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What is **Team-Based Performance Management** and How Does it Work?

Team-based performance management is an approach to holding teams responsible for plans and results, where action plans and performance metrics are structured around teams rather than themes or individuals. When a government adopts a team-based performance management approach, it sends the powerful message that the state values institutional culture as the primary determinant of performance. A team-based focus creates more direct lines of reporting and increased accountability for results.

The team-based approach to performance management is based on evidence that it works, but also on a set of values, as follows:

- Strong teams are proven to deliver the best results.
- Measuring, rating and ranking performance helps teams work better and deliver better results (which is why Apple, Google and Goldman Sachs all use this approach).
- Every team and every team member knows that they matter.
- Recognizing efforts by hard-working teams instils pride, and helping teams who need it most instils confidence.
- When teams succeed, government agencies become resilient and high-performing, which directly benefits citizens' lives and their prospects for the future.

The benefits of team-based performance management are particularly effective at improving the quality of public finance systems, because they advance the achievement of several performance management goals every ministry of finance should strive for:

SEVEN GOALS FOR PERFORMANCE MANAGEMENT IN FINANCE MINISTRIES

1. **Improve efficiency and effectiveness of public services** and service delivery (better education, improved health and greater confidence in government).
2. **Strengthen fiscal discipline** by doing what we say, hitting our targets, and running orderly processes.

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3. **Deliver sustainable public finances** by being strategic about how resources are allocated, distributed and spent (economic efficiency).
4. **Manage an improving and stable economy** that creates jobs, increases opportunities for all and reduces uncertainty.
5. **Be more accountable** to all stakeholders in the pursuit of good governance.
6. **Be more transparent** – TO different internal and external stakeholders, ABOUT operation and held data in multiple dimensions and multiple resolutions, and BY being stakeholder relevant.
7. **Deliver continuous improvement** through integrated systems of trial and error; the budget cycle is a continuous improvement cycle.

Performance management efforts should be part of rolling plans that reflect the reality of challenges. Reform is never simple and always takes time. Results are usually uneven. By establishing 5-year rolling fiscal performance improvement plans, development partners can ensure that the government is taking on high impact but achievable reforms and that progress will be systematically tracked along the way. Every team in a ministry of finance (or part of a whole-of-government Fiscal Performance Improvement Plan) contributes to results, because in an institution, every team matters (if it didn't, it shouldn't exist). Ministry systems cannot be strengthened if corporate functions such as human resources, information technology, internal procurement, budgeting and accounting are not properly covered. Good reform policy is useless if there is no capacity to implement it. The experience in two countries where team-based performance management was introduced, corporate functions had not received sufficient if not any assistance over more than a decade. That was corrected.

HOW IT WORKS

The implementation of a 5-year rolling Fiscal Performance Improvement Plan is a tool to achieve reforms. A government can establish a small Performance Management Team (PMT), which should be under the direct supervision of the finance minister. The core functions of the PMT are to:

- **Facilitate intensive team-based discussions** to turn a vision for stronger system into a 5-year rolling plan based around a range of key performance indicators.
- **Design and maintain a system for monitoring progress and rating performance.** Such a system should be designed with teams and all staff should know how their performance is to be measured.
- **Facilitate semi-annual team-based performance discussions and annual performance reporting to the leadership group.** Teams are to initially self-assess their own performance while the PMT moderates, ensures independent validation of scores, and facilitates discussion based on evidence of progress.

The recommended performance scoring approach scores each reform activity against three considerations:

- **Timeliness** – was the activity done on time or was it late?
- **Quality** – was the activity done to a high or low quality standard?
- **Effectiveness** – how effectively did the team deal with the problems they faced?

The third consideration is the most important. Focusing on how teams manage problems while pursuing a reform helps teams understand and explain their achievements. This incentivises truth telling during performance reviews.

A fourth performance consideration can also be employed – one that quantifies the amount of international and domestic Technical Assistance (TA) being provided in support of the reform activity. This is tracked in order to ensure that teams are:

1. being run by government officials; and
2. not disadvantaged if they are being run with low levels of technical assistance. This is consistent with the "public servants first" agenda.

Because reform activities are different – some are more difficult than others, some are more important than others -- team-based performance management assesses each activity for impact (or importance) and risk of failure (or difficulty). Scoring rules have been established for each.

For example, impact is assessed for contribution to how important the reform is to achieving:

1. improvements in international benchmarks (e.g.PEFA and OBI) and/or perception indexes;
2. more efficient and effective public services; and
3. stability and legitimacy of government.

Risk of failure of an activity is separated into six different dimensions. This helps deliver a more objective risk assessment rather than a subjective one based simply on opinion. These dimensions are drawn from the Diamond approach[1]:

1. **Number of teams required** to get the job done – more teams means a higher risk of failure.
2. **The time required** – the longer it takes to get the job done by a team means a higher risk of failure.
3. **Complexity and scope** – the more complex and activity or the wider the scope means a higher risk of failure.
4. **Behaviour change required** – the more behaviour change required, the higher risk of failure. If a lot of change is required of a few people or a small amount of change of a lot people both imply a higher risk of failure.
5. **Visibility** – the more visible an activity is, or how easy it is to link it to real results, means that the risk of failure is reduced (e.g. as political support makes it easier to overcome problems).
6. **Existing fiscal management competencies** – the greater the capacity for performing fiscal management, the lower the risk of failure.

A four-tier rating system is used – high, substantial, moderate, and low – which assigns numerical equivalents for consolidating performance scores. Both raw scores and standardized scores are calculated. Standardized risk and impact scores are equivalent to the notions of relative impact and relative risk, that is, performance relative to the group. Risk and impact scores can be combined with performance scores and TA profiles to create various types of performance league tables (team ranks). For example, Performance scores can be adjusted for risk (or difficulty) and impact (or importance, as well as how much TA is being used to help deliver the desired result.

These two components of risk and impact are particularly important for reform programming and team-based performance management. Firstly, they allow for an objective assessment of the risk of failure of a reform option. Secondly, they allow high risk and high impact activities to be reviewed in a way that the risk of failure can be reduced (e.g. by phasing or piloting). Thirdly, they recognise that some teams are focused on more difficult and important work. Finally, they provide a solid foundation to produce defendable league tables of reform performance during implementation.

TWO PERFORMANCE REPORTS SHOULD BE PRODUCED EVERY YEAR:

- In the first half of the year: To help ensure efforts are on track to deliver annual reform actions by the end of the year, but also to ensure relevance of reform activities being undertaken and validate any donor performance payments for the following year.
- Near the end of the year: To assess end-of-year progress, but also to trigger and finalize any associated team-based performance payments to be made in the following year, while also ensuring that the best estimates of any programmatic budget support are included in annual budget papers. The end-of-year assessment process should also update the rolling 5-year fiscal performance improvement plan, based on revealed progress and any proposed changes to reform policy.

Andrew Laing, June 2016

References:

1. Diamond, 2013, "***Good Practice Note on Sequencing PFM Reforms***", PEFA Secretariat, Washington DC, US. A successful implementation mechanism has been used in Timor-Leste between 2012 and 2015.

See also ISE Development Practice Note:"What Determines the Quality of Public Finance: Capacity, Corruption or Culture?" which argues that institutional culture around team performance is critical for good fiscal performance.