



# Service performance measurement in a New Zealand local government organization

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## KEYWORDS

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Local government;  
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**Abstract** This article provides background to measuring local government service performance in New Zealand and charts the practice of measuring service levels developed for a large city council. Projects were completed in 2007, 2008, and 2009 for the purpose of informing the city council's strategy development and management decision making. In each case, data were gathered utilizing a range of quantitative and qualitative methods. The evaluation was designed around five interlinked processes. Both service performance and service importance were evaluated using the Orange Consulting Service Performance Index, which combines both dimensions and provides comparable data across the council service areas. The methodology was officially approved by the Office of the New Zealand Auditor-General in 2009.

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## 1. A practical contribution to the evolution of service performance measurement

In New Zealand, the local government context has evolved over the last decade. Under the direction of Controller and Auditor-General Kevin Brady (2002–2009), a higher level of ratepayer accountability has been required for local government

service performance assessment and the framing of long-term council plans. We describe one organization's approach to engaging with the local community to assess its service performance. The process was developed by Orange Consulting, in association with the council, and applied throughout three independent assessments between 2007 and 2009 (see Appendix). The suitability of the methodology was assessed and officially approved in 2009 by the Office of the Auditor-General. This article has been developed as a contribution to discussion amongst local government managers and political decision makers about practical and effective service performance measurement systems designed to enhance medium-term local council planning.

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## 2. The aims of service performance measurement in New Zealand local government

Citizen demand, local authority objectives, and regulatory frameworks are major drivers to improve the levels of service provided to the community by public sector organizations. This is accompanied by a need for regular evaluation of existing service levels and customer expectations. In this section, we describe important factors that influence the New Zealand local government context, including the regulatory background to service performance measurement. This also assists international readers to understand similarities and differences to their particular contexts.

The primary role of local government in New Zealand is the provision of public services. Amongst other obligations, the New Zealand Local Government Act 2002 states that a local council has the responsibility to make itself aware of community views in developing its service strategy. On an operational and accountability level, this includes the measurement and reporting of the focal council's service performance. Broadly, any service performance evaluation needs to: (1) generate answers to the 'right' questions, (2) initiate informed debate about what the council has achieved over a defined period, and (3) ascertain how future activity management will be improved.

The Auditor-General is independent of executive government and Parliament, which has responsibilities set out in the Public Audit Act 2001. Primarily, the role focuses on independent assurance that public sector organizations are operating, and accounting for their performance, in accordance with Parliament's intentions. Importantly, this includes the need for independent assessment of local government. Local authorities are answerable to the public for activities they fund through locally raised revenue. Hence, as an officer of Parliament, the Auditor-General provides independent assurance to both Parliament and the public.

According to the New Zealand Auditor-General's auditing standards, it is the responsibility of council management to develop 'appropriate' performance measures. It is the Auditor-General's responsibility to consider whether these measures, taken as a whole, will fairly reflect the public entity's performance in specified areas. The Local Government Act (Section 89(c)) states that information used for developing a council's Long-Term Council Community Plan (LTCCP) should be relevant, applicable, and understandable to non-experts. If the council does not meet these nationally established standards,

including practical consequences of the respective regulatory background to the process of service performance measurement, this will be reflected in the government's audit assessment, which is available for public scrutiny.

In the case underlying this article, preparing the council's new LTCCP to 2016-17 required a review of the council's Activity Management plans, Infrastructure Works and Services plans, and Regulatory Services and Community Service activities, together with assessments of levels of service expected and experienced by its community.

Documenting community/stakeholder perceptions of the quality of council services is important to understanding the 'reality' in which they live. By its very nature, a community survey cannot produce objective or detailed technical data. This is recognized in the Auditor-General's Auditing Standards, which specify that evidence of service quality should be covered by measuring (1) stakeholder or customer perceptions ('eye of the customer'), and (2) technical quality (measures that reflect the 'eye of the expert'). The guidelines specify that proper measurement of quality should include an integrated assessment of both dimensions, and that neither dimension on its own is adequate.

Consequently, our research focused on investigating current performance perceptions—mainly from the community perspective—and providing informed advice on how services could be improved as required by Section 93(6) of the Local Government Act 2002. The investigation was undertaken on behalf of the council in three phases, with each stage involving in-depth interviews with council experts, focus groups with different sets of stakeholders, and the administration of a large survey. Each phase investigated a different group of council services, as described herein.

## 3. Measuring public service performance: Challenges

Performance measurement is a management philosophy of continuous learning whereby feedback is used for an organization to make ongoing adjustments in the pursuit of its long-term performance vision. To ensure successful service performance audits, organizations need to implement a holistic service performance system which operates in this manner. A review of the short history of measuring service quality in local governments has revealed a number of challenges. These include:

- Defining existing and potential customers of council's various services;

- The ambiguous role of some stakeholders in the service creation;
- The reliance on, and selective interpretation of, customer satisfaction surveys to inform management and governance;
- Variations in the embeddedness of service quality evaluations and performance criteria in management monitoring processes and decision making; and
- The challenge to design relevant and complete, but also cost-efficient, strategies to measure service quality.

significant activities and the important dimensions of those activities). Conceptually, elected council members, council management, and the community are the three most relevant parties to create, provide, and assess the services. At a managerial level, we identified three objectives for measuring public service performance in the New Zealand context:

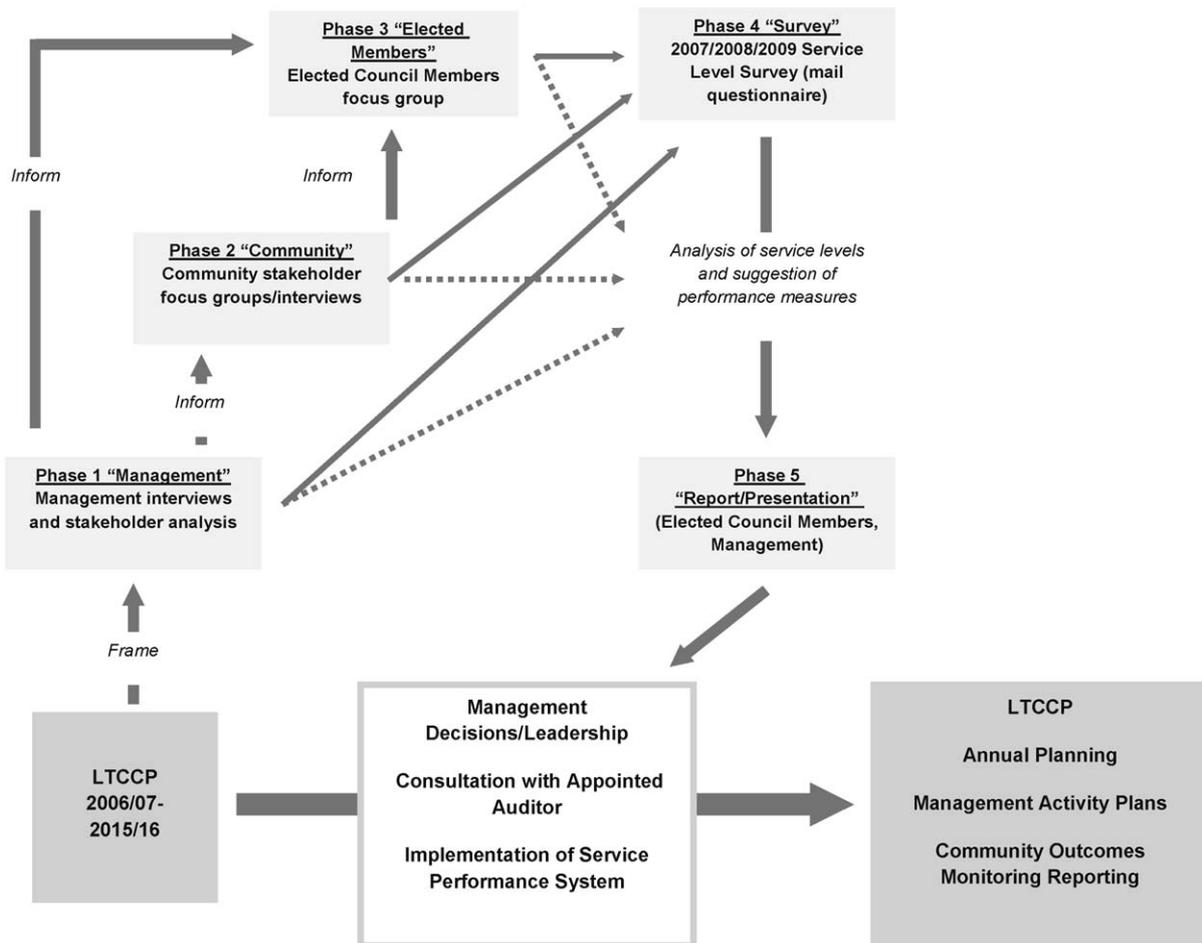
- Establish what works;
- Identify functional competencies; and
- Support public accountability.

Recognizing the variations in local government service performance management, the Auditor-General set broad guidelines, foreshadowing the future development of a national performance framework. To meet the Auditor-General’s standards, appropriate service performance evaluation needs to be both relevant (i.e., in line with stakeholder requirements) and complete (i.e., covering all

Thus, in an innovative move, the 2007 Service Level Survey was based on aspects of the provision of public service areas within Works and Services. We refined and adjusted the approach throughout the 2008 (Regulatory Services) and 2009 (Community Services) Service Level Surveys without changing the underlying methodology.

The data generated support public accountability by establishing benchmarks for ratepayers’, or what in the U.S. is termed local taxpayers’,

Figure 1. Framework, evaluation process, and reporting applied to measure performance



evaluation of public services. By combining performance and importance indicators from the community perspective, the analysis also identified functional competencies within these service areas and provided comprehensive managerial guidance on where to improve the provision of their services.

#### 4. A practical solution

In this case, the council activity evaluation was undertaken in stages, over 3 years:

1. Works and Services (2007) covering the following service areas: Roading; Parks and Reserves; Cemeteries and Crematoria; Stormwater; Water Supply; and Sewerage.
2. Regulatory Services (2008) covering the following service areas: Administration (partially); Animal Control; Building Consents; Civil Defense Emergency Management; Environmental Health; Parking and Mobility Services; and Resource Management.
3. Miscellaneous Group (2009) comprising: Library and Archives; Public Toilets; Passenger Transport; Theaters; Housing; Solid Waste Management; Pools; and Community Development Services.

All final reports were officially endorsed by council to provide the base information in setting the Long-Term Council Community Plan (LTCCP).

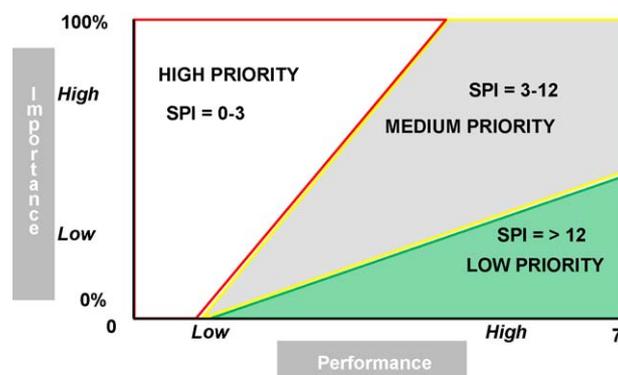
According to the Auditor-General's guidelines, significant user groups need to be identified and consulted. The survey was also regarded as a means of consultation with community, as required by the New Zealand Local Government Act 2002. The evaluations drew on international public service

management guidelines, together with extensive local knowledge. A combination of quantitative and qualitative data was used to compare and contrast the views of three key parties—elected council members, council management, and community ratepayers—on important service aspects. Figure 1 shows the framework, evaluation process, and reporting practice that were applied in each of the three assessments.

Essentially, Figure 1 describes the phased design helping the council to move from the former LTCCP to its new LTCCP/Management Activity Plan (dark grey boxes); the new plan fulfills Auditor-General requirements, allows for informed managerial decision making, and leads to the implementation of a sustainable service performance system. Hence, those intentions framed the nature and direction of the five linked phases (light grey boxes). In each year 2007 to 2009, systematic and specifically targeted exploration of the views of the three crucial actor groups was undertaken. In each study, we combined the results from the surveys with insights about management implications.

A multi-method approach was chosen to produce the data required. Qualitative data from management interviews, community stakeholder focus groups/interviews, and focus groups with elected council members informed the design of the Service Level Survey instruments and added to the final evaluation of service levels. A random sample from the council's ratepayer database was drawn for the 2007 Service Level Survey. In total, 1,130 completed questionnaires were returned, representing a 45% response rate. In 2008, a stratified sampling technique was used because of the specialized nature of some of the services and the consequently smaller target population. In total, 930 completed questionnaires were returned, representing a 31% response rate. The 2009 survey, again, utilized a random sample of ratepayers. A total of 896 completed

Figure 2. Importance-performance evaluation and Service Performance Index (SPI)



questionnaires were received, representing a response rate of 27%.

All the mail questionnaires comprised 8 pages. Questions had to be answered using scales from 1-7, with 1 being the lowest evaluation ("very bad," "never," or "much worse"); 4 being the middle ("fair," "sometimes," or "same"); and 7 being the highest ("very good," "always," or "much better"). Respondents were also presented with the option to choose "no opinion." Questions revolving around performance and importance were phrased as in the following example:

How good is Civil Defense (CD) in each of the following areas?

- Value for money (average residential rate per year: \$15.00);
- Consultation with residents about CD issues;
- Practical value of information given about how I can prepare for emergencies.

Questions and answering options were informed through the comprehensive exploration phases and pilot testing with local residents.

## 5. Communicating and visualizing data to decision makers

For the council, the data collected through community Service Level Surveys has been an important output to the measurement process, by providing hard and comparable data. As an innovation to the process of measuring service performance in New

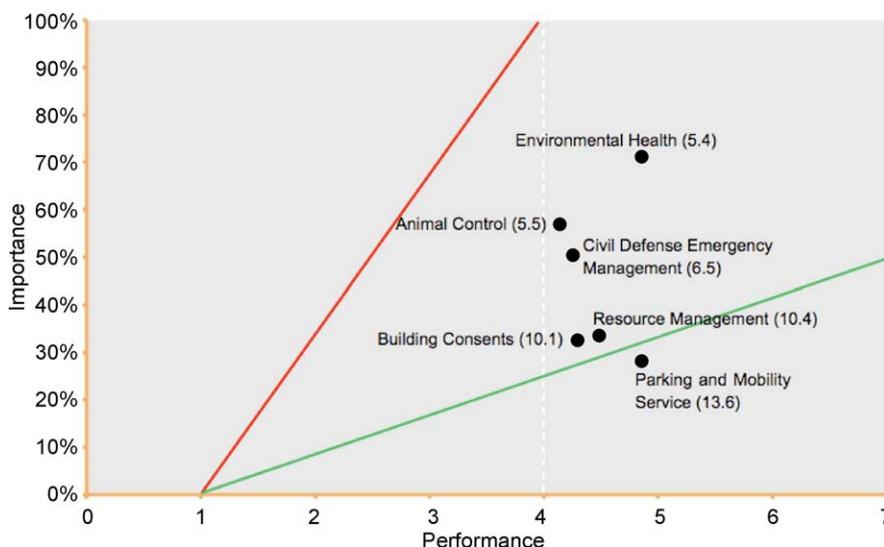
Zealand local government, respondents were asked to rate both performance and importance of particular services areas and aspects in the questionnaires. A measurement along two dimensions significantly improves traditional one-dimensional designs; for example, as found in most satisfaction surveys. The advantage of the new approach is that it assists councils to focus on, and make strategic decisions about, improving or rationalizing services to better respond to community needs and expectations.

To support interpreting numbers and charts, to assist the council decision making, and to visualize and communicate results to non-experts, a benchmark system for service performance measurement was established. The Orange Consulting Service Performance Index (SPI) provides a comparable ratio between importance and performance ratings across services (see Figure 2). Basically, the SPI is a quotient of X (= performance of service aspect A) and Y (= importance of service aspect A). Thus, the lower the SPI, the more the service or service aspect should become a council focus. A service that has poor performance ratings and is seen as very important would be most critical.

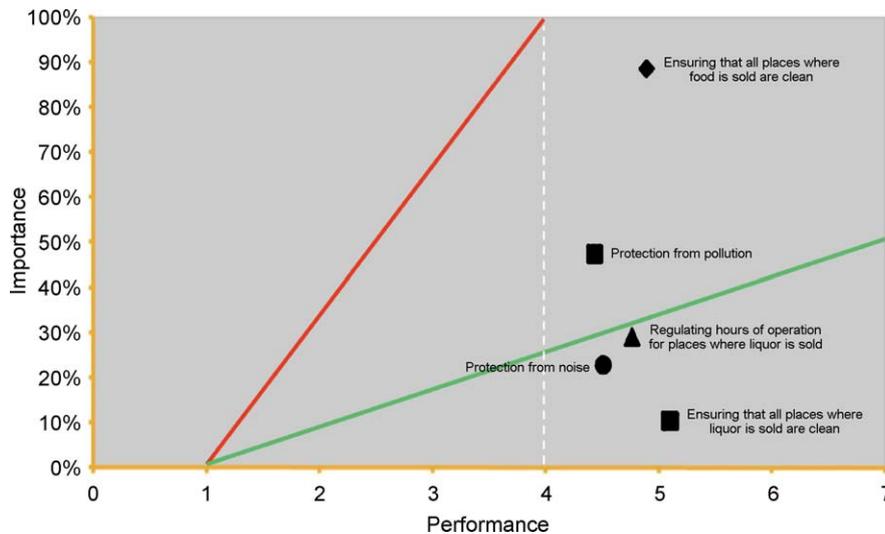
The SPI applied in these studies is based on Slack's (1994) Importance-Performance Matrix as a determinant of service improvement. The Matrix was developed from an array of systematic management interviews. In a similar spirit, Martilla and James (1977, p. 79) conclude their review of advantages of importance-performance analyses by writing:

It is a low-cost, easily-understood technique that can yield important insights into which aspect of the marketing mix a firm should

Figure 3. Example of application and visualization of the Service Performance Index (SPI) for overall importance-performance of regulatory services units



**Figure 4.** Example of application and visualization of the Service Performance Index (SPI) for importance-performance of particular environmental health service aspects



devote more attention, as well as identify areas that may be consuming too many resources. Presentation of the results on the importance-performance grid facilitates management interpretation of the data and increases their usefulness in making strategic marketing decisions.

Figure 3 gives an example of how the SPI was presented visually using overall data from the measurement of Regulatory Services. This big-picture assessment allowed council to recognize Environmental Health and Animal Control as relatively critical service areas, based on their comparatively low SPIs. Hence, it suggests more priority in future planning to council management. In contrast, Parking and Mobility Services shows a generally favorable position, demanding a lower priority for improvements.

Figure 4 provides an example of how the SPI logic was applied in a particular service area: Environmental Health. It shows how the spread of importance perceptions of singular service aspects adds significant depth and meaning to otherwise fairly balanced performance views. Performance scores only range between 4.5 and 5.1, and independently do not allow for informed planning and decision making on the use of public resources. However, when used in association with importance scores, there is a clear separation of individual service aspects. Thus, comprehensive data gathered during the research and consulting process and its contextual analysis has allowed council to conclusively determine its forward planning needs.

## 6. Concluding comments

In recent years, the New Zealand Auditor-General has explicitly encouraged public service providers and expert consultancies to produce relevant, innovative, and applicable measurement frameworks and tools to measure service performance in local government. The new approach developed and applied in the presented projects has proven to be both meaningful and applicable. The Office of the Auditor-General ([www.oag.govt.nz](http://www.oag.govt.nz)) approved, in 2009, the methodology used in this series of surveys. Today, only a few approaches—and mostly one-dimensional in nature—are used by councils in New Zealand. It is not yet clear if changes at the top of the country—for example, new government, new Minister of Local Government, and new Auditor-General—will result in changes to the local government regulatory framework, or significantly different interpretations of it. However, transparency and accountability of public entities will certainly not go away.

In line with the expectations of the *Auditor-General's Auditing Standard 4: The Audit of Service Performance Reports* (OAG, 2008), the aim of the local council service evaluations is to gauge the service quality as it is perceived in the 'eye of the customer.' Therefore, the extent to which a product or service meets or exceeds community stakeholder expectations must be assessed, and public entities are required at least to consult stakeholders and ask what they value. By exceeding this requirement and introducing further dimensions of analysis, the Service Level Surveys represent and validate performance measures to be

considered by the council for the next LTCCP and Management Activity Planning.

To facilitate long-term improvements in council service performance, a more extensive range of performance measures was recommended. In addition, managerial attention was advised for service areas where there was a significant degree of ratepayer concern. However, this can only be seen as a first stage of development, since the regulatory guidelines require that performance measures and targets must be reviewed by the Appointed Auditor before formal approval (OAG, 2008, Section 3.6).

Further, based on our longitudinal research over 3 consecutive years, we believe that councils should be encouraged to adjust their information management, in terms of both information gathering and internal reporting/documentation, to be accountable to their stakeholders (e.g., ratepayers) and, ultimately, Audit New Zealand. This view was supported by the Auditor-General in his overview of the preparation of 2006-2016 Long-Term Council Community Plans. Observations made throughout the consulting process suggest that most New Zealand councils would benefit from more guidance on performance measurement and stakeholder-based planning in order to manage service standards and service improvement. This could, perhaps, be achieved by utilizing experiences from private businesses which have been more proactive in the development

and integration of commercial customer information systems.

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## Appendix

As part of its business portfolio, Orange Consulting Ltd was commissioned by a large New Zealand city council to do a series of service performance measurement projects between 2007 and 2009.

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