

Efficiency and impact measurements

Ole Stenbro, director service development,

- MBA
- 20 years experience in managing the public sector:
 - The Norwegian Army
 - Oslo municipality
 - Aust-Agder Hospital
 - Lillesand municipality
 - The Norwegian Government Agency for Financial Management (since 2004)

Fields of experience:

- Financial and performance management, project management and leadership of organizations
- Advisory services
- Interaction between bureaucracy and politicians
- Serving customers and citizens

The Norwegian Government Agency for Financial Management (SSØ) was established by the Ministry of Finance on January 1, 2004. SSØ will strengthen financial management within public sector activities and improve resource efficiency within the area.

**Effective use of resources
throughout the Central Government**

- High competence in the area of governmental financial management
- Easy access to relevant core information
- Efficient services with a high quality

- We shall promote and coordinate reforms within performance management and financial management plus deliver shared services to government organisations in order for them to utilize their resources in an efficient way



What does our owner expect of us?

- SSØ is obliged to
 - Deliver suitable and efficient financial services and core information to governmental organisations
 - Develop and transfer knowledge and competence within the area of financial management and socio-economic analysis, adjusted to fit governmental organisations and their needs
 - Administer the Financial Government Regulations and ensure performance of operational functions in connection with government accounting plus domestic and international payment and cash management
 - Contribute to utilization of synergy and economies of scale based on the governments need for effective use of resources

Administrative system activities

Shared services

Develop and transmit competence plus guide, advise and perform information activity regarding governmental financial management

- Operational activities within
 - Government accounting
 - Central government's consolidated accounts
- Administration of the Financial Government Regulations
- Socio-economic analysis

- Organize and deliver high quality financial services and systems, including HRM, to governmental organizations
 - Wages and salaries and HRM, budget and accounting, e-invoice; user support, training, guidance, developing product skills

Performance management was decided to be the basic management principle in governmental bodies from the beginning of the 1980's.

Performance management demands a balanced set of targets which, when achieved, helps the organization to reach its goal.

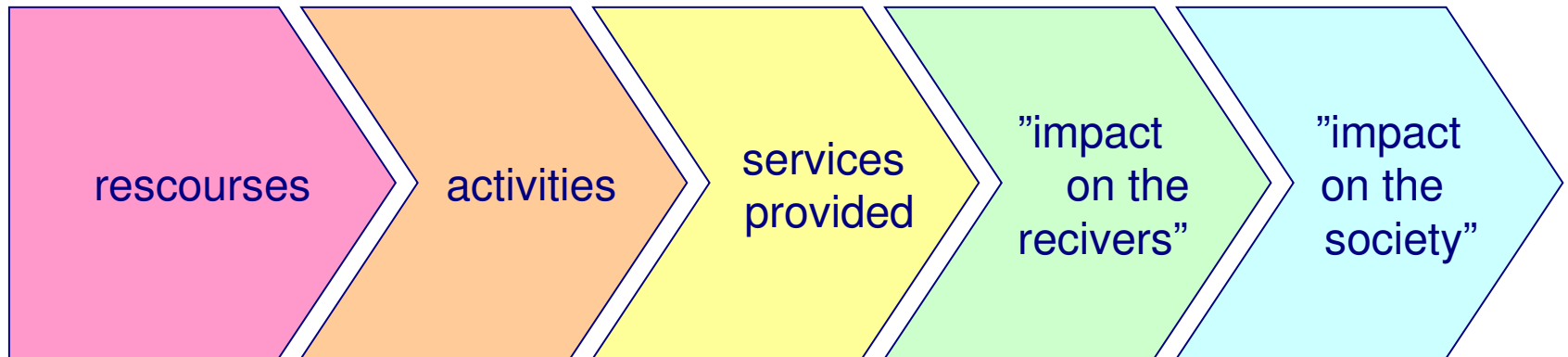
During the last 30 years, these principles have slowly been implemented, but seldom with excellence.



- Difficult to set SMART targets
 - Specific
 - Measurable
 - Accurate
 - Realistic
 - Timebound
- Difficult to define a set of targets that covers the main goal.
- Difficult to determine critical success factors and key performance indicators
- A basic reluctance against measuring

- Methodology - performance management
- Methodology - measuring performances
- Methodology - risk management
- Advisory services – financial management
- Correct, timely and appropriate financial information

The value-chain in public sector



- The governmental agencies are well trained in counting employees and sick leave, but with little information on how these recourses are spent.
 - SSØ is developing a system for reporting hours spent on different activities
- Governmental accounting is generally well handled, but based on cash flow.
 - SSØ has developed new principles for governmental accounting, based on accrual. Approved by the Storting as a recommended, but not a mandatory, supplement to the cash flow accounting

- 30 years of performance management has improved our ability to count a number of activities.
- Few agencies are able to provide ABC-analysis to monitor efficiency within the organization in a time-span
- Few general KPI's that are suitable for efficient bench-marking

Accrual and activity based time registration can improve efficiency monitoring if made mandatory or adapted by a number of agencies

The public do not receive activities, but services, normally based on a set of different activities. This is the best level to determine efficiency, but is also depending on a advanced measurements of different activities.

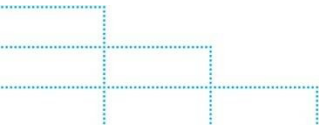
Activity-based funding, as partly implemented in hospitals and universities, should motivate to such analysis, but is so far apparently not too common. SSØs methodology, advisory services and outsourcing services will hopefully increase such analysis.

In a private company, the goal is normally to increase the shareholders return of interest, and success is a result of efficient services demanded by their customers.

A public agency, on the other hand, should be evaluated by its effectiveness. This demands a systematical collection of which impact the services create. There are today a number of surveys who try to describe how the public is affected by the provided services, but these results are seldom used to evaluate the effectiveness of alternative (efficient) services

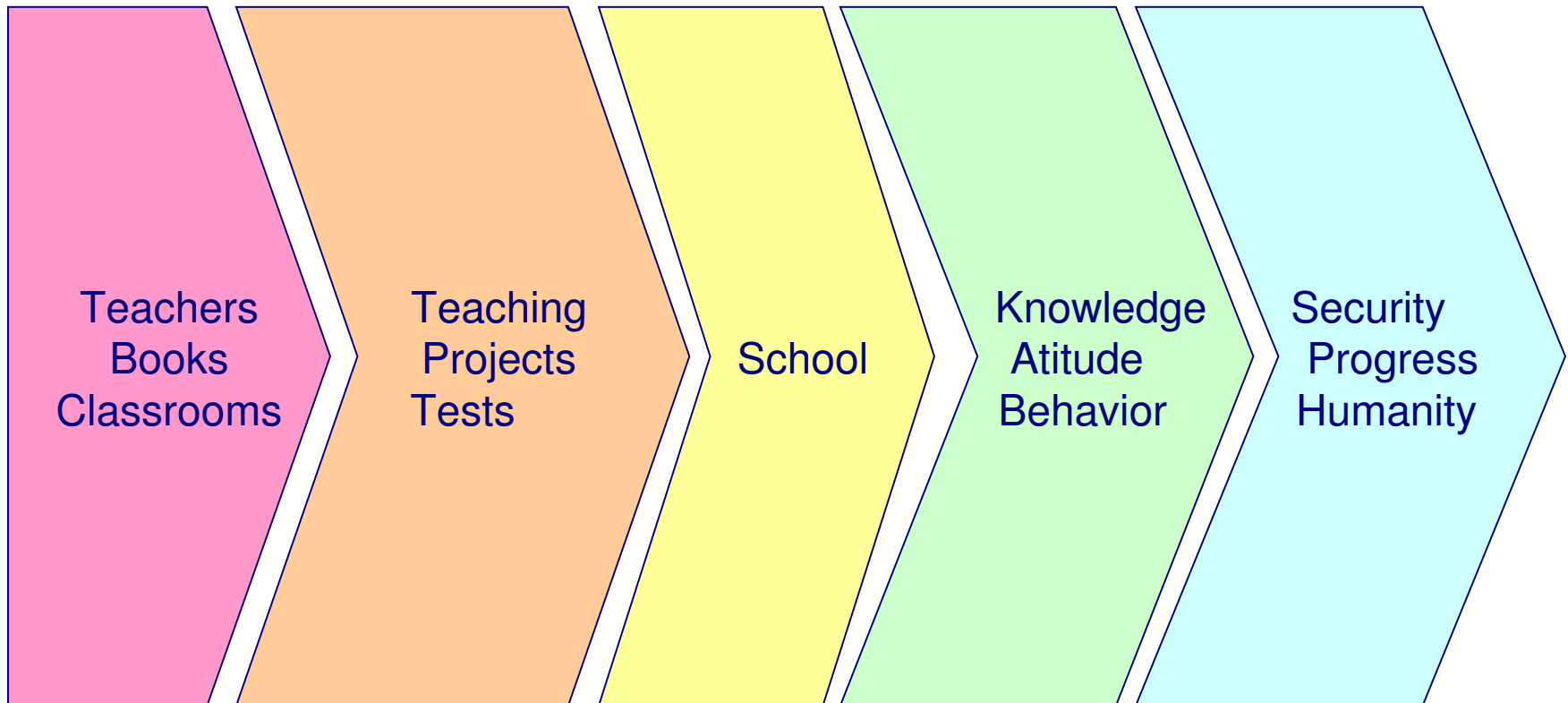
The ultimate goal for every public agency is to improve our society, normally described by a hypothesis on how the changing of single persons behavior and attitude in the future will change our way of life.

This ultimate effectiveness is seldom possible to measure on short term, and it is also difficult to isolate the effect of single services and user impacts. The only possible way is to present your hypothesis, and focus on the effectiveness of the impact of provided services.



- Methodology - socio-economic analysis
- Advisory services - socio-economic analysis
- Methodology – evaluations of projects/programs
- Methodology - profit realization
- Advisory services - evaluations of projects/programs

An example



Improving management in governmental agencies

- Guidelines, but few demands
- Financial Management based on distinctiveness, essentially and risk.
- The need to feel independent
- Cost efficiency vs a functional private sector marked