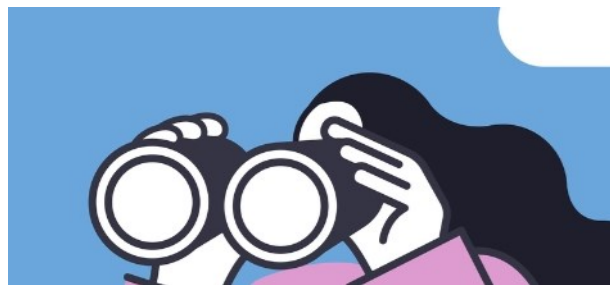


Can We Measure Performance Without a Strategic Direction?

By Stacey Barr



We can measure anything without a strategic direction or plan; that doesn't mean that what we measure is meaningful. **A strategic direction sets a meaningful context for measurement.**

We don't just measure the goals in our strategic plans. We measure all kinds of things in a business or organisation:

- financials, like profit and loss, balance sheet, and cash flow
- program or project performance, like on-time, on-budget, outputs and outcomes.
- business process performance, like with Lean Six Sigma
- regulatory requirements or industry standards, like food safety or customer response times
- day-to-day operations, like cycle time or customer complaints

We could, potentially, measure anything that moves in a business or organisation. And whether or not we do have a strategic plan, there will still be other triggers for what we measure.

There are other triggers for what we measure...

Some of the most common triggers for the performance measures or KPIs that any business or organisation tracks include:

- the data we have available (and feel like we should be using)
- what has been historically measured in the business or organisation already
- what is traditionally measured in our industry or function
- what our competitors are measuring
- what our consultants say we should be measuring
- day-to-day problems that we're trying to fix.

Even with a strategic plan, many of these triggers still might take a role in the selection of things we measure. But **unless the strategic plan takes precedence over these other triggers, we'll almost certainly be measuring more than is useful.**

Measurement is for improvement, not judgement.



We end up measuring the wrong things...

By assuming that all those triggers listed above are valid reasons to measure something, we end up living with some very real consequences:

- not enough measures that align with decision-making needs
- too many measures to make good use of
- costly data collection and reporting processes
- narrow focus on operations or 'the machine' (because that's the easy data to get)
- some stakeholder needs ignored (because that's the data that's hard to get)
- short-term goal or decision horizon

These consequences mean our attention is spread too wide, too randomly, and too thin. What strategy does is keep us focused on a narrower range of things to spend resources and time on measuring. With a strategic direction, we can do a much better job at what matters most.

- 1 How often do we use the measures we have?
- 2 Are we reporting insightful measures, or just data?
- 3 How much time and money is spent reporting the data we don't use or don't value?

But a strategic direction helps us prevent another consequence of those triggers above...

Those measures misalign the parts of our organisation...

Sure, it is possible to measure some things that matter, without a strategic plan. But the prioritisation of what's worth measuring is done locally, without big picture direction. That means that each team makes their own decisions about what to measure, without appreciation of interdependencies between and among the teams. And we know that what we measure is what gets done.

If each team in an organisation could successfully choose their own priorities and measures, without impacting the rest of the organisation, then we don't really have an organisation. But that's not true: an organisation is an holistic system, whose success depends on the interactions of its parts.

So, **without a unifying strategic direction that aligns performance measures across the organisation, we have another consequence: misalignment.** The parts of the organisation pull against each other, rather than working in collaboration toward a share outcome.

- 1 Exactly how do we set goals, decide how to monitor them, monitor them, and learn?
- 2 What are the steps in our current approach to measurement?
- 3 Do we always have a goal with a measure and a target before we decide on actions?

Meaningful measurement comes only after prioritisation...

We have been told so many times, over many decades, but we still can fail to grasp the significance of ruthless prioritisation in systems with resource constraints:

"The essence of strategy is choosing what not to do." – Michael Porter

"Strategy is figuring out what not to do." – Steve Jobs

"There is nothing so useless as doing efficiently that which should not be done at all." – Peter Drucker

"Tactics without strategy are the noise before defeat." – Sun Tzu

"Without a strategy, execution is aimless." – Morris Chang

"Be ruthless. Ruthlessly prioritise the strategic goals to focus on performance results that matter most, right now (the more goals you have, the fewer you'll achieve)." – Stacey Barr

3 places to integrate performance measurement...

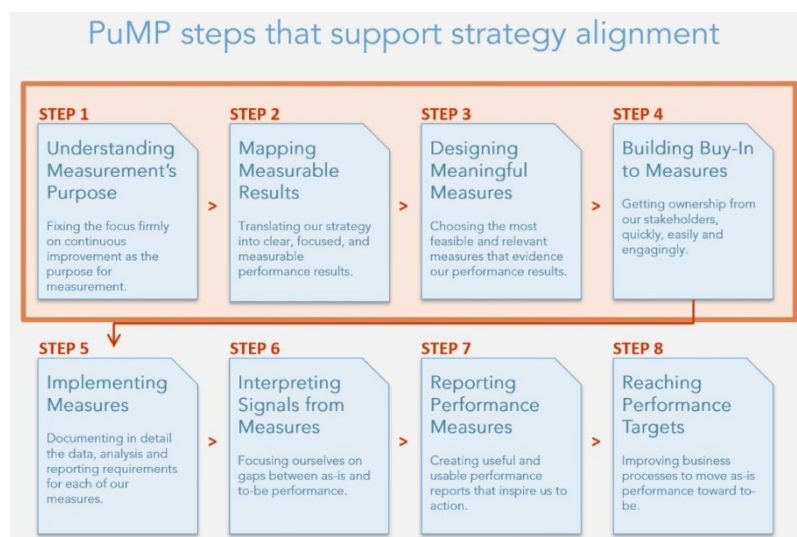
1. In **strategy design**, as you start to articulate your goals
(writing measurable goals, designing meaningful measures, communicating strategy)
2. In **strategy alignment**, as you communicate the strategic direction so every team can set local goals to contribute to it.
(mapping line-of-sight, writing measurable team goals, designing team measures)
3. In **strategy execution**, as you implement change initiatives to improve performance.
(implementing, interpreting, reporting, and reaching targets)

For me, at least, I come to two conclusions:

1. Yes, we can measure performance without a strategic plan, but we need to choose for ourselves which performance results are worth spending the time and resources to measure. And therefore, we must live with the consequences when these pull against other teams in our organisation that are competing for those limited resources.
2. If we care about the success of the whole organisation, we need to measure the performance results that contribute to that success. And this requires a strategic plan to make it clear what 'success' means and how each team uniquely contributes to it.

Of course, just because we have a strategic plan doesn't mean we'll automatically have meaningful performance measures ([as this short study demonstrates](#)). Formulating a strategic direction and articulating it in [a clear and measurable strategic plan](#) takes deep analysis, thought, dialogue, and skill. We cannot take these for granted, as we constantly hear how difficult it is for our clients to articulate the results that matter most (other than [profit](#) or financial performance).

That's why we need both a **robust approach to strategy, coupled with a robust approach to performance measurement** ([like PuMP](#)). They each work best together.



This article was first published at <http://measureupblog.com> by Stacey Barr. Stacey (based in Brisbane) is an Australian specialist in organisational performance measurement and creator of PuMP, one of the world's only deliberate performance measurement methodologies. PuMP is known for being practical, logical, and engaging, because it was designed to overcome people's biggest struggles with KPIs and measures. If you like, learn about the bad habits that cause these struggles, and how to stop them, by taking Stacey's free online course "The 10 Secrets to KPI Success" at www.staceybarr.com/the10secretstokpisuccess.

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you
professional
direction



Our liability may be limited by a scheme approved under Professional Standards Legislation.