

Chapter Two

Setting the scene

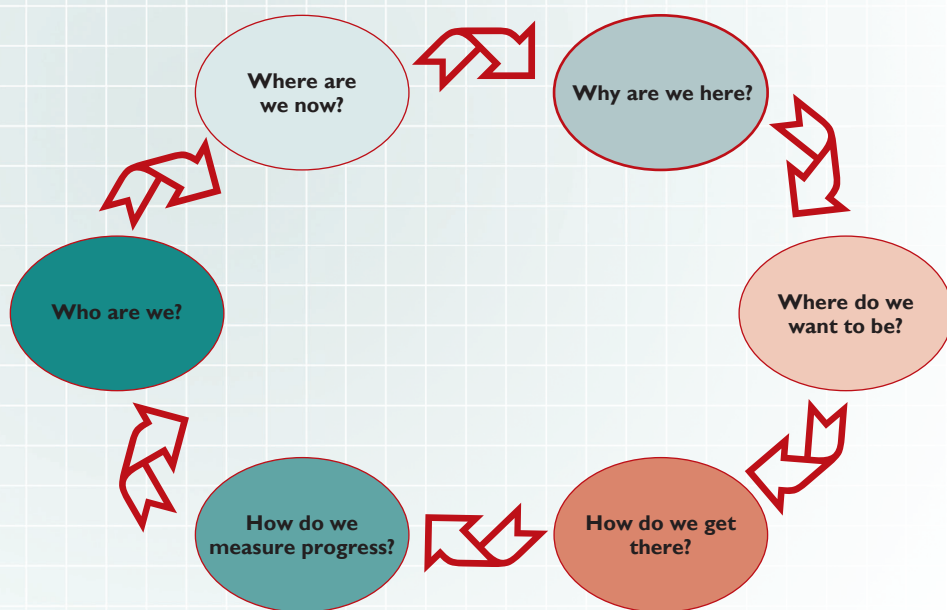
2.1 Introduction

Performance management starts with the strategic plan or, in the case of a sub-component, an operational plan. The process of formulating the strategic plan enables the organisation to define its goals and allocate resources for attaining those goals. Also defined in that strategic plan are outputs and outcomes which should inform the development of measures. Accountability for the developed measures, defining who, and how data will be collected, reviewing performance, and reporting are steps that complete the performance cycle.

2.2 Determine the mission/objective and goal

All good performance starts with a clear objective or goal. Performance management is directionless if not started from the organisation's objective(s) and goal(s). The hospital should develop its goals and objectives by answering the following questions, so that its performance management will be clear and implementable:

Figure 2: Clarify the strategy



A hospital is part of a broader health system and some of the answers to the questions posed in this planning framework may be answered by different levels or in collaboration with different levels of health provision e.g. district, hospital complex or province. The performance of a hospital is informed by, among other things:

- (a) National Health Policies and strategies,
- (b) Provincial Health Policies and directives,



- (c) District Health and Hospital Complex priorities, and
- (d) Hospital priorities.

Through the strategy development process, key performance areas emerge. These are the key objectives to be achieved including initiatives to be taken to achieve the objectives and priorities set at the higher or even political levels. A performance management system is the key tool to implement the department’s strategy. Only a limited number of objectives should be assigned to each manager, preferably not more than five. Objectives are better understood if they are action-oriented and satisfy the **SMART** test, which stands for:

Specific - should be clear and focused to avoid misinterpretation. Should include assumptions and definitions, and should be easily interpreted.

Measurable - can be quantified or compared to other data.

Achievable - be achievable, reasonable and credible.

Realistic - should be cost effective and must fit within the organisation’s constraints

Time based - achievable within the time frame provided.

2.3 Establish and update measures/indicators

Measures determine that which is to be measured which, in turn, will lead to the hospital succeeding in what it does. Measures flow from goals and objectives. They are better formulated and become more focused when they result from discussions with other important members of a hospital, including those responsible for them, before deciding what it is that will be measured. The following is a guide of how measures can be arrived at:

Figure 3: Design performance measures

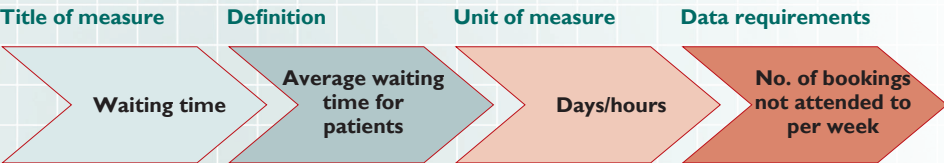
PERFORMANCE MEASURES								
Objective to be measured	Performance measure	Who will use the measure?	Where is the information?	How often do we measure?	Who will capture the data?	Is it clear?	Is it cost effective?	Is it simple?
Reduce waiting time by 10%	Time	The manager	Administration	Once per month	Clerk	Yes. The sooner a patient is attended to the better	Yes. Data is already available & easy to calculate	Yes

The above table provides a map for designing performance measures. Measures make sense when they are meaningful and relevant to the objective they are trying to measure. Good measures need to be, among other things, valuable, balanced, practical, comparable, timely, and simple.

- Valuable* – Measuring what is important
- Balanced* – Inclusive of different types
- Practical* – Affordable
- Comparable* – Useful in making comparison with other data
- Timely* – Designed to use and report data in usable time frames
- Simple* – Easy to calculate and understand

The following diagram assists in defining appropriate measures and ensuring that they are measurable:

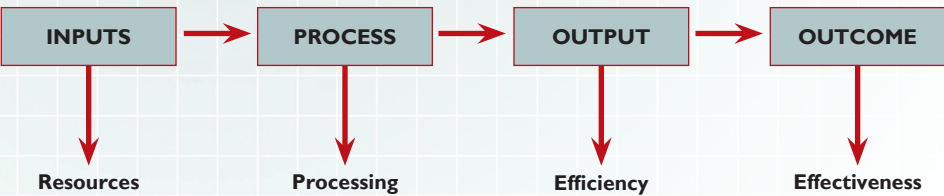
Figure 4: Ensure measurability



See also Figure 11

There are a number of types of performance measures. A hospital may decide to measure input, efficiency, or effectiveness as shown in the diagram below:

Figure 5: The Public Service productivity process



Performance management systems have moved away from measuring only input (amount of money, people used) and process (activity) towards measuring achievement (output and outcome). Annual reports are an example of one mechanism where reports on achievement rather than just inputs should be stated.

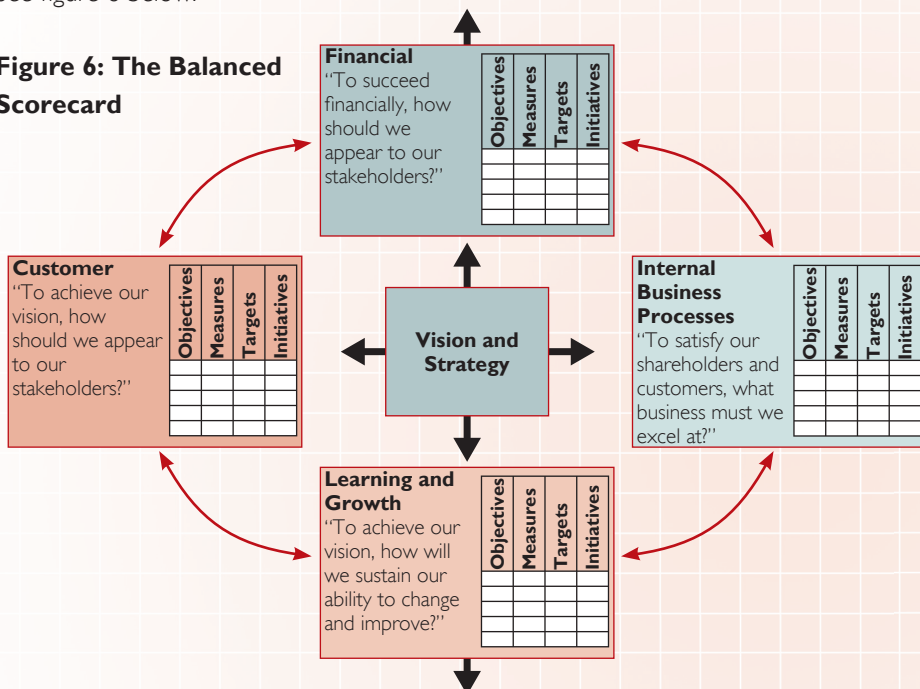
2.4 Involve staff in developing measures

Staff is made up of people who have an understanding of what needs to be done and how it is to be done. They therefore need to be involved in the development of measures. Measures, seen by staff as irrelevant, unrealistic, inappropriate, or unfair will most probably be counterproductive. If staff members are not involved in determining the measures and feel that they are misguided, they are likely to respond to them negatively.

2.5 Balance the measures

While the ideal is to measure everything, it is important to ensure that measures are balanced to reflect the organisation in an unbiased manner. The most famous method used for balancing measures is Kaplan and Norton's (1996) balanced scorecard, which, while originally developed for the private sector, has been found to be just as relevant in the public sector. It utilises what is considered the most important measures in the organisation e.g. finance, customer, internal business processes and learning and growth perspectives. The financial perspective looks at how the organisation looks to its stakeholders; Customer perspective, at how well it does to satisfy internal as well as external customers; internal business processes perspective represents how well an organisation performs at key internal business processes; and the learning and growth perspective focuses on how it sustains innovation, change and continuous improvement. These perspectives represent both financial and non-financial, long and short-term and external and internal indicators. See figure 6 below:

Figure 6: The Balanced Scorecard



Adapted from Kaplan and Norton (1996) *The Balanced Scorecard: Translating Strategy into Action*.

For each of any of the hospital organisational components like the human resources, clinical services, finance, and laundry services etc., the multi perspective balanced approach may be applied. For instance, within human resources, the four Balanced Scorecard perspectives which are customers, internal business processes, finances and learning and growth exist.

The Balanced Scorecard may also be used for purposes beyond just ensuring a balance in measures in a hospital. It can be implemented as a system for measuring hospital performance as a whole. Parallel to it are other systems such as the Business Excellence Models the most popular of which is the European Foundation Quality Excellence Model (EFQM).

The EFQM is a self assessment system. It is a model designed to assess organisations on the basis of nine areas, using allocated percentages to determine a score for each of those areas. According to this model, an organisation conducts a self assessment using it and then develops a priority action plan to make improvements. Organisations normally use it to compete for annual awards. Versions modified and customised for the public service have been developed. These include the United Kingdom's Public Sector Excellence Model run from the United Kindom (UK) Cabinet Office since 1996 (Cabinet Office, 1999). The difference between the two, the Balanced Scorecard and the EFQM is that the EFQM is a model where organisations self assess themselves on certain categories subdivided into enablers and results. The Balanced Scorecard tracks and operationalises the implementation of the strategy.

The following are examples of objectives and accompanying measures from a hospital:

FINANCE		JOINT RESPONSIBILITY	
Objective	Measure	Objective	Measure
Operate within established budget	% Expenditure	Reduce waiting time for hip replacements by 20%	Waiting time in days/ hours

HUMAN RESOURCES		NURSING SERVICES	
Objective	Measure	Objective	Measure
Reduce employee turnover by 20%	% Turnover in workforce	Reduce nursing workload	% Patients to nurses



Measures are better managed if only a critical few or a limited set of measures is chosen, preferably not more than five per level. This view is also supported by the Hospital Strategy Project Report (1997) which further suggests that the set measures should be sent to the province for further consultation. Performance measures should also not become absolute ends. There may probably be facets of performance that cannot be objectively measured. Caution against reducing health care services to a simple countable statistic like waiting time, a cure or death rate should be taken. Hospital services can be very complex. Long lists of requirements formulated as positive statements e.g. *A list of essential drugs stocked by the pharmacy is available*, may be useful to support whatever it is that is measured.

2.6 Set performance targets

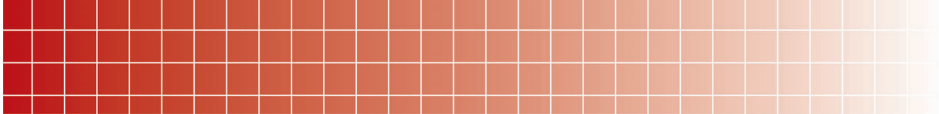
Setting a performance target is a process of translating outputs into measurable figures. Targets are the planned level of performance an organisation sets itself for each indicator. Each objective measure identified needs to be turned into a target. Targets themselves are determined by a number of factors including the use of:

- (i) baseline information set by previous performance (measurement of a chosen indicator at the start of a period),
- (ii) policy position, or
- (iii) reality.

Targets are used to evaluate performance measurement data and assess performance achieved in relation to expected performance. Comparison of achieved to targeted performance is the primary method through which managers are alerted of the need to intervene to improve performance. The following represents targets set for a hospital:

FINANCE		
Objective	Measure	Target
Operate within established budget	Cost/expenditure	Expenditure to be within budget by the end of the year

HUMAN RESOURCES		
Objective	Measure	Target
Reduce employee turnover by 20%	% Turnover in workforce	Reduce employee turnover by 20%



JOINT RESPONSIBILITY		
Objective	Measure	Target
Reduce waiting time for hip replacements by 20%	Waiting time in hours	Reduce hip replacement waiting time by 20% within six months

NURSING SERVICES		
Objective	Measure	Target
Reduce nursing workload	% Patients to nurses	95% of nursing vacancies filled before year end

