Measuring performance

90 mins

Why are measures important?

What gets measured gets done, so measure what is important to the business. Focus on revenue generation rather than on cost accounting.

All the members of your team need a reliable way of measuring their performance so they know:

- exactly where they are starting from
- how well things are going
- what progress they are making towards their objectives
- when they have reached an objective.

Your team may already have formal performance measurements, but they may not be ideal because they:

- measure a team or department, not individual people
- cover a long period of time, or many transactions
- may be published long after the period they relate to
- are probably someone else's idea, not theirs.

So you may have to look for something different. This Tool offers some new ideas.

Input-to-output ratios

A powerful way to measure a job is to develop 'input-to-output ratios'. For example, to calculate the fuel economy of a car we

divide the number of miles travelled (the output)
by the number of gallons used (the input)
to calculate the miles per gallon (the ratio).

To calculate the ratio you start by listing all the 'inputs' for a particular task or role. For example, if we were to measure a salesperson's work, the list of inputs might include:

- the number of visits
- the number of customers
- the total working hours available

- the number of potential orders
- the number of new customers
- the number of days worked.

Then consider the 'outputs' for the same person, and this list might include:

- the number of completed orders
- the value of the orders
- the hours spent with customers.

What input-to-output ratios could we develop for the salesperson using this data?

- output: value of orders
- input: number of orders
- measure: average value of orders.

- output: value of orders
- input: number of visits
- measure: average return per visit.

- output: value of orders
- input: number of customers
- measure: average value of order per customer.

- output: hours spent with customers x 100
- input: total hours available
- measure: percentage of time spent with customers.

- output: number of days worked
- input: number of orders
- measure: number of days between orders.

- output: number of days worked
- input: new customers
- measure: number of days between new customers.

DIY

So much for the theory – do you now feel confident to use this approach to develop some rugged and realistic measures for your team? Start with yourself.

Work through the process and identify three to five input-to-output ratios which would enable you to monitor the key aspects of your role.

Then work with your team and get them to suggest their key outputs and key inputs, before combining them into appropriate and meaningful ratios. Encourage them to develop their own measures, which complement any formal statistics they may receive about their own jobs. It takes some juggling between the various outputs and inputs to arrive at meaningful measures, but persevere!

Your early attempts using this approach may produce ratios which seem trivial or unimportant, but even using the 'primitive' measures will have at least two benefits.

- First of all, it gets people used to the idea of measuring what they do, and into the discipline of actually calculating and recording the output.
- Secondly, by having success with something simple, they will be encouraged to take on something a little more adventurous.

Ideally, each person should have between three and five key measures which capture the essence of the job, and they should be mutually complementary.

- For example, measuring 'quantity' alone it is possible to achieve a dramatic improvement by simply reducing the 'quality' of the product.
- Similarly, concentrating on 'quality' alone a dramatic improvement could be achieved by reducing 'quantity'.

Once your team have developed simple, visible measures of what is important, ensure that they are on display so that everyone can see what is being achieved.