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## FACTSHEET 002 – PERFORMANCE MEASURES

### Background

The intent of Performance Management is to ensure that requirements are consistently being met in an effective and efficient manner regardless of whether this is related to the performance of an organisation, process, employee, etc. Performance Management includes the process of setting performance expectations, monitoring performance, measuring results, and appraising and rewarding satisfactory performance.

A best practice performance measurement system will, at a minimum, be composed of the following elements:

- a formal, organised structure for performance measurement and reporting;
- clearly defined roles, responsibilities and accountabilities for performance measurement and reporting;
- well documented data quality standards and expectations for performance information, including monitoring and quality assurance procedures, which are clearly communicated across an organisation; and
- assurance arrangements which may, for example, be in the form of approved data dictionaries that include adequate documentation of data sources, collection methods, standards and procedures with clearly spelt out calculation/costing methods, assumptions, etc.

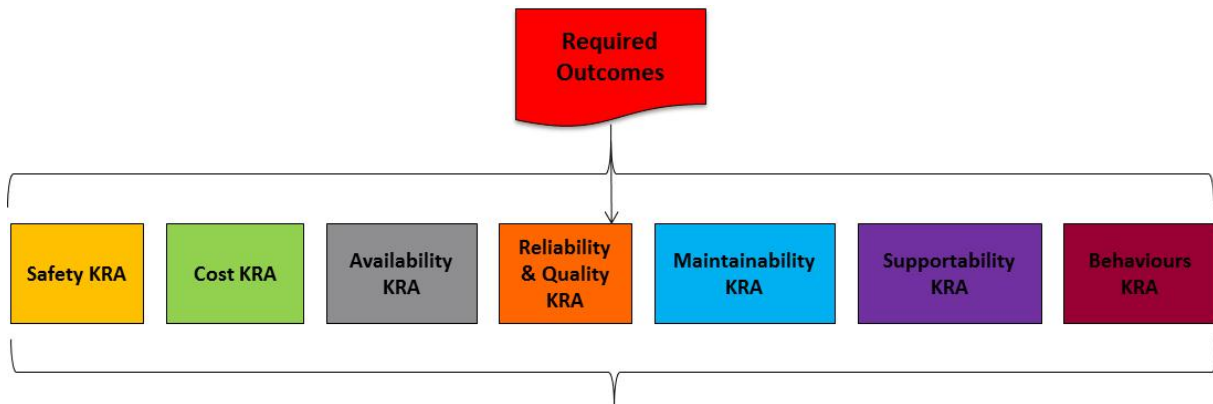
A critical element in performance management is the performance measure, sometimes referred to as a Key Performance Indicator (KPI). The function of a performance measure is twofold; firstly to communicate a requirement (i.e. setting performance expectations) and secondly to communicate the delivered performance (i.e. feedback actual performance).

The focus of this communication is dependent on where the requirement is placed in the organisation and may involve a hierarchy of performance measures that may cross business unit and organisational boundaries. Specifically, as you move up through the organisational layers, you would expect to move from an application of performance measure to observe and control the progress of delivery of project and operational outputs, toward an application of Critical Success Factors to evaluate achievement of intended outcomes and effectiveness of this strategy.

### Key Result Areas (KRAs)

The use of Key Result Areas (KRAs) as an intermediate step between the Required Outcome and the Performance Measures highlight broad areas of importance within which to place performance measures. The use of KRAs allows a method of ensure performance measures coverage of these broad areas of importance. Moreover, if combined with a visual representation of the KRAs, provides a useful communication tool of the performance measure approach.

An example of the KRAs that are typically used in the support of complex technical equipment is shown in Figure 1 and described in Table 1.



**Figure 1: Key Result Areas (KRAs) for Complex Technical Equipment**

KRA	Description
Safety	More than simply complying with legislation, rather, it focuses on all aspects of material safety through the proactive management of material safety enabling more effective and successful Outcomes.
Cost	Understanding the total cost of ownership, and the underlying cost drivers, in order to optimally balance user requirements with budget.
Availability	Providing users with material that is in a known state and ready to meet operational preparedness requirements.
Reliability and Quality	Understanding material reliability, and the underlying drivers including configuration control and quality of workmanship, in order to maximise both successful Outcomes and overall materiel availability by minimising failures and configuration issues.
Maintainability	Understanding both scheduled and unscheduled maintenance, and the underlying drivers, in order to maximise materiel availability by minimising repair times.
Supportability	Understanding the materiel support requirements and underlying drivers, to ensure the effective and efficient delivery of maintenance and engineering services, in order to maximise materiel availability and optimally balance user requirements with budget.
Behaviours	Is more than the consistent delivery of materiel performance; it also focuses on aligning the long-term delivery of materiel support with a variety of strategic initiatives through adoption of a collaborative continuous improvement environment.

**Table 1: Key Result Areas (KRAs) and Descriptions for Complex Technical Equipment**



## Performance Measure Tiers

Using those broad areas of importance defined within the KRAs it is essential that the appropriate performance measures are selected. In selecting the appropriate performance measure, CASG considers there to be three types of performance measures as shown in Figure 2 and described in Table 2. The selection of the appropriate performance measures should also consider how to balance the benefits gained through the use of tailored, contract specific performance measures vs. the effectiveness and efficiencies gained through the use of standardised, fleet wide performance measures.

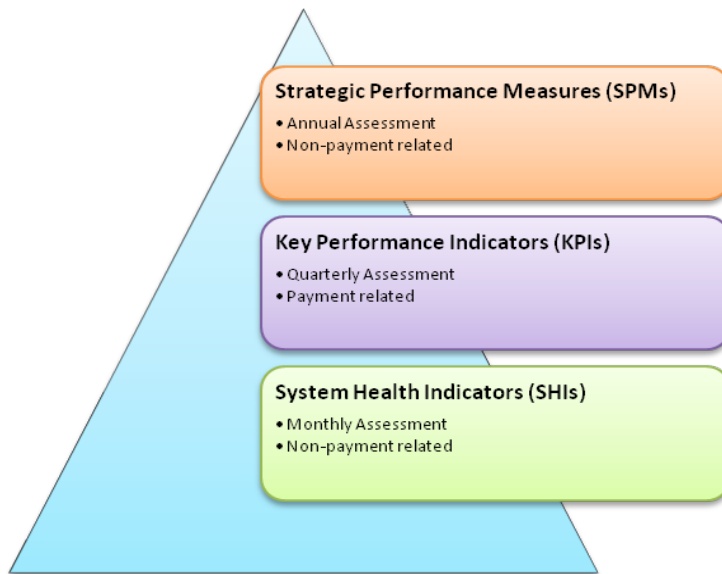


Figure 2: Performance Measure Tiers

Performance Measure Type	Description
Strategic Performance Measures (SPMs)	<ul style="list-style-type: none"> <li>annually assessed performance measures typically used to reflect long term behaviours against KRAs</li> <li>commonly linked to Contract Tenure due to their subjectiveness</li> </ul>
Key Performance Indicators (KPIs)	<ul style="list-style-type: none"> <li>quarterly assessed performance measures typically used to reflect delivery of performance against specified requirements such as those obligations defined in Buyers required contractual Outcomes</li> <li>commonly linked to performance payments as they are able to be objectively measured</li> </ul>
System Health Indicators (SHIs)	<ul style="list-style-type: none"> <li>typically used to reflect a variety of lead and lag requirements that provide the Buyer assurance that both the KPIs and SPMs will be delivered</li> <li>commonly linked to Contract tenure</li> </ul>



**Table 2: Performance Measure Tiers and Description**

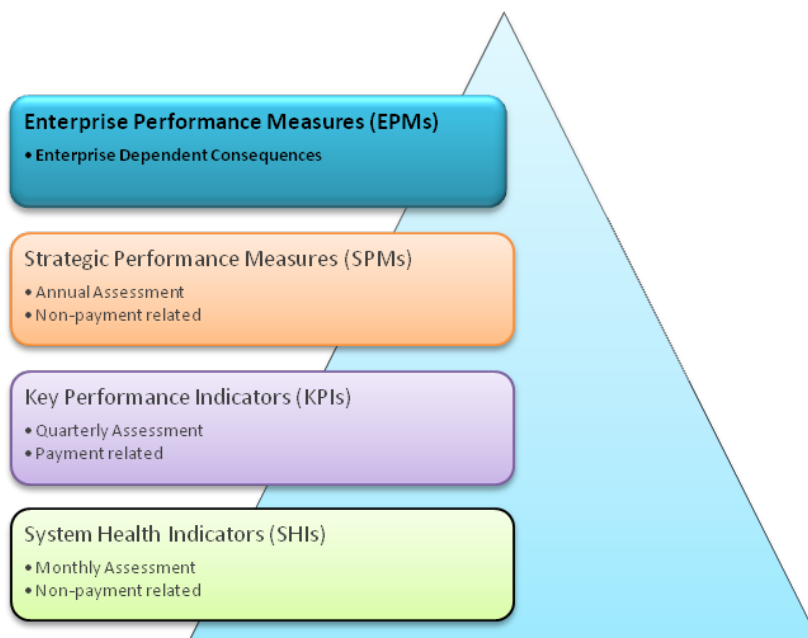
### Enterprise Performance Measures

In an environment where there are multiple organisations at various levels operating under different imperatives (i.e. commercial (e.g. contractor) vs. government (e.g. Air Force)) consideration should also be given on how to harmonise these measures. Specifically, Enterprise or Program level performance measures:

- designed around large programs;
- many stakeholders and contractors; and
- reliance on other entities to deliver shared Outcomes.

Enterprise level performance measures acknowledge the linkage or “*shared destiny*” between all organisations in the delivery of the enterprise outcome through the measurement of the **collaborative** environment where no one entity is responsible in isolation.

Enterprise level performance measures must be designed at Program level first and flowed down appropriately into the individual contracts to complement each organisation’s **individual** performance measures. This relationship between the **individual** performance measures and the enterprise level performance measures is shown in Figure 3 while the definition of an enterprise level performance measure is provided in Table 3.



**Figure 3: Enterprise Level Performance Measures**



Performance Measure Type	Description
Enterprise Performance Measures (EPMs)	<ul style="list-style-type: none"><li>• annually assessed performance measures, typically used together with individual SPMs, to reflect long term behaviours against KRAs</li><li>• appear in each organisation contracts / agreements in major projects where collaboration is required to achieve the Contracting Authority's required Outcomes against KRAs</li><li>• commonly linked to Enterprise Governance Boards and may be linked to payment or superior performance incentives</li><li>• commonly linked to Contract tenure due to their subjectiveness</li></ul>

**Table 3: Enterprise Level Performance Measure Description**

Typical enterprise level performance measures may include Total Cost of Ownership (TCO), Safety Culture, Collaborative Working Culture, etc.