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**The attached document has been submitted to IAMLADP as the host's
background paper for discussion at the Executive Session.**

IAMLADP 2008 Executive session

Host's topic: Costing and performance indicators

Background paper

Why did we choose the topic?

The choice of topic for this year's IAMLADP executive session was not perhaps an obvious one and European Parliament's DG Translation is aware that it may not be a popular one. Leaders of public sector services, particularly those providing essentially intellectual services or services with a high human component are often understandably wary of addressing quantification issues, out of a sense of apprehension that their response to the complex management challenges they face will be reduced to being expressed in a set of meaningless figures. As the result of a Special Report of the European Court of Auditors on translation expenditure¹, leading to a Resolution of the European Parliament², DG Translation has had to give consideration to the quantification issue and our choice of the host's topic stems from a twofold desire: to learn how other IAMLADP members have addressed the issue and to share with the conference participants our experience in the matter.

The Court of Auditors made two key recommendations, namely that steps must be taken to ensure the availability of adequate management information on costs and that relevant qualitative and quantitative performance indicators should be developed in order to ensure optimal use of resources.

These recommendations were taken up by the European Parliament which called on the institutions to establish clear and comparable cost parameters and to develop qualitative and quantitative performance indicators with a view to facilitating the monitoring of translation processes for management purposes.

General considerations

Before addressing the issue of developing costing and performance indicators specific to DG Translation, we embarked on a wider consideration of the issue of performance management and the role of such indicators in the performance management process. We felt that the success of the exercise would be severely compromised if not enough attention was paid to the wider context. We felt that the following questions, in particular, had to be answered:

¹Special report No 9/2006 concerning translation expenditure incurred by the Commission, the Parliament and the Council

² European Parliament Resolution on Special Report No 9/2006 of the Court of Auditors (2007/2077(INI))

Is the imposition of performance indicators justified?

According to Parliament's resolution, the quantitative and qualitative performance indicators are intended to "facilitate the monitoring of translation processes for management purposes".

It could reasonably be argued that business processes were successfully managed for many years before performance indicators made their first appearance and, since the Resolution also noted the high level of satisfaction among the users of Parliament's translation service, we might also have been forgiven for questioning the need for performance indicators. It must, however, be recognised that the call for accountability and transparency in public sector management has never been stronger and that an absence of complaints about the service delivered does not, in itself, respond to that call. In addition, in a context of increased privatization of previously public sector activities, the need to demonstrate value-for-money has become of paramount importance for the public sector. It would be hard to argue that the taxpayer is getting value-for-money if we are unable to calculate how much the services we manage cost.

If they weren't imposed on us, would we still opt for indicators?

Any manager would agree that it is difficult to manage something that cannot be measured. Furthermore, any manager worth his or her salt has a strategy and being able to assess how far one is in implementing one's strategy can surely only be a motivation factor. Finally, from a purely practical point of view, since no-one has a bottomless purse into which to reach, awareness of cost is undeniably an essential management tool.

Acknowledging the potential usefulness of performance indicators for the managers themselves is undoubtedly an essential step towards the development and implementation of pertinent indicators. If no such usefulness is perceived, the chances of identifying the key performance indicators needed to monitor performance across the board without getting deluged by a surfeit of data are remote.

Is it possible to dissociate cost indicators and performance indicators?

Whilst it is of course possible to carry out a costing exercise without considering the performance dimension, this is not really of interest either for the service provider or for the client. The cost of a service, the calculation of which is in itself a complex issue in the case of the types of service provided by IAMLADP members, means little unless measured against the total value of that service. Performance indicators define a set of values to measure against and it is only in setting off the costing indicators against the performance indicators that the true value of the service can be assessed.

What exactly should performance indicators be used for?

The question may seem naive but it is important to have the answer to it before embarking on the development of the indicators. It is also an important for managers to

be able to give the right answer to this question when it is inevitably asked by members of staff.

The sole purpose of performance indicators is to define and measure progress toward organization goals. The indicators reflect the critical success factors for the organization and define a set of values to measure against. They thereby help staff to understand the strategic objectives of the organization and define the role of the individual services in achieving those objectives.

What should they not be used for?

This is an equally important question in order to avoid misuse or abuse of performance indicators. Contrary to common misconceptions, they should not be used to judge performance of individuals or groups of individuals, nor should they be used as a basis for the reward or punishment of staff. If they are misused in this way - and there are examples of this throughout the public sector in many countries - there is a high chance that the indicators will be unreliable, since the figures are likely to have been manipulated in order to ensure a positive appraisal or a reward.

What are the specific challenges facing the European Parliament's DG Translation?

Like all IAMLADP members, the European Parliament's DG Translation operates in a highly pressured environment.

Our service is totally demand driven - in a political institution such as ours there can be no question of an administrative service controlling demand. It is impossible to reliably forecast demand - the nature of Parliament's role, not only as co-legislator, but also, and most importantly, as the voice of the citizens of Europe, dictates that it must always be able to respond to what is happening not only in Europe but throughout the world. We currently produce 1.2 million pages of translation a year, covering 506 language combinations. 65% of our texts are legislative, 15% of our translations are booked out in less than one working day, 40% in less than 3 working days, 90% in less than 10 working daysand we face an estimated 50% increase in workload as of 2009.

Again like all IAMLADP members, we work in a context not of no-growth as far as human resources are concerned, but of constant cut-backs.

Developing and implementing performance indicators in such a climate of rationalization and reduced funding is of course a major challenge but we see this as an opportunity to "value" the different activities of our service, thereby translating intangible assets into tangible outcomes. We intend to use the performance indicators which we are now in the process of developing to help staff understand the goals and objectives of our service and we are confident that they will also provide some context and meaning to the fundamental changes to their profession which our staff are experiencing. We think it is particularly important in the current climate of redeployment of posts away from the

translation service that we measure our performance as we believe that this measurement of our achievements will be a motivating factor for staff.

How are we choosing our costing and performance indicators?

As far as costing indicators are concerned, European Parliament's DG Translation has opted for an all-embracing approach, including not only the staff costs and logistical costs of the translation service staff themselves but also all the costs generated elsewhere in the institution in order to maintain an in-house translation service. This has the disadvantage of resulting in a price per page which does not always compare favourably with the private sector, but the advantage of being beyond reproach.

It is precisely though because of the inevitable comparison with the private sector that we consider it essential to present the result of our costing exercise alongside a set of performance indicators which reflect those aspects of the service offered which distinguish us from the private sector - number of language combinations covered, deadlines of as little as two hours for a substantial number of texts, to mention the most obvious.

In this respect we are aligning our performance indicators with the values of the institution as a whole. Transparency and legitimacy are the key values of the European Parliament as the only democratically elected legislative body in the European Union. This transparency and legitimacy are entirely dependent on the timely availability in all languages of texts put to the vote, hence our performance indicators will focus on the processes which ensure this.

We believe that this alignment of the performance indicators for individual services with the values of the organization is of paramount importance if the indicators are to have any real meaning. Only then can they be used to measure the achievement of overall strategy - otherwise they remain a measure of mere operational detail.

This latter consideration of course means that, whilst we can undoubtedly find inspiration in the performance indicators used by other translation services, the parameters within which we operate are so specific that our choice of indicators must, if they are to be of real use, be equally specific. It is impossible to transpose identical sets of performance indicators from one organization to another as to do so entails reducing the indicators to reflect only those values common to all the organizations involved. This "lowest common denominator" approach is doomed to failure since the performance indicators used will inevitably fail to reflect all the critical success factors of the organization.

What do we see as the major challenges for management in introducing performance indicators?

Although we are still at the stage of developing the performance indicators we have already identified a number of difficulties which we will encounter in the implementation phase.

There are a number of practical considerations such as the need to review the reporting functions of our databases in order to be able to produce the data we need and, of course, the need for resources to dedicate to the data processing activity particularly in the early stages.

The greatest challenge though will be convincing staff of the necessity of introducing indicators and of the advantages they will bring. Since we rely to a large extent on our staff to provide the data we need we consider it essential that they not only accept the introduction of indicators but actively welcome it.

It is our belief that senior management has a key role to play here. It is their responsibility to make it clear to staff that the performance indicators are there to measure the performance of the service, not of individuals. Most importantly, it is they who have to ensure a positive work climate where poor performance is seen as an opportunity for improvement.

What will the indicators not show?

It goes without saying that neither the costing nor the performance indicators, even taken together, can show everything.

We can show how much it costs to translate a page in the European Parliament, but we cannot show what it would cost if that page were not translated - what price loss of democracy , legitimacy?

We can show how many pages we translate in a given period of time, how many pages are double-checked, but how can we show the actual quality of the translation?

Conclusions

European Parliament's DG Translation considers that the request to develop costing and performance indicators has given us the incentive to examine in great detail the functioning of our service and to re-assess our role within the institution as a whole. This has highlighted the inter-dependency of our service with the other services of Parliament involved in the legislative process and has confirmed the complexity of our sphere of operation. It has also highlighted the specificity of the parameters within which we operate and demonstrated the dangers of trying to transpose indicators from one organization to another.

In addition, the costing exercise has enabled us to identify the many activities of our service, key to the smooth functioning of the institution, which do not result in the production of a translated page.

There is, however, always a risk that when the use of performance indicators is imposed, the response is geared primarily toward satisfying the requestor, in our case the Court of Auditors and indeed our own institution at the highest political level. Our concern now is

to ensure that we continue our work on developing indicators which will really help us to reach our goals. In spite of the challenges we know we will face in implementing the indicators, we are confident that, in the long term, they will be a useful tool in ensuring that staff understand our goals and a motivating factor as we measure our progress towards achieving those goals.

It has, however, become very clear that we should not fall into the trap of thinking that these indicators will be the solution to all our problems, and we must make our political authorities aware of this. The use of performance indicators constitutes one element in the development of quality services and a great number of other things besides performance indicators are needed to actually improve performance.

There is always the risk that performance indicators become an end in themselves, and that we focus more on the indicators than the actual performance. There is, too, the risk that the need to sell the idea that performance is improving begins to overshadow the need to actually improve performance. It is imperative that we are aware of these risks and take the necessary steps to avoid them, ensuring that formal compliance means also effective compliance.

The most serious risk though is undoubtedly that of focussing excessively or even exclusively on what can be measured.

In the types of service offered by the IAMLADP members it is almost impossible in most cases to measure the most important factor, the real outcome of the performance of the service, i.e. the impact on the users of the service. Furthermore, the nature of the organizations for which we work is such that our services are only one of many impacting on the users and there is a substantial degree of interdependency between services.

The types of services we provide are also too complex to be completely quantifiable in terms of production - numerous "additional" services, often intangible and in any case taken for granted because they have always formed part of the service, are provided.

And how could one begin to "measure" the value of political autonomy, institutional identity?

How could one begin to even estimate the "costs" of non multilingualism?

Whilst the need for and usefulness of both qualitative and quantitative performance indicators is undeniable, much more is needed to ensure the quality services which we are committed to providing. We do indeed need to be able to measure both quality and quantity in order to manage our services but it must be recognized that it is impossible to put an absolute value on many crucial aspects of the services we provide.

Finally, let it not be forgotten that no matter how many performance indicators are developed and implemented, no matter how many costing exercises are carried out, the quality of the service we provide depends not only on how it is managed but on the

quality of the human resources employed and on the quality of their working environment. The detrimental effect on the latter, which the relentless reduction in resources to which we are all subject inevitably has, will not be offset by even the most complex and sophisticated set of performance indicators.