

Beware the Unintended Consequences of Performance Measures

Many organisations still use productivity targets as a main tool for managing processes even though this approach has been pretty comprehensively rubbished in the literature.

So what's going on? The trouble is that managing by output targets is easy - you know how many people and resources you have, and it is easy to work out an average (or "standard") time per unit of work. Multiply the two together and you get an output target for the week. If you are really unlucky the standard times will also be used to measure individual "performance". It is hard to imagine a more soulless and de-motivating scenario, and, yet, this approach to "people management" is hugely popular on the private sector and, increasingly, in the public sector.

And the problem with this? Well, consider the following scenario. Your output this week exceeded the target. Why was that? Well, we worked a particularly easy batch of work during the week; or, perhaps, we managed to use some additional resource in the process without telling the measurement people; or we (metaphorically) flogged everyone to hit target (they'll get us back next week).

What does the target tell us here? Precisely nothing!. The standard time is an average based on some assumption of work mix so output is bound to vary as the actual mix in the process changes. The productivity targets tells us absolutely nothing about how the process is performing, and whether it is efficient and well balanced.

But last week we didn't hit the target. The work was more complex than the "average"; or there was some downtime; or a flu outbreak. There are a raft of excuses that can be used to "explain" non-performance so, again, the productivity target tells us nothing about the process or its capability.

Company Profile

We are process improvement specialists with over 20 year's experience, providing training and consultancy in lean service, process analysis and improvement, and lean finance.

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It gets worse when the targets become individual productivity targets. The fact is people don't like getting "blamed" for poor performance – particularly when it is caused by an inefficient process or work mix. The result is that people will do anything to hit their target – which inevitably will impact quality and customer satisfaction. Similarly if there is little chance of making target then excuses start to get deployed, and, sometimes, this may include sabotaging the process so that individuals can't be blamed for the non-performance.

It is hardly a surprise, therefore, that managing by productivity targets results in chasing excuses, rather than actually improving the process. This inevitably leads to "us and them" divisions and all sorts of internal conflict and dysfunctional behaviour.

Managing through productivity targets leads to obfuscation, soured relationships and knee-jerk reactions. It is not managing – the reverse in fact - it is actually creating a fog of stress, wasted effort and, ironically, poor performance.

What we actually should be doing is measuring and improving the process itself. This is not about setting productivity targets based on averages and assumptions (which will never represent the actuality in the workplace); and it is not about policing the workforce in a way that implies you think they are trying to do a bad job. It is about working together as a team to understand and improve the whole process.

To do this you need to work with the team to understand the barriers and constraints that exist in the work process. Strive to remove these constraints and you will start to gain the trust of the team. There are a number of ways of measuring the capability and efficiency of the process – and we don't have the space to go into them in detail in this blog – but a great way to get started is to analyse process flow. What is the elapsed time between an order entering your process and the product or service being delivered? How is this "flow time" made up? Work to reduce flow time and you will be improving flow through the process for all products.

Improve the flow through the process and you reduce the cost of the process because you are creating available capacity to do more work in a given time period – significantly increasing the cost-effectiveness of the process. Productivity or output targets don't help with this and they create conflict. Isn't working as a team to improve the process a better way to manage?

Contact us for more information.

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