Performance Management Through Societal Performance Indicators

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ABSTRACT

Performance management is tied to external forces and stakeholders whose assessment of performance is more focused on societal outcomes than purely financial outcomes. Government, corporate, and even personal performance measurement should take into account societal indicators that link these disparate yet intertwined spheres of influence. New initiatives in both government and commercial sectors are bringing greater understanding of how societal indicators can measure performance. This paper highlights how societal indicators are used to measure performance in corporate and government sectors. Corporate societal indicators are explored primarily through literary research. Government societal indicators are explored through an examination of the EPA and Superfund program. The paper demonstrates that there is synergy between corporate, government, and personal government performance measures and how business intelligence tools are making these relationships more transparent.

Keywords: Corporate Sustainability, Government Business Intelligence Reporting, Government Performance Indicators, Government Transparency, Societal Performance Indicators

INTRODUCTION

The balanced scorecard put forth by Kaplan and Norton called for using financial, customer, internal, and growth perspectives to measure corporate performance. These perspectives are used for internal reporting of performance along strategic lines. Scorecards are used primarily with customers rather than with investors, according to Kaplan and Norton, because the scorecard does not translate to external audiences (Kaplan & Norton, 1993).

But external audiences and external factors cannot be separated from performance. As seen with the collapse of the financial, automobile, and housing markets in 2008 and the subsequent support from the Troubled Asset Relief Program (TARP), the relationships between economic sectors, the government, and consumers is intricate. Short-term gains (e.g., from questionable lending practices) have long-term consequences that impact all of society.

Something, therefore, is missing in how society views performance. Societal indicators need to be identified that measure the impact of economic sectors on social well-being. Short-term decisions need to be understood.

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in context of their long-term impact. Making societal indicators a part of corporate, federal, or even personal performance management will support understanding these relationships.

This paper submits that sustainability measures should be incorporated into all strata of society. Corporations are increasingly finding that their reputation and compliance with regulations affects their performance. Governments are subject to constant scrutiny from a socially active population that wants constant justification of the cost of programs to their outcome. Sustainability within the governmental and corporate sectors, however, cannot be achieved without making better personal choices that show a clear understanding about how our individual choices impact the global community.

**RESEARCH**

**Methodology**

This paper will rely on evidence from literature, web research, and some anecdotal experience to demonstrate the value of performance measurement across public, private, and individual sectors. There is ample evidence of the importance of measuring performance. The balanced scorecard provided a framework for measuring performance that relates to internal stakeholders and has been adopted by numerous corporations. A similar framework for managing performance in the governmental sector has not been found that can express mission performance across the government functions. Likewise, personal performance management is challenging because it is difficult to associate an individual action with global impact. There is little statistical significance of individual data points until they are aggregated across society.

Emphasis in this paper is placed on illustrating the use of business intelligence tools in demonstrating government performance. There have been significant improvements in the past decade in both the quantity and quality of data provided to the public consumer by the federal government. Some of the major innovators in using business intelligence tools will be highlighted as these new sources of data provide a context and even a source of data that is most closely related to societal indicators.

**Societal Indicators**

Using societal indicators is challenging because of the complex relationships between society and its economic, governmental, and social forces. There are a lot of data sources that highlight performance of individual companies and individual government programs, but determining how this performance translates into general social improvements is extremely complex. Perspective on government performance is driven by external forces that cannot be completely accounted for using statistical models that do not operate on a geological scale. Natural disasters, weather, war, and outbreaks of disease may influence a government’s performance. Much of the analysis of government performance is therefore subjective.

Societal indicators provide a better, albeit more complex, measure of outcome-oriented performance measurement. Societal indicators require supplementing internally driven performance metrics with externally focused metrics that emphasize attributes including quality of life, environmental health, and public safety (Kloby & Callahan, 2009). Societal indicators require more data aggregation and longer reporting periods than typical performance metrics. Kloby and Callahan illustrate the some important differences between performance measures and societal indicators in Table 1.

**Corporate Societal Indicators**

Corporate societal indicators measure the efficiency of a company in context of its relationship with external stakeholders. They measure how well the company performs in terms of resource consumption and carrying capacity. Natural resource consumption is measured in terms of raw materials consumed, utility costs, pollution, waste output, etc. Human resource consumption measures how a company may impact its workers and community. Societal indicators may be broad and require a long-term vision
Do Users Go Both Ways?: BI User Profiles Fit BI Tools
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