



The 11th International Scientific Conference
**“DEFENSE RESOURCES MANAGEMENT
IN THE 21st CENTURY”**
Braşov, November 10th -11th 2016



PERFORMANCE MEASUREMENT

Lecturer PhD. Cristina Antonoaie

DRESMARA, Braşov, România

Abstract:

The concept of performance measurement is very clear: What gets measured gets done! As Peter Drucker said: “If you want it, measure it. If you can’t measure it, forget it.” Because we can manage only what we can measure, performance management as a distinct discipline it’s becoming very important today. Management is based on measurement, and all other organizational systems are dependent on the measurement system.

Key words: performance measurement, key performance indicators, strategy, performance management, performance management cycle, outputs, outcomes

1. Introduction

A performance measurement system, derived from the mission and the strategy of the organization provides the data that will be used to make the decisions.

The U.S. General Accounting Office (GAO) provides this definition: “*Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established goals. It is typically conducted by program or agency management. Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), and/or the results of those products and services (outcomes). A “program” may be any activity, project, function, or policy that has an identifiable purpose or set of objectives.*”

2. Designing a performance measurement system

The measurement serves many functions important for performance management.

- Focuses attention on what is most important
- Clarifies performance expectations
- Increases the visibility of performance
- Enables goal-setting
- Forges increased strategic agreement and alignment
- Promotes accountability
- Motivates improvement

No organization could be any better than its measurement system.

Today we have 2 types of performance measurement in our organizations: traditional and positive.

The traditional measurement focuses on monitoring, reporting, control, justifying, judging, triggering rewards/punishment and negative accountability.

PERFORMANCE MEASUREMENT

The positive measurement focuses on visibility, communication, feedback, understanding, prediction, learning, improvement and positive accountability.

The measurement system comprises the measures, the measurement process and the technical infrastructure. The context of measurement is the wider perspective that has into the center the people with their attitudes, motivation and capabilities. Also the context of measurement has to take into account the measurement expectations, the history of measurement, the measurement resources and constraints, the way to communicate through the process and the organizational climate. Also it is very important to have the support of the leadership.

Measurement must reflect the organization's business model and the strategy. The strategic measures must take into account the critical succes factors influencing the process and also make sure that the operational measures are supporting the execution of strategy.

Organizations must not be afraid to experiment with measurement. Besides the conventional measures we can test emergent measures. If those are working we can revise them and use them next time as transformational measures.

A measure is considered good if it is valid (we are measuring the right thing), it is reliable (we measuring it consistently), it is relevant (useful) and it could be put in practice (in action).

To clarify the relationship among measures we use measurement frameworks. As Leading indicators we have the Inputs – the funds, the skills, the attitudes and the organizational climate. Next phase, inside the processes we have activities, behaviors, process performance – quantity, quality, timeliness and cost. Regarding the outputs we have products, services, inventions, patents etc.. And as lagging indicators we have internal and external outcomes. In the internal outcomes we put revenue, profit, competitive advantage, quality, cost reduction, employee satisfaction, employee retention, learning and innovation.

The external outcomes are actually referring to the customer value – timely delivery, customer perceived quality, customer experience, loyalty and success.

The purpose of measurement is not to collect data. The data must be transformed into information, the information into knowledge and knowledge into wisdom. This process requires more than technical measurement skills. It has to take into account the depth of understanding of the concepts and the effort required to perform this transformation.

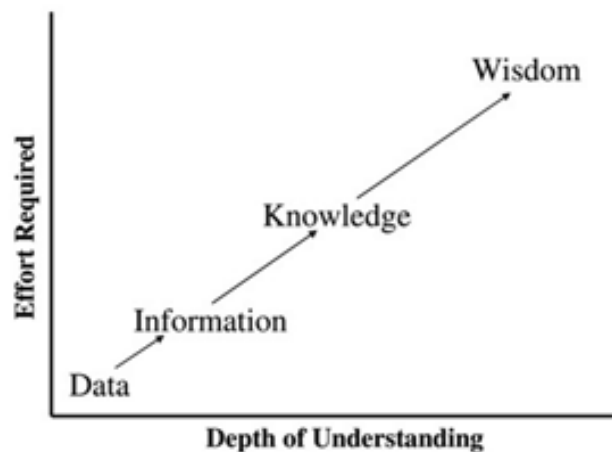


Fig. 1 Transforming data to wisdom

PERFORMANCE MEASUREMENT

There are many steps to turning data into information and knowledge: collect, store, analyze, interpret and present the data; share the data and create a dialog; take action; continuously review.

The performance management cycle has several possible models.

Performance Management Cycle

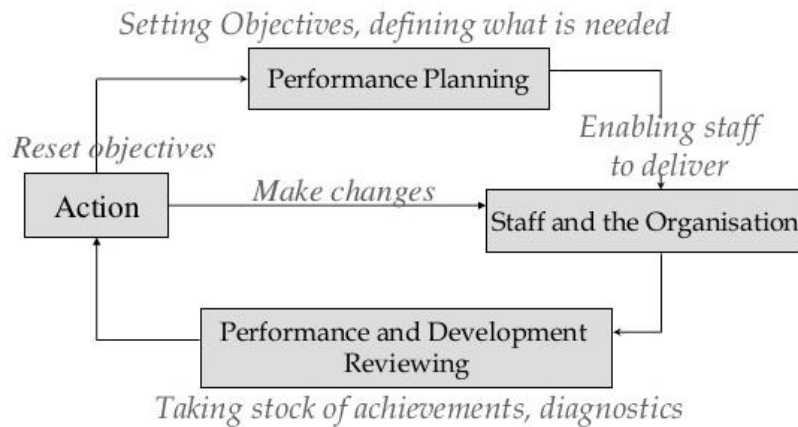


Fig. 2 Performance management cycle in the organization

The first one comprises 5 phases: planning, monitoring, developing, rating and rewarding.

The second one – the Deming model – has 4 phases: plan, do, check and act. This is the most popular model.

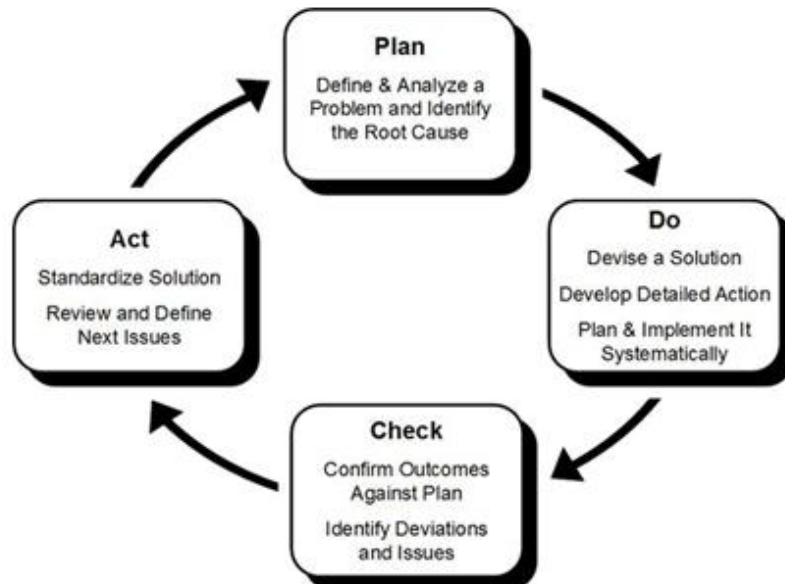


Fig. 3 Deming's Performance Management Cycle

PERFORMANCE MEASUREMENT

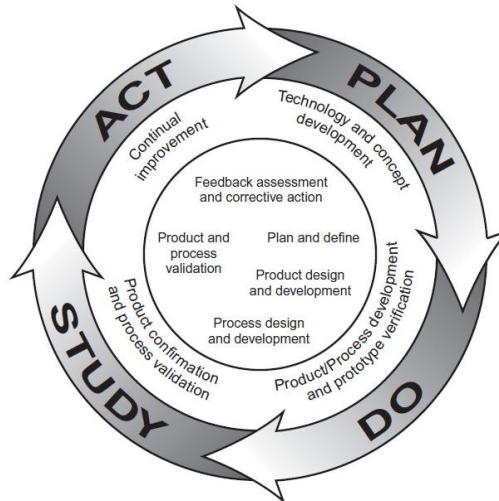


Fig. 4 Deming's Performance Management Cycle (process view)

The third one has 9 phases: plan, select, collect, analyze, interpret, decide, commit, take action and review.

The performance plans must be annual and have verifiable output, service level and outcome measures and also tangible, measurable performance targets. The performance reports must also be annual and reflect the actual performance and remediation intentions.

In order to develop a performance measurement system we have to follow several operational steps:

1. Establishing the team that will put in place the performance measurement system.

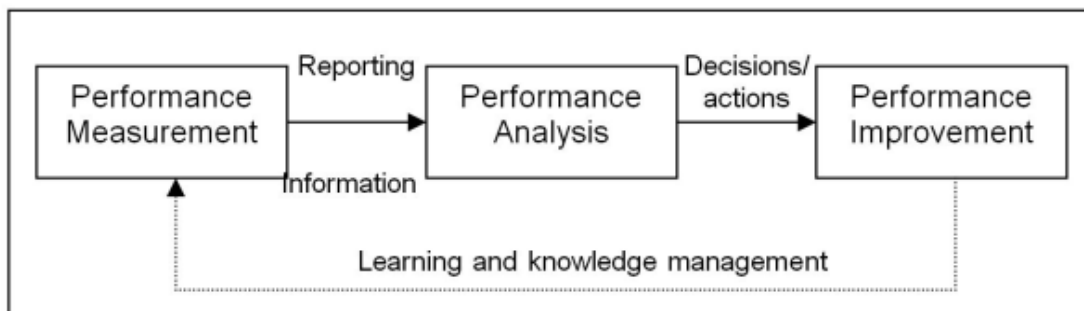


Fig. 5 Performance measurement and the learning process

2. Defining proper performance indicators.

We can divide the indicators in 5 categories: input indicators, process indicators, output indicators, outcome indicators and impact indicators.

3. Design general criteria.

The number of performance indicators must be kept to a minimum. We must identify the key performance indicators. Also the objectives must be understandable and clear and we must determine if the cost of performance indicator is worth the gain.

It is mandatory to perform a risk evaluation of the organization to determine which specific processes are most critical to organizational success.

4. Check the performance measures.

PERFORMANCE MEASUREMENT

The most used test to check the performance metrics is the SMART test – Specific, Measurable, Attainable, Realistic, Timely.

The main idea when developing performance indicators is that we must have a clear definition for each one of them, in order not to create confusion by varying interpretations of the same terms and concepts.

Also indicators frequently do not reflect what is really occurring; there is an inverse relationship between the importance of an indicator and the ease, or even possibility, of its quantification.

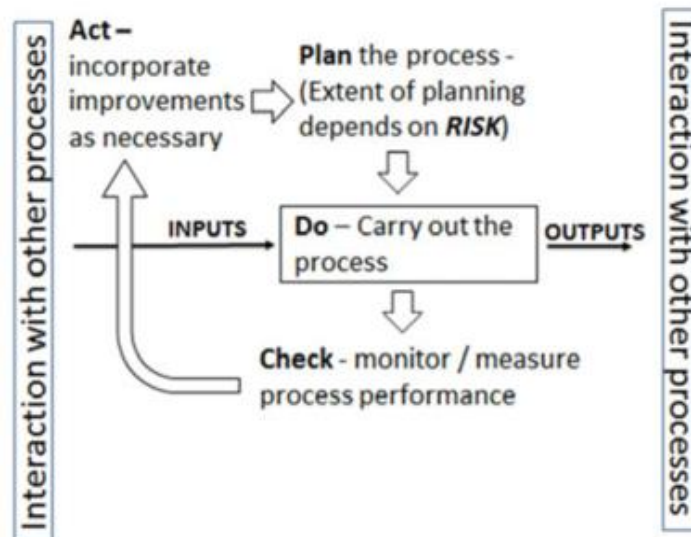


Fig. 6 The interaction of performance management with other processes

That is why we need a performance measurement development model. At first step we have to describe the intended result of the objective. At the second step we have to describe the measure(s) – define the measurable components that thoroughly describe the intended result and choose and define the appropriate direct and indirect measures. At the third step we should describe the desired performance level and develop an index (single or composite). Also develop targets and thresholds for each measure. And in the end we must do the performance analysis.

3. Conclusions

We use the performance analysis to improve ongoing strategic planing. We use performance information to manage to results and inform decision making. We communicate strategy effectively, internally and externally. We use performance information during the evaluation of the organization to revise strategic themes, strategic results, strategic objectives, strategy maps etc..We must periodically check reward and incentive systems for alignment with desired results.

We should look continously for new key performance indicators and not be afraid to test and learn and incorporate the learning into strategy. What gets measured gets done!

PERFORMANCE MEASUREMENT

References:

- [1] Michael Armstrong, Performance Management. Key Strategies and Practical Guidelines, 3rd Edition, Kogan Page, 2006
- [2] Robert B. Carton, Charles W. Hofer, Measuring Organizational Performance. Metrics for Entrepreneurship and Strategic Management Research, Edward Elgar, 2006
- [3] David A.J. Axson, Best Practices in Planning and Performance Management. Radically Rethinking Management for a Volatile World, 3rd Edition, John Wiley & Sons, 2010
- [4] Paolo Taticchi, Business Performance Measurement and Management. New Contexts, Themes and Challenges, Springer-Verlag, 2010
- [5] Bruno Aziza, Joey Fitts, Drive Business Performance. Enabling a Culture of Intelligent Execution, John Wiley & Sons, 2008
- [6] Fiorenzo Franceschini, Maurizio Galetto, Domenico Maisano, Management by Measurement, Designing Key Indicators and Performance Measurement Systems, Springer-Verlag, 2007
- [7] Geert Bouckaert, John Halligan, Managing Performance. International Comparison, Routledge, 2008
- [8] Corinne Leech, Managing Performance, Elsevier, 2007
- [9] Dale Brethower, Performance Analysis: Knowing What to Do and How, HRD Press Inc., 2007
- [10] John West-Burnham, Ingrid Bradbury, Performance Management Manual. Creating a Culture for Sustainable High Performance, Pearson Education Ltd., 2003
- [11] Dean R. Spitzer, Transforming Performance Measurement. Rethinking the Way We Measure and Drive Organizational Success, AMACOM, 2007
- [12] Bernard Marr, Strategic Performance Management, Leveraging and measuring your intangible value drivers, Elsevier, 2006