

## Eight Essentials of Performance Measurement

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### Abstract

A well-designed performance measurement system is vital for ensuring that organisations deliver cost-effective, high quality services that meet the needs of service users. Without feedback on all important aspects and a system for ensuring that the organisation acts on that information, managers are struggling in the dark to improve services. However performance measurement is not easy, particularly in health and public services where there is a wide range of stakeholders involved. This article discusses what the author considers to be the eight essentials of performance measurement. Though described in the context of health and social care, they are important for organisations in all sectors.

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### Eight essentials of performance measurement

While most health care organisations are putting considerable energy into measuring performance, the effectiveness of the measures used varies considerably. In designing and implementing any performance measurement system it is vital to address the eight essentials of performance measurement which are described below:

#### 1. Use a balanced set of measures

Delivering excellent health services requires a high standard of performance on a wide range of factors, including clinical care, patient satisfaction, short waiting times, cost control, and learning from best practice elsewhere. It is vital therefore that performance is assessed on a balanced framework reflecting all the different areas. An example of a performance measurement system that is not balanced is the UK Star Rating System for acute hospitals. One episode of the BBC television series *Yes, Minister* featured a hospital with over 500 administrative and ancillary staff, but no medical staff and no patients. Interestingly, this hospital, St Edward's, would have scored better on nine of the 10 key targets used on the Star Rating system than all other hospitals. Only one of the targets related to the care received and there is nothing quite so effective at reducing waiting lists or keeping hospitals clean as having no patients!

There are a number of balanced frameworks available. One is the performance assessment framework included in the NHS Plan, while another is the Public Sector Scorecard which adapts Kaplan and Norton's balanced scorecard for public sector organisations. The public sector scorecard (Moullin, 2004) measures an organisation's performance on five perspectives – the achievement of its strategic objectives; service user / stakeholder satisfaction; organisational excellence; financial targets; and innovation and learning.

#### 2. Make sure you measure what matters to service users and other stakeholders

It is very tempting for professionals to define what they think the service should look like. After all, they are the experts aren't they? However they are not the experts in experiencing the service and careful research is needed with patients, service users, carers and other stakeholders to establish what really matters to these groups. Direct feedback from patients, service users, carers and other key stakeholders is vital both for measuring what matters to them and also for developing action plans to make sure that services meet their needs.

#### 3. Involve staff in determining the measures

Measures that are seen by staff as irrelevant, unrealistic, inappropriate or unfair will be counterproductive. If staff are not involved in determining the measures and feel they are misguided, then they are likely to respond to measures in a very different way than was intended by management, leading to a poorer service all round. For example they may focus on

the measure given at the expense of other more important factors, they may try to get round the system, or they may sub-optimize or concentrate on short-term issues.

#### 4. Include both perception measures and performance indicators.

In measuring performance it is important to have a balance between perception measures – which are obtained directly from service users and other stakeholders – and performance indicators – which are recorded directly by the organisation. For example, measuring the average time patients wait in a GP surgery - a performance indicator – is important as this will show whether the actual waiting time has improved. However this will not tell the surgery how satisfied, or irritated, a particular patient is with the length of wait. A carefully designed patient questionnaire or a focus group (examples of perception measures) would give an indication of this and therefore both types of measure are needed. Another advantage of perception measures is that they can pinpoint changing expectations.

#### 5. Use a combination of outcome and process measures

There is much debate over whether outcome or process measures are more appropriate. However in my view the answer is clear. Measuring outcomes (e.g. whether an ill patient recovers) is important because they are of vital importance to patients and service users. Similarly process measures are important because they measure the way service is delivered – which also matters to patients and service users. In any situation therefore it is vital to monitor a combination of outcome and process measures.

One problem with outcome measures is that they may only be available several months or years following a particular treatment, by which time the personnel or the treatment regime may have changed. They also cannot be used to detect near-misses. There is however also a danger in using process measures if these are not clearly linked to outcome measures or to patient / user satisfaction. A service may then conform to process measures used, but bear little relation to patient outcomes or satisfaction.

#### 6. Take account of the cost of measuring performance

The number of performance measures used in healthcare appears to be increasing exponentially. However performance measures are only useful if their benefits outweigh the costs of obtaining them. Performance measurement can be defined as *evaluating how well organisations are managed and the value they deliver for customers and other stakeholders*. (Moullin, 2002). An interesting implication of this, since performance measurement is itself part of how an organisation is managed, is that performance measurement also needs to be cost-effective and to deliver value.

In foster care, for example, the UK Department of Health requires social workers to monitor no less than 185 standards for each child or foster family. It will clearly be impossible for social workers to monitor them all or, working mainly through volunteer foster carers, to ensure that they are all in place for each child and family in their care. It would be much better to have a smaller number of key measures that can be monitored.

#### 7. Have clear systems for translating feedback from measures into a strategy for action

Many organisations collect a vast amount of information, but do not have an effective system for translating this feedback into a strategy for action. The RADAR cycle – results, approach, deploy, assess and review – used in the Excellence Model is an example of a systematic approach for translating feedback into action. In the **results** phase, measures are analysed comparing current with previous and desired performance. The next two phases are to identify the **approaches** needed to improve performance and to **deploy** the approaches throughout the organisation. The fourth phase is to **assess and review** the new approaches and the measures used, before starting the cycle again.

#### 8. Measurement systems need to be focussed on continuous improvement, not a blame culture.

The final, and perhaps the most important, of the 'eight essentials' is to ensure that the measurement system is focussed on continuous improvement – ensuring improved services for users and patients – rather than on a blame culture. If performance on a particular measure is below par, the emphasis needs to be on establishing what went wrong and how this issue can

be addressed in the future. However if management respond by blaming an individual or a department, this will often be unjust and counter-productive.

One of the main problems with the UK Star Rating System, mentioned earlier, is that there are considerable financial penalties if performance on the key targets is below the required standard. In addition chief executives jobs are at risk if performance is below par. This may cause hospital managers to 'fiddle' the figures or to achieve the targets at the expense of patient care.

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