

MODULE 6 – Performance Measurement

This module discusses the concept of performance measurement. Although most organizations will be familiar with performance measurement, this module addresses common limitations and useful information for addressing them. The module also addresses the difference between outputs and outcomes, as well as provides guidance for measuring 'soft' outcomes. Examples are provided at the end of the module.

What is performance measurement?

Performance measurement is a systematic collection, analysis, and reporting of information that tracks resources used, outputs produced, and intended results achieved. It is essential that an organization know how it is presently doing to develop goals, objectives, and strategies designed to meet the aims of the organization. Performance measurement addresses these issues by providing the necessary information for tracking performance and using the information to guide for the future.

Why performance measurement?

The purpose of performance measurement is to provide regular, valid, useful, and user-friendly information on measures of performance results. Performance measurement is also useful for measuring efficiency and cost effectiveness and can provide internal and external accountability mechanisms.¹ Performance measurement can tell a Crown agency where it is, where it wants to be, and how it will get there. This information also provides the organization with lessons learned so that it can improve its business line/program. A useful performance measurement system can aid in the decision-making process, make comparisons, and provide strategic information for the future.

To sum up, performance measurement for Crown agencies has four useful purposes:

- Keep Crown agencies accountable for results internally, to public officials, and to the public;
- Aid in the strategic planning process;
- Improve services to the public by motivating employees; and
- Increase the public trust in Crown agencies.²

Who is involved?

For performance measurement to be successful and useful, Crown agencies need to involve managers and staff in the development of measures and ensure that these key people understand how performance measurement information will be used.

¹ Hatry, H. (1999). Performance Measurement: Getting Results. Urban Institute Press.

² Ibid.

Limitations of Performance Measurement

As with any process or evaluation system, however, performance measurement also has its limitations. Organizations need to be aware of these limitations so that they can be identified and addressed in the early stages of the performance measurement cycle. Some common limitations and their corresponding suggested recommendations are as follows:

- 1. Limitation:** Performance measurement is an excellent tool for telling organizations *what* occurred and to provide information on outcomes. However, performance measurement does not necessarily tell an organization *why* an outcome has occurred. In other words, performance measurement does not clearly outline how the program being measured produced the measured results.

Recommendation: As performance measurement really only explains *what* and not *why*, it is strongly recommended that organizations provide sufficient explanatory information for the reader to fill in these gaps. For example, an expected outcome of a program may not have been achieved (or was achieved, but at a lower level). Without explanatory information, readers will only understand that the actual achieved was lower than the target, whereas the results *plus* explanatory information will help the reader understand the discrepancy.³
- 2. Limitation:** Certain outcomes are difficult to measure directly. A common example of this is any case where the organization is attempting to measure prevention.

Recommendation: It may be necessary for the organization to use alternative measures, such as surveys, or measures that reflect trends over time in the number of incidents that were *not* prevented.
- 3. Limitation:** Performance measurement information should be seen as one aspect of the information managers and government organization officials need in order to make decisions. Performance measurement does not replace the need for financial data judgements.

Recommendation: Performance measurement is intended to be used as an aid to decision making and often raises more questions than it answers. This is deliberate and performance information should be used in conjunction with financial information, common sense, and good management.
- 4. Limitation:** Performance measurement can be seen as administratively cumbersome.

Recommendation: It is important to focus on the few, critical aspects of performance measures that relate to the organization's goals, objectives, and strategies. More is not necessarily better.
- 5. Limitation:** Performance measurement can be seen as a personal attack on managers if performance measurement indicates that certain programs are ineffective, not cost-effective, or if lines of accountability change too quickly. As a result, measures and targets are sometimes vague and general in nature.

³ Ibid.

Recommendation: Lines of accountability need to be clear and consistent. In addition, accountability needs to be linked and balanced with authority. If a manager is accountable for performance, they also must have the authority to make the necessary changes and/or adjustments.⁴

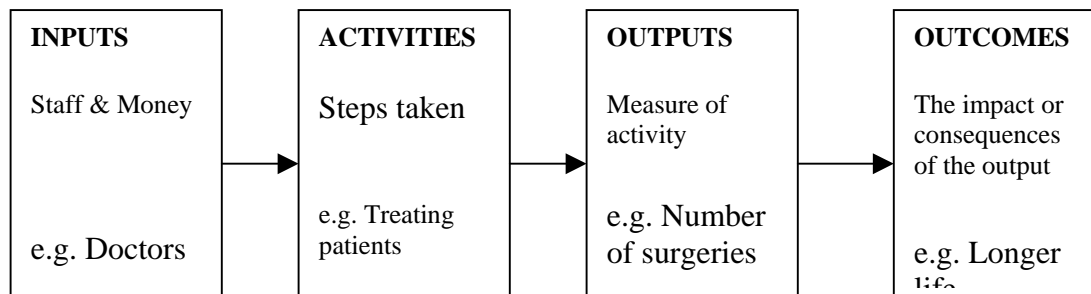
A well-planned logic model (Module 5) will help to increase knowledge and decrease uncertainty when addressing the linkages between outputs and outcomes.⁵ Logic models are able to predict what realistic form the outcomes might take given the status of the program and/or line of business, in addition to the current level of resources.

Important to Note:

- *What gets measured, gets done;*
- *If you don't measure results, you can't tell success from failure;*
- *If you can't see success, you can't reward it;*
- *If you can't reward success, you are probably rewarding failure;*
- *If you can't recognize failure, you can't correct it.⁶*

Outputs vs. Outcomes

Outputs are typically measures of activity or the use of money, whereas outcomes are typically results that indicate intended objectives. Outputs are generally easily quantifiable, such as numbers or percentages. Outcomes are generally the *expected results* of the outputs.



A Note on Measuring ‘Soft’ Outcomes

There is no simple answer to the dilemma organizations face when attempting to measure those outcomes that are not easily quantifiable. These guidelines suggest one approach to creating measures in challenging circumstances. Organizations will find that certain outcomes (results) are inherently vague in nature and are not easily measurable. To

⁴ Auditor General of British Columbia and Deputy Minister’s Council. (1996). Enhancing Accountability for Performance: A Framework and Implementation Plan. A second joint report.

⁵ Mayne, J. (2000). Addressing Attribution Through Contribution Analysis: Using Performance Measures Wisely. Canadian Journal of Evaluation, 16 (1).

⁶ Osborne, D, and Gaebler, T. (1992). Reinventing Government. New York: Addison-Wesley Publishing Company.

address these concerns, it is important in these cases to have clear goals, objectives, and strategies. In cases where the outcomes are not clear (e.g., dependent on the flow of the stock market) nor predictable, organizations should focus on the part of the organizational story that they *can tell*, whether this be through measuring trends and/or milestones.

A logic model (Module 5) is a valuable tool to ensure that these elements are clearly defined. A well thought out and agreed upon logic model or planning tool (e.g., Norton and Kaplan’s Balanced Scorecard⁷) will aid the organization by telling its story with clearly defined goals, objectives, and strategies. In addition, by using explanatory information and providing context, the reader will understand the direction the organization is moving and the focus that it is using to drive its direction. This focus is integral for being able to identify what the organization *can* measure and explain those situations as best as possible where outcomes are difficult to predict and measure.

Examples of measuring challenging outcomes are outlined below.

| Outcome | Measure |
|--|--|
| <ul style="list-style-type: none"> Enhanced Provincial Competitiveness through the containment of Cost of Service Increases | <ul style="list-style-type: none"> Timely, clear and well reasoned Commission Decisions <p style="text-align: right;"><i>(BC Utilities Commission)</i></p> |
| <ul style="list-style-type: none"> Greater public support and trust | <ul style="list-style-type: none"> Public recognition for social responsibility Public support of gaming <p style="text-align: right;"><i>(BC Lotteries)</i></p> |
| <ul style="list-style-type: none"> Good environmental and social performance by progressively managing priority environmental and social issues | <ul style="list-style-type: none"> Conservation (gigawatt hours) <p style="text-align: right;"><i>(BC Hydro)</i></p> |

Remember: It is better to be complete and therefore approximately right than focused and elegant and precisely wrong.

⁷ For more information, please refer to: Kaplan, Robert S. and David P. Norton. (1996). The Balanced Scorecard: Translating Strategy into Action. Harvard Business School Press: Boston.