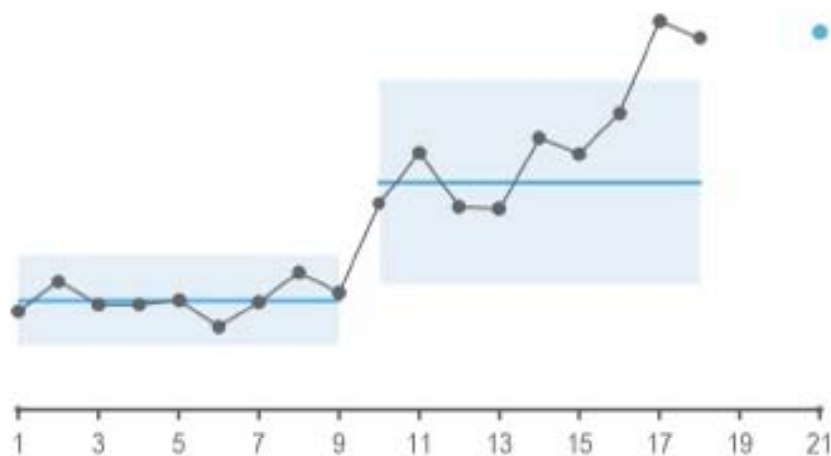# PRACTICAL
PERFORMANCE
MEASUREMENT

Using the PuMP Blueprint for Fast, Easy, and Engaging KPIs

STACEY BARR

REVIEWS

Performance Measurement Experts

For many years, Stacey Barr has been the most prominent voice I know helping managers learn and apply effective and practical ways to measure performance. Stacey has an enthusiastic global following of fans. Her book provides an important contribution to the body of knowledge for identifying and using performance measures. The book describes proven measurement methods with dozens of ideas based on her extensive experience. Many organizations struggle with measurements. This book is a "must read" for C-suite executives, their managers, and anyone involved with improving an organization's performance.

Gary Cokins
Author of *Performance Management—Integrating Strategy Execution, Methodologies, Risk and Analytics*
Founder, Analytics-Based Performance Management LLC

This long-awaited book from Stacey Barr is a welcome addition in the performance measurement space. The book will have a profound influence on the reader as it has for me. It will help many teams to arrive at performance measures that work. This book is a must have for the KPI team's library.

David Parmenter
Author of *Key Performance Indicators: Developing, Implementing and Using Winning KPIs*

"Performance measurement is a process, not an event", is a key point in Stacey's new book, and captures the essence of her message. Stacey Barr is among a handful of people who understand performance measurement at a deep level, and lucky for us, she communicates "how to do it" simply and with style. Based on many years of practical experience with her PuMP Blueprint performance measurement framework, Stacey's book tells great stories and offers inspiring examples. Her enthusiasm for improving the way organizations measure performance is contagious.

If you are trying to measure what truly matters, trying to answer the question, "How will we truly know success when we see it?", and trying not to just measure the easy stuff, then you should buy this book—it belongs on the top shelf of your library.

Howard Rohm, Ph.D.
Co-Founder & CEO
the Balanced Scorecard Institute
Author of *The Institute Way: Simplify Strategic Planning & Management with the Balanced Scorecard*

Stacey Barr knows more about performance measurement than anyone else I know—including myself! She has written such an incredible, readable, and comprehensive book on performance measurement that it left me speechless and breathless! This book covers just about every aspect of performance measurement and is, by far, the best single resource on the subject that I have ever seen. Stacey's PuMP model is both elegant and easy to implement. If you are looking for a book that will educate you about performance measurement and guide you in doing it well, *Practical Performance Measurement* is the one book you should read and use. I assure you that it will become an invaluable resource. The fact that Stacey has listed me as an influence in her thinking is an ultimate compliment, and leaves me feeling very humble indeed. Thank you, Stacey, for this master work and landmark contribution to the field!

> Dean R. Spitzer, Ph.D.,
> Author of *Transforming Performance Measurement: Rethinking
> the Way We Measure and Drive Organizational Success*

PuMP Blueprint Users

Stacey, this book comes in with all the answers to the questions that have perplexed the public sector in the area of performance measurement for years. You have, with ease, addressed the challenging question on **how to measure**, that many have avoided. This book is so clear, readable and immensely practical that anybody from a chief executive to an ordinary officer can read, understand and benefit. Having observed, for over 20 years, challenges facing the public sector in the area of measurement, I can confidently say that this book has addressed the dilemma that the public sector is facing in performance management. The book will completely transform the way all of us think about measures: how to design them, collect, analyze, report and benefit from them. Thank you, Stacey, for your contribution in a special way to the challenges facing strategic management.

> **Charles S. Assey**
> Manager, Strategic Planning and Performance Review
> Bank of Tanzania

The guidance contained in this book is down-to-earth and practical, giving some easy-to-follow steps to achieve real and meaningful performance measurement. Having worked in this field for over ten years, I recognise many of the pitfalls that you describe and wish I had started with this sort of process from the outset. Even now I can pick out new ideas from the book to help with the next stage in the performance measurement journey.

> **Chris Cheesman, MSc, BEng, MIET**
> Head of Management Planning and Reporting for a
> major international public organisation.

Measuring performance is essential for all of us as individuals, but perhaps more so as responsible managers and leaders within organisations. But measuring performance is not enough; we need to allow the people within our organisations to buy-in to measuring performance so that they take some ownership of the outcomes and focus on improving the systems/processes that deliver the results. Into the pages of this book Stacey pours an exhaustive body of research and a lifetime of experience to produce PuMP, the extensive set of tools and techniques that empower people within organisations to measure and improve their results (that's right, their *results*). The richness of this book is likely to last generations, and its value to conscientious performance improvement practitioners and leaders will be priceless. Together we can change the world. This book is essential reading for anyone with the desire to understand performance measurement and performance improvement.

Mark Hocknell
Associate Director
451 Consulting (and Licensed PuMP Consultant)

This is the real deal! Finally, a book about the ***practical***: how to *really* find the measures that matter, what you'll bump up against, and how to tell if you are achieving real results. If like me, you've been disappointed with every other book on performance measurement; you are going to open this book and think that Stacey just handed you a magic wand.

Bob McGlynn
Former program director KFJC radio and knowledge
management at SAP

Practical Performance Measurement is just that—practical. Stacey has written a book that is easy to relate to, easy to follow, articulate, and is filled with practical and personal experiences. The chapter summaries are a winner—providing a quick reference guide for future use. This will remain a reference book I use for many years to come.

Sharon McKitterick
Group Manager Business Performance
Ergon Energy

Stacey's passion and experience come together in *Practical Performance Measurement* to provide a really useful reference. As always she brings to life the realities of creating a measurement system that adds value to an enterprise. Her PuMP approach is intuitive and makes sense. Stacey also recognises that the likely resistance will come from any challenge to established values or beliefs. Her book helps to coach measurement advocates away from a 'hammer and nails' approach

to a constructive, objective journey. Armed with the method and the knowledge in this book, PuMP® implementers should find their missions transformed.

> **Richard Ponsonby**
> Associate Director
> 451 Consulting

Truly engaging people with meaningful, ongoing performance measurement has to be the most critical, least understood, easiest to pass over, and hard-to-pull-off management challenge facing higher education today. In *Practical Performance Measurement*, Stacey Barr integrates tough-minded content mastery and industry experience with tender-hearted teacherly care to bring readers (and workshop participants) to a performance laboratory of sorts—to explore, experiment with, reflect on, and initiate solutions to enduring measurement problems. Grounded in theory, the book's purpose is more to make real institutional strategy, its preferred results, and its elected pathway to improved performance. *Practical Performance Measurement* shows us the way.

> **Dawn Riley, Ph.D.**
> Director of Strategic Planning
> State University of New York

My friend, you have done it! This book not only explains performance measurement in a way that anyone in any sector could put to use, it also clearly explains performance measurement's relationship to the other components of strategic planning. Your book provides a road map in a single resource for anyone seeking to understand the complexities and requirements of performance measurement and strategic planning. *Practical Performance Measurement* will be one of the few resources I will keep within arm's length. It's a true winner!

> **Jerry Stigall**
> Director, Organization Development, Strategy, & Policy
> Douglas County Government

I am excited about this book, as it is something I will be able to give our executive that explains these issues in a clear, concise way with practical applications. The chapters detailing each step of the PuMP process are really good and informative. It's not too long, is easy to read, and the concepts quick to pick up due to the great use of metaphors, examples and plain language writing style.

> **Cheryl Strachan**
> Australia

This should be the first book you read if you want to understand why you are struggling to implement meaningful performance measures and then learn how to do it right. Stacey identifies and explains all the common challenges associated with performance measurement, and then provides practical solutions to overcome them. Her approach is straightforward, the tools provided make it quick and easy to implement and, best of all, it really works! Following Stacey's techniques creates a real buzz and an enthusiasm for designing and using performance measures that has never been there before.

Anne Turner
Business Strategy Team Manager
Scottish Environment Protection Agency

It would be easy for a book on performance measurement to be written in an academic way: lots of theory and statistics, but not very practical. In contrast, this book is written for those of us 'on the ground' working to make our organizations more successful by focusing first on the results we want to see, and *then* on how we know if we're getting there. Stacey writes in a very accessible style, making the concepts and process easy to understand and put into practice. Her excellent insights into human nature add to the value of the book—she anticipates, from her years of experience pioneering this field, what issues practitioners might encounter and how to address them. I have benefited greatly from Stacey's *Performance Measure Blueprint*, and have been apply to apply many of her ideas and strategies in my organization. I'm excited that this book will allow many others to benefit from this valuable resource, as well.

Cheryl Welch
Strategic Planner
Tualatin Valley Water District, United States

PRACTICAL PERFORMANCE MEASUREMENT

Using the PuMP Blueprint
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STACEY BARR

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INTRODUCTION

That you have this book at all rests upon a presumption.

The presumption is that you believe, or the person who gave you this book believes, that measurement is essential to making an organisation—or company, or business of any kind or size—perform.

Many organisations have performance measures because their business plans have a key performance indicator (KPI) column, or because stakeholders insist, or policy demands it. But performance measurement is so much more than what most of us understand it to be, which is one of the reasons why many of us still struggle to make it work and to realise its true potential.

The true purpose of performance measurement—indeed its real power—is that it helps us achieve more of our goals sooner, and with less effort and money than would be possible without it. It does this by snapping our attention onto the things that matter most to our organisation's success, telling us in no uncertain terms how well we are (or aren't) achieving those things, and motivating us to find better ways to achieve them.

Most likely, you have this book because performance measurement isn't living up to its true purpose in your organisation. You don't get the information you need from it, your KPIs are not much more than boxes that you check each quarter or each year, or you wish you could get your hands on more meaningful data to help you take effective action to achieve your goals. If you are facing these frustrations, chances are that one or more of the following is true: your measures are meaningless, your organisation can't figure out exactly how to measure what really matters, you don't trust your measures' data, people refuse to own the measures, or performance isn't improving.

In short, you are probably reading this book because your performance measurement process is broken.

When a performance measurement process works well, measures keep us focused on what we know matters most, people feel enlightened by the measures they use and motivated to improve performance, we know what current performance actually is and why, and we know where performance should or could be and what needs to change to get there. Effective performance measures are key to doing business successfully, and should be a ubiquitous element of our work. They should stop us from stumbling around in the dark to figure out where we are and where we're trying to go, as well as from bumping unexpectedly into all manner of obstacles along the way.

This book is not going to try and convince anyone that performance measurement isn't a fad, or that it will be worth the investment. This book is for you only if you already believe this. This is not a book about theory or a regurgitation of existing KPI ideas. This book is about practical techniques, tested in the trenches.

This book is designed to help you fix your broken performance measurement process.

—Stacey Barr

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What Exactly
Is Performance Measurement?

'What if I were to tell you that one of the most important keys to your organization's success can be found in a very unlikely place—a place many of you consider to be complicated, inaccessible, and perhaps even downright boring? What if I were to tell you that this key to success is already one of the most ubiquitous and impactful forces in your organization? It's there, waiting for you to tap into it.

This key to success is MEASUREMENT.

Measurement done right can transform your organization. It can not only show you where you are now, but can get you to wherever you want to go... measurement is fundamental to high performance, improvement, and, ultimately, success in business, or in any other area of human endeavour'.

—Dean R. Spitzer, *Transforming Performance Measurement: Rethinking the Way We Measure and Drive Organizational Success*

Terminology is inconsistent in the performance measurement and performance management fields, and it gets plenty of people confused before they even begin. To some, a 'KPI' is a 'key performance indicator', or the name given to the performance measures that are most strategically important to a company or organisation. For a company big on innovation, *New Product Revenue* could be a KPI. For a local government organisation

trying to cope with drought, *Domestic Water Consumption* and *Commercial Water Consumption* might be KPIs. For others, a KPI doesn't quantify amounts like the above examples but instead qualitatively describes an area of performance to be improved, like *Enhance Employee Engagement* or *Grow Market Share*.

Frustratingly, there isn't a single universally accepted definition of any of the multiple terms used in the performance measurement field, which include 'KPI', 'performance indicator', 'performance metric', performance measure', 'lead indicator', and 'lag indicator'. Because there probably won't ever be an accepted definition of any of these terms, let's not waste our time worrying about their varying meanings.

I almost always use the term 'performance measure'. To many, 'KPI' has become the friendly nickname for a performance measure, so depending on my audience I will sometimes use the term 'KPI'. Getting my message out about how to do performance measurement properly is more important to me than finding and using perfect terminology. For me, understanding what a performance measure is matters more than what we call it.

What is a performance measure?

Too often, people treat measurement as a bureaucratic, jumping-through-the-hoops-of-the-planning-process activity. They come up with anything that can be written down in the performance measure column of their strategic or business plan that will avoid challenge from managers, executives, regulators, directors or the community. The result is usually a collection of measures that are the easiest, cheapest, most rudimentary information to produce. Often, these aren't even true measures. And without realising it, managers who approach performance measures this way pay a price: such measures—or so-called measures—don't give the feedback needed to inform management of the aspect of the organisation that they are in charge of monitoring.

People have widely varying views about what to put into their performance measure columns, but most of the things I've seen listed there do not qualify as performance measures. What I usually see instead of true performance measures are a combination of:

- ✦ Initiatives chosen to improve performance
- ✦ Events or milestones of the implementation of a strategy or project (supposedly chosen to improve performance)
- ✦ Readily or easily gathered statistics that monitor the actions of the plan, and not the results the plan was designed to bring about
- ✦ Sources of data such as survey or payroll system
- ✦ Two or three vague words that could mean anything in general and nothing specific.

Initiatives are not performance measures

One challenge of using the word 'measure' is that it has two different meanings in the English language:

Meaning 1: We will take measures to improve customer loyalty.

Meaning 2: We will measure how much customer loyalty we have.

We could easily replace the word 'measures' with 'initiatives' in the first statement, but not the second. I've often wondered if this double meaning is the reason why so many people think that initiatives, projects, strategies, or ideas to improve performance are what belong in the performance measures column, next to their plan goals. Lists of performance measures generated based on this understanding read like the following:

- ✦ Develop partnerships for the delivery of training with major universities
- ✦ Appoint Head Coach and Team Manager early in the year
- ✦ Secure philanthropic/Government funding for state-wide professional development program
- ✦ Provide policy responses and submissions on key national issues relevant to rural and remote health workforce, education, and training
- ✦ Identification and implementation of a measurement system to evaluate improved productivity, fruit quality, and reduced production costs for growers

These are not performance measures. Here's why.

The first example, Develop partnerships for the delivery of training with major universities, was a performance measure for a goal that a college of surgeons defined as 'Build effective partnerships with other educational bodies to improve delivery of educational material and enhance the training program'. Their performance measure describes what they have to *do*, not evidence of how well the goal is achieved, such as whether there is performance improvement in their training program.

The second example, Appoint Head Coach and Team Manager early in the year, was a performance measure for the following outcome that a sporting association hoped to achieve: 'Increased capacity to send better-prepared senior and junior teams to multiple events'. Sure, getting a coach and manager on board early in the year is probably an important strategy for helping prepare teams, but simply appointing a Head Coach and Team Manager is not evidence of *how much better prepared* the teams are. This organisation would need to define exactly what they mean by 'better prepared' before they could identify a meaningful performance measure.

Initiatives are not performance measures in the same way that budgets are not profits and actions are not results. Yes, we need initiatives, actions, or strategies that we will implement to improve performance. But they are not evidence that our goal is reached. A university library might redesign the floor layout to provide more study space for students who are dissatisfied about the number of times they can't find a space when they need it. The initiative would be a floor layout redesign project. The performance measure could be something like *Average Student Satisfaction with the Ease of Finding Study Spaces*, or *Percentage of Students Entering the Library to Study Who Find a Study Space Immediately*.

Any good strategic or operational plan will have goals, performance measures, targets and performance improvement initiatives, which should all be distinct from one another. The goal is the result that the organisation wants to achieve (which it currently hasn't achieved). The performance measure tells us to what extent that result has been achieved over time. The target is the extent we want the performance measure to reach, which would signify achievement of the goal. Performance improvement strategies are the initiatives or projects that the organisation undertakes to shift current performance to the targeted level of performance.

Events or milestones are not performance measures

Strategic or operational plans commonly contain so-called performance measures that read like these:

- ✦ Research, discussion, and position papers supported and/or written

- ✦ Win Banksia Award for environmental achievement

- ✦ Detailed Risk Management strategy adopted by the Committee of Management

- ✦ Talent program implemented

- ✦ Meet the Australian Medical Council (AMC) requirements for re-accreditation in 2011

- ✦ Delivery of the agreed Environmental Works and Measures Program for each year of the Strategic Plan

- ✦ Marketing campaign to educate the community developed for implementation in 2010

- ✦ An organisation-wide skills audit is completed by Dec. 2010.

These are not performance measures. Let's take a look at why not.

The first example, Research, discussion and position papers supported and/or written, was a performance measure for a brain injury association's goal to 'Encourage and conduct research and evaluation that is reliable, credible, valid, and relevant to individuals, families and communities'. Supporting and writing papers is not a performance measure because it fails to provide evidence of the result implied by the goal, which is that their research is seen as reliable, credible, valid, and relevant by their members. Having position papers supported or written is simply a milestone. By contrast, having those papers peer-reviewed and accepted for publication in a credible scientific journal might be evidence that they are meeting their goal.

Monitoring milestones is project management; monitoring results is performance management. Events or milestones fail to give us good performance feedback because they tell us only whether or not we implemented the actions that we've chosen to improve performance. They don't tell us whether those actions worked and actually improved performance.

Wouldn't you agree that knowing what works and what doesn't is fundamental to improving organisational performance?

Measures of activity completion are not performance measures

Another thing often confused with a performance measure is information about the means rather than the end result of a task. A measure of task activity or progress does not measure the performance result or the outcome that the task is intended to contribute to or achieve. Some examples of activity measures that are not performance measures:

✦ Individual projects completed on time and at agreed cost

✦ 85% of staff have been briefed on the marketing plan

✦ Delivery of the Routine Maintenance Program

The first example, Individual projects completed on time and at agreed cost, was an indicator listed for the following goal of a museum's site improvements: 'We aim to ensure that all of our resources are the best they can be'. In all honesty, this goal or key result area is very vague. We don't know what defines 'the best they can be', so there is no way to meaningfully measure whether that goal is achieved. And regarding the proposed performance measure for this goal, on-time and on-budget completion of individual projects is only a single-point-in-time indicator of an activity having taken place. It does not tell us the how well that activity was performed. Completion of projects on time and on budget can be performance measures, but they'd be appropriate in a different context, for example a Program Office goal such as: 'We finish projects on time and to budget'. This museum needs to be clear about what it means for resources to be 'the best they can be', and to measure aspects of about how good these resources are. Even that still sounds like a goal that's way too broad: would we really want to measure how good *all* of our resources are? Aren't there any high-priority resources that matter more than the rest?

Performance is about how well we achieve a result, not what we do to achieve that result. Direct evidence of a result is essential to properly test our hypotheses about how to achieve that result. If we have measures that track the means and not the end, then we probably need to have a team

dialogue to fully describe what the end we're aiming for looks like, and to design measures that provide evidence that end has been achieved. Activity measures can then be more useful because we will be able to correlate them with results.

Sources of data are not performance measures

Some so-called performance measures are really data collection processes, and not performance measures at all. Examples include:

- ✦ Customer Survey
- ✦ Occupational Health and Safety incident reports
- ✦ Budget
- ✦ SAP system

I've seen the first example, Customer Survey, in the performance measure column of many different organisations and company strategic plans, next to goals relating to improving customer satisfaction. How exactly does performing a customer survey mean that customer satisfaction will be improved? Of course a survey provides data, but which data specifically? And how exactly should those data be analysed to answer the question of how satisfied customers are?

These so-called measures are means of collecting data, but they do not provide the answers to our questions about performance. Performance measures can certainly be based on the data that these processes collect. But the measures need to be clearly designed and defined before the right data can be collected. When I worked in the Queensland Government Statistician's Office as a survey statistician, I faced over and over the problem of data being collected without a clear idea of how they would be used. Our clients would first list all of the data they wanted to collect in a survey, without making it clear what they would use those data for or what business questions they needed to answer. Seeing data collection processes listed as performance measures is a symptom of not really knowing what the organisation's actual performance measures are. Identifying a data collection process suggests that either we have only an inkling of what kind of data might relate to our goals or that we lack discipline in being clear and specific.

Measures should be designed before data is selected for the same reasons that a house should be designed before building materials are selected. If we start with the data, we risk ending up with the wrong measures and missing out on getting the data we really need for the right measures. Or we risk ending up arguing about exactly how to use the data to decide whether our goals are being achieved or not. Neither of these outcomes gives us a true measure of performance.

Do you have any data collection processes that assemble lots of the wrong kinds of data? Try to write down the business questions that you most need your data collection processes to answer, then identify the form that the answers to these questions should take. From there, you can identify the analysis that can produce these answers, and the data that this analysis would require. Once you've done this, you will be much closer to knowing what your performance measures really are (as well as the best data to collect to measure performance).

A few vague words don't make a performance measure

These days we like to be concise and to the point—so much so, regrettably, that we have a great susceptibility to using empty words that in theory might sound very important and 'key' but in practice convey no meaning at all. We all know these kinds of words: 'efficiency', outcome', 'enhance', 'accountability', 'emergent', 'core,' 'effectiveness', 'holistic', 'key', 'reliability', 'quality', 'impact', 'sustainability', and so on. Don Watson, author of *Death Sentence: The Decay of Public Language*[1], refers to these as 'weasel words', words that suck the meaning out of whatever is being stated similarly to how weasels apparently suck the contents out of eggs and leave the shells behind. Many, many performance measures use weasel words such as:

✦ Media profile

✦ Increased market acceptance

✦ Research outcomes

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1. Don Watson. Death Sentence: The Decay of Public Language. Random House Australia, 2003.

The first example, Media Profile, was a performance measure for a strategic priority defined as 'Reach out, engage, and lead on significant issues affecting multicultural and ethnic communities' by a council representing ethnic communities. There isn't a single defined and accepted definition of a 'Media Profile'; this phrase is vague and open to interpretation. Users of such a vaguely worded measure will spend all their time arguing about what it means or what it should mean instead of making ground on their goal.

There are a few ways that organisations measure how much reach and engagement they have in the media. One example is *Percentage of Positive Media Mentions*, which would count up the number of media articles that show the organisation in a positive or neutral light (rather than a negative light) and take that count as a percentage of the total number of media articles. Another example is more qualitative; it has to do with the consistent image that the media repeatedly portrays of the organisation, and how well that image matches the way that the organisation wants to be portrayed.[2] For the measure Media profile, the organisation could count the number of media mentions, the number of lines or words published, or readers' recall of, or responses to, media articles. This organisation needs to define specific measures that will indicate how they are portrayed in the media.

The second example, Increased market acceptance, was a performance measure for a strategy defined as 'Work with the processing sector, listen to market signals'. This strategy of a livestock association was aimed at achieving the goal of 'Be at the forefront of marketing and promotion'. What exactly is 'market acceptance'? There isn't a widely understood definition—certainly nothing as detailed as the definitions that exist for *Customer Satisfaction Rating*, *Net Promoter Score*, *Earnings Before Interest and Tax* (EBIT), *Sales Revenue*, *Sales Conversion Rate* or *Staff Turnover*.

The third example, Research outcomes, was the performance measure for a university's goal to 'Develop focused, relevant and world-class research'. What types of research outcomes are they looking for? They can't know that until they define what constitutes 'focused', 'relevant', and 'world-class' research.

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2. Dermot McKeon. *Measuring Your Media Profile*. Gower, 1995.

You don't have a performance measure until you can describe how to calculate its values as a count, sum, percentage, average or ratio. Vague two- or three-word names do not make good performance measures. Every measure needs to have a name that makes it easy to refer to, but if that name is not widely and consistently understood we ought to accompany it with a short description that explains what the measure is. For example, a possible description for a livestock association's measure called *Market Acceptance* might be 'the percentage of consumer lamb purchases that are from our breed'.

Defining what a performance measure actually is

The so-called performance measures discussed above lack the features that are essential for a measure to provide good feedback about success or results.

One thing that often comes up when I talk about essential features of performance measures is the 'SMART' acronym. 'SMART' stands for 'Specific, Measurable, Achievable, Relevant and Time-bound'. It's a very good framework to test that our goals are well-formulated. But it's most certainly not a framework for making sure our performance measures are well-formulated. Rather, well-formulated performance measures are the 'M' ('Measurable') element of SMART.

Well-formulated performance measures have these qualities:

- ✦ A method of comparison that we can use to tell whether performance is good or not
- ✦ A base of objective evidence that gives a reasonably accurate and reliable picture of current performance
- ✦ A sufficient degree of granularity to detect small but important changes in performance to which we should respond
- ✦ Relevance to the organisation's priorities
- ✦ The ability to show changes in performance levels over time, giving us enough context to avoid short-sightedness

Let's look more closely at each of these five qualities.

A METHOD OF COMPARISON

A single number can never be a performance measure because there's nothing to which we can compare it in order to decide whether the number is good or bad, on or off target, or in what direction it's changing. We need to be able to compare actual performance with an ideal or desired level of performance, historic performance or, in the best of all possible worlds, both. If our *Average Customer Satisfaction Rating* measure is currently 5.6, how do we know whether that's good or bad? How do we know whether we need to do something to improve customer service or not? We can know only if we compare that 5.6 to something else: a target rating, the rating scale itself, an industry benchmark of customer satisfaction for our sector, or historical trends in our *Average Customer Satisfaction Rating*.

A BASE OF OBJECTIVE EVIDENCE

It always frustrated me just how much time decision makers would spend during performance review meetings arguing about the data integrity of a measure rather than actually using the measure to help achieve a goal. Performance measures don't need to have perfect integrity. They need only to be accurate and reliable enough to be trusted as information that will lead to a better decision than no decision or an uninformed decision.

The *accuracy* of a performance measure is akin to how close a shot comes to the bullseye on a target. That is, a performance measure is more accurate the more directly it measures the result we want to know about. *Average Customer Satisfaction Rating* is a more accurate measure of customer satisfaction than *Number of Customer Complaints*. An *Average Customer Satisfaction Rating* based on a random sample of all customers is more accurate than a volunteer sample because last thing we need is for our data to tell us only what the 'squeaky wheels' have to say, drowning out the valid, important and balancing views of the 'well-oiled wheels'. Squeaky wheels, volunteer surveys, and easiest-ones-to-measure are examples of data sources that render our performance measures inaccurate.

Reliability is akin to how close the shots are to each other when a round of bullets hits a target. A measure is more reliable when it is based on enough data to make it precise enough, and when it continues to be precise enough as we measure it again and again over time. Would we

rely on one day's rainfall to draw conclusions about annual rainfall? What about five days' rainfall? How many days' rainfall would we need in order to get a precise enough estimate of annual rainfall? And what would this choice depend on? The sample needs to be large enough to accommodate the complexity of the result we're measuring.

A SUFFICIENT DEGREE OF GRANULARITY

The way we design our performance measures can affect the granularity—or sensitivity to change—that those measures are capable of showing. Just think about two very common performance measures for customer satisfaction: the *Percentage of Customers Satisfied* and the *Average Customer Satisfaction Rating*. Both measures can come from the same set of data, which might be customers' responses to a question about how satisfied they are on a 10-point rating scale. The *Percentage of Customers Satisfied* measure could be calculated as the percentage of customers who gave a rating higher than 5 on the 10-point scale. The *Average Customer Satisfaction Rating* is simply the average of all the ratings that customers gave. Imagine the situation where satisfied customers are becoming less satisfied and therefore rating their experience lower on the 10-point scale. The percentage measure would not pick up this shift nearly as well as the average measure because customers whose ratings dropped from 8 to 6 out of 10 would still be classified as 'satisfied'. Measuring the degree of satisfaction rather than asking for a yes/no answer helps us pick up signals of change and therefore triggers us to take action sooner.

RELEVANCE TO ORGANISATIONAL PRIORITIES

We measure lots of things in business. But not all measures are performance measures, and not all measures deserve the same amount of our time and attention. Not all measures need to be acted upon either. Performance measures are a subset of measures that track the results related to our organisation's biggest priorities right now. And the decision about which results are the biggest priorities is influenced mostly by the organisation's strategic planning process, and partly by our knowledge about performance results that might not be in the strategic plan but are still mission critical or too important to ignore. Safety is a good example: we might not have a strategic goal to improve safety performance, but this is likely to be one of those performance results we should never ignore.

Choosing the most relevant or important performance measures is a deliberate decision that we must make, because trying to measure everything would be a waste of time, money, and precious attention.

ABILITY TO SHOW CHANGE OVER TIME

One of the signs that an organisation or business has the wrong idea about the purpose of performance measurement is that they have annual targets and measures that are also tracked only annually. So how do they spend the year leading up to the target deadlines? They focus on doing the projects and initiatives they chose to hit those targets. But what if those projects and initiatives aren't working? What if the organisation's assumptions about how the world would unfold over the year were wrong? What if things have changed? If the organisation tracks their performance measures only annually, the management will find out the answers to these questions too late, at the end of the year when they calculate the measures for the year and compare them to the targets.

Unless we design measures that give us regular feedback over time, we'll be faced with too little information too late. We won't get the information that will help us fine-tune our strategies (the activities, initiatives, projects, and so on that are supposed to make performance better) to ensure that they actually produce the improved results they were supposed to produce. Performance measurement shouldn't be a post mortem; it should be a health plan.

THE DEFINITION

So here's a definition that brings all of these features into conscious awareness to help us recognise and create truly well-formulated performance measures that will directly serve the purpose of providing feedback for performance improvement:

> A performance measure is a comparison that provides objective evidence of the degree to which a performance result is occurring over time.

To create performance measures that satisfy this definition, we need to be deliberate. It won't happen without a deliberately designed approach. Brainstorming performance measures, shopping for off-the-shelf performance measures, hiring consultants to choose performance measures for

us or building a performance dashboard are not true or complete performance measurement approaches.

What is performance measurement?

Performance measurement is a process, not an event. It is a series of steps in which we choose what to measure, define how we'll calculate our measures, get the data, analyse the data to produce our performance measure values, graph and report our measures to highlight signals of performance changes, interpret these signals, and use this information to take meaningful action to improve organisational performance.

But performance measurement is not a stand-alone process. It is part of something bigger, something paramount not only to the improvement of organisational performance but also to the organisation's very survival. Every organisation, just like every organism, has a renewal process: a process that seeks out faults, weaknesses or wear and tear, and then repairs, strengthens or regenerates itself. In living organisms, this renewal process usually responds to environmental factors such as a change in season or climate, physical demands, competition, threat, opportunity, or simply the passage of time. In the simplest terms, the renewal process has three parts:

✦ The organism sets a goal for itself, such as running fast enough to catch prey.

✦ The organism's systems assess the gap between its current capability and the goal, using continual feedback about how well the organism performs relative to the goal (e.g., the level of muscle fatigue or soreness, cardiovascular fatigue, how often it catches prey, or how much energy it needs to expend in order to catch prey).

✦ The organism's systems close the gap between its current capability and the goal (e.g., by increasing the size of its muscle fibres, increasing the rate at which the lungs absorb oxygen, or modifying the strategies it uses to stalk the prey).

The renewal processes in our businesses and organisations are similar to those of living organisms. Without renewal, living organisms and

organisations alike break down steadily and become less and less capable of surviving, let alone fulfilling their purpose.

An organisation's renewal process has three parts, just like the renewal process of a living organism: the planning process to set goals, the performance measurement process to provide continual feedback about gaps between its current capability and the goal, and the improvement process to close the gaps. Let's look at each of these parts of the process in more detail.

The planning process

For any organisation, the planning process involves setting the direction that the organisation is going to take. A planning process usually involves scanning the environment for trends or forces that are acting upon the organisation, understanding the needs or expectations of the organisation's stakeholders, clarifying the organisation's purpose, formulating a vision for the future, and looking at what capability the organisation currently has relative to what it needs to have to fulfil its mission and realise its vision. The planning process defines the gaps between where performance is, and where it should be.

Performance measurement plays a very important role in the planning process. Aside from giving us the means to monitor the size of performance gaps over time, measurement makes tangible the difference between where the organisation is now and its qualitatively articulated goals and objectives; that is, measurement makes tangible the gaps between 'as-is' and 'to-be' performance. When strategy is made more tangible through performance measures, something magical happens to everyone's understanding. Cynicism is replaced by curiosity, complacency by commitment, and mediocrity by a passion to lift the bar.

The improvement process

In the improvement process, decisions are made and actions are taken regarding how resources will be applied to effect change. The change might be to acquire new equipment or infrastructure, new skills or knowledge, new practices or policies, or more people. The purpose of the improvement process is to close the gaps between as-is and to-be performance.

The role of performance measures in the improvement process is to focus attention on what most needs improving, and to guide the improvement efforts by testing which actions are causing as-is performance to move closer to to-be performance and which aren't.

The performance measurement process

The performance measurement process is effectively the feedback loop in the organisation's renewal process, providing the communication link between planning and improvement so that strategy can be implemented. The performance measurement process provides vital information about the organisation's current levels of performance in relation to the direction defined in the planning process. That information is then captured, analysed, and communicated so it can inform the improvement process. Another way to say it is that the performance measurement process monitors the size of the gaps between as-is and to-be performance.

One of the very common reasons that performance measurement processes break down is that people just don't have the big-picture perspective of why we measure performance. Who in your organisation understands what performance measurement is truly about? Don't you think everyone should?

As I mentioned earlier, our performance measurement processes need to be deliberately designed if we're going to have meaningful performance measures. This won't happen serendipitously, or by continuing to do the same things we've always done to measure performance. If we're measuring anything at all in our organisations right now, chances are that our performance measurement process is somewhat ad hoc and unstructured. Unless we have well-formulated performance measures throughout our organisation or business, and those measures are routinely hitting targets and making performance fundamentally better, then our performance measurement processes need to be improved.

Dealing with the terminology problem

As you will recall from the start of this chapter, words frequently used in the performance management field include 'performance measure', 'metric', 'performance indicator', 'key performance indicator (KPI)', 'key

result indicator (KRI)', 'lead indicator', 'lag indicator', 'initiative', 'strategy', 'goal', 'objective', 'target', 'priority', 'critical success factor (CSF)', 'key result area (KRA)', 'strategic theme', 'vision', 'mission', and no doubt many more.

The problem isn't the sheer number of words we use. The problem is that we use them differently, with varying and overlapping meanings, and fail to explain our meanings to each other. For example, here are some variations in definition:

David Parmenter, author of *Key Performance Indicators: Developing, Implementing and Using Winning KPIs,* defines some of these terms like this:

✦ A key result indicator (KRI) tells us 'how you have done in a perspective'

✦ A performance indicator (PI) tells us 'what to do'

✦ A key performance indicator (KPI) is a performance measure that tells us 'what to do to increase performance dramatically', as opposed to other types of performance measures.

By contrast, the KPI Library (www.kpilibrary.com) uses the term 'KPI' to refer to any kind of measure at all that a business or organisation might use to monitor its performance. They don't make the distinctions that Parmenter does.

And others define these terms differently, perhaps not in a book but certainly by the way they use the terms. I've often seen people using the term 'KPI' to mean a qualitative goal, rather than a quantitative measure. They will say things like, 'We must measure our KPIs!'

And remember, 'KPI' is just one of the many performance management terms that does not have a standardised, universally accepted definition. I have no idea how this problem of varying terminology is going to be resolved (and that's not the intent of this book), but I raise the issue again because I am going to use terms in this book for which you may have different meanings. So let me tell you my definition of these terms, and then you can map your own terms to my meanings and thus avoid distraction and confusion as you continue reading.

Take, as our starting point, the following plan that describes part of the strategic direction for Chokolaide, a Swiss not-for-profit organisation

that supports people with a lifestyle-diminishing addiction to chocolate.[3] For now, I've labelled each component of the plan as Object A, Object B, etc.

You probably have your own names for the 'Objects' used in this fairly typical plan layout. Here are the words I use for these objects, in this book and in my work:

Object A—vision statement

Object B—mission statement

Object C—organisational values

Object D—performance result

Object E—performance measure

Object F—target

Object G—strategic theme

Object H—improvement initiative

Feel free to substitute your own words, but make sure you use them consistently, and always be prepared to explain the meaning of the words you choose. And in reading this book, keep in mind the definitions established here.

What is the PuMP Performance Measure Blueprint?

PuMP was inspired by the struggles I had in my first Measurement Consultant job at Queensland Rail, a government-owned corporation that was the only remaining fully-integrated railway in Australia at the time. Queensland Rail encompassed urban passenger trains, long-distance passenger trains, small freight, bulk freight, coal and minerals freight, infrastructure management and rolling stock maintenance—the whole kit and caboodle when it comes to railways. It was a rich, varied organisation in which to learn, explore and experiment with ways to meaningfully

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3. It is probably obvious to you that I made this up in its entirety. What is probably not as obvious to you is that I am a chocoholic, but with no intention to reach out for help.

Object A: We dream of a Switzerland where chocolate is a healthy lifestyle enhancer for everyone Object B: To free all Swiss chocoholics from enslavement to their lifestyle-diminishing overindulgences in chocolate Object C: Innovation, Excellence, Positivity, Care and Nurture, Health and Well being, Collaboration	Object D	Object E	Object F *for 2020*
	Chocolate is enjoyed in healthy doses	% Chocolate-using population who use chocolate below the overindulgence standard	99.5%
	Lifestyle-diminishing chocoholism disappears	% Population diagnosed with lifestyle-diminishing chocoholism	0.001%
	Chocoholics overcome their enslavement	Average time that post-treatment Chocoholics ('Chocohealthics') have refrained from their chocolate overindulgences	5 years

Object G	Object D	Object E	Object F *for 2014*	Object H
Reach	The population can easily recognise the signs of life-style-diminishing chocoholism	% Population who correctly list the 3 signs of lifestyle-diminishing chocoholism	45%	Work with film and TV producers to integrate the 3 signs into subplots
	More chocoholics reach out for help	% Clinically diagnosed chocoholics who contact us	65%	Work with doctors to make referral to us easy and appealing
Easy Treatment Pathway	Chocoholics feel confident that treatment will work	% First contacts who enrol in a treatment program	70%	Create a fresh suite of treatment program promotional messages and materials that are entertaining and disarming
		Average days from diagnosis to treatment enrolment	14 days	
	Chocoholics cope well with the effects of their treatment	Average maximum lag time between treatment activities that a patient voluntarily participates in	24 hours	Work with our recent 'Chocohealthics' to design a variety of treatment activities that have low barriers to participation
High ROI	We save more chocoholics for the same funding	Average number of 'Chocohealthics' produced per million dollars of funding spent	50	Simplify administrative processes to remove bureaucratic lag times and bottlenecks

measure performance, and to experience all the technical and social obstacles that get in the way of measuring performance.

My role as Measurement Consultant was a challenge. I often felt quite lost and alone because there were no performance measurement frameworks or methodologies to follow, and I had no measurement mentor to teach me the ropes. People weren't excited about measurement; they wanted to avoid it as much as possible. Bad practices in data collection, analysis, reporting, and interpretation of quantitative information abounded, and hampered much of the effort to improve the selection and use of performance measures. Working in that environment was a huge contrast to the certainty I had been used to in my previous jobs.

Before I joined the railways, I was a research statistician with post-graduate qualifications in mathematical statistics. This grounding in the scientific method couldn't help but influence my ideas about measuring organisational performance. With these qualifications, I started off stronger on the science and technical side—and almost oblivious to the social and political complexities of measurement. But my great manager, Kevin, supported, encouraged and helped me develop to become strong in the social aspects of the job too.

One of the starkest lessons I had in the social aspects of performance measurement was the day I showed a fabulous time-series graph of a safety measure (I can't remember which one; it might have been train derailments, or trains running through red signals) at a safety committee meeting. The safety manager took one look at the graph and literally yelled at me that I had no idea what I was doing, and that the graph was useless. Actually, the graph was saying that he had managed to achieve absolutely no improvement in that area of safety performance during the previous two years. While I was mopping up tears in the ladies' bathroom and feeling a bit sorry for myself, I realised that I hadn't actually shown a graph that would enable him to recognise or think about how to improve the problem. Instead, I'd shown the rest of the safety committee a graph revealing that he was incompetent. Ouch. However good the quality of the information I presented, it was not likely to be well received or used without buy-in from the person responsible for the problem.

Lots of experiences like this one forced me to find ways to do my job better, both on the technical side and on the social side. Because there

was no performance measurement methodology to guide me, I invented one that reflected what I learned. Devising a performance measurement methodology wasn't what I set out to do; it just evolved as I met new struggles and tried different ways to overcome them. As a result of my own struggles, I worked on making data collection easier, on strategies that would be faster than brainstorming to find meaningful measures, and on getting people interested in measuring. The methodology that resulted from these years of struggling, testing, and tuning is PuMP.

I didn't call it PuMP in the beginning. I called it the 'Performance Measurement Process' because to me the key to measuring performance easily, meaningfully, and engagingly was to recognise that it is a *process*, not a discrete event. I kept calling my methodology the Performance Measurement Process until one day a client blurted out, 'You should call it PuMP!' I asked her what she meant. She explained that she wanted a catchy, shorthand way to refer to the methodology. When I asked her what the 'u' in 'PuMP' stood for, she replied, 'Because good performance measurement is up to u!' Including the 'u' was just a cute way to make a word out of an otherwise boring acronym. But it stuck.

The steps in the PuMP approach to performance measurement are both technical and social, and that's why it creates good measures, good measurement processes, good performance management and a strong performance culture. If we want a collection of meaningful and engaging performance measures that align to our strategy, and make it easier to execute that strategy and improve organisational or company performance, then certain things have to happen. These things are both technical and social, and they weave together to make up our performance measurement process.

The technical things are to do with:

- ✦ How we articulate our strategy so that it's measurable
- ✦ How we choose performance measures that meaningfully align with that strategy
- ✦ How we implement those performance measures, from data collection to analysis and reporting
- ✦ How we interpret and use the measures to successfully improve organisational performance.

The social things are to do with:

✦ How we frame the purpose of performance measurement to people who are cynical and sceptical about it

✦ How we engage people in choosing the performance measures so they feel ownership of them

✦ How we bring performance measures to life without people whining about how it's taking their time away from 'real work'

✦ How we encourage people to use performance measures to take actions that improve organisational performance, as opposed to knee-jerk reacting to every change every month, or just making the numbers look good.

These technical and social dimensions of performance measurement come together into the PuMP Performance Measure Blueprint. Implementing the Blueprint is a team-based process, with the eight deliberate steps outlined in Figure 1.

Step 1: Understanding Measurement's Purpose   After we form our Measures Team and take a few other preliminary steps described in Chapter 3, the Blueprint begins with using a self-assessment tool called the PuMP Diagnostic. The Bluprint helps the team understand what good measurement means and how to do it properly, while avoiding the most common struggles and problems. The diagnostic step is covered in detail in Chapter 4.

Step 2: Mapping Measurable Results   In Step 2, the Measures Team explores why it's so hard to measure the right things; how to find out whether their strategy (i.e. goals or objectives) is measurable enough; and how the two templates called PuMP Measurability Tests and PuMP Results Map can make the team's goals or objectives clear, specific, and easily measurable. This step is covered in detail in Chapter 5.

Step 3: Designing Meaningful Measures   In Step 3, the Measures Team learns to recognise the traditional approaches that people take to selecting measures, and why those approaches fail. They then use the PuMP Measure Design template to design measures that provide evidence of their

Step 1
Understanding Measurement's Purpose
Fixing our focus firmly on continuous improvement as the purpose for measurement

Step 2
Mapping Measurable Results
Translating our strategy into clear, focused and measurable performance results

Step 3
Designing Meaningful Measures
Choosing the most feasible and relevant measures that provide evidence of our performance results

Step 4
Building Buy-in to Measures
Getting ownership from our stakeholders quickly, easily and engagingly

Step 5
Implementing Measures
Documenting in detail the data, analysis and reporting requirements for each of our measures

Step 6
Reporting Performance Measures
Creating useful and usable performance reports that inspire us to action

Step 7
Interpreting Signals from Measures
Focusing ourselves on gaps between as-is and to-be performance

Step 8
Reaching Performance Targets
Improving our business processes to move as-is performance toward to-be

FIGURE 1. The PuMP Performance Measure Blueprint

goals, that are meaningful, relevant, and cost effective, and that will make it easy for people to buy in. This step is covered in detail in Chapter 6.

Step 4: Building Buy-in to Measures   To avoid the risk of their colleagues and managers not buying in to performance measures they create, the Measures Team uses the PuMP Measure Gallery technique to build buy-in and generate excitement, both for performance measurement in general and for their new measures in particular. This step is covered in detail in Chapter 7.

Step 5: Implementing Measures   In this step, the Measures Team learns why so many measures are never successfully brought to life (i.e. never reported or used). They use the PuMP Measure Definition technique to detail exactly how each of their measures should be implemented, and begin the documentation of a Corporate Performance Measure Dictionary. This step is covered in detail in Chapter 8.

Step 6: Reporting Performance Measures   In Step 6, the Measures Team learns why typical performance reports are next to useless, even when

these reports employ the latest and greatest dashboard dials, gauges and graphs. They use the PuMP Report Design technique to quickly and easily produce performance reports that answer the three most important questions that every performance report should answer, which are covered (along with the other details of this step) in Chapter 8.

Step 7: Interpreting Signals from Measures   In this step, the Measures Team discovers why it's so easy to misinterpret performance measure signals and how, frighteningly, most people *do* misinterpret them. The team then follows the PuMP Interpreting Measures technique to make the true signals of change in their performance measures easier to see, statistically valid, and incredibly useful for producing insight. This step is covered in detail in Chapter 9.

Step 8: Reaching Performance Targets   The role of performance measures is to facilitate quick, easy and economical performance improvement. The PuMP Using Measures technique enables the performance team to make substantial improvements, moving performance closer to meaningful targets. This step is covered in detail in Chapter 10.

The eight activities in the PuMP Blueprint describe a process that brings performance measures to life. The eight steps are generic activities that we need to perform regardless of which strategy or performance framework we prefer—the Balanced Scorecard, the Performance Prism, Triple Bottom Line, the Baldrige Criteria or the Six Sigma Scorecard. These kinds of performance and strategy frameworks are often a good input to Step 2 in the PuMP Blueprint, which is about deciding which aspects of our strategy we should measure. After all, we need to know what matters most before we can find measures that are meaningful. But most of these frameworks still leave us wondering how exactly to go about finding the most meaningful performance measures. (Some even suggest you 'brainstorm some measures'—Aaargh. Don't get me started on the problems with the vague directive to brainstorm measures, or the hodge-podge that results from such a vaguely guided brainstorming activity. Moreover, these other performance and strategy frameworks rarely acknowledge any of the other activities that are essential to meaningfully measuring organisational performance, which the other steps in the PuMP Blueprint address.

If any of the eight PuMP Blueprint steps is missing, or not performed effectively in our performance measurement process, we're taking big risks. Without thinking carefully about which measures to select, we risk having measures that aren't relevant to our purpose, or don't help us understand the causes of current performance results. We also risk measuring too much. And because measures are such strong attention magnets, measuring the wrong things (or too many things) will take attention away from what matters most. Do you have measures that aren't meaningful, not used, or not driving performance improvement? PuMP solves those problems for you.

Questions for a quick self-assessment

Let's do a quick self-assessment of whether your organisation has fallen into any of the pitfalls of poorly or incompletely designed performance measurement approaches. Ask yourself the following questions:

How do you feel about the quantity and quality of the data your organisation has available for the measures that truly matter? Without deliberately designed data collection and capture systems, the performance data from which your measures are computed can be biased, inaccurate, imprecise, too costly or too cumbersome for people to treat with consistent care. Or the performance data is never collected at all, and important measures are never brought to life.

Are you finding that performance isn't improving consistently or fast enough to reach your targets as planned? Inappropriate analysis and reporting lead to misinterpretation of the messages the data really contains, so you won't be interpreting your performance measures well enough to get all the important information it can offer. You'll react to trends that aren't really there, and miss important trends that *are* there because you just can't see them.

Is most of the time in your performance review meetings spent debating data integrity or measure relevance, resulting in decisions that are made based on what, if you're honest, amount to whims, gut feelings, and hearsay? Poor presentation can inadvertently misinform, mislead and

complicate decision making, resulting in more time spent debating the information than exploring root causes and identifying potential solutions.

Are people fudging the figures rather than improving process performance in your organisation? Unless you think about how performance measures should be interpreted and acted upon, you risk driving the wrong kinds of staff and manager behaviour, encouraging them to manage the numbers rather than the outcomes.

How many of the eight activities in the PuMP Blueprint does your organisation carry out in a deliberate and systematic way? Do you know which departments and people contribute to these activities, or do they somehow just get done? Do you have a good idea about the kinds of resources needed to properly perform these activities? Does your organisation appreciate how much time and effort are involved in performing these activities properly? Do people have the right skills to perform these activities, or are your staff and managers guessing or doing what has always been done? Is there a team or formal structure for managing the performance measurement process, or is the process ad hoc and inconsistent across your organisation?

Unless your organisation already has processes, skills and resources committed to all of the steps in the performance measurement process, your current frameworks for selecting measures probably haven't gotten you any further than having a document that lists (and maybe defines) your 'Key Performance Indicators'. This is hardly enough of a return on all the time, effort and money you've invested (and possibly wasted) to obtain powerful performance information that will help you manage and improve your organisation's performance. But don't throw the towel in just yet. If you have made it this far, then what you have now is a foundation for improvement of your organisation's performance measurement process.

How the other performance measurement methodologies fit

Many of the performance measurement methodologies on the market today aren't actually performance measurement methodologies at all. They

might be framed as performance measurement methods because they help give us a framework for deciding what to measure, or because they espouse the importance of measuring performance. But they are mostly strategy design methodologies. They almost always lack sufficient detail to help us choose really great measures and bring those measures to life in performance improvement decision making.

The most common of these methodologies are the Balanced Scorecard, the Performance Prism, and the various program logic or outcome models. In a minute, we'll take a closer look at these methodologies and what they do and don't offer. But we don't have to give up any of these frameworks if we adopt the PuMP Blueprint. In fact, we still need these other methods because we'll have meaningful performance measures only if we first know which performance results are important to measure. And the strength of these other frameworks lies in their ability to help us make a clear, deliberate decision about what matters most for our organisation's success—that is, what our strategy will be.

Balanced Scorecard

The Balanced Scorecard, the brainchild of Drs. Kaplan and Norton and conceived in the early 1990s, is less of a measurement tool and more of a powerful strategy tool. Not many people appreciate this, and the word 'scorecard' featured in this framework's name is no doubt a big reason why.

The Balanced Scorecard is a powerful strategy tool because it asks us to be very deliberate about what truly matters for organisational or company success. I've become an advocate of the Balanced Scorecard Institute's 'Nine Steps to Success'[4] methodology because it is the most deliberate approach I've come across for designing a strategy that is focused and measurable.

So why isn't the Balanced Scorecard a measurement tool? The emphasis of the Balanced Scorecard literature is designing a strategy to encompass the four Balanced Scorecard elements: financial performance,

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4. Howard Rohm, David Wilsey, Gail Stout Perry, Dan Montgomery. *The Institute Way: Simplify Strategic Planning and Management with the Balanced Scorecard.* The Institute Press, 2013.

customer performance, internal business process performance, and learning and growth performance.

Selecting performance measures is certainly a part of implementing a great Balanced Scorecard. But little in the Balanced Scorecard literature provides detailed advice on designing or finding truly meaningful measures for these four elements of organisational performance, or on implementing measures. When instructions say 'Now brainstorm some KPIs', or give us a list of performance measures to use, we're in trouble. If we have a goal that isn't covered by examples provided in books or case studies, where do we look for performance measures?

Another tool related to the Balanced Scorecard is Strategy Mapping. This tool, as its name suggests, is about strategy design, not performance measurement. Yes, we will measure what's in our strategy map, but how exactly do we find the right performance measures for our unique strategies? Strategy Mapping does not answer—and was not designed to answer—this critical question.

Performance Prism

Not unlike the Balanced Scorecard, the Performance Prism[5] is a framework for identifying the important things for us to focus on to maximise organisational performance and success. Where the Balanced Scorecard focuses on the shareholder view as the ultimate outcome for companies (or the customer view for non-profit organisations), the Performance Prism takes a multi-stakeholder view, including shareholders, customers, employees, suppliers/partners, and regulatory and other communities. The Performance Prism's perspectives start with stakeholder satisfaction and contribution, and also include strategies, processes and capabilities.

The Performance Prism is more measure-focused than the Balanced Scorecard as far as offering a process for developing performance measures. Its guidelines are: design, plan, and build; implement and operate; and then refresh. But this process starts with defining the details of our performance measures, not with how to design or choose those measures in the first place.

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5. Andy Neely, Chris Adams, Mike Kennerley. *The Performance Prism: The Scorecard for Measuring and Managing Business Success.* Financial Times Prentice Hall, 2002.

I once attended a workshop about the Performance Prism, and we were learning the method for defining measures (similar to Step 5 in the PuMP Blueprint). In groups, we undertook an activity to define a measure for innovation. The group I was in spent the entire time debating what a good measure would be. We had no process for designing or choosing a measure of innovation, and therefore we were not able to define any details at all using the template we were given.

Program Logic Model

Some governments and other organisations not driven by profit use versions of program logic or outcomes models. Program logic models visually map the cause–effect relationships that an organisation understands to exist among the inputs to its programs, the outputs produced by those programs, and the outcomes these programs have for targeted stakeholders. Program logic models also provide a framework for assessing the impact achieved by the organisation's application of resources to its programs. These models are intended for organisations whose impact is social change, such as reducing health problems from smoking, reducing water consumption in times of drought, increasing use of sunscreen to minimise skin cancer incidence, or reducing homelessness. The input-output-outcome thinking that program logic frameworks encourage is very helpful in keeping performance measures focused on what matters, and I would suggest this thinking is useful beyond just social change organisations.

Like the other models we've looked at, most of the program logic literature focuses on how to build a program logic model, not on the nitty-gritty steps to finding and implementing the appropriate performance measures for our specific model.

Performance measurement is so much more than 'selecting some indicators that align with our strategy'. It's about finding the best performance measures that provide evidence of our unique goals. It's about designing those measures if we can't find any existing ones that suit our organisation. It's about bringing those measures to life in a way that engages people to monitor performance regularly. It's about responding only to true signals revealed by the measures, and to use the measures to continually

learn how to improve the organisation's or company's capability to fulfil its mission and achieve its vision.

But most performance measurement processes aren't capable of doing this. And it will take a little work to help our colleagues understand this so that we can enjoy their support as we tackle an overhaul of our performance measurement process using the PuMP Blueprint.

Take Action: Describe your current performance measurement process

How do performance measures get selected, implemented and used in your organisation? Who gets involved? What timeframes are typical for the different stages of choosing and reporting measures, and using them to pursue targets? Make a flowchart showing how this happens in your organisation. If this process happens differently each time, document that. If it happens differently in different parts of your organisation, document that too. The more ad hoc and inconsistent your measurement process is, the harder it will be to document it clearly and succinctly. But do your best, so you can begin to see and appreciate where your organisation's performance measurement approach is now.

Chapter summary

A performance measure is a comparison that provides objective evidence of the degree to which a performance result is occurring over time. There are different names for performance measures with different names including 'KPIs', 'lead indicators', 'lag indicators', and 'performance indicators', but there are no universally accepted definitions of these terms. In this book, we use the term 'performance measures', or occasionally 'KPIs'.

The primary reason that we measure performance is to support organisational renewal. Measurement is a feedback process more than an assessment process. Performance measurement shouldn't be a post mortem; it should be a health plan.

Performance measurement **is a process** that produces performance measures, ready for decision making. It involves choosing measures and

defining the details of how to calculate them, report them, interpret them and put them to use.

The PuMP Performance Measure Blueprint is a series of eight activities that guide us to design and implement our performance measurement process so that we create meaningful measures that support performance improvement and a strong performance culture. The PuMP Blueprint works with other performance and strategy frameworks such as the Balanced Scorecard and the Performance Prism, as well as business excellence models such as EFQM, Baldrige and the ABEF. It provides the detail to meaningfully measure the strategy that we create with these other frameworks.

Now, let's take a closer look at our performance measurement processes.