

Percat Group Pty Ltd  
ABN 74 101 161 764  
incorporating

## **The Performance Key™**

*Linking Effectiveness, Efficiency and Quality*

2 Beulah Road  
Norwood 5067

Telephone +61 8 8362 9946  
Facsimile + 61 8 8362 0644  
Email: corporate@  
percatwater.com.au

29 September 2006

Regulation Benchmarking Study  
Attn: Ms J. Savvides  
Productivity Commission  
LB2 Collins Street East  
Melbourne Vic 8003

Dear Janet

Re: **Framework and Key Performance Indicators for  
Benchmarking Australian Business Regulation**

Percat Group Pty Ltd is a company, which has provided advice to the Commonwealth Attorney General's Anti-Terrorism Unit, Salisbury City Council, Police Credit Union, Mitsubishi Motors Australia Ltd, the Water Industry Alliance and the Australian Institute of Management.

The undersigned Dr R.J. (Bob) O'Brien is Managing Director of Percat Group Pty Ltd.

Dr R.J. (Bob) O'Brien also is a lecturer within Strategic Partnerships of the University of South Australia and is a member of the International Centre for Management and Organizational Effectiveness at the same university. I was a member of the Advisory Board of the International Graduate School of Management for 10 years. Currently, I am a Board member of the Police Credit Union and the Water Industry Alliance.

I have evaluated the performance of police as peacekeepers in Cyprus. To evaluate police performance, I developed a model showing the linkages between quality, effectiveness and efficiency. The model formed the basis of my methodology for my PhD study into the performance of Australian police acting as peacekeepers in Cyprus. The model is called The Performance Key™.

The model has been used by the Commonwealth Attorney General's Department to evaluate their performance in the Anti-Terrorist Co-ordination Unit.

The Performance Key™ also has been presented to 350 public servants and they have understood the model within two hours and developed performance indicators for their own positions and for positions within the team in which they work in another two hours.

The model has been presented to regional health managers in South Australia and is currently being considered for use by the Adelaide Football Club (the Crows).

## **THE PERFORMANCE KEY™**

The model is presented in Attachment A to this letter. The Performance Key™ considers performance in two planes, (1) the Effectiveness Plane and (2) the Efficiency Plane. Two aspects of quality are incorporated within these planes. They are (1) satisfying stakeholder needs and (2) a freedom from defects.

### **Effectiveness and Qualitative Indicators**

The vertical axis considers the Effectiveness Plane and deals with qualitative concepts from which Key Performance Indicators (KPIs) can be developed. In particular, **Q 1 Satisfying Stakeholder Needs** is attached to the Effectiveness Plane.

### **Efficiency and Quantitative Indicators**

The horizontal axis considers the Efficiency Plane and deals with quantitative concepts from which KPIs can be developed. In particular, **Q 2 Freedom from Defects** is attached to the Efficiency Plane.

Other models have shown effectiveness and efficiency on separate planes but the important features of The Performance Key™ are the relationships between business concepts, e.g. the relationship between strategy and outcomes and outputs and outcomes, and the inclusion of quality in the model.

## **KEY PERFORMANCE INDICATORS**

Attachment B shows examples of KPIs, within the framework of The Performance Key™, and which could be considered as a part of the benchmarking process of business regulation. It would not be necessary to use all indicators described in Attachment B but appropriate examples would be selected.

Obviously, KPIs, such as procedures undertaken, time taken and cost, will not be useful as indicators for all types of business regulation. The strength of The Performance Key™ is that it is flexible to handle varying situations. This is achieved by the model having commonly understood terminology within it. Stakeholder needs, objectives, strategy, inputs, process, outputs, outcomes are commonly understood or easily taught business terms. Quality relating to a freedom from defects is also well understood. However, when it relates to satisfying client or stakeholders needs, quality is less understood and the model helps address this lack of knowledge.

## **CONCLUSIONS**

The Performance Key™ is a proven model, which will satisfy the needs of the Productivity Commission. It provides a reporting framework for qualitative and quantitative indicators for business. It is easily understood and applied. Importantly, it considers different aspects of quality, which is not normally found in this type of model. The model shows the important linkages between commonly understood business concepts. An understanding of these linkages allows businesses to manage their data and, ultimately, be more successful.

I have a longer paper, which I have presented to an Australasian management conference, available if you require it. It explains the model in greater detail but, as the Productivity Commission has already done a great deal of work with these types of models, I am sure that the information provided will be sufficient.

Please do not hesitate to contact me with any questions or points that may need clarification.

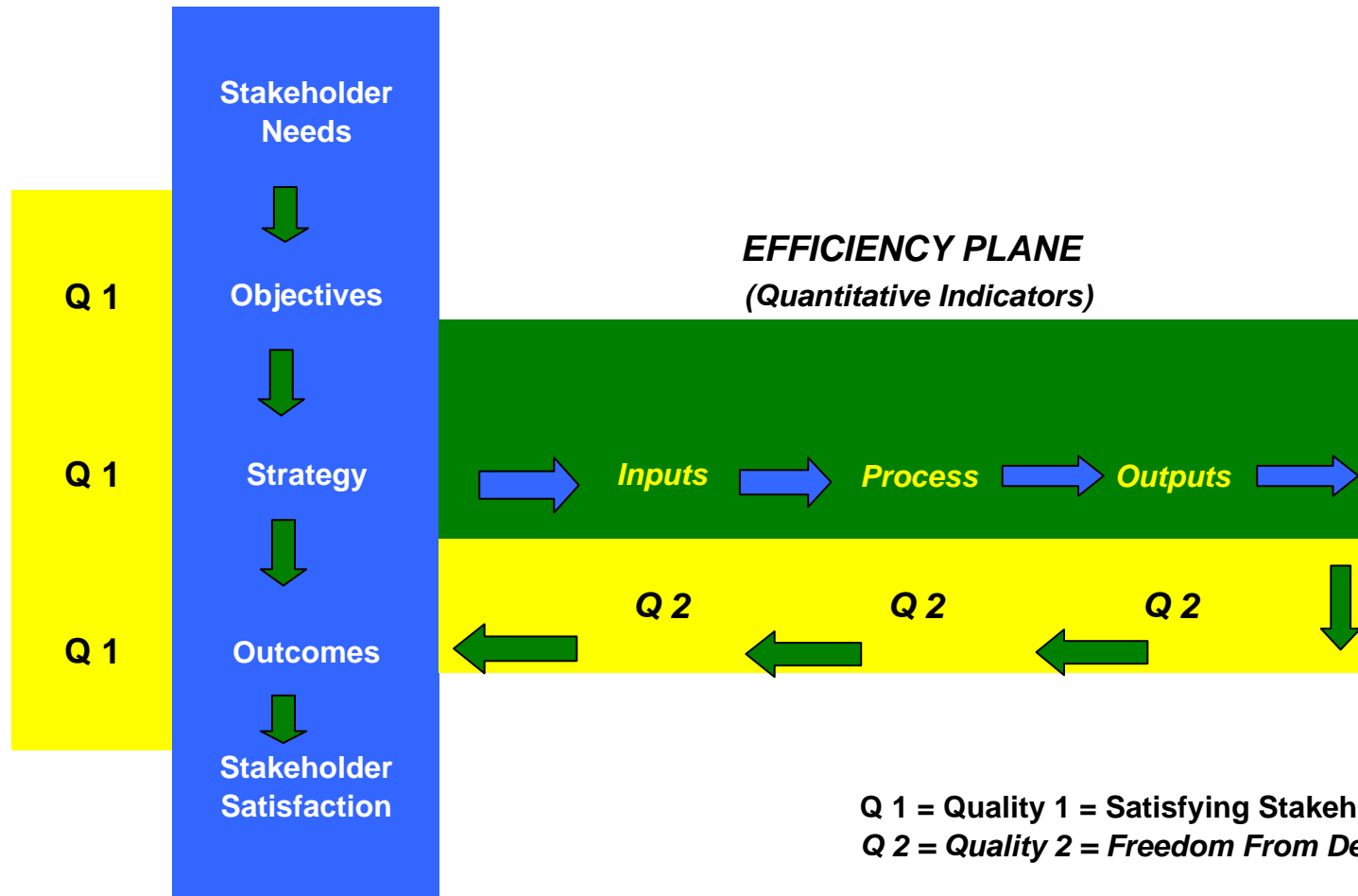
Yours sincerely

*Original to be signed*

Dr R.J. (Bob) O'Brien  
Managing Director

## REPORTING FRAMEWORK - THE PERFORMANCE KEY™

**EFFECTIVENESS PLANE**  
(Qualitative Indicators)



## THE PERFORMANCE KEY™ EXAMPLES OF QUALITATIVE AND QUANTITATIVE KPIs

### Effectiveness Plane

#### Stakeholder Needs

Running a successful business  
(Business need)

Regulation to control markets  
(Government need)

#### Objectives

Protection of business name  
(Business objective)

Ensure business names are controlled  
(Government objective)

#### Satisfying Stakeholder Needs (Q 1)

Protection process not unduly expensive  
(Business need)

Cost recovery as much as possible  
(Government need)

#### Strategy

Register business name  
(Business strategy)

Register business names  
(Government strategy)

#### Satisfying Stakeholder Needs (Q 1)

Procedures understandable  
(Business need)

Procedures manageable  
(Government need)

#### Outcomes

Business name protected  
(Business outcome)

Business names protected for \$XX cost  
(Government outcome)

#### Satisfying Stakeholder Needs (Q 1)

Name protected across Australia  
(Business need)

Government provides controlled business environment  
(Government need)

#### Stakeholder Satisfaction

Business confidence greater  
(Business satisfaction)

Government achieving goals  
(Government satisfaction)

**THE PERFORMANCE KEY™**  
**EXAMPLES OF QUALITATIVE AND QUANTITATIVE KPIs**

***Efficiency Plane***

**Inputs**

Number of staff undertaking  
procedures  
(Business and Government)

**Quality of Inputs (Freedom from defects)**

Trained/Untrained  
(Business and Government)

**Process**

Time taken for regulatory rules  
(Business and Government)

**Quality of Process (Freedom from defects)**

Degree of difficulty  
(Business and Government)

**Outputs**

Number of procedures undertaken  
(Business and Government)

**Quality of Outputs (Freedom from defects)**

Faults in procedures  
(Business and Government)