The Whole Picture: The Challenge to Integrate Financial and Other Performance Information in the Effective Management of Public Sector Organizations

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“Management must focus on the results and performance of the organization. Indeed, the first task of management is to define what results and performance are in a given organization – and this, as anyone who has worked on it can testify, is in itself one of the most difficult, one of the most controversial, but also one of the most important tasks.”

Peter Drucker, “Management Challenges for the 21st Century”

The Case to be Made

The issue of integrating financial and non-financial information is an important one for public sector organizations. However, it is not merely a technical challenge, but rather one of how these organizations manage themselves and how they marshal their scarce managerial resources and time to bring about the results they are there to achieve. Further, the very posing of the problem suggests a problem up-front: is the organization serious and committed to a fully strategy of performance measurement that allows it to manage its resources to maximum effect, account for them and position itself in the continuous struggle to secure a future flow of the resources it needs? It can do none of these things without a fully integrated approach to its overall performance measurement, of which, the better linkage of financial and non-financial data is only a part.

This is not a problem for the CFO alone, but for the organization as a whole. The CFO adds considerable value when she takes a fully strategic role in that process. In this sense, the problem of integrating financial and non-financial data may be the wrong one to be pursuing. Taken on its own, there is no real solution
to it. Stated in the broader context of performance measurement, much can be done.

In times of increasing accountability and transparency and as tools develop to overcome many of the inherent problems with performance information, public organizations that fail to use their knowledge about their performance in a full and integrated fashion miss opportunities to maximize current resources, position themselves strategically to respond to the developing policy framework and increase public confidence in their capacity to deliver the goods. For instance, creating a culture of reallocation within current budgetary envelopes is a pure hit and miss undertaking without adequate cost and performance information.

“As the role of the finance organization changes, it is no longer acceptable to just track financial numbers and let operations worry about operational statistics.”


Such a challenge is not simply one for the CFO of the organization. She plays a key role, one of both strategic advocate and tactical supplier of sound information. She has an interest in ensuring not simply that the numbers are right, but that they are the right numbers but also in ensuring their relevance to how the organization is managed in a real and visceral way. Does she ‘own’ the data? No? Is her interest beyond “her” data? Yes.
However, in the end, a public sector organization that does not manage itself and make both short and long term decisions using the information it has about its performance to the advantage of the public good it is striving to achieve fails across the board, not simply in one of its organizational components. This, then, is about leadership of the organization as a whole.

The CFO emerges in the scenario playing a number of key roles, vital to ensuring full performance, but not singularly:

- Getting the financial numbers right: quality of financial information
- Making the numbers meaningful and relevant
- Building bridges to linkages to overall performance data: partnerships
- Advising the organization on short and long term implications of the financial performance data
- Advising senior management on its responsibilities to use and manage with performance data
- Advocating for capacity within the organizations to build performance data relevant and understandable to the organization.

“Today’s CFO is not the CFO of the past. Successful CFOs possess not only financial acumen and subject expertise, but have the full range of leadership skills that are found in CFOs of well-run private sector financial management organizations. ... these financial executives and their offices have a comprehensive understanding of both the operational and strategic missions of their agencies.”

Linda Springer, Controller, Office of Federal Financial Management, OMB, United States Federal Government

“Our study is based on the premise that performance-measurement applicability in government, when it is routinized, improves communication within and across branches, advances learned discussions about the results of government activities and services, and enlightens budgeting decisions by providing additional and relevant information.”

The challenge for the CFO is to change the financial contribution to overall strategic management from the traditional orientation of being a scorekeeper that provides purely financial and generally retrospective information to a new one that provides future orientated financial performance information. All parts of the organization must understand this information and see it as their own. In addition, the CFO needs to provide analysis that both helps and challenges managers to confront short-term issues and see long-term possibilities. This is not an ‘instead of’ role but an ‘in addition to’ role. Basic financial controls and meeting all legal reporting requirements accurately and consistent with the government’s financial reporting needs remain a key role of the CFO.

It can be argued that the successful move into the world of accrual accounting sets the stage for a more complete and holistic approach to managing resources in the context of the results they are to achieve. In fact, as the essence of accrual is that it takes into account present and future costs regardless of cash flows, it provides a clearer language to achieve a more fulsome integration of financial and non-financial information.
Data Quality and Making It Perfect

There are very few cases where there is an exact fit of costs to result. Similarly, all-in costing of initiatives and programs remains, at best, imprecise. But, perhaps one the greatest challenges to the successful bridging of financial and performance data is the issue of data quality. Data quality on operational performance varies dramatically. While the public sector has had a major focus on improving its financial information reporting, developing or adopting common standards, the adoption of GAAP-driven accruals, etc, have all increased the confidence in such information. However, less work has gone into operational information. This is both mission-centric information and information about key support functions. For example, public sector organizations, along with their private sector counterparts in far too many cases, do a notoriously poor job of measuring human resource information effectively and usefully. In addition, the issues of timeliness of data entry have an impact on their quality and relevance.

Organizations that fail to bring their data quality up to requirements cannot effectively trust the overall information they receive. In turn, they cannot confidently inform their public, their Minister, Parliament or stakeholders about their operations. The conundrum is where to start. It is generally known that the
maintenance of timely and accurate information costs dedicated resources. However, the pursuit of corrections to poor information or efforts to reconstruct faulty data probably costs more, it the long run. Further, there is little use in trying to get all the information right at the outset of any effort to build an integrated management culture. Data is only verifiable in real-time testing, as it is used. Also, there is little real motivation to maintain data well unless there is a sense that the effort is worth it. How is that determined? By action, not words. For instance, is the information used regularly for internal management? Is the performance information that it contains part of the accountability process within the department? Is the information reported out – to Ministers, the public, Parliament? In other words, is something riding on it? When that happens, organizations pay attention and put the efforts they need to into the quality issue.

Integrating all performance information is about raising the bar of organizational excellence for a government department or agency. Treated in that context it becomes a major tool for the senior management group to improve overall performance. This is not simply quixotic managerial speak. The efforts that integration demands involve bridging the gap between the resource management side and the overall performance management side of the same organization. The CFO plays a key but not an only role in such a process. Exercising that role demands recognition of the CFO as an advocate not simply of good numbers, but good management in general.

The CFO of Forestry Tasmania, Penny Egan FCPA, says the evolution of the role depends on the area of the public sector in which CFOs are employed. 'They are required – and correctly so – to have an understanding of the industry and the business environment in which they work,' she says. 'They need to be involved in, and be aware of, the many aspects of the business from a commercial point of view, the environmental sensitivities and the social aspects of the organization. Reporting needs to be transparent. Certainly within the public sector, these changes over the past few years have made a huge difference to the role of a CFO.'

Burden of reporting

One of the biggest challenges of putting more accountability in government must surely be increasing the layers of an already multi-layered system. 'There is the burden of reporting,' Jones says. 'We just have to look at ways and means to reduce that reporting burden as much as we can. And that's also brought a new focus around governments, to make sure that we have systems that can provide information pretty quickly and minimize people labouring away. One of the things we have really tried to do is look at technology and systems to allow our accounting people to spend more time on analysis.'

What exactly do we mean by integrating financial and non-financial information?

The air really needs to be cleared about what this phrase means. Public sector organizations generate and receive a lot of information about how they are performing. This is because of their transparency and the absolute requirement for it. Similarly, government departments pursue a large number of objectives and activities that are the source of this information. Some of these are processes, e.g. applications reviewed. Some involve outputs, e.g. number of kilometers of roads repaved. Some involve a direct or indirect contribution to outcomes, e.g. reduced crime, a healthier public. Similarly, public sector organizations are measured in a variety of ways, often by different groups or interests. Finally, it is axiomatic in the public sector that, while there is a generally desire to address results as the primary focus of organizational behaviour, the means used are extremely important in the public sector. Were the legal requirements met? Were resources distributed equitably? Were entitlements met? Therefore, there will be a series of compliance measures that are both operational and financial.
Believing that all this information can be brought together into an integrated whole is highly ambitious and seldom seen. Very few public sector organizations have realized a fully integration. Some have tried and found the costs and efforts not worth the results. The real test becomes what is needed and useful to make the organization meet its requirements. One of the best efforts to bring such data together in a useful way for both internal management and external reporting has been some variation on Balanced Scorecard approach. In this, information about finances, operations, clients and organizational learning are balanced to provide a complete picture of organizational performance. Here too, organizations have experienced challenges to sustain such an approach whether it is with the use of the formal methodology or simply an effort to find a balanced array of measures that, in the end, provide the meaningful information needed to manage.

While other examples and methodologies abound, the simple message here is that integration takes place by ensuring that all that is important to measure be measured. In addition, the outcomes of such efforts are dealt with in an integrated fashion, with a balanced weighting being given to all the bottoms lines that public sector organizations pursue.

Integration of financial and non-financial data, therefore, does not mean that all data must look like financial data. Similarly, not all the information that managers need to manage need stand the tests that financial data must pass. No one single measurement - a sort of amalgamated number or, even worse, colour code – is going to do it for complex public organizations. In turn, public sector organizations that place too much burden on financial reporting alone also have a distorted picture of their performance. This also places an inordinate burden on the CFO to act as if she or he is sole purveyor of performance information that meets all the needs of the organization: internal management, stakeholder reporting and legislative reporting.
However, there is an important set of connections between financial and other performance information. That is the ability to know what things costs, to understand the nature of those costs and to apply that information in the continuing management of them. In other words, reviewing operational information without a sense of the costs of the operations means not fully appreciating the inherent risks, the potential for budgetary distortions or the creation of opportunities such operational information can produce. In like manner, assessing results, either for internal management or external reporting, without a full understanding of all the costs ignores secondary support costs or presents a distorted and inaccurate picture of the costs of public goods to legislatures and the public.

Another example is in the so-called softer areas of performance management: client satisfaction, public opinion, and in the vital and oft-times neglected issues of organizational capacity ranging from infrastructure costs to staff alignment. Even in these areas, financial information plays an important role. For example, where issues of public service are involved, there are also often questions of the equitable distribution of resources either regionally or by category of entitlement. Such information will have a financial base.

In the situation of infrastructure and organizational capacity, two important themes emerge highlighting the role that financial information plays. The first is the ability to cost staff training, development and other investment in people. The second is the ability to use the power that accrual accounting and budgeting give to overall infrastructure costing both in terms of planning and costing changes, but also in terms of determining organizational capacity to continue to deliver the same or better levels of service.

The following chart shows how financial information integrates with other forms of information as part of the input measures for each category:
The simple reality is that financial performance information has been used for decades as a surrogate for overall organizational performance. Because financial performance can be readily measured, it has been readily available. However, it seldom tells an organization how it is performing with respect to its public policy objectives. As Norman And Gregory have noted, in the New Zealand context, but certainly generally applicable about the excessive dependence on financial information: "The emphasis on gathering information for accountability purposes has resulted in a flood of safe, measurable, financial information about asserts that are relatively trivial components in the production of outputs. Information about human capital issues, which is crucial for ensuring success in people-intensive service organizations, is relatively scarce. Similarly, public sector
organizations have had legal financial reporting requirements well before any requirements to report on results.  "\textsuperscript{1}\)

\begin{quote}
\textbf{Looking for Help: Guidance Provided by the Alberta Auditor General on Integrated Reporting}

\textbf{The model for the analysis}—there is no generally accepted model to integrate financial and non-financial information in a results analysis. We suggest organizing the analysis around core businesses with an integrated picture of the related goals, performance measures, and strategies. \textit{This model works to plan, monitor, and report on costs and results—as long as you:}

\begin{itemize}
  \item[a)] \textbf{define core businesses as a major group} of related strategies and activities producing outputs that are designed to achieve one or more goals.
  \item[b)] \textbf{use core businesses} as the primary category for allocating resources.
  \item[c)] \textbf{link planned and actual costs of core businesses} to your organization’s income statement.
  \item[d)] \textbf{link each goal to one core business.}
  \item[e)] \textbf{include at least one performance measure for each goal.}
\end{itemize}

\textbf{The components of the analysis}—\textit{use the integrated results analysis to complement and supplement the financial statements, but not to duplicate them or their notes. Discussion of core businesses must focus concisely on the significant aspects of the results. If any of the following information is already in your business plan and it is public, just summarize it in the results analysis and point readers to the business plan for more detail.}

\textbf{For each core business}, include the following four kinds of information:

\begin{itemize}
  \item[a)] \textbf{An analysis of core business costs and key components of financial statements that:}
    \begin{itemize}
      \item shows planned and actual costs of core businesses and explains significant variances between the two. If there’s comparative data from prior years, the analysis should explain any variations between it and data from the current year.
      \item discusses any significant changes to planned costs. These could include budget reductions or increases from
    \end{itemize}
\end{itemize}

supplementary estimates.

- discusses significant changes to key components in the financial statements in the context of the core business the change affects most.

b) Analysis of goals and performance measure results that:
- links goals to performance measures and discusses both in the context of the unique core business.
- compares actual performance to goals, performance measures, and targets in the business plan. The section should describe the effects of any significant changes, such as funding changes, and link costs of significant programs to their goals and performance measures.
- explains the following four things:
  1) significant variances between results and targets and between the current and previous years.
  2) how the ministry is adjusting to achieve unmet goals.
  3) how strategies and programs have had a significant impact on results.
  4) the effects of significant external factors on performance.

c) A description of any significant unusual or infrequent events, such as a major program being discontinued.

d) Forward-looking information discussing known events, commitments, and uncertainties that can reasonably be expected to significantly affect future performance.

Best Practices in Preparing an Integrated Results Analysis Guidelines for Government Organizations, June 2002, Issued by the Auditor General of Alberta

Ideally, a fully integrated system of performance measurement would have a solid foundation in understanding both financial and cost performance in parallel with operational performance combined with a longer-term set of measures that relate to overall policy outcomes, stakeholder interests, public support and organizational development.
The CFO holds many roles in seeing this come to fruition:

- The quality and relevance of financial information whether it is provided by the finance function or elsewhere in the organization
- Ensuring that operational managers’ financial information needs are met
- Ensuring that financial information generated through operations or policy systems is valid and comparable to the organization’s standards
- Ensuring that senior managements’ information needs and responsibilities are well supported
- Advocating for a full system of performance measurement
- Leading efforts to achieve this where appropriate and with the agreement of the organization’s senior management
- Partnering with those leading corporate efforts at performance integration
- Growing and finding the financial expertise to support this.

Some of the keys to achieving a higher level of integration are:

- The use of common definitions in both financial and operation and other feeder systems, especially where the same terminology is being used
- Cross-walks between summary financial information and results reports, using anecdotal or offered in headline form to draw attention to the impact of certain operation, service or organizational on the financial bottom line and vice versa,
- Program costing protocols and their consistent application,
- Established protocols on information reporting quality and its use.

**Impediments and Challenges**

The integration of all performance information is built on the premise that the public sector organization knows precisely what it has to do, can articulate that in a set of performance indicators and that some form of measurement can be applied to them. This is not always the case. Public sector goals are often deliberately vague. Outcomes are at a very high level, and, increasingly, cross
jurisdictional lines. The pursuit of public good also involves the private and voluntary sectors of society, not simply government.

There is no simple solution to this challenge. However, as will be noted below, there is a hierarchy of information requirements in public sector organizations. These range from input data through a range of levels to outcomes of complex public efforts. This means that the performance measurement strategy of the organization has to also address these various levels and needs. Equally, not all the performance indicators needed at all levels can be developed at one time. Often trial and error is the only way to get there. As well, not all performance measurement can be vested in a single part of the organization. It is an enterprise effort (use whole of department as a term if enterprise is too private sector – the conclusion is the same).

The other impediment to the widespread use of performance information is that a substantial proportion of key performance indicators (KPIs) were not consistent year-on-year, which makes trend analysis and comparatives very difficult. The public sector is a fluid realm, with goals often shifting. That means that KPIs will change. However, the real danger is wholesale change without a sound cause. The challenge is to balance the need to change measures to reflect substantive policy changes or to respond to the experience of using previous measures that either did not work or are benefiting from organizational learning with the equally great need for the users of the information to have period to period comparisons. The role of cross-over analysis in this effort is very important.
Strategic Design of Information

The CFO alone cannot meet all the organizations information needs, now can she or he be expected to be the sole source of expertise in this area. However, she can play a strategic role in both lending expertise and advocating for better information. Much will depend on the organization in which she functions. Often expertise on measurement is vested in a separate planning group. Who actually creates and uses the performance information system is secondary to the characteristics that apply to its design. Its use and management will be addressed later.

Some of the strategic design features for any performance information management system are:

- Performance information must flow from the strategic direction of the organization: Some form of strategic path development, one that identifies short, medium and long term objectives, need to inform the performance indicator design process.

- Organizations have to decide what they need to know: Through a process of experimentation, organizations need to develop their information use needs in a conscious way. Time is a precious commodity for both creators and users of information. They need to focus on what they need and avoid distractions.

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<th>Five Questions to Ask in Designing Performance Measures:</th>
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<td>1. Does the measure support the organization’s strategic goals?</td>
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<td>2. Does the measure support the organization’s operational processes?</td>
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<td>3. Is the measure easy to understand?</td>
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<td>4. Can the measure be found in obtainable data?</td>
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<td>5. Is the measure a good indicator of the organization’s performance?</td>
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What is measured must be meaningful and useful: Often organizations, in particular the finance function, produce a great deal of performance data because they can. This can produce a glut of information that its producers think is being helpful but that its supposed users find overwhelming or of little use.

Measures have to be reduced to eliminate complexity.

Measurement in the Public Sector: A Hierarchy of Information

Much talk has been heard about the need to design integrated performance management systems that focus on outcomes and results and not on process. The valid criticism of much data and information that is gathered now is that it does just that: focus on processes, or parts of the results puzzle without any linkages or explanations. However, it is not valid to say that the gathering of information that is less than fully integrated, adequately aggregated or results focused is a waste of time. The opposite is often true.

In the public sector there are important process and compliance requirements that demand the gathering of data. However, it’s translation into information for the internal management of the organization and then for reporting to the legislative authority or the external auditor means that public sector organizations will require an agreed-upon hierarchy of information. Ideally, the more detailed information will lead to the creation of higher-level, more aggregated data. This is not always the case.
Similarly, there are many sub-systems, black books, feeder systems that generate important results information and operate entirely outside the realm of the financial reporting system. For that reason, the organization has to clearly indicate what information is important to it, how it is reviewed and used and the responsibilities of the various owners of that information for its quality and integrity. This requires a level of co-ordination and integration that often does not reside with the CFO.

Some Questions to Ask on the Road to Greater Integration

The greater integration of financial and non-financial information appears to many public sector CFO to be an elusive thing. In all probability, there is not an ideal state that can be easily described and measured against. Further, the number of variables at play in the public sector – changing senior management, differing central agency demands, shifting parliamentary and public focuses – mean that the target is changing as well. Therefore, to remain sane but also
constructive with respect to this goal, some signposts are needed. None alone gets the organization to the desired state. All contribute. The following are a series of questions that could be used in assessing whether the organization has reached an improved state of integration:

1. Is there a full range of performance measures – financial, operational, compliance, end-user and stakeholder satisfaction and internal staff commitment and alignment – in place and reported to senior management in a consistent fashion and used in a consistent way?
2. Is the quality and quantity of financial reporting useful and relevant to all end users?
3. Do end users understand the financial information they receive? Are they provided with an analytical support from the financial and strategic perspective?
4. Does the information contribute directly to the establishment of trend analysis, both retrospective and prospective? Does the identification of such trends lead to the effective identification of risks and opportunities for the organization? Does the provision of such trend analysis lead to build possible action scenarios for senior management decision making?
5. Does program and operational data provide enough information to permit relating it to budgets and costs? Can that data be married to the purely financial and budgetary trend analyses and scenarios?
6. Can results information be subjected to any form of one-off or continuing value for money analysis within the organization?
7. Does evaluation and outcome information have sufficient information to develop views on:
   i. Alternative costing options
   ii. Potential shifts in savings or investments?
8. Is the technology needed to support this effort in place? Are systems compatible to enable the cost-fertilization of information?
Developing and Using the Right Measures at the Right Time

Complex public sector organizations have a variety of information needs to meet their responsibilities. No single set of metrics are going to do it. Similarly, even if an appropriate economy of measures that have some coherent linkage to the strategies of the organizations are in play, they will have to vary based on a number of variables:

- **Short-term/Long-term**: Short-term information on operations, on cash flows for in-year management, on critical performance areas and on compliance with legislated or policy requirements versus longer-term information on performance against targets, stakeholder evaluations, financial commitments and budgetary concerns and program evaluation.

- **Retrospective/Prospective**: Performance information in general, and financial information in particular, looks both backward and foreword. In general, most financial reports are retrospective: they report what has happened to the finances of the organization. Successful linkage with operational results should show a concurrence of operational event (e.g. an increase in service demand) and financial impact (e.g. increased overtime and term staffing costs). In many instances, a purely retrospective approach is useful in terms of understanding past events, assessing performance and accountability, explaining the current state of finances. However, such information gains tremendous additional worth when it can then be used to project future behaviour and signal the need to either alter a course of behaviour and seek some form of internal reallocation or new funding if some form of ‘new normal’ is developing. This requires analytical capacity, a good handle on historical trends, both financial and operational, and a projection capacity that engages both the financial analyst and the operational manager.

- **End-User**: The concerns of a front-line manager are different than those of the organizational executive or those of a parliamentarian on a Standing
At play here are issues of detail, level of concern, scope and breadth. What each level looks at will be affected by its orientation.

The challenge to public sector organizations is to provide the kinds of information needed by each level that is useful and timely. It has often been recorded that many organizations face a dichotomy between what performance information is provided by the corporate functions and what operational managers and decision makers actually need to function successfully in the short term and then manage the medium and longer term issues such as overall performance, costing of services, reallocation in cash (in-year) and budget (permanent reallocations) terms.

A Useful Example of a Performance Management Logic Model: Government of Ontario

Larger Public Interest:  
(Government Priorities are usually here)

Customers: Who Benefits

Objectives Of The Strategy:  
What does the strategy hope to accomplish

- Inputs: List all inputs
- Activities: List all activities
- Outputs: List the tangible products of the activities
- Desired Short-Term Outcomes: List the changes in participation, awareness, behaviour, compliance or capacity that are expected to result from the activities in the short term
- Desired Intermediate Outcomes: List the benefits or changes in conditions, attitudes and behaviour that are expected to result from the activities in the intermediate-term
Here is where the CFO has an important role to play: to ensure that the information he or she provides is what both the end user needs but also what the organization should have before it as part of its fiduciary responsibilities.

Some of the qualities that the right information at the right time should have are:

- **Linked**: It has already been noted that there is no single bottom line in the public sector. Similarly, having performance information linked does not mean achieving a full level of integration of the sort that would see a single set of metrics. In fact, public sector organizations have increasingly found that a balanced approach to measures tends to provide the best set of performance information. The degree of integrated will be dictated by the complexity of the organization and the level of detail needed. Therefore, it is reasonable to understand some operational performance metrics in fully costed terms, e.g. how much did that extra hour of overtime cost. However, at higher level, overall cost information and budget performance set against the achievement of program goals in assessing performance may suffice. In others, however, especially where questions arise about the potential for reallocation actual costing analysis of program delivery and examination of alternative scenarios may mean either one-off or continuing costing information.
• **Balanced**: Taking into account operational performance, financial performance, stakeholder interests and the organizational capacity measures offer a good potential to build a full-picture set of performance measures. It also enables public sector managers to take into account the varied accountabilities that they exercise. One complaint of many of the past efforts at measurement is that organizations have tended to measure what they can. Here again the use of financial information as a readily available surrogate has left the feeling that the story is inadequate and possibly distorted. To overcome this, some form of balanced information reporting is needed, not just for external reporting, but for internal management as well.

• **Time Sensitive**: The performance information should readily provide analysis of present performance (in-year) with past performance and with planned performance. In like manager, it should enable the user of the information, either intuitively or using formal projections, to come to a view about the future state of performance, using projections.

• **Relevant**: The end user should want the information that is being provided. This may sound somewhat obvious, but many organizations founder on this gap between what managers need to get their job done and what they need to report on. There are obvious corporate information needs that differ from those of the line manager. Similarly, some information is generated because it can be not because it is needed. While no one can relieve managers of their responsibility to “feed the goat” organizations should strive to design systems that meet managers’ needs. They are active users of information to get their job done and will find it where they can. When they have to develop black book systems to get at it, they double their effort but half their return on that effort. It is a key responsibility of the CFO to see that managers have the information they need to have.

*A Modern Day Managerial Proverb:*
*Information is like water: too little and you die of thirst: too much and you drown.*
• **Pragmatic:** All organizations have to weigh the need for information with the cost and availability of such information. Most organizations will start with what they have and build from there. Often, the act of using the management information what they now gather generate will be the only way to get to better information. While there may a strategic notion of the ideal state and a lot of pressure to get their, rushing will only distort information and may also fail to give sufficient time to sort out underlying quality and availability issues. Most public sector organizations that have moved toward more strategic information have take several management and reporting cycles to reach any state of comfort.

• **Consistent:** Public sector organizations are notorious for changing what they measure frequently. Similarly, new reporting requirements, generally from central agencies and all for good causes, tend to create an information glut that devalues what information the organization needs to manage and account for itself. To actually have sound performance information, year-to-year comparisons are needed. Similarly, reporting against performance targets or compliance mandates means some form of consistency of definitions. Therefore, the public sector organization puts itself at risk when it changes its performance reporting too frequently. It also creates an information weariness among managers.

• **Organic:** Balanced against the need for consistency is the need to ensure that performance information continues to meet the needs of the organization and the end-users. Rather than suggesting that this means continuous change in the information gathered and used, it actually means that end-users are regularly engaged in assessing how the information has been of help or hindrance, whether it remains relevance, what reports can be eliminated without losing either context, history or accountability. Further, refinements in the significance of some information are inevitable as users grow more sophisticated over time in its application or as new technologies emerge that help, not complicate, the information gathering process.
Where This Positions the CFO

The integration of financial and non-information performance information is really about making performance information strategic in content and use. The CFO has a unique position for most public sector organizations. In general, the most commonly used performance data in the past has been financial. It had to be done. However, strategic performance measurement forces the organization as a whole and the CFO in particular to adopt a new approach, one that begins with the mission-centric objectives of the organization. The CFO has to both encourage this step, but also make sure that in doing so the organization keeps on track on its fiduciary responsibilities. The CFO has to advocate not simply getting the numbers right, but also getting the right numbers. This means that she or he personally and the finance organization as a whole must develop and use skills in areas that they may not have done so in the past:

- An understanding of why the organization exists, what it does, what are its key processes, accountabilities and risks: being mission-savvy.
- Broader understanding of overall performance measures, not just financial ones.
- Predictive and analytical skills that enable it to apply the considerable knowledge of costs and resource use to operational information and draw independent conclusions about performance and future behaviour: this a major challenge function not well liked but much needed.
- A capacity to use information that it does not itself generate, often residing in other parts of the organization.
- At a personal level, the CFO may have to form judgements about mission-centric performance issues that are relevant and useful to senior managers. The CFO needs to be a respected voice, not kept in a box and only listened to when financial numbers are in play. Key to having such authority is a strong commitment by the CFO that the information being discussed is neither just financial or operation, but part of the same performance information framework.
Some Thoughts for Future Action

The creation of a performance measurement framework for an organization involves all the players in that organization. It cannot be the CFO alone who carries such a responsibility. That is because, to be integrated, it must be part of the way the organization manages itself and discharges its public policy responsibilities. Therefore, the creation of such a framework has to be a conscious activity, involving the creation of a formal policy on performance measurement.

⇒ Public sector organizations should adopt a formal performance measurement policy, outlining the information and reporting needs of the organization as a whole, with assignment of responsibilities for the creation of information, its collection, dissemination and use along with responsibilities for quality, analysis and regular review within the decision making structure.
⇒ All forms of information should be part of this policy: operational, financial, cost, compliance, internal and external.
⇒ All levels of the organization should be involved in the process of creating this policy and it should be applied to all levels of the organization.
⇒ Government as a whole should adopt a policy on the use of performance information within public sector organizations, outlining not only its already clear commitment to improved financial reporting, but also
  • the behavioral expectations of the departments to regularly review performance information,
  • to take into account a fully balanced and adequately integrated set of performance information,
  • to adopt a departmental policy that outlines its performance management framework, roles and responsibilities and
  • means to evaluate the use of its performance information.
Central agencies need to provide a more consistent and clear set of information requirements with an understanding of the cost of collection, the end uses and the expertise to assist departments and agencies to assemble such information.