

## Choosing Measures/Indicators

Regardless of the approach adopted, a sound performance measurement system must have three qualities: it must be technically valid, it must be functional, and it must be legitimate. For a system to be legitimate in the eyes of those who operate programs or are directly affected by them, it is usually necessary to involve such institutions and individuals in the development of the measures. Stakeholder agreement on measures will not only improve the measures themselves, as it will also help to overcome potential resistance and to increase the prospects for actual utilisation. There is general agreement on the desirable technical attributes of a set of measures. **Exhibit 5** presents one generic listing of the 'ideal' qualities of such a system. What is functional for a particular organisation is best left to the judgement of the leadership of that organisation.

Most government manuals on performance measurement make a distinction between performance measures and performance indicators. Ideally, performance measures report unambiguously on the relationships that exist between program activities and the outputs and outcomes associated with them. However, as various writers have pointed out, most relationships between programs and societal impacts are imperfectly understood and subject to change over time. For example, if we are to understand the relationship between safety regulation in the transportation field and the reduction of fatalities and injuries, we must control the impact of other influences within the program environment. Despite refinements in our analytical tools over the past several decades, the technical challenges involved with the production of valid performance measures for the most important and costly public programs remain formidable. Performance indicators are said to be less precise than actual measures of program impacts. They usually provide only a proxy indication of the performance of a program or policy system. Whereas measures might be likened to numbers on a gauge, performance indicators might be compared to alarm bells. Like the bell on the cat in the famous fable, performance indicators tied to particular programs or to broader policy systems can warn when unpleasant surprises are on the way, as well as inform managers of program success. Given the current state of our knowledge about many programs, the distinction between true measures and approximate indicators is somewhat artificial, since most measures in use by governments today have their limits, are open to interpretation, and, therefore, should be the subject of debate rather than of automatic acceptance.

### Exhibit 5 - Ideal Performance Indicators

*Clarity.* Performance indices should be simple, well defined, and easily understood.

*Consistency.* The definitions used to produce the indicators should be consistent over time and between units.

*Comparability.* Following from consistency, it is only reasonable to compare like with like.

*Controllability.* The manager's performance should only be measured for those areas over which he or she has control.

*Contingency.* Performance is not independent of the environment within which decisions are made. The environment also includes the organisation structure, the management style adopted, as well as the uncertainty and complexity of the external environment.

*Comprehensive.* Do the indicators reflect those aspects of behaviour that are important to management decision-makers?

*Bounded.* Concentrate on a limited number of key indices of performance — those most likely to give the biggest pay-off.

*Relevance.* Many applications require specific performance indicators that are relevant to their special needs and conditions. Do the indicators service these needs?

*Feasibility.* Are the targets based on unrealistic expectations? Can the targets be reached through reasonable actions?

Peter M. Jackson, *Measures for Success in the Public Sector*.

There is strong push within the performance measurement movement to have organisations produce comparative evidence on performance. The comparisons can be to other comparable organisations within a sector or within the same organisation over time. 'Benchmarking' and the adoption of the 'best practices' of leading organisations is part of this trend. It is assumed that gathering and reporting comparative information creates a powerful incentive for improvement and learning from others. Less recognised are the risks involved, particularly from assuming that what appears to work in other organisations can be readily and easily transferred to a organisation in a different context. Rob Paton, in his careful study of the performance measurement efforts of non profits in the United Kingdom, concludes that 'efforts to pin down performance and to identify the sources of success through measurement achieve only limited success'.<sup>1</sup> He found that most organisations employed the language of best practice, but rarely followed all of the operational steps involved with the approach. The aspirational component of the approach — striving to do better — helped to sustain managerial attention to important issues and some important ideas were imported to organisations through comparisons.

From my perspective, it would be wiser for organisations to pursue a ‘smart practice’ rather than a ‘best practice’ approach. Smart practice recognises that in statistical terms all organisations cannot be ‘the best’. Under the benchmarking approach, choosing the best organisation for comparison purposes is both crucial and problematic. Organisations deemed to be the best at one point in time by one set of measures often lose that status in the near future. Exhorting organisations to strive for ‘the best in class’ status may ignore the practical limits faced by a given organisation, such as lack of leadership talent and support, inadequate resources, limited and inappropriately qualified personnel, an organisational culture which is unsupportive, etc. When the rhetorical elements are swept away and ‘the best practice’ consultants are shown the door, most public managers would continue to ‘network’ and to draw from the experiences of others. This is the essence of benchmarking and best practice without the veneer of scientific certainty. Developing reliable and consistent information for comparison purposes is a worthy goal, but it has to be balanced by the harm such information can cause, by the costs involved and by the potential of such information to provide the basis for improvement.

## ENDNOTES

<sup>1</sup> Paton, *op. cit.* p. 43.