



Applying BSC methodology and the Logic Model



Testing & creating better KPIs today and tomorrow

*Workshop I – 11th November
LG PRO Forum 2011*

www.achemar.com

Adrian Gardiner
agardiner@achemar.com
+61.402.981.756

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- ❖ Background, Approach & Timing
- ❖ Introducing Shire of Lipton
- ❖ Introducing BSC Methodology & Logic Model
- ❖ Analysing Shire of Lipton KPIs
- ❖ Debrief Workshop Findings
- ❖ Wrap-up & Conclusions

Background, Approach & Timing

Background

- Describe the BSC methodology
- Describe the Logic Model
- Describe an approach for testing and creating better KPIs today and tomorrow

Approach

- We have created the Shire of Lipton to test an actual approach with a “real-life” issues
- We are looking for useful insights into their current performance management approach
- Identify an approach for completing this analysis

Timing

- 10 min Introduction
- 35 min Analysis (*Table-work*)
- 40 min Debrief
- 5 min Wrap-up & Conclusions

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Introducing the Shire of Lipton

Location

- ✓ Shire of Lipton embraces a series of townships and communities, the larger towns being Waterford Spriggs and Luckytown. Waterford Spriggs is 19 kilometres west of Capital City CBD, and Luckytown is 35 kilometres west of Capital City CBD

Fast-growing, young community

- ✓ The Shire of Lipton offers diverse lifestyles and affordable living, which is why we continue to grow very fast; each week about 41 babies are born and the community increases by just over 52 new households. Over 70% of our population is under 45 years old, but we also offer excellent options for senior style living. A range of Council services are available from the Civic Centre in Luckytown or the award winning Civic Centre in Waterford Spriggs. Libraries are located in both large offer excellent education opportunities

Business opportunities

- ✓ The Shire of Lipton offers your business:
 - ✓ Location close to the Capital City CBD and accessible by the *new* bypass
 - ✓ Links to Capital City's key freeways, airports and the Port of Capital City
 - ✓ Affordable land
 - ✓ A vast resource of talented labour
 - ✓ Council programs to help your business grow and prosper
- ✓ Tourism and equine industries remain important to our community. Main Street and Woodstern are the shopping and commercial hubs in Luckytown , and the Eastern Growth Corridor (with 2 major hotels and a business precinct) is the future major business sector of the Western suburbs

Introducing the Shire of Lipton

Toottown

- ✓ Toottown is the major future urban growth area within the Shire. Located southeast of Luckytown Township on about 2,500ha, Toottown will ultimately have about 60,000 people living in around 20,000 households. Key features of the plan include:
 - ✓ a new major activity centre based around a future railway station
 - ✓ a regional park of more than 100ha along the Toottown Creek
 - ✓ a major new employment precinct

Home of harness racing

- ✓ Sportsbet Park, the harness racing and entertainment complex in Luckytown, opened its doors in March 2009. Along with many horse trainers, training facilities and breeders located in the Shire, Sportsbet Park enhances Lipton Shire's reputation as one of the premier equine municipalities in the country

Great place to visit

- ✓ The Shire of Lipton is a great place to visit. We have award-winning wineries, olive groves, a dingo education centre, public art, parks, picnic areas, sports grounds, walking and cycling paths along tree lined creeks and plenty of heritage to explore

Things to do

- ✓ With special events scheduled all year long there is always plenty to do. Our events page has a list of what's on in the Shire of Lipton, and we also have plenty of things to keep you active like bushwalking and sports activities. In January and the Buttlejorrk Festival in November are our biggest annual events, attracting thousands of residents and visitors.

Introducing the Shire of Lipton

Sustainability

- ✓ We proudly protect our environment and preserve the great natural assets and character of our community, now and for the future.

The Shire of Lipton has won the national Keep Australia Beautiful Award.

- ✓ Council supports local environment and land care groups.
- ✓ Lanesbury (south of Luckytown) is the first Victorian town that will be fully connected to recycled water. The Toottown development will also use recycled water.
- ✓ Council purchased the 48-hectare Mount Upton volcanic cone to protect state and nationally significant flora and fauna and geological features of the site.

Socio-demographic statistics

- ✓ The community profile is based on the Australian Bureau of Statistics (ABS) census data providing an overview of the Lipton Shire - who we are, what we do and how we live. We number approximately 107,000 up 7.8% from previous year. Predominantly we are Australian born with a vibrant migrant community (non-English speaking background). Our labor statistics embody the State average with high employment amongst those in the labor force. An analysis of the occupations held by the resident population in Lipton Shire in 2006 shows the three most popular occupations were:
 - ✓ Clerical and Administrative Workers (6,480 persons or 17.6%)
 - ✓ Technicians and Trades Workers (6,283 persons or 17.1%)
 - ✓ Professionals (4,611 persons or 12.5%)

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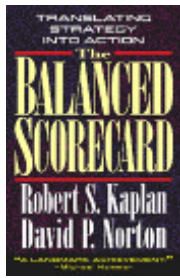
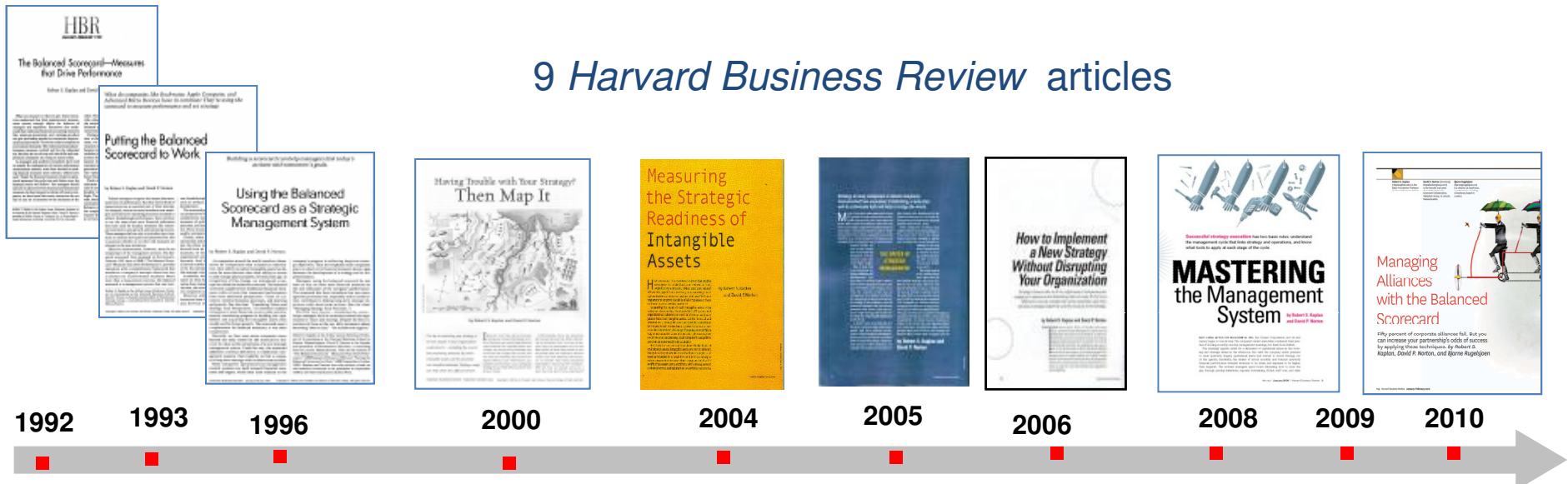
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The Balanced Scorecard Strategy Management Approach has evolved as well

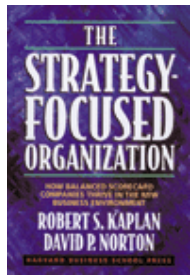


Has undergone multiple innovation cycles since Kaplan & Norton introduced the Balanced Scorecard in 1992

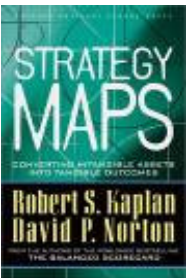
9 Harvard Business Review articles



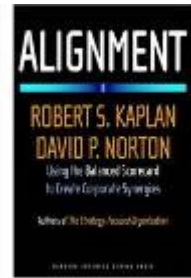
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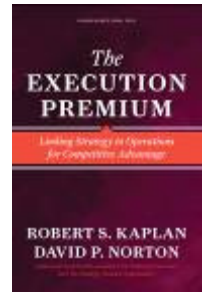
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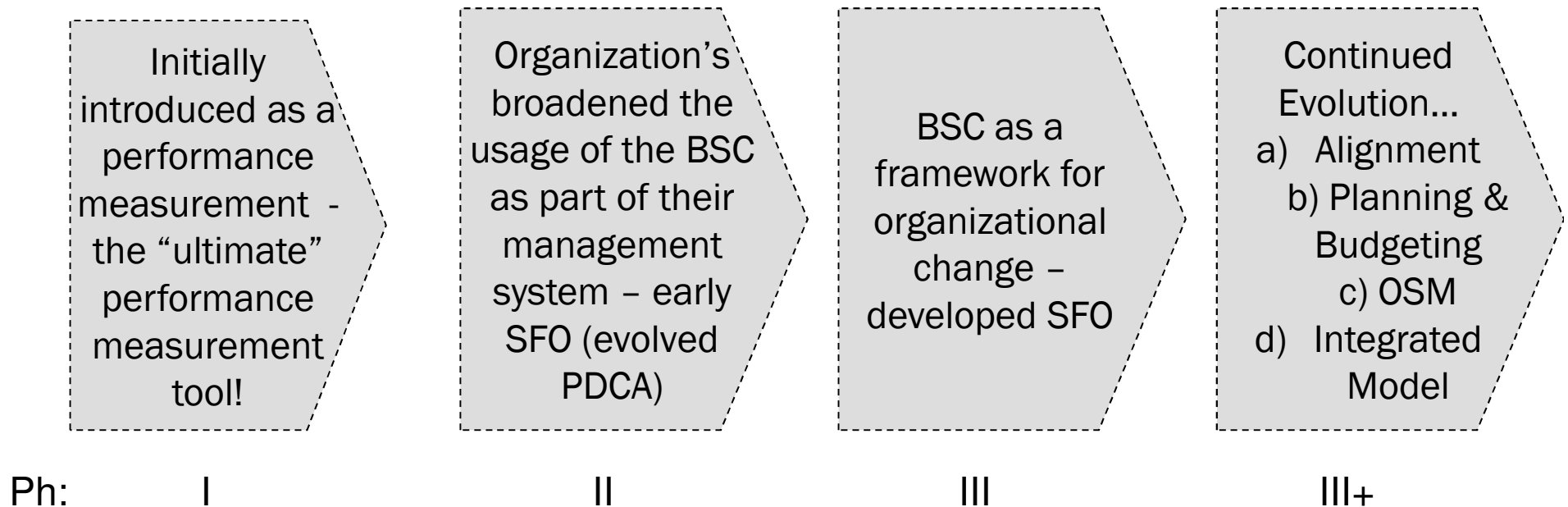
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12 translations



Initial BSC Model vs. Evolutions

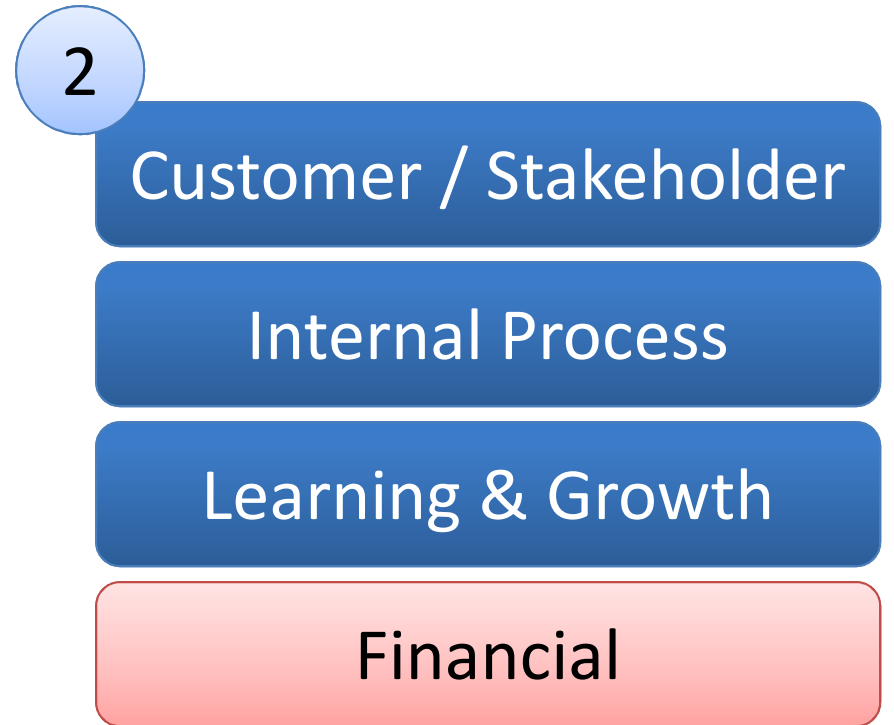
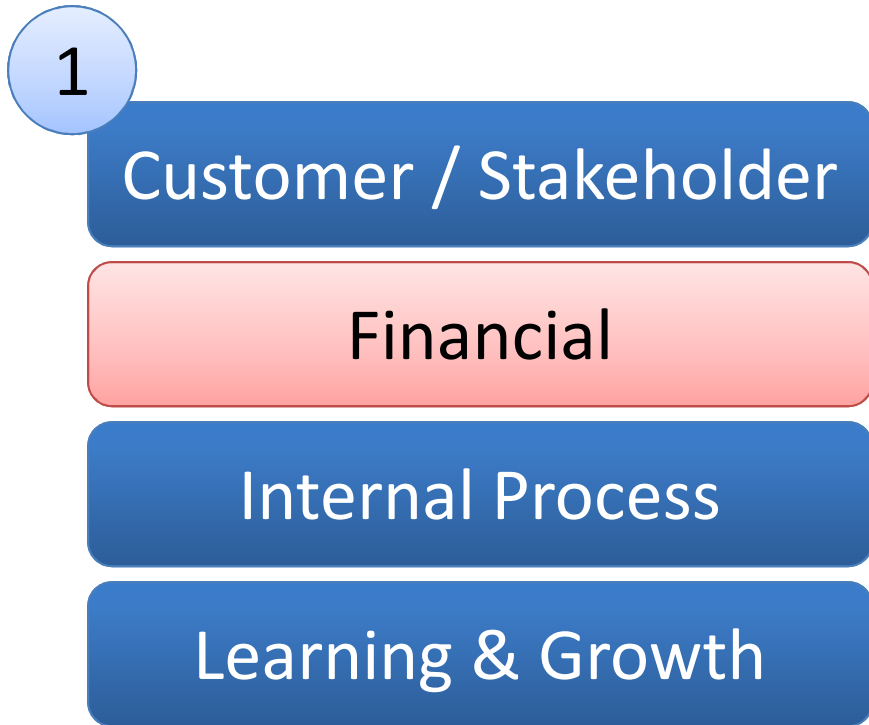


Note:

SFO... Strategy Focused Organization (*Kaplan & Norton*)

OSM...Office of Strategy Management (*Kaplan & Norton*)

Excerpts from Building Performance Measurement systems with the BSC approach... Toriu Morisawa

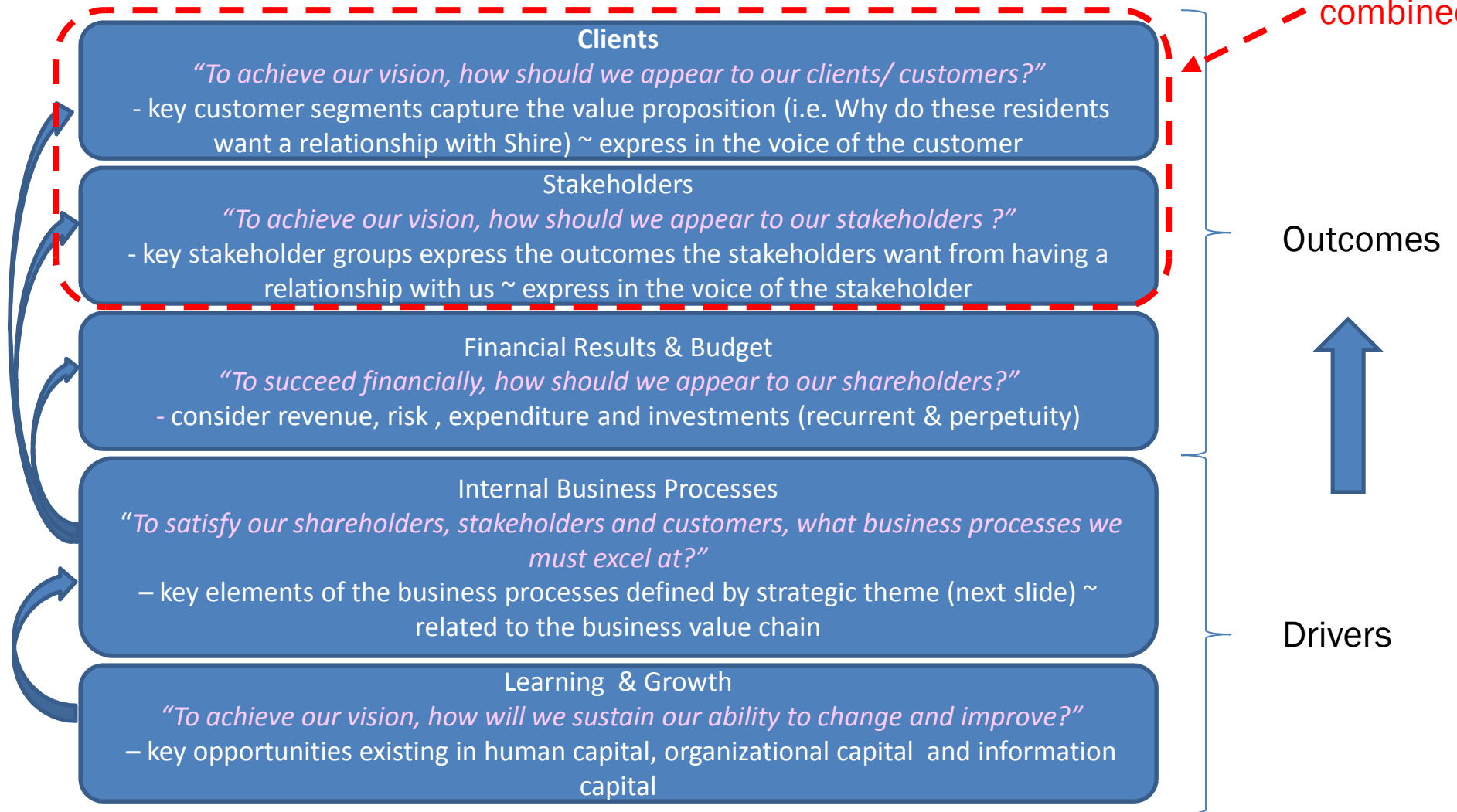


In the not for profit or government sectors the customer / stakeholder and financial perspectives are often swapped or the financial perspective is moved to the bottom of the strategy field

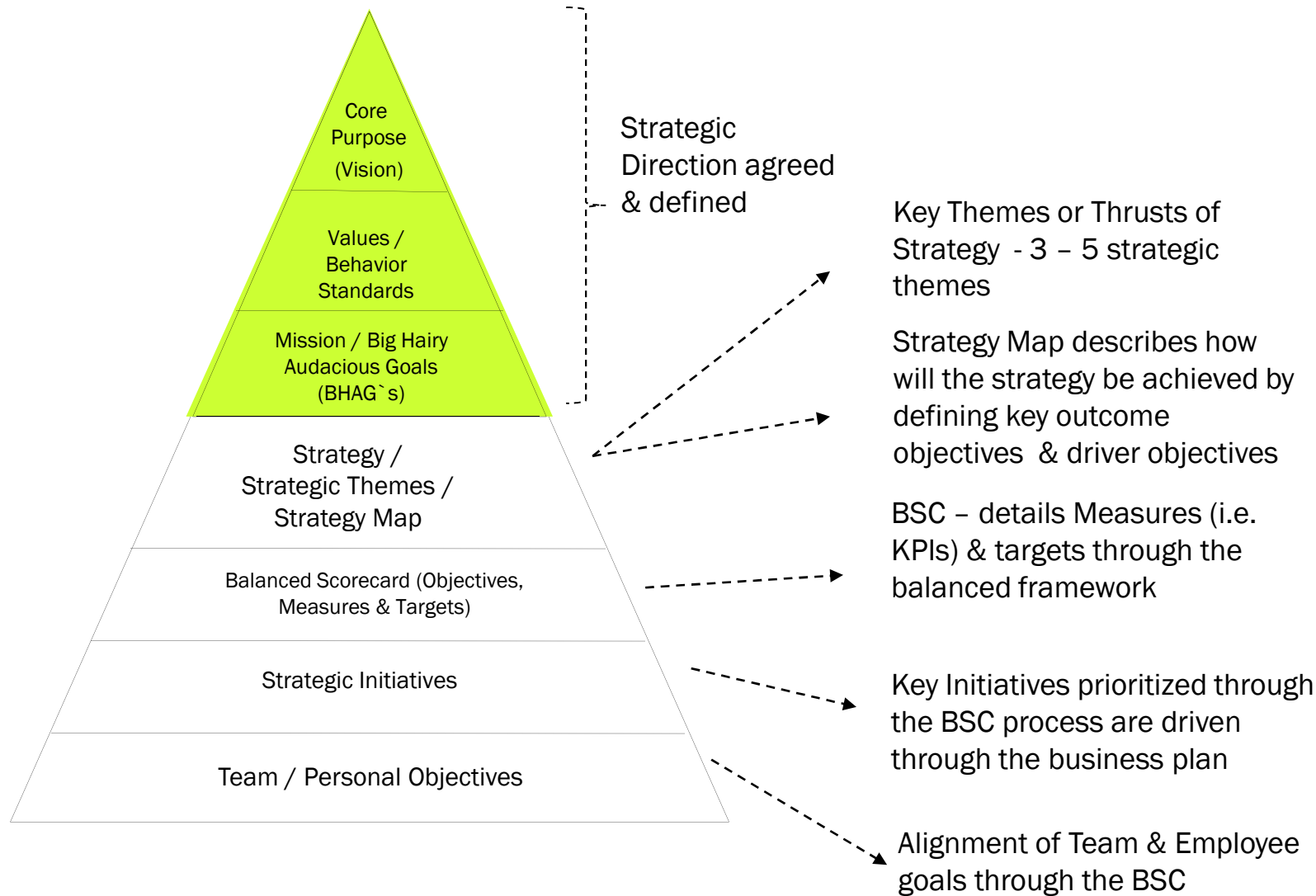
Strategy Maps Field & Perspectives

The following strategy field and perspectives are proposed for Shire of Lipton:

Could be combined



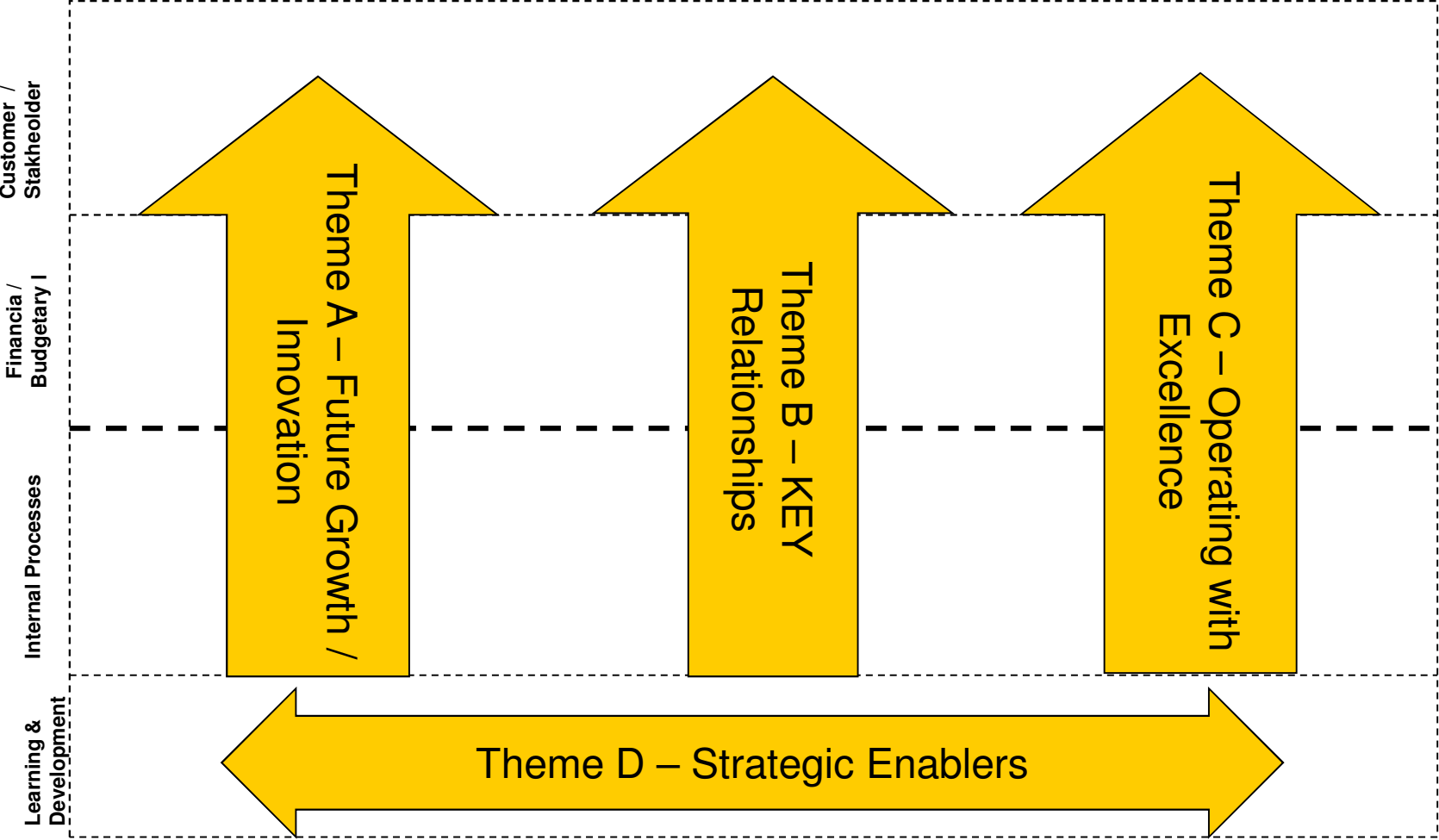
Ensuring linkage across Vision, Goals & Strategy Map Framework & Initiatives are critical...



Only 54% of organizations have formal process around strategy execution...

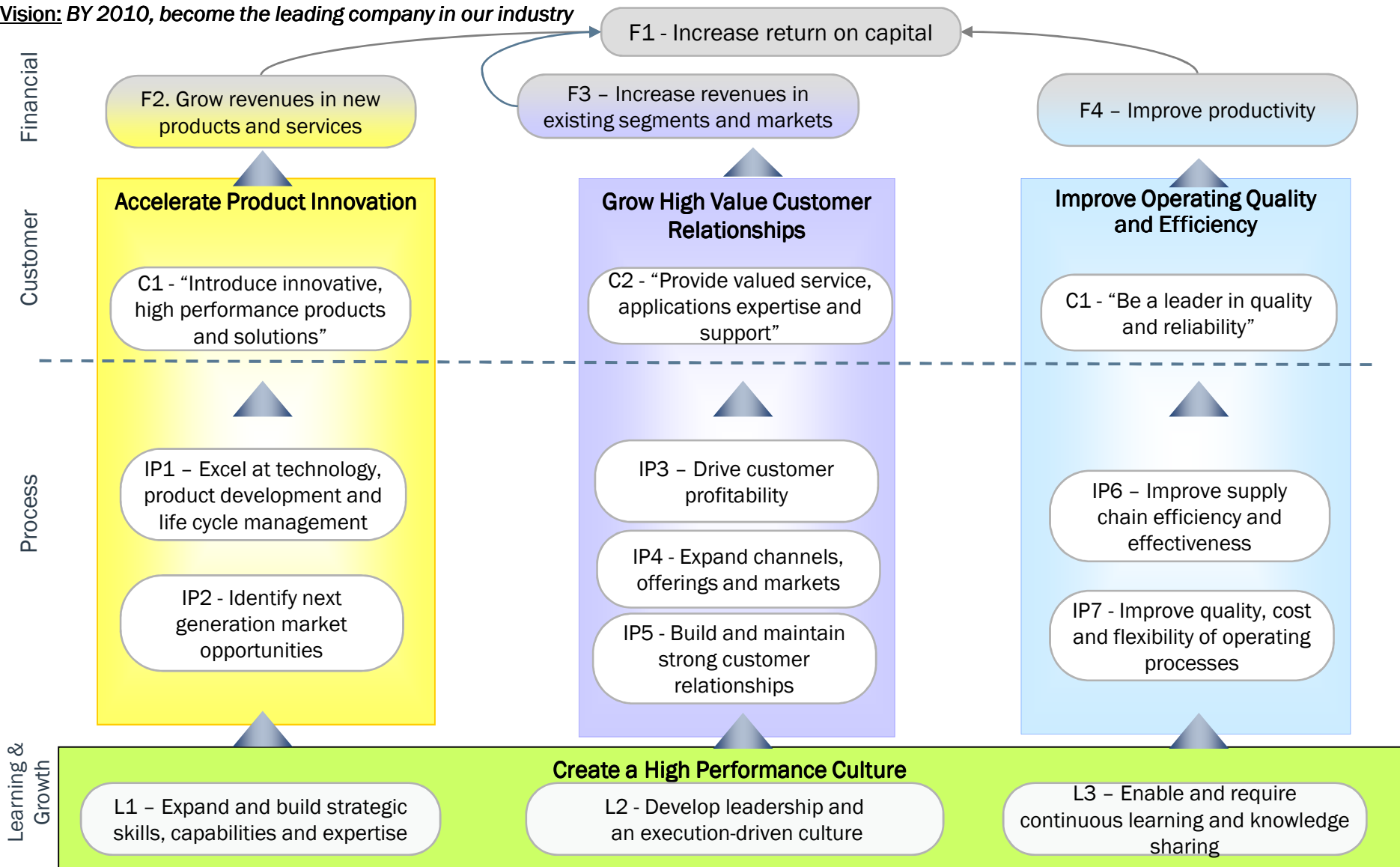
Strategic Themes

Themes create an architecture for the strategy map
~ typically we see between 3-5 parallel and complimentary sub-strategies
think of an “elevator pitch” describing key organizational strategies



Sample Strategy Map with Themes

Vision: BY 2010, become the leading company in our industry



Shire of Lipton – Themes define the Strategy Story

VISION – OUR COMMUNITY OUR FUTURE

ORGANIZATIONAL VALUES & BEHAVIOURS

THEME 1

**DELIVERING
FOR THE
COMMUNITY**

THEME 2

**CREATING
INFRASTRUCTURE
& SUSTAINABLE
ENVIRONMENT**

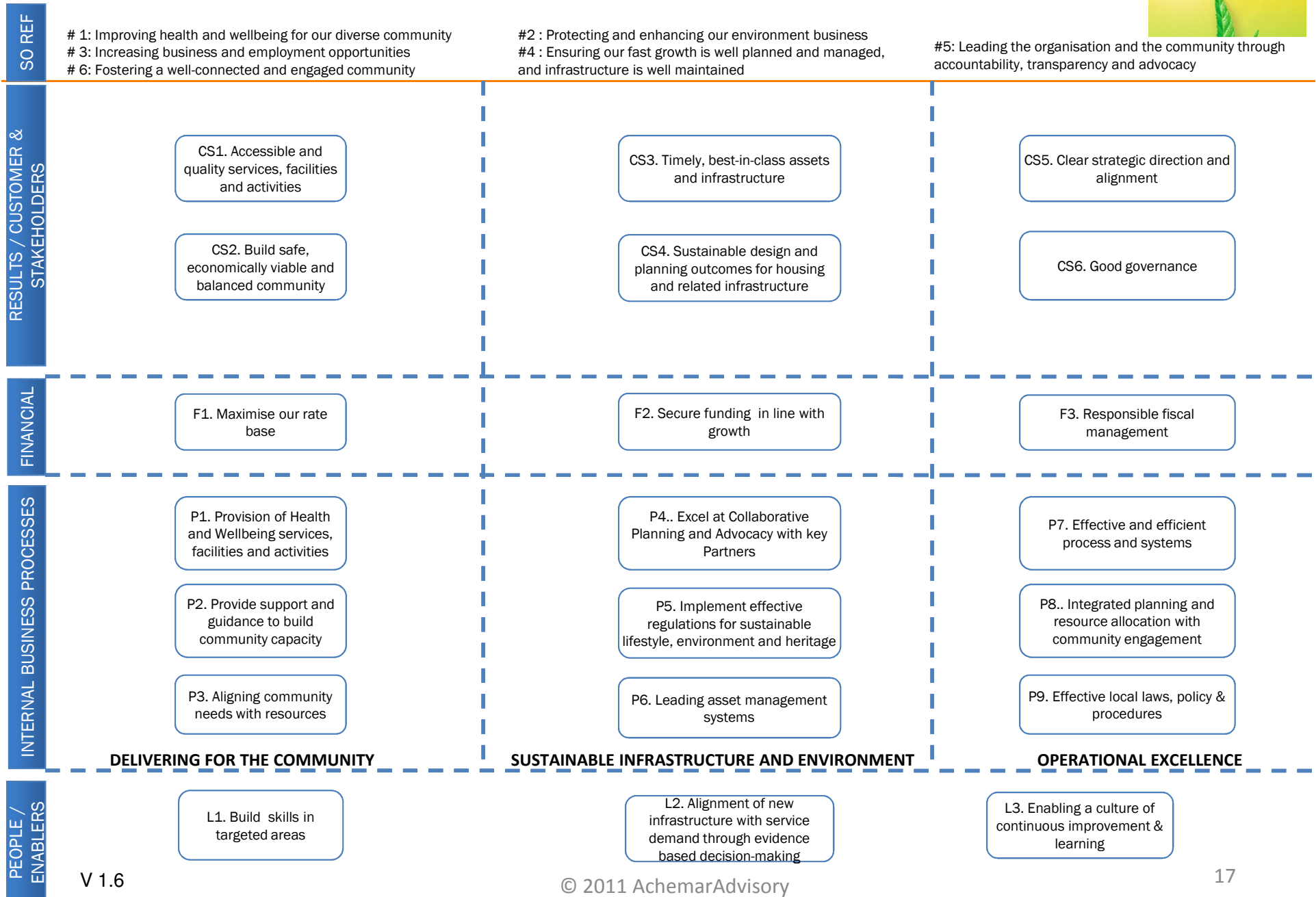
THEME 3

**OPERATIONAL
EXCELLENCE**

**ENHANCING OUR PEOPLE (CULTURE & SKILS)
& STRATEGIC ENABLERS (TEHCNOLOGY)**

THEME 4

Shire of Lipton – Simplified Strategy Map



Introducing the Logic Model

A Logic Model sets out how an intervention (such as a project, a program, or a policy) is understood or intended to produce particular results;

Some versions of a logic model [2] present it as four components in a linear sequence: inputs, activities, outputs, and outcomes.

These represent the logical flow from:

1. inputs (resources such as money, employees, and equipment) to
2. work activities, programs or processes, to
3. the immediate outputs of the work that are delivered to customers, to
4. outcomes or results that are the long-term consequences of delivering outputs, to
5. medium to long-term actions, behaviours and macro-level consequences (social, environmental, economic etc..)

This is displayed in a diagram such as this:

INPUTS --> OUTPUTS (ACTIVITIES / PROCESSES)--> OUTCOMES -> IMPACTS

Introducing the Logic Model

Advantages of Logic Model:

- ✓ Managers have an easier way to define the work and measure it.
- ✓ Performance measures can be drawn from any of the steps.
- ✓ One of the key insights of the logic model is the importance of measuring final outcomes or results, because it is quite possible to waste time and money (inputs), "spin the wheels" on work activities, or produce outputs without achieving desired outcomes ~ It is these outcomes (*ultimately* impacts, long-term results) that are the only justification for doing the work in the first place

Challenges

- ✓ One of the common challenges facing organizations is how to measure outcomes
- ✓ Outcomes are delayed in time and may be mixed with many other causes (most important strategic measures)
- ✓ "intermediate outcomes" between outputs and outcomes ~ e.g. intermediate outcome measures are leading or indirect indicators of end outcomes
- ✓ *[advantage of customer surveys is that they are relatively quick and easy to implement, and if properly designed they can give meaningful feedback on customer perceptions, which are relevant to outcomes]*

Logic Model and Other Frameworks

The Logic Model and other Management Frameworks

There are numerous other popular management frameworks that have been developed in recent decades. This often causes confusion, because the various frameworks have different functions. It is important to select the right tool for the job. The following list of popular management tools is suggested to indicate where they are most appropriate (this list is by no means complete):

(extract only)

Strategic planning tools - for identifying and prioritizing major long-term desired results in an organization, and strategies to achieve those results:

- Strategic Vision (Writing a clear "picture of the future" statement)
- Strategy maps
- Portfolio Management (Managing a portfolio of interdependent projects)
- Participatory Impact Pathways Analysis

Performance measurement tools - for measuring, monitoring and reporting the quality, efficiency, speed, cost and other aspects of projects, programs and/or processes:

- Balanced scorecard systems
- KPI - key performance indicators
- Critical success factors

Understanding links between Scorecard reporting and Logic Model

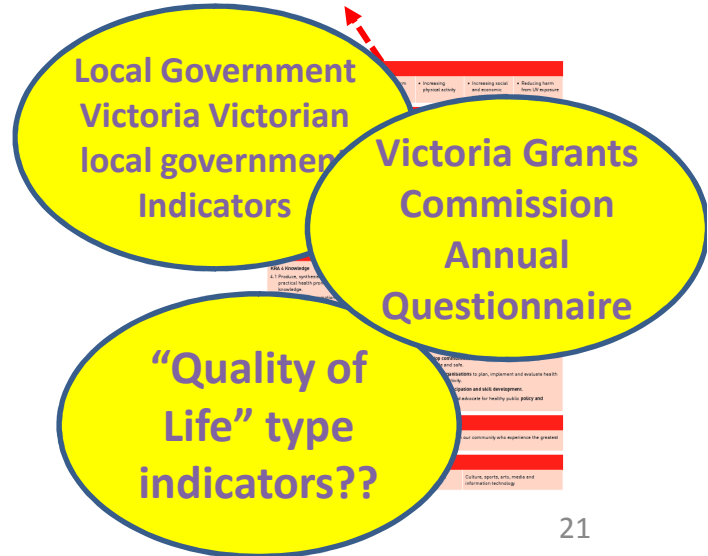
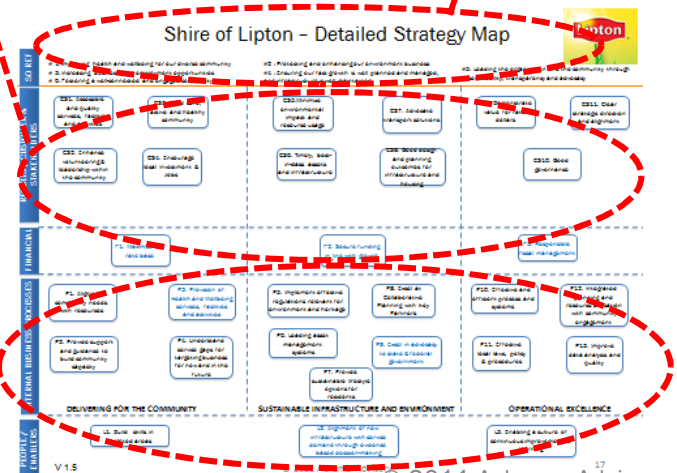
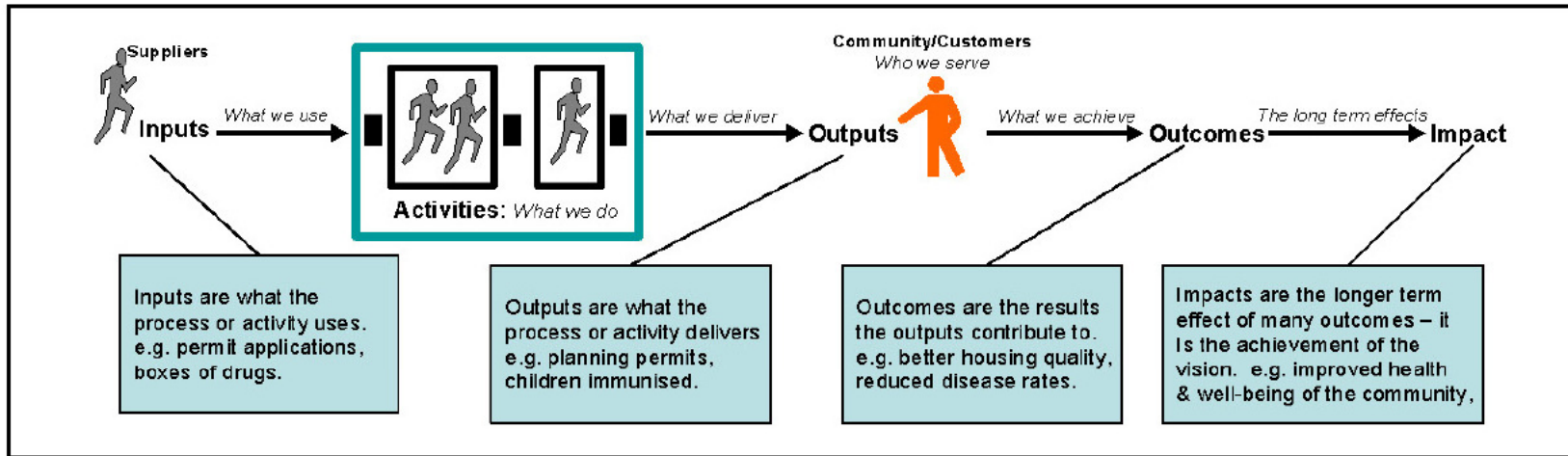


diagram 05: performance measurement



Source: A guide to achieving a whole of organisation approach to Best Value LGPro, Best Value Commission, DVC 2006

The diagram above shows the performance measurement spectrum by showing how inputs (both financial and non-financial), outputs and outcomes contribute to long term goals.

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18 # of Action Plan KPIs
 18 # of Strategic Indicators
 18 # of CEO KPIs

Shire of Lipton – Simplified Strategy Map with KPI Analysis



SO REF

1: Improving health and wellbeing for our diverse community
 # 3: Increasing business and employment opportunities
 # 6: Fostering a well-connected and engaged community

#2 : Protecting and enhancing our environment business
 #4 : Ensuring our fast growth is well planned and managed, and infrastructure is well maintained

#5: Leading the organisation and the community through accountability, transparency and advocacy

RESULTS / CUSTOMER & STAKEHOLDERS

CS1. Accessible and quality services, facilities and activities
 1
 2
 18

CS2. Build safe, economically viable and balanced community
 3
 22

CS3. Timely, best-in-class assets and infrastructure
 1
 6

CS4. Sustainable design and planning outcomes for housing and related infrastructure
 3
 10

CS5. Clear strategic direction and alignment
 2
 2

CS6. Good governance
 3
 2
 2

FINANCIAL

F1. Maximise our rate base
 1

F2. Secure funding in line with growth
 2

F3. Responsible fiscal management
 2
 5

INTERNAL BUSINESS PROCESSES

P1. Provision of Health and Wellbeing services, facilities and activities
 1
 10

P2. Provide support and guidance to build community capacity
 14

P3. Aligning community needs with resources
 1
 1
 8

P4.. Excel at Collaborative Planning and Advocacy with key Partners
 1
 1
 2

P5. Implement effective regulations for sustainable lifestyle, environment and herita
 2
 7

P6. Leading asset management systems
 1
 5

P7. Effective and efficient process and systems
 1
 1
 10

P8.. Integrated planning and resource allocation with community engagement
 1
 1
 4

P9. Effective local laws, policy & procedures
 5

DELIVERING FOR THE COMMUNITY

SUSTAINABLE INFRASTRUCTURE AND ENVIRONMENT

OPERATIONAL EXCELLENCE

PEOPLE / ENABLERS

L1. Build skills in targeted areas
 2

L2. Alignment of new infrastructure with service demand through evidence based decision-making
 2

L3. Enabling a culture of continuous improvement & learning
 1
 1



KPI Type	INPUTS	OUTPUTS	OUTCOMES	IMPACTS
Action Plan	7	110	19	0
Strategic Indicators*	0	11	6	1
CEO KPIs	0	13	2	0
TOTAL	7	134	27	1

** Note: not all these Indicators are actually well defined*

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Debrief Workshop Findings

In each table group please provide the following analysis:

- 1) Talk about the process – 1 or 2 highlights / lowlights?
- 2) Actual Analysis of the Shire of Lipton KPIs by each method?
- 3) What are your recommendations following this analysis for the Shire Council / Executive Committee of Management?

If you are presenting following another group then please add new comments / further clarify previously repeated comments.

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Wrap-up

Questions to Consider for presenting

For Prepared KPI analysis:

1. Ensure you are aware of the outcomes / objectives Lipton is seeking from the particular theme?
2. Are these outcomes / objectives the “critical” things given the information in the case?
3. Review the mapped KPIs against these outcomes / objectives (both BSC & Logic Model) and consider the following questions:
 - a) Is there coverage of ALL Objectives (both in K/N Strategy Map perspectives & Logic Model components)?
 - b) What is the frequency of KPIs per Objective?
 - c) Can your team understand & explore relationships between KPIs including cause & effect (more in WII later today)?
 - d) Are some of the KPIs Initiatives / Projects vs. “real” KPIs?
 - e) Can you identify the split of lead vs. lag (or Super lag)
 - f) Who is the intended audience ~ Executive Management / Council needs more balance and good spread vs. middle management should expect more focus in bottom half of the Strategy Map

Debrief Workshop ~ Guidance

In each table group please provide the following analysis:

- 1) Talk about the process – 1 or 2 highlights / lowlights?
- 2) Actual Analysis of the Shire of Lipton KPIs by each method?
- 3) What are your recommendations following this analysis for the Shire Council / Executive Committee of Management? Think about:

If you are presenting following another group then please add new comments / further clarify previously repeated comments.

- ✓ Coverage of ALL Objectives (perspectives & Logic Model components)
- ✓ Frequency of KPIs per Objective
- ✓ Relationships between KPIs including cause & effect
- ✓ Initiatives / Projects vs. “real” KPIs
- ✓ Lead vs. Lag (or Super lag)
- ✓ Intended Audience ~ Executive Management / Council needs more balance and good spread. Middle Management should expect more focus in bottom half of the Strategy Map

Wrap-up and Conclusions

We have identified TWO complementary approaches for assessing your current KPIs in your organization.

Both required:

- Clarification of the important things in your organization (more than “motherhood statements”)
- Understanding the application of the cause & effect (drivers & outcomes) logic and how it can be helpful to creating better KPIs
- Understood about Lead or Future orientated KPIs vs. Lag / Super-Lag [Logic model] or Today orientated

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- Understood about Lead or Future orientated KPIs vs. Lag / Super-Lag [Logic model] or Today orientated