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Measuring and Managing Performance in Organizations

by Robert D. Austin

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Recommended by Don Gray

"*The first step to solving the measurement problem is facing its true difficulties. Most of all, organizational leaders will have to work twice as hard as they might like to establish a culture conducive to measurement, in which measurement is seen as a useful way to learn but not as the be-all and end-all of performance management.*"

—*Robert D. Austin*

First the bad news. If you haven't been involved in a measurement program yet, eventually you will be, if you stay in the software industry.

Now the good news. Reading and understanding *Measuring and Managing Performance in Organizations* will provide you with a background to recognize measurement system dynamics so you can design better measurement systems. Be warned that this is not a "Measurement Mambo" type book. It is not a five-step program. There's no assurance of "Follow these five easy steps and your measurement program is guaranteed to succeed." Instead, Austin gives an in-depth look at what makes or breaks measurement systems. The information is presented in an intuitive way; if you understand algebra and simple logic, you will understand what Austin is presenting.

To illustrate the main concepts of Austin's book, let's look at a measurement program involving the Finest Software Ever (FSE) product support group. At times FSE's product support group had difficulty locating the correct answers to customers' questions. Customers were left on hold, enduring Adult Contemporary Music, while the support people tried to locate the answers. The customers complained to Management about the time they spent on hold.

Wanting to make the customers happy, the FSE managers installed a system to measure how long customers were on hold. Did "hold time" go down? Certainly it did. The support group would get the problem information from the customer as quickly as possible—and if they didn't know the answer, promise to "call right back" when they had the answer. This placed the problem in a queue that grew longer and shorter based on how much time the support person needed to go find the answer. Were the customers happy? Certainly not. It *was* true that they were no longer on hold waiting for an answer. Unfortunately, it was taking much longer to *get* answers, as the support people had to deal with new incoming calls while also trying to resolve the earlier calls.

To discover what went wrong, we'll look at the roles of those involved, the effort mix, the types of supervision, and the management styles—and see how they work together to support or sabotage measurement systems.

There are three parties involved in all measurement systems—management, workers, and customers. Management sets the tasks and goals for the workers. The workers do the work. The customers benefit from the workers' efforts. In our example, this corresponds to the FSE management, the product support group, and the people who buy and use FSE software.

At FSE, the tech support effort actually contains many tasks—including answering the phone, figuring out the customer's real question, locating the answer either by looking it up or finding someone who knows the answer, and entering data into the bug tracking database. These efforts all take time. The critical efforts all combine into a single result, providing the customers with the answer to their problem. From the customer's viewpoint, if any one effort gets all the attention, little useful work is done. There is, then, a *best mix* of efforts that provides the most benefit to the customer. When measurement systems cause the workers' efforts to shift from that best-mix path, the workers' efforts become distorted. The customer will receive more value than before the measurement system was put in place, but not equal to the additional effort. When the measurement system actually causes the workers' effort mix to supply less (or no) value to the customer, the measurement system is dysfunctional.

Do you think the managers at FSE picked a good value to measure? What might have been a better value?

Management can measure certain efforts as a proxy for supervising workers' activities, and can choose to measure the workers in three different ways: *no* measurement, *full* measurement, and *partial* measurement. The advantage of *no* measurement is that there is no distortion in the workers' effort mix. The disadvantage of this method is that the amount of benefit is generally less than the customer would like.

At the opposite end is *full* measurement. Full measurement is possible when all of the critical efforts are known and economically measurable. The principal can make sure the workers' effort stays on the best-mix path, preventing distortion and dysfunction. In between is the quagmire of *partial* measurement. Partial measurement is the most common version, since not all

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critical efforts are known or measurable. Measuring one effort (as FSE did) causes focus from the unmeasured efforts to be shifted, creating less benefit for the customer.

Austin's *Measuring and Managing Performance in Organizations* points out that using a delegation management style can motivate employees without using measurement systems. Delegation management relies on internal motivation and changes the workers' preferences so the customer receives more value without introducing any distortion. Unfortunately, Austin points out, "delegation is subtle and difficult to establish. It takes a long time to begin working and is easily dislodged." Suppose FSE is a large, publicly traded, multinational organization—and that delegation, however noble and good, is going to be a career-limiting style. What then?

Another option for FSE Management, then, would be to convert the job into one that can be more easily measured or delegated. For measuring efforts the job might be standardized, more completely specified, or subdivided and/or regrouped. To convert the situation to be more suitable for delegation, organizational intimacy and trust need to be provided. The decision on which course to take is based on the organization's culture and the desired results.

If FSE's Management had read *Measuring and Managing Performance in Organizations,* perhaps they would have chosen to build a different measurement system. If you were to design a measurement system to deal with their product support problem, what would it look like? This book will give you a solid basis to understand the complexity and avoid the pitfalls of measuring effort in organizations. STQE

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The Measurement Mambo

We often do the Measurement Mambo to make things better. Better, we're often told, means giving the customers more of what they want—which has to be a good thing, right? This well-intentioned dance often forms the core of quality and process improvement, and goes something like this.

STEP ONE: The clients tell us something they'd like. Perhaps a shorter release cycle. Perhaps less time on hold in the tech support phone queue. We then establish or modify a GOAL. Curiously, this is the only step that involves the customer.

STEP TWO: Armed with our new GOAL, we search for the current value that caused Step One. For, as we all know (and every text on measurement reminds us), Lord Kelvin said if you can't measure it, you don't know much about it.

STEP THREE: We now have a choice. We can establish a goal in the direction we would like the measured value to move, and allow the workers to deal with it. Or we might modify the work process ourselves to make things easier for the workers.

STEP FOUR: Reward those workers who achieve the goal or best embrace the new improved process.

STEP FIVE: Iterate through Steps Two to Four until the system provides *less value* to the customer while generating *better numbers* for the measurements. The mambo cycle is complete when we start over again with Step One.