Measuring Employee Performance

In pursuit of a high-performance culture and successful strategy execution.

WHITEPAPER: Measuring Employee Performance

IN PURSUIT OF A HIGH-PERFORMANCE CULTURE AND SUCCESSFUL STRATEGY EXECUTION.

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How do we measure people to ensure they align to strategy?

Leaders all want to know how to cascade company goals to individuals, and put measures in their performance agreements. It's the toughest question I am ever asked, because my answer isn't what leaders want to hear.

"Don't measure people. The performance problems are in processes, not in people."

The way that I learned that 90 per cent of the problems are in the process and not the people was through training in Six Sigma, Total Quality Management and other process improvement methods in general. The quality movement of the 1950s and onward was led by W. Edwards Deming, the 'Father of Quality'. Deming had a lot to say on the topic of measuring people:

... management by numerical goal is an attempt to manage without knowledge of what to do, and … is usually management by fear.

A manager of people needs to understand that all people are different. This is not ranking people. He needs to understand that the performance of anyone is governed largely by the system that he works in, the responsibility of management.

If you can't describe what you are doing as a process, you don't know what you're doing.

When the system is stable, telling a worker about mistakes is only tampering.

And my personal favourites:

Evaluation of performance, merit rating, or annual review ... The idea of a merit rating is alluring. The sound of the words captivates the imagination: pay for what you get; get what you pay for; motivate people to do their best, for their own good. The effect is exactly the opposite of what the words promise.

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The fact is that the system that people work in and the interaction with people may account for 90 or 95 percent of performance.

Measuring people creates a downward spiral.

When we use performance measures to focus on managing people's performance rather than process performance, it makes performance worse. It reinforces a downward spiral in overall organisational performance:

• It starts with monitoring. Managers want people to perform better so they monitor people to assess their performance.

• Monitoring leads to judgements. When people know they are being monitored, they feel judged. Do you like to feel judged?

• Judgements lead to threats. People will then take the judgements personally and that makes them feel threatened.

• Threats lead to defensiveness. When people feel threatened, they get defensive in an attempt to protect themselves. The most common method to protect themselves from the threat of performance measures is to hide performance problems so the measures look good. Or they will manipulate the measures to make the results look good. Or they will set targets for measures they know they can achieve.

• Defensiveness makes performance worse. When the important performance problems are hidden, performance gets worse. Why wouldn't it get worse if it's being ignored?

• Worsening performance leads to more monitoring. Managers will pick up that performance is worsening, and so their instinct is that more monitoring is needed.

More monitoring means that people are feeling the scrutiny of more judgement. And the spiral continues to go down.

Is this pattern familiar to you? What have you noticed happens when you measure people to monitor how they perform? Have you seen it work consistently well? Can you produce sufficient convincing evidence that measuring people is the best way to reach organisational goals? It's not likely.

Adopting the belief that at least 90 per cent of the problems are in the process and not in the people is central to the ability of organisations to make great progress in improving productivity, quality and financial performance. They focus on measuring and improving processes and, rather than treating employees as an asset to get a return from, they treat them as people. They give them opportunities to learn and grow and apply their skill and creativity to collaboratively make the processes better.

It's not that we can't measure a person's performance. We can measure anything at all if we can frame it as an observable result. The contention I have is more about when it's helpful to measure a person's performance, and how we go about doing it. I detest the idea of treating someone like an organisational asset, something we are trying to control. Leaders need to create the conditions and remove the constraints so that people can perform, not set up systems to force performance out of them.

But measures can certainly help individuals to improve their personal performance — when those measures are chosen and used by the individual, not by someone else to judge the individual. It's simply a matter of the individual deciding what their goals or desired results are, and how they'll monitor them.

That said, it still stands to reason that if 90 per cent of performance problems are in the process, wouldn't we want to master the

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measurement of processes first, before worrying about measuring people?

Executing strategy means improving processes.

One essential reason that we have organisations in the first place is that something needs to get done again and again for a particular group of stakeholders or customers. This thing that needs to get done happens through a process: roads being built in our cities, or illnesses being diagnosed and cured, or apples being available at the supermarket, or policies being developed. In other words, work actually happens through a series of steps or activities that flow together as a process.

Here's the kicker: how well our processes are designed directly determines how well we do the thing our organisation is supposed to do. It's process performance that has the biggest impact on organisational success, not people performance. So process performance is too important not to measure. Then naturally, our change initiatives — our practice of Execution — needs to be directed at improving processes.

It's process performance that has the biggest impact on organisational success, not people performance.

We're not going to know what to measure or improve about our organisation's processes until we first figure out what our processes are, and what results they produce that most affect our organisation's success. One of the best ways to figure out our processes is to start with our customers, and name the outputs we produce for them. Then for those outputs, we map backwards to find the flows of activities and steps that produce those outputs. We flowchart all the way back to the very trigger that sets that process into action. Mostly it's when the customer asks for our service or product.

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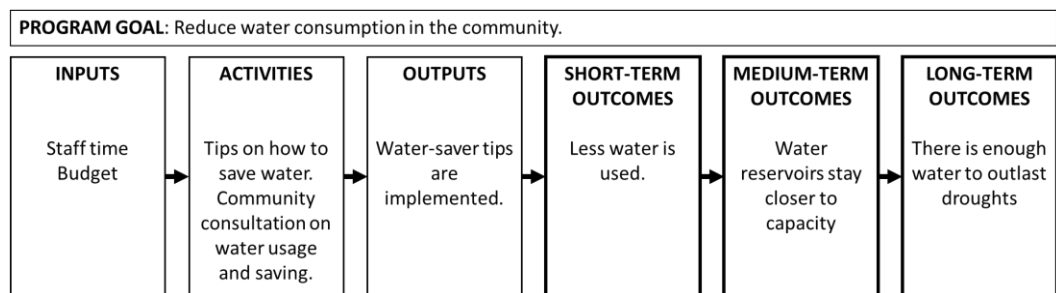
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The great thing about using processes as the framework to identify our performance measures is that we build a natural diagnostic system of measures — evidence about how well important things are actually happening. The measures of outcomes tell us how the process is going in general. But rarely do they tell us how to improve process performance. That's where the in-process measures come into their own: the measures of critical activities within processes. They are measures that give us the clues about what to fix to improve performance.

Program logic models visually map these cause–effect relationships that exist between the inputs, activities and outputs, and outcomes associated with a change initiative. They provide a framework for assessing the impact achieved by the change initiative. For example, a regional council might map the logic of a water-saving program as shown in figure 7.5.

Figure 7.5: program logic for a water-saving program

PROGRAM GOAL: Reduce water consumption in the community.					
INPUTS	**ACTIVITIES**	**OUTPUTS**	**SHORT-TERM OUTCOMES**	**MEDIUM-TERM OUTCOMES**	**LONG-TERM OUTCOMES**
Staff time Budget	Tips on how to save water. Community consultation on water usage and saving.	Water-saver tips are implemented.	Less water is used.	Water reservoirs stay closer to capacity	There is enough water to outlast droughts

These models are intended for organisations whose impact is social change, such as reducing health problems from smoking, reducing water consumption in times of drought, increasing use of sunscreen to minimise skin cancer incidence, or reducing homelessness. But these models don't just work for social change; they work for any change an organisation aims to create.

The input-activity-output-outcome thinking that program logic frameworks encourage is
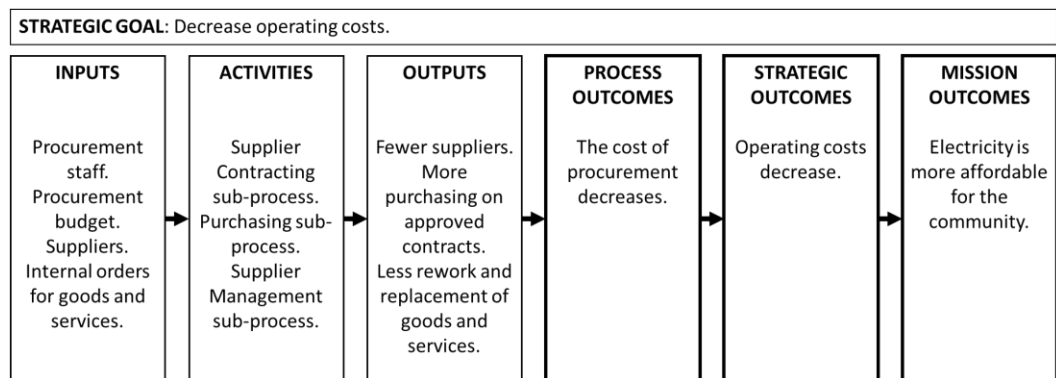
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very helpful in general for cascading strategy into processes, not just functional areas.

For example, an electricity company's procurement department might align their process and sub-processes to the corporate strategy as shown in figure 7.6.

Figure 7.6: program logic models cascade strategy into processes

STRATEGIC GOAL: Decrease operating costs.					
INPUTS	**ACTIVITIES**	**OUTPUTS**	**PROCESS OUTCOMES**	**STRATEGIC OUTCOMES**	**MISSION OUTCOMES**
Procurement staff. Procurement budget. Suppliers. Internal orders for goods and services.	Supplier Contracting sub-process. Purchasing sub-process. Supplier Management sub-process.	Fewer suppliers. More purchasing on approved contracts. Less rework and replacement of goods and services.	The cost of procurement decreases.	Operating costs decrease.	Electricity is more affordable for the community.

A strategy that cascades corporate goals into process goals, and builds on a diagnostic system of measures, is the best approach to find the leverage that defines high-performance organisations. It helps everyone working in the organisation to clearly see the impact of their own work on performance, and trace that impact all the way up to organisational performance. It makes it easier for everyone to work together in unison, to execute strategy and achieve high performance.

It stands to reason that if at least 90 per cent of performance problems are in the process, we must master the measurement of processes, and their outputs and outcomes.

Measuring people is not the way to high-performance or strategy execution. It shuts down the very things we want to create.

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Measurement is still the gravity that makes high-performance and strategy execution fall into place.

Gravity is a force that draws everything effortlessly toward a common centre. Well-designed performance measures are like gravity, drawing attention and energy and activity toward the common centre of the corporate direction: the mission and the vision and the strategic goals. Measurement does this because it's very tangible, observable, sensory, and specific. And we are tangible and sensory beings. Good measures make sense to us.

But we must measure goals, and the results or outcomes of our business processes. Measurement is a threat, if we focus it on people.

Most organisations do not have a good performance management process, nor do they have any concept of what a good one looks like. They are overwhelmed by the typical struggles and bad habits and legacy frameworks that somehow have become common practice. Common practice isn't correct practice.

The result of correcting our practices is tremendous. A good organisational performance management process gives us vehicle for immediately putting into practice evidence-based leadership.

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This white paper is an excerpt of Stacey's book,
Prove It! How to create a high-performance
culture and measurable success.

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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: Using the PuMP Blueprint for Fast, Easy, and Engaging KPIs*

- *Prove It! How to Create a High-Performance Culture and Measurable Success*

- the Measure Up blog

Her content appears on Harvard Business Review's website and in their acclaimed ManageMentor Program.
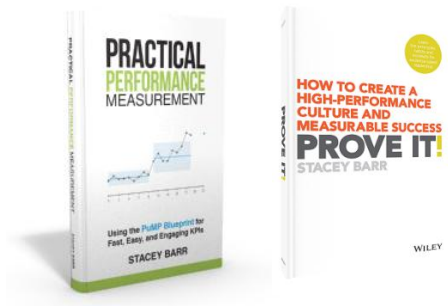
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Discover more about evidence-based leadership and practical performance measurement at www.staceybarr.com.

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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.