

# **Effective Performance Management**

## **Principles, Process, People & Politics**

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

- 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!

- 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

- 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

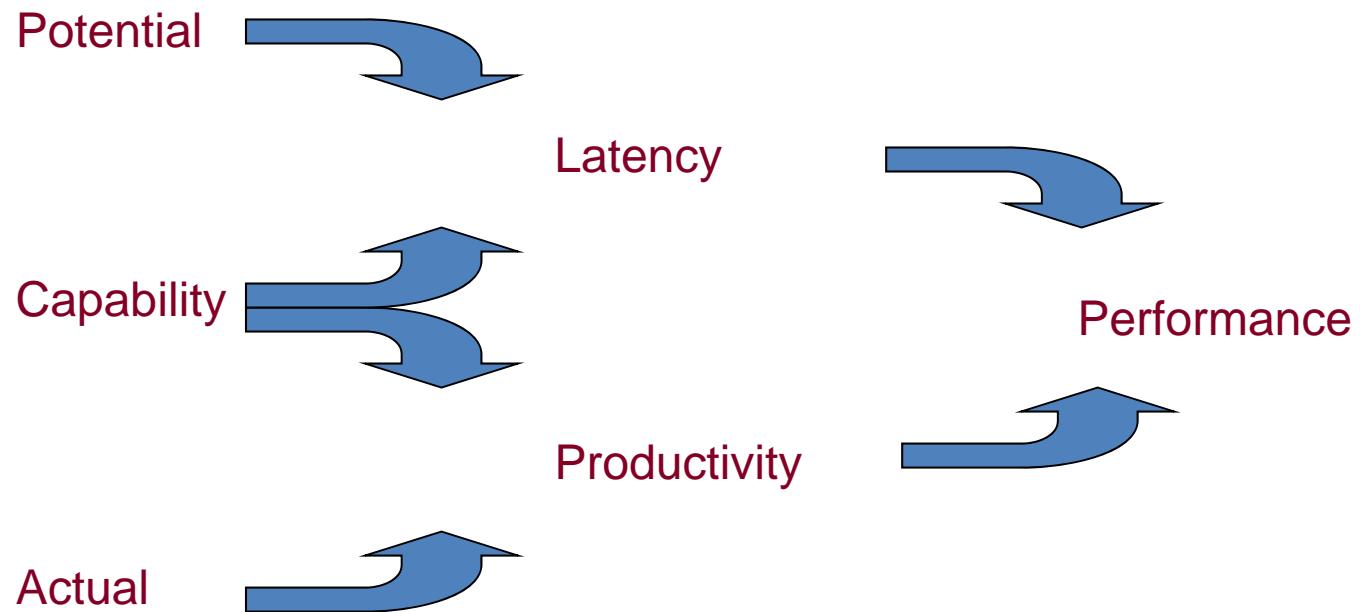
**The OUTPUT is:**

**a measure of achievement  
of agreed objectives**

**at any particular point in time**



# Performance Measurement

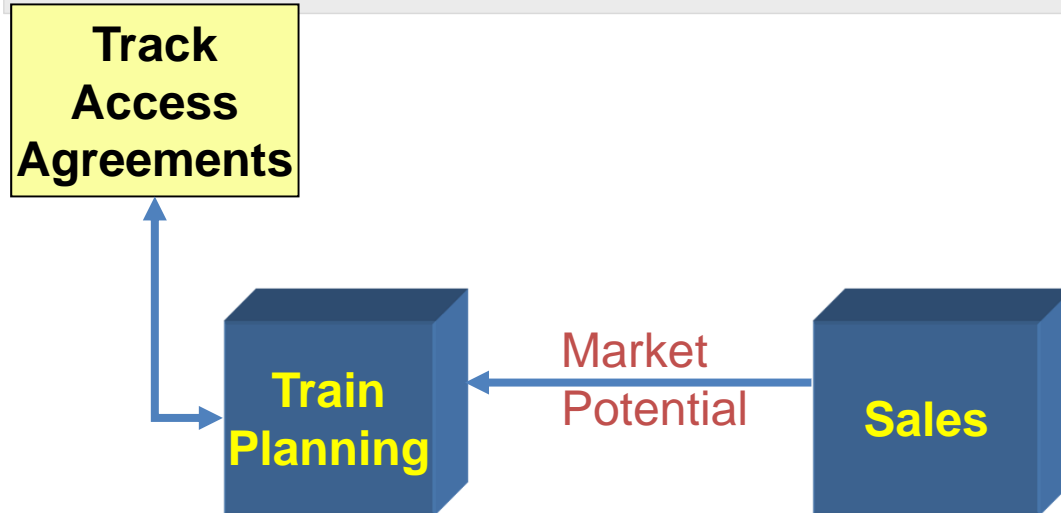


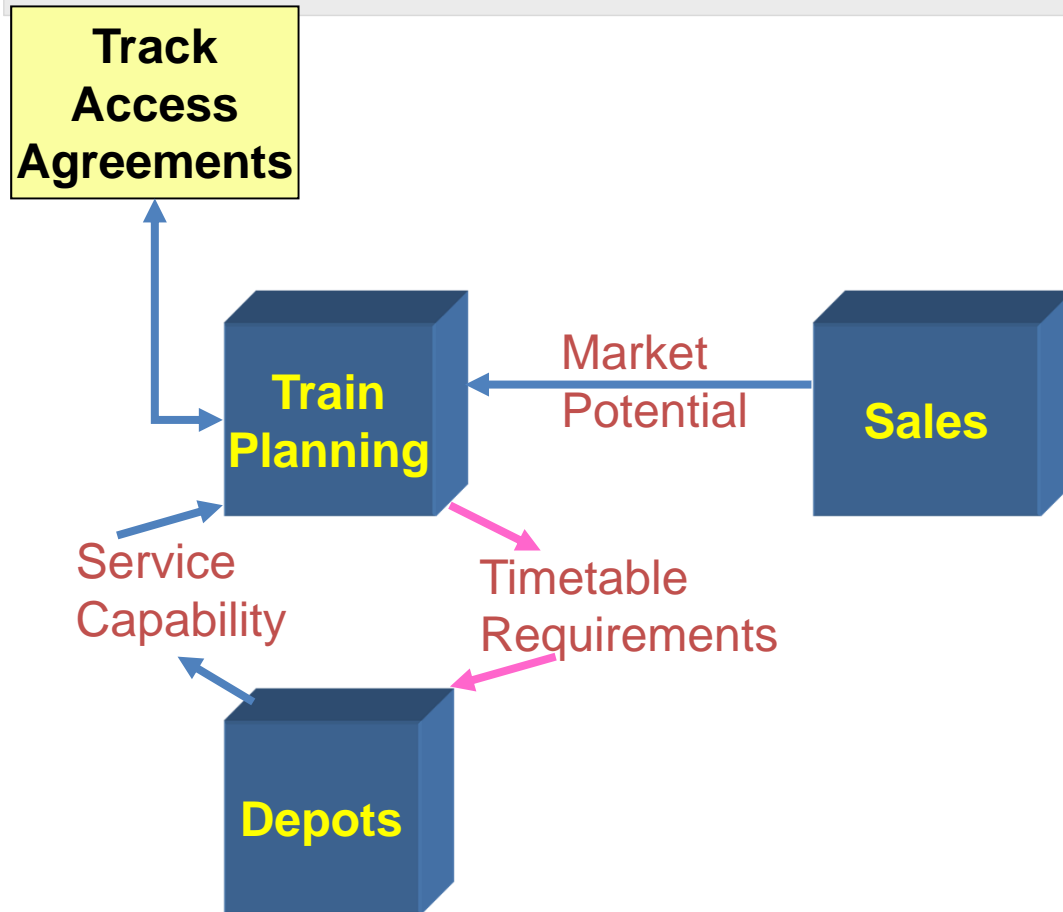
- This enables:
  - Managers to Manage, Directors to Direct
  - Effective accountability for performance
  - Adaptation in real time
  - Meaningful learning and knowledge management
- Through:
  - Immediate reflection on the past
  - Anticipation of tomorrow
  - Effective simulation of the impact of change

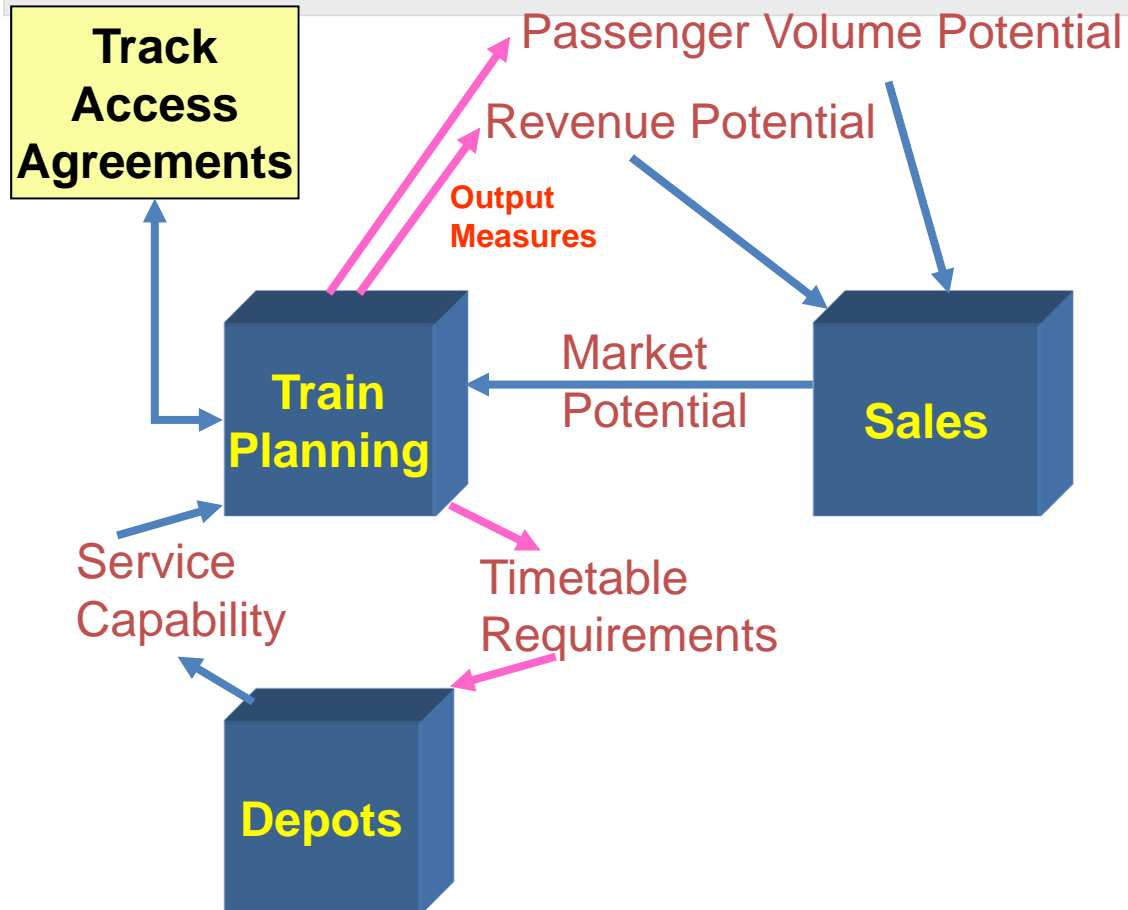
- Because:
  - An integrated Platform for Decision is the basis of the design
  - The PMS contains the necessary model of the organisation
  - CENTRALISED control is balanced with LOCALISED autonomy
  - Process data is aggregated not mined
  - The process performance outputs are delivered to the process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

# A rail industry example

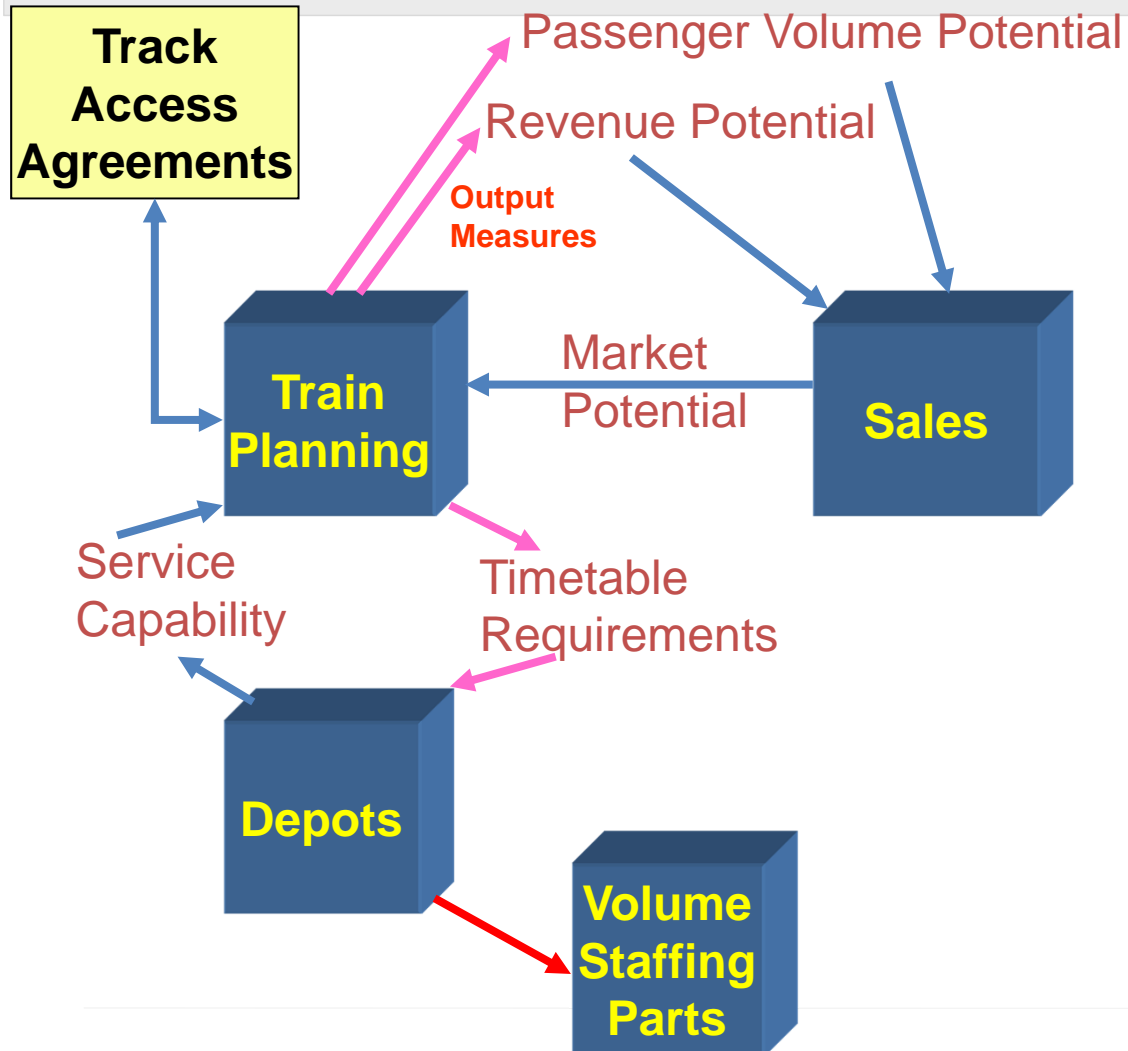








# A rail industry example







Output Measures



Passenger Volume Potential

Revenue Potential

Output Measures



Market  
Potential



Service  
Capability

Timetable  
Requirements



Output Measures



**Ops  
HR**

**Right People  
Right Skills  
Right Values**

**Track  
Access  
Agreements**

**Train  
Planning**

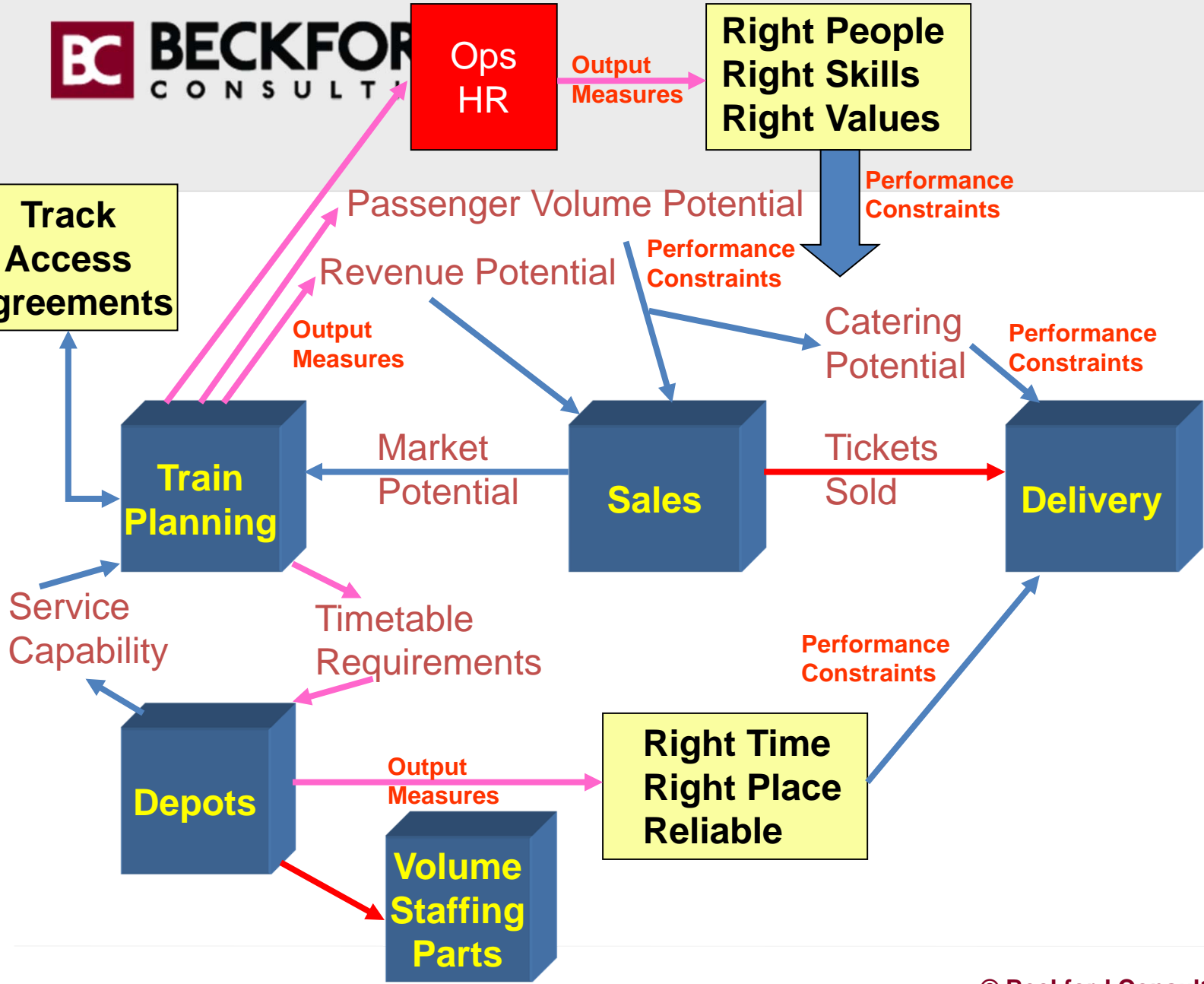
**Sales**

**Delivery**

**Depots**

**Volume  
Staffing  
Parts**

**Right Time  
Right Place  
Reliable**



**Ops  
HR**

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**Track  
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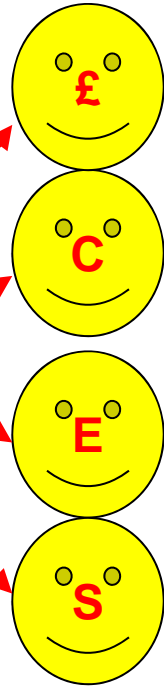
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Output Measures

Performance Constraints

Passenger Volume Potential

Performance Constraints

Revenue Potential

Output Measures

Catering Potential

Performance Constraints

Market Potential

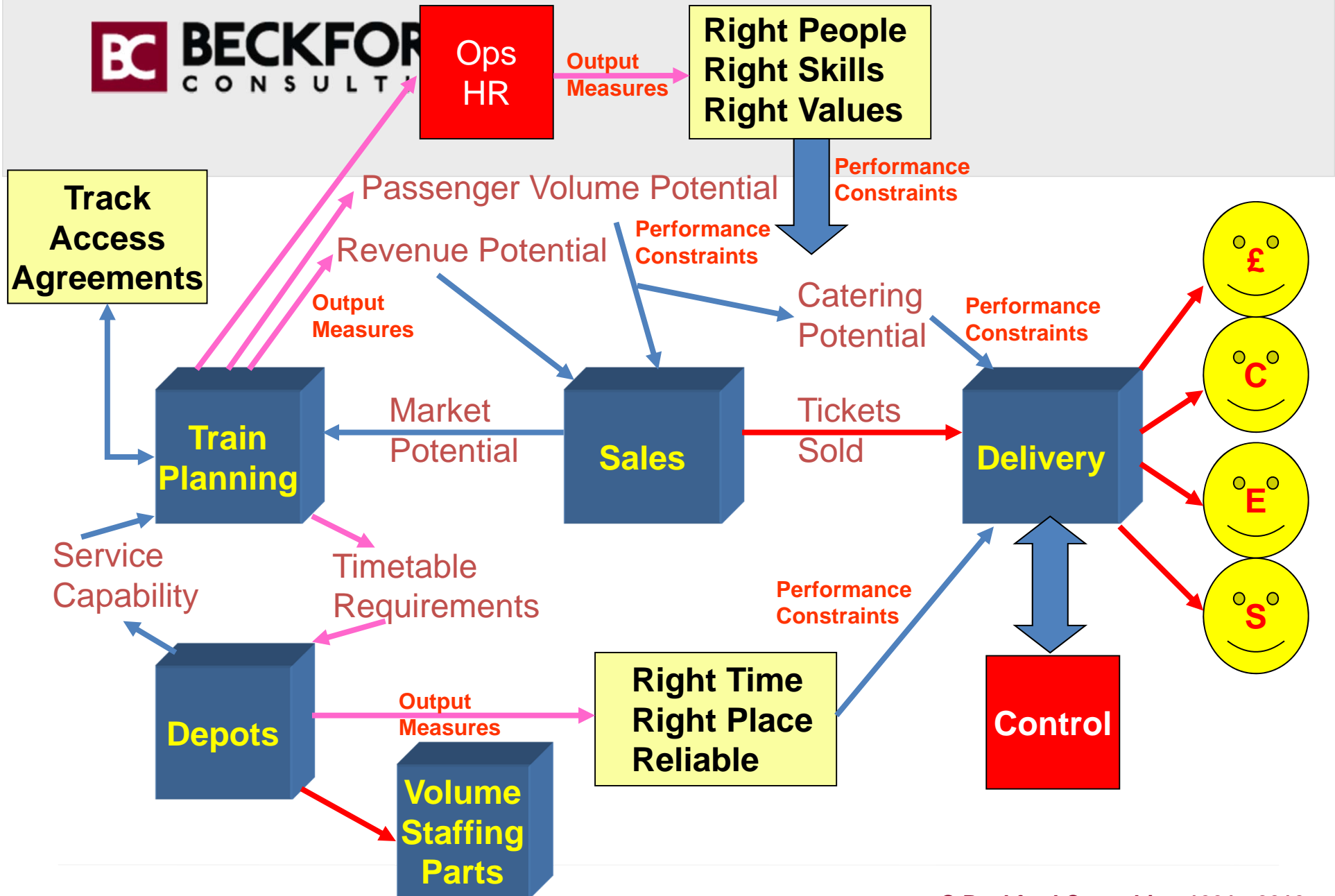
Tickets Sold

Service Capability

Timetable Requirements

Performance Constraints

Output Measures



**Ops  
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**Track  
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**Train  
Planning**

**Sales**

**Delivery**

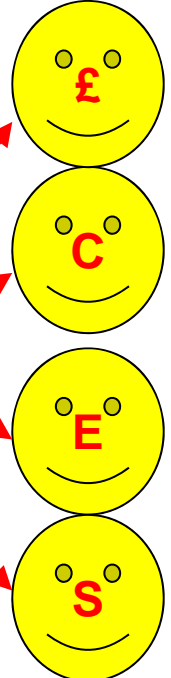
**Depots**

**Volume  
Staffing  
Parts**

**Right Time  
Right Place  
Reliable**

**Control**

**Reg & Comp**



Output Measures

Performance Constraints

Passenger Volume Potential

Performance Constraints

Revenue Potential

Output Measures

Catering Potential

Performance Constraints

Market Potential

Tickets Sold

Service Capability

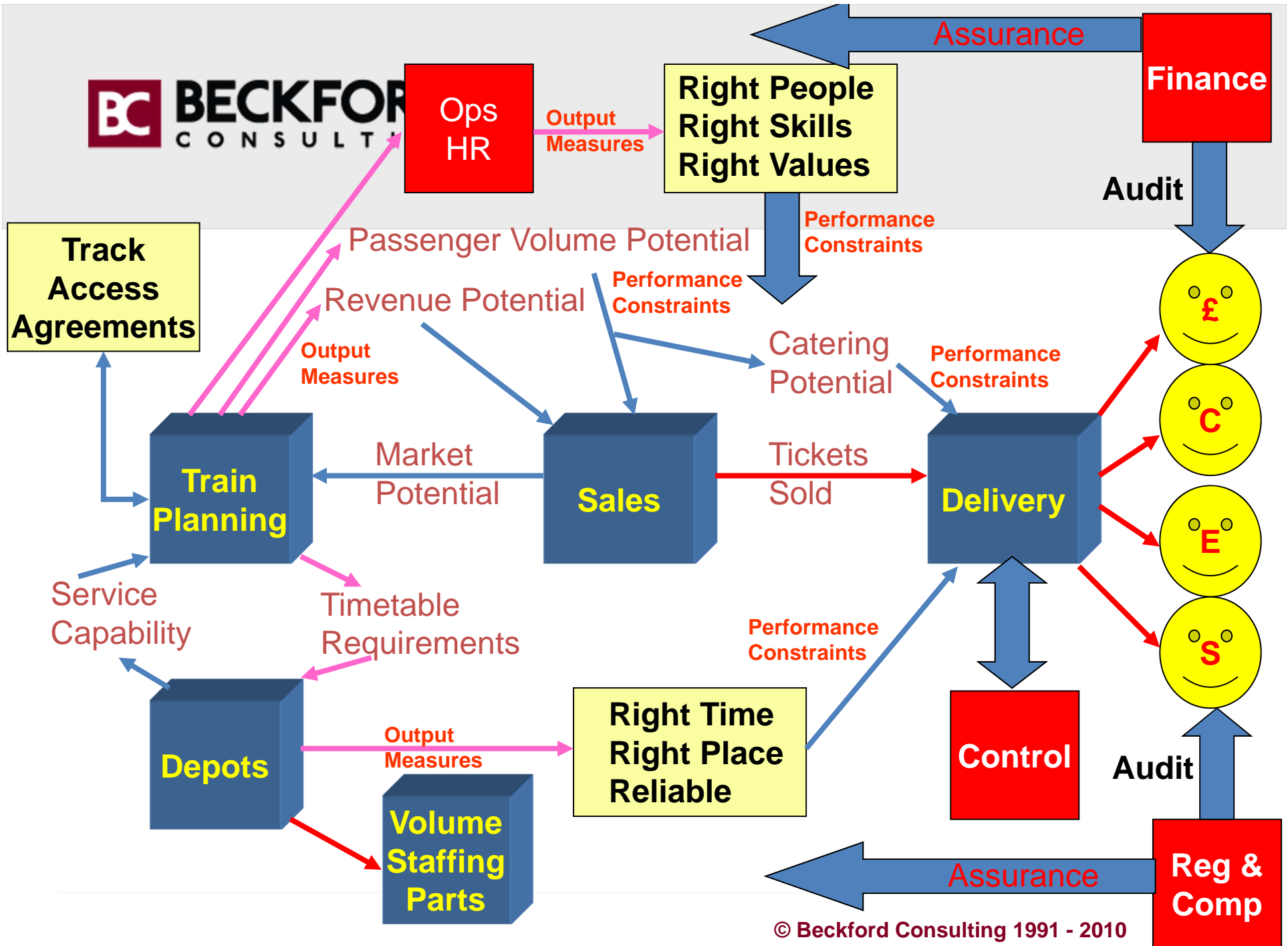
Timetable Requirements

Performance Constraints

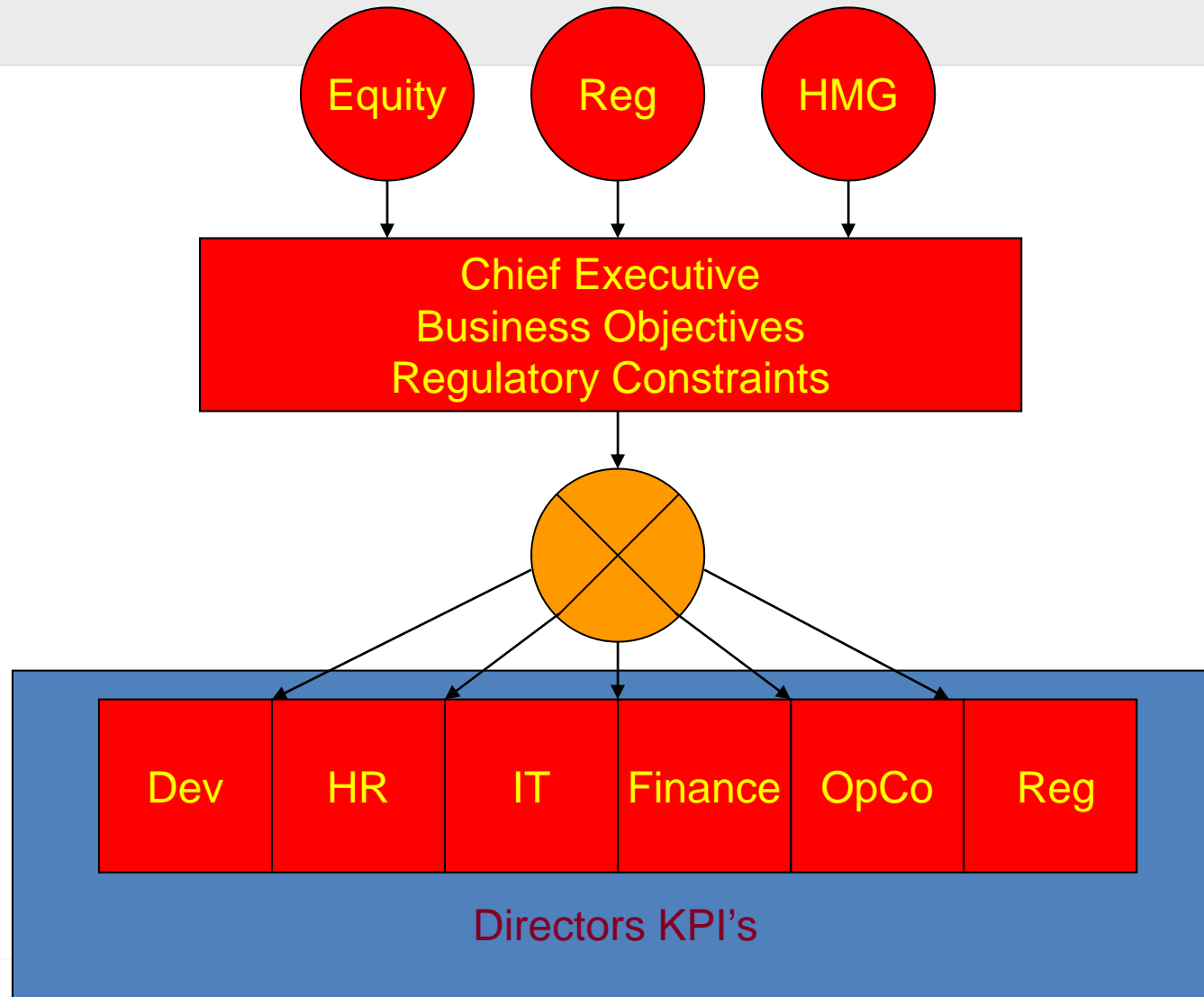
Output Measures

Audit

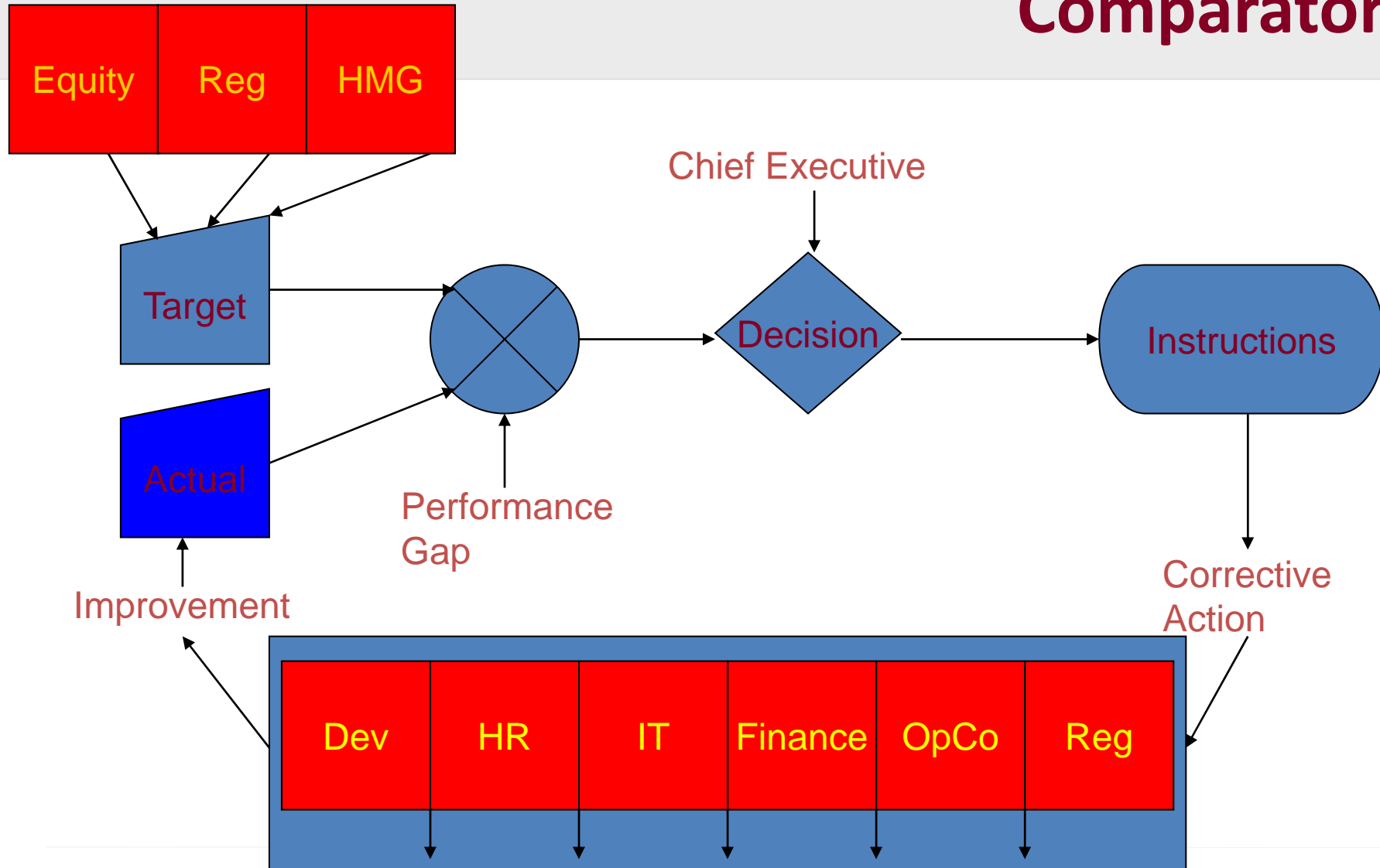
Assurance



# Corporate Stakeholders

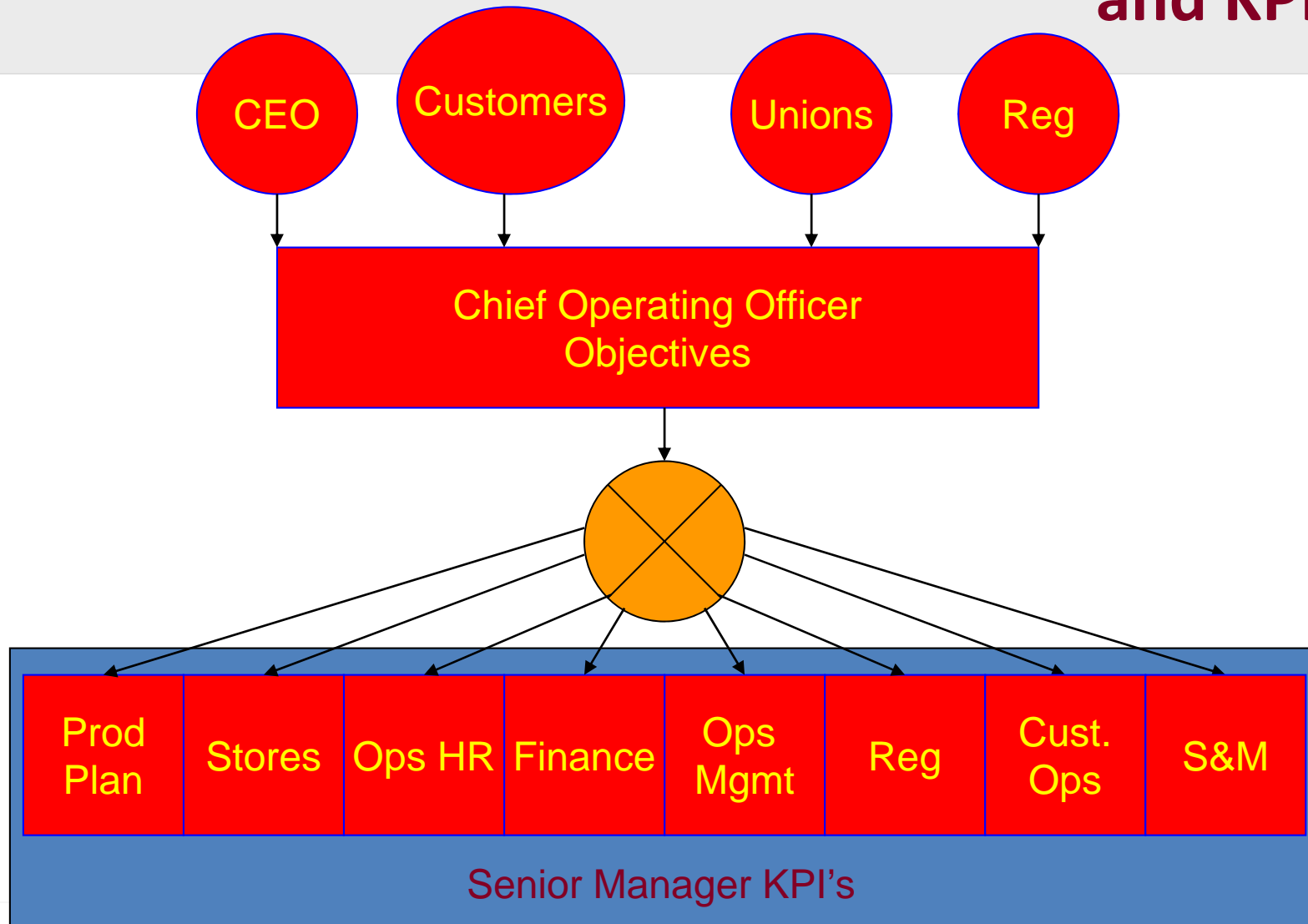


# Comparator





# COO Stakeholders and KPIs



## 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?

## 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**

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### Stafford Beer, Platform for Change, 1974

— *our experience has proved that this approach works*

- **VSMethod**

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

- **VSManager**

- Parcelforce – net benefit in 1<sup>st</sup> 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