

Gauging performance

Measurements are critical tools for corporate success

Question:

We've spent the last year trying to improve how we measure employees, departments and the company as a whole. What do you suggest we do so that we can begin to tie all of this data together?

Answer:

In today's measurement-focused organization, managers at all levels must spend a great deal of time and effort measuring individual (i.e., employee) and collective (i.e., team, work area, department, division, organization) performance. To identify process improvement opportunities, managers must look for things that add value and those that do not.

Researchers have identified a value chain that encompasses all activities an organization uses to produce and deliver its products and goods and services. To do a comprehensive job of measuring, activities in each of these areas must be studied:

- **Inbound logistics:** Bringing raw materials into the company.
- **Operations:** Doing something with the materials.
- **Outbound logistics:** Sending out goods/products/services.
- **Marketing/sales:** Bringing the goods/products/services to market.

- **Customer Service:** Offering ancillary services in support of the goods/products/services.
- **Infrastructure:** Adding value via legal, financial, etc.
- **Human resource management:** Selecting, training, etc. employees.
- **Technology development:** Improving equipment, tools, etc.
- **Procurement:** Acquiring resources attached to the items listed above.

Additionally, in today's customer-oriented marketplace, special attention must be given to assessing performance relative to customers and their requirements. Critical questions such as these must be asked: What does the customer say he or she expects? What do you think the customer expects that he or she did not say? What do you think the customer desires? What do you think would excite or wow the customer?

Specific, concrete answers must be obtained to each of these questions (and related ones). Measures must be used to obtain relevant data. In analyzing the data, explicit criteria must be applied so that effective judgments and evaluations can be offered.

The importance of measuring is implicit in this approach. As I have observed previously, measurement just may be the most vital managerial tool at your disposal. Without measurement, we cannot: communicate performance expectations; know what is going on inside the organization; identify performance gaps; provide feedback comparing observed performance to a defined standard; or recognize performance; support decisions regarding resource allocation, projections and schedules.

So, measurement is absolutely critical if you are going to make proper and timely

adjustments and refinements to your work processes. Many of these adjustments will have to do with the quality of the goods, products or services and the level of customer satisfaction that is derived from their consumption.

Quality and customer satisfaction are focal points for most organizations these days, at least for those that strive to become high performance organizations. In today's competitive marketplace, the ability to offer high quality products and services that satisfy customers, but at the lowest relative cost, is the key to being competitive.

Researcher Ellen Shapiro has identified a relationship she calls the strategic triangle. She views this model as central to organizational success today. Three variables comprise this relationship:

1. Product- or service-derived benefits to customers.
2. The price that customers pay for that product or service.
3. The costs of offering the customer that product or service.

Effective managers understand this framework, and they help others do the same. Further, these managers understand the underlying tasks that bear upon this framework. Specifically, on an ongoing basis, they focus their energies on improving how the tasks that are carried out within the value chain (discussed above) affect the strategic triangle and the critical variables of benefits, price, and costs.

Effective managers, therefore, encourage process improvements, manage and monitor individual and collective performance, and initiate fine-tuning adjustments on an ongoing basis.

If I haven't already made the point very clear, let me do so again: Measurement is the foundation of managerial and organizational

success. It is at the heart of the value chain. It is at the heart of the strategic triangle.

Most organizations today do not usually suffer from a lack of things to measure. Indeed, a number of measurement options are available today. In order to “measure what matters” by separating the wheat from the chaff, I often make use of a simple, yet powerful, measurement format. Based upon work by Dale Brethower and Geary Rummler, noted human resource development researchers and practitioners, it requires you to specify what you are looking for prior to getting started. A brief series of stimulus questions form the basis for their approach. It works like this:

- **Step One** — What do we want to know (i.e., measurement questions)?
- **Step Two** — What could we measure (i.e., metrics, categories, dimensions, etc.)?
- **Step Three** — What data might we look at (i.e., sources)?
- **Step Four** — What criteria could we use (i.e., standards, values, etc.)?

Notice the power attached to this very simple tool. It helps you consider a wide range of data collection methods in relation to each of the questions you have posed. This tool prompts you to consider each measurement question and decide which data collection option has the greatest potential for providing the desired information. In this sense, the Brethower/Rummler approach can be applied to all of the measurement matters covered earlier.

Want to tie your measurement methods together? Then, begin with the end in mind. Think about these questions as you do so:

Where are we going? How will we get there? How will we know we’ve arrived?

Think about these questions as you think about what you will need to do in order to deploy high performance employees within high performance jobs in order to become a high performance organization.

In many ways, finding the answers to these three questions is the key to achieving that end.



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