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## DEFINING PERFORMANCE MEASUREMENT. A COMMENT.

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## defining performance measurement

### A COMMENT

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Performance can be considered as one of those **“suitcase words in which everyone places the concepts that suit them, letting the context take care of the definition”**(1). We could use the same words to describe performance measurement. Different people give different meanings to performance measurement. But we must take care of a paradox. Sometimes when we try to add further meanings to a basic definition to extend it, the result we get is to achieve a more limiting definition.

In the March 2003 issue of Perspectives on Performance, Max Moullin recommended his personal definition of performance measurement and explained the aims of it. I would like to contribute to the discussion with my comments about what he asserted. Here is how Moullin defined performance measurement:

**“Performance measurement is evaluating how well organizations are managed and the value they deliver for customers and other stakeholders”**(2)

I neither agree with that definition itself nor with the reasons offered to extend a more essential definition of performance measurement in such a way. I'll try to explain why.

#### **The reasons behind**

Neely, Adams, and Kennerley defined performance measurement as **“the process of quantifying the efficiency and effectiveness of past action”** (3). This definition is clear and meaningful. We can argue that quantifying only the efficiency and the effectiveness dimensions of the action could be too limiting. We can argue that performance measurement doesn't mean only quantifying but also comparing to a reference (btw comparing doesn't mean expressing a judgment). But we can agree that the definition they gave sounds quite linear, appropriate, reasonable and useful as Moullin himself recognized.

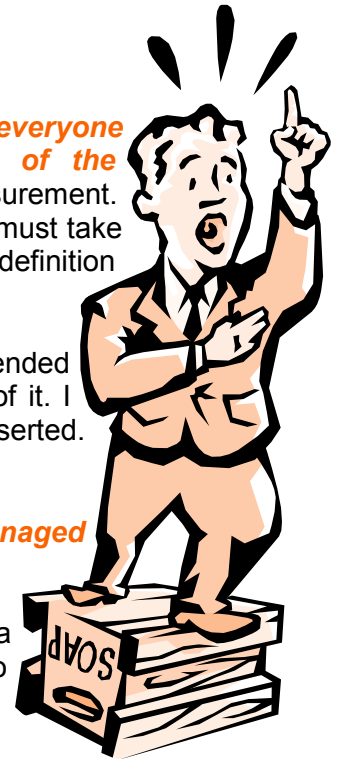
Having such an appealing description I can not understand the need to change the approach and include the reasons why we wish to measure performance in the definition of performance measurement. When we give a definition of an activity, or a process, we don't include the reasons why we wish to make it: if we want to give a definition of “drinking some water” do we include the reasons why we drink some water?

As happens with other processes, the purpose of performance measurement is not univocal. So if we include a purpose, and just one, in the definition we will limit the applicability of what we define to something we do to achieve that aim.

Performance measurement can be considered a sort of primary process and can be part of larger and different processes: we measure performance to evaluate the performance of the organization inside, to evaluate the performance from outside, to manage the performance. So the aims of performance measurement could be quite different.

#### **The definition**

I don't agree with the definition by itself. In my opinion **“evaluating how well”** means not only measuring but also making a judgment. In order to evaluate performance we need not only to measure it but also to know the context in which that performance has been achieved. In Moullin's definition performance measurement is considered a process of making a judgment and not a tool to support decisions.



In my opinion there should be a difference between performance measurement and performance evaluation definitions.

Especially in the public sector considering performance measurement in such a way is one of the main barriers that people need to overcome if the organization wants to move from measurement set to judge to measurement consciously adopted to support decision making process. If we continue to talk about performance measurement just in terms of evaluating, in terms of reviewing, in terms of assessing, we can not inspire people and align them. People will consider results used to punish and any performance measurement system we try to implement will be boycotted in some way.

If we want to move from performance review to performance planning, as Neely suggested in a different article of Perspectives on Performance (4), Moullin's is not an acceptable definition of performance measurement.

### ***The link with the Balanced Scorecard (BSC)***

At the end, Moullin said that his definition fits very well with the BSC concepts. Let me disagree once again.

BSC is not only a reporting system organized in four different perspectives. It is a strategic management system based on consensus as agreed by most professionals, academics and practitioners today. Performance measurement is an important part of that performance management system. If we give to performance measurement a mainly evaluative connotation how can we achieve the consensus that will allow us to use the BSC successfully?

### ***Conclusions***

My conclusions are:

1. Moullin's definition is fine if we want to define what performance evaluation (or performance assessment) is but it is misleading if our purpose is to define performance measurement. We should have different definitions for performance measurement, performance evaluation and performance management.
2. It would be better making an effort to establish a common language and developing ideas on it rather than customizing meanings and, in some way, creating confusion, especially when we need to use that language to get consensus and align people
3. Evaluating performance is important, but we can not limit the performance measurement to this purpose. If we want to manage for results and manage through measures we should consider the performance measurement not just as a rear-view mirror to evaluate our past performance but as a tool to support decision making process in the organization day by day.

### ***References***

- (1) Michel Lebas, Ken Euske – A conceptual and Operational Delineation of Performance in 'Neely, A. (2002) Business Performance Measurement: Theory and Practice. Cambridge: Cambridge University Press'
- (2) Max Moullin – Defining performance measurement in Perspectives on Performance Volume 2 Issue 2 March 2003
- (3) Neely, A.; Adams, C.; Kennerley, M. (2002) The Performance Prism: The Scorecard for Measuring and Managing Business Success. London: Financial Times Prentice Hall
- (4) Andy Neely – Gazing into the crystal ball: the future of performance measurement in Perspectives on Performance Volume 2 Issue 2 March 2003

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