



Performance Management

Principles, Process, People & Politics

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Or

**Not doing the wrong thing
better!!**

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

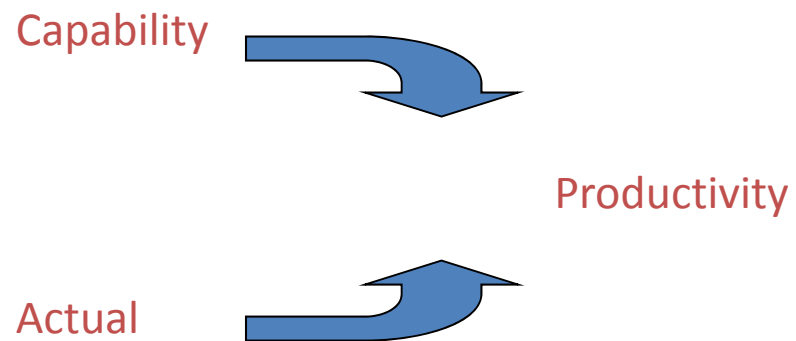
The OUTPUT is:

**a measure of achievement of agreed objectives
at any particular point in time**

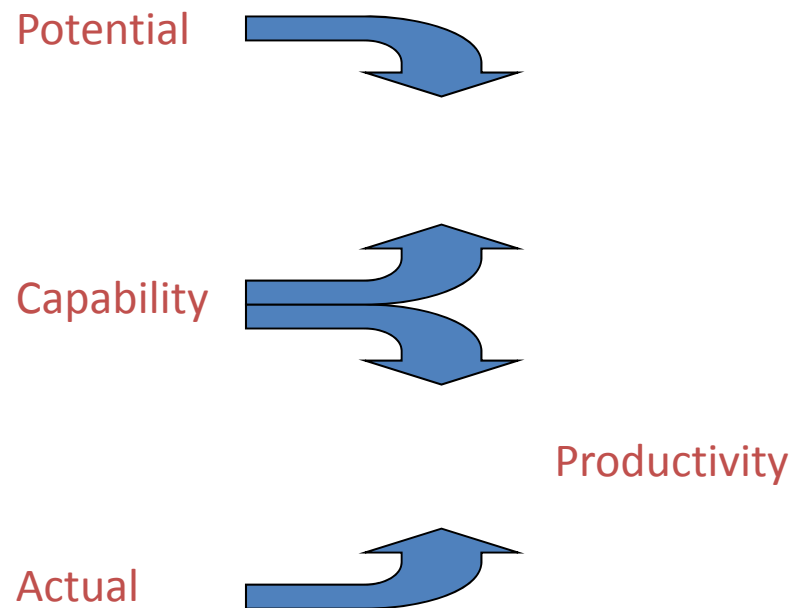
Capability 

Actual 

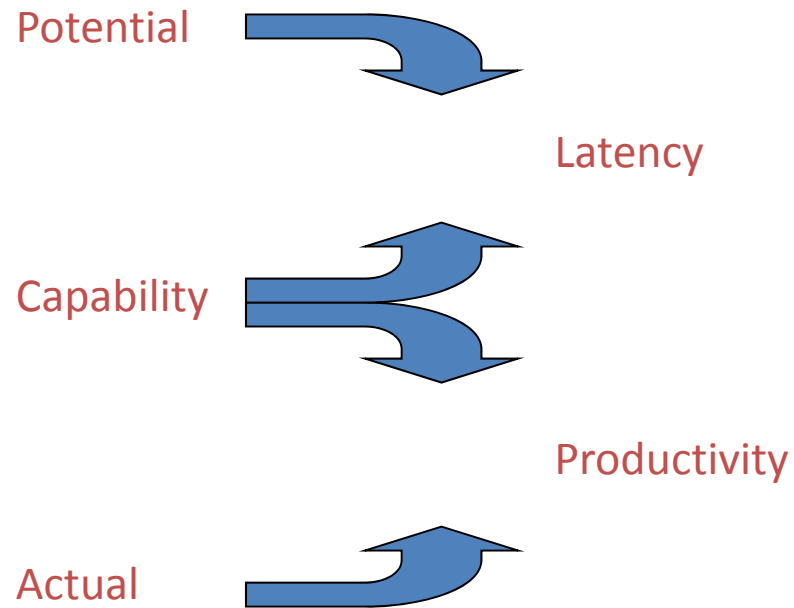
Performance Measurement



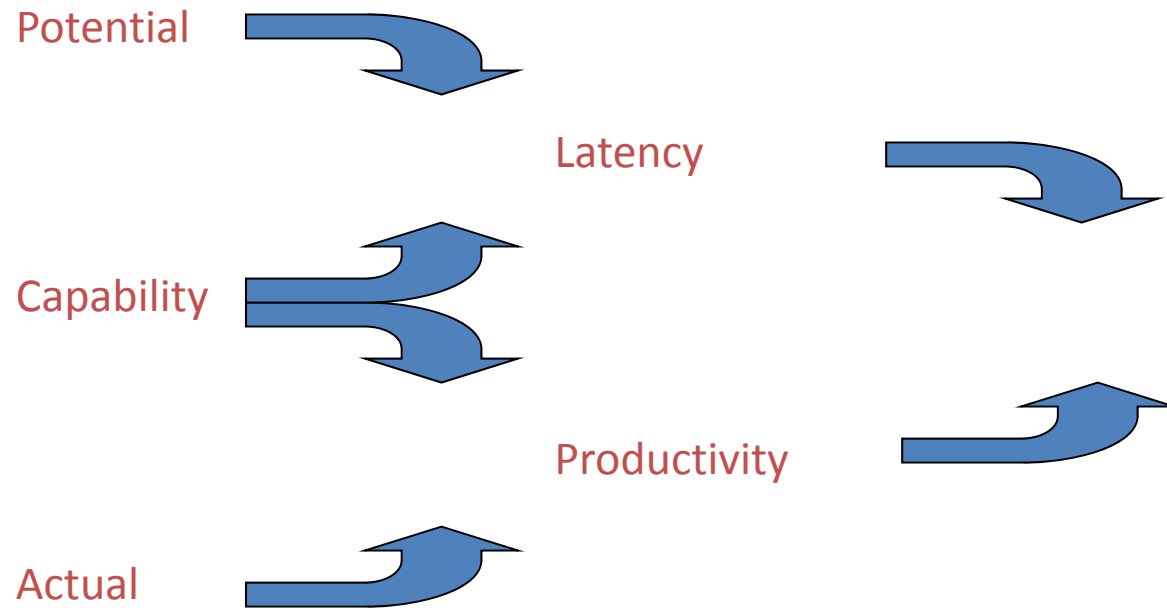
Performance Measurement



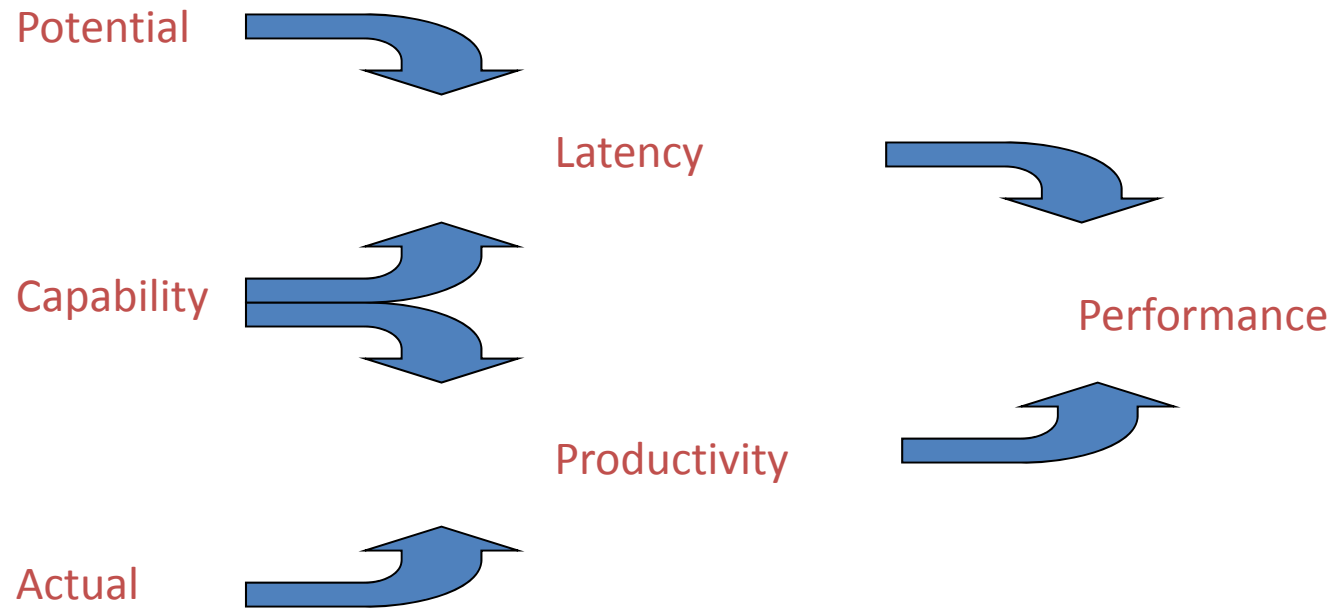
Performance Measurement



Performance Measurement



Performance Measurement

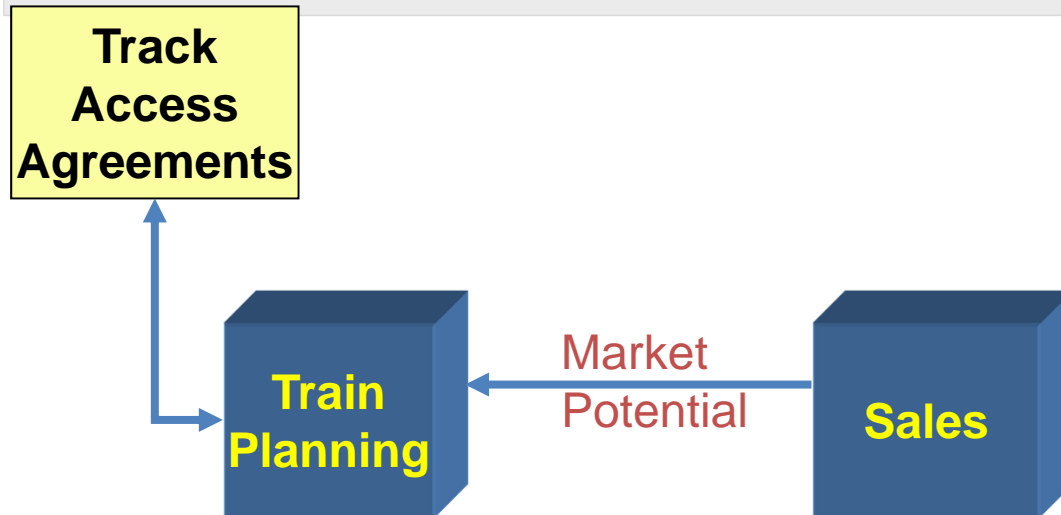


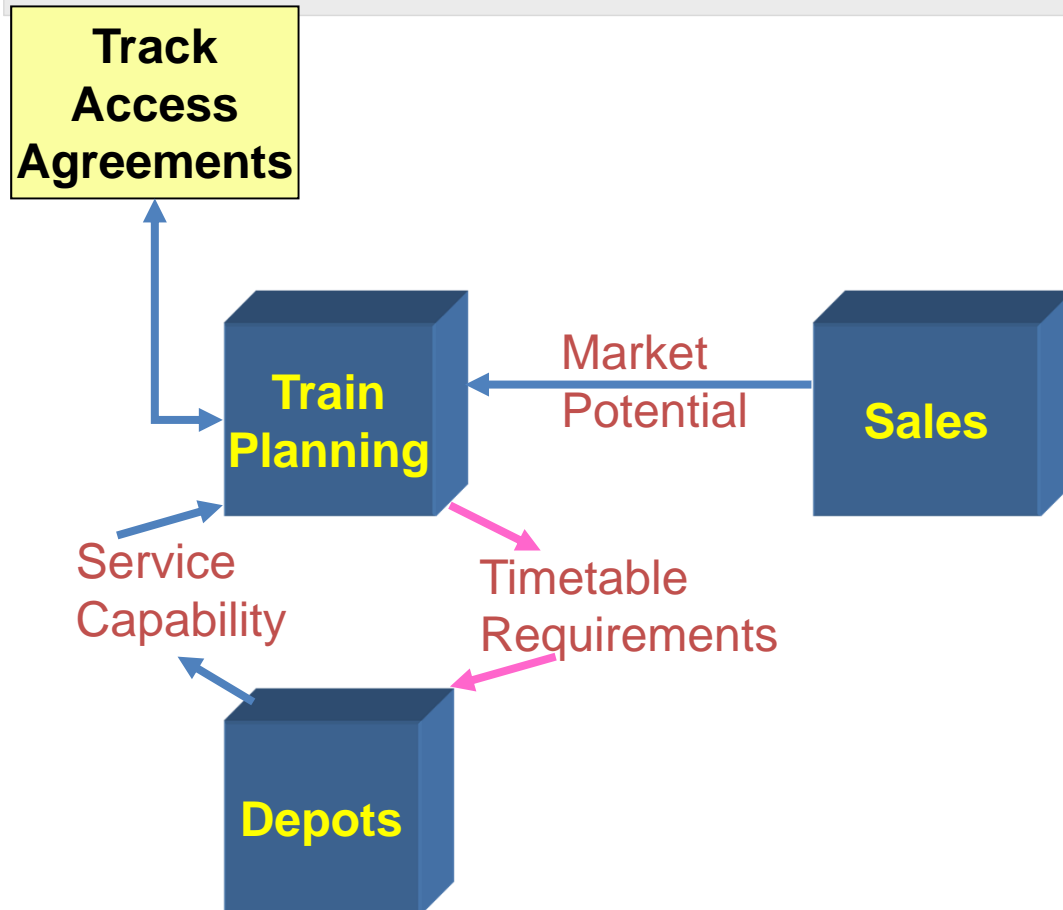
- This enables:
 - Managers to Manage, Directors to Direct
 - Effective accountability for performance
 - Adaptation in real time
 - Meaningful learning and knowledge management
- Through:
 - Immediate reflection on the past
 - Anticipation of tomorrow
 - Effective simulation of the impact of change

- 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

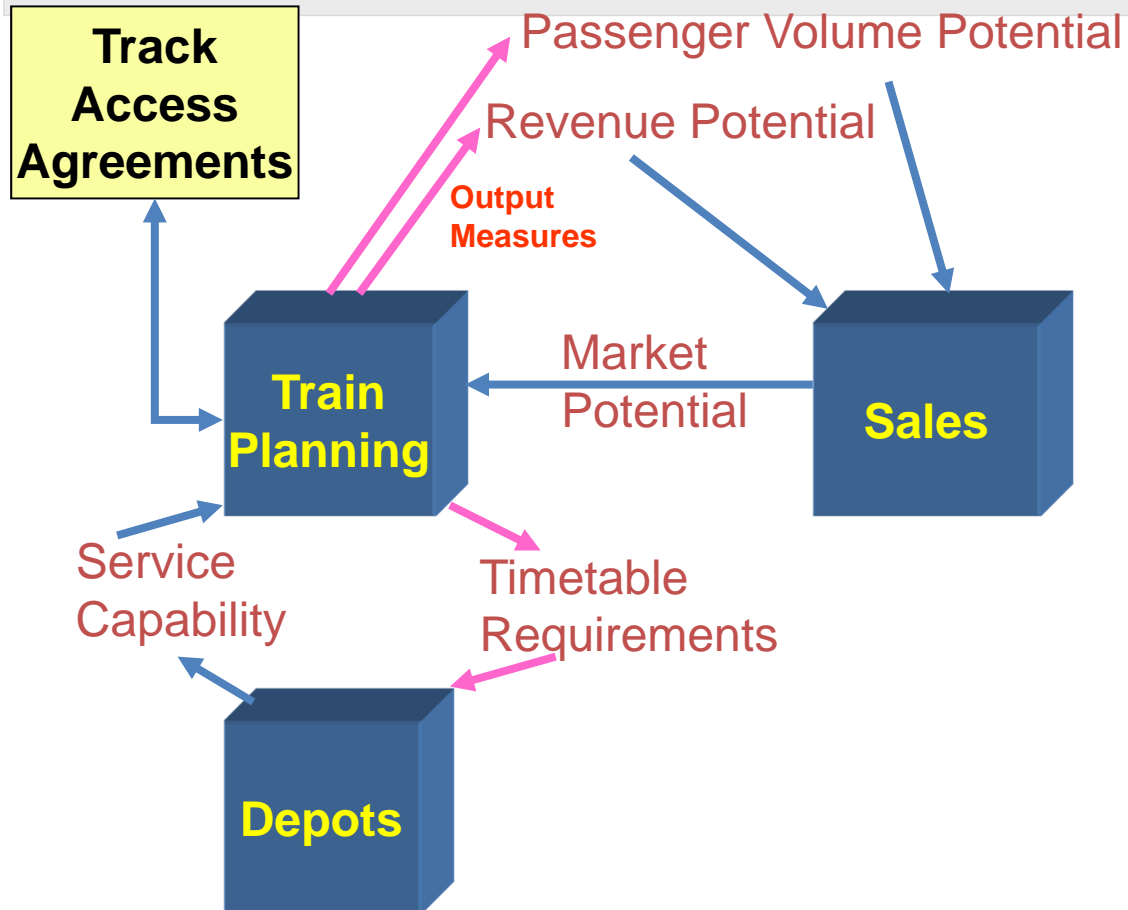
A rail industry example



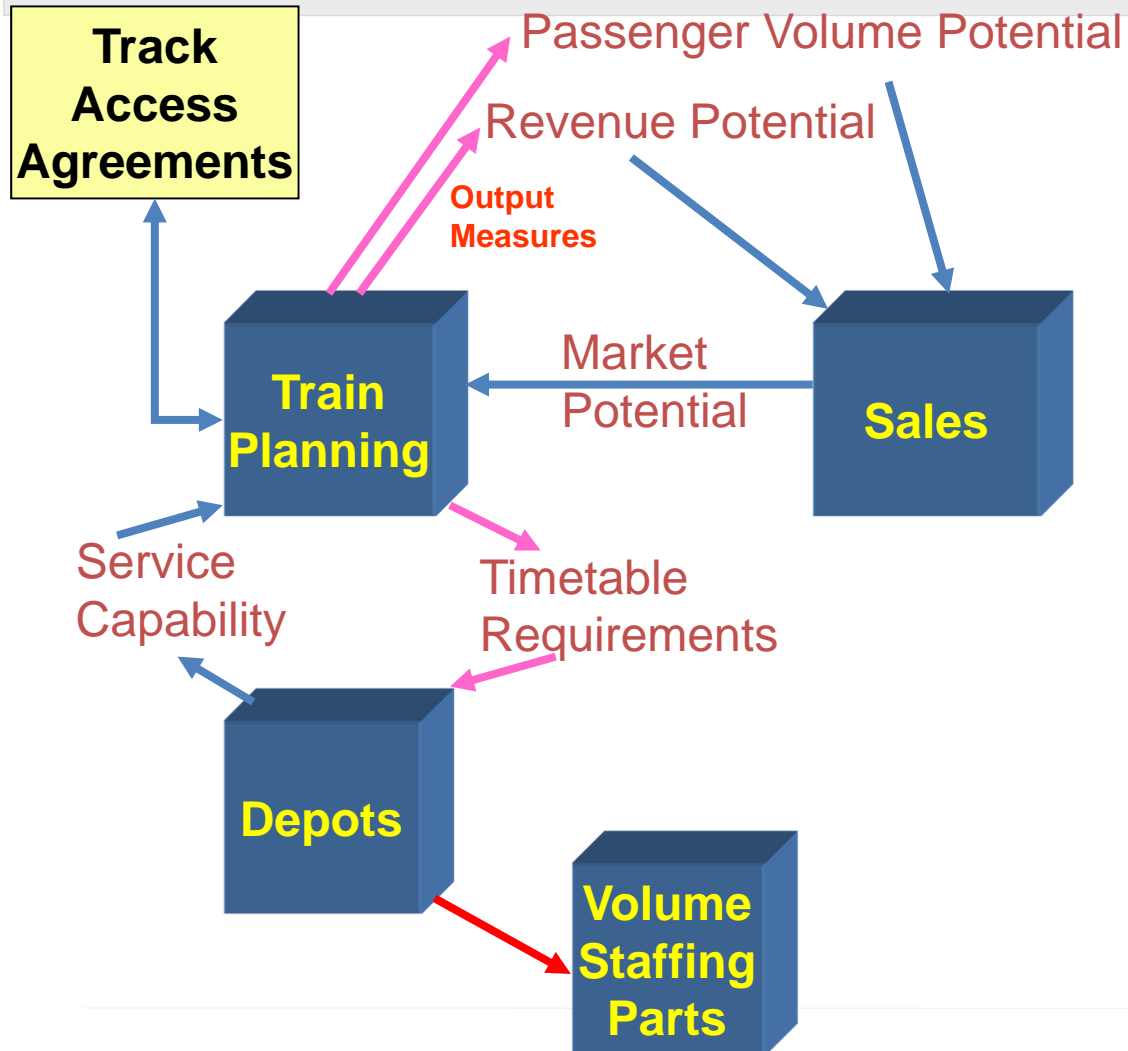




A rail industry example

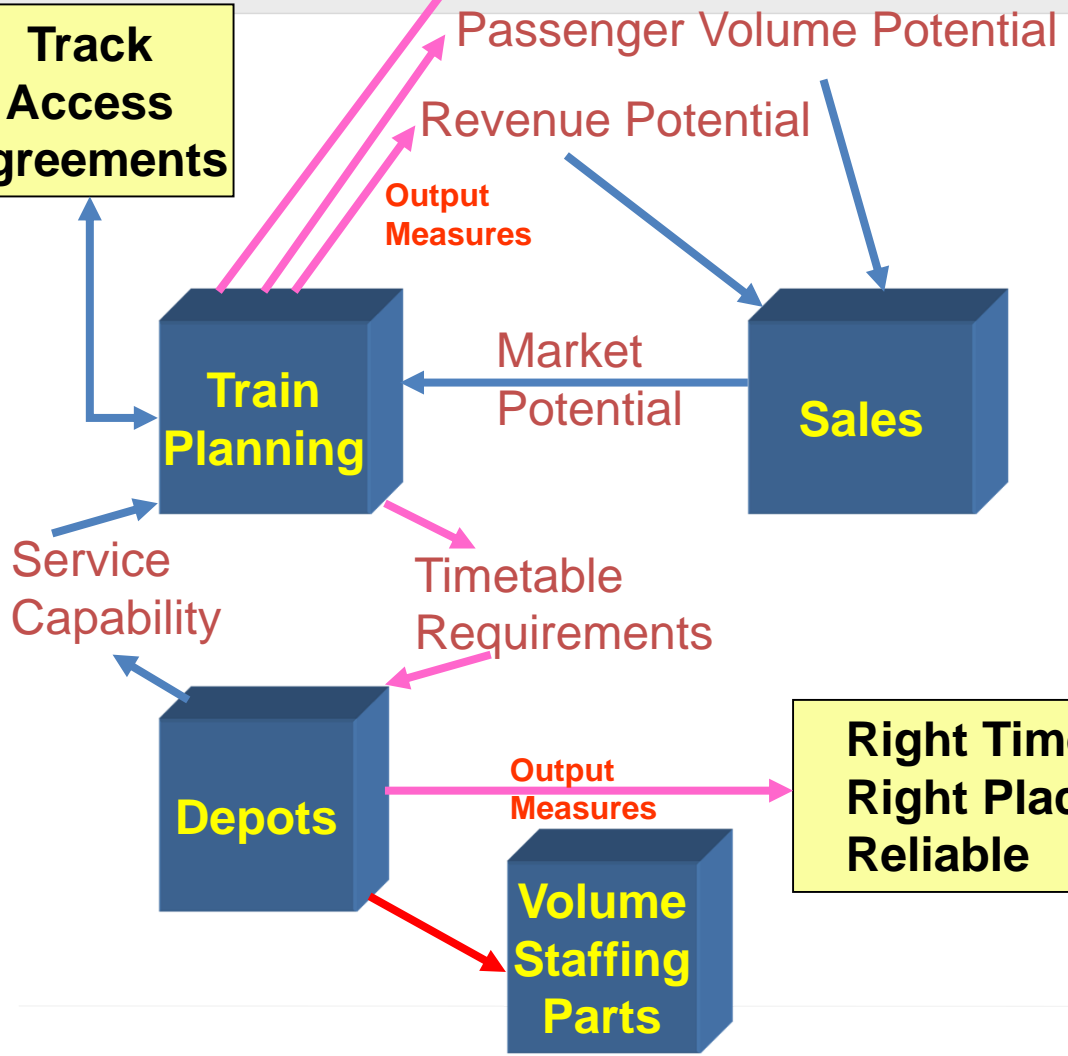


A rail industry example





Output
Measures



Ops
HR

Right People
Right Skills
Right Values

Track
Access
Agreements

Train
Planning

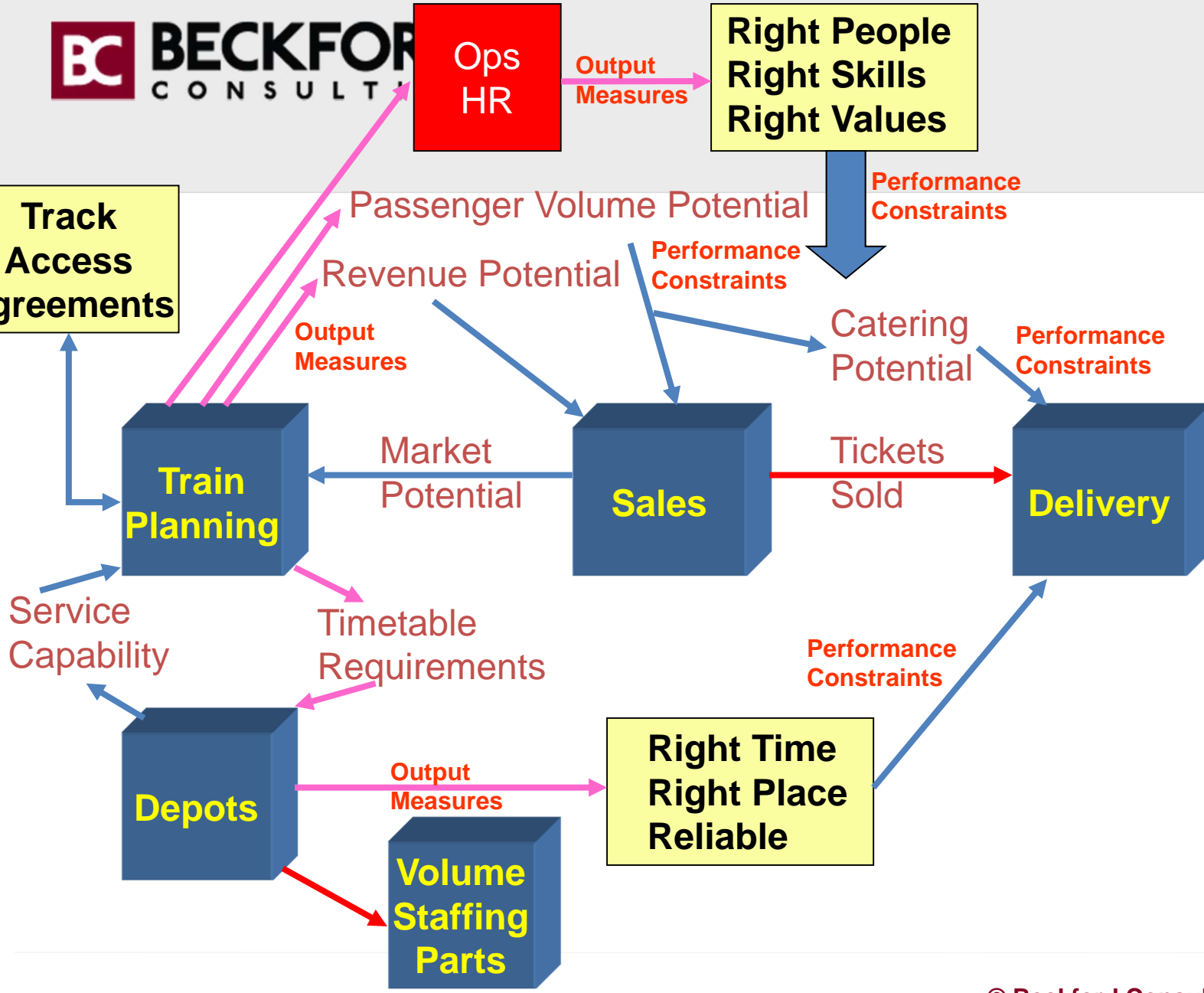
Sales

Delivery

Depots

Volume
Staffing
Parts

Right Time
Right Place
Reliable



**Ops
HR**

**Right People
Right Skills
Right Values**

**Track
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**Train
Planning**

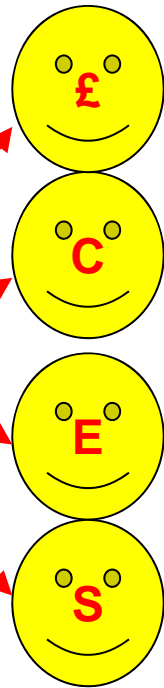
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Staffing
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**Right Time
Right Place
Reliable**



Output Measures

Performance Constraints

Passenger Volume Potential

Performance Constraints

Revenue Potential

Output Measures

Catering Potential

Performance Constraints

Market Potential

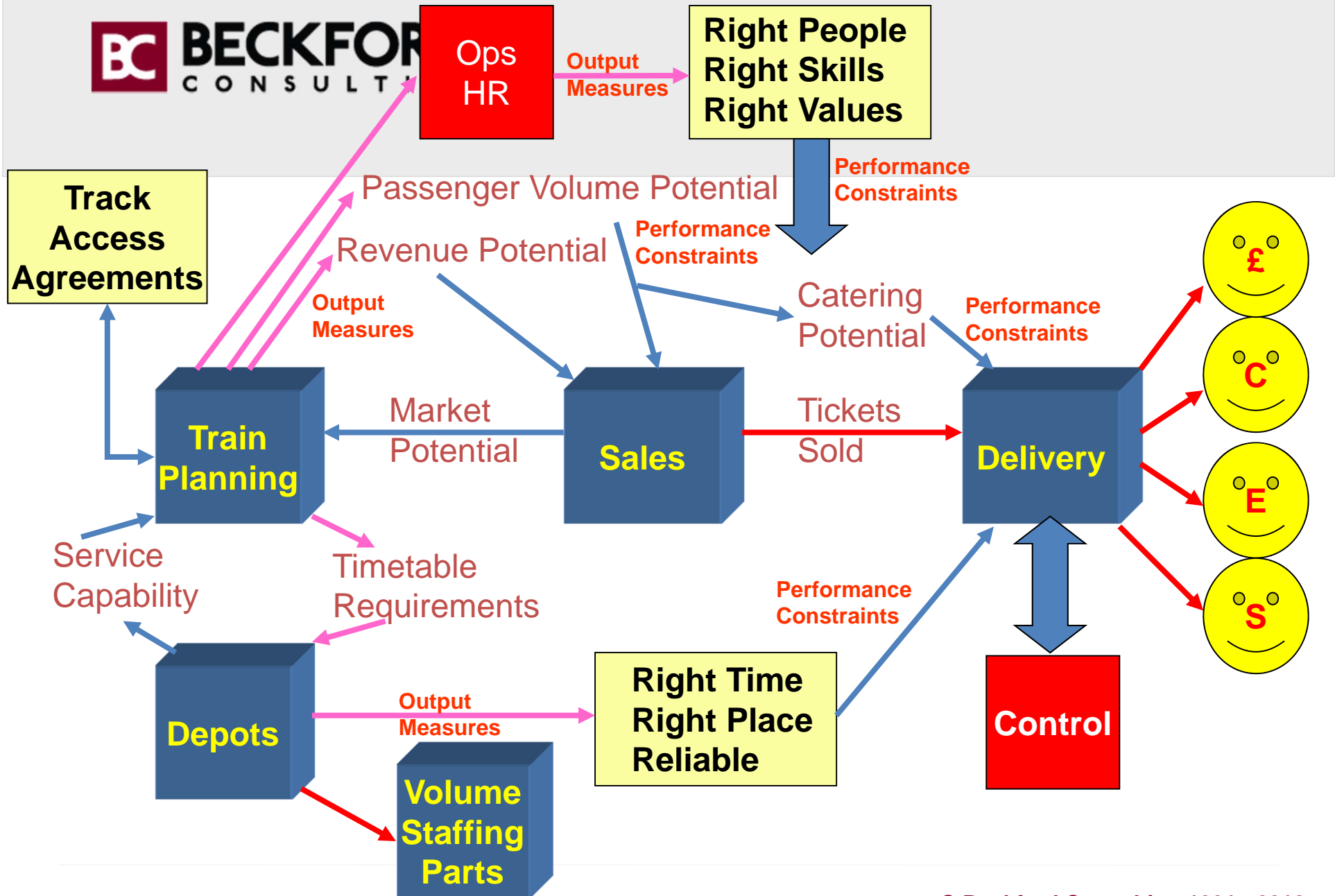
Tickets Sold

Service Capability

Timetable Requirements

Performance Constraints

Output Measures



**Ops
HR**

**Right People
Right Skills
Right Values**

**Track
Access
Agreements**

**Train
Planning**

Sales

Delivery

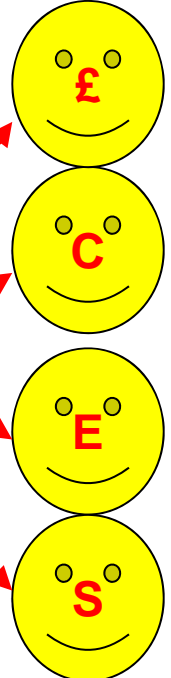
Depots

**Volume
Staffing
Parts**

**Right Time
Right Place
Reliable**

Control

Reg & Comp



Output Measures

Performance Constraints

Passenger Volume Potential

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Output Measures

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Market Potential

Tickets Sold

Service Capability

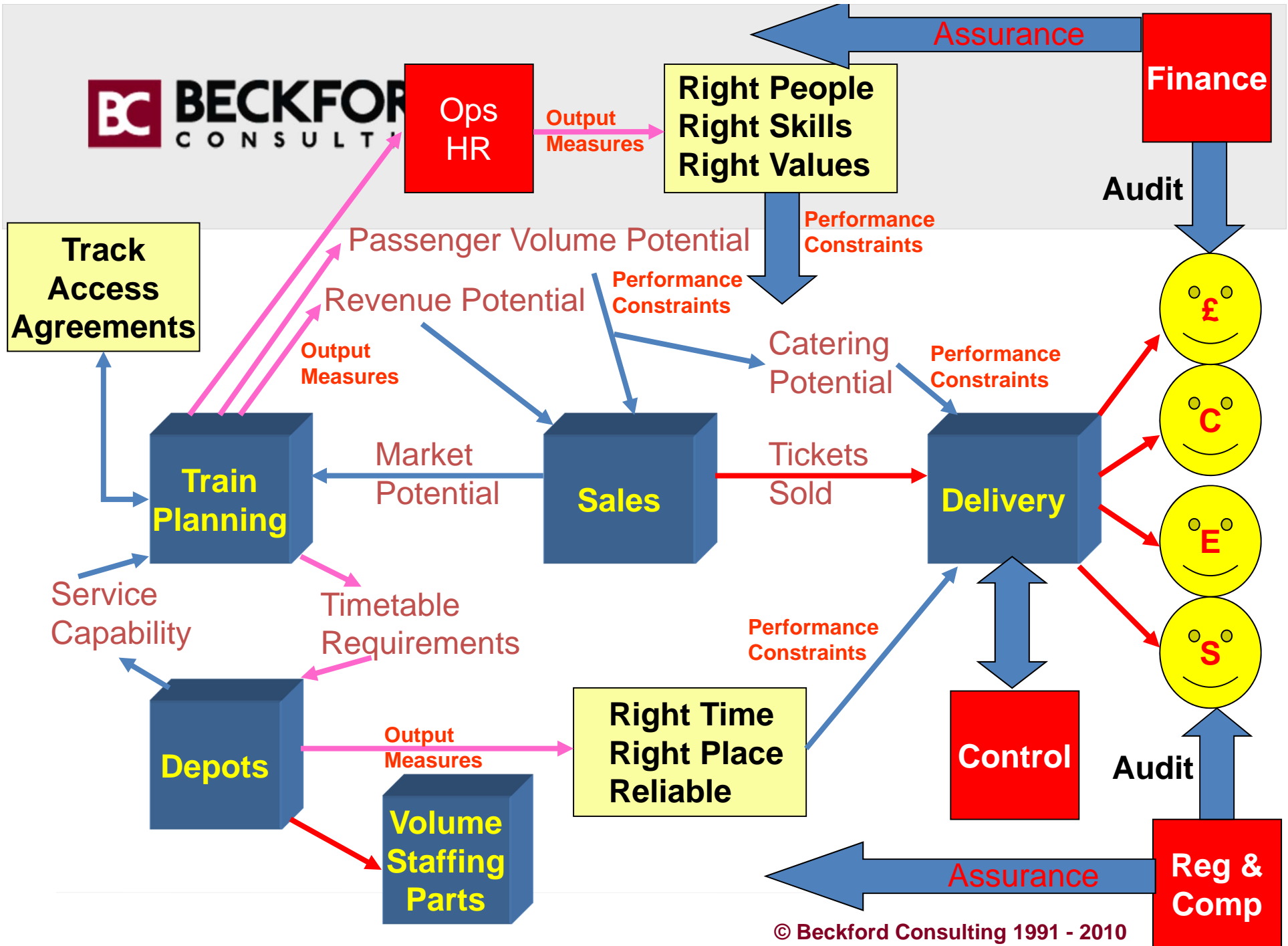
Timetable Requirements

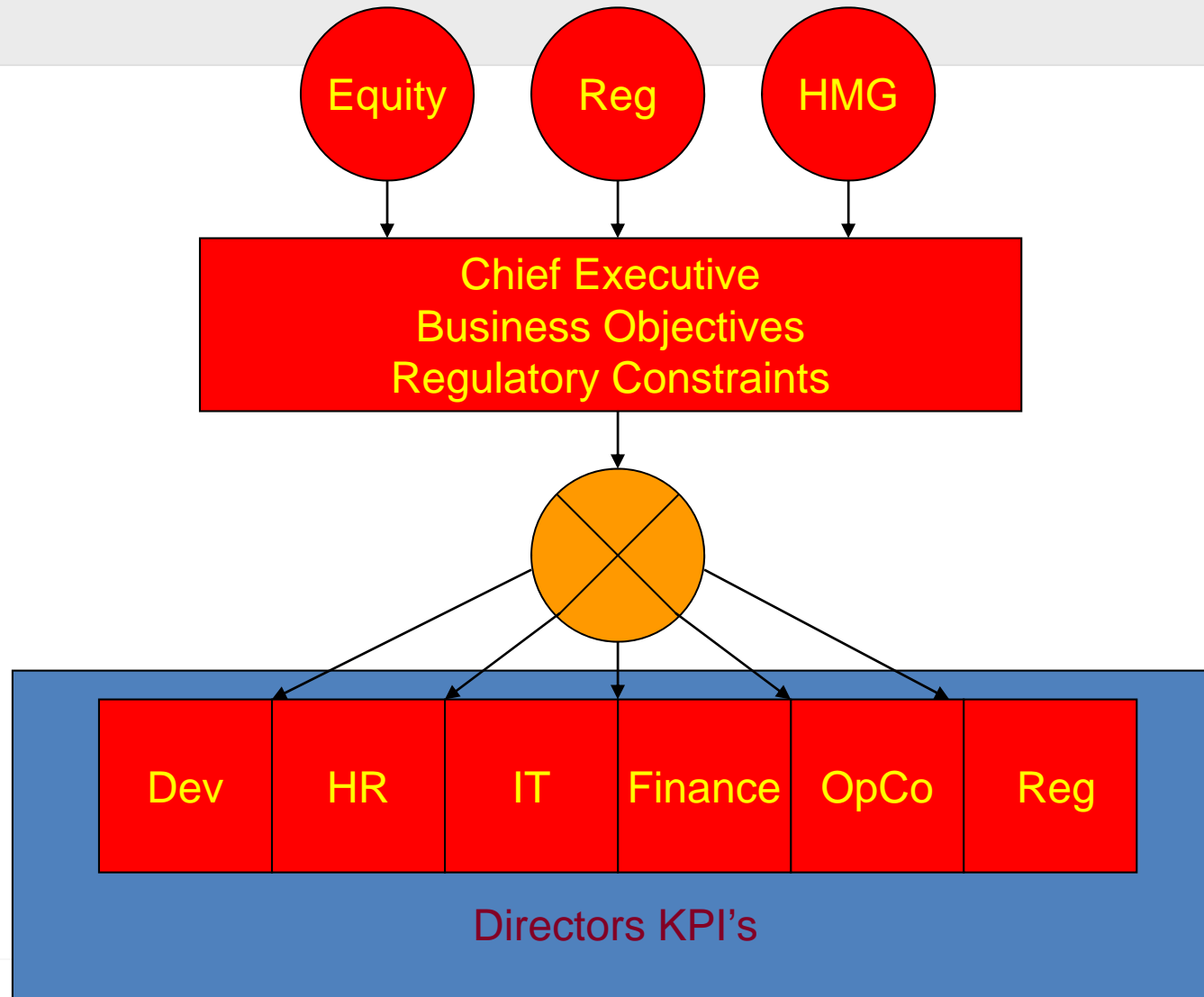
Performance Constraints

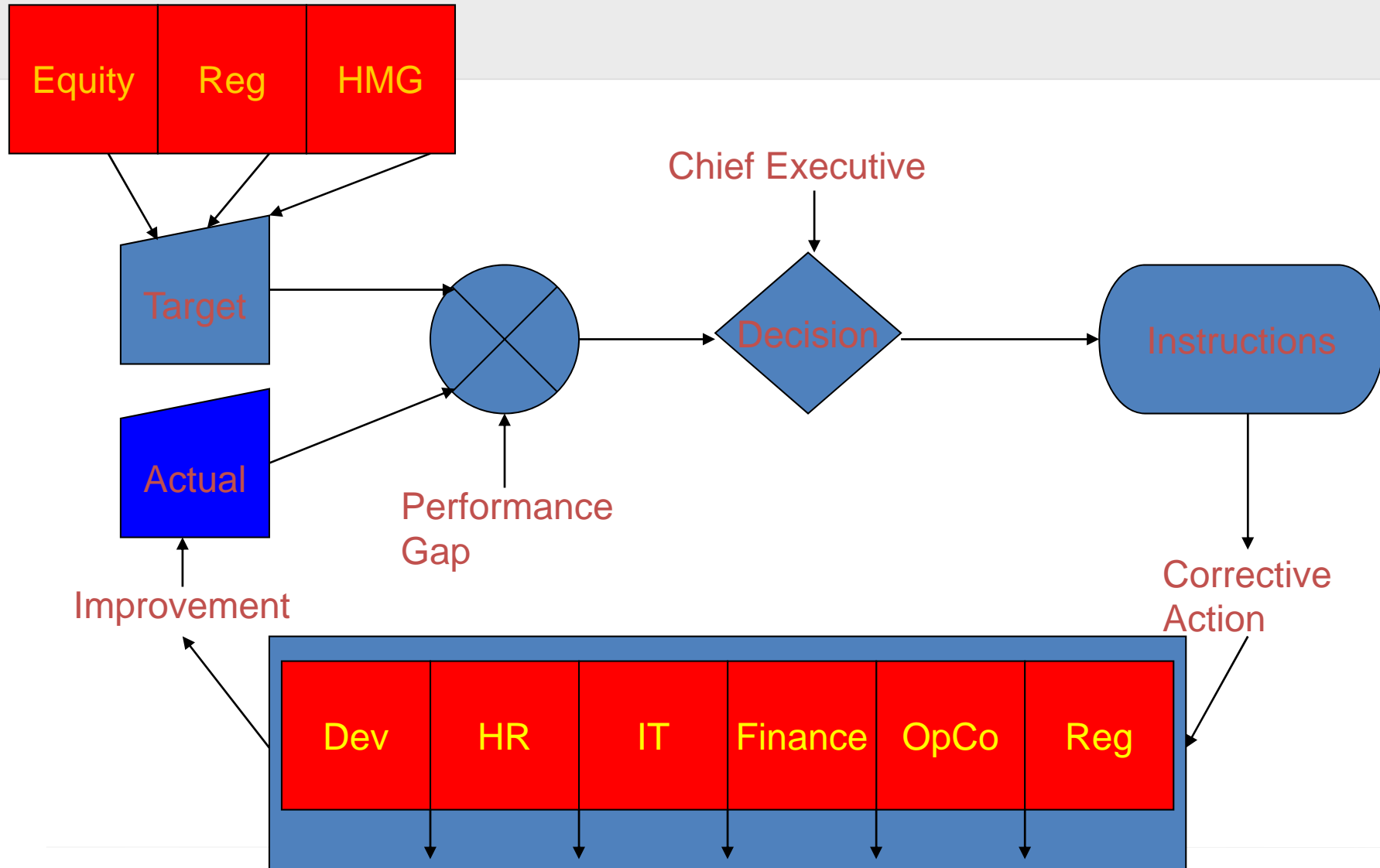
Output Measures

Audit

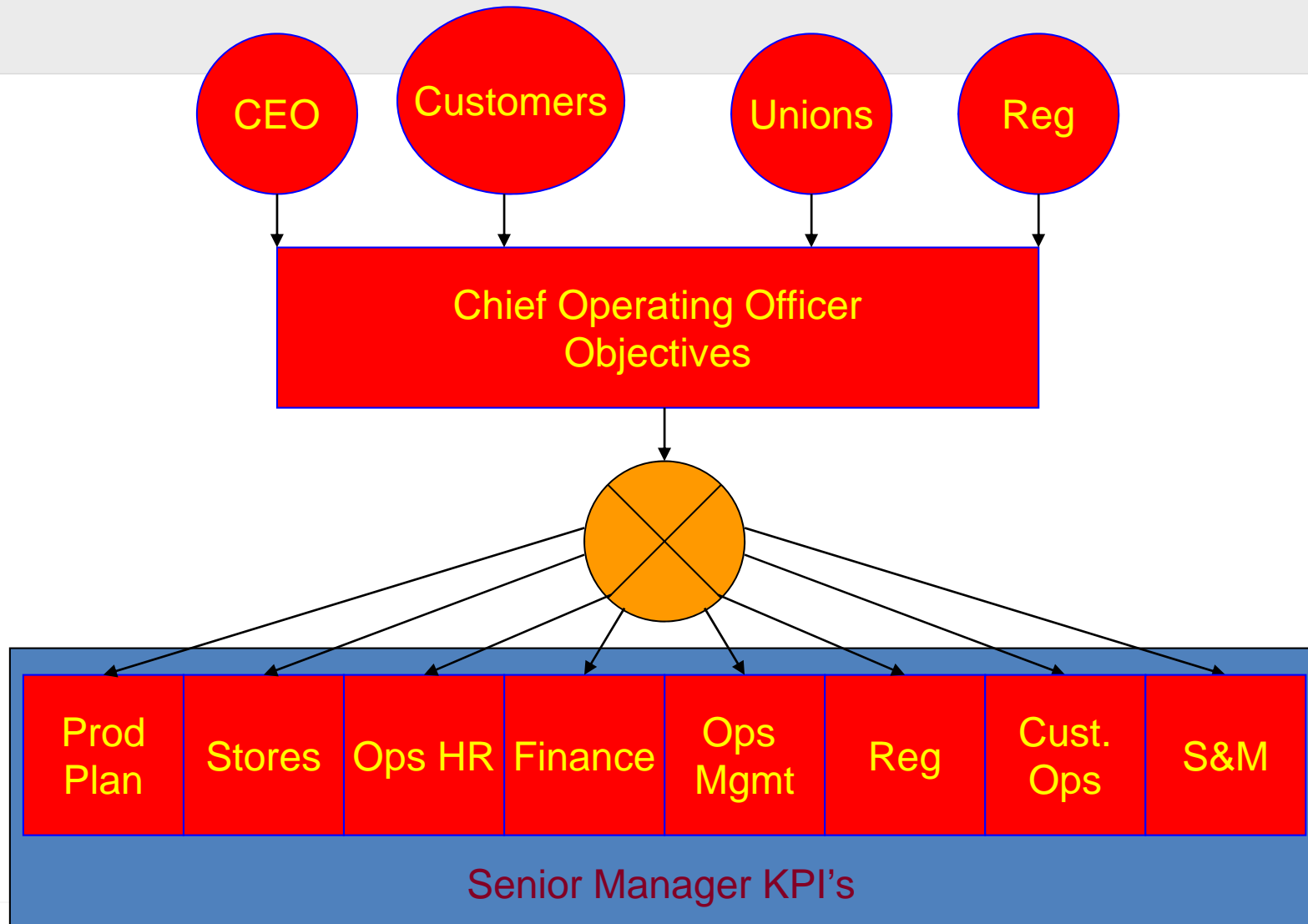
Assurance







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

— *our experience has proved that this approach works*

- **VSMMethod**

- 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

- **VSMManager**

- 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

What is Performance?

Performance is 'effectiveness'

In every action

... of the Organization

... and its Employees