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The Eight Steps to a High Performance Organisation

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High performance organisations have three key characteristics.

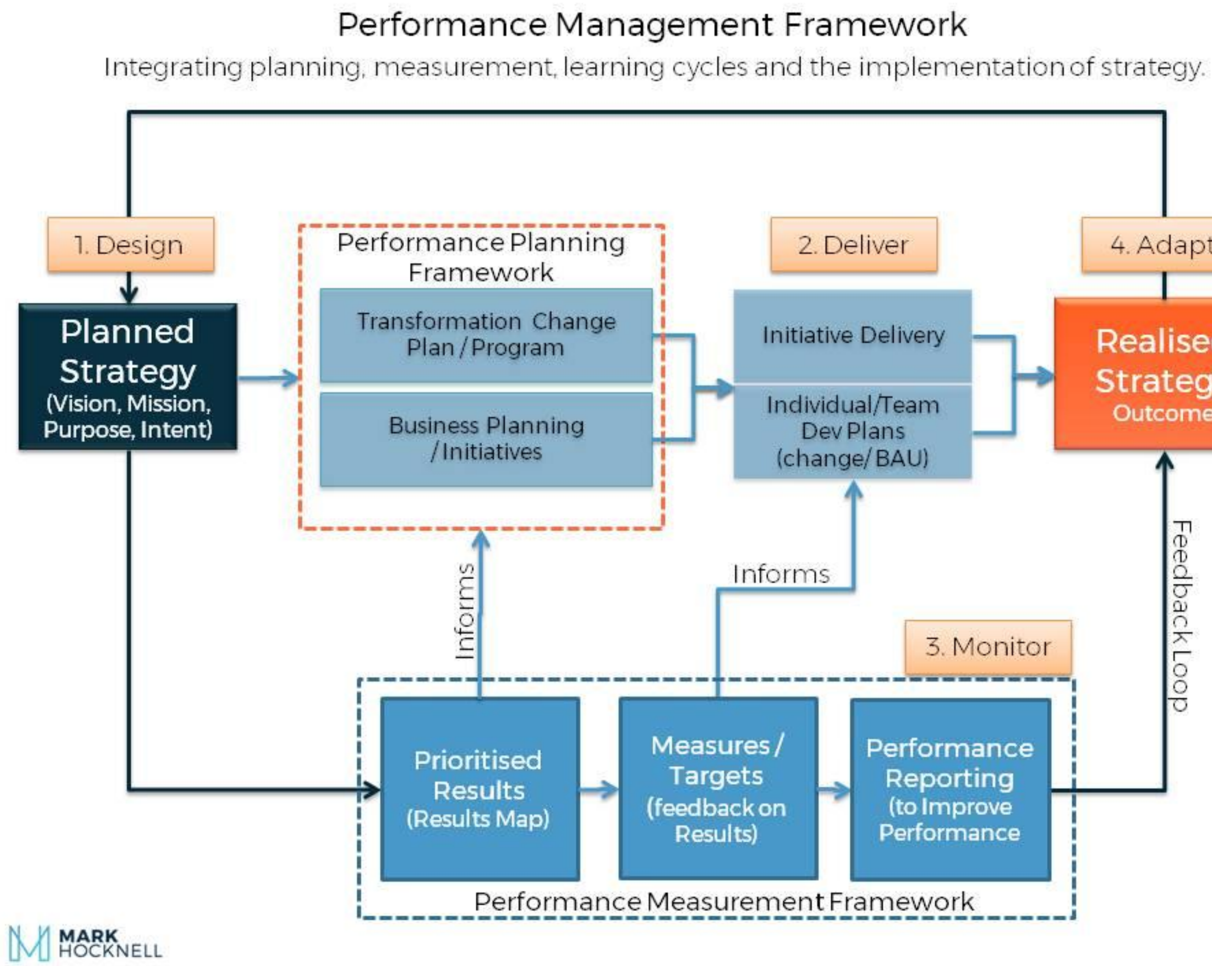
1. They have leaders that know how to set the direction in a way that allows the people of the organisation to contribute on how we get there. These leaders will also seek evidence to monitor how the journey is progressing and coach the teams on how to improve.
2. They have teams that have selected to buy-in, and are engaged in learning how to improve performance.
3. They have a performance measurement system in place that provides quantitative feedback on, not only what performance is doing, but also on the impact their initiatives are having.

A high performing organisation (HPO) is built upon the behaviours of the leaders. The leaders of HPOs also use an evidence-based approach and a solid methodology. The following eight steps are based on and inspired by, how to implement the PuMP®[1] performance measurement methodology. But first let's hear what Dean Spitzer has to say about one of the most important and yet neglected systems within an organisation. Spitzer says:

> *"Effective management is based on a foundation of effective measurement, and almost everything else is based on that... Organizations are conglomerations of many systems. Measurement is actually the most fundamental system of all. When the "measurement system" works well, management tends to manage (and reward) the right things – and the desired results will occur. The measurement system – for good or ill – triggers virtually everything that happens in an organization, both strategic and tactical. This is because all the other organizational systems are ultimately based on what the measurement system is telling the other systems to do."*
>
> Dean Spitzer, *Transforming Performance Measurement*, (2007,pages 13-14).

From here we will use the term "measurement system" in the way Dean Spitzer meant it. It is the set of results, measures, data collection and representations, targets and such. It is the business system for choosing what we measure and how we use the measures.

[1] Created by Stacey Barr (http://www.staceybarr.com). You can read more in Stacey's books: *Practical Performance Measurement* (2014), and: *Prove it!* (2017)



From the diagram above we can see how the Performance Measurement Framework (or system) underpins the implementation and adaption of strategy. Following the design and planning of strategy we move into implementation and delivery. Our measurement system will inform elements of this process to ensure the planning and implementation stays on track with the initial intent. Likewise when the implementation is done, feedback from the measurement system will drive reflection. Reflection informs insights to improve. The measurement system informs all other systems and decision-making.

If your measurement system is providing good feedback about your performance and progress, then *realised strategy* will be far more deliberate and on purpose, rather than by happenstance. A high performing organisation.

Phase one: Engage your people and design your measurement system.

- This first phase is about the design of your measurement system and also about the method you chose to ensure you engage your people and teams. A high performing organisation has a measurement system that is a useful tool for people to use.

Step One - State Your Purpose

Your purpose for measuring performance has a huge influence on the workplace culture you create. If your purpose for collecting data and monitoring KPIs is about compliance, then you cannot expect your people to focus on improving performance. Likewise, if your purpose for measuring performance is to always achieve the targets you have set. Then (most likely) you are demonstrating it is okay to manipulate the measure and or the business system to get the target. The translated purpose for measurement then becomes, "*we measure to get our targets*". The unintended consequences in your workplace culture will be significant.

Ensure your WHY for measuring performance is about 'learning how to improve'.

Organisations that set their purpose for measuring performance as learning, create a culture that uses measurement to understand: (a) what performance is doing, (b) why it is doing that, and then (c) people become curious how to improve. Setting your purpose or why you do performance measurement demonstrates to the people in your organisation what performance measures or KPIs are all about here. As leaders, matching your behaviours to your why then inspires people in the organisation to learn how to improve performance.

PuMP is a team-based approach. All the techniques and tools within this comprehensive methodology are best used by and with teams. Sure you can use them yourself, but if you are also wanting to engage other people, and give them the opportunity to buy-in, then getting the team together and using a process can really help.

The PuMP Diagnostic has with 26 criteria across five key areas that allows the team to share their own views on where they feel the business is currently at, in the context of organisational performance measurement, reporting, clarity of strategy etc.
Once the ratings are in, people discuss their views. We can get the team onto the same page fairly quickly as well as understanding people's various perspectives.

The purpose of Step One is to recognise that we are embarking on a journey of continuous improvement. We also need to ensure that, as people as possible in our organisation are on this journey with us. And we will have selected robust methodology that we will use to design and build our measurement system.

We will start to talk about performance measures in Step Three. But first, we need to know *what* it is that we want to measure.

Step Two - Measurable Strategy in Results

This second step is all about figuring out what it is we are trying to achieve, so that we can measure it. Too much of strategy is written in language that is vague, or uses weasel words, which makes it impossible to measure.

Similarly, we have a propensity towards action, that often means our strategy is described in the actions we are going to take, and therefore we tend then to measure that the action(s) was done, or completed. Rather than understanding the causal relationship between the action and the impact or result we expected.

The PuMP methodology uses the term, Results to describe what it is we plan to achieve. The outcome or the impact we want to have is described in our *results*. When we focus on results, we can then design measures that will tell us about the impact those actions are having on our progress towards the result.

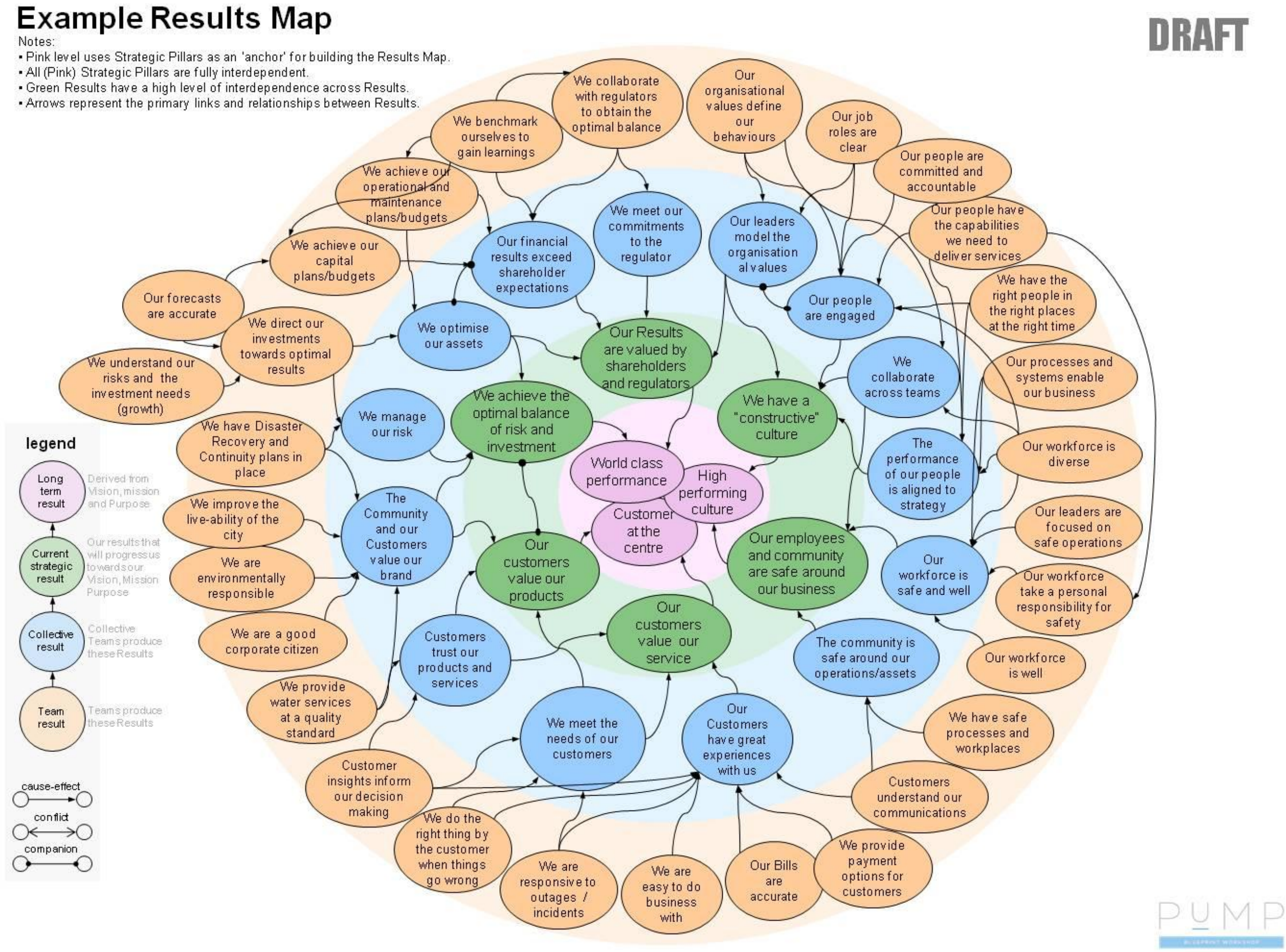
There are two techniques within this step of PuMP process. The first is the Measurability Test. This technique helps us move from actions or vague strategy into measurable result statements. It is a simple process of asking why we are doing the action, what is the result we expect..? Likewise with the vague language or weasel words, what is it we actually mean, what is the impact or outcome we expect.

The second technique is Results Mapping. Taking your Results and mapping the relationships, into…

…a causal map that allows you to build a framework of results that will tell the story of your strategy.

All results will flow in a cause-and-effect manner towards the centre of the Results Map where we have articulated our vision, mission or purpose in Results.

As per the example below.



This part of the PuMP method aligns with the evidence-based leadership habit of Direction[2]. Leaders set the direction in clear language, understandable to all. And then allow the people of the organisation to work out how to get there, with the leader providing the coaching and support.

Armed with a Results Map that provides a framework for what we intend to achieve, we can now focus on how we design the needed performance measures for the Results.

[2] Stacey Barr (2017) *Prove it!,* John Wiley and Sons, Australia

Step Three - Designing Meaningful Performance Measures

The job of a performance measure is to give us feedback on the result we are wanting to make progress towards. Are our efforts moving us towards our result, or not..? The signals will be in the measures we select for our Result.

Typically (and I have done this in my pre-PuMP years), we use brainstorming to select our measures and KPIs. Seems like a great idea to get a bunch of clever people together, brainstorm what would be good KPIs, collect them on a whiteboard, then select the best ones. However what we end up with is lists of measures, the things that are easy to measure, or just the things that we already have data for. Additionally, we may look to the "industry" for what the best KPIs might be. The problem is that we will often end up with too many measures and measures don't really tell us if we are progressing towards our Result.

PuMP provides a five step process to ensure we design and select meaningful measures for our Result. Starting with the Result we brainstorm (yes, in this step only) what the result would look like when we achieve it, when it is real. This brainstorm collects all the sensory descriptors of what our world is like when we achieve the result. Whatever is observable, is measurable. So let's make it observable first. Then from this sensory list we can derive ideas for measures. The PuMP Measure Design technique then gets us to assess each of these potential measures, firstly in terms its strength in providing feedback for the Result. Then in terms of the feasibility of getting the data to produce the performance measure.

The purpose of this process is that we do not want lots of measures.

We do not need more KPIs.
What we need is fewer measures/KPIs that are more meaningful.
Measures that specifically provide feedback on the Result we are trying to achieve.

The output from Step Three is that we have a small number (2-4) of measures for each Result. These measures are given a name (each measure needs to be identified with its own name), and a description. The description of the measure will read like a formula for the calculation.

Like this:

Measure name	Measure description
Overall Customer Satisfaction	A quarterly average satisfaction rating provided by active customers about their overall experience with us
Delivery Cycle Time	The average time in days from customer order to customer receipt of goods, calculated monthly for completed deliveries
Student Participation Rate	The percentage of students who participated in learning activities, by week

This part of the PuMP method aligns with the leadership habit of Evidence[3]. Ensuring we have quantifiable performance measures for each of the Results we want to make progress towards and/or improvement on.

No targets at this stage, just the measures aligned to the Results.

What we need now, in our design phase is to 'road test' our Results and Measures with others.

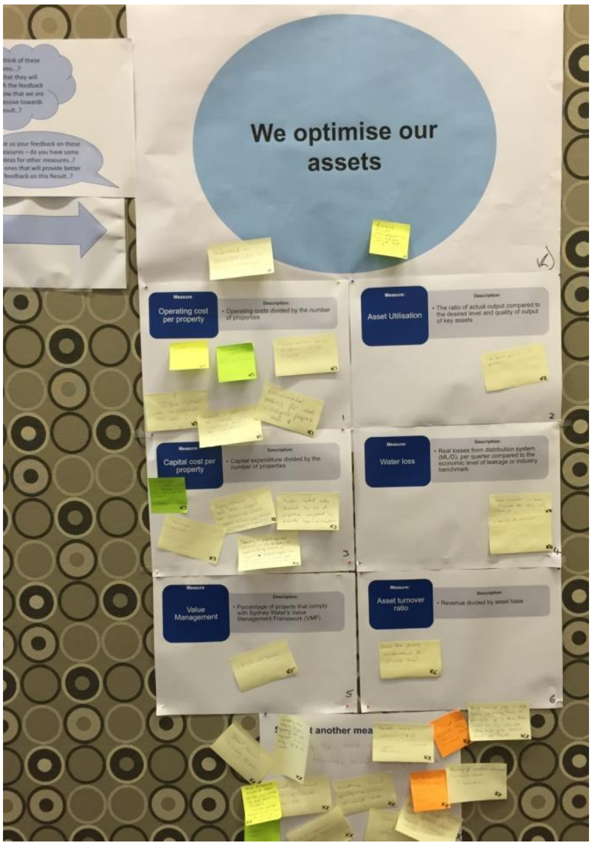
[3] Stacey Barr (2017) *Prove it!,* John Wiley and Sons, Australia

Step Four - Fine-tune and Create Buy-in with the Measure Gallery

Step Four then has two purposes. First, (as part of the design phase), we want to reality-check the results and measures we have developed so far. Second, we want demonstrate to everyone that our *purpose and why* for performance measurement in Step One is real. that is, we are committed to using measurement for learning. We also would like to give people in our organisation the opportunity to buy-in to what we are doing with measurement, this time round.

Using the principles of Open Space Technology Stacey Barr developed the Measure Gallery. We display our results and measures like a gallery. We invite people to an open gallery - no appointments, come when you can.

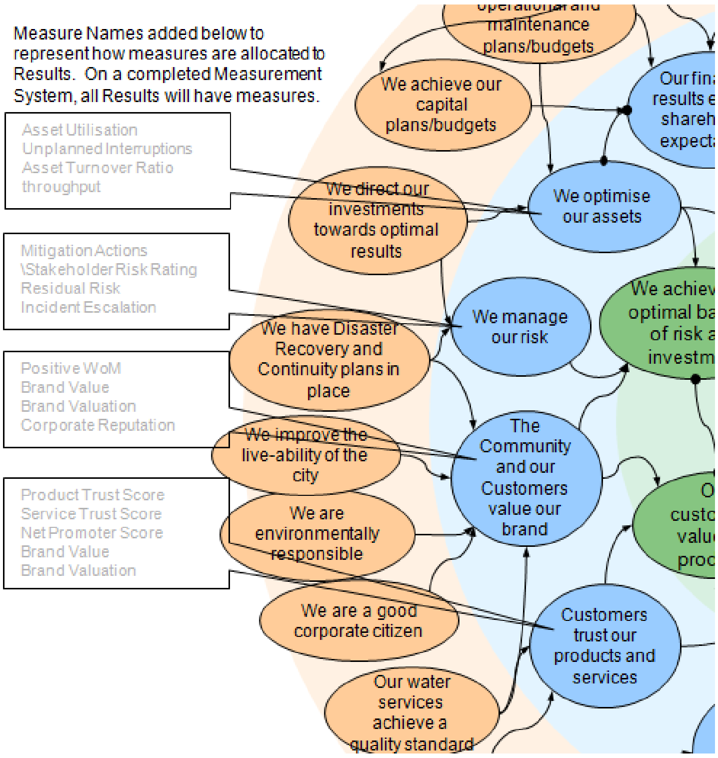
At the gallery we provide a few minutes to welcome the visitors and let them know what we are working on and ask them to provide feedback on the results and measures we have developed.



There are two outputs from this engagement approach.

1. We have created an environment where people can buy-in to the process, to the method, and to the Results and Measures. People buy-in when they are consulted and engaged in the process.

2. We use the feedback to fine-tune our Results and Measures before taking them into the next steps. We want less KPIs and more measures that are meaningful.



With people engaged and consulted - we have road tested our Results and Measures.

Now, with confidence of the validity of our Results and Measures we can start to bring our measurement system to life.

Phase Two: Build and use your measurement system.

- This second phase is about how we bring our measurement system to life. The tools we use to ensure the measurement system is not only meaningful for the organisation, but also useful for the people working within it.

Step Five - Defining Measures

Have you ever been in a management meeting to review performance and on considering your measures and KPIs you find the conversation turns more to the measures, rather than performance. You might hear comments like: "*how are they calculating this data..., this is not what I expected this measure to be... where are they sourcing the data from... what's the time period for these data items..?*" You went to the meeting to discuss performance, but end up talking about the measures.

The first step in bringing your measurement system to life is to *define* the measures.

You want people to focus on the feedback the measure/s is telling them about performance, not arguing about the quality of the information or the assumptions the reporting team have used in developing the measure.

The PuMP Measure Definition Template is used to define the measure before collecting data and reporting it.

With the Measure Definition stored centrally, you can be confident that performance meetings are more focused on discussing performance, as everyone will have a clear and consistent understanding of the measure.

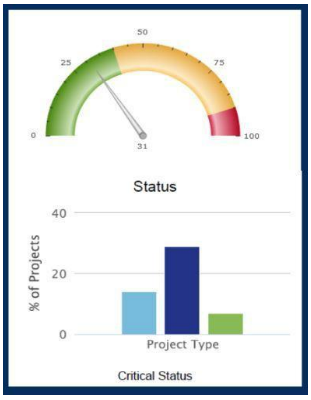
With our measures defined, the next step in building our measurement system is to consider the best way to represent the measure so we can be confident of its consistent interpretation.

measure definition

name	[the name of your measure, from your measure design template]			
description	[the description of your measure, from your measure design template]			
intent	[the reason why you really need this measure, what you can't do without knowing it]			
where it fits	*level:*	[what level in the measure hierarchy e.g. strategic, tactical, operational]		
	result:	[which result from your results map was this measure designed for?]		
	measure relationships:	*... is a ...*	*... of measure ...*	
		[cause-effect, companion, conflict]	[insert the name of the other measure this measure has strong relationships to]	
			[to insert more rows, click your mouse outside of the right-hand end of the row ABOVE this one, and hit your enter key]	
	process / department:	[which area in your organisation does this measure primarily relate to?]		
calculation	*formula:*	[describe exactly how your measure's values are to be calculated, specifically identifying each data item that is required in the calculation]		
	frequency:	[how frequently should your measure's values be calculated: daily, weekly, monthly, quarterly,...?]		
	scope:	[are there any specific inclusions or exclusions from your measure?]		
	data items:	*data item name*	*description*	*source/availability*
presentation	*comparison type:*	[trend over time, point to point over time, element to element, correlation, ranking]		
	presentation method:	[choose a chart type that best displays the comparison type you need]		
	frequency:	[will your measure be presented to its audience with the same frequency as calculation, or less frequently?]		
response	[list each signal your measure could possible give you e.g. improvement, deterioration, no change, met target, and describe your response to each signal]			
owner(s)	*performance owner(s)*	[who is responsible for tracking this measure, interpreting it's signals, and initiating action in response to those signals?]		
	data owner(s)	[who is responsible for ensuring the data is provided for this measure?]		
notes	[anything else important to document about this measure?]			

Step Six - Consistent Interpretation and Target Setting

With Step Five we overcame one of the key problems we have with the way we use our measurement system. By defining the measure we can be confident that everyone understands the measure, how it is calculated and where the data comes from. The next set of challenges we need to overcome lie in the interpretation of the way the measure is displayed.



There is a proliferation of dials and gauges in management reports. Sure they might look nice and colourful but at best, all a dial or gauge will tell you is about a particular data item at a particular point in time. This doesn't help with understanding how performance is tracking. In fact this approach is prone to having leaders make point to point comparisons and therefore jumping to action too soon. As someone said to me recently, "*leaders are great at spotting trends that aren't there..!*" Perhaps driven by the way we present information..?

Now let's travel back to a time when statisticians overcame these challenges with the application of some simple, but powerful tools. Dr. Walter Shewhart was a twentieth century statistician, who is generally regarded as father of *statistical quality control*[4]. He developed 'control charts' to determine if business processes were in a state of control or not. His work and research showed that every process displays variation that is natural to the process being measured. Leaders and managers need to recognise that all business processes will have a natural level of variation, our display of measures needs to show what is natural to the process and what is a change.

Shewhart's work was picked up and used by W. Edwards Deming (known as the *father of quality management*) and used extensively in Japan during the economic recovery in the 1950's and 60's, and in subsequent decades made its way back to the USA. This was known as the Total Quality Management (TQM) movement. From TQM came such methods/ideas as Six Sigma, LEAN, the Toyota Production System and, the XmR Chart.

The development and usage of the XmR chart for understanding business performance is simply propounded by Dr. Donald Wheeler in *Understanding Variation*[5], at 150 pages an essential handbook for all leaders and managers.

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[4] Wikipedia can provide you with more background if required: Shewhart; Deming; XmR Chart

[5] Second Edition, 2000, SPC Press, Tennessee

I was first introduced to the XmR chart by Stacey Barr some ten years ago. The impact was profound. After 15 years in corporate leadership roles I had used all sort of charts and reporting tools. On completing an MBA (Masters in Business Administration) I thought I had learned all I needed to about statistics and reporting business performance. But I was wrong. The XmR chart opened new insights that drive completely different perspectives on the performance of business processes and systems.

Let me introduce you to the XmR chart.

The XmR Chart for Average Customer Delivery Time

Above is the ***XmR*** for Average Customer Delivery Time. ***X*** is the time series chart of the measure values. ***mR*** is the chart below, measuring the level of variation in the measure chart by tracking the difference between each subsequent measure value (difference between Jan 17 measure value and Feb 17 measure value is 10). The solid line in the ***mR*** chart is an average moving range, the mean (average) of the first five values of moving range.

On the measure chart we can see there is a ***central line***, the mean (average) of the first five values on the time series of measure values. The central line acts as a reference point for our eyes - we can see performance has been consistent until Feb 18, where it changed. The blue band on the measure chart is the ***upper and lower natural process limits***.

Based on the work of our esteemed statisticians, we can be confident knowing that everything that falls within the natural process limits is normal, no change. Measure values that are within the upper and lower process limits are natural to the process, and what we should expect as normal performance. The natural process limits are calculated from the average moving range, therefore the greater the moving range values the broader the natural process limits. There are ***targets*** on this measure chart, in fact two targets. Firstly, we want to get the central line down to 10, by Dec 18. Meaning we want the average Customer Delivery Time to be 10 days. Secondly, we want to reduce the natural process limits of this business process to between 5 and 15.

In the measure chart above we can instantly see that:

- Performance has been consistent during 2017
- We have set a target for Dec 18 that is lower, and less variable than performance during 2017
- A new pattern of performance has formed since Feb 18, for seven months,
- We can also see a reduction in natural variation, signalled in the pattern in the X chart, as well as the pattern in the mR chart.

Do you think we will make the target set for Dec 18..? Most would say "*no, performance has improved but not enough to make the target, without another change in performance towards target.*" A consistent interpretation of performance and a prediction of future expectations.

The XmR Chart is a powerful tool to not only understand how the process is performing, and see the natural process variation, but also a technique for setting targets that are far more thoughtful, rather than taking an aspirational stab in the dark.

We can use the XmR to set targets. Firstly, on the central line - performance has only truly changed when the mean performance has changed. Secondly, we can set targets on the upper and lower process limits. In other words, a reduction in the level of natural process variation is an improvement in performance worthy of pursuit.

When we XmR charts for setting targets and interpreting performance, we have conversations with leaders that are far more orientated towards understanding what is happening and (if we have set targets), how are we progressing towards the targets. No more, "*have we hit target, why not..?*", or "*why is this different to last month, and this month last year..?*"

Use XmR charts for all performance measures and target setting.

Step Seven - Manage Performance

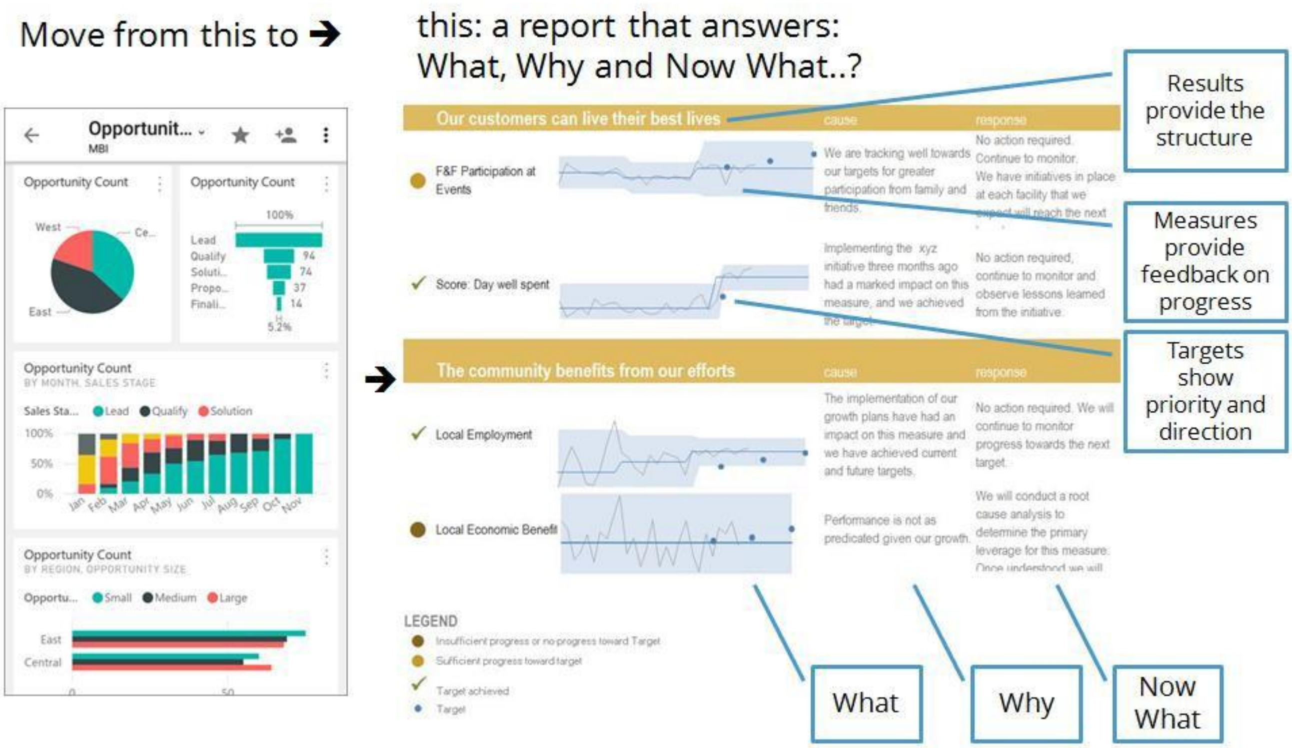
Let's consider how most organisations address the idea of managing performance. If we look back to the Performance Management Framework (page 3) we'll see that organisations determine their *planned strategy*, which is a description of where they want to be in the future. Then, through some process or another they develop a plan of action, the change, the projects and initiatives that will be undertaken by the organisation with the intention of moving them closer to the planned strategy. Through the process of time, investment and many decisions, the *realised strategy* is where they arrive. Without a good measurement framework/system to inform the journey from *planned* to *realised* strategy (where you end up) is often not much different from where you started. Yes the projects are implemented, but what impact did they have..?

Operationally we typically see leaders and managers getting together and looking at all sorts of reports and discuss what's happening. With a poor measurement system the management team run the organisation on 'gut-feel'. The reports they are looking at are often financial reports with the links into specific operational performance tenuous at best. The reports are also often project reports, *'how is that transformation program tracking against budget and task completion..?'* This is not managing performance. We need to know what performance is doing and then understand why it is doing that. If we want to see a change then, we can implement some initiatives and use of measurement system to monitor the impact the initiative has on our measures, and therefore the result.

In trying to address these challenges a lot of businesses have turned to dashboard systems that resemble the cockpit of a jet aircraft. It seems like the management team feel they need to react to data presented as if they were travelling at supersonic speed and their lives depended on it.

There are two things we must get in place in this step of becoming a high performance organisation. Firstly we need to ensure that we have regular scheduled meetings that are for discussing performance. And that is, knowing what performance is doing and why it is doing that. These meetings are not hunting exercises to expose who has not met their targets, because our purpose for measurement is to learn so that we can improve.

The second is to scrap that dashboard and replace it with some useful performance reporting. Such as, something like this[6] that uses the measure charts from our XmRs.



We need a regular forum to have conversations about what performance is doing and using performance reports that provide information in a way that helps guide the conversation towards understanding performance and progress towards the targets we have set.

[6] This mock-up report is based on the template developed by Stacey Barr and provided to attendees of the Performance Measurement Blueprint [Workshops](#) around the world.

Step Eight - Encourage a Learning Culture

We set our purpose (or why) for measuring performance in Step One. It was about building an organisation full of people who want to learn how to improve performance. It is one of the key characteristics of a high performing organisation that teams are engaged and keen to understand what drives better performance. Everything leaders and managers say and do must continue to reinforce that purpose.

As Stacey Barr points out in *Prove it!*, it is the habits of the leaders that establish the behavioural habits of the organisation.

- The more leaders tell people what to do, the less the people take ownership. When leaders set the direction (through results) it allows people to take some ownership of how to get there. They will be keen to make decisions and work on the business.
- When leaders are looking for evidence of the progress being made towards the results, then people will focus on the actions that will have the biggest impact. Seeking to discover root causes rather than treating symptoms.
- When leaders use measurement to promote competition and judgement within the organisation, people will disengage from improving performance and learn how to give the leaders the numbers they want. When leaders focus on learning, people will collaborate across functions and as interdependent teams. They will run experiments to learn and check assumptions more often.
- Likewise when leaders use the measurement system to centre their efforts on the best leverage, and using process thinking to improve business processes - then the people will also develop the skills and habit of learning about what performance is doing and why.

Creating a culture within your organisation that learns and flourishes has always been a key to business success. Management guru, Peter Drucker is often quoted as saying, "*Culture eats strategy for breakfast*". In 1982, research from two McKinsey consultants produced *In Search of Excellence*[7], which demonstrated the difference between high performing organisations and the rest was culture. Peter Senge published *The Fifth Discipline* in 1990 and with it came the principles of systems thinking and a learning organisation.

Therefore, leaders and managers: stop deploying all those behaviours and habits that inhibit the culture of your organisation. Empower people with genuine engagement and learning opportunities, demonstrate progress. And use your measurement system as a feedback mechanism for insight, learning and growth.

[7] Witten by, Thomas J. Peters and Robert H. Waterman

Summary - your call to action..!

Start work today on redesigning your measurement system.

Four straightforward steps will get your started on the design. Stop using measurement only for compliance and assessing people. Make your purpose for measuring to learn what is causing your current levels of performance and how to improve. Set you direction in a set of causal results, then design measures for those results. This will then form the basis of your measurement system, but before you jump into bringing it to life, seek some feedback from the rest of the organisation. Demonstrate your purpose for measurement and allow people to buy-in.

In bringing the first version of your measurement system to life ensure you define each performance measure. Then start collecting the data and presenting the story of this measure in a XmR chart. If you want to see a change in performance, consider assigning some targets for focus and priority (not every measure needs a target). Then establish a setting to discuss the performance of the organisation, focusing on learning works and doesn't, the patterns of information and the journey towards improvement.

Lastly, consider your behaviours, habits, words and deeds. Are each of these demonstrating to your team and organisation that you are committed to continuous improvement, to empowering the team towards learning and experimentation..?

The time to act is now.

About the Author

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Mark is a management professional with 25+ years experience spanning corporate leadership roles, academia and consulting. More than twelve years of management consulting delivering more than 200 client engagements and a further 15 years in senior management, mainly at Suncorp. In addition to this, Mark has eight years (part-time) experience as a sessional academic with QUT in the Graduate School of Business. In 2013 Mark was asked to join the Industry Advisory Board (Marketing) for the Griffith University School of Business and in 2015 he was appointed as an Adjunct Lecturer.

Mark has a MBA, holds qualifications in change management, and certifications in Net Promoter Score. Today Mark is a pragmatic consultant, author and speaker who applies a natural business talent together with a broad set of methodologies and deep experience to bring about results and demonstrable change within the organisations he works with.

He is the PuMP® Partner for Australasia.

If you want to learn more about PuMP, Evidence-based Leadership or the Performance Measure Blueprint Workshops, you can:

- Visit this page on his website
- Visit Stacey Barr's website for Evidence-based Leadership programs, and the Performance Measure Blueprint Workshops (public, or in-house)