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LECTURE NOTES

Topic 8. Performance measurement and management

The measurement and subsequent management of organizational performance is necessary to determine whether goals and objectives are being met. Numerous books have been written detailing performance management, benchmarking, competitive analysis, or a multitude of other names. The purpose of this section is to provide an introductory overview of performance measurement and management. The first section will focus on measurement, and the next section will focus on management practices.

The purpose of measuring performance is to help predict future action and performance based on historical data. Measuring performance helps identify areas that need management attention. On the other hand, measuring performance also highlights successful areas and accomplishments. Both are necessary to get a picture of how the organization is performing. Knowing the direction or trend in which the organization is headed is the first step in setting or correcting performance.

Developing raw data into useful information requires a skill set. Measurements must be reviewed on a regular basis to provide insight into the organization. Use of measurements can vary from one organization to another. The following pages provide an overview of using performance measurement.

To properly position the use of performance measurement, some general philosophical guidelines need to be developed. The following is intended to correctly position how performance measurement and management should be viewed.

You can’t measure everything.

Performance management is like a gauge to equipment; it tells operating condition.

Manage what you measure.

Turn data into information, then into action.

Indicators must tie into a ‘‘strategic business plan’’ and have purpose. The best organizations have most, if not all, of the following essential practices in place: (1)

performance measurement/management system developed; (2) Key Performance Indicators (KPIs) driven by business initiatives and linked to strategic direction; (3) focus on internal trending measured and continuous improvement managed.

Downplay only external comparison. External benchmarking data collected, analyzed, and ‘‘shared.’’ ‘‘Core’’ critical success factors identified and measured/managed. ‘‘At a glance’’ performance designed systems and procedures.

For both equipment and manufacturing processes.

Posted and visible ‘‘on the fly.’’ Accessible, user-friendly format, responsive to requests.

Regular performance information review and updates, at least quarterly.

Multiple recognition and reward systems designed and functioning. Simple to ‘‘digest’’ performance information.

Must be in chart or graph form.

With explanation and reveals trending measurement. What is ‘‘measured’’ gets ‘‘managed.’’

Every repairment organization should have a reporting system, regardless of size or whether or not a computerized program supports the organization. Feedback from these systems provides assistance to the organization in determining whether its goals or objectives are being met, if it is satisfying customer needs, and if it is operating efficiently and economically. Last but not least, feedback helps to identify design and quality improvements. The following are examples of reports.