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Q&A: The Criteria That Good Measures Meet

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Additional criteria suggested by webcast viewers:

- *It is based on data not opinion*
- *Instead of "reasonable accuracy" I'd suggest "valid & reliable."*
- *A metric that makes sense globally for market comparison purposes. But the issue, will that ever happen?*
- *Cumulatively, that all measures are a balanced approach*
- *It may be already stated but it should not require exceptional effort to collect data, it must be part of routine practice*
- *Can the measure answer the "what?" question?*
- *It is relevant to the specific unit/dept (is not a cookie-cutter measure applied to all an organization's units/depts).*
- *A good measure cannot be "gamed"*
- *A good measure is sometimes a triangulation of other existing measures instead of an expensive new measure*
- *Ensure measure is aligned with an achievable strategic goal that describes an optimal state, not a process*
- *How about "tamperproof?"*
- *Measure is consistent, stable, and convergent thus making it valid.*
- *Factual not Subjective*
- *Measures should be reviewed timely*
- *Timeliness - provides data in time to put to use.*
- *Measures that theoretically should be related to each other are, in fact, observed to be related to each other (that is, you should be able to show a correspondence or convergence between similar constructs)*
- *Metric needs to be normalized across organizations i.e. cost/desktop*
- *The measurement should try to be a forward looking indicator vs looking at the past.*
- *Used to improve processes and products and not to evaluate people*

Questions from webcast viewers:

We are looking at developing performance measures for our ISO Internal Audit program. Are there any industry standard measures that you are aware of that we could consider?

And a similar question...

Where can you find (is there any specific websites/databases) industry standard measures?

Barr: There are three places I would start looking to find industry specific measures. The first is your industry association. Often they'll do benchmarking or other research and keep a list of industry measures for members to access. Secondly, try a benchmarking firm that specialises in conducting benchmarking for industries like yours. You can then participate in one of their benchmarking studies, or purchase benchmarking reports that will detail the measures. Thirdly, a resource like www.kpilibrary.com has an ever-growing collection of performance measures (or KPIs if you prefer) for a very wide range of industries. They aren't necessarily industry standards because they are contributed by all and sundry. But it's a great resource, with free membership.

No matter what, make sure you don't adopt measures just because your industry uses them. Measures should track

the results important to your company, and because every company is unique, its measurement system will be unique too. Sure, there will be some almost universally applicable measures, but you must start with a clear understanding of the results that matter, and then choose measures that are relevant to those results. Try this [How-to Kit](#) for mapping out the results that matter before you go to look for measures.

"Reasonably" accurate? Why qualify accuracy?

Barr: This question has to do with one of the criteria, that states "a good measure is objective evidence that is reasonably accurate and precise". I say "reasonably" because too often we get hung up on having perfect data and that's not realistic. The time and cost to make data as accurate as possible is often not worth the effort because the information becomes too costly and too late. Most performance measures are used for trend over time information, and this can still be accurate enough for decision making even when the underlying data is less accurate.

I believe that a record as to whether milestones are met or not over time can be an effective measure.

Barr: If you have a result about strengthening relationships with customers and you propose a measure like "implement customer relationship management system by June 2009", which is a milestone, you're not really measuring performance at all. You need a measure around the actual strength of your customer relationships, like Customer Lifetime Value or Customer Engagement Ratio. But if you're a program manager, and your result is that projects are implemented on time, then tracking the percentage of project milestones that are achieved on time would then be a useful performance measure.

Should the measure owner also own the inputs or processes that affect the KPI?

Stacey's response: Yes – if someone owns a performance measure, then they have to be in a position where they can respond to that measure's signals, and improve the processes that the measure tracks.

What can an IT development team measure when they provide support and development at the same time. They are not strictly project development. What makes sense?

Barr: You have to start with what results or differences you want to make for your customers, both for the support service you offer and the development service you offer. Always start with the question "what results are important for us to achieve?" and never start with the question "what could we measure?" because you'll end up stuck and measuring nothing, or measuring irrelevant things. Look to your IT business plan for a start. And try this [How-to Kit](#) for mapping out the results that matter before you go to look for measures.

While this isn't related to the question asked, is there a "sweet spot" for a total number of performance measures that should be looked at? or a maximum you should not exceed?

Barr: I always recommend that any one person should not be the owner of more than 7 measures. It's a ballpark number, but cognitive research suggests that the human mind can focus successfully on only 5 to 9 things at once. Performance measures are supposed to focus us on what matters most, not make it possible for us to track as much as we possibly can. It's been shown time and again that the narrower the focus (ie the fewer the measures), the faster improvement occurs. As time goes by, and people get more experienced at effecting performance improvements, they can handle a few more measures.

Any suggestions on how to develop good performance measurements within municipal government. Any suggestions/examples?

Barr: Municipal government is so complex and broad in its services and responsibilities that it requires a very deliberate approach to finding the measures that matter. When I work with local government, we start by getting clear about the most important outcomes for the organisation as a whole, in terms of impact on the community. Then each part of the organisation decides what are the most important results they must achieve to contribute to those

whole-of-organisation outcomes they realistically have the greatest impact on. It's about building a cascading cause-effect results map, which then becomes the focus of what you're going to measure. Try this [How-to Kit](#) for mapping out the results that matter.

Design measures for the results that matter most right now. It's best to get people started measuring just a few results first, and over time build more measures. Otherwise it becomes an overwhelming task and nothing gets measured because so much time is going into choosing measures for everything that could possibly matter at all. Focus and speed is important. The priority is to start improving performance, for one thing that matters.

About the Author

Stacey Barr is a specialist in organizational performance measurement, helping corporate planners, improvement officers, business analysts and performance measurement officers confidently help their organisation or company to create and use meaningful performance measures with lots of buy-in.

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