



Assessment and Benchmarking Programme Case Study

NZTE Result and Performance Measurement System

November 2012

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FOREWORD

The International Trade Centre (ITC) established the Assessment and Benchmarking programme to help Trade Promotion Organizations (TPOs) improve their performance. The programme developed a specific model and system of assessment that benchmarks actual practices of TPOs through a set of 225 indicators of good practice organized in four main areas: leadership and direction; resources and processes; products and service delivery; and measurement and results. The ability to compare practices and results is recognized as a valuable tool for improving performance. However, TPOs wanting to compare their practice and performance have been hindered by a lack of information from comparable organizations. By establishing a set of relevant measures and benchmarks, ITC's Assessment and Benchmarking programme allows TPOs to benefit from the knowledge and experience of their peers. Learning from others with similar challenges enhances and accelerates the process of performance improvement.

The programme developed not only a model of assessment, but also a self-assessment questionnaire, a data processing and scoring system, a standard reporting format, service delivery guidelines and a specially designed web platform to access all features of the system as well as information and resources to support participating TPOs in their process of change.

This paper is the first in a series of case studies on specific examples of good practice applied by leading TPOs. The study presents the process followed and the features adopted by a leading TPO to successfully develop and implement a result measurement system, a key area that determines the performance of any TPO.

The purpose of the study is to serve as an example and inspiration as well as to encourage other TPOs to undertake the efforts that are necessary to develop their own system. The study does not intend to offer a template that can be copied as each TPO should develop its own system responding to its own needs and its own strategy. The study concentrates more on the process followed and the challenges involved as well as the great benefits that can be obtained from a well-designed and well-functioning result measurement system.

Note

Since the publication of this report, NZTE has continued to refine its understanding and measurement of impact on both individual firms and the performance of its Focus 500 portfolio. NZTE is embracing new technologies and analytic approaches to more actively manage their customers and deliver the right services at the right time. Results measurement is a dynamic journey and continuous improvement is essential to maximise impact and deliver towards the New Zealand Government's goal of increasing exports to GDP to 40% by 2025.

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The International Trade Centre wishes to thank the Chief Executive Officer, management and staff of NZTE who provided information, insights, expertise and time to contribute to the success of this case study.

EXECUTIVE SUMMARY

New Zealand Trade and Enterprise (NZTE) has developed a result and performance measurement system that is fit for purpose and well designed. Measurement, collection and reporting processes are robust, consistent and reliable and the system regularly generates valuable information on the organization's performance - and on client satisfaction - that is analysed and used effectively to manage and improve operations. The process of development and implementation of the performance measurement system has already produced tangible benefits for the organization and provides useful insights and lessons that could be of use to other trade promotion organizations (TPOs).

NZTE's result and performance measurement system is based on clear and specific objectives fully aligned with the organization's mandate and strategy. The system is integrated into a result framework using a clear, related and balanced hierarchy of measures (e.g. inputs – outputs – impact – outcome)¹ that are cascaded to all levels of the organization.

The organization has comprehensive collection and reporting processes. Measurement units and collection frequency are clearly defined and the organization has developed guidelines and implemented the necessary controls and training to ensure the consistency and reliability of the information to be reported. Measurement is embedded in the organization as a core business process.

Targets for all measures and indicators have been defined mostly based on quality historical data. The system builds on existing and well-proven systems of customer relationship management, financial management, customer surveys and staff surveys and takes into account time lags between activities and effects and between different levels of the hierarchy. Moreover, the organization has consistent processes to register and prove attribution where needed.

The organization analyses and uses the results effectively. The system enables the Chief Executive Officer (CEO), the management team, the Board of Directors and the Government to assess how the organization is advancing towards the achievement of its strategic goals. Moreover, it allows teams and individual staff members to assess their progress against specific deliverables and goals.

The process of change has benefited from the strong leadership of the CEO and his management team, in close collaboration with NZTE's main stakeholders, notably the levels of Government to which the organization reports. Development and implementation took more than 18 months under the coordination of two staff members who worked almost exclusively to drive the project, but also with the involvement of all categories of staff across the organization.

Development of the system continues but the organization has already experienced tangible benefits including higher visibility and credibility, a clear sense of direction for staff and stakeholders, an improvement in the process of staff performance evaluation and useful information to guide the allocation of resources and the management of operations. The experience also provides interesting insights and lessons to other TPOs interested in developing their own result measurement systems including issues related to transparency, leadership, clarity of objectives and strategy, balance in the set of indicators, the importance of integrity management and staff behaviour and the management of the change process.

¹ This report uses the terminology used by NZTE that, in some aspects, varies slightly from the terminology used by ITC.

A SYSTEM DESCRIPTION

1. Introduction to New Zealand Trade and Enterprise

1.1 NZTE mandate

New Zealand Trade and Enterprise (NZTE) is a Crown Agency established under the NZTE Act 2003 following the merger of Industry New Zealand and the New Zealand Trade Development Board. The organization is governed by a Board and responds to the Minister for Economic Development and the Minister of Trade. NZTE, in August 2012, employed around 500 full-time equivalent (FTE) staff of which 43% is placed overseas. More than 70% of all staff is engaged in customer-facing activities.

The NZTE Act clearly specifies the mandate and main purpose of the organization:

- To support the development of internationally competitive New Zealand (NZ) business
- To facilitate the development and implementation of strategies, programmes, and activities for trade, industry, and regional development as directed by the Government.²

NZTE has chosen to express this mandate through a clear organizational purpose statement: *To unleash the international potential of New Zealand businesses to build the nation's lasting prosperity.*

Figure 1: NZTE Purpose and Focus



Based on this mandate, the organization determines the main focus of its activities through a document called the Statement of Intent (SOI). The SOI is a binding document that commits the organization to deliver specific outputs and outcomes in exchange for the resources received. In this respect, the SOI, the Act and the organizational strategy are fundamental documents that are at the basis of NZTE's result measurement system.

² New Zealand Trade and Enterprise Act of 2003.

The current SOI, established for the period 2012-2015, specifies three main categories of activities (output classes) for NZTE:

- Services to develop business capability, including those activities directed at improving the competitiveness and export capability of firms
- International business growth services, including trade promotion, outward investment support and foreign direct investment attraction
- Services to support sector development and special events also referred to as 'high impact programmes' (HIPs).

It is worth noting that these output classes, as well as the revision of the subsequent set of result and performance measures, were refreshed in 2010 and 2011 through a joint project carried out between NZTE and the Ministry for Economic Development (MED) (now the Ministry for Business, Innovation and Employment (MBIE)) in close consultation with the Treasury. This collaboration is extremely important as it demonstrates how NZTE developed its result and performance measurement system in close collaboration with the primary agency (MBIE) responsible both for its funding and for evaluating NZTE's performance.

1.2 NZTE strategy

In order to carry out its mandate and deliver its outcomes, NZTE has developed a strategy that has three main lines:

- Targeted services for a designated range of internationalising companies (intensive engagement with 500 high growth potential customers, and 'light touch' services to an additional 1,500 customers)
- Targeted services for groups of related companies, through multi-customer high impact programmes (HIPs)
- Targeted activity in key markets, as outlined in the NZ-Inc (multi-agency) country strategies.

It is important to note that NZTE focuses its activity on a group of approximately 2000 firms, with 500 of these receiving more intensive services. Engagement occurs individually or in groups through the preparation and execution of international business development plans ("engagement plans") that could involve a suite of different services throughout different stages of their internationalization. Services may involve the support of other New Zealand agencies ("NZ-Inc") as well as support to attract capital or invest abroad, depending on customer needs.

'Improvement challenges'

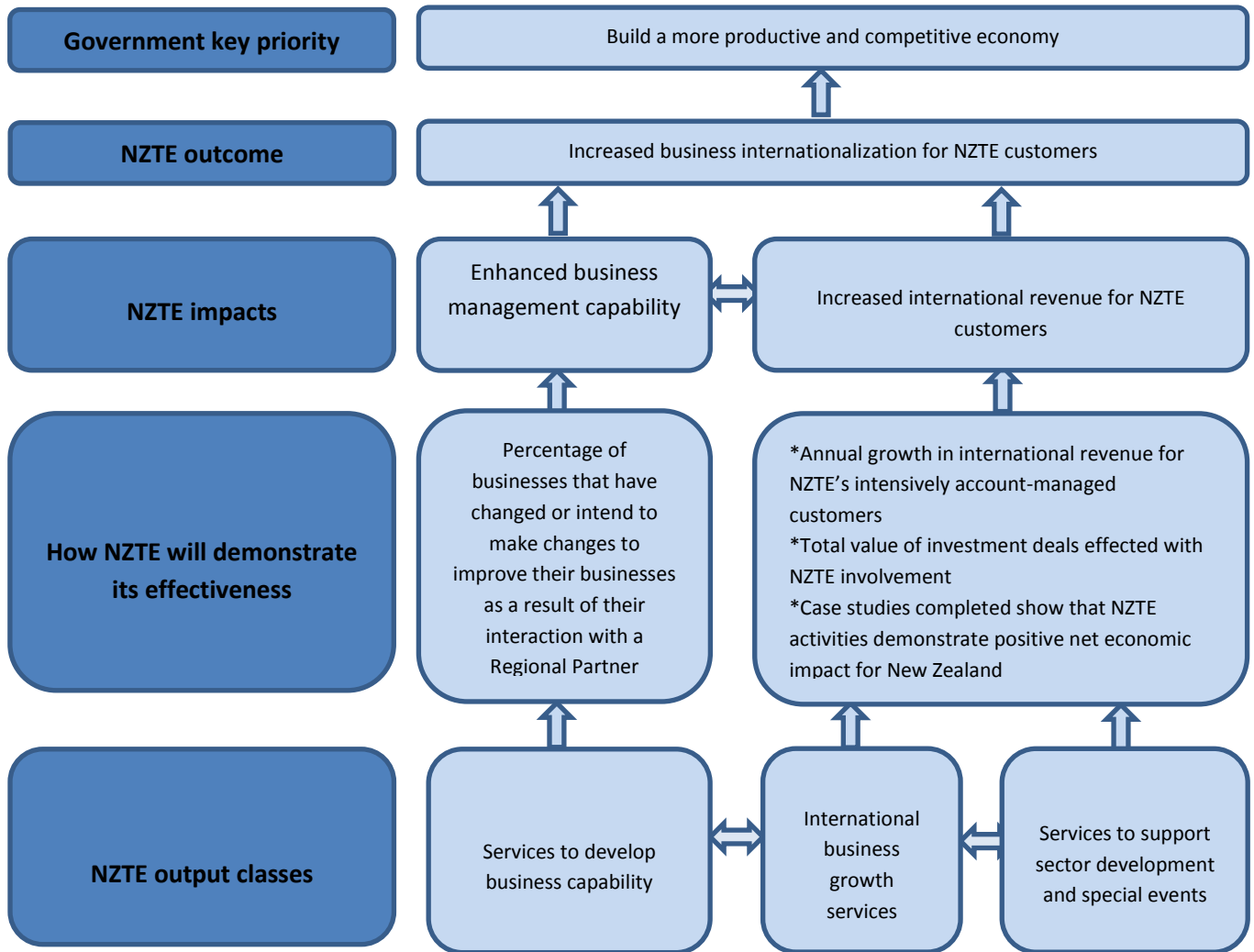
To support the effective and efficient delivery of this strategy, NZTE developed a three-year (2011/12; 2012/13 and 2013/14) performance improvement work programme structured around a series of 'improvement challenges'. The improvement challenges cover both internally and externally focused changes, from engaging with customers and service development, through to developing the organization's people and processes. All are intended to enable NZTE to deliver better against its purpose of unleashing the international potential of New Zealand businesses.

1.3 Result and performance measurement system: the logical framework

NZTE has developed its result and performance measurement system to be fully consistent with the organization’s mandate and strategy. The system is integrated into a complete framework that relates efficiency and effectiveness and links inputs to desired outputs, outcomes and impact. Indeed, this was one of the main concerns of the joint NZTE-MBIE-Treasury team that developed and decided on the main set of key performance indicators (KPIs) on which the system is built.

The project team started from the organizational mandate (purpose), revised the main output classes, considered the main lines of the corporate strategy and, from this base, subsequently developed the indicators that best fitted the framework. The framework provides a snapshot of how NZTE activities contribute to the government’s key economic development priority.³ The framework introduces the way that NZTE will demonstrate its contribution opening the way to the definition of KPIs.

Figure 2: NZTE Result and Performance Measurement System: Logical Framework



³ The Framework included in this report uses the terminology used by NZTE that, in some aspects, varies slightly from the terminology used by ITC.

2. Design of the measurement system

2.1 Objectives

Result and performance measurement systems normally serve a multiplicity of purposes. The three main objectives of NZTE's system can be summarized as:

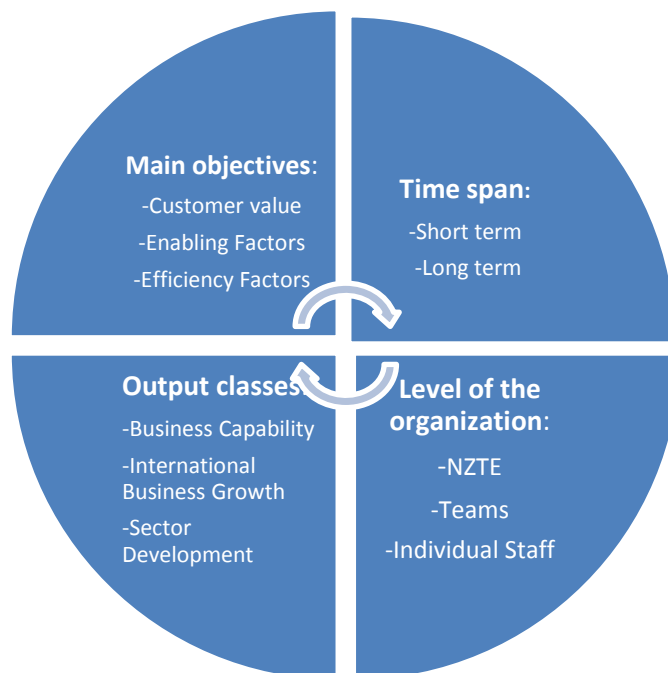
- **Assessing value:** Measuring the impact or effectiveness in delivering the organization's main purpose of increasing the international growth of NZ business
- **Managing internal drivers:** Following key operational and enabling factors or 'internal engines', including values and behaviours, that are necessary to support change and deliver on the purpose
- **Measuring efficiency factors:** Ensuring productivity and the highest possible value for the resources that the Government invests through the organization.

In terms of managing the internal drivers, the system supports leadership in the provision of a strong sense of direction to all staff in relation to where the organization adds value and where it wants to go. Clarity of direction should support motivation and the behaviour that will be necessary to reach the intended results.

2.2 Structure and hierarchy of measures

In view of the need to drive the right staff behaviour, the system is based on a group of key performance indicators (KPIs) that provide a balance between different dimensions as illustrated below:

Figure 3: Key Performance Indicators



The organization has thus developed a suite of KPIs⁴ that tries to balance the different dimensions of the system. The intention is to provide a balanced set of signals to drive staff behaviour and to support organizational change. Some indicators point at short-term goals like those related to process improvement (improvement challenges); others are more related to mid- to long-term goals like customer value (customer export growth and deals closed with NZTE assistance); other indicators encourage teamwork (through the definition of team objectives). Yet others look at encouraging staff to work with customers in the development of more medium- to long-term business objectives (like the ones measuring the implementation of high impact programmes and other commercial outcomes).

Many KPIs have an overall organizational dimension ('One Team'), others have a team dimension and there is also the specification of goals at individual staff level to emphasize the contribution that each staff member and each team makes to the achievement of the overall organizational goals.

A closer look at the suite of KPIs will help to understand how they point to the different dimensions.

2.3 Dashboards

The system of KPIs is organized and presented in a set of 'dashboards' that roughly follows the NZTE organizational structure and provides a practical and quick visual reference for the organization. The Statement of Intent (SOI) specifies the outputs and outcomes that NZTE is expected to deliver during a given period. The system of KPIs is directly derived from the SOI and it is cascaded down for NZTE as a whole (One Team dashboard), for teams (group/team dashboards) and increasingly for each individual staff member (individual performance plans). As a result, the contribution of each staff member be tracked back up to the outputs and outcomes specified in the SOI and, ultimately, to the overall purpose of the organization.

⁴ Appendix I includes a more detailed description and definition of each of the KPIs

Figure 4: Cascade from the Statement of Intent

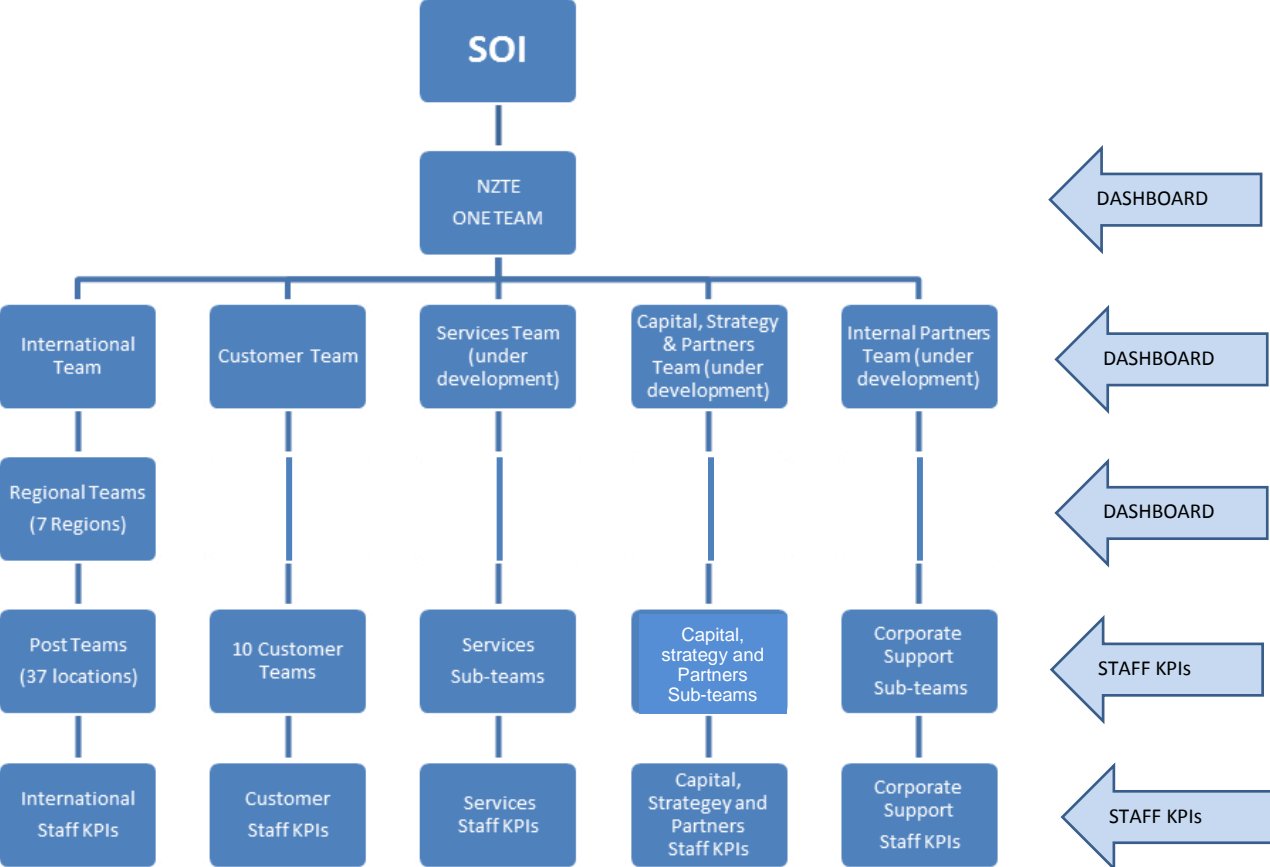
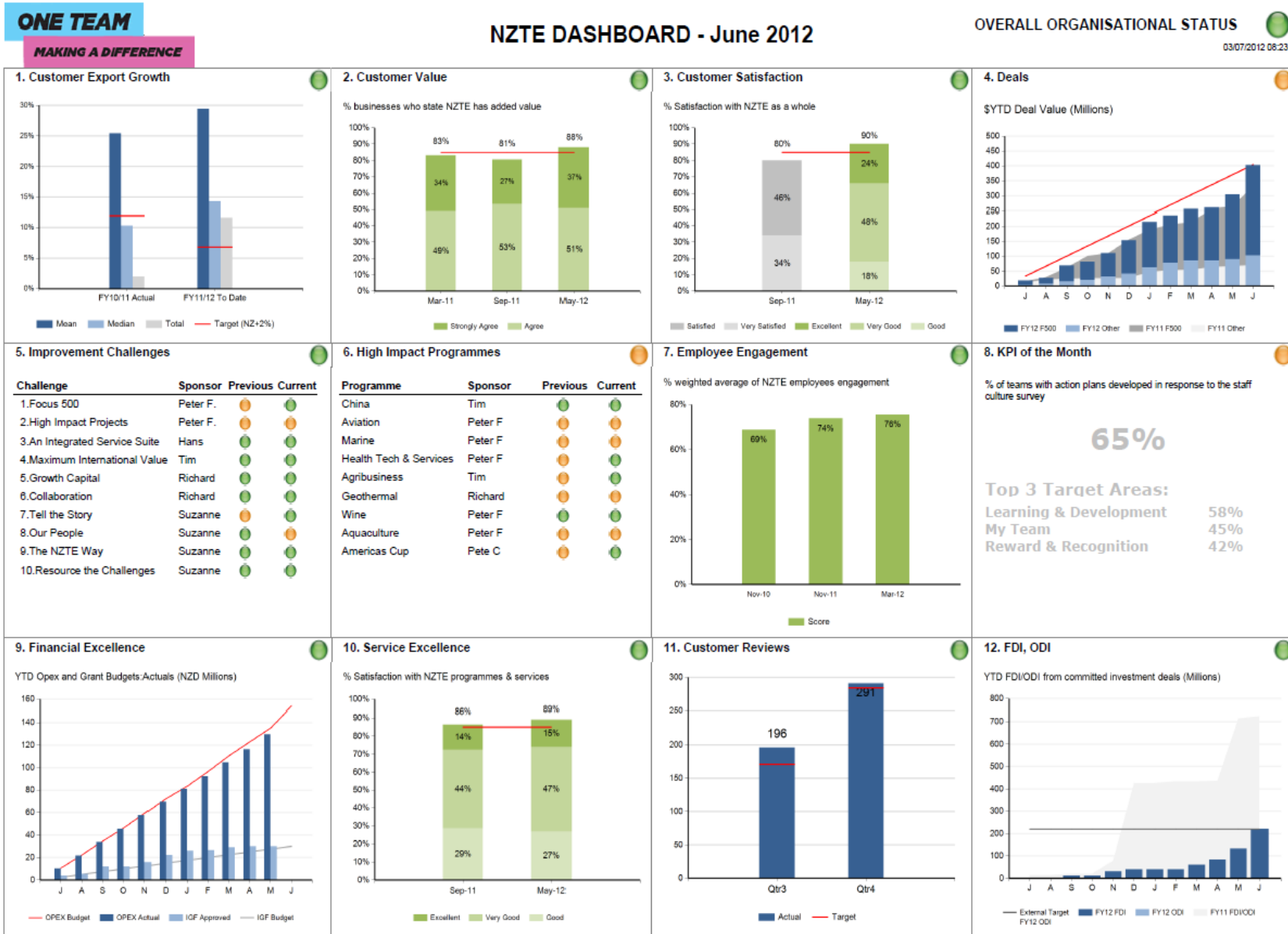


Figure 5: NZTE Dashboard – June 2012



There follows a brief description of the main dashboards and KPIs of the system and how they respond to different dimensions or behavioural objectives.

Table 1: One Team Dashboard

One Team Dashboard			
KPIs	Value for customers	Enabling factors	Efficiency factors
Short-term	<ul style="list-style-type: none"> • Customer value • Customer satisfaction • Export deals • FDI/ODI deals 	<ul style="list-style-type: none"> • Advances on improvement challenges • Employee engagement 	<ul style="list-style-type: none"> • Financial excellence • Service excellence • Customer reviews
Mid- to long- term	<ul style="list-style-type: none"> • Customer export growth 	<ul style="list-style-type: none"> • Advances on high impact programmes 	

Table 2: International Team Dashboard

International Team Dashboard (and Regional Team Dashboards)⁵			
KPIs	Value for customers	Enabling factors	Efficiency factors
Short-term	<ul style="list-style-type: none"> • Customer satisfaction • Deals • FDI/ODI deals 	<ul style="list-style-type: none"> • Employee engagement • No. of job deliverables 	<ul style="list-style-type: none"> • Engagement plan actions • Customer reviews
Mid- to long- term		<ul style="list-style-type: none"> • Other commercial outcomes • Customer engagement plan (EP) target markets vs. actions 	<ul style="list-style-type: none"> • Customer actions • Customer EP target markets vs. actions

Table 3: Customer Team Dashboard

Customer Team Dashboard			
KPIs	Value for customers	Enabling factors	Efficiency factors
Short-term	<ul style="list-style-type: none"> • Customer value by sector • Customer manager satisfaction by sector • Deals by sector 	<ul style="list-style-type: none"> • Target markets (by stage of internationalization) • Employee engagement 	<ul style="list-style-type: none"> • Engagement plan actions • Customer reviews
Mid- to long- term	<ul style="list-style-type: none"> • International revenue by sector • International revenue (median growth) by sector 	<ul style="list-style-type: none"> • Advances on high impact projects HIPs • Prospect assessments • Tenure within the F500 portfolio 	

Each of the dashboards presents its 11 or 12 KPIs in a series of online graphs and tables that facilitates analysis and provides a very quick overview of the situation to the different levels of managers.

⁵ The International Dashboard results can also be viewed at a regional level i.e. Regional Teams can drill down a level to see their own results and how each post is contributing.

3. Measurement collection and reporting

3.1 Sources of information

The result and performance measurement system has four main sources of information (table 4).

Table 4: Sources of information

Source	KPI	Update
CRM	<ul style="list-style-type: none"> • Customer export growth • Export revenue by sector • Deals • Export revenue growth • FDI/ODI • Other commercial outcomes • Number of job deliverables • Engagement plan actions • Customer EP target markets vs. actions • Customer actions • Customer reviews • Prospect assessments • Target markets • Improvement challenges • High impact programmes 	Current online
Financial information system	<ul style="list-style-type: none"> • Financial excellence 	Current online (results are finalized monthly)
Customer surveys	<ul style="list-style-type: none"> • Customer value • Customer satisfaction • Customer manager satisfaction • Service excellence 	Annual
Staff surveys	<ul style="list-style-type: none"> • Employee engagement 	Annual full survey with a shorter 6-monthly update

NZTE’s customer relationship management (CRM) system provides most of the basic information that is captured, recorded and processed to produce the bulk of the organization’s KPIs. Appendix II presents a list and brief description of the basic information and results that the NZTE CRM system keeps for each of its customers.

NZTE has invested considerable effort and resource over several years to the development of its CRM. The investment includes the information technology system (hardware and software), the development

of service delivery guidelines and customer relationship protocols, and internal communications and training to ensure a consistent level of recording and use by all staff.

3.2 Process of recording and verification

The organization has paid substantial attention to developing clear guidelines and definitions to ensure proper and consistent recording of customer financial data (revenues) and results of NZTE assistance (deals, other commercial outcomes, FDI/ODI). In general, the recording of a customer's basic information, financial data and results of NZTE assistance is done directly in the CRM by:

- Customer managers
- International business development managers
- Service team managers (of special capacity-building programmes like *Better by Lean*, *Better by Strategy*, *Beachheads*)

To avoid *survey fatigue*, managers try, to the largest extent possible, to obtain result information (leads, deals, FDI/ODI deals and other commercial outcomes) through as many indirect sources as possible before consulting the customer for confirmation. However, customer-facing staff maintain relationships with their customers with regular communication, so ultimately the information can be obtained directly from the business in New Zealand or from their in-market staff or partners (local staff, agents, representatives, distributors, etc.) overseas.

Registration of results must be backed by supporting records that detail the activities that NZTE carried out for the customer that are directly linked with the result. Records are verified by team leaders (for customer managers) and post and regional managers (for international business development staff), and a record is made in the CRM in a special field (progress/results).

The Director of Performance and Evaluation conducts regular quality checks by cross-checking the information. The integrity and accuracy of results (leads, deals, FDI/ODI deals and other commercial outcomes) are further controlled by:

- An independent internal steering group specially created to check results
- Internal auditor (Audit and Assurance Director)
- Annual external auditor (Audit New Zealand)

All KPIs listed in NZTE's Statement of Intent are subject to a full external audit by Audit New Zealand.

3.3 Definition of baselines and targets

NZTE has determined most targets for KPIs on the basis of improvements on historical results. In many cases the organization has had relatively consistent results for several years and these facilitate the determination of the targets (e.g. customer satisfaction, financial excellence, service excellence). In other cases, where the organization has changed the definition and determination of the indicators, the setting of baselines and targets is more difficult (e.g. deals).

3.4 Attribution and time lags between activities and results

The ease and ability to demonstrate attribution differs across the suite of KPIs. The results measured in terms of customer value, customer satisfaction, service excellence, employee engagement, financial excellence as well as all those related to advances in the implementation of operations (improvement

challenges, HIPs, customer reviews, etc.) are directly linked to the activities/outputs and level of performance of the organization. As a result, the attribution is more clear and direct.

The major challenges in terms of attribution are found (as for most trade support institutions) in measuring the effects of NZTE outputs on the outcomes of its customers as well as its effects on the economic performance of the country. For NZTE, the challenge is mostly centred on demonstrating the level of NZTE's contribution to customer export growth, deals and foreign direct investment/outward direct investment (FDI/ODI) deals.

To demonstrate its contribution on deals and FDI/ODI, NZTE is able to use its records of activities/outputs delivered to each customer. NZTE has been operating a relatively well-structured CRM with information on activities delivered to each of its main customers for over three years. Although the consistency of the information included in the CRM may vary, it could be said that, in general, NZTE has sufficient records of its activities with its intensively-managed customers to be able to trace back and link them to the results.

The greatest challenge for NZTE is to demonstrate its effective contribution to the *export growth* of its group of approximately 500 high growth potential, intensively-managed customers. Here the level of contribution is substantially less direct as export performance will depend on a large variety of factors that are beyond the control of NZTE and, in many aspects, also beyond the control of the customers themselves. However, NZTE still considers that this KPI is extremely important to measure both the advances on the strategic purpose of contributing to the increased business internationalization of its customers and also to measure advances towards the ultimate goal of contributing to the government key priority of building a more productive and competitive economy (see the NZTE Result and Performance Measurement System: logical framework shown previously). To overcome this challenge and to improve on the estimation of the economic impact, NZTE has begun conducting case studies to investigate in more detail the complex set of effects and causal relationships of its activities with selected customers.

4. Using results and performance information

4.1 Dashboards as effective management and control tools

NZTE's result measurement system has been instrumental in raising the profile and credibility of the organization. It has also enabled the Government and the Board of Directors to be more confident about how the organization is advancing towards the achievement of its strategic goals. The system has also facilitated and sped up reporting processes.

NZTE's CEO meets monthly with the Ministers of Economic Development and Trade and uses the dashboard to assist with discussions around progress against the organization's KPIs. There is Ministerial interest in the links between activities, outputs and outcomes. Value for money or the return that the Government gets on its investment through the organization is an important consideration – but not the only factor. The Government is also interested in how NZTE is building business capability and the effects this has on business productivity, along with the growth of New Zealand's export economy. Hence the importance of the KPIs beyond the ones centred on measuring export growth and deals. These regular meetings help to focus on a particular issue through the analysis of its specific indicator. NZTE has received positive feedback on the information to date.

In addition to regular meetings with the two Ministers, NZTE provides a weekly report with highlights on activities and successes. The result measurement system also provides precise and concrete data for requests for information or questions from Ministers and other Members of Parliament.

There has been an increase in the visibility of both the organization and in how and where NZTE is making a difference. In addition, the system has helped to facilitate an increase in trust from the Government and from the Board as it includes hard data based on clear definitions and obtained with processes that are recognized as robust. The visibility of the organization has also increased among other partner agencies and stakeholders. NZTE's CEO has used the dashboard with other partner agencies that have a more direct contact with NZTE (Ministry for Business, Innovation and Employment, Ministry of Foreign Affairs and Trade, Ministry of Primary Industries, Tourism NZ and Education NZ).

The dashboard is part of the regular agenda for NZTE Board meetings. The result measurement system improves Board confidence that the organization is actually implementing its workplans and is advancing towards the achievement of its strategic goals. It is important also for the Board to ensure that the organization complies with the objectives specified in the SOI.

The system is also used by the different levels of management to monitor how the organization is delivering on its plan.

The CEO values the transparency, strong communicational value and motivational effect of the system. It increases the level of accountability of everyone in the organization, starting with the CEO and management team in relation to the Government and the Board. It exposes very clearly the degree of implementation in and value added by all areas of the organization. In terms of leadership and communication, the dashboard, with a smaller set of KPIs, helps to focus staff on the priorities for action: 'What's measured gets done'. Indeed, the system has helped to improve behaviour and increase the level of engagement of employees. Staff response has been generally positive as most valued the contribution of the measurement system to clarify roles and responsibilities, provide a clearer sense of direction, indicate what is important for senior management and help demonstrate their contribution and successes.

General Managers (GMs) have indicated the value of the dashboard to highlight areas for improvement. An example was the lack of consistency of service delivery across different areas of the organization. The identification of this issue led to the development of clearer service delivery guidelines. Likewise, the GM International has been able to better analyse the reasons behind the differences in results across different regions and overseas posts by looking not only at issues related to staff performance, but also at factors related to the portfolio of clients, services and markets.

4.2 Use of results to assess allocation of resources, budget and plans

The purpose and use of the result measurement system is pre-eminently operational with little effect on the determination and review of the organizational strategy. However, in the long term, results in client satisfaction and in achieving goals across different customer segments, services or markets will help NZTE understand better where customers want to go and where NZTE can add more value. Therefore, results might be useful in the future to refresh some aspects of the strategy.

In terms of allocation of resources, the International Team has already used analysis of data and results to rearrange the allocation of resources between different regions and posts.

4.3 Result measurement system and staff assessment

NZTE's result measurement system is cascaded by teams (see Dashboards) and increasingly trickled down to all staff in the organization. Individual performance plans are designed to give all staff (a) a clear understanding of what their contribution is to the results and performance of the organization and (b) a high level of commitment to the types of behaviour that will contribute to the achievement of those results. However, the particular set of KPIs included in each staff performance development plan depends on the role and position within the organization. Staff assessment is structured in two dimensions:

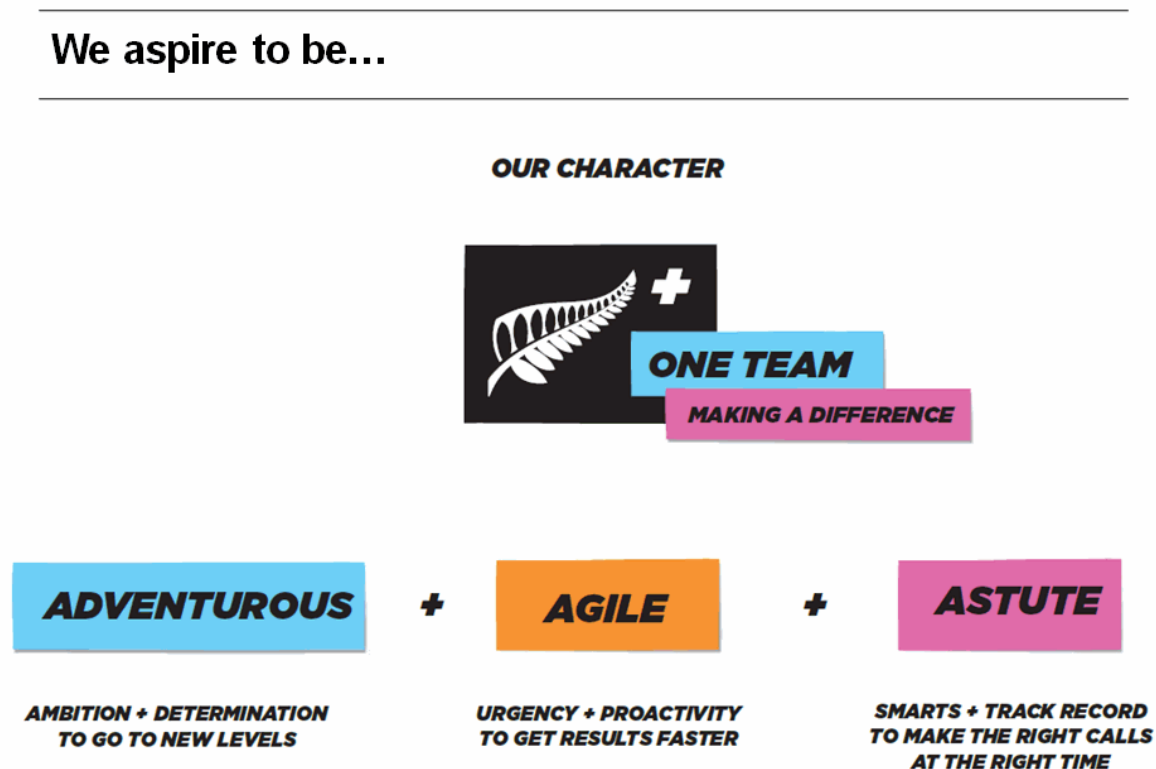
- Demonstrated behaviour defined in terms of corporate values and evaluated by the reporting manager
- Achievement of deliverables, measured by individual staff KPIs.

Each of the two dimensions carries equal weight in the overall rating of staff performance.

NZTE has defined a set of four main corporate values that contribute to the achievement of its intended results:

- Astute (business acumen)
- Agile (ability to meet deadlines and quickly transform opportunities into results)
- Adventurous (capacity to innovate and take measurable risks)
- One Team (ability to work across teams and contribute to the objectives of the organization).

Figure 6: Corporate values



In terms of delivering results, each individual staff member is expected to contribute to around seven KPIs, including two KPIs that are common to all staff in the organization:

- Customer export growth
- Customer satisfaction

The achievement of 'employee engagement' goals is also an important KPI added to the CEO, General Managers and Directors using the 'one-up responsibility' principle (responsibility for the level of engagement of staff under the direct responsibility of the position).

The other KPIs to be included in each staff assessment plan will depend on the team and position of the employee. In the case of the Customer, International, Service and Capital teams, there are team specific targets, depending on their area/sector/region/post. In the case of corporate support positions, there are specific objectives depending on their respective functional areas and working plans.

Annual salary adjustments are related to performance ratings which, as mentioned, are derived from an equal consideration of performance in terms of behaviour and delivery of results.

B SYSTEM DEVELOPMENT AND IMPLEMENTATION PROCESS

5. Clear determination of purpose

Although the organization began developing the current system of measurement in 2008, the process accelerated and the system consolidated its current shape as a result of some key changes in 2010/11, which included new leadership in the organization, an external performance improvement assessment of NZTE, and a review of the organization's output classes and corresponding performance measures. The States Services Commission (SSC) is the New Zealand Government's department in charge of appointing and performance monitoring public service chief executives. They also have a role in ensuring the good performance of public agencies. Since late 2009, the Department of the Prime Minister and Cabinet (DPMC), the Treasury and the SSC have been jointly entrusted by the Government with conducting performance improvement assessments of public agencies within a programme known as the Performance Improvement Framework (PIF).

The PIF for NZTE was conducted during the second half of 2010 and the report completed and published in May 2011⁶. The PIF undertakes a review of the agency's fitness-for-purpose not only for today, but also for the future. It assessment looks at what the agencies do well and what are their major issues and weaknesses, to prepare an action plan for improvement.

The PIF was important for the development of the measurement system because it highlighted issues related to leadership and workforce development, clarity around vision, strategy and purpose, culture and values, and customer focus that the measurement system is now addressing.

The Output Class Review and Performance Measures project was undertaken by a joint team with representatives from the Ministry of Economic Development (now MBIE), the Treasury and NZTE from

⁶ Performance Improvement Framework, Formal Review: New Zealand Trade and Enterprise, State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet. Wellington, New Zealand May 2011. ISBN 978-0-478-36148-3, Web address: www.ssc.govt.nz/pif

August 2010 until early 2011. The project reviewed and simplified NZTE's output class structure and identified the basis of the performance measures necessary to monitor the effective delivery of those outputs. The project analysed and integrated the findings of a number of other studies and surveys including customer surveys, consultations with internal and external stakeholders, studies on the estimation of direct economic impact, cost allocation surveys, strategy review workshops, etc. The process was collaborative between the three main agencies, had clear objectives and deliverables, and was tightly managed as a project.

The Output Class Review and Performance Measures project established a clear outputs and outcomes framework that is at the very core of the system of KPIs. It delivered not only a revised and simplified set of output classes, providing NZTE with flexibility to respond to changing market conditions and business needs, but also a set of the main key performance indicators to be developed by NZTE.

6. Definition of vision and strategy

The PIF and the output class review were supported by a refreshment of the organization's vision and strategy. The starting point was the Government's Business Growth Agenda and, in particular, the aspiration of lifting the export economy from 30% to 40% of GDP by 2025. The NZTE vision was refreshed to make it highly aspirational. Called the "Greatest Imaginable Challenge" (GIC), it aims to double the export growth of NZTE's customers by 2015. Starting from this challenge, the strategy concentrated on focusing on 500 high growth potential customers, working with groups of customers in high impact projects, and increasing the coordination and collaboration with other NZ agencies. The result measurement system further reflects these strategic objectives.

6.1 Leadership

Change would have not taken place without the firm support of the Government, the Board and the CEO who provided strong direction and leadership behind the process.

The Government has placed a great deal of importance in improving the justification and the performance of the public sector through clear identification of the purpose and outcomes of each agency.

On taking over the organization in September 2010, the new CEO gave priority to measuring and evaluating performance in order to understand the impact of NZTE activities, to make key operational decisions and to ensure more efficiency and effectiveness. In his own words: 'What's measured, gets done'. He made sure that the priority was clearly understood in all areas and levels of the organization.

6.2 Coordinating team

It is difficult to assess the additional FTE (full time equivalent) time dedicated by the large number of staff who participated in the development process, over a period of approximately 18 months, from CEO to Customer Managers and Business Development Managers in the International Team.

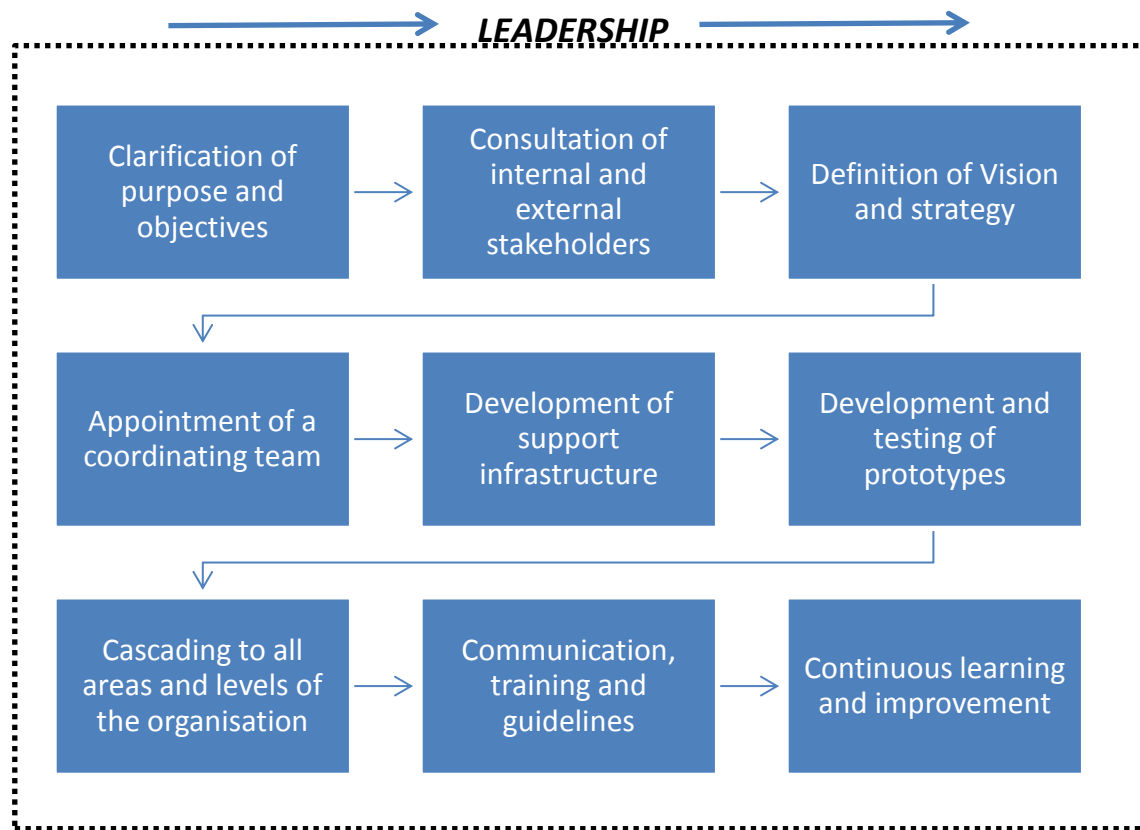
The performance measurement system is managed by the Performance and Evaluation team with technical support from the Information Technology (IT) team. In addition, many other people across the organization contributed to the development. Cross-team involvement is seen as an essential element in building commitment towards performance measurement becoming a key part of NZTE's DNA.

6.3 Support infrastructure

NZTE took a strategic view of its application stack, redesigning and modernizing the core systems to better support the organization. NZTE was able to leverage this investment by extending both the application stack and infrastructure to support a business intelligence implementation. This has enabled NZTE to present its performance information in a visual way, through the use of dashboards. The entire process (which took at least 18 months) included the preparation of a 'data warehouse' to translate the information supplied by the CRM, the finance section and the customer and staff surveys into accessible data that could later on be analysed and used to build the reporting tables that integrate the dashboard.

However, this infrastructure supports more than just the dashboards. It provides the foundation for a core part of NZTE's information management and enables the organization to undertake deeper analysis of the information that sits behind the high-level KPIs.

Figure 7: The change process



6.4 Developing and testing prototypes

The initial months were mostly dedicated to deciding the first set of organization-wide KPIs that were to be monitored. The remaining time was needed to prototype and check the consistency and accuracy of data. All data was tested for consistency. It takes NZTE approximately three months to create a new dashboard – this includes prototyping possible measures and meeting with different categories of users

in an iterative process of trials and decisions on the best type of information and shape. There were at least 30 different prototypes of the main One Team dashboard with different trials until management and staff felt comfortable with the current version. Good collaboration between all areas of the business was instrumental to ensure the success of the project.

6.5 Cascading to all areas and levels of the organization

Once the initial One Team or organization-wide set of KPIs was developed and organized in a dashboard, the coordinating team worked with organizational teams, as well as with Human Resources (HR), to cascade the system. As at mid-2012, some teams had advanced more than others. The International Team was ahead in the definition of their KPIs at different levels (total team, regional teams and post teams), followed by the Customer Team. The Capital, Strategy & Partners, Services and Internal Partners teams were next to develop their KPIs and dashboards.

The staff performance assessment process has also been redesigned to reflect the new priorities and the new set of objectives. HR developed the new staff assessment form and prepared the corresponding guidelines. The new system of staff performance is to be implemented during the July 2012/June 2013 financial year.

6.6 Communication, training and guidelines

The change process has been supported at each quarterly update conducted by the CEO. He has also used his weekly blog on the intranet of the organization to emphasise the new priorities and to support the implementation of the system. General Managers in charge of the main teams have also used their quarterly team updates and reviews to support the implementation process.

HR has conducted training for managers who have staff management responsibilities on how to conduct the new staff performance assessment process.

Presentations and guidelines were developed to specify definition of the indicators and to ensure a clear understanding of roles and responsibilities by all staff, mainly the client-facing staff in charge of registration and control of the information. The process was supported by training, including online sessions and webinars for offshore staff.

There was some initial resistance from staff who looked at the system as a compliance need. However, this view changed as the system became operational and the advantages more evident. With the support of communication and training, staff could see how they could use the system to focus their work and to demonstrate their contribution and effectiveness. Recent staff engagement surveys have demonstrated this change in perceptions.

6.7 Learning and improvement process

The result and performance measurement system of NZTE has been in operation with its new format and presentation since mid-2011 in the three main dashboards: One Team, International Team (with the addition of the regional and post team set of KPIs) and Customer Team. However, the system has been evolving with new derivations and features. Currently IT, International Growth Fund and Capital Team dashboards are under development. The full implications of the system on staff performance should be felt during the July 2012/June 2013 financial year, with the introduction of a new performance evaluation system.

The experience of NZTE demonstrates the advantages of starting the process and allowing it to evolve as the organization gains confidence in its use. It has been a continuous learning and improvement process that started several years ago and accelerated during 2011 and 2012. Many of the benefits became evident quite quickly, encouraging the Board, management and staff to continue their efforts and to constantly improve the system.

C. CONCLUSIONS

7. Benefits and lessons

The application of the NZTE result and performance measurement system was started during the financial year July 2011/June 2012 and continued with new added features during the first quarter of the financial year 2012/13. Despite the relatively short period of implementation, the organization has already experienced relatively clear benefits and identified important lessons that could be of interest to other trade promotion organizations.

7.1 Benefits experienced so far

- Increased visibility, as NZTE has been able to raise its profile with major stakeholders and partners.
- More credibility, thanks to the provision of well-substantiated data about its results and performance supported by clear and transparent information on its methodology.
- Clearer system which enables the Board of Directors and the Government to more closely follow the activities, advances and results of NZTE, thus avoiding surprises.
- Stronger sense of direction for staff to focus on what is important and what are the strategic priorities, as reflected in the most recent staff engagement surveys. KPIs are an unequivocal indication of the link between activities and the intended objectives of those activities.
- Stronger focus on delivering. The regular monitoring of key indicators has given staff an incentive to be more diligent and implement the activities necessary to drive better results. Results so far support this theory.
- Higher motivation, as demonstrated in more recent staff engagement surveys, as staff see more clearly the link between their individual work and the results/benefits generated.
- More objective system to assess staff performance. As staff incorporate quantitative and qualitative targets, the process of assessing staff performance becomes less subject to interpretation and more centred on the achievement of goals.
- Greater facility for regular and ad hoc reporting. The availability of well-structured information on results and performance generated by the system made reporting to shareholders and stakeholders more efficient and less time-consuming.
- Clarity on which areas of the organization are relatively weaker, less efficient or less effective, and that need improvement. The system covers all areas of the organization making its absolute and relative performance much more evident.
- Better allocation of resources as information is available to help the Leadership Team understand where and how the organization can achieve better results.

7.2 Lessons learned

Leadership and transparency

- Good leadership is essential. It is not possible to undertake such a fundamental process of development and change in the way in which an organization operates without a clear message from government and top management that this is a high priority.
- The system greatly enhances transparency and accountability at all levels of the organization. Leadership should be fully aware of the consequences of applying a result and performance measurement system. The whole organization becomes more transparent, internally and externally. The establishment of goals and targets commits the organization and exposes whether or not goals are being delivered.

Clarity of objectives

- A clear understanding of the mandate and strategy is the starting point for any well-based result measurement system. It is absolutely essential to have a clear idea of what is the main purpose/role/mandate of the organization and what is the strategy that the organization will put in place to reach that purpose.
- A logical framework that links the strategy to the mandate as well as the activities to the outputs, outcomes and impact, greatly facilitates the identification of the most appropriate indicators of performance and results.

Balance of KPIs and staff behaviour

- It is important that the system is cascaded down to individual staff members and is properly linked to individual staff performance. This reinforces the benefits as staff can link their individual contribution to the overall results of the organization, with positive effects on motivation and delivery.
- The selection of indicators will determine staff behaviour. The set of indicators should be considered as a portfolio to ensure a certain balance between different objectives and different intended behaviours. There could be indicators that point towards efficiency while others point to effectiveness. The system could include indicators that point to short-term results as well as those that point to intermediate or enabling factors that will ensure results in the long term. There could be indicators that reflect the contribution of different areas or levels of the organization and there could be indicators or mechanisms that support individual efforts while others encourage teamwork.

Focus and direction

- In spite of the need to establish a balanced suite of indicators, it is important to limit the number of indicators to provide a clear message on the organization's focus. There should also be a balance between the need to provide different incentives and the need to provide a strong focus and direction.

Integrity and attribution

- It is important that the introduction of such a system be supported by the prior or complementary promotion of ethical standards that encourage honest behaviour from staff in recording their own results.

- The system should also establish a proper system of verification and/or audit of results. It might be desirable to consider these objectives within the regular internal and external audit programmes of the organization.
- Though not a pre-requisite, the availability of a customer relationship management (CRM) system greatly facilitates the recording, processing and analysis of information. Moreover, a CRM can greatly facilitate attribution as it could provide the evidence and linkages between the activities or support provided to the customers and their results.
- Attribution is challenging and there does not seem to be an easy answer to this issue. The system will vary for each organization. NZTE is addressing the issue with the evidence that can be provided through the activities registered in the CRM as well as through preparing case studies to provide more details on causal relations and on impact.

Development and management of the change process

- The introduction of a system should be complemented with appropriate guidelines and training to ensure its effective and consistent application across the organization.
- The introduction of a measurement system needs to be properly supported by a strong internal communication strategy that highlights the importance and priority that the system has for government and top management.
- Collaboration between the trade promotion organization and its main shareholders and stakeholders is important as those will be the main users or targets of the system.
- The appointment of a dedicated team is important to ensure the necessary ownership and technical capability for the development and introduction of a result and performance measurement system. The team should be strongly supported by leadership to ensure collaboration from the whole organization as the project team will need the support and expertise of many areas in order to develop the system.
- The process includes many stages and a set of trials and prototypes, but it is important to make a start. Benefits will be evident quite quickly and the system should evolve within a process of continuous learning and improvement.

8 What next?

Since the publication of this report, NZTE has continued to refine its understanding and measurement of impact on both individual firms and the performance of its Focus 500 portfolio. NZTE is embracing new technologies and analytic approaches to more actively manage their customers and deliver the right services at the right time. Results measurement is a dynamic journey and continuous improvement is essential to maximise impact and deliver towards the New Zealand Government's goal of increasing exports to GDP to 40% by 2025.

Appendix I: NZTE set of KPIs

One Team Dashboard

Customer export growth: the mean, median and total export growth as informed by the F500 high growth potential customers to NZTE customer managers.

Customer value: percentage of businesses that state NZTE has added value (survey conducted annually).

Customer satisfaction: percentage of customer satisfaction with NZTE as a whole (survey conducted annually).

Deals: value of sales of goods and services achieved with the assistance of NZTE, calculated over a 12-month period. As informed by NZTE's customers to customer managers or business development managers.

Advances on improvement challenges: degree of completion of planned activities on each of the main strategic challenges defined by the organization to improve its own performance each year.

High impact programmes (HIPs): degree of completion of planned activities on seven special programmes involving groups of customers (including China programme, aviation, marine, health, agribusiness, wine and the America's Cup).

Employee engagement: degree of engagement of NZTE employees with organizational goals and values (staff survey conducted annually with a shorter 6-monthly update).

Financial excellence: degree of delivery of operating budget and grant budgets relative to plan.

Service excellence: percentage of customer satisfaction with NZTE programmes and services (survey conducted annually).

Customer reviews: number of customers for which the global team (customer managers and international business development staff) has conducted a quarterly review of their 'engagement plan' relevance and status.

FDI/ODI: value of committed foreign direct investment or outward investment deals achieved with the support of NZTE.

International Team Dashboard (and Regional Team Dashboards)⁷

Customer satisfaction: percentage of customer satisfaction with the International Team (survey conducted annually).

Deals: value of sales of goods and services achieved with the assistance of NZTE in each region, calculated over a 12-month period. As informed by NZTE's customers to customer managers or business development managers.

FDI/ODI: value of committed foreign direct investment or outward investment deals achieved with the support of NZTE in each region.

Employee engagement: degree of engagement of International Team employees with organizational goals and values (staff survey conducted annually with a shorter 6-monthly update).

Number of job deliverables: number of jobs (groups of activities) carried out for customers in the market, by month (in the future might be measured by number of FTE-hours).

Other commercial outcomes: other outcomes based on a signed contract or written feedback from a customer that provides evidence of progress towards greater internationalization and is highly likely to result in an economic impact e.g. lease for office space, hiring new staff, appointment of partners (distributors, agents, etc.), regulatory approvals, licencing agreements, etc.

Engagement plan actions: percentage of actions included in customer engagement plans completed and delivered on time.

Customer reviews: number of customers for whom the global team (customer managers and international business development staff) has conducted a quarterly review of their engagement plan relevance and status.

Customer actions: number of customers with regional actions agreed/proposed per region and number of actions agreed for the past six months and the next six months (used to measure the workload foreseen for each region and post).

Customer EP target markets vs. actions by region: customers that have target markets in each of the regions and those of them that have agreed engagement plans and actions.

⁷ The information for the International Team can be disaggregated by regions including North America, South America, China, East Asia, Middle East and India, Europe and Australia-Pacific. The information can be further disaggregated by post.

Customer Team Dashboard

International revenue by sector: total value of exports informed by the F500 high growth potential customers to NZTE customer managers in the last three years, by sector (biotech, creative, food and beverage, information and communication technologies, manufacturing).

Customer value: percentage of businesses which state NZTE has added value, by sector (survey conducted annually).

Engagement plan actions: percentage of actions included in customer engagement plans completed and delivered on time, by team.

Target markets: top 10 target markets for F500 customers, by stage of internationalization (market discovery – market entry – market positioning).

International revenue (median growth): the median export growth as informed by the F500 high growth potential customers to NZTE customer managers, for the last three years, by sectors.

Customer manager satisfaction: percentage of customer satisfaction with NZTE as a whole (survey conducted annually), by team.

Customer reviews: number of customers for whom the Global Team (customer managers and international business development staff) has conducted a quarterly review of their engagement plan relevance and status, by team.

High impact programmes (HIPs): degree of completion of planned activities on seven special programmes involving groups of customers (including China programme, aviation, marine, health, technology & services, agribusiness, wine and the Americas Cup).

Deals: value of sales of goods and services achieved with the assistance of NZTE, calculated over a 12-month period. As informed by NZTE's customers to customer managers or business development managers, by sector.

Employee engagement: degree of engagement across the Customer Team with organizational goals and values (staff survey conducted annually with a shorter 6-monthly update), by team.

Prospect assessments: number of new customers graduated to the F500 group of high growth potential customers.

Tenure within the F500 portfolio: number of months that firms spend within the F500 portfolio of customers.