Effective Performance Management

Principles, Process, People & Politics

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Doing More With Less
Or
Not doing the wrong thing better!!
Introduction

• Doing More with Less
  – Why does it matter?

• Understanding the Challenge
  – Do the right thing right, not the wrong thing better!
  – The Trialogue – understanding ‘rightness’

• Moving the Goalposts
  – A Process for ‘Doing More with Less’
  – Managing the Process – The Potentiometer
Problems of Performance

• ‘What does success look like’?
• ‘Data rich, information poor’
• Easy measures – the accounting paradigm
• Performance drivers not understood
• Processes ill-determined
• Resource requirements not addressed
• Interactions & inter-relationships between activities are ignored

Over administered

but

under-managed
Every Good Regulator of a System must be a Model of that System

Conant–Ashby Theorem (1970)
The Bold Statement

• Any and every Performance or Management Information System is ATTEMPTING to be a regulator of the organisation in which it is contained.
• They fail because they do not contain the requisite model of the system to be regulated
• Therefore:
  – Much of the money spent on Performance Management/Information Systems is wasted
  – Many of the results generated within such systems are meaningless
  – Many decisions based on those results are wrong!
Principles

- Organisational purpose must be agreed
- Success criteria must be determined
- Resource constraints must be recognised
- Processes must be properly defined
- Process capabilities and interactions must be formally stated
- Performance constraints must be recognised
- Rate of organisational response must match the rates of internal and external perturbation

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Principles

• Put into practice these allow (at any level of organisation) comparison of:
  – What WAS achieved 
    with 
  – What COULD have been achieved 
    with 
  – The constrained POTENTIAL 
    with 
  – The objective or purpose to be fulfilled

The OUTPUT is:
  a measure of achievement 
  of agreed objectives 
  at any particular point in time
Performance Measurement

Potential ➔ Latency ➔ Performance
Capability ➔ Productivity ➔ Actual
Principles

• This enables:
  – Managers to Manage, Directors to Direct
  – Effective accountability for performance
  – Adaptation in real time
  – Meaningful learning and knowledge management

• Through:
  – Immediate reflection on the past
  – Anticipation of tomorrow
  – Effective simulation of the impact of change
Principles

Because:

- An integrated Platform for Decision is the basis of the design
- The PMS contains the necessary model of the organisation
- CENTRALISED control is balanced with LOCALISED autonomy
- Process data is aggregated not mined
- The process performance outputs are delivered to the process owners as the basis of action
- **Dynamism** is accepted as the basis of stability
A rail industry example
A rail industry example
A rail industry example

- Track Access Agreements
- Train Planning
- Sales
- Depots
  - Service Capability
  - Timetable Requirements

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Track Access Agreements

Train Planning
- Passenger Volume Potential
- Revenue Potential
- Output Measures
- Service Capability
- Timetable Requirements

Sales
- Market Potential
- Tickets Sold
- Output Measures
- Performance Constraints

Delivery
- Catering Potential
- Performance Constraints

Depots
- Right Time
- Right Place
- Reliable
- Output Measures

Catering Potential
- Performance Constraints

Volume Staffing Parts
- Parts
- Output Measures

Revenue Potential
- Performance Constraints

Service Capability
- Right Values
- Right Skills
- Right People

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Corporate Stakeholders

Equity  Reg  HMG

Chief Executive
Business Objectives
Regulatory Constraints

Dev  HR  IT  Finance  OpCo  Reg

Directors KPI's

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COO Stakeholders and KPIs

CEO  Customers  Unions  Reg

Chief Operating Officer Objectives

Prod Plan  Stores  Ops HR  Finance  Ops Mgmt  Reg  Cust. Ops  S&M

Senior Manager KPI’s

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Objections: People & Politics

• IT people (generally) won’t like it!!
  – It challenges the myths, mystiques and monoliths
• Line Managers/Operators will love it
  – It lets them fix what is going wrong
• Directors may struggle with it
  – Distributed information means distributed power
• Different expertise is required to create it
  – A systemic rather than reductionist approach
• ‘We already have [insert name of monolith]”
  – Yes – but does it work?

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On Anticipated Resistance

- “... while (of course) the argument and the proposal are absolutely right they come too soon. The solution will work one day.

- Just now the market is not ready for it”

- “You’re telling me the market is not ready for it. That is just what I am complaining about. If we want revelations ...”

Stafford Beer, Platform for Change, 1974
On Anticipated Resistance

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— our experience has proved that this approach works
Payback

• **VSMethod**
  - Royal Bank of Scotland – net benefit in 1st year (Sheffield) - £3m
  - GNER – net benefit in 1st year - £6m
  - Fletcher Steel (New Zealand) - £20m annual fixed cost reduction

• **VSManager**
  - Parcelforce – net benefit in 1st year - 30% productivity gain, £2.5m saving
  - Doncaster & South Humber Healthcare NHS Trust – zero net cost over 2 years
  - Sunbase International (Hong Kong) – ISO9000:2000 at first audit

• **The Entelechy Engine**
  - A.H. Marks & Co (Chemical Discovery) - experimental