

Lean Poster Series #18

Performance Measurement and the Balanced Scorecard



What is Performance Management?

Performance measurement is the process of collecting, analyzing and reporting information regarding the performance of an individual, group, organization, system or process. For an organization to become Lean, good performance measurement is crucial within the individual project, or better still across the board as standard within the organization.

Why Performance Measurement?

- It reduces emotion, and helps us to focus on constructive problem solving and improvement.
- Measurement has influential power
- Performance Measurement improves communication, internally among employees and externally between the organization and its customers and stakeholders
- Improvement is "impossible" without measurement. "If you don't know where you are, then you can't know where you're going and you certainly can't get to where you want to be"

Benefit of Performance Measurement

- Set goals and standards
- Detect and correct problems
- Manage, describe and improve processes
- Document accomplishments
- Gain insight into the effectiveness and efficiency of projects, processes and people
- Determine whether organizations are fulfilling their vision and meeting their customer-focused strategic goals
- Provide measurable results to demonstrate progress towards operational goals and objectives

What to measure? A few generic examples

Performance Dimensions	Types of Measure
Competitiveness	Measures re customer base, Relative market share and position, Sales growth
Financial Performance	Profitability, Liquidity, Capital structure
Quality of Service	Reliability, Responsiveness, Appearance, Cleanliness, Comfort, Friendliness, Communication, Courtesy, Competence, Access, Availability, Security
Flexibility	Volume flexibility, Specification and speed of Delivery Flexibility
Resource Utilization	Productivity, Efficiency
Innovation	Performance of the innovation process, Performance of individual innovation

Balanced Scorecard

A popular performance measurement framework developed by Kaplan and Norton designed to:

- Develop, discuss and formulate an organization's strategy
- Communicate the strategy throughout the organization
- Define objectives and specify targets for business units, project teams and employees
- Motivate and monitor employees and managers and guide their actions
- Inform employees, managers and stakeholders on the efficiency and effectiveness of past actions and strategies and the likelihood of success for future actions

Four perspectives represent a balanced view of the organisation and are all closely related to Lean:

1. Financial
2. External customer
3. Internal process
4. Innovation and learning

