



GUEST EDITORIAL

Guest editorial

Performance measurement definitions

Linking performance measurement and organisational excellence

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Abstract

Purpose – The purpose of this paper is to offer a definition of performance measurement.

Design/methodology/approach – The paper describes performance measurement definitions in the context of organisational excellence

Findings – It is shown that there is a clear relationship between performance measurement and organisational excellence.

Originality/value – The paper outlines a definition offering a clear link between performance measurement and organisational excellence

Keywords Performance measures, Organizational effectiveness, Business excellence

Paper type Viewpoint

Organisations in the public and private sectors around the world are struggling with their performance measurement systems. In particular they are finding it difficult to develop cost-effective, meaningful measures that drive performance improvement without leading to undesired negative consequences. Given all this confusion, a clear performance measurement definition can help managers go in the right direction and focus on what really matters. Indeed, as Gaster (1995, p. 21), referring to quality in public services, says, “Definitions are important: they drive the whole implementation process”. The most quoted performance measurement definition is Neely *et al.*'s. (2002, p. xiii) “the process of quantifying the efficiency and effectiveness of past actions”. While this definition emphasises effectiveness as well as efficiency, it is unlikely to make managers stop and challenge their performance measurement systems and gives little indication as to what they should quantify or why. The definition I recommend is “evaluating how well organisations are managed and the value they deliver for customers and other stakeholders” (Moullin, 2002, p. 188). This definition gives much more guidance to people involved in performance measurement. In particular, it encourages them to consider the extent to which organisations measure the value they deliver to their customers and whether it covers the main aspects of how performance is managed.

There is a deliberate circularity within the definition. Because performance measurement is itself part of how an organisation is managed, it too has to provide value to customers and other stakeholders. Performance measurement has become something of an industry in recent years. Many organisations spend millions of pounds providing a myriad of measures, making it difficult for managers to pick the ones that really matter.



My definition offers a clear link between performance measurement and organisational excellence. The latter can be defined as “Organisational excellence is outstanding practice in managing organisations and delivering value for customers and other stakeholders” (Moullin, 2002, p. 96) – a shortened form of that given by the European Foundation for Quality Management (EFQM, 1999). The two definitions together show a clear relationship between performance measurement and organisational excellence. Performance measurement provides the information needed to assess the extent to which an organisation delivers value and achieves excellence. This definition also relates well to the balanced scorecard. The usual four scorecard dimensions – financial, customer, internal processes, innovation and learning – are implied: financial aspects are included in “delivering value”, customers and stakeholders are key to the definition, while internal processes, innovation and learning are central to the way organisations are managed.

There have been interesting discussions in the Performance Measurement Association Newsletter. Bocci (2004), for example, replying to an article I wrote (Moullin, 2003), preferred Neely’s definition, and in particular preferred “quantifying” to “evaluating” because the latter referred to more than measuring. I replied that evaluating was a better term because it implied interpretation and analysis: “someone somewhere is going to ask how well an organisation is doing or what is responsible for the drop in sales. We can’t hide behind the numbers forever” (Moullin, 2005a). Pratt (2005) agreed, pointing out that evaluating was much better than quantifying as it encompasses qualitative as well as quantitative measures. Neely himself commented that “in essence I find myself agreeing with Moullin and Pratt – delivering value to stakeholders is clearly essential to an organisation’s success” (Neely, 2005, p. 14) although later in the article he says that “the concept of stakeholder adds no clarity to the definition, because the question of which stakeholder matters is so context dependent”. My response was that an organisation needs to know how it is perceived by all key stakeholders and being explicit about this in the definition will encourage organisations to measure stakeholder perceptions (Moullin, 2005b).

So how does all this relate to health care? Consider the services provided to patients who have blood tests performed at GP surgeries and analysed at the haematology laboratory of a nearby hospital. Existing measures might include patient satisfaction with their GP experience while their blood sample is being taken, some measure of the accuracy of diagnosis, together with data on how long it takes for results to come back to the GP. With Neely’s definition (Neely, 2005), service managers might feel that these measures are OK. However, with my definition, a number of questions arise. Is the sample delivered from the surgery to the laboratory promptly and in the right condition? Have practice staff provided all the details needed by laboratory staff and are they legible? Have patient details been entered accurately on the database and steps taken to ensure that the right results go to the right patient? What about getting results back to the patient? Is this timely? Are there clear processes? If bad news is being conveyed, is it done sensitively by people who can explain to the patient what is likely to happen? Are parents’ and carers’ needs also being met? And finally, do all the various processes and outputs/outcomes add value to the client and are costs under control? By asking these questions – and getting the appropriate information – the link between performance measurement and organisational excellence is clear. It is only by evaluating how well the service is managed and the value it gives to patients and other stakeholders, that it will be possible to identify service improvement priorities.

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