

# **Extended Abstract**

## **Benchmarking Performance Management**

### **Practical application submission**

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## Benchmarking Performance Management

### ***Introduction***

Benchmarking is a powerful tool that, when applied properly, provides an organisation with invaluable insights to support the achievement of their objectives. The benchmarking study described in this practitioners' paper focused on 'Performance Measurement' and was conducted by Leeds University Business School (LUBS) as part of the British Quality Foundation's (BQF) Consortium Benchmarking programme.

A consortium benchmarking study is when a group of organisations join forces to conduct a benchmarking study where there is a common subject. The study provided participants with the opportunity to share a common interest in achieving improved performance and business excellence. It identified best practice in performance measurement from which an audit framework was developed and as such is of value to many organisations.

### ***Methodology and Analysis***

The methodology was based on current best practice (Tanner and Walker (2002)) and comprised of 5 phases:

Phase 1 Plan	Participants learned about the approach and how they could contribute to the study by analysing their own organisation. Feedback from this activity was used to guide the design of the initial screening questionnaire.
Phase 2 Collect	A Questionnaire was issued to 87 potential best practice partners. Returned questionnaires were analysed qualitatively and quantitatively. Participants reviewed the results and identified the learning points. The results were used to identify the companies deemed worthy of a site visit. Site visits to the best practice organisations were planned and participants trained to ensure consistency in approach.
Phase 3 Analyse	The results of the site visits were collated, qualitatively analysed and conclusions drawn. Three reports were produced, a questionnaire analysis report, a final report and blinded versions of each.

Phase 4 Adapt	Conclusions from the study were shared with all participants. This included consideration on how best practice enablers can be adapted to improve processes in the participating organisations.
Phase 5 Review	A post-completion review provided valuable feedback.

### ***Main Findings from the Site Visit Analysis***

An important finding from the site visits is that outstanding companies have a number of characteristics and practices in common. However, since some practices are dependent on an organisation's environment and stakeholders, adaptation and application may vary. These practices may therefore be considered as key enablers for superior performance demonstrated by the site-visited organisations. The study identified the following characteristics of best practice in Performance Measurement.

Best practice organisations:

- have the necessary architecture for a performance management process (including clearly defined business model, strategy, CSFs and KPIs, transformation map and defined end state)

- have a clearly articulated business model that has been translated into a performance measurement framework through the use of strategy, deployment and transformation maps

- test for balance between business and people/behavioural measures

- develop clear and consistent definitions for key measures

- ensure that there is a clear line of sight between strategy, CSFs and measures at all levels

- cascade to all parts of the business a performance measurement framework that is coherent across the hierarchy

- have a scorecard/framework that fits the business needs rather than a theoretical model

- communicate strategy and purpose in a way that is open, two-way and meaningful to all staff

- have leaders who clearly own and are actively involved in the deployment and practice of performance measurement

have staff engagement in the form of communities of champions and ownership of measures

have a clearly deployed approach to performance measurement education and training to all levels in the organisation and specifically including the performance measurement communities

have an effective way of communicating the performance measurement framework, process, measures and resulting actions required, such that it is open, fit for audience, ubiquitously accessible and concise - i.e. content of communication is limited to the vital few/critical ones

have a clarity of reporting and display to inform decision making that is fit for purpose in terms of both audience and types of measure (e.g. traffic lights, control charts)

link performance measurement results to actions to drive the business forward in line with strategy and have action plans in place to resolve exceptions

have a robust performance achievement process in place driven by the measures that identifies appropriate actions and recognises best practice

have developed a way of presenting actual results that reflects linkages and hierarchy (gear boxing) of measures

have successfully integrated performance measurement approaches into business as usual management and into its culture

have an appropriate review process in place to check the effectiveness of their performance measurement system

### ***Development of an audit framework***

Conclusions were based on the findings from the analysis of the site visits and discussions with participant organisations. These conclusions led to the development of an audit framework that may be applied to all organisations. The main areas of the audit framework are:

#### **Measurement as a Means of Making Strategy Come Alive**

Some of the site-visited organisations had invested heavily in integrating their measurement systems with the business' overall improvement plans. Most of the investment was human effort in getting the measurement system to drive feedback on the success of the strategy.

## **Measurement Communities – Physical and Virtual**

Such communities can be either physical or virtual, but at their heart lies a group of people who are seeking to understand better what drives performance in their respective organisations.

### **Clarity of Communication**

Many of the organisations visited had devoted significant effort to ensuring that their communication processes were transparent, open and efficient.

### **Act on Red, Share on Green**

In general, it was found that most people assume green means excellent performance, amber means acceptable performance and red means unacceptable performance. One organisation redefined red to mean “needs action/attention”. They were not interested in blaming someone for poor performance. Instead they are interested in improving performance when it was red and sharing best practice when performance is green.

### **Target setting**

Establishing a traffic light scheme requires appropriate performance targets to be set, but interestingly none of the organisations studied appeared to have particularly unusual or sophisticated target setting processes.

### **Integration of Approaches**

At a broader level an important theme was the notion of the integrated approach. The vast majority of organisations studied had sought to integrate their measurement initiatives so that one systems spanned the organisation.

### **Demonstrating Commitment**

In addition to integrating their approaches to performance management, several of the organisations visited had sought to demonstrate very visibly their commitment to the performance measurement and management processes.

### **Accountability and Ownership**

The value of a “you said”, “we will do” approach is that it makes explicit accountability for improving performance, as well as demonstrating commitment. It was also found that some organisations assigned ownership of individual measures to specific people.

### **Measurement is the Culture, Not an Initiative**

One of the major impacts of integration of approaches, demonstrating commitment and accountability and ownership is that measurement becomes part of the culture of the organisation rather than a separate activity.

**Performance Achievement**

Far too often organisations talk about performance measurement as if the objective of the process is to track how well things are going. In the best practice organisations the focus was on talking about performance achievement asking constantly how they were going to reach the level of performance to which they aspired.

Tanner, S. J. and R. Walker (2002). The benchmarking roadmap. European Centre for Business Excellence, Leeds.