

Measuring Progress

Improving Mainstreet and Business Improvement District performance using  
Key Performance Indicators

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Prepared for



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# 1. Introduction

The first section of this document provides a brief introduction to the main concepts of developing and designing Key Performance Indicators. The second section provides an overview of International Best Practice and the local context. The third section provides a set of step-by-step instructions for the design of a Performance Review System using KPIs. The fourth and final section provides a set of templates for you to use (electronic versions are available from Council).

This section provides a brief introduction to the major concepts underlying performance review and management using Key Performance Indicators.

## Section content

- Why measure performance?
- What to measure?
- How much to measure?
- How to measure?
- How to use KPIs?

## **Why measure performance?**

Measurement and monitoring of performance is critical to the success of a Mainstreet Programme (MS) or Business Improvement District (BID). There are several good reasons for investing your energy into this process:

- By measuring results, you can tell success from failure.
- By observing both successes and failures you can learn.
- By identifying success you can reward and promote it.
- By recognizing failure you can correct it.
- By demonstrating results and dealing with failures you can win support.

The outcome of this process of performance measurement is improved decision making via the establishment, monitoring and analysis of benchmarks or key performance indicators (KPIs).

## What to measure?

Your strategic and business plans contain the long, medium and short term goals of your MS/BID. Each goal must have at least one associated KPI and each of your KPIs must target at least one of the goals. In addition, KPIs should measure the overall success or failure of the Town Centre or Industrial Precinct. To put it more succinctly,

KPIs should measure two things:	<ul style="list-style-type: none"><li>• The performance of the MS / BID Association</li><li>• The performance of the MS / BID</li></ul>
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## How much to measure?

A balance needs to be struck between gathering the essential data to make well-informed decisions and wasting time collecting too much information. The required number of KPIs depends on the nature and complexity of the project, but as a rough guide line, best practice evidence indicates that projects should have around 10 – 20 KPIs (The Circle Initiative, 2001).

## How to measure?

Care must be taken in both the design and the interpretation of performance measures. For example, it is tempting to only measure those things that are easy to measure (e.g., occupancy rates, car park usage, etc.). However, some measures that are not easily collected are nevertheless critically important (e.g., the attitudes and perceptions of a variety of stake holders toward the MS/BID and its Association).

Similarly, it is tempting to conclude that changes in any of the measures over time (good or bad) are caused largely by the efforts of the MS / BID programme. However, it is often very difficult to isolate the contribution of a programme from broader economic changes such as the business cycle, or a change in government policy on immigration, or the All Blacks winning or losing the rugby world cup. Consequently, professional care must be taken in the design and analysis stages of the process

Fortunately, the key lessons are simple:

- Design at least some of the measures such that they are closely linked to the performance of the MS / BID Association, and
- Openly evaluate the extent to which each of the measures is under the control of the MS / BID Association.
- Employ professional help in designing the performance measures, or at least in checking their design before implementing. Contact Council for relevant advice.

### **How to use KPIs?**

Each of the performance measures will become a benchmark (or key performance indicator; KPI). Together they will help you determine how the area changes over time and form a comprehensive record of MS/ BID and MS / BID Association performance. This in turn will inform decision making and planning. Note that the usefulness of the KPIs is directly related to their quality, so the energy that you are putting into the design stage will come back to reward you!

Good KPIs provide information to support both internal and external aims, i.e.,

- Internal
  - Benchmark
  - Change over time
  - Decision making & planning
  - Performance profile
- External
  - Financial support
  - Political support
  - Renewal polls

## 2. Best Practice

There is plenty of information available on performance measurement and management both in general (e.g., Baker 2002; Harbour, 1997) and more specifically with respect to MS / BID initiatives. For example, Houston (2003) provides a very readable introduction to MS / BID management (chap. 4), taking into account experiences from across the world. In addition, two UK-based organisations (The Circle Initiative and the Association of Town Centre Management) have published guidelines and templates around the construction and implementation of Key Performance Indicators for MS / BIDs.

This section briefly reviews the main lessons from these and other sources and concludes by providing a brief summary of, and background to, the local context.

### **The International Evidence**

In general the core activities of MS / BIDs around the world tend to revolve around the following categories:

- Cleaning and maintenance
- Security
- Marketing
- Transport and parking
- Lobbying councils and other organizations

Some of the consequent performance measures monitor areas such as

- Local developments
  - population demographics, employment trends, number of businesses
- MS / BID health
  - retail vacancy, retail performance, retail sales
- MS / BID progress
  - number of visits to the area, public transport, crime statistics, safety and security, street maintenance and cleanliness, tourism, evening economy

Here are some important established facts about KPIs and their use:

- Carefully developed and maintained performance measurement systems using KPIs provide significant advantages for MS / BIDs.
- KPIs need to be constructed such that maximum information is collected with minimum effort and cost. The need to be SMART, i.e.,
  - S pecific
  - M easureable
  - A chievable
  - R elevant
  - T imed
- Well-designed and tightly targeted opinion surveys provide good information on the effects of MS / BID investment. MS / BID Association performance is best measured by tracking changes in these attitudes and perceptions.
- Isolating MS / BID Association contributions to changes in certain “hard” indicators (e.g., office vacancy, crime rates, sales revenue, pedestrian traffic) is difficult and often impossible. In general, KPIs identify trends (**what** is happening). Careful analysis needs to establish the underlying reasons for these trends (**why** it is happening).
- Simply reporting on how much money is spent and what it is spent on is not informative or sufficient.
- Major performance reviews (evaluating the MS / BIDs overall direction as well as the usefulness of existing KPIs) should occur at least every 5 years. These reviews should be supplemented by more frequent (e.g., annual) checks resulting in performance reports that can then be used for the next business plan and funding cycle.
  - A range of KPI templates and guidelines is available from London BID’s (2007) website, which incorporates the experience of the now completed Circle initiative (2001, 2005) (see the resource section at the end of this document for relevant web addresses).

## The Local Context

### (A) Manukau City Council

Important local strategic information can be obtained from Tomorrow's Manukau (2006; see resource section) a strategic document aimed at guiding the city's development over the period 2006 – 2016. The seven themes of Tomorrow's Manukau (complemented by a series of outcomes and targets)<sup>1</sup> are to develop

- Educated and knowledgeable people
- Healthy People
- Moving Manukau
- Safe Communities
- Sustainable Environment and Heritage
- Thriving Economy
- Vibrant and strong communities

Some of the specific local context for many of the individual town centres is provided by Manukau's Town Centre Strategy (2004; see resource section for the web address). It provides a wealth of information for the city as a whole as well as for most of the individual town centres within the city. Although the document provides relatively little specific information about the city's industrial precincts it is a must-read document for all BID Associations. Based on this document the overall performance measures for Manukau's Town Centres include

- Measures of delivery
  - Percent of actions completed within the planned timeframes
  - Actual vs budgeted CAPEX and OPEX expenditure on all actions
- Measures of effectiveness (combined into a Town Centre Vitality Index)
  - Retail turnover and occupancy rates
  - Pedestrian foot traffic counts
  - Business and user survey responses
  - Population density
  - Range of services
  - Local visitor numbers
  - Regional visitor numbers
  - Overseas visitor numbers
  - Business category turnover
- Measures of efficiency
  - Total expenditure measured against the Town Centre Vitality Index

Most importantly however, each BID Association needs to refer to its own strategic and business plans (which should already incorporate the above) prior to the development of appropriate KPIs.

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<sup>1</sup>See Appendix for a full list of MCC outcomes and targets.

(B) Auckland City Council

Important local strategic information can be obtained from Auckland City's Long Term Plan (2006; see resource section) a strategic document aimed at guiding the city's development over the period 2006 – 2016. The strategic vision of the Long Term Plan is to be the "First City of the Pacific", by concentrating work on three levels, in order of priority:

- Ensure that all basic needs are met ("big city baseline")
- Make the most of Auckland's inherent advantages ("world class")
- Work towards the areas in which Auckland can excel and be renowned for ("world leaders")

Accordingly, the documents derive five categories of community outcomes (each broken down into a series of more specific outcomes and "where do we want to be" – statements as well as indicators)<sup>2</sup> as follows:

- Leadership
- Social well-being
- Economic well-being
- Environmental well-being
- Cultural well-being

These documents provide important information to situate the strategic and business plans of each MS / BID within the larger context of the city's overall strategy for growth and development. Most importantly however, each MS / BID needs to refer to its own strategic and business plans (which will already incorporate the above) prior to the development of appropriate KPIs.

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<sup>2</sup> See Appendix for a full list of ACC outcomes, statements and indicators.

### (C) Relative Assessment

Many of Manukau's BIDs will find that the work council has done is sufficiently detailed to enable some of the "targets" to be incorporated into the range of BID KPIs without much further ado.

You will note that, in comparison to Manukau's "targets", Auckland's "indicators" are less detailed. While this means that there is relatively more flexibility in terms of linking MS / BID strategy and KPIs to the city's overall targets, it also means that there is potentially more development work to be done.

Either way, ensuring a good connection between your strategic and business plans and the relevant city's documents is important for the following reasons:

- Community support – both cities have engaged in extensive community consultation in the development of these documents. By extension you can claim that support.
- Council support – establishing the relevant linkages will ensure on-going strategic support.
- Practical work – there's no point in reinventing the wheel (e.g., in terms of KPI development and measurement).

Most importantly, you will of course also have to take account of the wishes of your more immediate stakeholders, i.e., the targeted rate payers of your MS / BID. You will find that, in some instances, the "indicators" and "targets" developed by the relevant cities are either too broad for your purposes or – occasionally - don't chime in with your objectives or – very rarely – are in conflict. Consequently, you will have to engage in a certain amount of bottom-up development. The following section is intended to facilitate this process.

### 3. Step by step guide to constructing Key Performance Indicators

This section provides a set of step-by-step instructions designed to enable you to create a Performance Review System using Key Performance Indicators.

#### Step 1

Make sure that you have read the Introduction and Best Practice sections above and followed up the resource documents if required.

#### Step 2

Consult your strategic and business plans and create a prioritized list of objectives,

#### Step 3

For each objective, think of up to three SMART measures that would provide you with information about how well you are achieving the objective. Remember that the simplest and easiest measures are not always the best. Prioritise the three measures for each objective.

For example:

Prioritised Objective (from high to low)	Performance Measure (KPI)	Priority of KPI (1 – 3)
1. Marketing: To increase the profile of the BID with visitors	Visitor numbers: Pedestrian Count	2
	Visitor perceptions: 5 questions	1
	Business mix	3
2. Security: To increase actual and perceived security.	Crime statistics	3
	Member perceptions: 5 questions	1
	Visitor perceptions: 5 questions	2
...		

In the unlikely event that Step 3 does not result in any measures that index the overall economic performance of the MS / BID, add a small list of up to 5 additional measures that fulfill that function and give them a priority rating of 1.

## Step 4

For each KPI, provide an evaluation of the extent to which the KPI is likely to be directly affected by the performance of the MS / BID Association. You can achieve this by providing a rating from 1 to 5, where 1 equals a very small impact and 5 indicates a very large impact.

For example, a satisfaction survey of visitors at an event you have marketed and organised might score a 5. A simple count of visitors at that event might score a 4 (some visitors may be here for reasons other than the event's marketing, or they may indeed simply be passing through). By contrast, annual sales figures across the entire MS / BID or business occupancy rates might score a 1, since these measures are dependent on many other factors aside from the performance of the MS / BID Association.

Your highest priority measure for each objective should have an impact rating of at least 4. This rating will become important during the analysis of your KPIs.

For example (by adding a column to the table in Step 3),

Prioritised Objective (from high to low)	Performance Measure (KPI)	Priority of KPI (1- 3)	Impact Rating of KPI (1-5)
1. Marketing: To increase the profile of the BID with visitors	Visitor numbers: Pedestrian Count	2	2
	Visitor perceptions: 5 questions	1	4
	Business mix	3	2
2. Security: To increase actual and perceived security.	Crime statistics	3	2
	Member perceptions: 5 questions	1	5
	Visitor perceptions: 5 questions	2	3
...			

## Step 5

You are now in the position where you can create up to three lists of prioritized measures such that all high priority measures (from Step 3) come first on each list, the medium priority measures come second, and the low priority measures come third. On completion, each list should consist of no more than 20 measures. Group the measures by method of data collection (e.g., mail survey, street survey, telephone interview, council or other government database, etc.) and provide a costing for each method.

For example,

KPI No.	Prioritised KPIs (from high to low)	Collection Method
1	All KPIs with a priority rating of 1	
2	Marketing: Visitor perceptions of BID profile (5 questions)	Visitor (street) survey
3	Security: Member perceptions of security	Member survey
..	...	...
..	All KPIs with a priority rating of 2	
...	Marketing: Visitor numbers; (pedestrian count).	Pedestrian counts
...	Security: Visitor perceptions (5 questions)	Visitor (street) survey
...	...	...
...	All KPIs with a priority rating of 3	
...	Marketing (business mix)	Categorise range of businesses
...	Security (crime statistics)	Police
...	...	...
20	...	...

Costing:

Collection Method	Design	Check Design	Administration	Total
Visitor (street) survey	Self	\$ 250.00	\$ 500.00	\$ 750.00
Member survey	Self	\$ 250.00	Self	\$ 250.00
Pedestrian counts	Self	\$ 250.00	\$ 250.00	\$ 250.00
Business Mix	Self	n/a	Self	0.00
Crime Statistics	Self	n/a	Self	0.00
...	...	...	...	...
Total				\$ 1,250.00

## Step 6

Put into place an action plan for each collection method, nominating time lines (e.g., annual, every 2.5 years, every 5 years, etc), and responsible personnel and/or contractors.

Provided that the budget allows for this, at least one annual data collection for all KPIs is desirable. For some KPIs (e.g., crime statistics) more frequent data collection (e.g., monthly) might be indicated, especially if it can be accomplished cheaply. Otherwise follow these guidelines: Short term objectives must be measured at least annually (in some cases monthly or quarterly), medium term objectives must be measured at least every 2 – 3 years, long term measures must be measured at least every 5 years. Note that a baseline data collection is required in all cases to start the process.

For example,

Collection Method	Baseline Observation	Time frame and dates for subsequent observations	Personnel / Contractor / Council Staff
Visitor (street) survey	Within 3 mths	Annual	BID Manager / Research contractor
Member survey	Within 3 mths	Annual	BID Manager / Research contractor
Pedestrian count	Within 3 mths	Quarterly	BID Manager / Research contractor
Business Mix	Within 3 mths	Annual	BID Manager
Crime Statistics	Within 3 mths	Monthly	BID Manager / Police / Statistics NZ
...	Within 3 mths	...	

## Step 7

You are now ready to begin the detailed design of each KPI. You may need professional assistance with the design aspects of some of the KPIs (e.g., surveys of opinions, attitudes and perceptions), while others might be readily available (e.g., crime statistics). Please contact Council staff for relevant advice.

On the following pages you will find a number of templates you can use to begin the design process for your MS / BID.

## 4. Templates

See separate file

## 5. Resources

ATCM. Key Performance Indicators. Available from <http://www.atcm.org>. Accessed in June 2005.

ATCM. Getting it right – A good practice guide to successful town centre management initiatives. Available from <http://www.atcm.org>. Accessed in June 2005.

Auckland City Long Term Plan (2006 - 2016). Available from <http://www.aucklandcity.govt.nz/council/documents/focus/2006/full.asp#vol1>. Accessed in April 2007.

Baker, T. (Ed.) (2002). Key performance indicators manual: A practical guide for the best practice development, implementation and use of KPIs. Crows Nest, NSW: Allen & Unwin.

Harbour, J. L. (1997). Basics of performance measurement. NY: Quality Resources.

Houstoun, L. O. (2003). Business Improvement Districts (2<sup>nd</sup> ed). Washington, DC: Urban Land Institute in cooperation with the International Downtown Association.

London BIDs (2007). BID Toolkit – Performance Measurement - Checklist. London Development Agency. Available from [http://www.londonbids.info/circle/bid\\_toolkit\\_step.asp?bidstep\\_id=29](http://www.londonbids.info/circle/bid_toolkit_step.asp?bidstep_id=29). Accessed in April 2007

Manukau Town Centre Strategy (2004). Available from [http://www.manukau.govt.nz/documents/MTC\\_strategy.pdf](http://www.manukau.govt.nz/documents/MTC_strategy.pdf). Accessed June 2005.

The Circle Initiative (2005). Evidence based lessons from the Circle Initiative (1–16). <http://www.londonbids.info/infoPoint/publications.asp>. Accessed in June 2005.

The Circle Initiative (2001). Performance management & key performance indicators for business improvement districts: Guidance and templates. <http://www.londonbids.info/Uploads/Circle/KPIs%20for%20BIDs.pdf>. Accessed in June 2005.

Tomorrow's Manukau (2006 - 2016). Available from <http://www.tomorrowmanukau.co.nz/index.asp>. Accessed in April 2007.

## 6. Appendix

1. Excerpt from Tomorrow's Manukau – Manukau Āpōpō (2006 – 2016)
2. Excerpt from Auckland City's Long Term Plan (2006 – 2016)