



Is Your Organization Tracking the Right Performance Measures?

By Randall Rollinson, President, LBL Strategies, Ltd.

Every organization wants a “silver bullet” for performance measurement. A singular, quantifiable activity, when closely monitored, that magically signals they are on the glide-path to achieve planned for growth and success.

What are you tracking? ROI? Gross margins? Customer satisfaction? Customer retention? Staff satisfaction? All of the above? None of the above? Whatever the present focus of your measurement system one thing is certain; it must align with organization strategy and not just financial performance. Too often organizations rely primarily on historical financial data rather than focusing on a balanced combination of leading and lagging indicators.

Why is this issue important to your organization?

Chasing the wrong numbers is a serious miscalculation. In today’s turbulent environment leadership teams need a balanced approach to performance evaluation that relies on indicators that tell us “where we’ve been” and “where we’re going” to confirm we are headed in the right direction. Performance indicators should be developed to track developments internally in areas such as operations and training and externally in areas like customer satisfaction. Organizations with a balanced set of metrics see what’s coming at them and are able to shape and influence their operating environment rather than being blindsided and having to react.

To see what shape your organization’s performance measurement system is in consider using the following 6 step process to complete the *Performance Measurement Checklist*.

What are the steps involved in conducting this checklist?

1. Identify a project leader on the management team or recruit a consultant from the outside who will spearhead this self-evaluation process.
2. Schedule a meeting with the project leader and management team to discuss the importance of reviewing your organization’s performance measures.
3. Complete the *Performance Measurement Checklist* outlined below.

4. Use the two attached worksheets to guide development of performance measures as needed. One is blank (for your use) while the second provides an example (to follow).
5. Set a deadline for completion of this report.
6. Review the results with your leadership, and create a plan to make sure that your performance indicators are in alignment with your organization's strategy and objectives.

What is the CEO or Executive Director's role in this process?

The CEO or Executive Director champions this initiative and explains to the staff and leadership why it is worth the significant effort that will be required to undertake it.

Who should the project leader be, and what is his or her role?

The project leader should be a member of the executive management team who has excellent interpersonal and organizational skills, and who is on good terms with the leadership team.

How much time should be set aside to undertake this analysis?

The initial review and completion of this checklist can be done within one week. It will show you where to begin to create a balanced approach to measurement. **This is not to be confused with building out a performance measurement system.** From scratch it can take as much as one year to build a workable measurement system, and another six to twelve months to refine it. Keeping the performance indicators valid and valuable requires an ongoing review process be established and maintained...diligently.

Performance Measurement Checklist

1. Is your organization's vision and strategic plan (key result areas and high level strategies) clearly understood by the Board, CEO and management team?

Yes___ No___

If yes, what are the core high level strategies for your organization?

If no, this is your logical starting point. Bring your team together to review and develop a shared understanding and agreement on what the organization's current strategic plan is.

2. Do you have a set of objectives to execute this strategy?

Yes___ No___

If no, take this next step. Develop a balanced set of objectives to take you in the direction you want to go.

3. To ensure the present objectives of your plan are balanced answer these questions:
- Do you know how and where you, your staff, the board and organization need to learn, grow and innovate to make your strategy a reality?
Yes___ No___
 - Do you know what internal processes will move your organization in that direction?
Yes___ No___
 - Do you know what customers value and how they will rate their satisfaction with your performance in moving in that direction?
Yes___ No___
 - Do you know what financial outcomes you must achieve?
Yes___ No___

Answers to these questions lay the groundwork for what you should be monitoring in a “balanced scorecard” approach to your organization’s growth and change.

4. Do you have indicators that tell you what you should be tracking, at least for the most important objectives?
Yes___ No___

For instance, if training is a key component, then you would want to track how many people have been through the required classes and/or demonstrated the necessary level of proficiency.

5. Are your indicators valid? That is, do they truly measure the right thing, which is the accomplishment of the objective?
Yes___ No___

6. Are your indicators valuable? That is, do they communicate what you’re trying to communicate to your team? Do they track accountability?
Yes___ No___

7. Are your indicators adequately easy to track?
Yes___ No___

A “Yes” here points to data that already exists and can be accessed relatively easily. A “No” may point to great effort and expense (such as customized software) being required to track this information? If so, it’s possible that you need to redefine your indicator. If it is too difficult to track the information, it may be counter-productive to begin.

8. Identify your indicators as to either being “leading” or “lagging” where:

Leading Indicator = in advance of a desired outcome

Lagging Indicator = after a desired outcome

Ideally, you will have a balance of leading and lagging indicators. Leading indicators come from learning and growth, and internal operations—such as how long it takes for a process that the customer values to be completed. Lagging indicators are customer satisfaction and financial in nature.

Leading Indicators

- 1.
- 2.
- 3.
- 4.
- 5.

Lagging Indicators

- 1.
- 2.
- 3.
- 4.
- 5.

9. Look at each pairing of objective and indicator. Ask yourself: Do we need to track a given objective with more than one measurement?

Yes___ No___

For example, if you’re tracking customer satisfaction and you use a once-a-year survey that only 3 percent of the customers return, you’re setting yourself up for inadequate feedback. But add a quarterly meeting with a core group of customers and a method for tracking the number of referrals you get from existing customers, and you have a three-dimensional approach to this indicator. Other objectives may be well-served with only one indicator.

10. Do we have a timeline in place for each of our core objectives?

Yes___ No___

If not, you will find this process languishing unnecessarily. Putting dates and deadlines to your “balanced scorecard” will keep it on track.

11. Will any or all of our indicators be linked to team-based compensation?

Yes___ No___

For instance, your operations staff could receive incentives for some key changes, like reducing cycle time or reducing costs in a particular process. Or, to ensure that everyone has been trained in appropriate customer service behavior, train them all then take them to a ballgame to celebrate. When the time to complete a process is reduced, that’s an opportunity for reward and recognition as well.

12. Do you know who is responsible for collecting and reporting the data? Has that responsibility been defined?

Yes ___ No ___

Ideally, you will avoid putting this task exclusively in the hands of the CFO, business manager, or any other “numbers luminary” in your office. Tracking the numbers should occur throughout the organization.

13. Are your objectives/indicators prioritized?

Yes ___ No ___

If not, sort through them and make sure you are tracking the most important ones. Ranking can be accomplished by using a spreadsheet that rates each indicator on a 1-5 scale, with 1 being least important and 5 being most important.

Randall Rollinson is President and Chief Strategy Officer for LBL Strategies, Ltd. He is the lead instructor in the Certificate in Strategic Management Program www.csmlearning.com and a certified Strategic Management Professional and a Registered Education Provider for the Association for Strategic Planning <http://www.strategyplus.org/>. He can be reached at rrollinson@lblstrategies.com and 773-774-0240.

