

stakeholder research

Using stakeholder research in the evaluation of organisational performance

Introduction

It is widely recognised in the public, private and not-for-profit sectors that the evaluation of organisational performance needs to be based on a broad range of financial and non-financial measures. Techniques such as the Balanced Scorecard (Kaplan & Norton 1996) aim to embed such a range of measures into an organisation's performance management system.

Stakeholder research provides one important set of measures of organisational performance. It encompasses the experiences and perceptions of groups of people who have vested interests in the services delivered by the organisation – customers, employees, strategic partners, and special-interest groups. 'Stakeholder satisfaction' is often used to represent the views of these groups, and a common approach to its measurement is to focus on the concept of 'satisfaction' either as an exogenous variable or as a construct based on various attributes of satisfaction.

As highlighted in a recent award-winning *EJA* article by Scott Bayley (2001) measures of satisfaction using traditional test theory have fundamental shortcomings related to the often poor psychometric basis for the construct in the test instruments used, and associated problems with reliability and validity. In addition, Bayley identifies inadequacies in general research techniques applied to satisfaction measures such as poor scale construction and response formats, skewed score distributions and inappropriate data analysis and reporting. Leaving aside these problems with general research techniques, Bayley argues persuasively for latent trait theory as a sound approach for obtaining fundamental measures of satisfaction. Under this approach, multiple questions related to satisfaction are asked of stakeholders and the responses formed into a uni-dimensional scale using Rasch latent trait theory.

While we agree with Bayley on the superiority of Rasch latent trait scales over traditional test theory, and have used this approach in the past, in our experience any approach to stakeholder research based around a uni-dimensional measure of satisfaction has shortcomings for the evaluation of organisational performance. In particular, relevance and utilisation are often limited, with the research shedding little light on many of the key questions being asked about organisational performance.

We argue that the design of stakeholder research should be built upon a sound framework of organisational performance, should focus on the claims embedded in the key corporate statements of aspiration, and should be based on a strategic analysis of issues and risks.

Michael Brooks

Chris Milne

Klas Johansson

Michael Brooks and Chris Milne are principal consultants with ARTD Management and Research Consultants, and Klas Johansson is a senior consultant with ARTD Management and Research Consultants, based in Sydney.

Indeed, for many agencies in the public sector, where the focus is on policy development or regulation in a contested environment, the satisfaction of stakeholders may not be a primary objective.

In contrast, we have found that senior managers are usually quick to appreciate and act on issues presented as feedback from stakeholders on specific strategic aspects of organisational performance. The current paper outlines an approach to stakeholder research which aims to achieve this through testing an organisation's own claims about its intended performance, and which avoids uni-dimensional measures of satisfaction. We argue that the design of stakeholder research should be built upon a sound framework of organisational performance, should focus on the claims embedded in the key corporate statements of aspiration, and should be based on a strategic analysis of issues and risks. We illustrate the approach using examples from two recent projects, and suggest some guidelines for designing stakeholder research.

Stakeholder research

We use the term 'stakeholder research' to refer to the *critical investigation of the experiences and views of sets of people who have vested interests in the products and services delivered by an organisation.*

The sets of people we include as stakeholders are:

- *owners* – shareholders and elected representatives;
- *clients* – end-users of the services provided by the organisation, typically segmented into different clusters based on the nature of their interactions and interests;
- *staff* – employees of the organisation who participate in work programs to deliver services to clients;
- *internal customers* – employees of the organisation who rely on internally provided services (e.g. IT support) to do their job;
- *strategic partners* – the key contractors, suppliers or collaborators whose long-term support is critical to the sustainable delivery of services;
- *special-interest groups* – groups who represent the specific interests of their constituents or members based on professional, industry, regulatory or community issues.

At the broadest level, stakeholder research aims to provide an organisation with answers to questions such as:

- How well do the types and quality of services we deliver match stakeholder needs and expectations?

- Are these services able to be delivered in a safe and productive work environment?
- Are our current claims about intended organisational performance credible to stakeholders?
- Is our organisational performance viewed by stakeholders as sustainable?
- What suggestions do stakeholders have for performance improvements?
- What are the gaps in our knowledge and understanding of stakeholder's views and requirements?

Investigating such questions requires a conceptual framework to represent 'organisational performance', sometimes stated explicitly and sometimes implicit. A range of such conceptual frameworks are used in Australia based on specific performance attributes such as outputs/outcomes (e.g. Commonwealth Department of Finance and Administration 2000), value-adding areas (e.g. CSIRO Organisational Performance Measurement System – Chennell 2000) and quality management standards (e.g. US National Quality Program – National Institute of Standards and Technology 2002; Australian Quality Council 2002).

In our work in evaluating organisational performance we have adopted a simple framework which draws on these and covers seven key areas – leadership; customer and market focus; strategy and planning; work environment; work processes; product and service quality; and reputation (Figure 1 overleaf).

Applying stakeholder research to evaluating organisational performance potentially involves gathering feedback from different sets of stakeholders across these different areas of organisational performance (Figure 2 overleaf).

This perspective contrasts with the most common approach to stakeholder research which simply measures customer satisfaction with product and service quality. It is clear from Figure 2 that this limits the feedback to one stakeholder group (customers), and one dimension of organisational performance (product and service quality). Our approach aims to provide a far more comprehensive assessment of how the performance of the organisation is viewed by its key stakeholders.

At the same time, we recognise that the perceptions of stakeholders provide only one set of data about the organisation's performance, and they need to be synthesised with other data on business processes, outputs and outcomes as well as environmental factors. However, in this paper our focus is on developing these stakeholder measures to provide data which are valid and relevant to overall judgments of performance.

FIGURE 1: ORGANISATIONAL PERFORMANCE FRAMEWORK (ARTD)

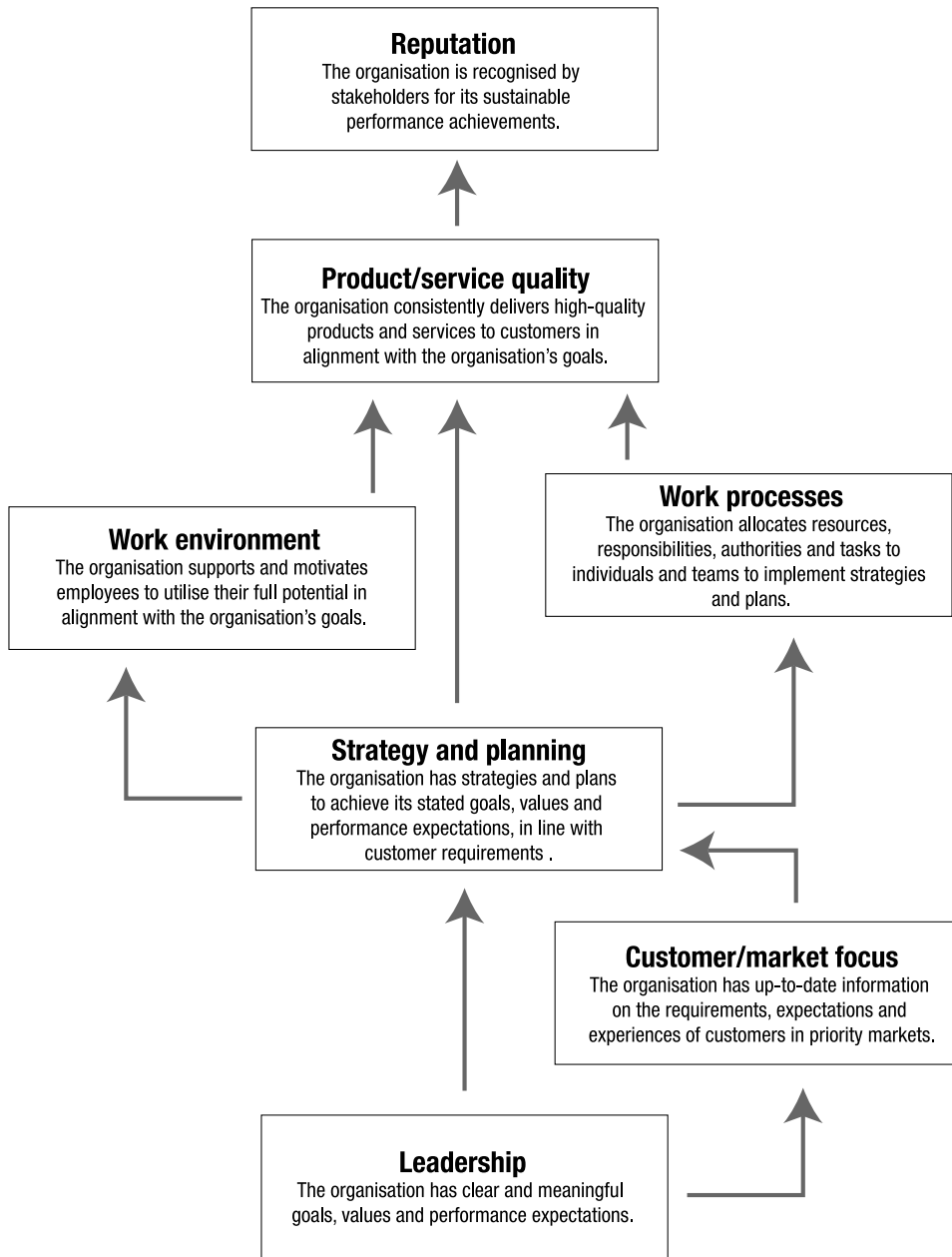
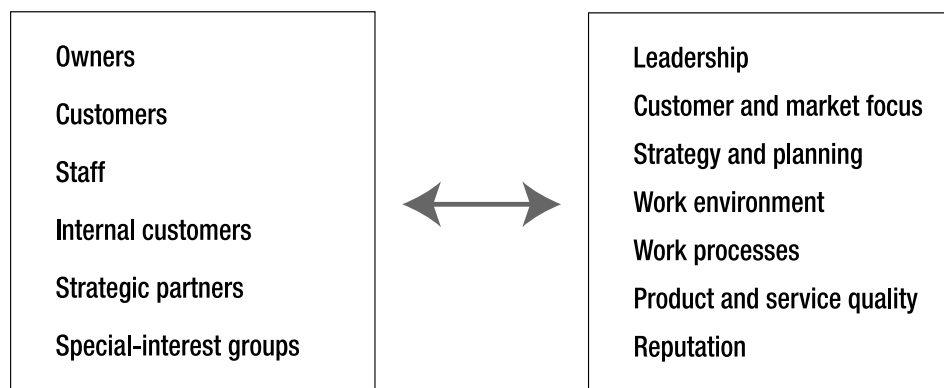


FIGURE 2: LINKS BETWEEN STAKEHOLDER SEGMENTS AND AREAS OF ORGANISATIONAL PERFORMANCE



Stakeholder research studies

In this section we explore some of the particular requirements for designing stakeholder studies to ensure that they are relevant and that the results are utilised. These are in addition to the normal demands in research and analysis for methodological rigour and technical competence, which we take as given.

Given the large number of possible combinations of different types of stakeholders and different dimensions of organisational performance which we described above (Figure 2), designing stakeholder research is far from simple. To address this complexity, any stakeholder research study needs to be based on an initial analysis which identifies:

- which evaluation questions are of greatest importance (strategic analysis);

- which stakeholder views are most relevant to which aspects of organisational performance (risk analysis);
- what other performance information is needed to contextualise this feedback (environmental analysis).

A useful tool in designing the research is to match the key drivers of organisational performance with key evaluation questions, focus areas for stakeholder research, and additional sources of performance information (Table 1).

To illustrate our approach in practice, the remainder of this section presents two case studies of stakeholder research undertaken for public sector clients.

TABLE 1: EXAMPLES OF STAKEHOLDER RESEARCH LINKED TO THE EVALUATION OF ORGANISATIONAL PERFORMANCE

Key drivers of organisational performance	Evaluation questions	Examples of focus areas for stakeholder research	Other relevant performance information
<i>Strategy and planning</i>	<p>Post-implementation reviews of all major strategies/plans:</p> <ul style="list-style-type: none"> ■ Was the strategy/plan implemented in line with agreed milestones? ■ Did the strategy/plan achieve its intended outcomes? ■ Were there any unintended outcomes of the strategy/plan? ■ Did the delivered outcomes address the initial need/problem? 	<p>Do <i>staff</i> agree that:</p> <ul style="list-style-type: none"> ■ they had appropriate opportunities to contribute to decisions about aspects of the strategy/plan that affect them? ■ implementation of the strategy/plan was well managed? <p>Do <i>internal and external strategic partners</i> agree that:</p> <ul style="list-style-type: none"> ■ they were consulted about relevant aspects of the strategy/plan? ■ the strategy/plan achieved its strategic objectives? 	<ul style="list-style-type: none"> ■ Strategy/plan outputs against milestones ■ Actual outcomes/impacts
<i>Work environment</i>	<ul style="list-style-type: none"> ■ Are employees motivated to utilise their full potential in alignment with the organisation's goals? ■ Is the work environment conducive to high levels of productivity? 	<p>Do <i>staff</i> agree that:</p> <ul style="list-style-type: none"> ■ the organisation values staff? ■ they are treated with respect in the workplace? ■ their work contribution is appropriately recognised and rewarded? ■ the work environment is safe? 	<ul style="list-style-type: none"> ■ Level of absenteeism ■ Level of staff retention ■ Factors associated with staff turnover (based on exit interviews) ■ Number of employee hours lost due to workplace accidents

Case 1: NSW Treasury Agency Relations Survey

Background

NSW Treasury aims to achieve professional and effective relations with the 120 budget and non-budget sector agencies it supports as a financial and economic adviser. ARTD has worked with Treasury since 1995 to implement a suite of self-completion questionnaires to obtain systematic feedback from clients on aspects of Treasury's organisational performance. These Agency Relations Surveys are conducted every two years as part of Treasury's corporate planning process.

Design issues

The design of the Agency Relations Survey is informed by statements of Treasury's vision, corporate objectives, values and code of practice. As part of the corporate planning process, key questions include:

- Are we on track to achieve our vision (to be a world-class public sector financial and economic adviser, highly regarded by our key stakeholders)? (reputation)
- How successful are we in promoting the government's fiscal and financial management priorities? (leadership)
- What is the impact, influence and relevance of Treasury advice? (quality of products and services)
- Are our relationships with clients consistent with the 'Commitment to Clients' code of practice? (work practices)
- How successful have we been in implementing industry reform? (strategy and planning)

The stakeholder research is designed to collect different information from three sub-groups of clients who are able to offer different feedback on these evaluation questions. As a result the Agency Relations Survey uses three instruments:

- *CEO survey* – a one-page questionnaire focussed on Chief Executive Officer's assessment of Treasury's strategic positioning as a client-focussed organisation – particularly in relation to the leadership and reputation aspects of organisational performance.
- *SFO survey* – a four-page questionnaire on senior finance officers' experiences of dealing with Treasury, focussing on the quality of products and services and the impact of Treasury work practices.
- *Sector-specific surveys* - one-page supplementary questionnaire for agencies with specific dealings with Treasury (e.g. senior regulatory officers in energy-sector agencies) – particularly in relation to strategy and planning for key industry reforms.

The questions in these surveys are closely linked to the organisation's claims about intended performance – sourced from the corporate plan and the 'Commitment to Clients' code of practice (Table 2).

Utilisation

Treasury makes extensive use of the stakeholder research as part of its corporate planning process. Following a formal presentation of the research findings to the Executive Board, individual division heads are asked to prepare responses to issues specific to their areas of responsibility. This process is facilitated by disaggregating data into clusters of agencies aligned to the different Treasury divisions. These Executive Board and divisional responses are brought together as part of a two-day corporate planning workshop.

The 2001 Agency Relations Survey was the fourth biennial survey based on this methodology. This highlights to stakeholders Treasury's commitment to listening to their views (as opposed to one-off exercises) and is a strong indicator of Treasury's assessment of the value of investing in stakeholder research.

TABLE 2: CLAIMS ABOUT ORGANISATIONAL PERFORMANCE AND FEEDBACK QUESTIONS

Claims/aspirations about organisational performance	Examples of stakeholder feedback questions
To be a world-class public sector financial and economic adviser, highly regarded by our key stakeholder. (vision)	How do you rate Treasury's reputation as a public sector financial and economic adviser?
Treasury will meet regularly with agencies to discuss financial and other reforms. (code of practice)	Do you agree that Treasury organises regular meetings with your agency (at least quarterly for larger agencies) to discuss key issues?
Treasury will work in partnership to pursue the successful implementation of financial management reforms. (code of practice)	Do you agree that Treasury pays special attention to implementation issues for agencies when introducing new initiatives or reforms?

Case 2: DPRS staff survey

Background

The Department of the Parliamentary Reporting Staff (DPRS) is responsible for the communication facilities of the Federal Parliament including transcription (Hansard), broadcasting, information technology and telephone services.

ARTD has worked with DPRS since 1999 to implement workplace climate surveys as part of its annual Continuous Improvement Action Plan. The stakeholder research targets staff, who are surveyed by questionnaire, with follow-up focus groups used to investigate key issues.

Design issues

The Workplace Climate Survey has been designed around discrete modules, each of which aligns to different aspects of organisational performance. These modules have been tailored in response to the key questions asked as part of the continuous improvement action planning, for example:

- Does DPRS support and motivate its employees to utilise their full potential in alignment with the organisation's goals? (work environment)

- Could work practices be changed to support productivity and service quality improvements? (work practices)
- Is DPRS a highly customer focussed organisation? (customer and market focus)
- Do the senior management team set and promote a clear direction for the organisation? (leadership)
- Would staff recommend DPRS to potential employees as a good place to work? (reputation)

Each module in the survey attempts to ask questions which test staff perceptions of the credibility of the organisations claims' about intended performance; for example the work environment modules draw on the DPRS values statement (Table 3).

The research design also identifies the other performance information that is needed to give a context for interpreting the staff feedback. For example, in relation to perceptions of the work environment, contextual data includes absenteeism, staff retention and factors associated with staff turnover (based on exit interviews).

TABLE 3: CLAIMS ABOUT ORGANISATIONAL PERFORMANCE AND FEEDBACK QUESTIONS

Claims/aspirations about organisational performance	Examples of stakeholder feedback questions
<i>Professionalism</i> – we are ethical, committed and use initiative in providing our services.	Do you observe staff in your work area: <ul style="list-style-type: none"> ■ maintaining high standards of ethical behaviour and conduct? ■ contributing ideas and participating in consultations about services? Do you feel: <ul style="list-style-type: none"> ■ encouraged to try new ideas, even if they may not work?
<i>Partnerships with clients</i> – we work with clients to find the best way of meeting their needs.	Do you observe staff in your work area: <ul style="list-style-type: none"> ■ actively seeking feedback from clients or having a strong interest in client feedback reports? ■ responding constructively to feedback from clients?
<i>Continuous improvement</i> – we seek ways to improve quality, value for money and personal effectiveness.	Do you observe staff in your work area: <ul style="list-style-type: none"> ■ constantly looking for better ways of providing services? Do you have: <ul style="list-style-type: none"> ■ sufficient opportunities to develop the knowledge and skills needed to do your job?
<i>Personal respect</i> – we value and support each other and share ideas.	Do you feel: <ul style="list-style-type: none"> ■ supported and respected by your colleagues? ■ your colleagues openly share information and ideas with you? Have you experienced: <ul style="list-style-type: none"> ■ harassment or discrimination in the workplace in the past year?

Utilisation

As a result of this research, DPRS develops annual action plans which target priority areas for improvement. These action plans are prepared by the continuous improvement area and approved by the continuous improvement committee of the senior management team. Staff consultative committees are also involved.

Individual business unit managers also receive details of the findings covering their areas of responsibility and, in conjunction with the continuous improvement area, prepare business unit action plans which are reported back to the continuous improvement committee. The results of the stakeholder research are published in the DPRS annual report.

Given the value obtained from the first two surveys, DPRS has now made a commitment to annual staff surveys, both to monitor progress in addressing areas for improvement and to ensure staff feedback can be embedded as part of the organisation's performance assessment processes.

Conclusions

Designing stakeholder research

While the design of stakeholder studies should always be guided by the purpose and scope of the research, there are also general guidelines that can be drawn from our work in this area.

The first is to start with an explicit conceptual framework for 'organisational performance' which can be used to articulate the key evaluation questions that are under investigation. The framework can also be used to show how stakeholder feedback fits with other sources of data in investigating performance.

The second guideline is that questions for stakeholders should reflect attributes of intended performance, which are often stated in documents such as corporate plans and codes of practice. When stakeholder questions address the organisation's claims about its performance, there is an unambiguous link between the feedback from stakeholders and the areas of organisational performance under investigation. An unintended consequence of this approach in some organisations is the emergence of desires to make clearer statements or to have more realistic aspirations.

Thirdly, the research design needs to be based on an analysis of which issues and questions are most strategically important, which segments of stakeholder are most relevant to these, and what other information is needed to contextualise the feedback in the broader environment.

The final guideline is to report the feedback in ways which allow managers to identify problem areas and to act on them. Regardless of whether stakeholder perceptions are consistent or inconsistent with other performance data (such as outputs and outcome measures), direct and specific feedback on the organisation's claims about intended performance stimulates managers to act –

whether to address shortcomings, change stakeholder expectations or improve communication.

We believe that this approach encourages more sophisticated judgments about organisational performance than a limited set of indicators of satisfaction. Furthermore, these guidelines demonstrate that our approach to stakeholder research is closer to many forms of evaluation rather than to testing. In the language of evaluation, the guidelines translate to initially developing a framework for the evaluation based on the 'program theory', stating the evaluative criteria and drawing out the attributes to be examined, considering multiple data sources and methods, using evaluative arguments to reach conclusions, and retaining a strong focus on utilisation.

The utility of stakeholder research

As the case studies show, stakeholder research can provide useful and relevant data for answering key evaluation questions about organisational performance. In both cases, the organisations have continued to use the measures on a regular basis, making refinements each time to capture new directions and to address emerging issues. If these organisations had used only measures of 'satisfaction', these changing circumstances would have led to qualifications of the results, rather than being seen, with our approach, as opportunities to explore the new issues in the context of past performance. We believe that this approach can make a significant practical contribution to evaluating an organisation's performance.

References

- Australian Quality Council 2002, *Australian Business Excellence Framework 2002*, AQC, Sydney.
- Bayley S, 2001, 'Measuring customer satisfaction: comparing traditional and latent trait approaches using the Auditor-General's client survey', *Evaluation Journal of Australasia*, vol. 1, no. 1, March 2001, pp. 8–18.
- Chennell AF et al. 2000, 'OPM: a system for organisational performance measurement', *Proceedings of Performance Measurement: Past, Present and Future*, University of Cambridge, Cambridge, 19–21 July.
- Commonwealth Department of Finance and Administration 2000, *The Outcomes & Outputs Framework: Guidance Document*, Canberra, November.
- Kaplan R & Norton D 1996, *The Balanced Scorecard: translating strategy into action*, Harvard Business School, Boston, Massachusetts.
- National Institute of Standards and Technology 2002, *Criteria for performance excellence – Baldrige National Quality Program 2002*, US Department of Commerce, Washington DC.