

SACHER ASSOCIATES' PERFORMANCE MEASUREMENT/ MANAGEMENT SYSTEM



electronic module

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success through people and performance

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Performance measures provide an objective basis for designing all the activities of the business towards clear and well-defined goals.

**International Best Practice
Report of the Overseas Study Mission**

INTRODUCTION TO PERFORMANCE MANAGEMENT/MEASUREMENT

The future has arrived. Throughout the world, private industry, the public sector, local government, small business and society at large have experienced unprecedented and extraordinary change. This revolution is underpinned by pressures and trends, all of which are set to be around for the foreseeable future.

The globalisation of world markets is facilitated by the ease with which buyers and sellers can find each other. Never before have we been able to communicate as we do now or will in the future. No government regulations or trade barriers will be able to withstand the pressure brought to bear by two parties who know about each other and want to do business. Customer demands will be hampered less and less by the absence of information about the range, quality, cost, quantity and timeliness of the goods that can be provided by prospective suppliers. Customer expectations have been rising proportionately with the growing capacity of suppliers to deliver the right amount of quality goods and services at the right cost, on time, every time. So the competition is intensifying for customers' hearts, loyalty and dollars. Many organisations are faced with a stark challenge: adapt or go out of business.

If we were to identify all our relevant stakeholders and customers, whether internal or external, and measure their degree of satisfaction with the output or service they require in terms of quantity, quality, cost and timeliness, then we could identify any variation that occurs in the delivery of those outputs. If we can measure and identify variation then we can control it. If we can control variation in the delivery of all the aspects of the output or service that our customers require of us, then we can improve. If we improve continuously we can stay in business and prosper.

If we were able to connect our performance measures hierarchically and even mathematically to an overall strategic plan so that each individual and team knew measurably and precisely what results were expected of them by their customers, then we could provide total stakeholder satisfaction and we would prosper.

That is what this practical *How to* modular system is about:

- How to identify stakeholders and customers.
- How to identify outputs.
- How to develop performance measures.
- How to set targets.
- How to construct a balanced scorecard
- How to give performance feedback against targets.
- Guidelines for implementing a performance management/measurement system.
- Pitfalls.
- Case studies that illustrate all of the above.

In our experience there are many organisations struggling to compete, survive and improve. These organisations are involved in wide ranging initiatives such as the balanced scorecard, total quality management, benchmarking, business process re-engineering, strategic planning, team building, enterprise bargaining, empowering workers, contracting out services, strategic alliances, learning organisations and competitive tendering, among other things.

Many of these initiatives are floundering because of the absence of a process to measure performance. This system was developed to meet that need. If you are involved in any of the initiatives listed above and have a need to measure performance; if you want to align daily activities with your organisation's/team's vision; if you want to focus your organisation on the output requirements of your customers, or if you simply want to measure so you can improve, then this system will tell you how to go about it.

HOW TO USE THIS SYSTEM

This system consists of ten modules divided into three parts:

Part I: Preparation (consists of two modules)

The Big Picture aims to position aspects of measuring and improving performance within the context of all the *basic components of team performance*. These *basic components of team performance* cover all the aspects necessary to implement and sustain a continuous performance improvement system. This module also clarifies the scope of the system.

Why Develop Performance Measures? explains why the processes described in this system are so integral to the following initiatives, which have in common the goal of continuous improvement: strategic planning systems, performance management systems, team performance systems, benchmarking, total quality management, enterprise bargaining/reward systems, business process re-engineering, empowerment, contracting out services, competitive tendering, strategic alliances and learning organisations.

Part II: The Process (consists of six modules)

These modules describe in detail those components specifically related to the measurement of performance. These modules form the core of the system.

Each module has a workbook component which comprise a series of questions, exercises and forms designed to facilitate the implementation of a performance measurement system.

Total Stakeholder Satisfaction shows how to identify all the stakeholders of a given organisation or team, a necessary precondition for the successful development of a performance measurement system.

How to Develop Outputs and Performance Measures shows how to develop outputs and performance measures.

Target Setting explains how to set targets.

Resource Requirements and Action Planning explains how to identify resources and develop action plans to achieve targets.

The Balanced Scorecard provides a step-by-step guide on how to build a Balanced Scorecard.

Performance-linked communication shows how to entrench mechanisms for communicating, analysing and discussing performance feedback on the outputs produced for customers and stakeholders so as to continuously improve.

Part III: Implementation (consists of two modules)

Implementation: Guidelines and Pitfalls provides guidelines for implementation, and pitfalls to avoid, based on the experience gained and the lessons learned through years of hands-on implementation in the field.

Case Studies concludes the system with case studies written by six Australian organisations who have implemented performance measures.

USING THE SYSTEM

The following information will allow you to find your way very easily around the system:

While each module can stand alone, together they form a comprehensive performance management system.

To fully grasp the total process for measuring performance and constructing a Balanced Scorecard, however, you may want to work through Part II, *The Process*, in order.

Module breakdown

The general format for each module is as follows:

- Contents
- Objectives
- Introduction
- Module content
- Summary
- Additional examples
- Checklist
- Glossary
- Workbook (in *The Process* modules)

Summary of contents

Parts, modules and main module headings are listed below. Detailed chapters of contents can be found at the front of each module.

Summary of Contents

Introduction

PART I: PREPARATION

The Big Picture

The Big Picture

The *Basic Components of Team Performance*

A Unified Sense of Direction

Strategy, or Long-term Goals

Outputs and Performance Measures

Targets

Performance Feedback

Training (Skills/Knowledge)

Reward Systems

Structure and Job Design

Communication

Systems and Processes

Measuring the *Basic Components of Team Performance*

Why Develop Performance Measures?

Why Develop Performance Measures?

A Strategic Planning System

Performance Management System

Team Performance Systems

Total Quality Management

Benchmarking

Enterprise Bargaining, Gain Sharing and Reward Systems

Empowerment

Business Process Re-engineering

Contracting-out Services

Strategic Alliances

Learning Organisations

PART II: THE PROCESS

Total Stakeholder Satisfaction

Total Stakeholder Satisfaction

- Owners
- External Customers
- Internal Customers
- The Government
- Suppliers
- The Community
- Employees

Why Identify Stakeholders

Stakeholder Expectations

- Outputs Expected
- Behaviours Expected
- Values Upheld

Workbook Exercises

How to Develop Outputs and performance measures

Part I

How to Develop Outputs

Outputs and Systems

Organisations are Systems

One Sub-system's Output is another Sub-system's Input

Why Identify Outputs

Types of Outputs

Quality Standards for Establishing Effective Outputs

Questions to Get Started in Identifying Outputs

Part II

Why Develop Performance Measures?

Developing Performance Measures

Developing Measures for Intangible Outputs

Customer Service and Measurement

Quality Standards for Effective Performance Measures

Workbook Exercises

Target Setting

Target Setting
Why Set Targets?
Quality Standards for Effective Targets
Common Pitfalls when Target Setting
Workbook Exercises

Resource Requirements and Action Plans

Resource requirements
Steps in identifying resource requirements
Action planning
How action plans help achieve targets
Guidelines for preparing action plans
Pitfalls when developing action plans
Action planning - the logistics
Progress review meetings
Workbook Exercises

The Balanced Scorecard

The Balanced Scorecard
Building the Balanced Scorecard: The Process
 Identify an Autonomous Business Unit
 Develop a Strategic Plan
 Identify Stakeholders
 Develop Outputs, Measures and Targets
 Weight the Targets
 Identify the Information Requirements
 Implementation
Workbook Exercises

Performance-Linked Communication

Performance-linked Communication
Why Performance Feedback is Important
What should be Communicated
Quality Standards for Effective Performance Feedback
Guidelines for Implementing a Performance Feedback System
Major Pitfall
Workbook Exercises

PART III: IMPLEMENTATION

Implementation: Guidelines and Pitfalls

Implementation: Guidelines and Pitfalls

Guidelines for Successful Implementation

Build Teams around Autonomous Outputs

Take Responsibility for What can be Changed - Eliminate Blamefixing

Focus on the Majority of People at the Workforce Level

Recognise that Every Person is an Expert in his or her Job

Learn by Doing and Aim for Continuous Improvement

Follow a Logical Order for Implementation

Top Management must Drive the Implementation Process

Ensure Participation and Involvement

Help People Understand the Connection between their Personal Contribution and the overall performance system

Expect Resistance and Build on the Positive

Have Realistic Expectations

Focus on the Basics

Edgell-Birds Eye Checklist for the Implementation of Team-Based Work

Pitfalls

Going It Alone

The Absence of a Team Leader or Supervisory Strategy

Use of Jargon

The Magic Pill

The Notion that *It's Good for the Troops*

The Absence of a Communication Strategy

Case Studies

Case Study One: Creation of Self-Directed Work Teams in the Wool Processing Industry

Case Study Two: Electrifying the Electricity Supply Industry

Case Study Three: Performance Workshops in the Mining Industry

Team Model Two: Ideal Hauler (truck) Maintenance Team