THE INDICATOR.
A NEWSLETTER FROM THE TRANSPARENCY AND ACCOUNTABILITY OFFICE

PLANNING to REPORT—Indicator Development

Do your performance indicators lack definition and clarity?

Through this Office's ongoing analyses of plans and reports, it is evident that many entities have learned the importance of establishing appropriate and clear indicators, as well as the critical role of good performance monitoring. As entities increasingly adopt best practices in results-based planning, it is suggested that they refine performance measurement and monitoring processes in order to focus on specific results throughout the year and to re-focus, where necessary, toward intended targets. Whether this is done on a quarterly or semi-annual basis depends on the entity and the complexity of the performance indicator (s).

After appropriate indicators are selected to measure the success of an objective, performance monitoring is critical to ensure that the entity is on-track for success.
The first consideration in performance monitoring is taking the time to specifically *define* the performance indicator. This may appear to be unnecessary labour to some planners, yet when the time comes to report on performance there are sometimes varying interpretations on the meaning/intention of the indicator, the extent of activities involved and who has primary responsibility for the work.

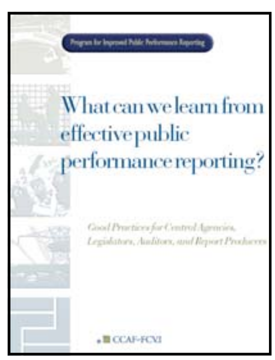
This happens for a couple of reasons, not the least of which is the somewhat vague or ambiguous language sometimes used to write indicators. Commonly used words and phrases, such as "implement", "enhance", and "improve select processes", sometimes lose their intended meaning over time (following the initial draft of the plan,) and there may be little shared understanding among decision makers regarding what was originally intended i.e. the results associated with the indicator. Following the examples above, without other measurements to describe *the extent* of implementation, *the types* of enhancement and *baselines for improvement*, as well as *which specific select processes* will be improved , targets will lack clarity. This may lead to eventual (though avoidable) reporting difficulties at year-end.

Develop a Performance Monitoring table for each Indicator
This is easy to do, is not time-consuming and can save much time and stress on interim and in final reporting on indicators. In a simple table format coordinators can avoid some of the clarity problems described above and easily communicate intended results to relevant managers who need information for work planning. A performance monitoring table can be simple or quite detailed and sophisticated depending on the extent of information required. Minimally it should include the:

Objective: state the annual objective to which the indicator (s) are attached
Indicator (worded as it is in the Plan)
Definition (an explanation of what the indicator means and how it relates to the Objective. What is the logic involved?)
Evidence/Units of Measure: List the quantitative and/or qualitative data which will be used to measure success.
Who is responsible for each set of data/evidence?
Frequency. What is the frequency of reporting?

Communicating to other significant contributors in table format allows for quick data input on the above-noted fields. These worksheets should be produced annually as the indicators are selected, allowing for appropriate reflection on the relationship between the indicator and the objective, and for determining whether meaningful data will be available to measure progress/ success.

In future editions of The Indicator we will attempt to profile a resource -book,, article, report , etc. which we hope will create a broader understanding of the methodology and issues associated with results-based planning and reporting. In this issue, we feature a report from the *Canadian Comprehensive Auditing Foundation—La Fondation Canadienne pour la Vérification Integrée*. (CCAF-FCVI, Inc.) entitled ***What can we learn from effective performance-based reporting?. Good practices for Central Agencies, Legislators, Auditors and Report Producers.*** The report is based on cross-jurisdictional research into best practices and has something for us all—report producers (such as departments and other government entities) and the central support agencies (such as this Office) - as suggested by its title.



This article is available at no cost from http://www.performancereporting.ca/documents/PPR-GoodPractices.pdf

How do I know if we have selected the best indicators?

Good performance reporting depends on strong performance measurement systems. The Public Sector Accounting Board's Statement of Recommended Practice states that "well managed entities operate in accordance with a plan — measuring, monitoring and assessing performance, learning and adjusting throughout the period and publicly reporting on what was accomplished."

SEVEN CRITERIA FOR ASSESSING PERFORMANCE INDICATORS

1. DIRECT. A performance indicator should measure as closely as possible the result it is intended to measure. It should not be pegged at a higher or lower level than the result being measured. For example *contraceptive prevalence rate* is a direct measure of the result *increased use of family planning methods* . However, *number of service providers trained* would NOT be a direct measure of the result *improved service delivery*. Just because people are trained does not necessarily mean they will deliver services better.
If using a direct measure is not possible, one or more *proxy indicators* might be appropriate. For example, if you cannot measure increased physical fitness in a population, you may opt to choose the percentage increase of school-aged children who are involved in a physical extra-curricular activity. Proxy measures are *indirect* measures that are linked to the result by one or more assumptions. If convincing evidence exists that the assumption is sound (for instance, it is based on research or experience elsewhere), then the proxy may be an adequate indicator.

2. OBJECTIVE. An objective indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. It measures only one phenomenon at a time and avoids trying to combine too much in one indicator, such as measures of both access and operational *precision. Operational precision* means no ambiguity over what kind of data would be collected for an indicator. For example, *the number of successful export firms* is ambiguous, but something like the *number of export firms experiencing an annual increase in revenues of at least 5 %* is operationally precise.

3. ADEQUATE. A performance indicator and its companion indicators should adequately measure the result in question. A frequently asked question is "how many indicators should be used to measure any given result?" The answer depends on a) the complexity of the result being measured, b) the level of resources available for monitoring performance, and c) the amount of information needed to make reasonably confident decisions. For some results that are straightforward , one performance indicator may be enough. For example, if the intended result is *increased traditional exports*, the indicator *dollar value of traditional exports per year* may be sufficient. Where no single indicator is sufficient, then two or more indicators may be needed. However, avoid using too many indicators. Try to strike a balance between resources available for measuring performance and the amount of information managers need to make reasonably well informed decisions, or the public will need to judge success.

4. QUANTITATIVE, WHERE POSSIBLE Quantitative indicators are numerical (number or percentage or dollar value, for example). Qualitative indicators are descriptive observations . While quantitative indicators are not necessarily more objective, their numerical precision lends them to more agreement on interpretation of results data, and are thus usually preferable. However, even when effective quantitative indicators are being used, qualitative indicators can supplement the numbers and percentages.

5. DISAGGREGATED, WHERE APPROPRIATE. Separating results by gender, age, location, or some other dimension is often important from a management or reporting point of view. For example, development activities often require different approaches for different groups and affect those groups in different ways. Disaggregated data help track whether or not specific groups participate in and benefit from activities intended to include them.

6. PRACTICAL. An indicator is practical if data can be obtained in a timely way and at a reasonable cost. Managers require data that can be collected frequently enough to inform them of progress and influence decisions.

7. RELIABLE. A final consideration in choosing performance indicators is whether data of sufficiently reliable quality for confident decision-making can be obtained.

For further information or comments on this newsletter, please contact:
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