

# DEVELOPING AN EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM

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## 1. Introduction

Housing organisations in the UK are increasingly aware of the merits of employing performance management systems in order to ensure that high quality services are supplied to their tenants.

This paper sets out best practice as identified by HouseMark, based on the activities of our 600 members and the specific consultancy advice we offer to organisations seeking to raise their game in this area.

It draws upon two successful performance management systems – Trafford Housing Trust and Carrick Housing. Trafford Housing Trust is based in the Greater Manchester conurbation in North West England and manages 10,000 homes. Carrick Housing is based in Cornwall, covering both rural areas and the towns of Falmouth and Truro and manages 3,800 homes.

## 2. What should a performance management system cover?

Ideally, the system should cover all of the key elements of an organisation's business, which should be reflected in its Vision and Values mission statement:

- Customers
- Neighbourhoods
- Performance
- People
- Money

## 3. The balanced scorecard

An increasing number of organisations are adopting a balanced scorecard framework to ensure that each element of the performance management framework is given equal importance. This is important, given:

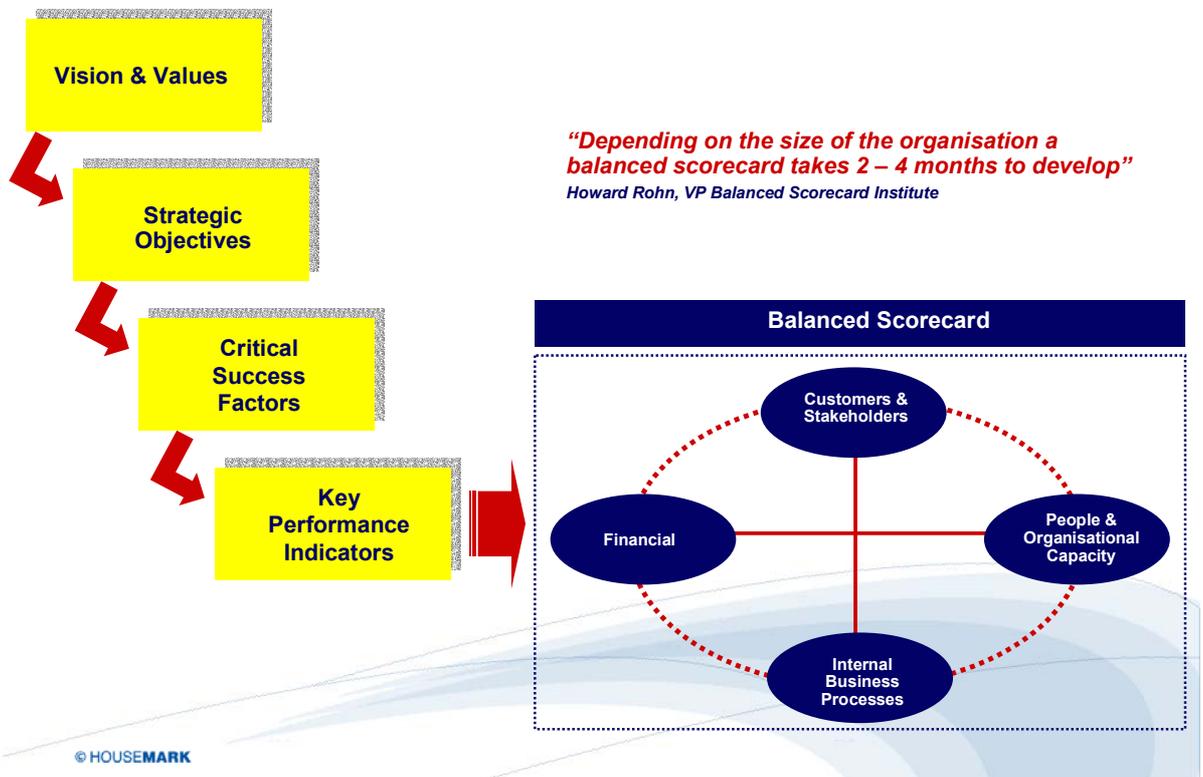
- the inter-dependency of the five key criteria identified above in ensuring that quality services are provided
- the inter-dependency of the different departments in an organisation in delivering each objective
- the need for effective links between corporate business planning, service planning and monitoring and budget setting

A balanced scorecard, a multi-dimensional framework designed to make an organisation think about every aspect of its work and make action to improve it, may assist in resolving these issues. Properly developed it acts not only as a means of measuring organisational performance, but also as a way of clarifying objectives and managing the critical success factors that impact upon their delivery.

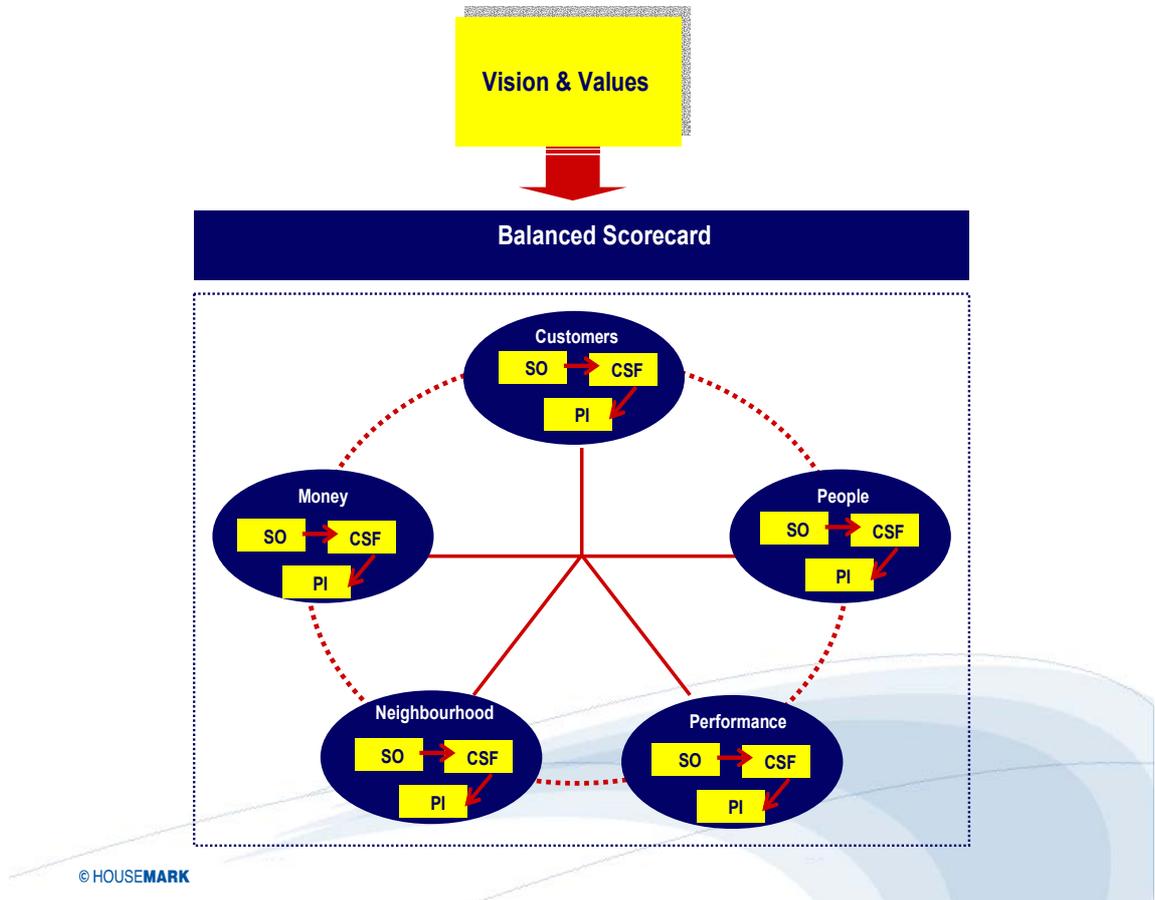
#### 4. How does a performance management system and a balanced scorecard fit into an organisation's processes and procedures?

The following diagrams explain the relationship. The first diagram shows the link between the scorecard and the vision and values, strategic objectives, critical success factors and key performance indicators discussed in sections 5 and 6 of this paper. The second diagram shows the link between the scorecard and the key elements of an organisation's business – as discussed in section 2 of this paper. The acronyms used are SO (strategic objective), CSF (critical success factor) and PI (performance indicator).

##### 4.1 Public Sector Balanced Scorecard (1)



## Public Sector Balanced Scorecard (2)



### 5. Vision & Values: Strategic objectives

It is the norm for an organisation's strategic objectives to be set out in a Corporate Business Plan, which reflects the Vision and Values set out in its mission statement.

This is demonstrated in our two case study examples.

#### Trafford Housing Trust strategic objectives

- **Customers** – involving our customers and meeting housing needs
- **Neighbourhoods** – creating neighbourhoods where people choose to live
- **Performance** – providing modern homes and delivering a first class housing service
- **People** – being an excellent employer
- **Money** – operating a sound business

**Carrick Housing strategic objectives**

- **Customers** – tenants are the focus of our business – they will have a clear and influential role in everything we do
- **Neighbourhoods** – we will help to deliver the wider strategic goals of the community and their ambitions and aspirations
- **Performance** – excellent housing services and improved homes are our objective
- **People** – the quality of our business is based on the quality of our staff
- **Money** – we need to be an efficient business to meet our objectives in respect of service excellence and decent homes

**6. Critical Success Factors and Key Performance Indicators**

Critical success factors (CSF’s) will be bespoke to the organisation concerned – with no two organisations having the same CSFs due to variations in history, geography, culture and client group. The CSF’s will drive the key performance indicators (KPIs) that are employed to measure and monitor the achievement of the CSFs. These should measure activity, service outputs and (where possible) outcomes in respect of service quality.

This point is demonstrated by looking at the CSFs and KPIs of Trafford and Carrick respectively. In both cases, we have drawn selectively from a much broader list of CSFs and KPIs.

Carrick Housing is the successful Arms Length Management Organisation (ALMO) of Carrick District Council. It was formed to achieve two key objectives – to deliver housing management and maintenance services to the standard required to secure extra Government funding to achieve the Decent Homes standard, and to deliver the programme of home improvements required to bring the council’s housing up to that standard. Carrick is now well on the way to achieving the Decent Homes standard and has secured an excellent inspection rating in three separate inspections by the government’s Audit Commission agency. Its CSF’s therefore reflect a mature organisation with a relatively limited range of business objectives.

<b>Carrick</b>	<b>CSF examples</b>	<b>KPI egs</b>
<b>Neighb’hds</b>	Increase investment in sustaining communities	Tenant satisfaction with area
	Ensure all neighbourhoods are free from anti-social behaviour and harassment	% of racial harassment cases dealt with to satisfaction of victim

<b>Carrick</b>	<b>CSF examples</b>	<b>KPI egs</b>
	Achieve targets on energy efficiency and CO2 emissions	Average SAP rating of homes and % of environment audit recs met
	Improve measures to tackle anti-social behaviour to meet tenant demand	% graffiti removed in 24 hours
<b>Performance</b>	Excellent service delivery	Achieve excellent inspection rating
	Services provided to the quality that tenants expect	Tenant satisfaction with landlord service
	Carry out repairs within timescales and to standards agreed with tenants	% of repairs completed within time limits
	Achieve Government targets and tenant expectations regarding the provision of Decent Homes	% homes meeting Decent Homes target
<b>Customers</b>	Tenants empowered to influence management decisions	Tenant satisfaction with opportunities to participate
	Tenant support for management policies and spending decisions	% tenants involved in Business Plan and Housing Strategy
	Understand the needs and aspirations of customers at neighbourhood level	Visit each local area once a year
	Be an organisation that is easy to contact and responds effectively to customer enquiries	% services available electronically
<b>People</b>	Highly skilled and committed workforce	Sickness days lost to absence

<b>Carrick</b>	<b>CSF examples</b>	<b>KPI egs</b>
	Training opportunities for staff to help meet future challenges	% of budget spent on training
	Governance demonstrates effectiveness and integrity	Audit of Board financial control
	Board and staff reflect the composition of the communities they serve	% of BME and disabled staff
<b>Money</b>	Demonstrate efficient management of public money	Top quartile in HouseMark VFM benchmark
	Generate efficiencies to reinvest in enhanced future service delivery – especially anti-social behaviour	Ave weekly cost of management & maintenance
	Maximise income and manage expenditure	% rent collection and arrears and average relet times
	Extract maximum benefit from money spent on repairs and improvement	Review of procurement practice

In contrast, Trafford Housing Trust is a newer organisation, formed out the transfer of council housing from Trafford Metropolitan District Council in order to access private sector loans to improve its housing stock. Trafford’s CSFs reflect its initial business plan and recognise the Trust’s objective as a developer of newly built homes as well as a manager of social rented housing.

<b>Trafford</b>	<b>CSF examples</b>	<b>KPI egs</b>
<b>Neighb’hds</b>	Develop management action plans for each of our main neighbourhoods	% Action plans in neighb’hoods
	Ensure residents views are central to all of our plans and services in each neighbourhood	% tenant satisfaction with area
	Develop local partnerships with external service providers	Audit of partnership effectiveness
	Link community involvement, major works and local	% residents

Trafford	CSF examples	KPI egs
	environment schemes to maximise neighbourhood impact	satisfied in scheme areas
<b>Performance</b>	Provide modern homes through development, repair and improvement programmes	Provide new kitchens and bathrooms to 1,000 homes
	Launch repairs hotline	% repairs reported, and average response times via hotline
	Ensure anti-social behaviour is effectively resolved	No of enforcement actions per 1000 homes
	Provide greater support to tenants with money difficulties	% staff trained to offer advice
<b>Customers</b>	Ensure all staff see resident involvement as a key part of their role	Staff survey results
	Develop appropriate consultation mechanisms for all areas/client groups of the Borough	% tenants satisfied with opportunity to participate
	Support the Resident Federation to become an effective voice	Level of resources and % stakeholders satisfied
<b>People</b>	Career Development and Training Programmes for all staff	% in training and satisfied
	Regular programme of 1-1's between staff and line managers	% meetings in time period
	Develop a staff 'well being' programme	% take-up and satisfied
	Ensure Board members and staff receive training and support to deliver the equality and diversity plan	% in training and satisfied
<b>Money</b>	Develop a cost effective loan management system	Gearing (Debt as % of grant plus reserves) and net interest cover
	Implement robust credible reporting systems (IT and	% staff

Trafford	CSF examples	KPI egs
	processes)	satisfaction with ICT financial and reporting systems
	Identify priority areas for future efficiency potential	Average operating costs and as % of turnover
	Develop new budgets and clear delegated authorities	% variance between budgets and actual spend

## 7. Stakeholder involvement in developing a performance management system

Leading edge housing organisations in the UK now recognise the benefits of involving staff, tenants and Board members in developing performance management systems.

### Involving staff

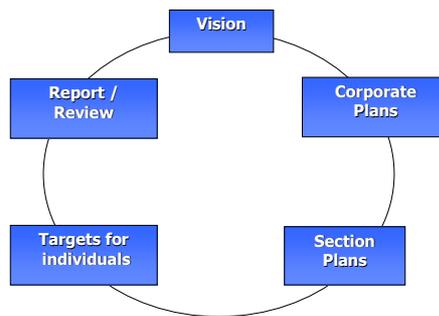
Staff involvement is usually organised around a series of workshops. The aim is to:

- Ensure that staff 'own' the framework and can work within it
- Elicit staff views on CSFs and KPIs
- Develop staff understanding of how their performance impacts on delivery

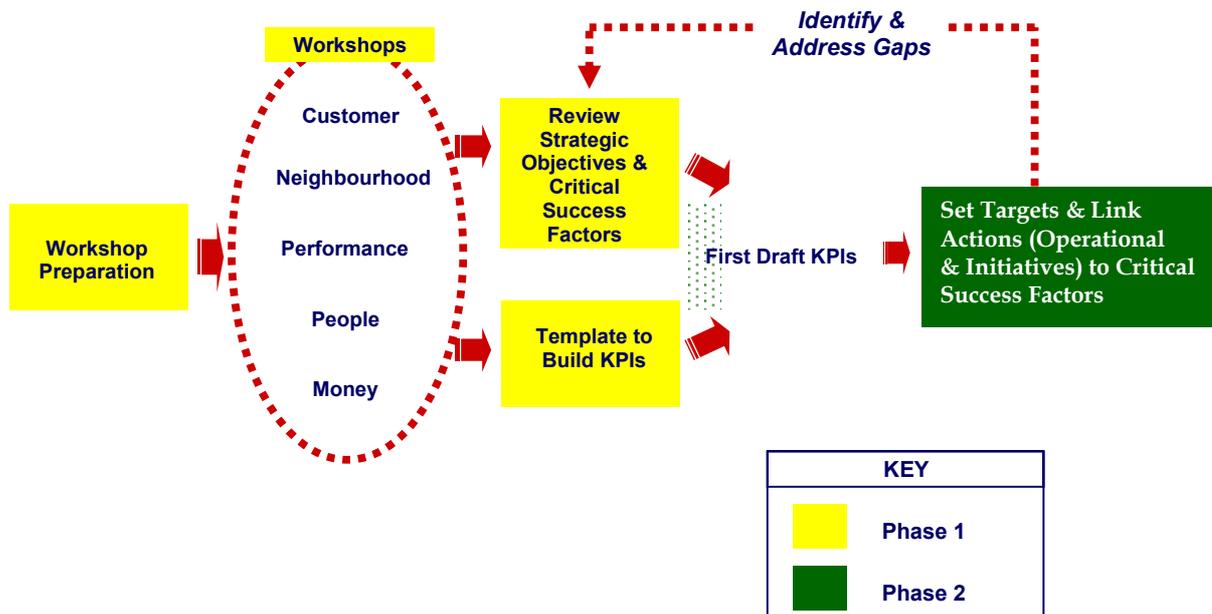
This is relevant, given the importance of the 'golden thread' in balancing strategy and delivery.

The 'golden thread' establishes the links between individual staff objectives and corporate, service and team objectives. Each member of staff should have a clear understanding of how their contribution, and that of their line manager, contributes to the achievement of the organisation's goals.

### The Golden Thread



The contribution that staff workshops can make to the development of the performance management framework is set out in the following diagram:



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### **Involving customers**

As tenants are the ultimate beneficiaries of the service outcomes generated through the performance management system, and will be expected to comment upon performance via their representative frameworks, it makes practical and moral sense to involve their representatives in designing it.

Typically, tenants are asked the following questions:

- Do you agree with your landlords objectives?
- If not, what should change?
- What matters to you and how can we measure it?
- How would you judge your landlord's performance?

The outcomes of this engagement, normally conducted by focus group, can be used to refine the draft performance management system.

### **Case study: Carrick Housing**

In consultation with tenants, Carrick Housing developed its system, devoting considerable time to developing robust mechanisms for measuring quality and performance in housing services. A detailed exercise was undertaken to develop a matrix that would include every quality standard. Each service standard policy and leaflet was analysed and key points fed into a matrix. A performance management regime was developed by a Performance Monitoring Committee made up of five tenants and five Board members. The Committee agreed sets of performance indicators, to whom they should be reported and when.

Other landlords have taken Carrick's lead even further in discrete areas.

### **Case study: Sheffield Homes**

Sheffield Homes has effective arrangements to monitor performance for responsive repairs through a web-based IT system, which measures and reports up-to-date performance against a wide range of key indicators. Innovatively, Sheffield Homes is working with tenant representatives to make this information available through the website for all tenants to view in an easy to read visual format. It also breaks down performance for the different estates, so the service received can be compared, with lower performance identified as an area to be targeted.

### **Involving the Board**

As the Carrick example demonstrates, there is a major role for the organisation's Board in contributing to and signing-off the performance management system. As the approvers (and part authors) of the organisation's strategic objectives and business plan, the Board has a vested interest in the system that reports performance against this vision.

## 8. Setting targets

The final piece of the performance management jigsaw is targets. Targets define levels of acceptable performance and are commonly used to raise service standards by setting them above existing levels. Without this challenge, the system lacks purpose and direction.

Targets can operate purely internally, measuring performance against ambition; or externally, measuring against the achievements of others. Similarly they can operate at different levels and with differing emphasis or detail throughout an organisation. Clear linkages are needed between different levels and methods.

Associations need to ensure they are challenging, realistic and motivational. There is a delicate balance to be struck between ambitious targets that challenge people to achieve them and targets that are unachievable, which can lead those tasked with achieving them to giving up..

Consequently, many associations use comparative data from benchmarking exercises to determine target levels of service, whilst the better performers aspire to 'top quartile' performance.

There is no 'correct' way to set targets, but the following considerations may be helpful:

Targets should be

- Specific
- Measurable
- Achievable
- Realistic
- Timely

Targets could be

- All the time
- Percentage achievement
- Qualitative
- Time-bound
- Regulatory

Targets may be set

- On the basis of past performance trends
- In relation to aims and objectives
- In terms of performance of peer organisations
- With reference to 'best in class' organisations

Targets should be balanced, reflecting the needs of the business as a whole. The balanced scorecard approach allows organisations to formulate a performance management programme that sets proper, prioritised, goals.

If this does not happen, pressure for immediate good performance can lead to attention being given to short-term targets at the expense of long-term objectives.

Targets should encourage local ownership. Strategic targets can be set at Board or senior management level but the process should cascade down by enabling managers, their staff and tenants to set their operational targets to meet the strategic targets and objectives of the organisation as a whole. They are in a good position to know what is realistic in terms of target setting.

## 9. Making it work

Despite this effort, even the best designed performance management system will fail unless it is properly managed.

**Key tips** are as follows:

1. Staff must understand how the system works and how it links to their personal performance. An internal manual should be produced explaining the performance management system
2. Senior staff should be trained in performance management
3. All staff must be able to understand and interpret performance information
4. Performance management of staff must be conducted with consistency and equivalent rigour amongst all managers
5. Poor performance must be tackled in a timely manner. HR departments must support managers in taking action against consistently poor performing staff
6. Managers should be directly accountable for the performance of their teams and the individuals who work within them
7. Conversely, good performance should be formally recorded and rewarded
8. The purpose of all KPIs should be clear to the data provider and its recipient. Too many KPIs should be avoided – the focus should be on the important issues
9. There should be periodic external validation of performance information
10. The contribution of internal and external support service providers should be monitored and managed – as this can impact upon performance and the availability of performance information
11. Working practices should be regularly reviewed, particularly if they appear to be limiting performance improvement in specific areas

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12. Effective staff recruitment, development and training are as essential in maximising organisational performance as any management system
  13. The effectiveness of the performance management system should be reviewed by the Board and senior staff on an annual basis

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