

College of Business Book Review by Reed A. Roig

Title: "The Performance Paradox: Understanding the Real Drivers that Critically Affect Outcomes"

Authors: Jerry L. Harbour

Publisher: Productivity Press (Taylor & Francis Group)

Length: 192 pages

Price: \$35.00 (Hardcover through Amazon.com)

Reading time: 5 hours

Reading rating: 7 (1 = very difficult; 10 = very easy)

Overall rating: 3 (1 = average; 4 = outstanding)

"The Performance Paradox" is a timely reference to help managers, investors, regulators and employees better understand performance in any setting - its achievement and improvement and, most importantly, the limits to its improvement. The American Heritage Dictionary defines a paradox as a statement that is contrary to commonly accepted wisdom. The author of this book suggests that "a performance paradox is a paradox that refers to what does and does not drive performance or what does and does not result in a result". The statement is not exactly profound, but it reminds us to challenge what we define and measure as performance and what we believe drives performance and performance improvement. Not a bad idea in today's economy!

The book begins by providing examples of performance paradoxes from such diverse settings as R&D (more money leads to more success), the military (technology leads to military advantage in all settings), and baseball (higher payroll leads to more championships). This becomes the basis for an exploration of the subject of performance. He describes performance, the importance of how it is measured, and the importance of defining and measuring what drives it. He introduces the idea of building a performance model and describes the process for developing such a model for any setting. Most importantly, he describes how a well built model can be used to identify and measure the key drivers of performance and can sometimes help diagnose problems and prescribe methods of improvement.

The author provides a convincing argument that performance improvement has a life cycle just like a product and that at some point just doing more of the same will not yield any additional improvement. When this point is reached, it is only through some innovation that further improvement is possible and the introduction of the innovation is likely to first degrade performance before improving it. I appreciate that the book does not push the "performance improvement technique of the month" and even suggests that the method is likely not the most important factor that drives performance improvement.

It is because of the necessity of including some statistics in the discussion that I suggest the book is not an easy read. However, the author does an excellent job of introducing statistical terminology in a non-threatening way. He introduces and defines the variables and format of a general performance equation  $Y = f(x)$  so that anyone who has not recently taken a basic statistics course will still clearly understand the concepts involved. He does the same with his discussions of normal curves, logistic functions, correlations and regression. I particularly like

his adoption of Deirdre McCloskey's terminology for statistical significance – “those factors that add true oomph to your performance equation”. I also like the book's emphasis on the power of graphs to represent and help understand statistical relationships. For those that still have problems with some of the terminology, he includes a glossary at the end of the book.

A few years ago, a professor in another business discipline at Western Carolina University asked me to concisely define what the study of accounting was all about. I was caught off guard by the question, never having really given my discipline that kind of thought. After a day or so, I finally decided that accounting was really about “performance measurement”. This book reinforces that thought and reminds me that it is not always the common accounting measures (income and EPS) that define performance. Real performance and its drivers are unique to each business setting and it is our challenge to find and measure them. This book provides the basic tools to begin that process.

Reed A. Roig is an Assistant Professor of Accounting in the College of Business at Western Carolina University and a CPA in the State of Ohio. For previously reviewed books visit our Web site at [www.wcu.edu/cob/](http://www.wcu.edu/cob/).