



# PERFORMANCE INDICATORS IN PT COMPANIES

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## KEY ISSUES

- Why we need performance indicators?
- Which indicators to use?
- New methods of measuring performance



Measurements are the key ...

If you can't measure it, you can't control it ...

If you can't control it, you can't manage it ...

If you can't manage it, you can't improve it !!!

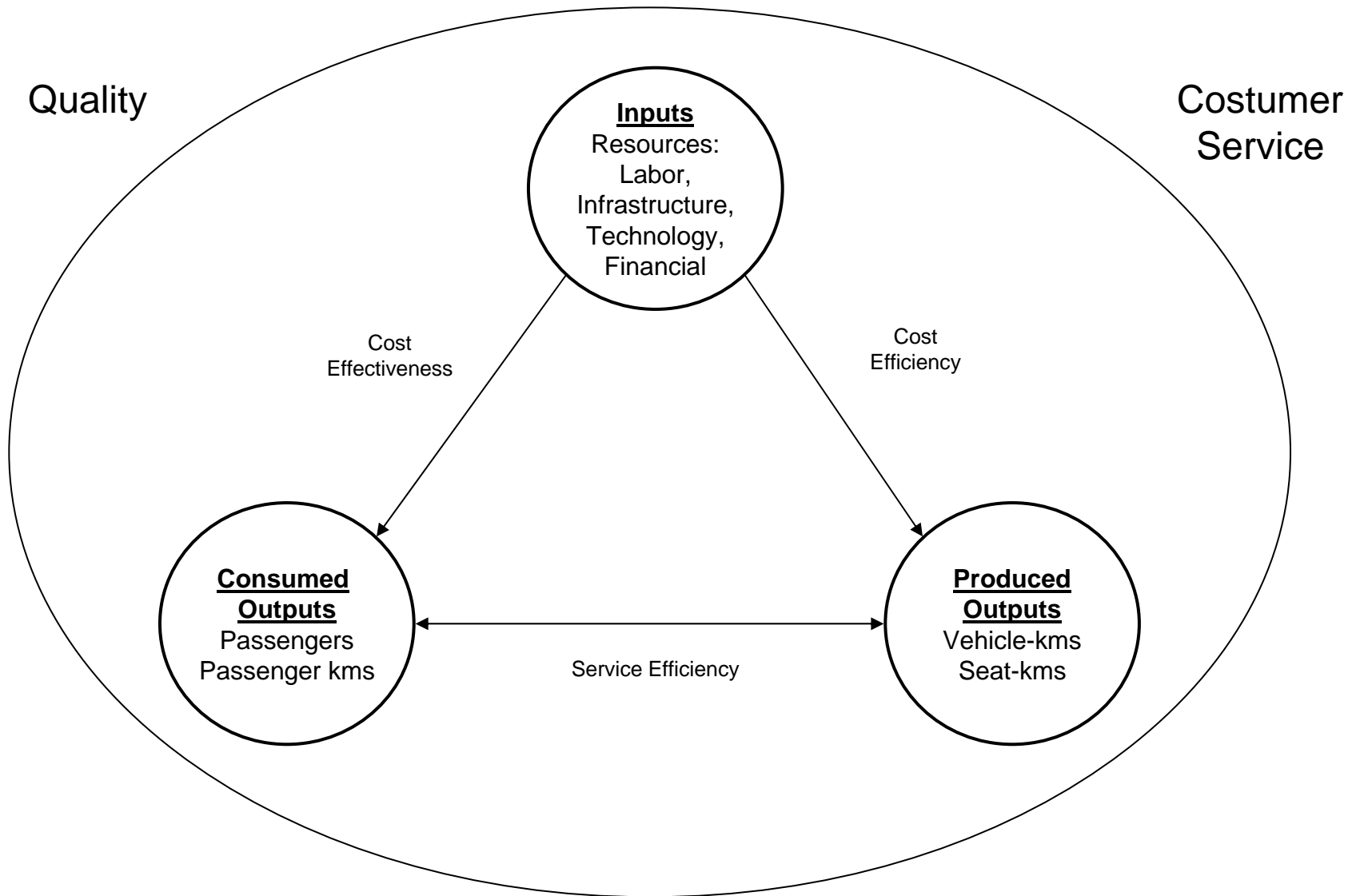
## **Performance Indicators**

Definition:

Quantifiable measures used in assessing management's success towards the achievement of system objectives

## **Use of Performance Indicators**

- Time-trend analysis: how well the system compares to itself over a series of years?
- Peer group analysis: how well the system compares with other systems in its class?
- MBO analysis: How well the system has achieved the established standards for the system?



## Cost efficiency measures

The amount of public transportation services produced for the community in relation to the resources expended

- This measure addresses the question, *How many resources were expended per unit of public transportation service*
- Units of service produced are measured in terms of service outputs such as vehicle hours or vehicle Kilometres
- Resources expended include labor, capital, materials, and services
- Primary cost efficiency measures include **total operating cost per vehicle service hour** and **total operating cost per vehicle service kilometre**

## Cost effectiveness

The consumption of public transportation services in relation to the resources expended

- This concept addresses the question, *How many resources were expended per unit of consumption or how much consumption revenue was received per unit of resource expended?*
- Consumption is measured by passenger trips or passenger kilometres
- Resources expended to produce service are normally measured in terms of monetary terms (€)
- Primary cost effectiveness measures include **total operating cost per passenger**

## **Service effectiveness**

The consumption of public transportation service in relation to the amount of service available

- This addresses the question, *How much public transportation service was consumed (or revenue received), at an established price, in relation to the amount of service available?*
- Primary service effectiveness measures include
  - ✓ **Passengers per vehicle service hour**
  - ✓ **Passengers per vehicle service kilometre and**
  - ✓ **Passenger kilometres per Vehicle Service kilometre.**

## Service Quality

The relationship of service delivery and customer expectations

- This concept addresses the question, *Does the delivery of public transportation service meet or exceed customer expectations?*
- Service quality is defined as passengers, clients, and the public perceive it.
- Service quality has many dimensions and the importance of any single attribute differs among people.
- However, the attributes of quality include at least accessibility, availability, reliability, safety, and comfort.

## Characteristics of useful performance indicators

- **Applicability:** It must be derived from a specific plan that has a specific objective. Example: Kms between road calls relates to the maintenance objective
- **Promptness:** How quickly is the information available. Example: Setting an objective for the cost/km is of little value if cost information is available on a yearly basis. It should be available in time to affect change

- **A critical exception component:** Tolerance limits should be set
- **Clarity:** Make sure that everybody measures the same thing, especially in peer analysis
- **Economy:** Should not impose unnecessary financial burden
- **Basis for action: Accountability should be clearly identified and understood**

## Drawbacks

- Sometimes difficult to collect all relevant data
- Difficult to realize the cause and effect relationship and the linkages between them
- An improvement in an indicator may be misleading
- Failure to see the total picture - too narrowly focused on processes only

## Management Models

- Total Quality Management
- Benchmarking
- Total Quality Control
- EFQM
- Balanced Score Card

## TQM

- Establishing process management
- Reengineering work processes and job responsibilities
- Implementing supplier management and partnerships
- Evaluating and improving the measurement system
- Evaluating and improving the management performance appraisal system
- Instituting a system of "organized abandonment"

## TQM Approach

### **TQM should promote:**

- A customer-focus over a boss-focus
- Employee support
- Team goals as much as individual goals
- Values and leadership behaviours as much as performance results

To bring performance appraisals more in line with the principles of TQM, we need a more balanced set of performance and leadership criteria and use evaluative feedback from several sources

- Individual performance indicators
- Team-based performance indicators
- 360-degree feedback regarding leadership behaviors supporting desired values
- Team-based customer satisfaction results
- Skill acquisition and certification of both technical and leadership skills

## Balanced Score Card

Aims at articulating the strategically relevant issues and parameters along four dimensions:

1. the **financial perspective**, aimed at identifying the key targets connected to the shareholders interests and expectations.
  - Consequently, this dimension is generally expressed through short- and medium-term financial and profitability ratios and measures, such as Return on invested capital, Return on sales, cost-income ratios
2. the **customer perspective**, which requires the identification of the customer value proposition of the company and its consequent translation in customer satisfaction measures (for example: service level assured, quality delivered, price acceptance, image recognized);

3. the **process perspective**, focused on the efficiency and effectiveness of the key business processes. Typically, this dimension calls for cost, quality and time measures;
4. the **learning and innovation perspective**, which has at its centre the governance of the key strategic assets, that is the assets (generally intangible in nature, like knowledge, competencies and human resources) that play a major role in assuring the long-term competitiveness of the company.