

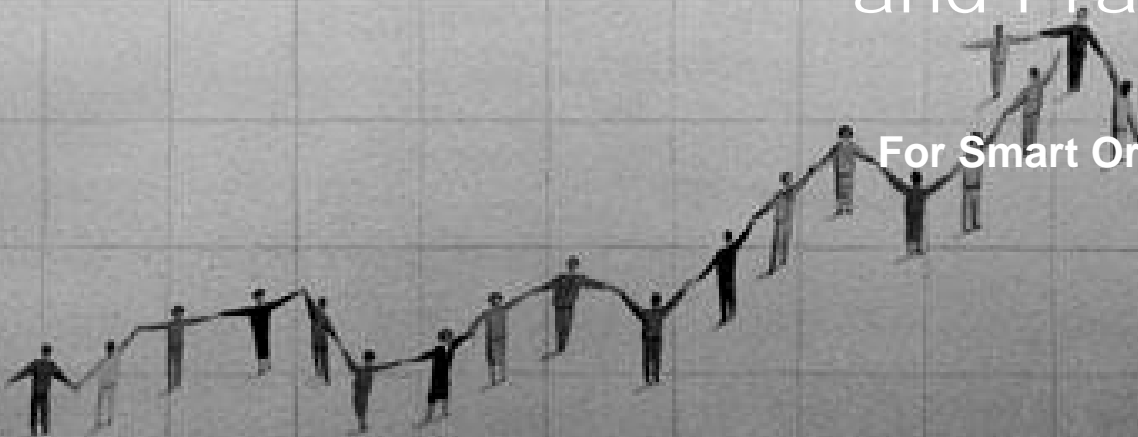
Performance Management



A methodical approach to measuring organizational performance

Benchmarking Methodologies and Practices

For Smart Organizations



“You cannot manage what you cannot measure. You cannot measure what you cannot define. You cannot define what you do not understand.”



Performance Management



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Performance management is not a new discipline – however, it has to adapt to changing organizational practices and new technologies.

Today's organizations are increasingly characterised by:

- collaborative and team-based delivery of value-adding results,
- the increasing use of technologies to deliver these results, and
- the standardization of work processes driven by internal and industry-wide rationalisation.

Performance management is about enabling a continuous system to measure and improve both the efficiency and effectiveness of the organization delivering value-adding results.

The definition of 'value' must ultimately be improvements of margin profitability, return on assets and improved customer satisfaction.

To measure organizational performance a clear understanding of what the organization attempts to achieve, both tactically and strategically, is paramount.

From the related objectives one can then introduce standard metrics for all functional areas of the organization, the latter that usually comprise of business unit and shared services functions.

A wide range of standard metrics exist for different industries, and can be applied on departmental, workgroup and individual level.

Metrics (key performance indicators) are either quantitative or descriptive in nature.

A common difficulty is what to measure. It is human to measure the easy, but not necessarily the right things. A balance must also be found for measuring in order to control or to improve. Again it is human to focus on excess, rather than on continuous improvement.

Culturally, performance management must promote value-adding outcomes that enable the organization achieving its market-oriented objectives. Behaviour is influenced by measures ("You get what you measure because that is what you reveal as what you think is important." (Sink and Tuttle, 1989).

One of the key challenges of measuring performance is a common lack of knowledge on what constitutes inputs and outputs in terms of priority and impacts. While the temptation always exists to introduce customized performance measures, the latter inhibits peer and industry benchmarking. Consequently a balance must be found between adequately measuring performance and for ensuring that the resulting information complies with accepted standards.

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Another challenge is to understand the interdependence of organizational functions and work tasks, and to highlight related issues accordingly.

When measuring performance it is important to understand the concept of a 'Performance Network'.

A performance network is present when key performance indicators are:

- Aligned to organizational policies and objectives
- Interrelated with other key performance indicators for cause and effect analyses

The application of performance network-centric key performance indicators is a very important element of successful performance assessment and improvement initiatives.

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