



## From Our Irregular Correspondent

### Numbers only tell half the story

*The following is based on an article written by Terry Dennis, of Healthcare Alliances, which was published in the Health Service Journal in 1997.*

There needs to be more understanding about a more balanced approach to measuring performance in the public sector.

There are four problems with using a purely numerical and accounting approach to measuring performance:

- most reports only record past performance. That performance itself is often the result of managerial and actions taken in previous reporting periods, perhaps up to two years previously
- financial performance is not the same as managerial performance and there is no correlation over the short term
- the activities of an organisation cannot be totally quantified. The skills and expertise of the workforce rarely appear on an organisation's balance sheet
- financial performance for one time period cannot be used to assess long term performance.

The problems are compounded because most reporting systems are based on two major weaknesses:

- if an activity does not have a numerical impact, then it is not easy to assess its significance. An organisation is the sum of activities carried out by the people within it. Only some of those activities have a numerical and financial impact
- even if a single event does have a measurable numerical impact, the financial and management reporting systems cannot record the total impact on the organisation of, what will be in practice, a series of different but inter-related events.

For example, if a key member of staff retires the financial reporting system shows an immediate improvement in performance - costs have reduced. Only over time does the detrimental impact on activity become clear.

Current reporting systems in the public sector report mainly financial results which are the result of:

- operational decisions in the last year
- tactical decisions in the previous two years
- strategic decisions taken several years ago previously

More sophisticated reporting processes are required which take a more balanced approach. They need to be developed as an enhancement to managerial processes, not just as a result of having to be held accountable for financial performance.

In addition to sound financial management, a balanced approach should place equal weight on measuring and reporting:

- internal aspects, such as:
  - staff morale, training and development which is essential if trusts are to continue to respond successfully to the ever increasing changes in the environment
  - managerial processes, such as communication and role clarity, which help to lubricate the internal networks and external linkages of trusts
  - customer satisfaction
  - R&D activity
- external aspects, such as:
  - financial management
  - activity
  - capacity

One of the key aspects of a performance system is that measures should not be combined in any attempt to arrive at a single all embracing performance measure. It is consideration of a multiple spread of complementary measures that is important, rather than a meaningless amalgamation of unlike measures.

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We welcome comments on this paper which:

- disagree with us
- agree with us
- amplify the points we make
- give a different perspective

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