

Major Pitfalls of Performance Measurement Systems - Module V

**PBM-SIG Fall '99 Meeting
Washington D.C.
November 17, 1999**

**Randy R. LaBarge
Senior Performance Systems Analyst
Phone: (509) 375-6664
E-mail: randy.labarge@pnl.gov**

Battelle

U.S. Department of Energy
Pacific Northwest National Laboratory

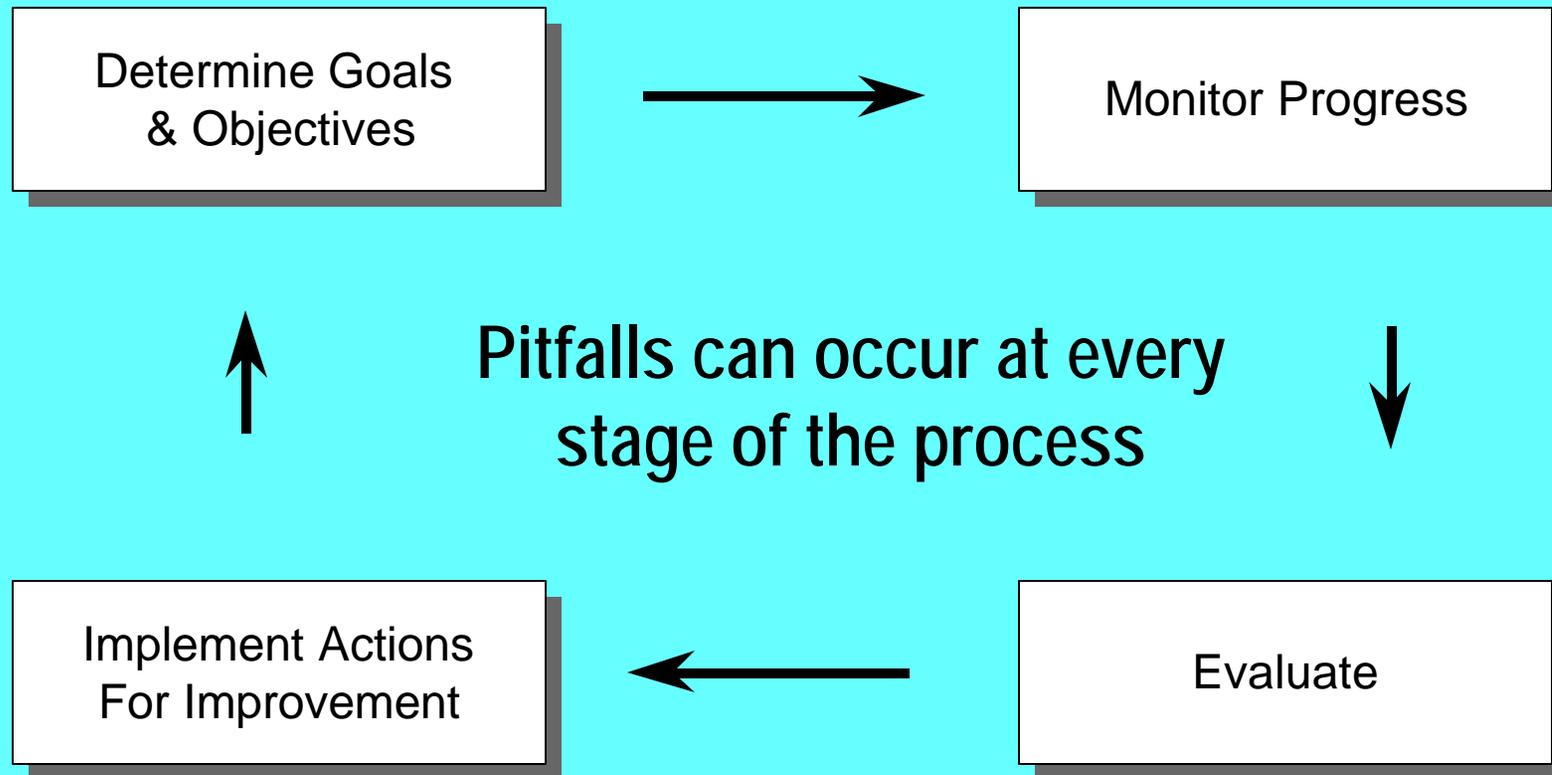
Content

- 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.

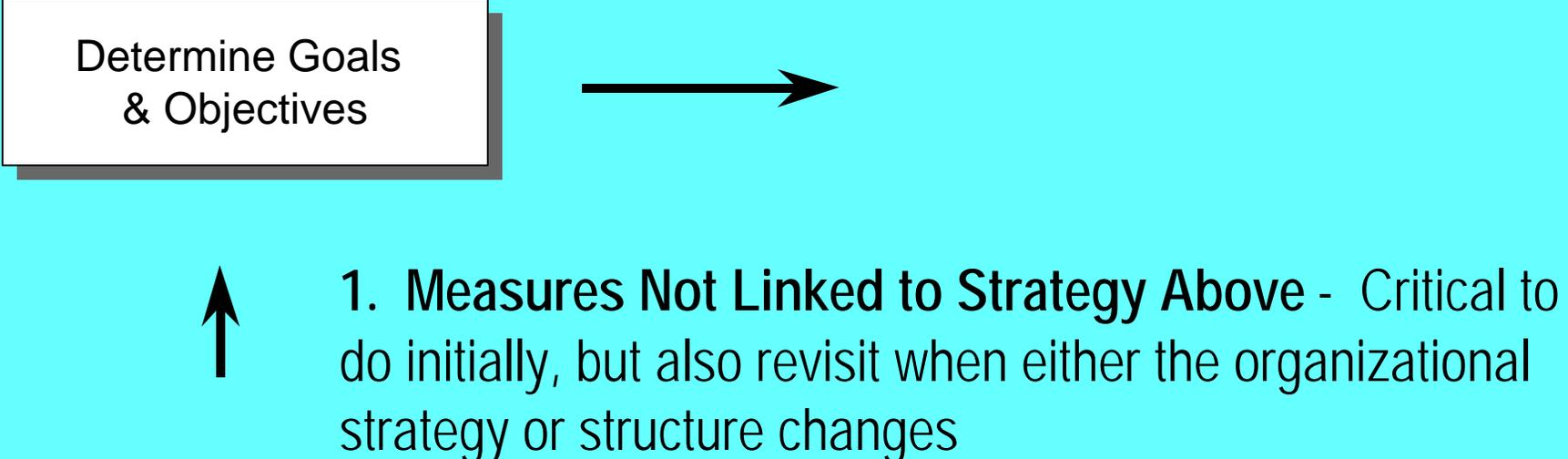
Steps In A Generic Measurement Process



 = Key Process(es)

Pitfalls When Determining Objectives

Determine Goals
& 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

Determine Goals
& Objectives

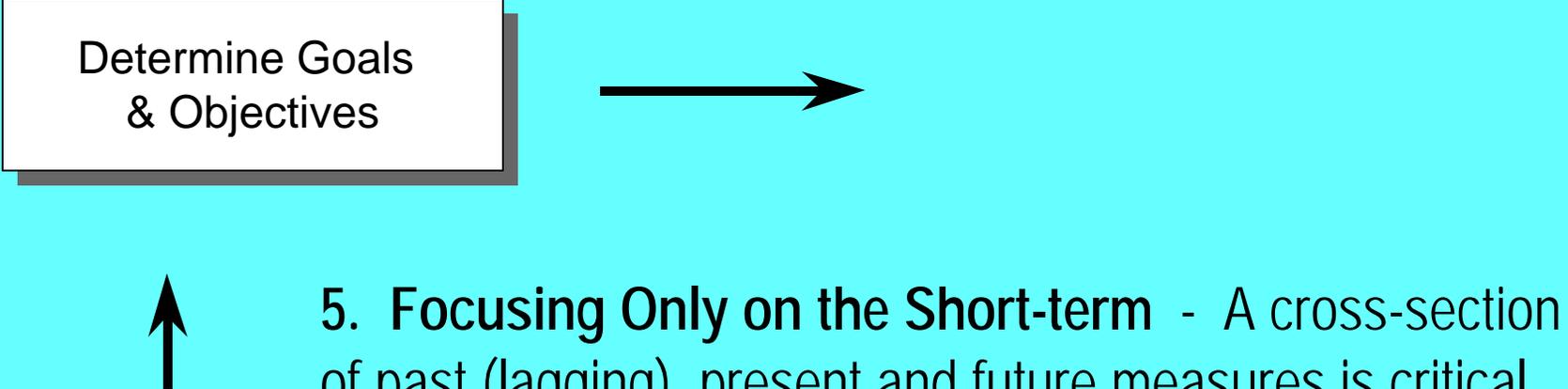


3. **Too Many Measures** - Creates lack of focus on what is really critical to managing your business (includes compliance-related measures).

4. **Not Enough *Critical* Measures** - You could be missing information vital to operations.

Pitfalls When Determining Objectives

Determine Goals
& 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



Monitor 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



Monitor Progress

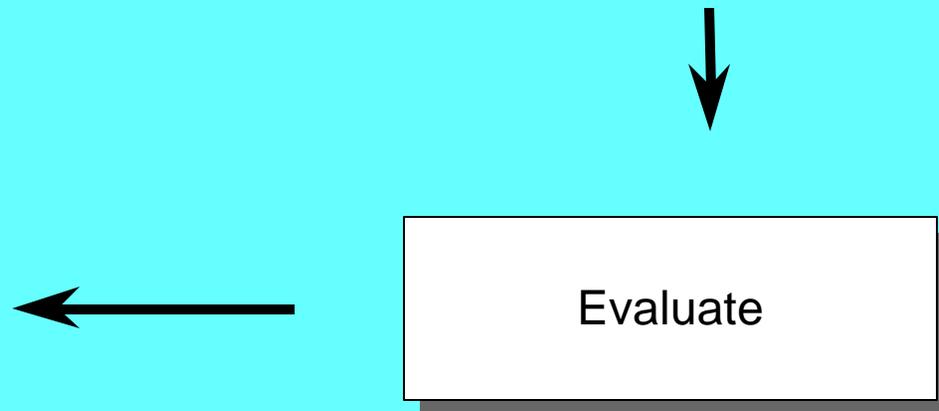
9. Collecting Too Much Data - Could result in a mountain of data that really doesn't tell us anything more than a lesser amount of the same data.



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.

Implement Actions
For Improvement



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?