

# The dark side of KPIs

In this second article in his series on key performance measures, David Parmenter looks at how KPIs can have unintended negative consequences

**E**very performance measure is like the moon: each has a dark side, an unintended negative consequence. The importance of understanding this dark side and the careful selection of measures should never be underestimated. Many of an organisation's measures may be encouraging unintended behaviour. The frequency with which measures are set to fail by at best naive, or at worst corrupt, management is breathtaking.

As Dean Spitzer, an expert on performance measurement, says: 'People will do what management inspects, not necessarily what management expects.' The following two examples show how performance measures can go wrong.

## Example 1

A classic example is the city train service that had an on-time measure with draconian penalties for drivers. Those who were behind schedule learned simply to stop at the top end of each station, triggering the green light at the other end of the platform, and then continue the journey without incurring the delay of letting passengers on or off. After a few stations, a driver was back on time, but the customers – both on the train and on the platform – were not so happy.

The lesson here is that management should have been focusing on controllable events that resulted in late trains, such as the timeliness of investigating signal faults reported by drivers or preventative maintenance on critical equipment that was running behind schedule.

## Example 2

Managers at a UK hospital were concerned about the time it was taking to treat patients in the accident and emergency department. They decided to measure the time from a patient's being registered to their being seen by a house doctor. Staff realised that while they could not stop patients registering

with minor sports injuries, they could delay the registration of patients in ambulances as they were getting good care from paramedics. They began asking the paramedics to leave patients in the ambulance until a house doctor was ready to see them, thus improving the 'average' time it took to treat patients. Each day there would be a car park full of ambulances and some even circling the hospital waiting for a parking spot.

The lesson here is that management should have been focusing on the timeliness of treatment of critical patients. They needed only to measure the time from registration to consultation for these critical patients. Nurses would then have treated patients in ambulances as a priority – the very thing they were doing before the measures were put in place.

## Shake-up

Measurement needs a new approach. It should be undertaken by trained staff, be consultative, promote partnership between staff and management, and align with the organisation's critical success factors and strategic direction.

Spitzer has suggested the appointment of a chief measurement officer, who would be part psychologist, part teacher, part salesperson and part project manager. The CMO would be responsible for setting all performance measures, assessing the potential dark side of a given measure, abandoning broken measures and leading all balanced scorecard initiatives. ■

## Next steps

- \* Ascertain the measures that are damaging your organisation, and gather support to abandon them.
- \* Read Spitzer's *Transforming Performance Measurement* ([tinyurl.com/spitzerTPM](http://tinyurl.com/spitzerTPM)).
- \* Start promoting the appointment of a chief measurement officer.

### For more information:

For a chief measurement officer's job description, email [parmenter@waymark.co.nz](mailto:parmenter@waymark.co.nz)

David Parmenter's *The New Thinking on KPIs* paper is at [www.davidparmenter.com](http://www.davidparmenter.com)

