

Transforming Performance Measurement Excerpt from Chapter 3

There are two factors that contribute to measurement dysfunction—and, unfortunately, usually also translate into negative, or undesirable, behaviors. The first is *opportunity*. Opportunity is presented by flaws endemic in virtually every measurement system. Because measures are surrogates for actual performance, performance measurement will always be imperfect—and these imperfections will only increase as progressive organizations experiment with new measures in the future. The kinds of measurement dysfunctions described in the previous chapter are negative side-effects of defective measurement systems, and measurement system defects will always be susceptible to manipulation and abuse. However, the defects themselves are not the biggest part of the problem, although they do “open the door” to misbehaviors.

Like flaws in computer software programs, *people* can use defects for nefarious purposes (such as “hacking”), or they can report the defects so that they can be fixed. A positive example is the Linux operating system, where the community of users have been working together collaboratively to “plug the holes” in the software, rather than to exploit them. Of course, they recognize that there will always be hackers—the question is how many. So it is with measurement system defects, which can similarly promote either dysfunctional behavior—unintentional or intentional—or lead to continuous measurement system improvement.

The second factor is *motive*, and it is motive determines whether or not intentional dysfunctional behavior will occur. Motive is the “reason *why*” people take advantage of the weaknesses in the measurement system, and in order for this kind of intentional measurement dysfunction to occur, there must be *both opportunity and motive*.

I remember when I was growing up in New York City. On virtually every corner there were self-service newsstands outside various shops, and, rather than go inside and pay, people would take a newspaper and place money right on the newsstand. That money was readily available for other passers-by to steal, but, for the most part, they didn't. There was opportunity, but not motive. The prevailing "honor system" caused people *not* to exploit the opportunity.

In any system, those who stand to "win" or "lose" because of the defects in the system certainly have an incentive to use the system for their own personal benefit—but the question is: What makes them do so? Why did the people in New York City generally not steal from the newsstands and why do the Linux users focus on fixing the problems with the operating system, rather than exploiting its weaknesses? The answers that follow will provide insight into *why* dysfunctional measurement occurs—and why it is endemic in most organizations today.