in the performance measurement system.*
11. *Record, analyze, interpret, and report the performance data.*
12. *Regularly review feedback from users and, if needed, make changes to the performance measurement system.*

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