Measure What Matters

How to end your performance measurement struggles and reach your goals sooner and with less effort.

WHITEPAPER: Measure What Matters

HOW TO END YOUR PERFORMANCE MEASUREMENT STRUGGLES AND REACH YOUR
GOALS SOONER AND WITH LESS EFFORT.

Contents

Don't have time to read every word? Spend 5 minutes scanning the blue text.

S T A C E Y B A R R

What's the worst problem we have with performance measurement?

It's not having a deliberate approach to doing it. In fact, often they're not even aware of the approach they're following, let alone whether it works or not.

As strategy and performance professionals, we can sometimes forget that performance measurement *isn't* about filling up the KPI column in the strategic plan. It's *not* a bureaucratic hoop to jump through. When we are deliberate about measuring what matters, *and measuring it well*, we reach our goals sooner and with less effort. We can routinely get ROIs of a hundred times or more.

As Figure 1 suggests, the better we get at measuring performance, the more targets we hit. The better we get at hitting meaningful targets, the greater return we get on our improvement initiatives. Getting the results that matter for the least effort is exactly what a high-performance organisation is.

FIGURE 1: HIGH-PERFORMANCE ORGANISATIONS HIT BIG TARGETS

TARGETS	ROI	FOCUS
Every target	1000 x	Leverage
Most targets	100 x	Integration
Some targets	50 x	Capability
Ad hoc / random	10 x	Culture
Going backwards	< 1 x	Quick wins
No idea	?	Start measuring

Our research of several thousand organisations over the last decade, and our anecdotal experience over the last two decades, has convinced us that just about every organisation has the same struggles with measuring performance. And these struggles have the same underlying causes.

This paper helps you test if you also share these struggles, and if the underlying causes exist in your organisation. If so, you'll find the suggested actions will help you make it easier, faster and more engaging to measure performance well.

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We have the same struggles with KPIs and measuring performance.

Almost every organisation – of all shapes and sizes and sectors around the world – struggles with performance measurement in the same way:

We feel threatened by measures. Problems are swept under the rug, data is manipulated, only effort is measured, not results. People don't enjoy it when measures shed a negative light on them.

We have seemingly immeasurable goals. They are too intangible, too broad, too high-level, too visionary, and so they're too hard to anchor down with measures.

We have lame measures that aren't useful. They count trivial things, or they're simply milestones of completing a task, or their too vague to quantify.

People won't buy-in and own the measures. The planning team devises the measures and then asks people sign off on them. Then those same people don't want to implement or use them. They argue about data quality and measure validity – rather than using measures to improve performance.

Implementing measures costs too much time and effort. The effort of collecting data, and getting too much, not enough, or in the wrong format. The effort of reporting measures, with no time for detailed analysis. And important measures end up being inconsistently or incorrectly calculated, or not implemented at all.

Our reports lack actionable insight. They're bulky and ad-hoc in layout. They're hard to navigate and digest. They don't answer important management questions. They're not used.
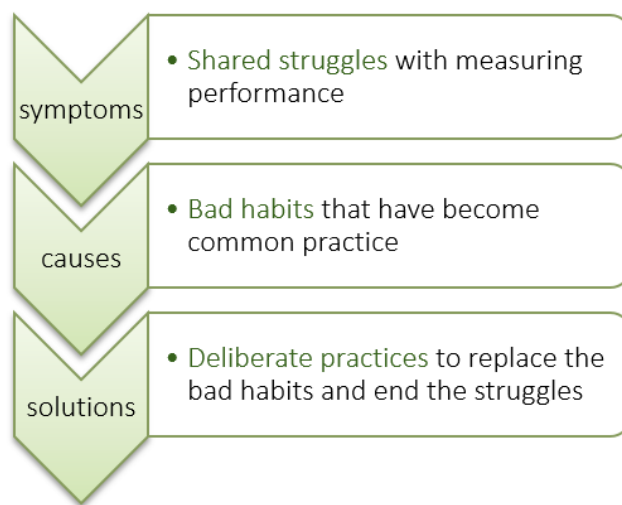
We're stuck on the monthly variation-explanation rollercoaster. Every month there are variations in our measures compared to last month, to the same month last year, to target. Frustratingly, every variation needs to be explained, and often we can't really find an explanation, and we feel like we're chasing our tails.

Our performance improvement efforts fizzle or fail. People say they can't improve their results or hit their targets without more money or resources. Underperformance isn't their fault – it's their customers' unrealistic demands. Improvement efforts we do take responsibility for don't seem to elevate performance high enough or permanently.

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Bad KPI habits have accidentally become common practice.

Our performance measurement struggles are caused by bad habits that have somehow become common practice in performance measurement. People don't realise that these common practices are at the root of their struggles.

FIGURE 2: FIXING OUR STRUGGLES WITH PERFORMANCE MEASUREMENT

- **symptoms** — Shared struggles with measuring performance
- **causes** — Bad habits that have become common practice
- **solutions** — Deliberate practices to replace the bad habits and end the struggles

If we want more meaningful measures, with less effort, and more leverage to reach our targets, then we have to stop these bad habits and replace them with deliberate practices that really do work. So let's look at these bad habits, and consider some solutions to the struggles they cause us.

Bad Habit 1: Judging people with measures

The struggle of people feeling threatened by measures is caused by the bad habit of using measures to judge people's performance. When people feel that the measures are about them, they will understandably get defensive.

- They use factors outside their control as excuses
- They argue against the choice of measures
- They only want to measure their effort, not results

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- They manipulate the measure to look good

All these behaviours sabotage performance, they never help it improve.

Fix: A performance measure is a tool in the hand, not a rod for the back.

What we need to do is reframe performance measures as tools to help people improve their processes. We want measures to be a tool in their hands, *not* a rod for their backs.

So the first step in a good performance measurement approach really needs to make sure people understand the real purpose of performance measurement – which is to help them improve the organisation's processes, not judge their own individual performance.

Bad Habit 2: Writing goals with weasel words.

The struggle of goals seeming impossible to measure almost *always* comes back to the words that were chosen to write those goals.

The worst words we can use are weasel words: accessibility, benefits, capacity, dynamic, efficient, fit-for-purpose, holistic, innovative, key, leveraged, outcomes, productivity, quality, reliability, sustainable, transparent, unique, wellbeing.

The problem with weasel words is that they have different meanings to different people, and in different contexts. They aren't specific and observable, so they can't be measured.

Fix: Write goals that a 5th-grader can understand.

We're not dumbing-down our strategy by writing it in plain language; language a 5th grader could understand. In fact, it takes much practice to write what we mean in the simplest words we can muster, without trivializing our goals.

If our goals can't paint a unified picture of our intended future in the minds of all the people who should buy in to it, then those goals won't be achieved, and won't be measured meaningfully.

So the second step in a good performance measurement approach needs to make sure that we start with clear, specific and measurable goals before we go searching for performance measures.

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Bad Habit 3: Brainstorming measures.

One of the biggest causes of performance measures that are useless and irrelevant is the way we go about choosing them.

The worst culprit is brainstorming. It's a creativity tool, designed to open up space to consider many and varied ideas. But choosing performance measures isn't a creative opening-up process. It's a deliberate narrowing-down process.

When we brainstorm measures we end up with:

- Too many measures that are too hard to shortlist
- Measures that don't align strongly to our goals
- Non-measures: activities, data sources, milestones
- Nothing more powerful than what we already have

Fix: Evidence before measures: what you see, hear, feel, observe.

The key to good measures is not considering a wide variety of them, like brainstorming has us do. It's designing them based on the best evidence that would convince us the goal we're trying to measure is actually being achieved.

Real evidence has to be observable. So before we choose measures, we have to describe the evidence we'd see, or hear, or touch, or observe or detect. When we know the evidence, we can then quantify it. The most relevant and feasible quantifications of the evidence of our goals then become our measures.

And that's exactly what the third step in a good performance measurement approach will have us do: deliberately build our measures from the evidence that convinces us our goals are achieved.

Bad Habit 4: Not involving people in the creation of measures.

Getting people engaged in measuring performance is probably the toughest struggle of all. Its cause is very simple: not involving people properly and authentically in choosing, creating and using performance measures.

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We're not saving time by not involving them. We're making sure we waste even more time later on, when we try to create and use those measures. So asking people to sign off on a list of KPIs isn't contribution or participation or involvement. It's an afterthought.

But don't think you need to get *everyone* involved in *every step* of choosing, creating and using performance measures.

Fix: Ownership comes through contribution, not consultation.

We need to involve a representative group of people in the Measures Team that is developing measures for a strategy or a department or a business unit. We can't do it for them.

And for everyone else, we need to give them a fast and easy and open way to contribute to what the Measures Team is developing, during the process and not at the end. Sending them a list of KPIs to review and sign off won't work.

So the fourth step in a good performance measurement process will enable contribution from vast numbers of stakeholders, without eating up their time or boring them to tears.

Bad Habit 5: Rushing to dashboards & reports.

Our struggle with how much time and effort it costs to implement measures has its primary cause in our tendency to want a new dashboard or report, *right now*.

We often don't even think about what it really takes to get a performance measure successfully into a performance report or dashboard. Successfully means:

- It's a measure that people really want and need
- It has a single agreed and detailed formula
- The data is available
- It's clear how it links to strategy and other measures

Fix: Discipline brings the right measures to life, in the right way.

There are a few things we need to be disciplined about when we implement our measures.

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One is the verbal description of each measure. Without this being clear and detailed,
we risk people having different ideas of what exactly is being measured. Another is the
calculation of each measure. Measures can be quantified differently – as percentages
or totals or averages, for example – and this quantification formula must be kept
consistent where ever the measure is reported and used. A few other important things to
be disciplined about include the measure's data sources, signal interpretation and
ownership.

So the fifth step in a good performance measurement process must make it essential that
each performance measure is defined in enough detail to implement it correctly and
consistently.

Bad Habit 6: Cluttered, bloated performance reports.

Our struggle with performance reports and dashboards that lack actionable insights is
caused by how those reports are designed.

Sure, you have to have the right measures in those reports, but even if you do have the
right measures, the visual design of reports still prevents those actionable insights
from breaking through.

What we typically see in reports and dashboards are things like:

- Lots of tables and figures
- A large variety of graph types and dials and gauges
- A wide variety of quasi-relevant detail
- A copious amount of information
- Gratuitous use of colour
- Ad hoc layout and arrangement of content

These features make a report that is hard to navigate, too time-consuming to digest, and
too diluted to notice the actionable insights.

Fix: Performance reports need answer only 3 questions.

There are several principles of useful and usable report design, and one of the quickest
and simplest of these is to apply a filter to the type of information that is allowed to be
included.

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That filter is a set of three questions that the report should answer:

1. What is performance doing?
2. Why is performance doing that?
3. Now what should we do about it?

So the sixth step in a good performance measurement process will not treat report design lightly. It will ensure that reports are designed not only to answer these three questions, but also to make the report easy, fast and engaging to use.

Bad Habit 7: Knee-jerk reacting to month-to-month comparisons.

Our struggle of feeling like we're riding a monthly variation-explanation rollercoaster has a cause that many people at first won't accept.

It seems so very innocent and correct: comparing this month's performance to last month's performance, to decide if things are getting better or worse. It *is* a bad habit though, as it assumes that two points of data – two values of a performance measure – are enough to draw conclusions about the size of change in a measure over time.

Our measure values have their own unique amount of variability, more than a sample of two points can ever help us understand. We can't ignore variability when we interpret our measures, because to ignore it means we'll often mistake it for a signal of change, when there really isn't any true change at all.

There are better ways to get true signals of change from our measures, than misplacing our trust in point-to-point comparisons.

Fix: Statistical thinking helps us see signals in the noise.

A better practice is to focus on patterns in the variability of a measure over time. *Do not* focus on the individual measure values.

When we use the right statistical method – a special kind of time series chart called an XmR chart – we have a set of three simple and unambiguous rules to quickly detect signals in our measures.

So the seventh step in a good performance measurement process is the use of proper statistical methods and statistical thinking so it's fast and easy and accurate to truly

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measure the size of the gap between as-is performance and to-be performance, and
when that gap truly is changing.

Bad Habit 8: Treat symptoms with funding, resourcing and education.

Most performance improvement efforts fizzle or fail, despite our best intentions. And the
cause is simply that they are nothing more than Band-Aids.

Allocating more money to build a bigger warehouse to improve on-time delivery of goods,
only treats the symptom of poor relationships with suppliers. Allocating more staff to a
team because they always have a backlog and claim they don't have the resources to
meet demand, only treats the symptoms of an inefficient work process. Educating our
customers on having realistic expectations of delivery times, only treats the symptoms of
a culture that isn't customer-centric.

This is effort misplaced. And the consequence is that performance will improve only a
little, and only temporarily. The real problems will surface again.

Given our very real time and budget constraints, we need our performance improvement
efforts to fix problems once and permanently.

Fix: Find and remove the root causes in business processes.

The most powerful way to elevate performance and reach our targets is to spend some
time digging into our business processes to look for root causes. Root causes *are* the
leverage to get very big improvements with very little effort.

Business process design has the most influence in getting organisational results to
improve. And thanks to the quality movement that began early last century, we have lots
of tools to find this leverage and reach our targets. For example, methodologies like Lean
Six Sigma which use a collaborative team approach to systematically reduce all kinds of
waste, such as defects, overproduction, waiting or queuing, unused talent or skill, hand-
overs, inventory, and gold-plating.

So the eighth step in a good performance measurement process will make sure that
measures focus our efforts on fixing the root causes that almost always lie in the design
of our business processes. Then we will reach our performance targets quickly and with
the least investment.

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There are 8 steps in a deliberate performance measurement process.

PuMP is the name of this performance measurement process, and it's the most rigorous, practical and engaging approach known around the world.

FIGURE 3: THE PUMP PERFORMANCE MEASURE BLUEPRINT

PuMP stands for 'Performance Measurement Process'. A client nicknamed it PuMP, rightly explaining that the 'u' meant that making it happen is up to 'you'. You will lead small teams through eight deliberate steps to measure and reach their goals:

STEP 1 Understanding Measurement's Purpose. We begin by helping the team understand what good measurement means and how to do it properly, avoiding the most common struggles and problems, and engaging them from the start.

STEP 2 Mapping Measurable Results. Before we get into measures, the team translates their goals or objectives into measurable performance results, and link and align them to the rest of the organisation's strategy.

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STEP 3 Designing Meaningful Measures. With no need for brainstorming, the team follows a five-step measure design technique to carefully craft measures that are the most relevant and feasible evidence their performance results.

STEP 4 Building Buy-in to Measures. Before implementing the measures, the team involves a wide variety of stakeholders in a very easy, fast and social event. It builds buy-in and excitement, both for measuring performance in general and for their new measures in particular.

STEP 5 Implementing Measures. With a set of well-supported measures, the team details and documents exactly how each of them should be implemented, in a Corporate Performance Measure Dictionary.

STEP 6 Reporting Performance Measures. To communicate and monitor their measures, the team follows specific principles to produce performance reports that answer the three questions they should answer, *and* that are engaging and easy to navigate, to make priority insights jump off the page.
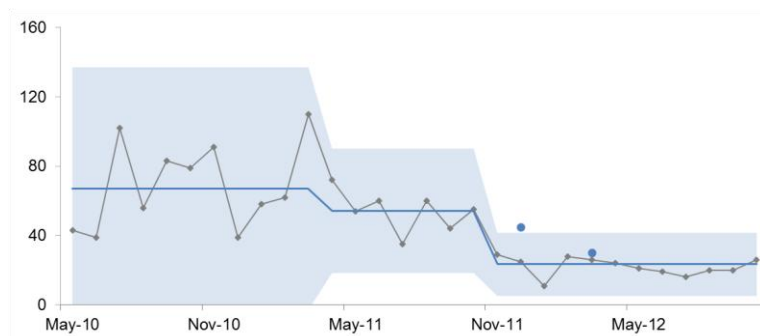
STEP 7 Interpreting Signals from Measures. Step 7 uses the PuMP Interpreting Measures technique to make the true signals of change in the team's performance measures obvious, statistically valid, and insightful.

STEP 8 is Reaching Performance Targets. In Step 8, the PuMP Using Measures technique helps us choose and implement performance improvements that target the root causes, moving performance to its target, for the least effort and hence a high return on investment (ROI).

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What will your 40-x-ROI target be?

Even if just one team uses PuMP to measure something important, they can make a huge difference. For example, Steve Silvers worked in the Federal Aviation Administration in the US. His team used PuMP to reduce the time to place failed flight controllers in new positions.

FIGURE 4: REDUCING TIME TO PLACE FAILED FLIGHT CONTROLLERS IN NEW POSITIONS

The team reduced the time from 67 days on average to 23 days and reduced the variability too. They invested $12,000 for training and staff time, and saved $500,000 in the first 7 months. That's a 40 times return on investment. And just one example of a very straightforward use of measuring well to reach a target.

When you practice performance measurement deliberately, you facilitate:

- Improvements that are bigger and faster and lasting.
- Improvements that align to our strategic direction.
- Improvements that get people collaborating and taking ownership of their results.

PuMP does this through measurement that helps us focus on what matters most, gives us feedback about the reality of performance, and acts as a fulcrum so we can get the most leverage in our improvement efforts.

To get started, gather together people who care about measuring what matters and measuring it well, and give them the know-how. Call them a Performance Measurement Community of Practice. And help them begin the journey to a high-performance organisation with quick wins like Steve Silvers' that lay a foundation culture and capability for hitting high-ROI targets.

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About the author

Stacey Barr

Stacey Barr is a globally recognised specialist in organisational performance measurement. She discovered that the struggles with measuring business performance are, surprisingly, universal. The biggest include hard-to-measure goals, trivial or meaningless measures, and no buy-in from people to measure and improve what matters. The root cause is a set of bad habits that have become common practice.

Stacey created PuMP®, a deliberate performance measurement methodology to replace the bad habits with techniques that make measuring performance faster, easier, engaging, and meaningful.

Stacey is author of Practical Performance Measurement, publisher of the Measure Up blog, and her content appears on Harvard Business Review's website and in their acclaimed ManageMentor Program.

Discover more about Stacey and practical performance measurement at www.staceybarr.com.

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Mark joined our PuMP® Consultant team in 2007. He is licensed to use PuMP in performance measurement consulting, and also teach in-house PuMP Blueprint Workshops.

Mark has worked with more than 30 organisations from the 'C' level to the operational team level to implement performance management and measurement process and practice. He has applied the PuMP methodology to the full range of organisations – from asset intensive utilities, local authorities, non-profits, state and federal government departments/agencies to large manufacturers and small-to-medium sized businesses.

While Mark regularly teaches the in-house PMBW, his focus is on PuMP implementation and supporting organisations of all sizes to get the most of out of measuring the right things. To support his implementation skills, Mark has almost 10 years' experience as a management consultant, and previously 15 years in corporate management. He holds an MBA, change management qualifications and is a Net Promoter Certified Associate.

Mark has integrated PuMP into business practice to enhance planning outcomes, benefits identification and management, and even performance agreements between managers and teams.