

Preparing Useful Performance Indicators

by Roger Kaufman

Performance indicators specify the measurable evidence necessary to prove that a planned effort has achieved the desired result. They have two critical uses: one proactive—to identify what should be accomplished—and the other retrospective—to provide criteria for determining success or failure. Performance indicators may be used in a variety of ways. They can

- provide personnel performance appraisal standards;
- supply criteria for the evaluation of human resource development;
- identify valid interventions;
- define new organizational purposes.

As part of an objective, performance indicators may provide the specific criteria from which the attainment of results can be planned and their accomplishment can be measured. Any objective that contains a performance indicator should include:

- a clear, unambiguous statement of required results;
- precise criteria to measure actual results;
- who or what will demonstrate the intended results;
- the conditions under which the results or performance will be observed.

No matter what we do or how we do it, organizations are only successful to the extent they get results. Useful performance indicators, therefore, best relate to valid *ends*: results, consequences, performance, and payoffs. Indicators that target *means*—how something gets done, processes, methods, and tech-

niques—or *resources*—people, money, and facilities—may provide feedback on performance compliance, fidelity of implementation, or how faithfully or to what degree a specific job is being performed.

Two types of performance indicators exist:

■ *Results-oriented indicators* identify measurable performance and results including individual contributions as

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well as organizational results and consequences.

■ *Implementation-oriented indicators* identify fidelity of activity and compliance in the application of methods, resources, and approaches.

Both types of indicators are used widely today.

This article deals only with results-oriented indicators because the use of ends-based indicators provide the best assurance that selected means will deliver desired consequences. During implementation, however, an HRD professional might want to use a process-oriented set of criteria in order to provide employees with feedback on how well they are doing in a particular activity. This can be helpful *if* there is assurance that the activity, when performed correctly and to specifications, will deliver important and desired results. Examining only the

means indicators risks the usefulness of any results that flow from the means. An employee may perform a task as specified, but that task may not be useful to the organization. As Peter Drucker noted, "We are getting better and better at doing that which should not be done at all."

Defining means and ends

A useful performance indicator distinguishes between means and ends and, when clearly stated, eliminates confusion concerning which results are the most desirable. Performance indicators also provide criteria for assuring more appropriate and useful evaluation.

Not all results are created equal! All individual accomplishments within an organization must combine to provide a useful organizational contribution; some results are "building blocks" for larger, overall ones. These smaller results are useful only when they "add up" *within* the entire organization to serve *external* clients properly. This contributing relationship of all an organization's means and ends makes up a "results chain" that extends from organizational resources and efforts, to organizational results, and, finally, to client and societal consequences. This is a big-picture perspective that encourages the formal consideration of all the implications of what an organization does, accomplishes, and delivers to the outside world.

The means and ends of any organization can be described by five "organizational elements" outlined in Figure 1. These describe and relate what organizations use, do, and deliver. The *means* include inputs and processes—the available or required

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resources, methods, and means employed to get results. The means may include performing a job correctly or using the right tools in performing a task.

There are three *ends* to which the means contribute, and performance indicators may be written for each. The first two kinds of ends are internal—within the organization—results:

- *Products* are the building-blocks of organizational contributions.

- *Outputs* are the results that are delivered to clients. The third kind of results is “outcomes.” These indicate the contributions of internal results to external clients and society.

Performance indicators, while relating to the three kinds of ends, should have identifiable linkages among all of the five organizational elements. Means and ends should be related.

Three major considerations for developing useful performance indicators are:

- differentiation among means and ends;

- the rigor of measurability of the results;

- the array and range of organizational elements covered.

When preparing or reviewing performance indicators, one, two, or three “templates” of these considerations can be used.

Template 1: means and ends

The single most important factor in deriving a useful performance indicator is whether it deals with means or with consequences. As stated earlier, ends are *results* to be accomplished. *Means* are the possible techniques, procedures, methods, and resources that may be used to obtain ends. Means are best selected on the basis of the results they are to accomplish. One clue to discriminating a means is if the indicator includes a word with an “-ing” suffix: training, developing, learning, using, showing, and demonstrating, to name a few.

If a would-be performance indicator is identifying only a means to an end,

then change it to *include* the intended result. To derive an ends-aligned indicator from means-oriented statements, ask: “What would be the result if this means were implemented?” For example, an intent to “improve learning of basic performance indicator concepts” might be better stated as “correctly list three characteristics of a valid performance indicator, and write one that will identify intended measurable results.” Note that “learning” is a process; mastery is an end. Ends-oriented performance indicators are encouraged here because, sooner or later, performance and results will be the basic litmus test of whether or not any process, resource, or method is valid and worthy.

Template 2: measurability

Classify each of the performance indicators according to its level of measurement. There are four scales of measurement:

- nominal—naming;
- ordinal—rank ordering;

Figure 1—Organizational elements model

	Inputs (raw material)	Processes (how-to-do-its)	Products (en-route results)	Outputs (the aggregated products of the system that are delivered or deliverable to society)	Outcomes (the effects of outputs in and for society and the community)
Examples	Existing human resources; existing needs, goals, objectives, policies, regulations, laws, money, values, societal and community characteristics; current quality of life.	Means, methods, procedures; searching for “excellence,” teaching; learning; human resource development, training, managing.	Course completed; competency test passed; competency acquired; learner accomplishments; instructor accomplishments; production quota met; the performance “building blocks.”	Delivered automobiles, sold computer systems; program completed; job placements; certified licenses; etc.	Safety of outputs; profit; dividends declared; continued funding of agency; self-sufficient, self-reliant, productive individual; socially competent and effective, contributing to self and to others; no addictive relationship to others or to substances; financial independence.
Scope	Internal (Organization)				External (Societal)
Cluster	Organizational Efforts		Organizational Results		Societal Results/Impact

Kaufman, 1987

- interval—equal scale distances with arbitrary zero-point;
- ratio—equal scale distances with known zero-point.

Objectives are measurable on an interval or ratio scale, while goals, aims, and purposes use nominal and ordinal scales. Performance indicators, and associated objectives, should be measurable on an interval or ratio scale in order to better assure their accuracy and reliability.

Template 3: organizational focus

In order to better assure that the accomplishment of a performance indicator will yield both individual performance improvement as well as organizational accomplishments and useful contributions, label the performance indicator according to one of the five organizational elements—inputs, processes, products, outputs, and outcomes—discussed earlier. Additionally, make certain that it falls within one of the results elements—products, outputs, or outcomes—unless compliance is the only intended consequence. (See the accompanying sidebar “Hypothetical Results-Oriented Performance Indicators” for examples of each kind of results-oriented indicator.) Although they should be identified with one of the organizational elements, all performance indicators should have linkages to the others. This can be accomplished by identifying the interactions between the performance indicator and the total array of elements. Doing so will confirm that there will be a results chain that links internal, organizational results with external, outside-the-organization consequences.

If linkages with all five of the organizational elements don't exist, this indicates a warning signal that the performance under consideration might not be useful within or outside the organization. For example, one could be presented with instructions to provide training—a process—which will allow one to write measurable ends-related performance indicators resulting in a product. But suppose that the organization only tolerates means-oriented indicators and the new skill, once obtained, is either ignored or punished? Or suppose that the organization knowingly delivers an output that isn't useful to its customers, such as a flawed and dangerous lawnmower? Without such ties among the elements, there is

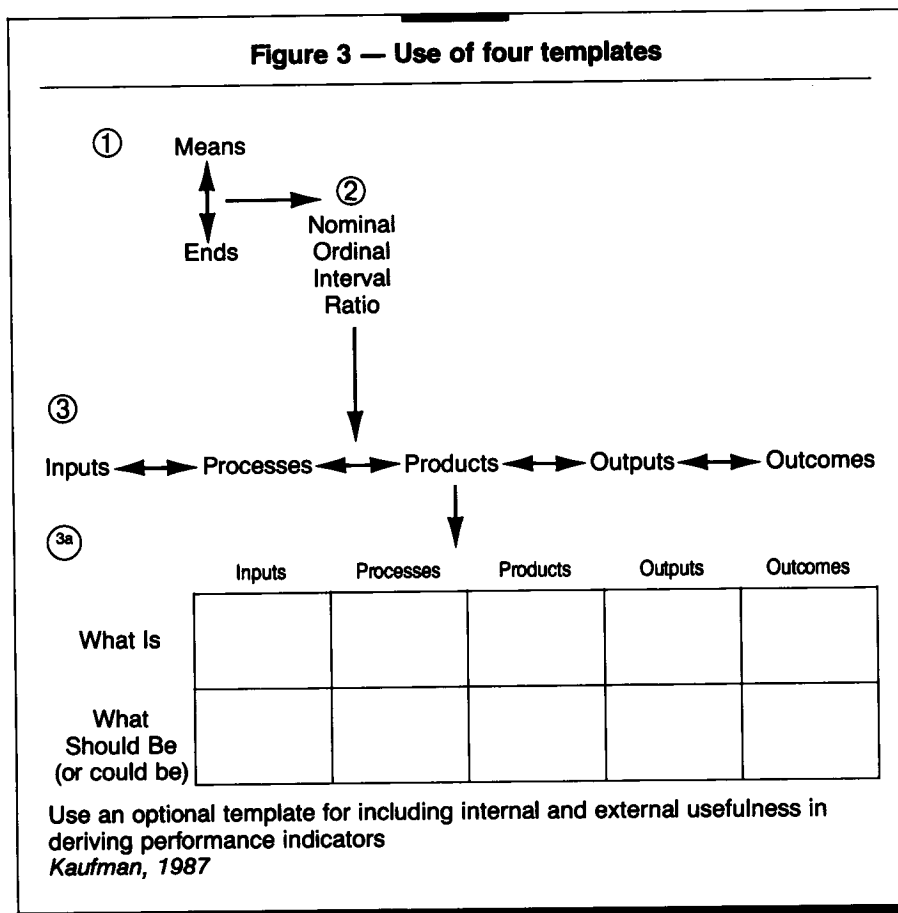
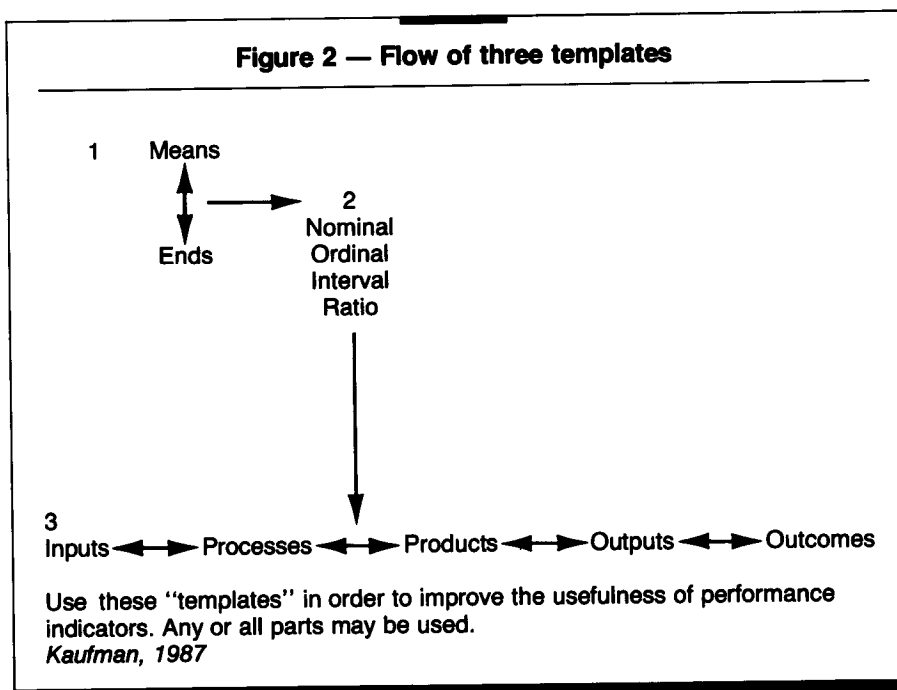
little rationale for moving on with a planned effort.

Using the templates

All, some, or just one of the three templates may be employed. Using all three will increase the usefulness of the

derived performance indicators. (See Figure 2.)

Often performance indicators are used simply to improve current results without questioning their validity and utility. If you are confident of the validity and utility of your current objec-



tives, then the above three templates will suffice. It might be useful, however, to ask whether the job task in question is worth doing in the first place. If one is willing to question whether or not the current objectives at the product, output, or outcome levels are correct, practical, and useful, then the third template may be expanded to include two dimensions: "what is" and "what should be."

For a holistic or strategic frame of reference—viewing the total organization in a societal context—you should put performance indicators in each of the three "what is" results cells as well as in each of the three "what should be" results cells. Remember that results-oriented performance doesn't deal with processes or resources. A "comprehensive" unit of analysis will have entries in each results cell except for ones in the outcomes category. A "middle-level" frame of reference only requires indicators for the products cells.

An added bonus for using this additional template surfaces when doing an evaluation. By examining both "what is" and "what should be," an evaluation may be planned to compare three types of results and then two types of means. This will provide a contrast of "what was intended" with "what was delivered" for each of the organizational elements instead of lumping all means and ends together or confusing different possible levels of evaluation. See Figure 3 for an illustration of the flow of all four templates.

Summary

Remember, performance indicators should

- relate to ends, not means, processes, or resources in isolation from the results they should deliver;
- be precise and measurable on an interval or ratio scale;
- be related and incorporated into a results chain that links all organizational efforts, organizational results, and client and societal payoffs and consequences.

If job tasks don't have all the above characteristics, it is possible that they may not be useful and productive.

Another option is available if performance indicators are required to derive new and useful purposes and objectives, not simply to increase the efficiency of achieving existing ones. By assuring that there are indicators for the two dimensions of "what is" and

"what should be," one may shift from improved efficiency alone to improved effectiveness as well.

Hypothetical Results-Oriented Performance Indicators

The following are hypothetical and simplified examples of performance indicators for each of the three types of results.

Outcome

■ **Example A:** Upon completion of vocational educational training, at least 90 percent of all those finishing the program will get a job in one of their first three occupational choices, keep that job for at least one year—unless laid off for financial exigencies—and have an income that at least equals or exceeds their expenses.

■ **Example B:** All of the automobiles turned out by the Tallahassee plant will be safe and functional as indicated by having no court-ordered changes, modifications, or returns, less than 1 percent consumer complaints under the "Lemon Law," or sustain any successful lawsuits based upon manufacturing defects.

Outputs

■ **Example A:** At least 90 percent of all full-time students in the "Individualized High School Learning Program" will meet all completion requirements and graduate after no more than four years of full-time enrollment.

■ **Example B:** At least 99 percent of all telephones manufactured by the San Diego Plant will meet quality acceptance standards without remanufacturing and be shipped to distribution points or to customers.

Products

■ **Example A:** At least 90 percent of all students enrolled in Spanish IV will meet at least 90 percent of all course competency criteria as certified by the credentialed teacher of record. Thus at least 90 percent of the students in the course will receive a grade of "B" or better.

■ **Example B:** At least 98 percent of all computer monitor screen frames will meet all quality acceptance standards as indicated by sign-off by the quality inspector on each shift.

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