

# Chinese Local Government Performance Appraisal Based on KPI

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**Abstract.** Government performance appraisal is an important component of performance management, plays an influential role in reducing administrative cost, raising administrative efficiency and continually promoting governments' improvement, but because of the difference in ideas, benefit obstruction and numerous reasons, the government performance appraisal still has many problems in implementation process. KPI as a local government performance appraisal's effective tool, has provided the thinking for government present's development.

**Keywords:** KPI; Chinese local government; performance appraisal

## 1. Introduction

With China's political system reform and the civics' democratic participation awareness enhancement, people pay more and more attention to government performance. Since 1990s, some of Chinese local governments have introduced evaluation conception, methods and techniques of modern performance evaluation, developed the government performance evaluation practice. But generally speaking, because of the widespread of governments' action, complex procedure and profound influence, government performance appraisal must be much more complex than the enterprises'. Chinese government performance appraisal is still at the start stage, theories and practices are still not mature. This article is mainly introduced one of the most representative methods – KPI, and discussed its application in Chinese local government performance appraisal.

## 2. The basic principles of KPI

KPI is a basic tool of performance management, it has been widely used in enterprises. This indicator system is characterized with predictability, popularization, stability, salary compatibility and so on, thus it may become an important mean to promote governments' reform and overall performance.

### 2.1 The Meaning of KPI

KPI (Key Process Indication) is quantitative measurement that helps an organization measures progress towards goals and identify areas for improvement, it's a method that simplifies the performance appraisal to several key indicators and makes comparison between staff performance and the key indicators. KPI comes from organization's strategic goal and competition's needs, through combining financial indicators and non-financial indicators, manifests the principle of paying attention to short-term benefit and long-term development, not only has transmitted the results, moreover transmitted the process.

### 2.2 The Basic Features of KPI

KPI is the same with other management tools, which takes pursuing performance's improvement as a goal. Besides supplementing with other management tools, it also has its own characteristics:

- Key. So-called "key" in KPI, is mainly according to Pareto's "20/80 principle", namely: A person's

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80% work mission was completed by 20% essential behaviors. KPI is precisely based on this principle, closely holds 20% essential behaviors in indicator hypothesis, discovers several key indicators from the numerous performance appraisal indicators, its not only advantageous in enhancing performance management's efficiency, it can also let subordinates be clear about the center of work.

- Goal definition. KPI is a system, all levels of departments have their own respective independent KPI, but it should be launched from organization's prospect, strategy and overall benefit, decomposed layer by layer, only in this way can guarantee organization's main management activities move around "the strategic target" and will not deviate the strategy.
- Mutual recognition. The KPI formulation process should be completed by both superordinates and subordinates, it's an opinion manifestation for both sides to reach the consensus, it's not a tool that the superordinates used to depress their employees, but the common view of personnel's request to position work performance.
- Dynamic. First, when organization's strategic priority shift, strategic indicators must renew in order to reflect organization strategy's new content; Next, various departments and staff's KPI establishment is according to their own actual situation, when some indicators don't have the risen space, they will no longer be the key points of KPI, but change for other relative weak and have the rise space's indicators.
- Controllability. The effect of organization's activities is reflected by the inside and the outside. The internal cause is a part which all levels of staff may control and affect. It's also the part which the essential performance weighs. The essential performance indicators should possibly reflect the direct controllable effect of staff's work, reject other aspects' effect which other people or environment create.

### **3. Introduce KPI in local government performance appraisal**

#### **3.1 Problems of Local Government Performance Appraisal**

Since the opening up, each region has positively carried on the experiments and exploration of government performance appraisal and has gained precious experiences. However, compared with the developed countries, China's performance appraisal started late and exposed some questions in practice. The application of KPI in local government performance appraisal is able to overcome these problems effectively and enhance governments' performance.

##### *1) Lack of long-term in performance evaluation*

Presently, local government performance appraisal has the phenomenon of emphasizing performance appraisal in near future, but neglecting long-term performance appraisal. Constantly pursues each kind of increment growth in short-term, but few pay attention to the administrative cost for growth. It has not based on the strategic goal and decomposed layer by layer, but has confused the relationship between goal and method, the appraisal is a method, the improvement of strategy management performance is a goal, we should not wrongly regard the method as the goal.

##### *2) Performance appraisal and strategic implementation comes apart*

The process of local government strategy management's performance appraisal should be entire. Before the appraisal, carry on comprehensive internal and external analysis of the organization. In the appraisal, inspect the appraisal progress and judge whether should carry on the indicators' revision. After the appraisal, fully use the appraisal results, use corresponding countermeasures to improve performance. But presently, local governments in performance appraisal obviously exist the phenomenon of emphasizing results but neglecting process, it lead to the appraisal target do not hesitate to create a false impression to seek departments even individuals' improper benefit. At the same time, the government performance appraisal also exists the question of emphasizing appraisal but ignoring improvement. Government performance appraisal's primary purpose lies in improving governments' performance, but many places' government performance only emphasizes scores in the entire appraisal process, and has not analyzed organization's questions from the angle which improves continually.

##### *3) The performance appraisal's emphasis is not prominent, the quantification, scientific character and rationality are insufficient*

Local governments in the process of designing performance appraisal's indicators, cannot hold essential domains and key events. Government performance appraisal's scientific character and rationality are the most important factors of guaranteeing appraisal target and public's support, but some places equate simplifying the

quantification with disposing at will for appraisal indicators, it finally causes the improper procedure that the quantification is the digitization.

4) *Performance appraisal has not highlighted the overall fusion*

First, appraisal main body is unitary. In many appraisal main bodies, the leading role is still the higher governments, special performance appraisal departments, experts and populace's function have not fully displayed, local government appraisal's indicator systems lack social justice maintenance, politics democracy advancement and public administration's relative indicators. Second, appraisal targets are not comprehensive. Current government performance appraisal emphasizes the basic unit's appraisal, little involves the leadership. Third, appraisal process is incomplete. The local governments always do not look at the appraisal's essence, is generally appraise for appraisal, so appraisal results cannot receive the feedbacks and utilization also cannot achieve the goal of improving governments' appraisal.

### **3.2 The Function of KPI in Solving Local Government Appraisal's Questions**

5) *KPI promotes local government performance appraisal to take value orientation as a datum, take strategic target as the guidance*

Local governments' attention essence to performance lies in the attention to organizations' missions and prospects which relate to performance, such as populace to service's satisfaction, fair, responsibility and a series core values. KPIs' design closely regards local governments' value orientation, when establish the local government KPI appraisal system, decision-making strata, management strata as well as execution levels should take KPI as foundation, carry on the pledge to governments' value orientation, each level's organization members in government value orientation and strategic target need have clear localization which has avoided the formalism.

6) *KPI promotes the local government appraisal takes performance as a foundation, takes key control as the core*

First, KPI can be possible integrate individual performance and organization performance, single item performance and overall performance, short-term performance and long-term performance, it can urge organization members fully realize their own value while taking the local government appraisal as the foundation. Next, KPI's utilization may formulate dynamic information communication and control in the entire process, the users can know the tendency in time, guides and controls the objectives' gradual realization. Once more, the application of KPI in local government strategy management can hold the key aspects in essential domains, correctly assure local government strategic implementation's key points and difficulties, promote strategic goal's realization[1].

7) *KPI promotes local governments' resource allocation, reduces management cost in performance appraisal*

Local governments apply KPI in performance appraisal, can optimize the conformity of manpower, physical resources, financial resources and information, use appraisal feedback's results to shift limited resources to the departments which can mostly play the role, centralized solve current development's key points and difficult questions to display the resource overall effectiveness. KPI's utilization may carry on the effective evaluation to the resources' use and cost consumption, strengthens the surveillance and control to resources, reduces the waste and government management's cost.

8) *KPI is the effective supplement of BSC (Balanced scorecard)*

BSC's work is enormous, besides profound understanding about strategic, still need consume massive energy and time to decompose it to the departments, and discover appropriate indicators, data collection's burden is also heavy. In addition, BSC is mainly aims at the organization overall value, it's difficult to be suitable for individual stratification, as for individual, it requests performance appraisal easy to understand, easy to operate and easy to manage, but BSC does not have these characteristics. KPI can wonderfully solve these questions, has become BSC's effective supplement. If the enterprises can decompose organization's strategic indicators layer by layer, it's will easy to obtain individual stratification's essential performance indicators, form strategic safeguard from bottom to top.

## **4. KPI's application in government performance evaluation**

Different government departments should act the KPI performance management according to the departments' own present situation and environment. In order to avoid troubles which possibly meet in performance management process, government departments should use a set of methods and strictly follow, avoid performance appraisal becoming a formality. KPI establishment's main point lies in systematic, its concrete design flow is shown as the following several steps:

- Core departments select experienced staff to set up organization's internal and external performance indicator analysis group to undertake the government KPI system's construction, including KPI's selection, segmentation, verification and evaluation.
- Government departments' should clear about current overall strategic goal and the department strategy, then pondered: If we want to achieve the general objective, which domains are most essential? According to the SWOT analysis about appraisal target, induce performance appraisal's essential domains and determine them as performance appraisal's strategic KPI.
- According to the analysis of overall strategic goal, the governments need determine the strategic flow in order to fix the role of government's work, decompose the general goal into various levels' performance goals, thus further determine various departments' KPI indicators, which both include stationary indicators and quota indicators.
- Various departments base on the service localization, determine essential posts and key posts in operation flow under the organization's strategic goal and flow indicators, develop the essential performance indicators according to posts' responsibility and characteristic.
- In the indicators which obtain, the governments should follow "SMART" principle and "20/80 principle" to decide essential performance indicators according to BSC. First, remove unreasonable indicators that are uncontrollable, redundant and obsolete, then choose the essential performance indicators which have a big influence to economic efficiency and carry on the serial number management to the indicators and establish the file. The computation needs not be too complex, indicator quantity should be controlled in 5 - 10[4].
- The weight determination is a very important link in the KPI system construction, use Delphi method and multiple weighting to control the weight, the weight is general controlled between 5%-30%, in order to simplify the computation, the weight is generally integral multiple of 5. When establish essential performance indicator's weight, mainly consider that various indicators' influence to economic efficiency, the controllability and whether they are measurable or not.
- After selecting essential performance indicators, its time to segment the indicators, determine the concrete assessment criteria, these performance assessment criteria are essential factors and basis of the staff's evaluation. This kind of KPI system's establishment and the evaluation process itself urge the crew diligently toward the enterprises' strategy goals, will certainly promote various departments superintendents' performance.
- Train the related staff, clearly explain related essential performance indicators, make it be recognized by the staff, throw the staff into local government performance evaluation actively.
- Determine the indicator standards and monitor the indicators. In order to achieve the goal of KPIs' establishment and organization strategy's implementation, KPI standards should be determined according to the following principles: First, strategic target principle. The KPI standards need to embark from the strategic target, submit to strategy implementation steps. Second, Benchmarking management principle. As the KPI non-financial indicators, governments may take other local authorities who have similar situation as the datum to propose corrective measures. After having determined the standards, we need to know whether each indicator has completed, this request us to monitor the KPI indicators.
- Indicator analysis group verifies the KPI indicators. The verification may carry on from the following several aspects: Many valuers appraise the identical performance indicator, whether they can obtain the consistent result? Whether these indicators' sum can explain the valuers' above 80% job objective? Track and monitor these essential performance indicators' operation and so on. The verification mainly guarantee these essential performance indicators reflect the targets' performance all sidedly and objectively.

## 5. Conclusion

The government performance appraisal is the central content of contemporary public administration's reform, the government should insist that takes achievements as the guidance, takes citizen's satisfaction as the standard, takes the science survey appraisal as the basis, enhances the governments' management potency, optimizes administration resources' deployment. At the same time, introduces the strategic management in performance appraisal, sets up the strategic idea of applying the local government appraisal method, utilizes

KPI to establish the scientific performance appraisal indicator system, utilizes system thought to perfect the performance appraisal, makes the improvement to the government performance's appraisal method, advances the government and performance appraisal methods' innovation and development.

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