PERFORMANCE IMPROVEMENT FRAMEWORK

Core Guide 2: Undertaking a Performance Improvement Framework (PIF) Self-review

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New Zealand Government

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

THE TREASURY
Kaitohutohu Kaupapa Rawa

DEPARTMENT of the
PRIME MINISTER and CABINET
Te Tari o Te Pirimia me Te Komiti Matua

Table of Contents

Introduction

About the Performance Improvement Framework

The Performance Improvement Framework (PIF) helps senior leaders in the State Services lead performance improvement in their agencies and across the system. Users of the framework start with the question: "what is the contribution New Zealand needs from this agency (or sector or system) in the medium term?" They then use the framework to identify the critical gaps and opportunities between the current and desirable future capability and performance. This is the **performance challenge**, and it is described in the Four-year Excellence Horizon.

The PIF encourages future-focused discussions across all aspects of the business. Leadership teams use input from customers, Ministers, stakeholders, New Zealanders and staff to think about near-term challenges and opportunities as well as their stewardship responsibilities.

The benefits of PIF are that:

- senior leadership teams get a good picture of the potential for their agencies and how to improve

- the central agencies get a system-wide diagnosis of what is good and where the system can improve

- Ministers get assurance that the agencies they are responsible for are constantly looking for ways to improve how they do business and deliver value for customers and New Zealanders

- the public is able to see that the State services is thinking about its services and how they are delivered. They can see that the State services is continuously seeking to improve and is transparent about that.

The framework was developed in 2009 and has been upgraded several times. It has three major components: the Four-year Excellence Horizon; Results; and Organisational Management. The model is at http://www.ssc.govt.nz/pif-core-guide-1.

The framework is used in Agency Reviews, PIF Follow-up Reviews, and PIF Self-reviews. Agency Reviews and Follow-up Reviews are conducted by two independent Lead Reviewers who work with the agency's leadership team. PIF Self-reviews are conducted by the agency itself, sometimes with external assistance. These are also carried out in preparation for a full Agency Review.

Link to Core Guide 1: What is the Performance Improvement Framework?

Link to Performance Improvement Framework and Lead Questions

For more information about PIF and supporting resources go to http://www.ssc.govt.nz/pif.

About this guidance

This guidance is intended to provide advice to agencies undertaking a PIF Self-review. There are two types of Self-review using the PIF:

- a PIF Self-review which is undertaken before the Agency Review to help the agency prepare and to provide information for the Lead Reviewers (also called an advance Self-review)

- a standalone PIF Self-review. This review is undertaken by the agency as a self-awareness and performance improvement tool which contributes to its business planning.

This guidance covers both types of PIF Self-review. Templates and other resources are attached.

Support

External support is available to agencies undertaking Self-reviews using the framework and may be especially helpful for those doing standalone PIF Self-reviews. External support is discussed further in the guidance below.

To contact the State Services Commission about the framework and PIF Self-reviews, email performance.improvement.framework@ssc.govt.nz or telephone 04 495 6600 and ask for the PIF team.

Why undertake a PIF Self-review?

Above all else a PIF Self-review helps an agency to be self-aware – to discover what it knows and does not know about itself. It helps the leadership team (and the Lead Reviewers for a PIF Agency Review) to identify the challenges and opportunities the agency faces, its ability to address them and what success would look like.

Advance Self-review

A PIF Self-review is required before a PIF Agency Review because it:

- assists focus: it positions the agency's senior leadership team to have a constructive initial engagement with the Lead Reviewers about opportunities, challenges and possible areas of focus for the Agency Review

- collates evidence: Agency Reviews are of short duration. An advance PIF Self-review provides background and evidence that Lead Reviewers can test and use during the review to inform their judgements.

Standalone PIF Self-review

Standalone PIF Self-reviews have been undertaken by a number of agencies, especially those that are not scheduled for PIF Agency Reviews. In addition to agency self-awareness, standalone PIF Self-reviews:

- are a systematic way for agencies to understand their strengths and weaknesses

- give voice to staff and customers

- are a catalyst for action

- support and validate the agency's performance monitoring, improvement and change programmes

- can be used to build a culture of continuous improvement

- support business strategy and planning

- give assurance to external stakeholders including Ministers, customers and sector partners

- provide unique development opportunities for review team members.

Principles and key success factors

Underlying principles for PIF

- Performance improvement: The PIF is about performance improvement. To get benefit from a PIF Agency Review the agency needs to be prepared to challenge itself and to search for performance excellence.

- Future focused: The framework is based on a Four-year Excellence Horizon. It is not intended to be an audit or report card.

- Collaborative and participatory: The team conducting the PIF Self-review and the agency leadership team need to work together to create the Four-year Excellence Horizon.

- Judgements informed by evidence: PIF Reviews involve judgements which are informed by evidence.

- Low cost and minimise disruption: PIF Reviews are short, and are intended to minimise cost and disruption to the agency.

- Transparency and confidence: PIF Reviews contribute to staff and public confidence if the agency is open about the review, its findings and its Agency Response.
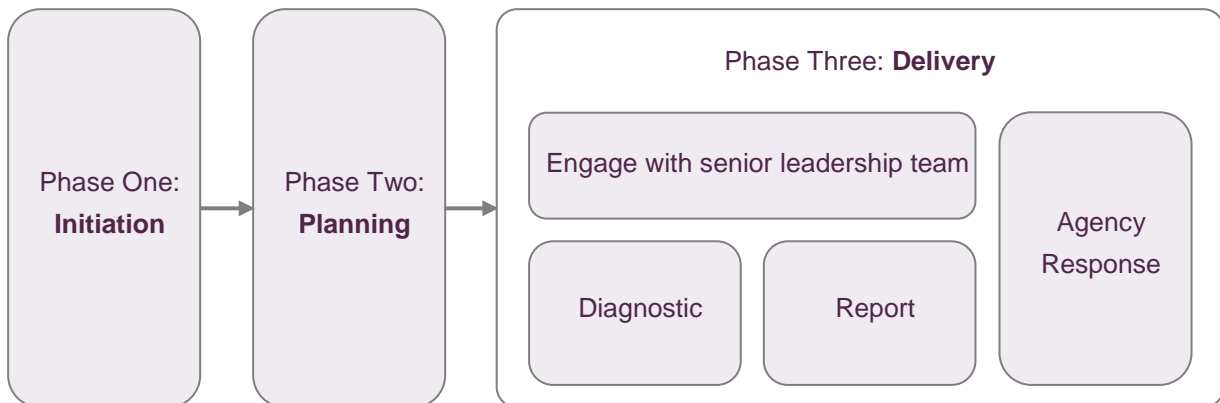
Key success factors for PIF Self-review

- Mandate – from the chief executive (and chair for a Crown entity)

- Commitment – from the leadership team

- Active sponsorship – from a second tier manager

- Starting point – the agency's existing strategic framework

- Engagement – that is open and honest.

Recommended approach for a PIF Self-review

Phase One: Initiation

Initiation establishes the mandate for the PIF Self-review and agrees the high-level timelines and resources.

Terms of Reference

The Terms of Reference is the formal instruction given by the agency chief executive to the review team to conduct the PIF Self-review. It ensures the senior leadership team has visibility of the review and its scope. It provides the review team with its mandate.

The Terms of Reference sets out the objectives, scope, responsibilities and timeframes for the review.

Template: PIF Self-review Terms of Reference (Appendix A)

Tip: It is vital to gain the commitment of the agency, and in particular the senior leadership team, to the PIF Self-review. The senior leadership team need to understand the Self-review's value to them. The objectives need to be clear. The Terms of Reference help to confirm this.

Tip: Don't limit scope unnecessarily. The value of PIF is in taking an overall view of the agency, including results and capability. A PIF Self-review is intended to help the leadership team (and the Lead Reviewers for a PIF Agency Review) to identify the greatest value the agency can provide. Limiting the scope can focus attention on the current context or state.

Review team

The PIF Self-review team conducts the review. This includes undertaking research and analysis, conducting interviews as required, making judgements, writing up findings and working with the leadership team to finalise the review.

Tips for building a successful team include:

- team members need to have the right skills and experience, including an interest in the PIF Self-review

- the team should be small, with no more than five to seven people. However, make sure the team has the range of skills needed to cover all of the PIF model elements

- the team leader should have good knowledge of the agency and project management methods

- part-time or full-time involvement can work, although timeframes will be different

- team members should come from different parts of the agency to ensure a wide knowledge of the agency, otherwise the team will need to gain this knowledge – for example, through research and consultation

- good and frequent reporting lines to the review sponsor are required, with clear decision-making and 'no surprises'.

Tip: Several agencies have included a team member from an agency that has already undertaken a PIF Self-review (often from a similar sector or agency). This person can provide an independent view and experience of what works.

External support

External support can include:

- training for the team conducting the PIF Self-review

- advice on what worked from agencies that have conducted good PIF Self-reviews

- advice and support to the PIF Self-review team

- involvement in interviews, focus groups and workshops

- facilitating strategic discussions and assistance with the development of the Four-year Excellence Horizon

- moderating the report and ratings

- help with workshops and presentations as the findings are moderated and presented.

External support can be provided by the SSC PIF team, Lead Reviewers or agencies that have previously undertaken PIF Self-reviews. For more information please email the PIF team on: performance.improvement.framework@ssc.govt.nz or phone 04 495 6600 and ask for the PIF team.

Tip: External support may be particularly useful when undertaking a standalone PIF Self-review to help provide assurance about the rigour of the review and its findings.

Communication

The agency chief executive should inform all staff about the decision to undertake a PIF Self-review and describe the framework, its benefits and why it is important to do a Self-review. Once the Terms of Reference are agreed, the review team appointed and the work plan established, the chief executive should communicate key information to staff and seek their cooperation.

Phase Two: Planning

Planning involves deciding the detailed approach to be taken to the PIF Self-review, training the team, collecting documents and planning the Delivery phase.

Approaches and techniques

The diagnostic process undertaken by the PIF Self-review team should involve:

- validating (with the agency leadership team) the agency's existing strategic framework as articulated in its Four-year Plan and other documents

- using the framework to test what the agency knows about its performance and capability in light of its own strategic framework

- refreshing the strategic framework (with the agency leadership team) including how to respond to the performance challenges.

Several different approaches have been taken by agencies undertaking a PIF Self-review. The primary ones are:

- desktop analysis – the PIF Self-review team collects and analyses key documents to build on its existing knowledge of the agency. The team then makes collective judgements based on this evidence

- desktop analysis and interviews – the desktop analysis is validated by interviews and focus groups, which gather further evidence and help test the review team's judgements

- consensus – a small number of workshops are held with groups of agency leaders to gather evidence and make judgements on the framework's questions. The results of the workshops are then moderated against each other

- bottom-up – a number of workshops are held throughout the agency to gather evidence and judgement on the framework's questions. The findings are validated with groups of agency leaders.

In practice a range of approaches are possible and reviews can be a mix of these. Some agencies have also surveyed staff as part of their approach.

Tip: Sometimes greater validation efforts may be appropriate for a standalone PIF Self-review than for an advance PIF Self-review. Validation work will help ensure confidence in the findings, which is less critical when a PIF Agency Review by independent Lead Reviewers will follow.

Tip: It is particularly important to document evidence for an advance PIF Self-review. The Lead Reviewers for the PIF Agency Review will want to see this evidence to help inform their judgements.

Team training

Training (usually a few hours) on the basics of the framework and what works for PIF Self-reviews can be helpful for the review team. Depending on availability, State Services Commission PIF team members can offer PIF Self-review training.

The work plan

The review team should meet early and agree how to divide up the work. The team needs to have dedicated time to review documents and information, and set times to discuss progress and findings – end-of-day debriefs may be one option. A dedicated joint workspace with a whiteboard can help the team make connections across the different areas of the review. The review team should regularly check in with the PIF Self-review sponsor and the senior leadership team to highlight themes emerging.

Tip: Undertaking a PIF Self-review should be a short process but there is no right or wrong length of time. The approach used and the availability of resources are key factors. Reviews should be completed in a timely manner using focused effort and adhering to a clear work schedule. Otherwise momentum can be lost and findings can get out of date. Fresh is important.

Government Priorities and Core Business

The Results part of the framework comprises Government Priorities and Core Business. A good definition of the Government Priorities and Core Business areas is important for a high-quality PIF Agency Review or PIF Self-review.

Supporting material: Defining Government Priorities and Core Business (Appendix B)

Documents

It is important to start document collection well in advance of the analysis phase.

Template: PIF Self-review Document List (Appendix C)

Tip: Many PIF Self-reviews have gathered no more than 20 to 30 core documents and have found that right for the review. Quality matters rather than quantity. For example, the agency's detailed policies are probably not required.

Tip: The most important documents the PIF Self-review team will collect are those the agency uses to set direction, determine priorities and assess performance.

Phase Three: Delivery

Delivery involves conducting the PIF Self-review diagnostic, the review team engaging with the agency leadership team on the findings, and the leadership team developing a response.

Four-year Excellence Horizon

The Four-year Excellence Horizon is a strategic narrative agreed by the senior leadership team and based on the following key questions:

- what is the contribution New Zealand needs from this agency and, therefore, what is the future performance challenge?

- if the agency is to be successful at meeting the future performance challenge, what would success look like in four years?

Supporting material: About the Four-year Excellence Horizon (Appendix D)

Supporting materials: Getting to Great and Getting to Great – Internal Leadership

Tip: When preparing the Four-year Excellence Horizon the senior leadership team and the review team are not starting from scratch. The starting point will be the agency's existing strategic framework.

Interviews, focus groups and workshops

The PIF Self-review team should consider what the evidence (or lack of) is telling it about each of the critical areas and plan any interviews accordingly.

Interviews need to be arranged well in advance. Interviewees should be sent background about the review's purpose, process and what the interviewees can expect. The interviewee should not need to do any special preparation for the interview. Make it clear that the conversation is confidential and comments will not be attributed.

Having two PIF Self-review team members for interviews makes it easier to keep the conversation flowing, to take notes and to verify what was said. Discussions should be open and future-focused. Interview notes should be securely destroyed at the end of the project.

Some PIF Self-reviews have included interviews with external stakeholders or customers. But agencies will often have sufficient 'voice of customer' material and can obtain it through tools such as surveys. The absence of this material may show a lack of organisational awareness and provide an opportunity for future improvement.

As noted, workshops can be used to gather evidence and make judgements on the PIF questions. These differ from focus groups, which seek broad staff input (pulse of the organisation) rather than being based on specific framework questions. Focus groups are used in PIF Agency Reviews and can be appropriate for standalone PIF Self-reviews.

Tip: Interviews can be time-consuming so should be carefully selected, with the topics in each interview clear.

Tip: External interviews are not recommended for advance PIF Self-reviews as external parties will be interviewed by the Lead Reviewers in the PIF Agency Review.

Tip: Some interview questions that might be useful (as well as those about the interviewee's area of responsibility or relating to specific PIF questions) are:

- *what is the agency's role and purpose (from your perspective or role)?*
- *what are its current priorities? Are they likely to change over the next few years?*
- *how might it be operating differently in four years' time and with what impacts and outcomes in mind?*
- *what does the agency do really well?*
- *what are the things the agency needs to get better at?*
- *what are the most important improvements the agency could make to lift its performance?*
- *how do you know if the agency is being successful?*

Review report

The review team will meet at key times to discuss findings, challenge each other and find consensus. The draft report will be developed from these discussions and engagement with the agency leadership team. As far as possible, findings should be based on evidence.

The report should be concise, setting out the key facts and judgements for each area. Any extensive analysis should be attached as appendices. The draft report should be thoroughly reviewed before it is distributed outside of the team.

Template: PIF Self-review report (download template from here)

Tip: The review report for an advance PIF Self-review, in particular, should reference the supporting evidence for the judgements made. Lead Reviewers for the PIF Agency Review will want to understand the evidence, and may want to trace back to it. Evidence sources may be recorded, for example, as footnotes or in appendices.

Ratings

Ratings are part of the PIF methodology and aid focus. Agencies may sometimes choose not to use ratings for their PIF Self-reviews, but this should be the exception. The review team should make draft ratings for validation with the agency leadership team.

PIF Ratings (Appendix E)

Supporting material: PIF System findings

Ratings are made from a 'front windscreen', not a 'rear view mirror' perspective. A rating is based on an agency's capability to deal with the performance challenges in front of it, not how well it has achieved in the past. An extreme example to illustrate this is an agency that has performed very well to date but is facing big changes in its environment and operations.

The agency may have good strategies in place to address the upcoming challenges, but limited evidence may mean that a 'needing development' rating is appropriate for this area.

> *Tip: It is important that those involved in a PIF Self-review understand the basis of a 'needing development' or 'weak' PIF rating and that even the best-performing agencies are likely to have some such ratings. For example, a 'needing development' rating for a Government Priority or Core Business can mean it is new or at an early stage and thus the impact of the agency's actions in this area is not being seen yet. A 'weak' rating can mean the agency is not putting sufficient focus on this area or element of the PIF. The agency may have prioritised and may be putting attention and resources elsewhere and the area or element in question may be able to be quickly remedied. Agencies can be defensive about PIF ratings but the possibility of this is reduced if the basis of them is understood.*

Moderation

Internal or external help can be sought to moderate the report and the ratings – involving consideration of whether the report is robust and supported by evidence, whether ratings are consistent with the evidence and write-up and, when an external resource is involved, whether the report and ratings are fair, compared with other PIF reviews.

Engage with the senior leadership team

The review team should check-in with the review sponsor and with the senior leadership team during the review on the themes emerging. The leadership team will want to discuss, engage with and have input into the emerging themes.

At the draft report stage the review team should present the key findings to the agency's senior leadership team. The senior leadership team will want to understand the key evidence sources and the judgements made and will want to see that the report is evidence based and robust. The senior leadership team will participate in finalisation of the Four-year Excellence Horizon.

The senior leadership team may develop its own view of the PIF Self-review ratings and compare them to the ratings made by the review team. This process of discussion and moderation between the review team and the senior leadership team may lead to changes to the report as it becomes final.

For a Crown entity, the senior leadership team needs to ensure the Board is kept up to date on progress, and has the chance to contribute at key points.

> *Tip: The senior leadership team should reflect objectively on the agency and itself during finalisation of the PIF Self-review.*

Agency Response

The Agency Response is a statement by the senior leadership team that it acknowledges the PIF Self-review report and describes what it intends to do about the findings. The Agency Response needs to meet the expectations of the agency staff and stakeholders who have contributed to the Self-review.

Tip: Great Agency Responses are commensurate to the performance challenge. They are:

- *appropriate (befitting and consistent with the challenge described in the Four-year Excellence Horizon)*

- *understood (widely owned by the senior leaders in the agency with key stakeholders engaged in the key findings and solutions)*

- *measurable at an impact level (performance / delivery will be demonstrably different for citizens and clients)*

- *do-able (affordable, realistic, sifted for early wins, with a sequence that makes sense).*

Tip: It is vital that the agency senior leadership team owns the Agency Response.

Next steps

For an advance PIF Self-review, the PIF Self-review report will be provided to the Lead Reviewers to inform their work. The report and the Agency Response will form part of the senior leadership team's engagement with the Lead Reviewers at the 'What Matters' and diagnostic stages of the PIF Review.

For a standalone PIF Self-review, the findings, including the Agency Response, will feed into agency strategy and planning. As noted under the 'Benefits' section above, standalone PIF Self-reviews can be a catalyst for action, can support other performance improvement and change programmes, can be used to build a culture of continuous improvement and can give assurance to external stakeholders. The findings also may point to the opportunity to provide enhanced value by improving or changing how the agency engages with other agencies that also interact with its customers.

Tip: A PIF Self-review, including the Agency Response, should not be carried forward in isolation. It needs to feed into the agency's strategy and planning processes.

The standalone PIF Self-review report, including the Agency Response, should usually be published internally soon after it is complete, as agency staff who have contributed to the review will want to see the report. The agency senior leadership team should also use other forums to present and discuss the findings with staff. The report should usually also be published on the agency's website. This aids transparency and the confidence of customers, stakeholders and the public.

Appendix A

Template: PIF Self-review Terms of Reference

Terms of Reference

Performance Improvement Framework (PIF) Self-review

<Agency name>

Status:	<>	Author:	<>
Date:	<>	Version:	<>

Introduction

<Agency name> is undertaking a Performance Improvement Framework Self-review. This Terms of Reference is prepared to give a common understanding of the objectives, scope, responsibilities and timeframes for the review.

Purpose

PIF Reviews help senior leaders lead performance improvement in their agencies. The framework is based on a four-year performance excellence horizon – what is the contribution New Zealand needs from this agency, what are the opportunities and challenges that confront it in the medium term, how well placed is the agency to deliver its potential and what are the priority areas to lift performance.

You may wish to include other material on the benefits of PIF as appropriate from this guide or on the SSC website.

If the Self-review is in preparation for a PIF Agency Review, you may also wish to include text such as: This PIF Self-review is being conducted in preparation for a PIF Agency Review, to be conducted by <x and y> Lead Reviewers in <month and year>.

In the case of a standalone Self-review, text such as this may be used: This PIF Self-Review is being conducted to help <agency name> consider the opportunities and challenges for the future and the priority areas to lift performance.

Scope

Describe the scope of the review and any constraints. The value of the PIF is in taking an overall view of the agency, including results and capability, so don't limit scope unnecessarily.

Roles and responsibilities

Role	Responsibility
Sponsor <name>	The PIF Self-review Sponsor is either the chief executive or a second tier manager. This role provides oversight, promotes the PIF Self-review across the agency and works to remove barriers if they arise.
Self-review Project Manager <name>	The Project Manager plans the review, schedules the activities, and trains and leads the PIF Self-review team. The Project Manager monitors progress, and may also edit the draft report.
Self-review team <names>	Self-review team members analyse documents, conduct interviews where required and write up draft findings for the topic areas they are allocated. The team finalises the draft report together, providing challenge and consistency across the review.
Review Administrator <name>	The Administrator is part of the Self-review team. The Administrator collates the documents required by the team, assists with project reporting and arranges interviews, workshops and briefings as required.
Moderation (if used) <name>	Moderation helps ensure the report and ratings are robust and fair and are supported by evidence.
Senior leadership team	The agency senior leadership team works with the Self-review team to finalise the report. It then develops an Agency Response.

Deliverables and timeframes

Deliverable	By date
Initiation	
Terms of Reference signed	
Review team members identified	
Any external support requirements agreed	
Agency staff informed about the PIF Self-review	
Planning	
Approach agreed and detailed planning undertaken	
Team training	
Definition of Government Priorities and Core Business	
Documents collected	

Deliverable	By date
Delivery	
Diagnostic including any interviews and focus groups	
Team synthesis of findings	
Report drafted	
Report finalisation with the leadership team	
Agency Response	
Next steps	

Resources

List any resources that are required in addition to the Review Team, particularly any with financial budget implications such as external support personnel.

Risks

Discuss any identified risks and mitigations.

Agreement to the Terms of Reference

I am satisfied that the approach outlined in the Terms of Reference will achieve the stated objectives of this review.

_____

<name>
Chief Executive, <Agency name>

Date

Appendix B: Defining Government Priorities and Core Business

An evidence base	Government Priorities and Core Business areas should be evident in existing documents (such as Statements of Intent, Annual Reports, Estimates of Appropriations, Ministerial priority letters and BPS Results)
A comprehensive and manageable set	The set of Core Business areas should: ▸ cover the key functions or activities of the agency ▸ match the size and complexity of the agency (suggested limits are no more than seven for a large agency and no more than four for a small agency) ▸ be prioritised to the most significant ie, small Core Business areas may not be reviewed. The set of Government Priorities should: ▸ consider Ministerial priorities and BPS Results ▸ be appropriate to the size of the agency ▸ be prioritised to significant priorities (based on size and impact) ▸ be active – priorities that have been completed should not be reviewed.
Different and distinct results areas	Each Core Business area should as much as possible relate to one function or activity of the agency, (ie, not be an amalgam of different activities) Each Core Business area should as much as possible be distinct from other Core Business areas (ie, have only minimal overlap) Each Government Priority should be distinct and different from others A Government Priority and Core Business should not be identical (but may overlap).
Accountability	Core Business areas will not necessarily map to the agency's structure or match the way the agency is funded. But an agency senior leader should be accountable for the purposes of the PIF for the Core Business area and be able to answer the questions, "How are we doing in this area? How do we know?"
Written in a clear consistent style	Each Government Priority and Core Business area should be written in clear, simple language, with as much detail as required to explain it.

Appendix C

Template: PIF Self-review Document List

Not all the documents listed here will necessarily be required. This list is a starting point from which to select those that may be useful.

1.0 General
SLT and other leadership committees background (eg, TOR, charter)
Agenda and minutes from recent senior leadership team meetings
Organisational chart - tier three level

2.0 Strategy and Accountability Documents
Organisation strategy / key papers
Output plan
Sector strategy / key papers
Priorities letters
Priorities PM response

3.0 Performance Reporting Documents
Recent Minister reports
Recent Board reports (for a Crown entity)
Recent SLT reports

4.0 Budget Documents
Four-year Plan - last 2

5.0 Clients and Stakeholders
Fresh voice of the customers / stakeholders

6.0 External Reviews
Any recent reviews or evaluations
Any recent OAG performance audits

7.0 Core Business, Value and Operating Model
Agreed impact statements
Efficiency description
Business strategy / business model description
Operating model description
Research and evaluation programme/plan
Papers from significant reviews

8.0 People Development
Fresh voice of staff / staff engagement survey
Four-year workforce strategy (and/or People Capability Strategy)

9.0 Finance and Resource Management
IT strategy / Information Systems Strategic Plan
Audit management letter
Asset management plans and reports
Internal audit programme
List of internal audit reports for last two years
Risk policies/risk register or reports

Appendix D: About the Four-year Excellence Horizon

A Four-year Excellence Horizon is developed during a PIF Review. It is a strategic narrative based on answers to these key questions:

- What is the contribution New Zealand needs from this agency and, therefore, what is the future performance challenge?

- If the agency is to be successful at meeting its future performance challenge, what would success look like in four years?

The Four-year Excellence Horizon is intended to:

- Describe the critical shifts an agency needs to make to be successful in four years' time

- Help agency leadership teams deepen their understanding of how to be strategic and manage strategic change programmes

- Describe the opportunities in the agency and within the sector, and how these can be captured

- Give agency leadership some clarity about the most important issues to work on to lift performance, plus a sense of what success might look like

- Provide a benchmark against which to assess performance.

The development of a Four-year Excellence Horizon usually begins with a review and validation of the agency's existing strategic framework. It is often developed using the following headings:

Environment

What are the medium term environmental / contextual trends and their potential impacts for the agency and its resources, stakeholders and customers? Trends might include shifting patterns in the economy; demographics; megatrends; how customers and their needs, preferences and expectations will change over time; and who are the critical stakeholders / partners / relationships to deliver results.

Performance Challenge – Outcomes

Given this environment, what outcomes does this agency need to deliver to be the best it can for New Zealand?

Performance Challenge – Agency

What are the consequent challenges, risks and opportunities in terms of the agency's purpose, the results it will need to achieve, the sort of organisation it will need to be and how it will need to work. How does the agency need to change and what change capability will it need?

Suggested headings are:

- Purpose and Targets

- Business Strategy

- Operating Model

- Implementation (including Change Capability).

What will success look like?

If the agency is to be successful at meeting the future performance challenge, what would success look like in four years?

Appendix E: PIF Ratings

Rating	Judgement	What it means
	Strong (Excellent)	**Best practice/excellent** ▸ High level of capability and sustained and consistently high levels of performance ▸ Systems in place to monitor and build capability to meet future demands ▸ Organisational learning and external benchmarking used to continuously evaluate and improve performance.
	Well placed	**Capable** ▸ Delivering to expectations with examples of high levels of performance ▸ Evidence of attention given to assessing future demands and capability needs ▸ Comprehensive and consistently good organisational practices and systems in place to support effective management.
	Needing development	**Developing** ▸ Adequate current performance – concerns about future performance ▸ Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units ▸ Areas of underperformance or lack of capability are recognised by the agency ▸ Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.
	Weak	**Unaware or limited capability** ▸ Significant area(s) of critical weakness or concern in terms of delivery and/or capability ▸ Management focuses on tasks and actions rather than results and impacts ▸ Agency has limited or no awareness of critical weaknesses or concerns ▸ Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
	Unable to rate/not rated	**There is either:** ▸ No evidence upon which a judgement can be made; or ▸ The evidence available does not allow a credible judgement to be made.