

# Measuring up

by Deirdre Kerr-Perrott, Bryan Shane and Patricia Lafferty

## CRA develops performance measurement system

**T**HE CANADA REVENUE Agency (CRA), known for administering Canada's tax laws, is also independently responsible for administrative policy, contracting and real property as provided by the *CRA Act*. It has full, delegated authority to acquire goods and services for all CRA clients (over \$450 million annually).

CRA's Materiel Management Directorate (MMD), Finance and Administration Branch, is responsible for setting policy directions and framework for materiel management in CRA and has full accountability and authority for policies and activities for procurement, contracting, asset management/inventory management, and disposal. This independence permits MMD to build solutions tailored to fit CRA.

In the fall of 2000, MMD began to develop and implement a business plan and performance measurement (PM) system that would maximize its ability to "be a professional business partner in the provision of best-in-class materiel management services" and provide the information and ability to assess the effectiveness of its operations from multiple points of view (financial, quality of programs/services, client satisfaction, employee satisfaction, and continuous improvement). The feedback obtained was used to improve decision-making within the directorate, enable pro-active problem correction and promote continuous improvement.

The MMD business plan and PM system were developed and implemented based on the philosophy of the Balanced Scorecard<sup>1</sup> and Leadership Development Method (LDM) of performance measurement<sup>2</sup> – a tested, flexible, and relatively inexpensive process for developing, imple-

menting and maintaining a business plan and PM system. LDM is intended for senior managers of private or public sector organizations, regardless of size, who want to improve their services, improve return on their investments and gain a better understanding of client concerns and employee issues, while improving innovative practices across the entire organization.

The LDM approach required that a number of principles be followed:

- The business plan and PM system had to support the mission, objectives, and modern comptrollership and performance management strategies of CRA and the Financial Administration Branch.
- The senior manager had to act as a formal champion for business planning and performance measurement across the organization.
- Developing, implementing and integrating the business plan and PM system required time, effort, skills/expertise and, perhaps most importantly, the active support of senior management.
- A balanced set of performance measures had to be developed that would provide a view not only of financial performance, but also of business results, client satisfaction, employee morale and continuous improvement.
- A clear set of roles and responsibilities had to be established for planning, implementing, and maintaining the ongoing operation of the business plan and PM system.

A process-oriented approach was used at each phase, consisting of structured interviews, "straw dogs" and facilitation to ensure complete and multiple opportu-



nities for input from all divisions within the MMD. Each phase had to be successfully completed and agreed upon by all divisions before proceeding with the next. Finally, a pilot project was implemented to develop many of the performance measurement criteria and associated business processes for gathering, analyzing, interpreting and reporting on performance, as well as for providing evidence of the effectiveness of the performance information generated.

As a result of this process-oriented approach, stakeholders in the organization shifted their attitudes from awareness to understanding and from acceptance to use of the PM system, creating an organizational culture that values and supports

<sup>1</sup> Robert S. Kaplan and David P. Norton. "The Balanced Scorecard" (Boston: Harvard Business School Press, 1996). "Using the Balanced Scorecard as a Strategic Management System," *Harvard Business Review*, (January-February 1996), pp. 75-85.

<sup>2</sup> "Performance Measurement System: A Leadership Driven Method" (developed by BPC Management Consultants, [www.bpcgallery.com](http://www.bpcgallery.com)) published in *Optimum the Journal of Public Sector Management*, Volume 33, Issue 3, September 2003.

balanced and comprehensive feedback as being essential to rewarding achievement and providing the information necessary for effective business and operational decision-making.

The performance measurement architecture for MMD includes a number of index-based performance measures:

- contract management;
- asset management;
- project management;
- client satisfaction; and
- employee satisfaction.

These indices allow the combination and quantification of qualitative and quantitative information so that all measures become output and results oriented. The components of the indices were expanded or collapsed in response to changing conditions or experience.

The performance measurement information provided by the PM system must be interpreted in a way that ensures internal validity and provides an external comparative view. Performance targets were established to determine a normal level of performance for the MMD environment. To increase the rigour of interpretation, several techniques were used:

- baseline information – to assess year-over-year changes in all performance measures;
- service standards – to measure the quality of services;
- confidence intervals – to measure financial performance and client and employee satisfaction;
- benchmarks – an external comparison with like organizations for quality of service; and
- organizational context – the means to adjust judgements in relation to unique organizational circumstances such as size, headquarters/regional issues, and organizational autonomy for all performance measures.

Results of the implementation were assessed from several points of view:

- Finance – MMD continues to maintain a reputation for ensuring cost-effective services with little variance between budget and expenditures.
- Client satisfaction – MMD determined client opinions using a scientific client survey of 250 direct and indirect clients.

The results indicate a clientele that is generally satisfied with the services they receive. A majority also expressed a positive assessment of service attributes, staff and communication issues. MMD's strengths included staff technical knowledge/expertise, responsiveness, customer service and professionalism. While several issues required improvement, MMD was viewed as a partner in delivering services.

- Employee satisfaction – MMD conducted two employee satisfaction surveys and continues to conduct two Town Hall sessions each year. In the second survey, 51 of 55 indicators showed improvements in various aspects of employee satisfaction. Over 80 percent had confidence in their peers; enjoyed good teamwork; were encouraged to provide input; had good relations with and confidence in their manager; understood their own professional development; had opportunities to show initiative; were recognized for their achievements; and, found their work challenging, interesting and meaningful.
- Quality of services – Three major service lines make up the MMD service portfolio:
  - contract management of goods, services and printing;
  - asset management of forms, publications and uniforms; and
  - fleet management.

Based upon the feedback from the PM system, significant improvements were achieved in service delivery, cost savings/avoidance, improved business processes for contracting and asset management, and client/employee satisfaction.

As mentioned earlier, MMD is responsible for procuring goods, services and printing throughout CRA, including headquarters and the regions. Based upon the feedback from the PM system on the strategies and initiatives found in the MMD business plan, a strategic sourcing program (SSP) to ensure the best service and value was set up with key suppliers of goods and services such as office supplies, paper, envelopes, desktops and servers (See *Summit*, January/February 2005).

CRA employees use the web-based ordering system (WBRO) – an e-procurement tool integrated into the corporate

administration system – to search the strategic sourcing contract catalogues; purchase and receive goods; and reconcile transactions. Business rules are built in, ensuring accuracy, timeliness and compliance. WBRO encourages the use of strategic sourcing arrangements with built-in savings and provides information needed to measure performance related to delivery, quality and back orders. The initial strategic sourcing arrangement for office supplies has realized product savings of \$2 million annually.

In addition, using acquisition cards as the payment vehicle for SSP arrangements realizes significant savings (Described in "Getting credit," *Summit*, February 2004). In total, the SSP has provided \$30 million per year in savings and cost avoidance. It has also streamlined the procurement process, with a significant decline in the number of purchase orders under \$5,000 and provided rebates from suppliers based on the volume and value of purchases. But more importantly, it has transformed the duties of professional buyers to dealing with supplier relationships; analysis of buying trends; and, project coordination, verification and compliance. Similar savings are expected with yet-to-be-established arrangements for computers, services, photocopiers/printers and furniture.

MMD is also responsible for asset management at CRA including all aspects of providing forms, uniforms, publications and fleet management. Feedback from the PM system on the strategies and initiatives in the business plan identified a number of achievements, saving a total of \$3.2 million annually:

- Nine uniform distribution centres across Canada were consolidated into one, resulting in the right uniforms being provided at the right place at the right time and cost savings of \$63,000. Processing times were maintained, and CRA was able to get a good handle on its inventory, which facilitated the procurement of required uniform items. New service standards were developed and submitted to the Canada Border Services Agency for implementation.
- Eleven form distribution centres were reduced to two, resulting in streamlined processes, improved tracking capabilities, reduced inventory costs, fewer staff and standardized, high-calibre client

(external and internal) services. The annual inventory of 302.5 million forms (\$10 million) was reduced to 160.5 million (\$6.3 million) of the most used forms and booklets. New service standards were developed in which clients received their order in four to eight days by mail or instantly over the Internet. Most online client orders are processed using CRA's corporate administrative system, resulting in improved accuracy and better information. Overall cost savings of \$2.3 million were achieved. Savings were used to purchase forms carousels for the Mississauga Forms Distribution Centre. These devices are expected to process up to 654 lines per hour – a productivity increase of 750 percent.

- Six call centres were reduced to three, handling the same number of calls with the same or better efficiency: 1.4 million calls were answered annually with a service improvement of 150 percent, where the average call length was reduced from 2.5 minutes to one minute.
- Fleet management capital costs were reduced by eliminating the need for 50 new vehicles annually out of a fleet of 750, resulting in savings of approximately \$1 million.

The experience gained in developing and implementing the MMD business plan and PM system provides insights for other organizations:

- A balanced PM system must be tailored to fit the unique requirements of the organization in terms of specific measures, timing, sequence of activities and knowledge transfer.
- Pilots provide evidence of the utility of performance measurement; build acceptance/support; and provide the experience needed to tailor the PM system to the unique requirements of the organization.
- The full support of senior management is required in providing the leadership to communicate the necessity/importance of this approach; to supply adequate resources; and, to use the performance information to make positive change. Development and implementation must begin from the top of the organization and move progressively downward.

- Avoid expensive data gathering and implementation approaches. Use existing sources of information, “work-around” strategies, and all available methods of interpretation. Once established, performance measurement processes tend to be self-correcting and self-sustaining.
- The transfer of knowledge from the subject matter experts to organization staff is critical for the ability of staff to develop and operate the PM system.
- Performance information must be used to take corrective action in the form of strategies/plans. If used for this purpose, the PM system will be self-sustaining, and the development and implementation effort will not be wasted.

The overall benefits of establishing a business plan and PM system are felt throughout MMD. The PM system provides a framework for decision making and translating MMD's mission into concrete objectives, strategies and initiatives that can be monitored and adjusted continually in response to ongoing environmental changes. The PM system provides a frame of reference in which management and staff, working together and using a common language, can adjust their operations (through ongoing and balanced feedback) to sustain and enhance excellence in program and service delivery to clients. Managers have multi-dimensional sources of information to make decisions on cost effectiveness, improving/ modifying/continuing program or services, and improving client/employee satisfaction. ~~~

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*Deirdre Kerr-Perrott is the director general responsible for Materiel Management for the Canada Revenue Agency. She has worked as a senior executive within the federal government for many years, specifically in the materiel management, project management and information technology domains.*

*Bryan Shane is a senior partner with BPC Management Consultants. For more than 25 years, he has provided consulting services in business transformation, information technology and performance measurement in the public and private sector. He has also published many articles in Optimum.*

*Patricia Lafferty is a partner with BPC Management Consultants with extensive experience as a senior professional manager and consultant to both private industry and the federal government, in the areas of strategic change management, facilitation, implementation planning and performance consulting.*