

Why isn't performance measurement popular?

(1000 – 8.8)

The biggest surprise in the 2 years I've been working on performance measurement is not that it's so interesting (I always knew it would be). It isn't that it's so important (ditto). It isn't that it's so complex (I suspected that). It's that others, particularly senior executives, are so unenthusiastic about it.

PMA members, of course, are by definition enthusiasts, so I thought it would be worth taking the opportunity at the 2006 PMA conference to discuss whether my perceptions and surprise were shared, and if so, to identify some possible reasons. Set out below is a summary of my presentation ("Challenges") and the subsequent discussion*.

Challenges

To put the challenge in context, performance measurement isn't alone in having difficulty in attracting executive enthusiasm. When every aspect of management combines offers of instant solutions and poor quality control, they are rightly wary. Management academics, like those in other fields, also have a tendency to write about what interests them, rather than what executives want to know. This diminishes credibility, as do ignorance of the messy realities of implementation, few examples of good practice and a preoccupation with problems rather than solutions.

Credibility in the UK, and in varying degrees in other countries, isn't helped by practitioners' distrust of academics more generally (distressingly, it's a term that in most languages is synonymous with "irrelevant"). And most executives don't read much anyway.

But performance measurement suffers from some additional handicaps. Strategy academics address themselves to CEOs, accountancy academics to finance staff, marketing academics to marketing functions. Performance measurement doesn't have a clear executive audience. It falls between the CEO and individual functions, most often finance or operations - one of the reasons why performance is not given the attention it deserves.

Nor are academic colleagues necessarily sympathetic. Some - in management accounting and operations for example - see performance measurement as an important aspect of their subject. Others - such as finance and economics - pay it very little attention. The originating discipline balance of PMA membership is no accident. And as is common with subjects that cross boundaries, there are also questions about the base discipline and the rigour of the work.

Some of the concerns are well placed. Crossing academic boundaries by combining literatures is always difficult and it's not surprising that some work in the field can be poorly argued and informed. Another problem is finding refereed publication outlets. Such concerns have long been apparent to those working in the field - I recall that a hot topic of the 1998 PMA Conference was whether performance measurement is a discipline.

Then there's the question of the subject itself. "Performance measurement" does not have a warm and cuddly feel. On the contrary, to most executives it sounds threatening and complicated. It looks as if it brings bureaucracy and extra costs. Even more significant, many executives are not aware that they have a performance measurement problem and don't necessarily welcome having one pointed out, particularly if they haven't thought about it first themselves.

Discussion

Those participating in the discussion generally agreed that there was a problem in gaining acceptance of ideas among practitioners (relationships with fellow-academics were not discussed) and a number of themes emerged:

Issues in communicating with customers. There was confirmation of the difficulty of getting executive attention and of the unfortunate consequences of a focus on problems rather than solutions. In common with other management areas, several participants felt that academics in the field were not always good at marketing their ideas. Marketing here included presenting ideas quickly, simply and accessibly. More specifically, there was concern that data was not always distinguished clearly enough from performance measures and that many executives feared that they would be overwhelmed by data. A more radical view was that some managers were not interested in the outcomes: "Middle management lives and dies by opacity."

Issues for those doing the work. There was some discussion about incentives and whether there was really an incentive to find a solution. Maybe, suggested one participant, the incentive was "not to have the idea adopted but to impress your colleagues". Another commented that, for him, this was "a hobby in between doing other things".

Ways of making things happen. A number were put forward, including the need for an internal sponsor, the importance of timing in choosing problems to address, simplicity (again), and using the same techniques as a law school – to show how the world works. It was suggested that relationships were also important in this context, including finding companies willing to experiment, offering free consulting or collaboration with consultants who might also be willing to provide R and D investment. Finally there was a plea for realism. Not everyone had to be interested in performance measurement – it only needed a few to provide the basis for future work.

Incentives to make things happen. The theme under this heading was fire. "Create a firestorm to show companies how they are wasting resources" suggested one participant. Less dramatically, other suggestions were to ensure that the burning issues had been identified or at least that executive interest in, and ability to, take action should be identifiable. In the same vein, it was suggested that companies would respond if they felt that measures had predictive quality.

Other issues. A number were raised. One participant wondered whether it was clear enough what performance measurement was. Another felt that

performance measurement academics were not being singled out – management academics more generally felt underappreciated. A third was concerned that the field was seen as tool of finance or IT.

Conclusion

Taken together, discussants present appeared to agree about the challenges in persuading influential practitioners of the importance of the field. A number of clear ways forward were suggested but further comments and discussion, particularly on the basic premises ways to overcome barriers, would be very welcome.

Sir Andrew Likierman, Professor of Management Practice, London Business School likierman@london.edu

1000 words

*Participants in the discussion included: Rajiv Banker (Temple), Paul Boyle (Financial Reporting Council), Mike Bourn (Cranfield), Jurgen Daum (SAP), Ken Euske (US Navy) Greg Hackett (formerly Hackett group), Chris Ittner (Wharton), Andy Neely (Cranfield), Hanne NoreKlit (?) and David Otley (Lancaster).

My solutions

Better definition of audiences

Questions to ask

1. Am I interested?
2. Do I have capacity to contribute?
3. Is there a customer group?
4. Does the customer group perceive that there is a problem?
5. Does the customer group have the capacity to change?

Is there a way of getting to the customer group?

22. Can change what happens
26. Keeping connected with academics – what can you do for them?
11. Get competitive advantage by channelling

Is this right? What to do?

My solutions

Better definition of audiences

Questions to ask

6. Am I interested?
7. Do I have capacity to contribute?
8. Is there a customer group?
9. Does the customer group perceive that there is a problem?
10. Does the customer group have the capacity to change?
11. Is there a way of getting to the customer group?

12.

Pfeffer J and Sutton RI (2006) Management half-truths and nonsense: How to practice evidence-based management Calif Man Rev Vol 48 No 3 p 77

Adoption of good practices really rather slow – look at Southwest airlines and Toyota
Among “roadblocks” are people not wanting to hear the truth, a messy and inefficient marketplace for business ideas, with inconsistent and poor quality controlled ideas.
Very little evidence about ideas – see Rigby Calif Man Rev Winter 2001 p 139-60
Survivor bias a real problem in getting ideas – little on failure

Bourne M, Neely A et al (2003) Why some performance initiatives fail: lessons from the change management literature International Journal of Business Performance Management Vol 5 Nos 2/3 pp 245 - 267

Criticises literature as giving the desire for change but little guidance on implementation. Looks at change literature. Concludes that timescales unrealistic and level of participation insufficient.

Vermeulen F (2005) How bad practice prevails LBS paper 2.05

It’s possible for bad practices to survive because of a lag in realising that they are bad, failure to connect to bad results.

Academics can help break the vicious cycle.

Comment

Good notion, but a bit of a meal in this paper. And problem of defining “practice”

Good eg: Fore People in Papua New Guinea eat their diseased kin. The result is a fatal nerve degeneration disease – Kuru – like CJD, that kills them. Link not realised by them because of lag. IN CO NUGGETS 15