

# EXTRACT FROM CHAPTER 10

## Characteristics of Meaningful Measures

### Rules for Designing Measures

As mentioned in Chapter 2, it is one of the myths of performance measurement that appropriate measures are very obvious. There are a number of rules to follow when designing measures and these are set out in Exhibit 10.3.

EXHIBIT 10.3 The Rules for Designing Measures

<b>Determine the difference between Result and Performance Indicators</b>	If you can phone a manager and they accept the responsibility for a measure, it is a <u>Performance Indicator</u> . Where you have measures that summarize collective action, of several teams working together, then a phone call is of no benefit as no one will accept responsibility. These measures I call <u>result indicators</u> . Each of these two categories have some exceptional measures and these are called <u>key result indicators</u> , or <u>key performance indicators</u> , as appropriate.
<b>Ensure that a measure is designed from or links to one of the organization's CSFs</b>	As mentioned in Chapter 9 I see the CSFs as the source of all performance measures. If you get the critical success factors right, it is very easy to find your winning KPIs. By ascertaining the CSFs, first you have started with the end in mind.
<b>Timely measurement so you are measuring more at the "top of the cliff" rather than at the "bottom of the cliff"</b>	<p>It is clearly better to catch problems early on rather than measure their impact in the monthly report. Where you need change to occur, daily or weekly measurement has a far better chance to prompt corrective action to take place.</p> <p>I do not believe there is a monthly KPI on this planet. If a performance indicator is key to the well-being of an organization, surely you would measure it as frequently as possible.</p>
<b>Focusing measures on the exceptions</b>	Focusing on an exception is better than having to measure everything. It is surely better to measure late planes in the sky over two hours late than the percentage of "on-time" flights in the month.
<b>Remove measures that will lead to damaging or dysfunctional behavior</b>	All measures will have a dark side. The question is how big is the dark side? Some will lead to damaging dysfunctional behavior e.g., the measuring of calls, made by staff in call centers, will lead staff to make multi-calls to the same customers leading to an eventual loss of those customers.
<b>Wording of measures</b>	Often the initial measure is a statement or even just a clue as to what is to be measured. E.g., "Number of successions plans in place". A better rewording is

	<p>“Number of key positions with at least two potential replacements”. A performance indicator that should be measured quarterly. It will promote managers to recruit and train staff who have the potential to be their successor. It also reminds management that one potential successor is not enough as the odds are that the staff member will leave before the promotion can occur.</p>
<p><b>Ensure the cost of measurement is much less than the benefit</b></p>	<p>Many measures may appear useful but on reflection have a negative cost/benefit relationship. E.g. Number of business opportunities in the pipeline. Whilst it would be great to have a central database of business opportunities, in reality such lists will be incomplete. Staff will get weary of updating it. The dreaded timesheet should not be introduced to support measurement. It is a far too onerous, error prone, and costly system. Even in some accounting firms the time sheets have been replaced with an agreed banding of fees covering the expected high and low range, leaving the eventual fee subject to agreement of the work undertaken.</p>
<p><b>Design the measure around the action you want to stimulate</b></p>	<p>When you have the results of a staff or employee satisfaction survey the net score is interesting but not that important. The key is whether any of the survey recommendations have been implemented. If you do not implement these recommendations, the survey was a total waste of money and respondents time. Thus, the measure is how many recommendations have been implemented to date (and this is would need to be reviewed weekly).</p>
<p><b>Use your oracles when designing measures</b></p>	<p><b>When looking at a CSF, get your wise oracles to ask themselves “What has good performance looked like?”</b> and then ask yourself <b>“What has bad performance looked like?”</b> Both views will shed light as to what should be measured. Then ask yourself, “What “Top of the Cliff” measures would give advance warnings of this negative performance?”</p>
<p><b>Prioritize measures which you can compare to other organizations</b></p>	<p>Relative performance measures are an important addition to KPIs; for example, you may focus on all planes in the air that are flying more than two hours late 24/7, but, in addition, compare total late flights, average turnaround times, number of missing passengers, and so forth, to other airlines. Perhaps this could perhaps be carried out quarterly, using a benchmarking company.</p> <p>Another benefit of relative measures is that they do not need constant alteration (e.g., if being in the top quartile or two percent above the norm is the relative measure, then this benchmark does not need changing).</p>
<p><b>Have a mix of 60% Past, 20% Current and 20% Future orientated measures</b></p>	<p>Any measures that relate to activities within the last 24 hours are considered <u>current indicators</u>. <u>Future indicators</u> are measurements you can do now that will</p>

	encourage an action to take place, e.g., Number of innovations scheduled to be implemented in the next month. See Chapter 1 for more detail
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## Suggested Exercises to Improve Measure Design

In order for staff to help the KPI team to determine measures, we need to train everybody in the rules for designing measures, as listed in Exhibit 10.3. The best way is through getting the KPI team members and the workshop attendees to undertake the following exercises.

### Rewording of Measures

Measures need to be reworded to comply with these rules. Here are some examples of how I would have reworded the initial statement.

**Original measure:** Number of staff employee suggestions received in month

**The improvement and the reasoning:** "Number of employee suggestions implemented by team" a performance indicator measured monthly & "Number of employee suggestions to be implemented, next week/fortnight, by team" a performance indicator measured weekly. Whilst it is great getting the ideas in, we want to target the change the suggestions have created so we focus on implemented ideas.

**Original measure:** Number of employees with no formal systems training

**The improvement and the reasoning:** "Number of employees trained on \_\_\_\_\_ system (advanced technology only)". A result indicator as it involves the training department and the cooperation of the teams involved in receiving training. We want to target the important technology. Best to focus on, say, five systems which should be well understood in the organization.

**Original measure:** Percentage of staff attending scheduled training

**The improvement and the reasoning:** "List of scheduled training sessions in the next three and six months" A future based performance indicator that is measured monthly. This future measure will give management a heads-up as to whether there is enough training. "List of departments who have not registered staff to attend inhouse course" A current performance indicator which will be measured daily in the three weeks prior to the course. This measure will encourage managers to enroll staff rather than explain to the CEO why their team is too busy to get further training.

**Original measure:** Attrition rates in the last six months

**The improvement and the reasoning:** "Turnover of experienced staff who have been with the organization for over three years". A result indicator measured quarterly to help assess whether the organization is losing experienced staff at an acceptable rate. "Turnover of new staff who have been with the organization less than one year by department". A result indicator, measured monthly, to highlight managers who are creating a dysfunctional work

environment. "List of managers with high turnover of staff". A performance indicator, measured quarterly, highlighting problem managers.

**Original measure:** Number of weeks vacancy is unfilled

**The improvement and the reasoning:** Number of weeks vacancy is unfilled by category of importance. A result indicator which will be measured weekly. We want to focus on the vacancies for key positions.

**Original measure:** Percentage of staff who have scheduled training planned over the next 12 months

**The improvement and the reasoning:** Percentage of staff who have scheduled training planned over the next three to six? months. This is a performance indicator measured quarterly. The measure will encourage managers to sit down with staff and plan for training before the quarterly measure highlights their inactivity.

**Original measure:** Number of recognitions made last month

**The improvement and the reasoning:** Number of planned recognitions in the next week/two weeks by each manager. A performance indicator measured weekly. This would be measured for the CEO and the next two layers of management. Whilst giving no recognition within a fortnight maybe acceptable within a month is clearly an indicator of a breakdown in their communication.

**Original measure:** "Number of succession plans in place"

**The improvement and the reasoning:** "Number of key positions with at least two potential replacements". A performance indicator measured quarterly. It will promote managers to recruit and train staff who have the potential to be their successor. One potential successor is not enough as the odds are that they will leave before the promotion can occur.

**Original measure:** "Percentage of team that have completed induction training"

**The improvement and the reasoning:** "New staff who have not attended an induction program within \_\_\_ weeks of joining". This performance indicator will be reported weekly to the CEO. The importance of induction programs will be supported by this measure.

## Looking for Measures with a Negative Cost Vs Benefit Relationship

There will be measures, that appear reasonable on the face of it, however the cost gathering the data will outweigh any derived benefit. Set out in Exhibit 10.4 are examples of measures where measurement would not be cost effective.

EXHIBIT 10.4 Measures Where Measurement Would Not Be Cost Effective

Measure	Reasoning
Number of business opportunities in the pipeline	Whilst it would be great to have a central database of business opportunities, in reality all lists will be incomplete.
Time spent preparing for interviews	I have seldom found it worth recording time spent as it would involve the introduction of time sheets. A dreaded system that staff hate and are seldom right.
Number of applicants because of our advertisements	You only need three good candidates for a valid recruitment process
Number of candidates interviewed	
Number of unsolicited CVs received during a month	Poor quality measure as many CVs may be of no relevance.
Number of leavers during a month	Mixing the data up. We need to look at leavers by experience and by department.
Percentage employees with delegated authority	Difficult and time consuming to gather data accurately.
Error rate per IT system	Likely that data will be corrupted
Number of late reports	Difficult and time consuming to gather data accurately.
Time spent on innovation	Seldom worth having time sheets for measures.
Number of near miss/risk incidents averted	Difficult to measure and likely to have a negative cost vs benefit ratio.
Percentage of projects with design documentation	
Hours spent on personal development for leaders and future leaders	
Number of networking and industry events attended	
Time saved on efficiencies implemented	
Number of projects on budget	
Evaluation of the usefulness of reports	