Excellence Through Measurement

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Today's employees are (or should be) empowered to drive their organizations towards attaining strategic goals and tactical objectives. These goals and objectives are often quantified with key performance targets defined to establish the criteria for success. Most organizations have clear definitions of success surrounding sales, revenue, operating expenses, employee retention, employee education, and other critical business segments. Definitions, however, are not enough. Your people need to know when they have succeeded and when they have not. This can only be achieved if the goals and objectives are measurable. In today's world, such measurements can be instantaneous, allowing excellence to be achieved virtually at a moment's notice!

Goals and objectives provide the key measurements that define success. Let's look at some examples of measurable goals and objectives in our changing world.

Case Study #1:

A manager must deliver a product within time and budget constraints. Time and money are easy to measure. However, the success of a product also depends on customer satisfaction. Technology can help measure the level of quality. Your firm can collect data on customer support calls and number of new problems identified by customers, the quality of a new product can be evaluated by simply comparing these statistics, say, during the first 3-6 months after shipment, with historical data.

To refine this measure even further, you can calculate the percentage of problems per thousand or million units sold. Now the manager and her team have clear goals. You will also generate some healthy internal competition among teams that will drive the organization to new levels of productivity and quality.

Case Study #2:

A financial administrator processes order and shipment data during all reporting periods from monthly to annually. It is a stressful job requiring agonizing attention to detail. How do we know if this person is doing a good job? We could wait until the auditors arrive at year-end but this is a high-risk approach. Again, technology can help.

A better solution is to link the order entry and order fulfillment systems such that data is continually collected, aggregated and reported. Is the financial administrator out of a job? NO! He now has TIME to analyze the data, look for trends, monitor the backlog and take proactive steps to raise the visibility of critical issues. Now you can measure his timeliness in providing the reports and his ability to identify trouble spots.

Setting goals like these lays the groundwork for establishing performance expectations throughout the organization. In the traditional business model however, monthly, quarterly and yearly reports are generated to help the executives compare actual results against the original goals and objectives. Employee performance reviews are conducted annually. While this model has worked for many organizations, the timeliness and quality of the data presented in these reports can be neither adequate nor able to be adapted to the rapidly changing business environment.

In order for professionals to successfully manage their work functions, a formal model for managing business and employee performance must be established. At my firm, a system called Business Performance Management (BPM) has been developed to provide the framework for this model.

The goal of a BPM solution is to:

i) Provide timely access to reliable business information (Cisco Systems can close its quarterly results in 24 hours!)

ii) Enable the organization to identify new business conditions (Amazon.com always knows where the action is on the Web and constantly re-positions itself accordingly!)

iii) Provide real data to justify taking action (Wal-Mart tracks its inventory to excruciating detail so that it always has what the customer needs before the customer knows it!)

Developing an effective performance model helps to identify what's important and how to capture it. You develop a performance model by focusing on three key areas:

i) **The goals and objectives of the business** as they apply to a specific organizational unit. These should be examined with an emphasis on quantifying and measuring results. "Increase revenue by 25%" is a great goal but must be translated into something of tangible value to each department and/or person. For example, the Marketing department may need to place banner ads on 50 new web sites. Sales which may need to conduct 100 additional cold calls per week.

ii) **The high-level flow of data within the organizational unit** which should be documented and mapped. A search should be undertaken for data that is captured, how it is used, and how it can be linked to the business goals and objectives. As above, if the goal is to increase revenue by 25%, you need to know how revenue is measured and where the data comes from. This information will be needed at least weekly but daily would be even better. You cannot wait 3 months for find out if your efforts are having an effect.

iii) **Any existing data collection/analysis efforts** that quantitatively measure business or employee performance. Examine these for effectiveness and value. You may be collecting data that does not matter. Web site hits, for example, are meaningless. What you really need to know is the number of visitors to the site and differentiate between new and returning ones.

The result of this kind of analysis is a description of the high-level performance management strategy for each group within the company. This strategy will define your approach for measuring each defined goal and objective. The approach will also describe the process of collecting the appropriate data, analyzing it, and reporting the results.

Of course, information technology architecture that includes technical, data, network, security, and application components must also be considered. It is likely that enhancements to existing systems will be needed. The creation of a new, flexible architecture that can adapt to future business changes is an essential ingredient to competing in the Internet world.

Implementing an effective performance management solution creates a foundation for better business decision-making that can lead to an increase in market share, a reduction of operational costs, and an increase in profitability and shareholder value. Analysis of behavior patterns can provide early warning of problems. Looking at data historically can identify emerging buying trends.

More importantly, an effective solution increases morale and productivity. When employees know what they are responsible for and how they are measured, they get more excited about getting the job done. Better still, technology can enable people to spend less time doing and more time thinking. In today's fast-paced world, thinking time is scarce enough.

Performance management is not a one-time project effort, but rather an ongoing business mindset. Executive decision-makers require the ability to monitor defined aspects of their business in the manner they wish, and taking the time they need, even if today’s concerns are different than yesterday’s.

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