Is Your Performance Management System “Performing?”

Thriving businesses understand the importance of measuring and monitoring efficiency and electiveness as an integral part of their “performance management” efforts. To comprehensively assess performance, you need “the numbers” like employee turnover rate, widgets per hour produced, percentage of spend under management, or other ratios or values.

But how do you assess whether or not you are measuring and monitoring what really matters? Or, more simply, what makes a good metric? In upcoming blogs, I want to answer that question by closely examining the characteristics of the most effective performance metrics. You can take this opportunity to reassess your current metrics and fine-tune as you see fit.
What do we mean when we say “metrics”? Do we mean something else? If we are talking in performance management terms, we could mean terms typically defined as:

- **Metric** – a standard of measurement
- **Measure** – an evaluation or a basis of comparison
- **KPI** – a critical measure of the performance of a business
- **Benchmark** – a criterion by which to measure something; a standard or reference point

Let’s stick with term “metric” even though you could make an argument for one of the other terms. Let’s also consider both tactical and strategic metrics, those related to smaller actions (tactics) that move one towards a larger goal and those measuring the achievement of that larger goal (strategy).

**What Are the Characteristics Measuring the Performance of Metrics?**

In the following blog series, I will tightly define the key characteristics inherent in typical performance management metrics and show each characteristic’s worth. My analysis indicates that the following characteristics describe an effective metric:

- **Relevant** - How the metric relates to your performance. Insight in relation to the business
- **Reliable** - How consistently it is interpreted. Dependable and consistent indicator
- **Accurate** - How well it is formulated. Trusted value or calculation and clear in definition
- **Actionable** - Whether you can act based on it. Can you affect future performance, based on current results?
- **Timely and Trackable** - How well-timed (over time) and “trendy” it is. When you can assess results and take action
- **Predictable** - How it provides forward-looking guidance. Does it give you a leading look into the future?
- **Comparable** - How it can help determine your goals. Can you judge performance against a competitor or peer?
This subject is near and dear to me personally since I’ve seen clients challenged when defining, capturing, and reporting on performance metrics. If you don’t pursue a solid performance management strategy, what you measure probably won’t matter. It’s hackneyed but true – “you can't manage what you can't measure.”

About the Author

**Eric Noack** is the Director of Information Delivery at Expert Analytics. His project history spans numerous Fortune 500 and national-to global-scale companies with dozens of projects in accounting/finance, web analytics, budgeting, services, and retail subject areas.

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