What gets measured gets done

By Andrew Hedley, director, Hedley Consulting

'What gets measured gets done' is an old adage of management. It is also a universal truism that many firms ignore when designing and implementing performance management and reward systems. It is crucial that these are aligned with the organisation's strategic objectives.

Many firms are now moving towards a series of inter-related metrics, which are then combined into a 'performance dashboard' – which drives investment priorities and forms the basis by which performance is measured.

For an effective approach, the starting point is to decide what to measure and to ensure that these are the factors that will deliver the desired strategic outcome.

In practice this can be a more challenging task than it might appear. While a number of the appropriate measures will be clear from the outset, others will be more obscure. Defining the ingredients is one aspect, but putting together the appropriate mix holds the ultimate key to success. The most critical aspect of this design process is the ability to project the combined impact of delivery against these metrics on the future performance of the business. This can be as much an art as a science, calling on sound judgment and deep experience to understand each firm's cultural context.

Traditional measures tend to be lagging indicators – i.e. they track performance that has already happened and monitor it against predefined targets or plans. They will flag up any divergence and allow corrective actions to be implemented, but there will always be a lag between the issue occurring, being identified and its resolution. Typical accounting measures such as time recorded, fees rendered and recovery rates fall into this category. Technology can now mean these lagging measures fall only hours behind real-time but they are lagging nonetheless.

In terms of driving future results, leading indicators can be far more informative, but they are also more challenging to define, to measure, and to predict with confidence. For example, a leading indicator in terms of future revenues might be the number of sales meetings that are held, the number of tenders in progress, or the number of presentations being made (all of which form part of a sensible sales funnel). Intuition will tell us that an increase in these leading indicators increases the likelihood of improved sales. But just how much will the top line increase, and how quickly? The answer is multi-factorial, and will depend on competitive issues (how many other firms are tendering, pricing, the best fit between the service offer and client demands etc.); the general economy; client-side factors (such as the urgency of the assignment and price sensitivity); and the firm's business development and sales capabilities. Indicators that measure performance at key points of this pipeline can be extremely useful in highlighting the points at which critical events result in overall failure.

Looking at these issues in more detail, it is vital to ensure that any dashboard 'measures what matters' rather than simply that which is easy to measure. It is both inevitable and desirable that those whose performance is being measured will modify behaviour, focus efforts and increase emphasis on the factors that will drive their reviews and appraisals. Indeed, this is the power of the approach! However, if these metrics have the unintentional effect of motivating effort and improvement in areas that don't optimise performance (but are easier to track), a huge opportunity is lost and limited resources get wasted.

Taking this thinking to the next stage, it is also important to agree what weighting should apply to each factor. How such measurement will be made, and what steps are needed to ensure accuracy, should feature in the planning stage, as well as the way in which reporting or feedback will be conducted. Ultimately, the firm needs to be committed to using its performance indicators as a central part of its appraisal system. It needs to link career progression and rewards to them.

Implementing such a programme will also highlight those, often high status, people that occupy the 'Maverick Zone' in the belief that the rules apply to everyone but themselves. Such behaviour will be hugely disruptive unless dealt with quickly, firmly and unequivocally by the management team.

A rounded approach is needed with firms being prepared to put in place the necessary systems and processes, as well as dealing with cultural challenges. This will ensure the effectiveness of any programme to align performance measurement with strategic objectives. ■

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