An Original

Article

Creating Effective Performance Metrics

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Whenever I consider measuring things, these lyrics from that old blues song, “Titanic,” played by Huddie William Ledbetter, better known as Lead Belly on his signature 12-string guitar, comes to mind:

“Titanic came around the curve; Ran into the big iceberg”.

The sinking of the Titanic can teach a great deal about measuring people, their performance and contributions.

However, first consider why people are measured or given targets. The most fundamental reason is to encourage a certain form of behavior. Any other reasons given for measuring performance are simply different ways to express “encouraging specific behaviors.”

Getting back to Captain Smith and his ill-fated ship. The White Star Line gave the Captain a specific measurement – achieve the fastest crossing of the North Atlantic on Titanic’s maiden voyage.

To comply, Smith, an experienced seaman and captain, chose to take the shortest route, despite the fact that at the time of the voyage, he knew that there would be icebergs and he had no method of detecting them. “Smelling” icebergs has no scientific foundation and history shows that the “smellers” were less than effective!

In essence, Smith chose to ignore the danger in order to meet his metrics! He risked everything for a short term gain and, alas, he and 1,516 people paid the price.

How many metrics in industry are set for short term gain? Take a “Captain Smith” as VP of Sales, rushing on to the shop floor, disrupting production so that customer with unrealistic demands can be satisfied at the expense of the others – who will become unrealistic tomorrow – but tomorrow is another day.

It's very easy to condemn the Captain Smiths of this world, so let's turn to another story about personal metrics and attitudes, as told by the great Phil Crosby.

A management consultant was touring the construction site of a medieval cathedral, when he noticed 3 stonemasons at work.

To one he asked, "What are you doing?"

He got the answer, "I'm making a living."

To the second he asked, "What are you doing?"

He got the answer, "I'm the most skilled stonemason in the world, stop interfering with my work."

To the third he asked, "What are you doing?"

The stonemason raised his eyes to heaven and said, "I'm building a cathedral."

It has become an accepted practice for organizations to establish performance metrics for their employees. The purpose of the performance metric is to support the "building of the cathedral" by rewarding Behavior A; discouraging undesirable Behavior B; and giving employees a seamark by which to measure their worth to and progress in the organization.

However, if "the cathedral is not getting built" on time and on budget, poorly considered or incorrectly applied performance metrics are very likely major contributing factors. Poor performance metrics can actually discourage desired behaviors and often result in employees either leaving the organization or remaining and manipulating the system. All are unwanted, costly, and often dangerous outcomes for any organization.

With careful forethought and detailed consideration of the organization's strategic vision, good performance metrics can be established and uniformly implemented, thus motivating employees to "get the cathedral built."

Here are some simple hallmarks that characterize all good systems of performance metrics:

Simplicity. Metrics should be as simple as possible. If employees understand the metrics, there is a much better chance that they will meet them.

Transparency. The collection and evaluation of metric data should not be hidden or secret; if they are, employees will not trust the results.

Fairness and relevancy. It is simply wrong and ineffective to measure an employee on metrics which they cannot control and it defeats the whole purpose of performance metrics. Unfair metrics disillusion employees, causing the better ones to “vote with their feet.” Irrelevant metrics evolve into a “numbers game,” which everyone fudges and no one takes seriously.

Consistency. Metrics should be established for at least one complete business cycle. If not, there is no way to know what is going on.

The implementation of a personal performance metric system, particularly when income is based upon performance, is difficult. Those who suggest that money is not a motivator are very wrong. Money is both an intrinsic and extrinsic motivator.

By their income, employees judge their worth to themselves, their families, their organization and their contribution to society.

The implementation of a personal performance measurement system is a project where even Angels might fear to tread but, given the above hallmarks, here are two steps that can be taken to insure a fair and effective performance metric system is developed and implemented.

Consultation. It takes time and effort to reach a consensus with a wide range of employees, but time invested in this process by management is crucial. The trick is not to arrive at an unsatisfactory solution because the process runs out of steam.

Auditing the data. An objective and cross-functional team should be established to audit the data resulting in the metrics. This ensures that the measurements are fair and transparent, trusted by the employees and give management a true picture.

Adopting the above hallmarks and avoiding the common pitfalls of complexity, secrecy and covert manipulation can result in a performance metric structure that will motivate employees, enhance their performance and move the organization toward its strategic goals.

The result might even be a Cathedral, rather than a sinking ship.