The 8-Step Blueprint for Meaningful Performance Measures

If I could sum up the worst problem people have with performance measurement it would be this: They don’t have 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. They don’t realise that by measuring what matters, and measuring it well, we reach our goals sooner and with less effort.

If you had seen through my eyes over the last 20 years, you’d be as intrigued as I am to realise everyone has the same struggles with measuring performance, and these struggles have the same underlying causes. And when we know the causes of our struggles, we can find a way to fix them.

What are the struggles we all have with KPIs?

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 ending up with too much, not enough, or in the wrong format. The effort of reporting measures, but not having enough 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. Every variation needs to be explained, and often we can’t really find an explanation. It feels like we’re chasing our tail and never really getting control over performance.

Our performance improvement efforts fizzle or fail. People say they can’t improve their results unless they get more money. They can’t hit their targets because they’re under-resourced. Underperformance isn’t their fault – it’s their customers’ unrealistic demands. Any improvement efforts we do take responsibility for don’t seem to elevate performance high enough or permanently.

These struggles are caused by bad habits that have become common practice in performance measurement. People don’t realise that these common practices are at the root of their 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: 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 make excuses that performance is sabotaged by factors outside their control
- They argue against the choice of measures
- They only want to measure their effort, not results
- They manipulate the measure to look good

All these behaviours sabotage performance, they never help it improve. There’s only one way to stop people’s defensive behaviours when it comes to performance measures.

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.

See also:

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. So we have to change our language before our goals can become measurable.

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 without trivializing our goals. Einstein said we should make everything as simple as possible, but not simpler.

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, let alone measured in a meaningful way.

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.

See also:

http://staceybarr.com/measure-up/3-tests-of-the-measurability-of-your-goals/

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. Brainstorming is 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 and no meaningful way to shortlist them
• Measures that don’t align strongly to our goals
• Things that aren’t even measures: like activities or data sources or milestones
• No measures that are more powerful than what we already know about

Choosing performance measures needs to be much more deliberate than brainstorming will ever be.

Evidence first; 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 that 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 in some physical way. When we know the evidence, we can then quantify it. The most relevant and feasible quantifications of that evidence 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.

See also:

http://staceybarr.com/measure-up/checklist-excellent-measures/
http://staceybarr.com/measure-up/the-worst-kpi-question-you-can-answer/

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.

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.

What a lot of people don’t realise is that real buy-in can be nurtured very easily and very quickly.

Ownership comes through contribution.

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 on won’t work.

So the fourth step in a good performance measurement process should allow for open contribution of vast numbers of stakeholders, without taking too much of their time, or boring them to tears.

See also:

Bad Habit 5: Rushing to dashboards & reports.

Our struggle with how much it costs in time and effort 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 for calculation
• The data is available
• How the measure links to strategy and to other measures is clear

But these are the most common problems with reports and dashboards. There’s a magic word that fixes and prevents these problems.

Disciplined implementation of well-defined measures.

The magic word is discipline. There are a few things we need to be disciplined about when we implement our measures.

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.

See also:
http://staceybarr.com/measure-up/4-step-recipe-for-writing-a-quantitative-measure/

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 information, including measures, program and task updates, explanations for not hitting targets, and commentary about specific data points in the measures
- 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.

One of the ways to make performance reports truly useful and usable is to ensure they answer just three questions.

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.

That filter is a set of three questions that the report should answer. Three and only three questions:

Firstly, What is performance doing? Answer this with a simple line chart of the performance measure, with a comparison to both the historical time series and a future target.

Secondly, Why is performance doing that? Answer this with a cause analysis that explains the gap between as-is performance, and to-be performance.

Thirdly, Now what should we do about it? If there is a gap between as-is performance and to-be performance, and the root cause was found, then answer this question with the actions or recommendations to take to close the gap, by fixing the identified root cause.

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.

See also:

http://staceybarr.com/measure-up/4-design-principles-for-usable-performance-reports/
http://staceybarr.com/measure-up/three-questions-to-design-your-kpi-reports/

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.

Would you rely on a monthly sample of two jelly beans to track if there was a change in the mix of colours of all jelly beans over time? Of course not, because two jelly beans are not representative enough of all jelly beans, because of how much variability there is in the colours.

Just like jelly beans, our measure values have their own unique amount of variability. We can’t ignore
variability when we interpret our measures, because to ignore that variability 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.

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.

It’s not quite as simple as using trend lines, either. We need to learn how to see and interpret changes in our measures’ variability over time.

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

See also:
http://staceybarr.com/measure-up/3-essential-signals-to-look-for-in-your-kpis/
http://staceybarr.com/measure-up/three-things-you-need-on-every-kpi-graph/

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 most of those efforts 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.

In these cases, our efforts are 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.

Find and fix 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.

See also:
http://staceybarr.com/measure-up/are-you-doing-fundamental-performance-improvement-or-are-you-working-too-hard/

So, we’ve introduced eight steps in a good performance measurement process. Let’s see how they flow together.

The PuMP® Performance Measure Blueprint

PuMP is the name of this performance measurement process, and it’s the most comprehensive, practical and engaging approach known around the world. PuMP is an acronym for ‘Performance Measurement Process’, what I used to call this methodology. A client nicknamed it PuMP, rightly explaining that the ‘u’ meant that making it happen is up to ‘you’.

In implementing PuMP, small teams follow eight deliberate steps to measure their goals.

STEP 1 Understanding Measurement’s Purpose.
The PuMP Blueprint begins with a self-assessment tool called the PuMP Diagnostic, which helps 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.
In Step 2, we use the PuMP Measurability Tests to translate the team’s goals or objectives into measurable performance results. These results go into the PuMP Results Map to link and align them to the rest of the organisation’s strategy.

STEP 3 Designing Meaningful Measures.
In Step 3, we use the five-step PuMP Measure Design technique to carefully craft and choose measures that are the most relevant and feasible evidence the team’s performance results.

STEP 4 Building Buy-in to Measures.
The PuMP Measure Gallery technique is Step 4. It’s a very easy, fast and social event that builds buy-in and generates excitement, both for performance measurement in general and for the team’s new measures in particular.

STEP 5 Implementing Measures.
In Step 5, the PuMP Measure Definition technique details and documents exactly how each measure should be implemented, in a Corporate Performance Measure Dictionary.

STEP 6 Reporting Performance Measures.
In Step 6, the PuMP Performance Report Design principles 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.

PuMP facilitated a 4067% ROI

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.

The team reduced the time from 67 days on average to 23 days AND reduced the variability too. They invested $12,000 to do this, saved $500,000 in the first 7 months. That’s a 40 times return on investment.

That’s what PuMP facilitates:

• 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, giving us feedback about the reality of performance, and acting as a fulcrum so we can get the most leverage in our improvement efforts.

See also:

The full FAA case study -

A video presentation of this paper –
http://staceybarr.com/about/pump

About Stacey…

Stacey Barr is a globally recognised specialist in organisational performance measurement. She is author of Practical Performance Measurement, publisher of the Measure Up blog, and creator of PuMP®.

People’s 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.

And so, by measuring what matters and measuring it well, we reach our goals sooner and with less effort.

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