



# Nextera

**Performance  
Measurement  
A white paper**





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“Performance measurement” is a term currently in vogue in a climate where everyone is focusing on raising performance through stronger accountabilities and better and more responsible decision-making. However, not everyone is thinking hard enough about why they are on this particular band wagon. Measurement has a real cost. It is expensive to collect data and also expensive to analyse it: in a good business decision the cost should be less than the benefit derived – but is it always?

When we review measurement and performance management systems we always ask the question: do you know what you will do if a value is outside your expected tolerance range? Too often the answer is a shrug of the shoulders and we can guess that here is another case of costs being incurred without a clear sense of the benefits.

We must always remember that when we get a piece of data we don't like we can't just change the 'data'. All we can influence is the underlying system that caused the result. In our bodies knowing that we have high blood pressure is a symptom – we then need to analyse this to find the problem and mitigate it with drugs or surgery. So it is with a piece of data in an organisation. Knowing there is a symptom does not mean we understand the problem, let alone know the cure.

Unless an organisation has a sound governance and philosophy and decision-making structure aligned with a purposeful performance management system there is likely to be confusion, poor decision making, ineffective implementation and a failed strategic direction. Unfortunately in our experience and particularly in the private sector this is more the norm than the exception.

Professor Andy Neely of Cranfield Business School, suggests measurement has three purposes: **1)** to ensure compliance with non-negotiable factors; **2)** to check the health of the business and **3)** to challenge assumptions inherent in the strategy, ensuring that they are clearly stated, widely understood and continuously and systematically reviewed.





Governments around the region are all striving to be 'rated among the best' in the world. Many, including for example Abu Dhabi, are using performance management as one of the key tools to drive better government. In the remainder of this paper we consider what Governments need to do to use performance management effectively to drive performance and outcomes..

### **1 Compliance**

Compliance is about understanding "the non-negotiable" for each department and agency. What are the non negotiable performance commitments. In less well financially endowed Governments than Abu Dhabi spending within agreed limits and specifically on programmes to achieve the required outputs and consequent outcomes may be thought of as non-negotiable. Although we would suggest financial discipline is 'worthy' even in the likes of Abu Dhabi!

Perennially all organisations question the amount and level of detail required for the centre to confirm that departments, agencies, or subsidiaries (in the case of the private sector) are 'compliant'. The centre wants more; the giver wants to give less. To agree on how much information should be provided needs an open discussion on the role that the centre takes and the authority it delegates.

The frequency and amount of data collected should be sufficient to determine that the non-negotiable requirements agreed in a 'delegation of authority matrix' are being met. And in this case the marginal cost of collection will be small as all high performing management will want the same information

The acronym to remember is RAT: relevant, accurate, and timely. The measure should be relevant to the purpose, it should be accurate and it should be timely enough for appropriate intervention and rectification.

The frequency and amount of data collected should be sufficient to determine that the non-negotiable requirements demanded in a 'delegation of authority matrix' are being met.





## 2 Check

There is much brouhaha about the balanced scorecard and its role in relation to performance measurement. We are avid proponents of the scorecard approach – but in an appropriate and balanced way.

The balanced scorecard is not necessarily the right tool to address the compliance and challenge requirements of measurement. But used effectively it has a powerful role to play in checking the health of the business.

The purpose of a scorecard, as we are reminded in the original Kaplan and Norton book, is a tool to measure the likelihood of a successful implementation of the strategic direction. It does this in two ways: firstly to measure the drivers of success and secondly to remind everyone in the organisation of what they need to focus on to be successful.

We have seen too many businesses exhibit a paranoid approach in seeking to know everything that is going on in their organisation, coupled with being able to second guess every manager in the act of undertaking the tasks supposedly delegated to them, building monolithic data collection engines under the guise of balanced scorecards. We sense that this trend may now be creeping into Governments.

And because it's a 'balanced scorecard' initiative somehow it becomes difficult to challenge the basic precepts. And because it's a balanced scorecard initiative it must be the right thing to do. Well, if it's an excuse or substitute for poor management then it's the wrong thing. If it drives data management costs up and staff productivity away from delivering business goals, it's the wrong thing.

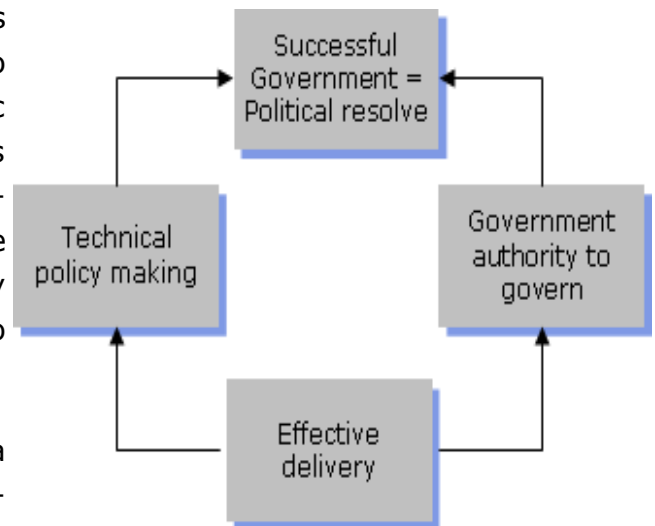


Figure 1

Too many businesses exhibit a paranoid approach in seeking to know everything that is going on in their organisation





Too often we see this slide into 'paralysis by analysis'. And it's not beyond the ability of governments to make this same mistake. So what should a balanced scorecard for government contain?

In figure 1 we have started to sketch out the key drivers for a successful top 5 government. Although conceptually consistent these are not the traditional private sector elements of a balanced scorecard, but then governments are, in a number of key aspects, different to commercial organisations, as they do not have the same goal set.

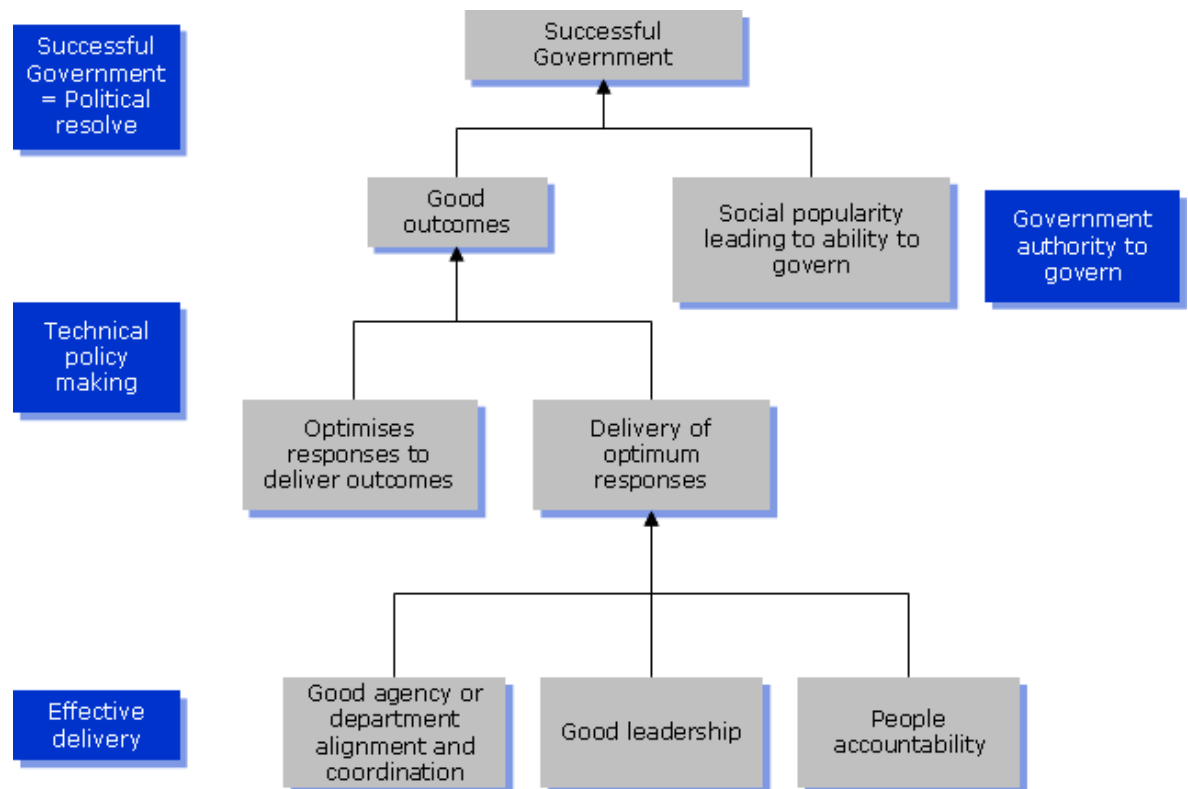


Figure 2

Of course there is more detail that can be added as shown in Figure 2

The key issue is that we are focusing on results and separating out the drivers for a successful government from the compliance issues, without overloading the data set.

The message is, as always, simplicity. If you seek information that reflects what you are trying to achieve and the goals you set, then less data can enhance effectiveness.





Governments are particularly complex – mainly through their size and their over-arching impact on all our lives.

However, that doesn't mean there is an excuse for massive data sets. The message is, as always, context, coherence and simplicity. If you seek information that reflects what you are trying to achieve and the goals you set, then less data can enhance effectiveness.

This message applies not only to individual departments or agencies but even more importantly to the 'whole of government'.

### **3 Challenge**

The measurement of 'challenge' is rarely undertaken as part of a structured approach. By challenge we mean looking at the key assumptions of the strategy and questioning their validity.

The events of the last few months have shown us that assumptions do and will change with surprising ease and speed. Good management tries to build 'over the horizon' radar—and this is in both the public and private sectors

Governments must face this same challenge. Their constituents live in a social model that is always changing and developing. All governments need to continually challenge the core assumptions in their outcome statements in relation to current world economic drivers.

Data collection has a cost and, unless you are certain that you know how to analyse this data **and** you have a governance approach that allows decisions to be taken and implemented to correct underlying issues, there is unlikely to be a benefit.





## **Conclusions**

Too many organisations make the mistake of collecting far too much data under the pretext that they are acquiring knowledge. Data collection has a cost and, unless you are certain that you know: the information is going to be used and is useful; how to analyse this data **and** you have a governance approach that allows decisions to be taken and implemented to correct underlying issues, there is unlikely to be a benefit.

There is an adage in the performance management industry: analysed data leads to information; information in context is knowledge and knowledge applied is expertise or wisdom.

To transform data into expertise on a regular basis requires a deep understanding of the issues, combined with organisational design and processes that are aligned towards developing a high-performing entity.

In our experience, sadly, these traits are yet rarely seen in the region.

Action needs to be taken to refocus a number of significant performance projects from becoming major catastrophes. These will be catastrophes not just of a waste of money (although that is bad enough) but a waste of the time and energy of staff trying to be supportive to the goals of Government or business. Managers at all levels need to think very carefully about how they will use and manage the vast amounts of data at their disposal. They should think about how to change the data into knowledge and expertise. They should use their wisdom to define the parameters and ownership of the problem to deliver the real and powerful benefits of good performance management.

*Gerry Cryer.*



**Executive Director, Nextera-Global**, a new generation consulting firm delivering strategy, governance and performance innovation advice for governments and private sector businesses

Gerry's core capability is identifying, architecting, developing and harnessing organisational and individual strengths to deliver a business and operational strategy efficiently and effectively.

He has over 30 years of organisation effectiveness, business performance innovation, talent development, policy and process definition, strategy and implementation, change management, governance, financial, and consultancy experience.

He has worked with both Governments and private sector international companies in the United Kingdom, Europe, USA, Middle East and Africa. Gerry has a strong background in the Financial, IS Services, Telecommunications, Professional Services and Manufacturing sectors.

He is an expert in the development and effective implementation of focused performance management systems built around accountabilitys to deliver agreed outputs.

Within the last year in the Middle East significant clients include

- Western Region Municipality – support in strategy formulation
- Emirate of Abu Dhabi Executive Council, design and publication of Whole of Government Strategic Plan, encompassing 26 entities
- Abu Dhabi Ministry of Justice transformation
- Advised on proposed projects for government of Libya
- Zabeel Investments organisational development



Nextera is a new generation consulting firm which delivers performance innovation for both governments and private sector businesses



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