



Bryan Shane and Patricia Lafferty, founders, BPC Management Consultants debunk myths about performance measurement. Bryan and Patricia are authors, *The Leadership Driven Method (LDM) to Performance Measurement: The How to Book on Improving Performance Measurement in the Public and Not For Profit Sectors* and *The 3P Approach to Governance: The How-To Book On Improving Decision Making In The Public Sector*.

**MYTH  
BUSTER**

# Size them up

## **MYTH 1: Performance measurement is easy to understand**

Many people confuse performance appraisal at the individual level with performance measurement at the organisational level. These are distinct concepts.

A collection of individuals working as a group or many people working in many groups within an organisation can achieve dramatic concrete results for the organisation. This is performance measurement. Appraisal, on the other hand, is direct feedback to the individual about the execution of their duties.

So, what is performance measurement?

It is a management system—an ongoing process that provides a balanced, methodical attempt to assess the effectiveness of an organisation's operations from multiple vantage points: financial, client satisfaction, programs/services, and innovation/learning. It is used to provide feedback at all levels—strategic and operational—on how well strategies and objectives are being met. This performance information provides the essential feedback (both achievements and issues) to improve decision making within the

organisation by enabling proactive problem solving and by institutionalising continuous improvement.

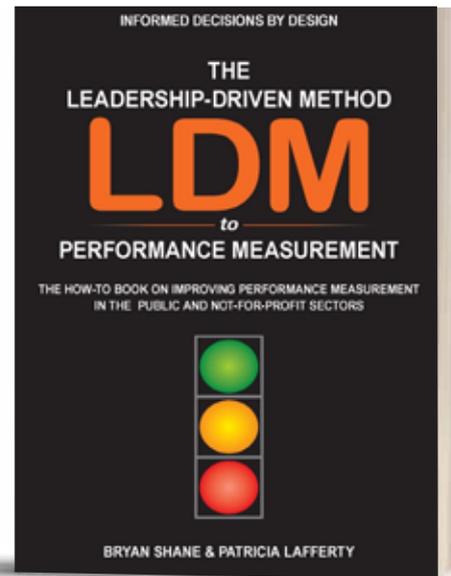
## **MYTH 2: Performance measurement is easy to develop and implement.**

The development and implementation of a performance measurement system is a phased, complex, and difficult endeavour that requires many components to succeed.

- It requires a well-structured business plan that defines the strategic direction of the organisation through its vision, mission, objectives, and resultant strategies and initiatives. With these components the business plan provides a framework for decision making at all levels. But just as important it provides the standard against which success can be measured, by both the achievements and the issues.
- Being a very threatening endeavour, successful performance measurement requires the active participation of management, staff, and all relevant stakeholders throughout the effort. Further, it is critical that the project uses

a proven methodology that provides a phased and disciplined approach to its development. The progression flows from a performance measurement strategy to measures, to the implementation strategy to implementation. Each phase is approved before going onto the next.

- A ‘management champion’ must be appointed to lead the project and enough resources must be assigned to support the endeavour. The champion ensures a climate of acceptance throughout the organisation and throughout the project. This helps to ensure the breakdown of individual and organisational resistance to what may be perceived to be a very threatening enterprise.
- Staff skills in performance measurement must be developed to create the ability to operate the performance measurement system. Data analyses skills are critical to identify patterns and trends from financial, service delivery client and human resources points of view. Data Interpretation determines ‘what is a normal level of performance’ within the organisation.
- Without accurate, complete and timely information the performance measurement system is useless. Yet, the determination of complete information requirements is universally ignored. An ‘information profile’ is required for each performance measure to determine what business process(es) must be created or adapted to provide it.
- An ‘integration strategy’ is required to make the performance measurement system self sustaining. Ongoing communication helps break down resistance to the project and create a supportive workforce. Knowledge transfer is required from subject matter experts to provide the many skills required by management, performance measurement



staff and programs and services to operate the performance measurement system.

**MYTH 3: The best practices of governance, business planning, and performance measurement are well understood and practised in many organisations.**

What is the relationship between these foundational components of organisational management?

- Business planning sets the strategic direction of the organisation through its vision/mission/objectives and resulting strategies and initiatives. It provides a framework for decision making so that all decisions and resource allocation support and enhance its strategic direction. The business plan also sets the standard against which the effectiveness of financial, program/service, client satisfaction and employee performance can be measured.
- Performance measurement provides the feedback needed to adjust strategies/ initiatives in response to ever-changing environmental pressures. It provides the means for the organisation to navigate

through a warren of changing internal (financial, service, client, and employee) conditions and external (economic, political and social environments) to steer the organisation towards the achievement of its strategic direction as outlined in the business plan.

- Governance ensures that a defined, transparent, and streamlined approach is used to make effective decisions (based upon the performance measurement feedback) toward the achievement of the strategic direction of the organisation as outlined in the business plan. Without an effective approach to governance, decisions tend to be made such that they will favour certain organisational sectors and/or individuals rather than the organisation as a whole.

Each one of these three elements is equally important in ensuring a productive and successful organisation.

The business plan delineates strategic direction for the organisation (as outlined in the vision, mission, and objectives) and provides a framework for decision making throughout all aspects of organisational functioning including finances, services, employees and clients. More importantly, it delivers the standard against which

organisational progress is measured. The performance measurement system provides the ongoing feedback needed to adjust organisational operations as a result of ongoing changes to the internal and external environment towards the achievement of their strategic direction.

Governance uses the strategic direction and the performance standard documented by the Business Plan, and feedback provided by the performance measurement system to make transparent, streamlined and impartial decisions to steer the organisation (rather than a specific sector) towards the achievement of its strategic direction.

In summary, the relationship between each of the concepts can best be understood metaphorically as follows:

- The business plan is a ship travelling to various destinations to complete its trip on time, budget and scope.
- Performance measurement is the navigation system providing ongoing feedback to help steer the ship to its various ports of call.
- Governance is the captain of the ship making decisions to advance towards the successful completion of its journey.

Organisations fail to achieve their strategic direction without each of these elements functioning in harmony.



**Even though projects are common and ubiquitous in most organisations and project management is a well-understood discipline, most major projects routinely fail either partially or completely.**

**MYTH 4: A supportive organisation climate is not essential for a productive organisation.**

All decisions are made within an organisational context. The climate of an organisation includes the values and attitudes that determine the way staff behave. It is the primary determinant of the level of unity, teamwork and cooperation within the organisation. With high levels of staff cooperation and teamwork,

employee and, consequently, organisational productivity will tend to be very high. Without it, organisational motivation and productivity drop precipitously.

Many studies have looked at the determinants of employee motivation. What is it that really motivates employees? Is it a high salary and/or performance pay? Is it a defined career path? Is it the educational opportunities? Is it lateral transfer opportunities? You would suspect it might be one or more of these but it is not.

Informal employee recognition wins every time. “Hey, John you are doing a great job”. “Sally, keep up the fantastic work”. Simple public phrases like these work wonders for employee morale and productivity.

**MYTH 5: Major crown projects in the public sector can never succeed.**

Major projects are usually complex, multi-year endeavours worth millions of dollars and range in type from those related to information technology to construction. They are also temporary endeavours common to all organisational environments. Projects have specific objective(s), defined start and end dates, consume monetary, human, and other resources, and create client-specific products

or services. Even though projects are common and ubiquitous in most organisations and project management is a well-understood discipline, most major projects routinely fail either partially or completely. More specifically, projects succeed or fail based upon whether they are delivered on time, within budget, based upon original scope, and whether there are functional or technical defects or major issues that impede their successful completion.

Project failure costs billions of private and public sector resources each year around the world. The benchmark failure rate for major projects is 80 to 90 per cent.<sup>1</sup>

But the above need not necessarily be true. Failure need not be the foregone conclusion. Approaches to major project management and measurement that are designed to radically improve the probability of success are defined in our book, *The Leadership Driven Method (LDM) to Performance Measurement: The How to Book on Improving Performance Measurement in the Public and Not For Profit Sectors*. The management approach defined, is based on the Dynamic Baseline Model (DBM)<sup>2</sup>, while the approach to measurement is based upon the Excellence Driven Approach<sup>3</sup>, or more currently the LDM – the Leadership Driven Method. Together, these two methods provide an integrated and comprehensive way to both manage and measure major projects. **IM**

**References:**

1 The 1995 Chaos Study of 365 IT executives representing 8,330 projects across a broad spectrum by the Standish Group and KPMG Canada IT Project Management Survey (NULL) of 1,450 public and probate sector organisations.

2 Sealy, M.A. and Q.P. Duong, 2001 “The Dynamic Baseline Model for Project Management,” *Project Management Journal*, June.

3 Shane, Bryan and Patricia Lafferty. 2005. “Major Project Measurement – An Excellence Driven Approach,” *Optimum Online*, Volume 35, Issue 1, March.