Major Pitfalls of Performance Measurement Systems - Module V

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Content

- Develop a lexicon of performance measurement terms
- Discuss generic stages of performance measurement process
- Discuss possible pitfalls that can arise at each stage of the measurement process
- Segue to an example of an integrated performance-based measurement system
Performance Measurement Lexicon

- Critical Outcomes = Critical Few = Strategic Goals: High level outcomes necessary to support strategy and continuous organizational improvement
- Performance Objectives = Objectives: Desired results necessary to assure progress toward Critical (Few) Outcomes
- Performance Indicators = Measures: Specific indicators of performance; outcomes or results
- Metrics = Criteria: Quantifiable performance targets or goals.
Steps In A Generic Measurement Process

- Determine Goals & Objectives
- Monitor Progress
- Implement Actions For Improvement
- Evaluate

Pitfalls can occur at every stage of the process

= Key Process(es)
Pitfalls When Determining Objectives

1. Measures Not Linked to Strategy Above - Critical to do initially, but also revisit when either the organizational strategy or structure changes.

2. Measures Not Driven into Organization(s) Below - Breaks the linkage with overall strategy. Should be driven into staff performance agreements at all appropriate levels.
Pitfalls When Determining Objectives

3. Too Many Measures - Creates lack of focus on what is really critical to managing your business (includes compliance-related measures).

4. Not Enough Critical Measures - You could be missing information vital to operations.
Pitfalls When Determining Objectives

5. Focusing Only on the Short-term - A cross-section of past (lagging), present and future measures is critical.

6. Conflicting Measures - Sub-optimizes staff or organizational performance. Example: Measuring reduction of office space per staff member while also measuring staff satisfaction with facilities.
Pitfalls When Monitoring Progress

7. Measuring Progress Too Often  - Could result in unnecessary effort and excessive costs, resulting in little or no added value

8. Not Measuring Progress Often Enough  - May not know about potential problems until it is too late to resolve easily.
Pitfalls When Monitoring Progress

9. **Collecting Too Much Data** - Could result in a mountain of data that really doesn’t tell us anything more than a lesser amount of the same data.

10. **Collecting Inconsistent, Unrepresentative or Unnecessary Data** - Critical to understand what the data will look like, when it will be collected, at what frequency, by whom and what it means, *up front*. 
Pitfalls When Evaluating Data

11. “Dumbing the Data” (i.e., reducing the value of impactful data) - Too much data roll-up (summary) can mask the impact of potentially significant events or trends
Pitfalls When Determining Improvements

12. Driving the wrong performance - Be careful that the measure(s) you select will result in the desired result, e.g. “Chicken Efficiency.”

13. Encouraging competition and discouraging teamwork - Measuring vertically (stovepiping) frequently pits one internal organization against the others. Try to measure horizontally.
Pitfalls When Determining Improvements

14. Failure to base business decisions on data - Developing performance measures or collecting data only to comply with a requirement does nothing to improve the position of the company.

Performance-based management is about improvement.

Implement Actions For Improvement
Pitfalls of Performance Measurement Systems

SUMMARY:

• There are a number of performance measurement pitfalls to watch out for

• They can arise at any stage of the performance measurement process

• It is critical to understand what the data will look like, when it will be collected, at what frequency, by whom and what it means, *up front*. 
Pitfalls of Performance Measurement Systems

Questions?