

Performance Measurement & Management – Key Considerations

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Rationale for performance measurement & management

“Anything can be measured. If a thing can be observed in any way at all, it lends itself to some type of measurement method. No matter how “fuzzy” the measurement is, it is still a measurement if it tells you more than you knew before. And those very things most likely to be seen as immeasurable are, virtually always, solved by relatively simple measurement methods”.



Source: Hubbard D., *How to measure anything: finding the value of „intangibles” in business*, Wiley, 2010.



Rationale for performance measurement & management

„So tell me again: why do you want to measure?”

- “What cannot be measured – cannot be managed”
- Process of decision-making can be significantly hampered by the lack of adequate information sources being at the disposal of the organization.
- Needed for informed decisions about the allocation of resources, setting the standards for expected performance, recognize the high performance and provide feedback (Fitz-enz, 2009).



Key elements of the performance management

Business model

Organisational strategy

Environment

Performance management

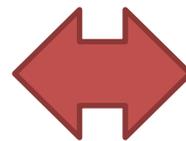
Measurement system



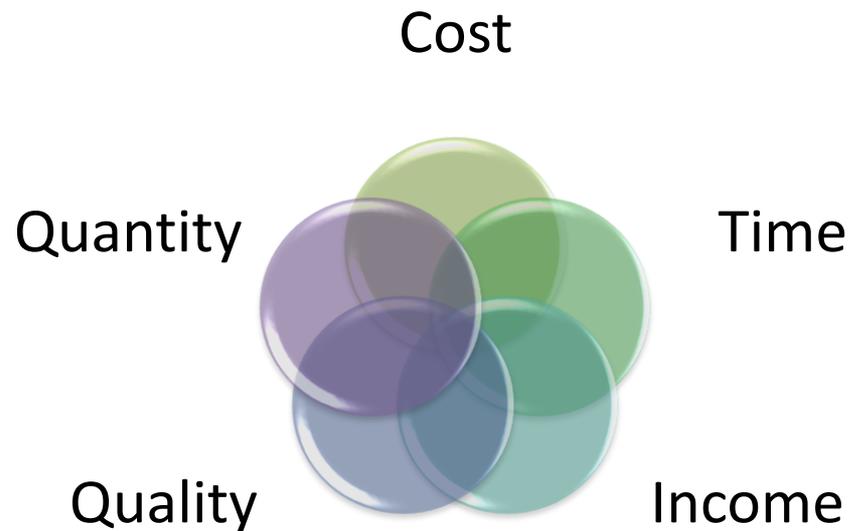
Decision making processes

- Measurement logic
- Measures / metrics
- Reporting & interpretation

- Reactive / proactive approach
- Procedures / regulations
- Management mindset



Performance measurement „system”



Performance measurement „system”

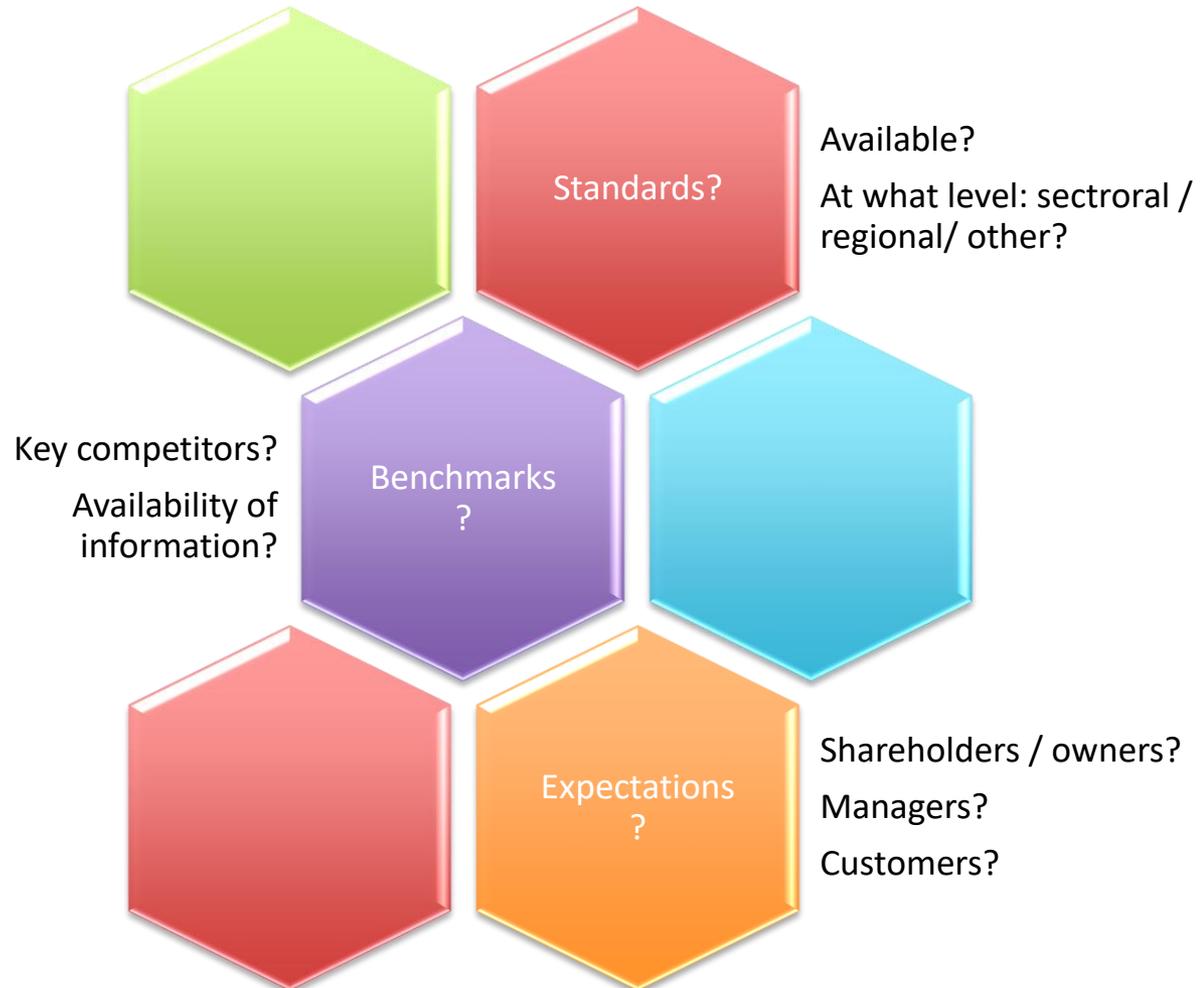
The creation of the measurement system should include considerations of:

- the object of measurement (i.e. what is being measured?)
- the method of measurement (i.e. manner of approaching the measurement of particular factors?)
- the tools of measurement (i.e. exactly what information and data are gathered and in what way?)
- the algorithms of measurement and analysis of particular factors (i.e. what is the method of calculating and analysing the collected information?)
- possible interpretations of the outcomes of measurements (i.e. what does the given outcome stand for?)
- possible correcting actions (i.e. what needs to be done in order to enhance not only the outcome itself but also the influencing factors?).

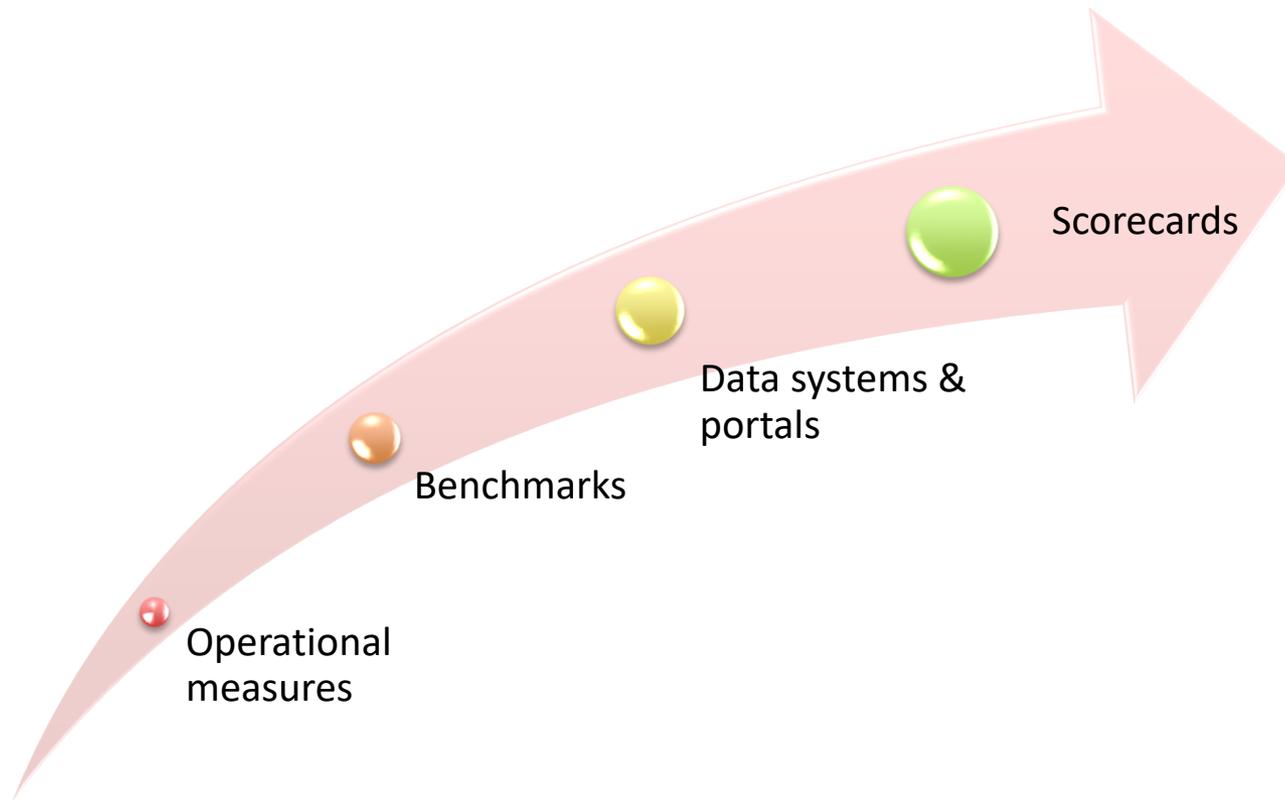


Determining „reference points” for performance measurement

How well are we performing?



Limitations of performance measurement & management



- Strategic impact
- Organisational change
- Causal relationships

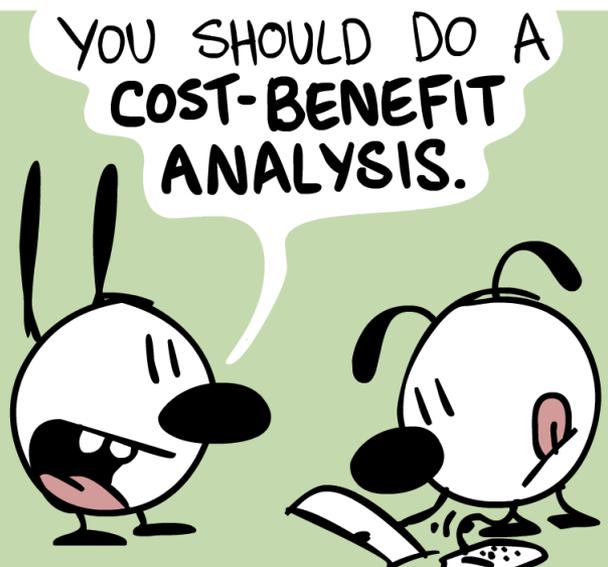


Sources: own development based on Cascio W., Boudreau J., *Investing in People. Financial Impact of Human Resource Initiatives*, Pearson Education, 2008.



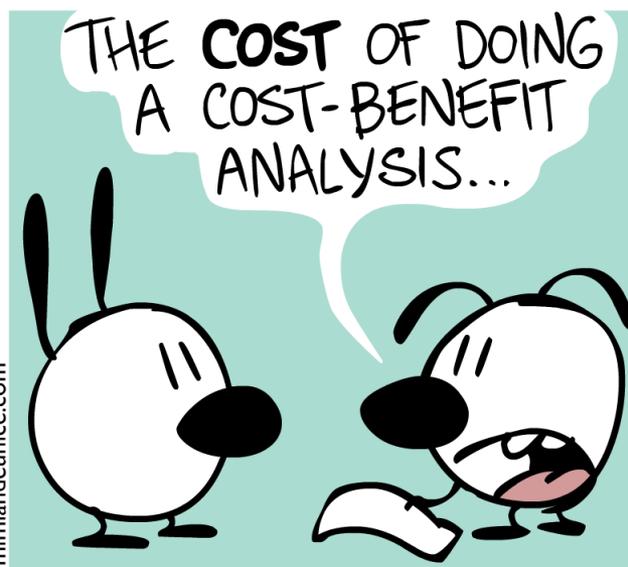
Limitations of performance measurement & management

- Certain measures also have their own limitations (e.g. measures based on income/employment (FTE) ratio)
- Measurement effort (time, cost, etc.) vs utility should also be considered...



YOU SHOULD DO A **COST-BENEFIT ANALYSIS.**

A cartoon panel with a green background. On the left, a white rabbit character with black ears and a black nose looks towards the right. On the right, a white dog character with black ears and a black nose is sitting on the ground, looking at a piece of paper. A speech bubble from the rabbit says, "YOU SHOULD DO A **COST-BENEFIT ANALYSIS.**"



THE **COST** OF DOING A COST-BENEFIT ANALYSIS...

A cartoon panel with a light green background. The white rabbit character is on the left, looking towards the right. The white dog character is on the right, looking down at a piece of paper. A speech bubble from the dog says, "THE **COST** OF DOING A COST-BENEFIT ANALYSIS..."



...EXCEEDS THE **BENEFIT.**

A cartoon panel with a light blue background. The white rabbit character is on the left, looking towards the right. The white dog character is on the right, looking down at a piece of paper. A speech bubble from the dog says, "...EXCEEDS THE **BENEFIT.**"



Balance Scorecard (BSC) perspective

Strategy map and management practices

Which objectives (strategic results) are most important?

Which vehicles of effectiveness support achieving each of these goals?

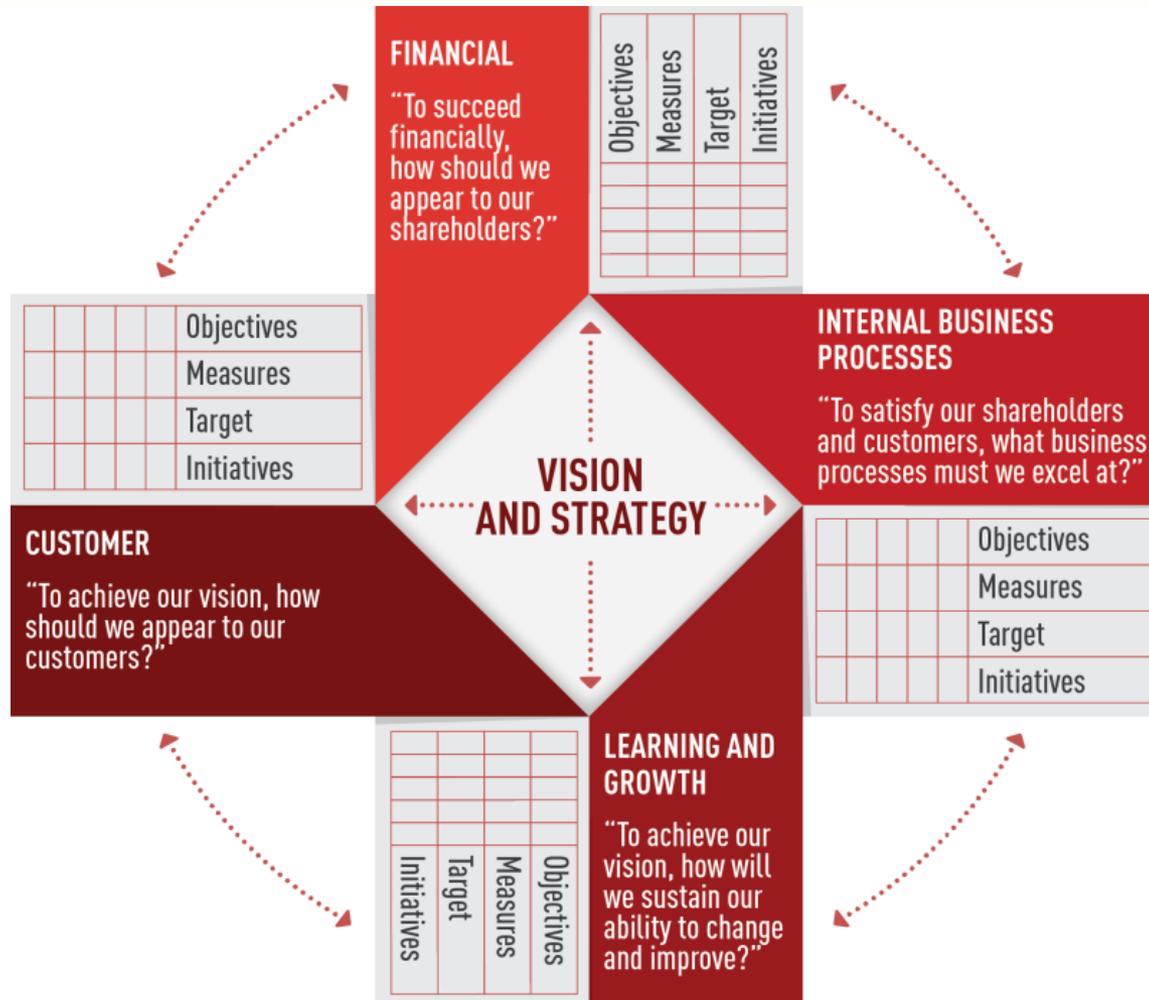
How do you measure progress towards achieving these goals?

What behaviors should be manifested by employees in order for the company to achieve its goals?

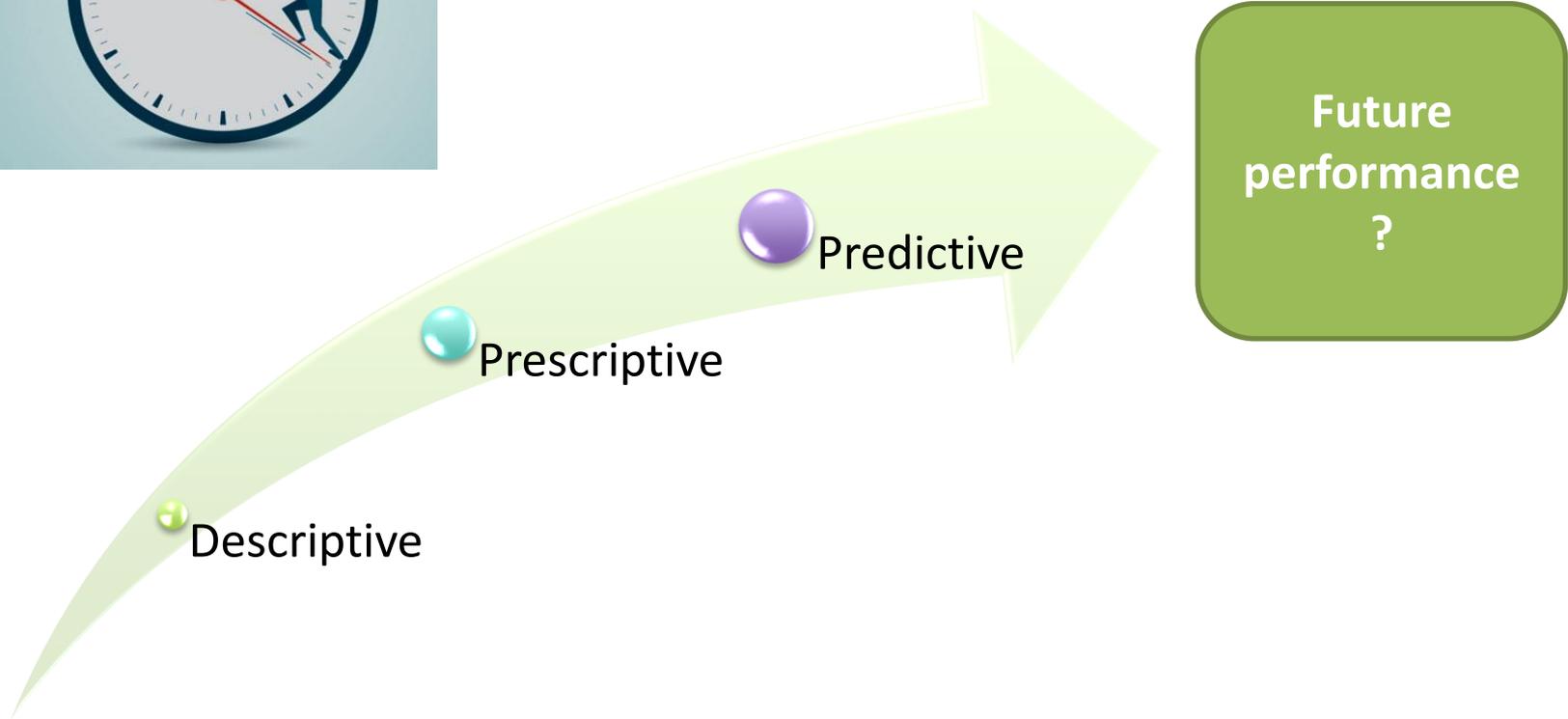
Which management practices will reinforce these behaviors?



Balanced Scorecard (BSC) approach



Time series and trends analysis for performance measurement



Conclusions and discussion

- The importance of performance measurement & management is unquestionable – the question is how to do it best?
- Importance of building a comprehensive system, providing intelligence for making informed decisions.
- More comprehensive means including not only quantitative but also qualitative measures, that explain also WHY we are performing/underperforming.
- The credibility of measurements, ability to interpret the data & make informed decisions and a balance between the efforts put into the gathering of data and the usefulness of given measures are the basic conditions for measurement effectiveness.



Thank you for your attention!

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