

A Presentation On Performance Measurements

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Current Situation of Government Institutions

Many government institutions operate in a funding surplus. The creation of these institutions came about because of available funds. This defines the institution as social overhead. Government institutions are often treated as a stand alone "nothing like it around" organizations. However, institutions should be and must be structured so that ordinary person can manage them, or they are doomed to failure as the extraordinary person is hard to find. The failure of governmental institutions is thus in the system and not in the people that manage the organization.

A business in the private sector creates wealth and revenue by satisfying its customers. Revenues for the government agency are created not by performance but by allocated funds. Because a government institution is a budget-based system, its measurement of success is the maintenance and/or growth of the respective budget. Results as to contribution to the economy become secondary. Efficiency, or cost reduction, is not a virtue. In today's concept, a government agency that fails to achieve its goal is often rewarded by an increase in funding. Achievement of the goal is met with a steady or flat budget. Thus the failure of reaching the goal is subconsciously promoted so the budget can increase, the department can grow, and the administrator can become more powerful.

Measuring Success

Establishing Goals

The first step in the development of a measurement system is to define the goal of the organization. This goal must be measurable to allow the recording of progression toward the goal. The goal must be precise and not abstract. The gathering of the data to measure progress towards the goal must not encumber the system and this data must be readily available. The goal must be achievable, as the unreachable goal soon becomes the impossible dream and thus no effort follows. The goal should not be in a state of flux but a well thought out and relatively permanent goal. The goal must be understandable and the efforts of the organization must directly and proportionately affect a change in the progress towards the goal. Human beings respond to measurements. As the saying goes: "show me what you measure and I will perform to that".

Identifying Bottlenecks

Once the goal has been defined and clearly expressed, the organization must decide what it will take to achieve the goal, and what is keeping the organization from those achievements. Bottlenecks need to be identified. Bottlenecks are the activities that keep an organization from reaching its goal. A bottleneck will be the task within an organization that actually affects the accomplishment of reaching the goal. Although other tasks are required to fulfill the accomplishments of the organization, a bottleneck will be the task that the completion of the process is dependent upon. There is only one bottleneck. All projects and tasks should be analyzed as to their effect upon the goal. An organization that cannot identify the task that keeps it from achieving its goal does not understand either the goal or the organization.

Controlling Bottlenecks

Once the bottleneck is identified it must be controlled, contained, and then eliminated. To do this the flow of work through the bottleneck is emphasized, with only as much work as the bottleneck can absorb placed into the system, as all other work will become backlogged.

A task force should be formed to discover ways to eliminate the bottleneck. Resources should be allocated primarily to the bottleneck. Since the bottleneck has control of achieving the goal, the assignment of funding to reduce bottleneck's effect will move the organization towards its goal all the faster. Once a bottleneck has been eliminated, a new bottleneck will arise but with a lesser effect upon on the outcome of the organization. Eventually, the only bottleneck controlling the achievement of the goal is insignificant and the elimination of it would be cost prohibitive, so then the organization can easily determine what it can accomplish by what can be accomplished through the bottleneck. Thus the department's volume of tasks will be established, and the size of the department can be determined.

Reasons, or problems, keeping the organization from achieving its goal will determine where resources should be allocated. The solution to or elimination of a problem may not have any effect on reaching the organization's goal. By analyzing which problem, when eliminated, moves the organization faster towards the goal determines which problem to concentrate time, effort, and resources upon. Without determining potential bottlenecks, the organization can expend a great deal of capital and not move closer to accomplishing its goal.

The waste of effort and resources within an organization can be eliminated when a proper measurement system and defined goal are implemented. The well-defined and accurate measurement system enables a manager to motivate people's efforts and evaluate the allocation of resources.

Specific Measurements

As this writer understands the goal of the Iowa Department of Economic Development, it is to create jobs within the State of Iowa. If that truly is the goal of the IDED, then a basic and easily obtained measurement would be the employer's tax contribution that is sent to the State Revenue Service each month. However, just recording collected taxes can be misleading. I would also track the IDED's operating expenses. With these two figures, tax revenue and IDED's operating expenses, a ratio between created jobs and cost of creating those jobs can be obtained. (Divide employer's taxes by IDED operating expenses). This would create an atmosphere where the organization will want to increase jobs (thus increasing tax revenue) while reducing the cost of operations. (When this ratio is used as a measurement, the greater the number the more efficient the IDED has been in allocating its resources to effective projects.)

Reference Materials

Management: Tasks, Responsibilities, and Practices
Peter Drucker, 1973

A Study of the Toyota Production System
Shigeo Shingo, 1989

Toyota Production System
Taiichi Ohno, 1988

The Goal
Eliyahu Goldratt, 1984

Lean Thinking
James Womack and Daniel Jones, 1996

The Wealth of Nations
Adam Smith

Background of Mark Ketchum

Graduated: Iowa State University with BS in Industrial Engineering

Military Experience: Iowa National Guard

Employed in apparel manufacturing for 20 years as an Industrial Engineer, Plant Manager, and Operations Manager for such companies as HD Lee, Kellwood, Neely Manufacturing, and Pella Products.

Consulted in Process Engineering for 5 years. Client companies included Airtex in Des Moines, Cole Sewell in Clear Lake, Delta Industries in Reinbeck, Polaris in Spirit Lake, Carroll George in Northwood, and Sticks in Des Moines.

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