



Performance Perspective

Report #6

CITY OF SEATTLE

March 7, 1997

Performance Perspective is a periodic newsletter issued by the Office of City Auditor. The purpose of these newsletters is to highlight general management principles or to disclose successful, useful or problematic program management issues. Please send your comments, suggestions, questions or concerns regarding these reports to Nora Masters, City Auditor, MS 01-11-01, telephone (206) 233-0088.

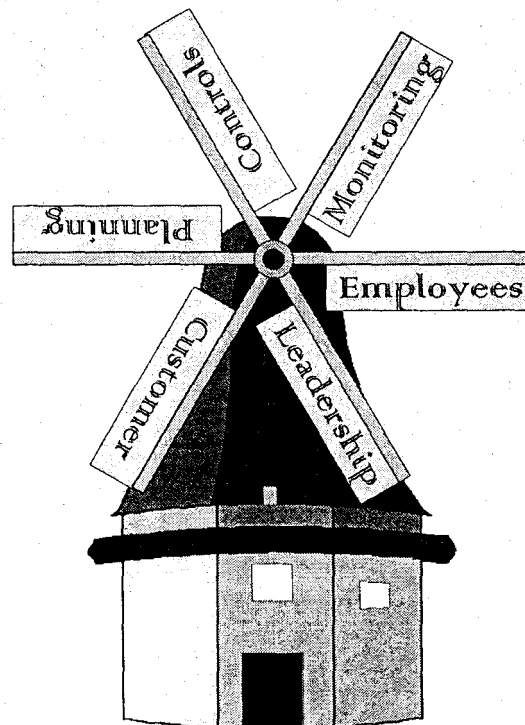
Different Frameworks: Same Goals

Our last newsletter, Creating A High Performance Program: The Performance Framework, described a generic approach to designing a performance framework. In this newsletter, we focus on five specific performance frameworks which organizations are using to improve their operations: Peter Senge's Deep Learning Framework, the Criteria for the Malcolm Baldrige Award (one of the highest honors for organizational quality), the COCO and COSO Models, and the Twelve Attributes. Although we taught the COSO model in training sessions we offered in May 1995, November 1996, and January 1997, the other four models provide equally valuable performance frameworks. All five models place a greater emphasis on **informal controls** (for example, leadership, competence) than past models which stressed compliance with formal accountability systems. In addition, the five models focus on much the same concerns:

- strong **leadership** from the top down, particularly in establishing ethical standards and organizational values, defining the organization's mission, prioritizing its principal objectives, and setting clear performance expectations;
- effective **planning**, which focuses on constantly evaluating risks to the organization's mission and how to avoid or overcome these risks;
- strong focus on **customer** satisfaction;
- competent, well-trained, ethical **employees** with appropriate information, understanding and authority to perform the work and improve the processes for which they are responsible;
- appropriate **controls** (the formal accountability system), built **into** rather than **onto** the organization's operating processes, to allow employees to cope routinely with known risks with reasonable assurance of success at reasonable cost yet allow

employees sufficient flexibility to deal with changing conditions;

- regular systematic **monitoring** of the organization's changing external environment (for example, customers, suppliers, regulators), internal environment (employees, operating processes, organizational priorities) and performance, with appropriate follow-up and adjustments.

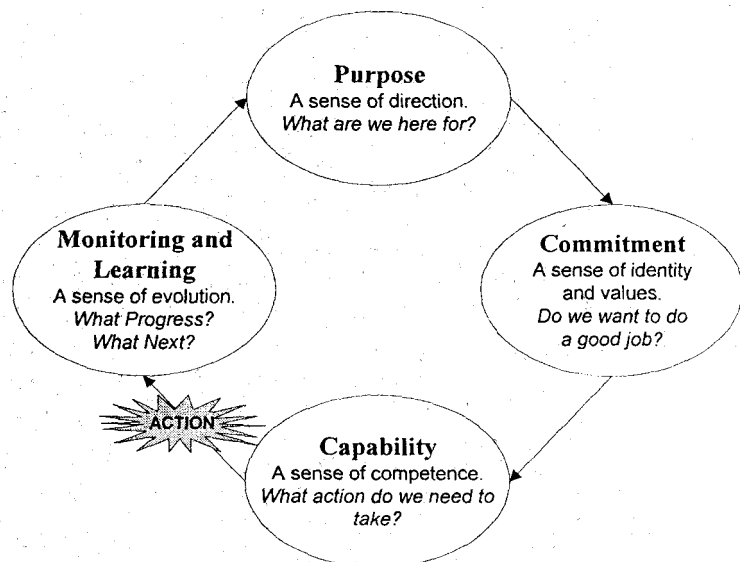


Although the five performance frameworks we discuss below share these concerns, organizations will differ in the details of how to achieve them. Some executives provide leadership by walking the factory floor while others speak only with the employees they manage directly. Because organizations have different missions and responsibilities, we do not expect identical management processes. Instead, managers must tailor their performance frameworks to the unique needs of their organizations. Although some functions are so basic that we can list specific features which we expect (in fact, we do in *Performance Perspective #3: Cash Handling*), in general, good performance requires that each organization develop its performance framework in a thoughtful and thorough manner, not just doing things according to some long-established set of processes. At the same time, applying a performance framework does not necessarily require throwing out wholesale the present

management approach with its own routines and vocabulary. Rather, it is generally possible to modify the current management approach into an improved performance framework. Many Total Quality Management (TQM) approaches, in fact, fit closely within a performance framework, and the criteria for the Malcom Baldrige Award overlap nicely with many management approaches.

Each of these five models is a different entry point into the same governance, accountability, and effectiveness territory--COSO and COCO enter through the prism of control, the Criteria for Malcolm Baldrige through the prism of quality, the Twelve Attributes through the prism of performance, and Peter Senge through the prism of learning. Each framework--any framework--can only provide a partial picture; but each provides valuable insights, improves one's understanding of an organization, and improves one's ability to make predictions about the organization's future and enhances its accountability. Many people are coming to a realization that real understanding about an organization can only come from adopting multiple perspectives, making use of several tools, and using more than one framework. A wealth of knowledge and experience is reflected in each of these five models. Each provides value but can only tell part of a story. □

Framework 1: COCO (The Committee on Control) Model
(developed by the Canadian Institute of Chartered Accountants)



Purpose

Establish and communicate objectives. Identify significant internal and external risks which the organization faces in achieving its objectives. Establish, communicate and practice policies which support achieving the organization's objectives and managing its risks and ensure that people understand expectations and the scope of their freedom to act.

Commitment

Establish shared principles of integrity and ethical values. Clearly define authority and accountability.

Capability

Provide people the necessary knowledge, skills and tools to accomplish the organization's objectives. Establish and communicate plans to guide efforts to achieve the organization's objectives. Coordinate decisions and actions of different parts of the organization.

Monitoring and Learning

Monitor performance, and periodically re-assess organizational assumptions. Establish follow-up procedures.

Framework 2: Criteria for The Malcolm Baldrige Award



Leadership

Senior executive leadership; management for quality; and public responsibility and corporate citizenship.

Information and Analysis

Scope and management of quality and performance information, competitive comparisons and benchmarking; and analysis and use of organization-wide data.

Strategic Quality Planning

Both the process for strategic quality planning and organization performance planning and the plans themselves.

Human Resource Development and Management

Human resource planning and management; employee involvement; employee education and training; employee performance and recognition; and employee well-being and satisfaction.

Management of Process Quality

The design and introduction of quality products and services; process management; supplier quality; and quality assessment.

Customer Focus and Satisfaction

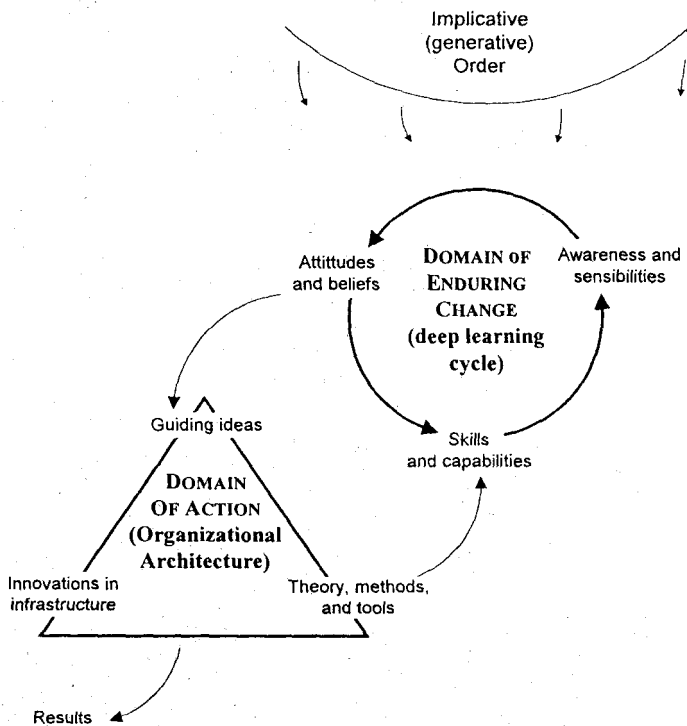
Customer expectations; customer relationship management; commitment to customers; and customer satisfaction determination.

Recent Publications Issued by the Office of City Auditor

- Rethinking Management Accountability Workshop, January 26-27, 1997.
- Patrol Officer Deployment 1991 - 1995, December 31, 1996.
- Transportation Financial Management: Revenue Forecasting and Expenditure Management Are Improving, November 5, 1996.
- Transportation Expenditures: Compliance And Controls Are Good But Can Be Improved, November 5, 1996.
- Comparison of In-House Costs and Private Sector Prices for Selected Vehicle Maintenance Services, October 30, 1996.

If you are interested in receiving any of these reports, please call the Office of City Auditor at 684-8888, or visit our website (See back).

Framework 3: Peter Senge's Deep Learning Framework



Awareness and Sensibilities

Monitor the environment to assess changes, and re-evaluate organizational objectives, policies and activities accordingly. Establish communication processes which support the organization's values and objectives and which coordinate the decisions and actions of different parts of the organization.

Attitudes and Beliefs

Establish, communicate and practice shared principles of integrity and ethical values. Challenge the organization's assumptions periodically.

Skills and Capabilities

Provide people with the necessary knowledge, skills, and tools to meet organizational expectations and achieve organizational objectives.

Guiding Ideas

Establish and communicate objectives.

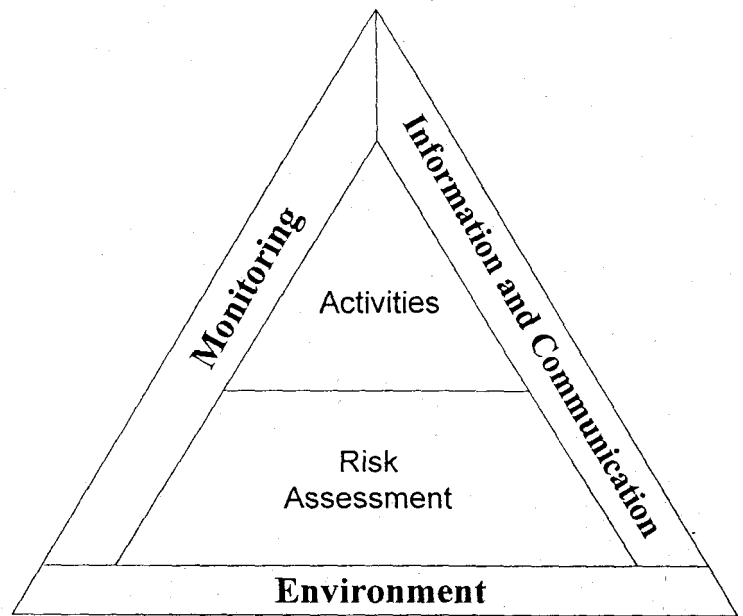
Theory, Tools, and Methods

Establish, communicate and practice policies which support achieving the organization's objectives. Ensure people understand expectations and the scope of their freedom to act. Identify significant risks factors. Include measurable performance targets and indicators with objectives and related plans. Identify, capture and communicate sufficient and pertinent information in a timely manner.

Innovations in Infrastructure

Periodically assess the appropriateness of the design and the effectiveness of the operation of the accountability system. Establish and perform follow-up procedures.

Framework 4: COSO (The Committee of Sponsoring Organizations) Model (developed by the major accounting and auditing professional organizations in the United States)



Environment

Recognize that the core and foundation of any operation is its people--their individual attributes, including integrity, ethical values and competence--and the environment in which they operate.

Risk Assessment

The organization must be aware of and deal with the risks it faces. It must set objectives integrated with all its functions so that the organization is operating in concert. It must also establish mechanisms to identify, analyze and manage the related risks.

Activities

Establish and execute control policies and procedures to help ensure that employees effectively carry out the actions which management has identified as necessary to address the risks to achieving of an organization's objectives.

Information and Communication

Provide systems that enable the organization's people to capture and exchange the information they need to conduct, manage and control its operations.

Monitoring

Monitor the entire process, and make modifications as necessary so that the system can react dynamically to changing conditions.

One public company inputs data into their information system coded in such a way that both the COSO and the Twelve Attributes frameworks can be used to extract and organize the information. The input for the system comes from a comprehensive and ongoing program of self-assessment and from more traditional examination activities. The application of these frameworks permits the organization to prepare reports on effectiveness and accountability from the perspectives of the two frameworks.

Framework 5: The CCAF Twelve Attributes
(developed by the Canadian Comprehensive Auditing Foundation's)

- Management Direction**
Objectives of an organization, its component programs or lines of business, and its employees, are clear, well-integrated and understood, and appropriately reflected in the organization's plans, structure, delegations of authority and decision-making process.
- Relevance**
A program or line of business continues to make sense in regard to the problems or conditions to which it is intended to respond.
- Appropriateness**
The design of a program or its major components, and the level of effort being made, are logical given the specific objectives to be achieved.
- Achievement Of Intended Results**
Goals and objectives have been realized
- Acceptance**
Constituencies or customers for whom a program or line of business is designed judge it to be satisfactory
- Secondary Impacts**
Other significant consequences, either intended or unintended and either positive or negative, have occurred.
- Financial Results**
The matching of, and the accounting for, revenues and costs and the accounting for and valuation of assets, liabilities, and equity.
- Working Environment**
The organization provides and appropriate work atmosphere for its employees, provides appropriate opportunities for development and achievement, and promotes commitment, initiative and safety.
- Protection of Assets**
Important assets--e.g., sources of supply, valuable property, key personnel, agreements, and important records or information--are safeguarded so that the organization is protected from the danger of losses that could threaten its success, credibility, continuity and, perhaps, its very existence.

- Monitoring and Reporting**
Key matters pertaining to performance and organizational strength are identified, monitored, and reported.
- Costs and Productivity**
The relationship between costs, inputs and outputs.
- Responsiveness**
An organization's ability to adapt to changes in such factors as markets, competition, available funding or technology.

Policymakers, management and staff can use these models to create a credible and valuable picture. To do so, they need:

1. An understanding of the framework they are using, how its pieces interrelate, and its limitations.
2. An appreciation of the subtleties of organizational life, and an in-depth knowledge of the particular organization that is being painted.
3. A clear idea of who the viewers are likely to be, their needs and expectations. Will they be satisfied after gaining an overall impression, or will they want to explore the details of some of the smaller pictures within the larger pictures?
4. Sensitive perceptual and conceptual skills, and an awareness of their own biases and blind spots.

Organizations are coming to the realization that real understanding can only come from adopting multiple perspectives, making use of several tools, and using more than one framework. Each of these frameworks provide valuable insights and help organizations improve their and ability to make predictions about the future, and enhance accountability.









The challenge in designing any system is to achieve an effective balance in holding management accountable, using resources efficiently and effectively, and ensuring public confidence. □

The Office of City Auditor is Pleased to Announce the Opening of Our New Website

<http://www.pan.ci.seattle.wa.us/seattle/audit/hpg.htm>

(Located under City Auditor in the Pan Directory)

This site includes:

 City of Seattle Office of City Auditor Nora J. E. Masters, City Auditor	Publications Since 1993  Audit Reports  Consultations & Trainings  Performance Perspective	 How to Contact Us.  The Audit Protocol	Whistle Blowers Page  Links to Other Audit Offices And Related Sites  About the Office of City Auditor Our Mission & Our Vision

LATE BREAKING NEWS: On February 25, 1997 the State Auditor's Office informed the City that it plans to use the COSO model in evaluating the City's systems.