

**ORGANIZATIONAL EXCELLENCE AND CORPORATE PERFORMANCE
MANAGEMENT: STRATEGIC PERFORMANCE MANAGEMENT SYSTEMS IN
GOVERNMENT ORGANIZATIONS**

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Abstract

The use of appropriate performance management systems provides organizations with accurate and timely reports. This creates a rigid base to make strategic decisions that enhance overall performance and boost operational efficiency. The initiation of performance management systems begins with strategic planning development towards preparing the balanced scorecard and measuring performance.

The paper investigated organizational excellence and corporate performance management for government organizations dealing with services and operations. The resulting work is of value to semi government or private organizations. The main research aims were to evaluate performance management in terms of alignment with the organization's corporate strategic plan.

The success factors needed to implement the performance management framework are a strategic plan, transparency and accountability. Development initiatives in government organizations to implement performance management concepts is through the development of a national charter, performance award, implementing total quality management and the balanced scorecard performance management tool.

The outcome of the research recommends a mechanism for developing and implementing a strategic performance management framework through analyzing the current performance management systems of government departments in the United Arab Emirates (UAE). Moreover, a comprehensive procedure for evaluating critical success factors to build a performance management system in organizations was developed. The research has enabled the identification of a more appropriate organizational excellence systems within all government and private organizations.

Introduction

This paper hypothesizes that 1) there is a lack of alignment between strategy and operation management; and 2) applied performance measures are inadequate. This research project will be focused on corporate performance management for organizations' service and operations. The main aims of this research are evaluating the existing performance management systems in government organizations. Also, identify the major issues and challenges that are affecting the implementing of the performance system. Finally, suggesting a mechanism of building and implementing the strategic performance management framework in government organizations. This can be made through analyzing the current performance management of Dubai Government organizations.

This paper will benefit newly established organizations and it will highlight the areas of improvement for existing organizations. This will be through proving a detailed procedure and critical success factors of establishing a performance management system in organizations.

The main objectives of implementing the strategic performance management in government organizations are as follows:

- Review and assess new strategic planning methodology: conducting a review and assessment of the current strategic planning process to identify rationale and understand performance drivers while providing an assessment of the tool mapping requirements.
- Develop performance management framework: develop a structured methodology for identifying critical performance drivers and definition of appropriate performance measures.
- Develop performance management methodology: develop a guidebook to explain the methodology to users.
- Develop performance management templates: develop templates required to enable the management and reporting of the new performance management methodology.

The area of research was performance management in government organizations, performance management frameworks, obstacles in government organization that affect the implementation of performance management and finally the measurement tools. The review has been divided into four main parts which are the management control systems, performance management in government sector, strategic performance management and strategic performance management frameworks. The literature review has been conducted in order to build a thorough and detailed understating about strategic performance management. This review will create a rigid base of justification for the recommendations chapter.

Through conducting the literature review various difficulties were faced and they were in searching for examples of local governments adopting performance management. This is because a performance system is normally adopted in the private sector and government organizations think it is not important and does not add value. Also, the other obstacle was in finding interviewees from top management or middle management who are aware of the performance system concept and implement it in the organization they are working at. Finally, few government organizations that have a moderate understanding about performance management are not in favor to share their experience with researchers.

Furthermore, designing and implementing a performance management systems will support government organizations to deliver services in a more effective and efficient way, improve staff motivation and involvement as they will be rewarded on higher performance and achievement. Also, the performance system will lead to transparency as the activities are linked with employees on the hierarchy, thus, each will be responsible for the tasks. Moreover, the government organizations will be planning ahead and linking the objectives with programs, measurement targets, this results to better usage of budgets and proper resources allocation.

Management Control System

Organizations all around the world must be controlled and this is to ensure that the goals are accomplished. In order to control an organization efficiently and effectively there are four main elements that must be considered in the control process and they are: *Detector* which is a tool that measures what is happening in the process, *Assessor* that is a mechanism that measures what is happening in the process compared to the standard, *Effector* which is the corrective actions that must be taken if there is a variance when comparing the actual result to the standard, and finally *Communications Network* that is a tool that transmits the information between the detector-assessor and assessor- effector.

The goals of the members in an organization should be the same as the goals of the organization itself. Therefore, the management control system should be created in a way that all members in the organization should have goal congruence and work towards achieving the same goals.

The management control system concentrates on two main aspects financial and non-financial performance measurements. The financial aspect is the bottom line in the income

statement that is the net income, whereas the non-financial aspect is the quality, reputation, customer services and employees behaviour in the organization.

Overall effector of all departments is a performance improvement wheel that aids in developing the current results or performance. The effector that is established in organizations and must be implemented in all functions are: understanding the market, developing & communicating the value proposition, building & adapting the delivery system; and upgrading the performance management systems.

(Anthony & Govindarajan, 2001)

Performance Management In Government Sector

The public sector is facing extraordinary pressure to change the way in which it manages performance. This presents the implications for organizations in terms of the opportunities and the challenges involved in achieving a new approach to performance management. Although there are number of factors that are forcing organizations in the Arab Worlds to become more focused on performance from the point of view of their customers and key stakeholders. This major transformation can be achieved by lessons learned from the public sector organizations that already passed through this revolution.

All the public organizations that are serving the community must be interested in developing and deploying effective performance management systems. This is because only through such systems they can continue to be ensuring outstanding performance and providing the community with high quality services / products. The government organizations must develop and execute strategic plans that illustrate their commitment to enhance quality and thereafter evaluate the performance through the results achieved. The strategic plans are the starting point for an effective performance management system as it establishes top-level organization goals and objectives, as well as annual program goals, defines how it intends to achieve those goals; and finally demonstrates how it will measure organizations' program performance in achieving those goals.

(DCA, 2000, Kanakri, 2005 and Sanderson, 2001)

Strategic Performance Management

Corporate Performance management is one of the latest strategic mechanisms for measuring the results of the organization functions in the light of organizational interaction with the surrounding elements of internal and external environment.

The organization performance is an outcome of the total individual performance, which reflects the performance of organizational units, which in turn reflects the performance of the organization. Therefore, organizational performance is a an aggregation of individual

performance impacted on the working unit's systems and programmes, consequently, its reflected on the organization to achieve maximum production with minimum cost and in less time and at an appropriate level of quality. The work units performance is measured through various indicators that cover the economic, political, social and environmental aspects. There are external factors that influence the performance of work units thus, impact on the organizational performance such as government policies and industrial changes. (DCA, 2001 and RTA-2, 2006)

Furthermore, performance management is a mechanism to measure the key performance indicators (KPI's) of an activity that is critical to the success of an organization. Hence, the KPIs will differ depending on the nature of services / products and the organization objective, therefore, selectivity is needed in identifying the KPIs to implement and measure.

The performance mechanism enables alignment of the objectives with the mission, vision and with the processes that deliver the desired results. It also, helps in cascading actions to deliver objectives, a reporting system to track progress against objectives & take corrective actions, also a benchmarking tool to compare against best practices; and used as a continual improvement cycle. Finally, the performance management is used to provide a practical action plan, by setting out an approach for managing the transformation of performance management to emphasis on strategic goals and performance improvements. (Johnson & Scholes, 2002 and Bourne, et al, 2003)

Strategic Performance Management Models

Excellence in performance management and measurement is a well-established concept in the private sector. It is now becoming equally important in the public sector which is adapting some frameworks and models. The creation of public sector categories in awards such as European Foundation for Quality Management (EFQM) and Malcolm Baldrige underline this intersect of performance management practices. The EFQM Excellence Model will help to identify organizational priorities whereas the balanced scorecard will facilitate to deploy the strategy inside the organization, so one cultivates the other model. (QS News, 2007 and Lawrie & Cobbold, 2004)

Through the development of quality movement, a number of benchmarking performance models were developed including the Prism model in United States and EFQM Excellence Model, launched in the early 1990s. As a result of the competitive pressures of globalization and rising customer expectations, the corporate world responded by improving its performance management practices. Many of the innovations were inspired by total quality management movement which led to the development of self-assessment and award schemes that celebrate high standards of achievement. Moreover, the logic model concept has been developed and it shows a causal relationship between the organization objectives, output and outcomes also, its used by evaluators for continuous performance evaluation. (EFQM, 1999 and Cogburn & Schneider, 2003)

During the early 1990s, the balanced scorecard has been introduced by Kaplan and Norton, and now it's a widely adopted management framework. Research reports shows that it is being used by about 50 per cent of large organizations in Europe, Middle East and Gulf region. Although some pioneering public sector organizations adopted performance management frameworks as performance becomes one of the priority issues in public sector. Driven by government quest of cost-effective public sector management, transparency and society's demands for better service, performance is under the spotlight. (Kaplan & Norton, 2005 and Kanakri, 2005)

Strategic Alignment

The strategic alignment is tested through a detailed framework that consists of strategic plans and operational plans. Also, the availability of policies for the organization to ensure that the objectives and strategies agreed upon in the strategic plan will be implemented. Moreover, an existence of a performance management system within the organization to compare the achieved performance results with plans.

The elements of alignment are as follows:

- *Strategic planning*: through it the organizational long term strategic aims, objectives and targets are illustrated with activities and resources that will be needed to achieve the objectives.
- *Policy design*: it includes evaluating and choosing the best approach to achieve the objectives documented in the strategic plan.
- *Performance management*: it is the control element were the achieved results are monitored and evaluated, also corrective actions are taken to ensure that objectives will be achieved. The KPIs are developed and cascaded down to departments with clear targets and accountability to evaluate the achievements of plans.

The alignment process starts with the modeling of BSC strategy map (strategic goals), definition of objectives, programs owners, and initiatives and their associated performance measures. Thereafter, develop analytical views and reports to support performance management reviews. Finally, review of current strategic planning and performance management process and the development of a comprehensive framework to drive the development of aligned performance management measures across the organization.

(Kaplan & Norton, 2006 and DCA, 2001)

Methodology

In this research the qualitative methodology is adapted and information is collected through interviews, benchmarking with best practice, cross reference with theories, focus groups and performance audit on organizations within the research scope. There were various research methodologies that were adopted to ensure that the problem was analyzed from all perspectives. Also, there was no quantitative analysis used because the research area

required qualitative analysis, hence, it is of an adding value to have a number of mechanisms to reach to the heart of the problem and make appropriate recommendations.

Analysis

The main reasons behind the improper implementation of the performance management system were the lack of leadership involvement, the disconnection of stakeholders in the development of the system and lack of alignment between both organizational and employees goals. Additionally, the lack of strategy maps hinders the implementation of a proper performance system across the organizations. Also, the indicators that were used were scattered and for control proposes not for the growth and development.

Additional to that, there has been an absence of the strategy and performance measurement system in public sector which is due to the lack of commitment and no continuous improvement process.

Moreover, the final analysis point highlighted was from the EFQM assessment which was a snapshot for some government organizations As-Is situation was identified. The main points were the lack of incorporating stakeholders needs in the strategy, there are no proper performance indicators and there are no reviews/updated for the current strategies. Also, there was no proper mapping of key process of the organizations, and the strategy is not communicated across the organization as a whole.

There are various roles of leadership in government organizations and one of them is to build the culture of performance management within the departments. This can be done through developing and implementing the organization's performance management system. Also, through being involved with key stakeholders which are customers, partners and representatives of society. Last but not least, leaders are urged to ensure that employees and organizational objectives are in a goal congruence. Also, motivate, encourage, empower and support employees to achieve the organizational objectives.

According to the theory the aim of strategy map is to show how a range of activities link together to enable the organization achieve its vision. Most organizations put the financial perspective at the top to satisfy their shareholders by generating return. But in the government organizations, the primary objective is to support the top management by providing them with all the resources they need to work efficiently and effectively to serve the customers and keep them loyal to the organization, for this reason government organizations assign the customer perspective at the top of its strategy map.

During the interviews performed with some government organizations performance specialists, they highlighted that many strategies fail in alignment with the key performance indicators. The reason for this is that they are financially driven and concerned that the top management was simply focusing on financial measures like return on investment and earnings. Some senior managers responded to this by looking and concentrating on customers measures and the quality of services that are provided to them. Organizations cannot depend only on a single measure, but need an appropriate balance (the concept of balanced

scorecard) to relate and align the key performance indicators in a performance measurement system with the corporate strategy. Whereas, the government must be focusing on customers satisfaction and proving the community with the desired services/goods.

Another point that was highlighted is that the Key Performance Indicators (KPI's) are not derived from the strategic plan nor the initiatives, hence, there is no alignment between the KPI's and the objectives. This is where the balanced scorecard and in particular strategy map are not aligned due to the lack of alignment of key performance indicators with the corporate strategy. In order to provide a route map for the staff in helping them to see how their individual activities fit into the bigger picture of the organization, they try to dump their work and cross check it with the corporate strategy.

All organizations should have a strategy even if it is not communicated properly to all employees and in some government organizations the alignment of the strategic goals and objectives with the performance measures are not circulated to everybody. Moreover, there are some suggested indicators but they are not cascaded down to all the employees in the middle management while the employees play a major role in achieving the performance results agreed on in advance. Also, indicators should be clear from the beginning during the strategy development in order to ensure alignment between objectives, measures and targets.

Developing the strategy is a process that builds on inputs from executive board team members, top management, as well as the rest of the management staff at the organization. As a real example in the government organization to implement a strategy, the starting point for the process is a presentation made by strategy division in order to describe the concept of the strategy to the top management team and to board team members. However, there has been lack of top management attendance during preparation/presentation period to start working on improving the strategy. Also, top management requests the strategy division to prepare the whole strategic plan and blames the strategy division if there is a deficiency in the plan. Also, they want to ensure that the entire staff was not involved in the implementation process for the strategy and the performance management.

The top management contribution is the main critical success factor for the development of a successful performance management system in an organization. However, during the research interviews it has been noted that government organizations rely on the strategy division to make all the work without the contribution of other divisions within the organizations. This is because of the inadequate communication channel between the strategy division and other concerned parties. Also, the other divisions of top management lack the commitment and taking responsibility for strategy development and execution, thus, they do not play a key role in the organizational strategic planning activity.

The continuous improvement processes must be properly designed and used for describing the processes in consistency with one another. Hence, there was no evidence that review and compliance of the process is carried out on regular basis. Each of the processes should be clearly chartered with identification of the parties in charge and measurable performance indicators, aiming at continuous improvement.

Additionally, there was no mechanism to review and measure the effectiveness of the processes in achieving the overall goals and strategy of organization. Also, there was a lack

in a methodology for determining the link between the processes within the directorate itself and those processes owned by other directorates.

Recommendations

The general suggested recommendations for enhancing the government performance in each of the organizations is through conducting a detailed study on the factors affecting the organizational performance and it contains both internal and external aspects. Also, identifying the strengths and weaknesses of the organization to make use of the strengths and develop a strategy to overcome the weaknesses. Additionally, preparing awareness workshops to educate employees on organizational performance; and identifying the problems and challenges facing government performance and forming a team of experts to analyze those problems.

Moreover, developing information systems to provide the data necessary for application of the concept of organizational performance; and developing a set of indicators to measure performance covering the quality of services and efficiency in the use of resources and effectiveness in achieving the objectives. Furthermore, building appropriate mechanism to carry out performance measurement using indicators that are attainable, linked to the strategy and measurable. Also, execute comparisons to identify the adequacy of performance by including a comparison of the current performance to past performance , also compare actual performance to planned performance. Finally, classify the areas of improvement and development according to the comparisons made.

In order to build a unified framework across the government organizations it is important to have a standardized approach. Thus, it is recommended to implement the balanced scorecard tool with the main four perspectives which are financial, customer, learning & growth and internal business processes. It is also important to unify the major indicators such as employees satisfaction, customer satisfaction, revenue, expenditures and return on investment and thereafter, use them as a benchmark with other organizations in the government sector.

The first recommendation explains the mechanism to build a performance management framework; and second point is the process that must be carried out to create a performance system. Additionally, the third suggestion is considering the performance management as a project to apply it in the organizations and dived it into two stages: development and automation.

The public/government employees need to be trained in how to work out corporate and operational plans, in order to identify required outputs to community. Moreover, that is the preliminary stage to establish indicators and targets for performance measures that will be used to evaluate the operations. Therefore, top management and all level government employees must attend training programs and courses in the preparation of plans and performance management techniques.

The government organization need to satisfy the demands of clients, public and stakeholders, thus, it must continually search for ways to improve performance. This will involve change factor in management style and operations, and the ability to change, itself, becomes the basis for success. Consequently, the first step to change is to know what must be changed in the way the organization is operating, then this will in turn lead to improvement in performance of individuals and the service as a whole.

The pre-requisites of the development and implementation of performance management systems and incentive schemes that will reward staff who perform at a high level are: identifying the goals and targets of organizations and making them clear to all staff. Moreover, all staff are aware about their role in achieving those goals & targets; and the rewards for achieving targets are clear to all organization employees.

The Balanced Scorecard is the highly recommended module to be used by government organizations. This module directly influences four critical organizational outcomes which are financial, internal processes, customer satisfaction and learning & growth perspectives. Also, improvements can be clearly identified because the system is flexible and linked to strategic goals with results in the four critical areas.(Kaplan, 2002)

Furthermore, aligning performance management to support organizational goals and integrate with other systems proved to be the most critical differentiator in system effectiveness. The most successful performance management systems required training in using the system, established clear accountability for the people using it, and focused on competencies. For that purpose the government select the balanced scorecard as a tool, because it's user friendly.

Performance based management is a systematic approach to performance improvement through an ongoing process of establishing strategic performance objectives; measuring performance; collecting, analyzing, reviewing, and reporting performance data; and using that data to drive organization performance improvement.

A combination of two performance modules can be used to increase the efficiency and effectiveness of implementing the performance management system in an organization. The best two modules to be used together is the Blanched Scorecard (BSC) and the European Foundation for Quality Management (EFQM). As the BSC enables linking the strategy to objectives, initiatives, target and measures. Thereafter, measures the performance on frequently basis through comparing the achieved results of initiatives with prior identified targets. On the other hand, the EFQM provides an as is situation about the organization with highlighting the areas of improvements.

Moreover, the performance based management follows the Plan – Do – Check - Act (Continuous Improvement Cycle). In this cycle, the first step is to define the organization's mission and to establish its strategic performance objectives (also known as strategic planning phase). The next step is to establish performance measures based on and linked to the outcomes of strategic planning phase. Thereafter, execute the work activities and then collect performance information (measurements) to analyze, review, and report the data. The last step is for management to use the reported data to drive performance improvement, make

changes and corrections or fine tune organizational operations. The accountability for performance is established at all steps in the framework. (Artely, et al, 2001)

Conclusions

In conclusion, the evaluation of strategic performance management in government organizations results were lack of strategic alignment and inadequate performance management system. Through implementing the recommendation of building a performance management framework highlighted in chapter five, organizations will ensure implementing proper and adequate performance management system. Moreover, the performance management process recommendation assists in establishing a strategic alignment between organizations' objectives and operational goals. Finally, the performance management as a project suggestion covers both building adequate performance system and ensuring aligned strategy.

The research outcomes were a common measurement terminology, linkage of performance measures with the organizations strategy, common understanding by all management levels about different types of measures, allocated ownership and accountability of measures, set measures' targets and finally aligned the budget with strategy.

Moreover, the performance management system assist organizations to ensure that all staff are aligned to a common goals, better achievement of objectives and stimulated cultural change of management by objective concept. Also, the management will make decisions promptly and based on facts, this because of the easy to access and accurate performance progress reports.

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