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Team Performance Measurement: A Process for Creating Team Performance Standards

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This seven-step process for creating team performance standards includes ways to solve common performance measurement problems.

Team measurement is difficult unless you have a systematic process for analyzing the work of a team and measurement methods that can handle the wide variety of work teams undertake.

Team measurement is difficult for at least three reasons. First, it is not always clear which results should be measured. Most teams will use obvious measures without considering the results they should be producing or how they will know they've done a good job. Second, even if teams know what to measure, often they are not clear on how the measurement ought to be done. Since not everything can be easily measured with numbers, teams often give up when faced with measuring something like "creativity" or "user-friendliness." Finally, teams are made up of individuals. Thus, measurement must be done at both the team and individual levels, effectively doubling the size of the measurement task. In addition, developing individual measures that also support the team is difficult without direction.

Because there are many types of teams presenting a variety of challenges, the measurement process is not linear. Teams need to have a clear understanding of where they want to end up and then make choices along the way to find the most efficient way to reach their goals. Most teams will require a measurement system that enables every member of the team to understand what is expected of him or her and that also provides a way for members to assess how they are doing compared to these expectations. Therefore, the measurement system will need to include:

- a statement of the results the team will be working to achieve with measures and performance standards for each result;
- statements of each individual's results, with measures and performance standards for each result;
- a clear picture of the priorities and relative importance of the team and individual results; and
- a plan for how to collect and summarize performance data, so the team and individuals will know how they are performing compared to the performance standards.

This article is adapted from the book, *How to Measure the Results of Work Teams,* by Jack Zigon, with permission from the publishers, Zigon Performance Group, Wallingford, PA (1995).

Based on 15 years of experience measuring "hard-to-measure" work like R&D, graphic design, marketing, and customer service, and three years of trial-and-error experience in measuring the work of teams, I have created the following seven-step process for measuring team performance:

1. *Review the existing organizational measures.* Make sure that the measures above and around the team are known to the team and linked to the team's measures.

2. *Define team measurement points.* Select the best alternatives for identifying starting points for team measurement. Selecting the best alternatives and using them to identify the team's accomplishments provides the basis for all further measurement.

3. *Identify individual team-member accomplishments that support the team.* Identify the results each team member must produce to support the team's results or work process.

4. *Weight the accomplishments.* The team should discuss and agree upon the relative importance of each accomplishment.

5. *Develop team and individual performance measures.* Identify the numeric and descriptive yardsticks that will be used to gauge how well results have been achieved.

6. *Develop team and individual performance standards.* Define how well the team and individuals have to perform to meet expectations.

7. *Decide how to track performance.* Identify how the team will collect the data for each performance standard and feed this data back to the team.

In the pages that follow, I will describe each of these steps in detail and how to use them to create team standards and an overarching performance measurement system.

Step 1: Review Existing Organizational Measures

Teams don't operate in a vacuum. The measures above and around them usually represent goals the team must support to be successful. However, dysfunctional or unbalanced organizational measures sometimes cause a team to exhibit dysfunctional behavior. Even reasonable organizational measures can cause problems if a team is unaware of the measures that are important to the organization or if it can't affect those measures, or if the measures are unbalanced. For example, a team asked to improve customer satisfaction in a company solely interested in profit will find few supporters when it makes suggestions requiring additional investment. If the same team trying to improve customer satisfaction is made up only of auditing employees, it is unlikely to be successful, since few aspects of front-line customer satisfaction can be affected by a support organization.

One-dimensional organizational measures that focus only on financials, like profit or return on net assets, direct the team to change only what can be measured in dollars. Robert Kaplan's and David Norton's balanced-scorecard concept suggests that organizations will be more successful if they utilize four perspectives in defining organizational measures of effectiveness. In addition to the *financial perspective*, the *customer perspective* looks at what customers think; the *internal business perspective* asks what measures of internal efficiency are important; and the *learning perspective* takes into account those aspects of employee development and learning that are critical to the organization's success. [See the Kaplan and Norton article in the Sept. 1993 issue of *Harvard Business Review* for a discussion of the concept.]

In addition to informing the team of organizational performance measures, it is important to ensure that the team can affect these measures. If this is not the case, then either team membership or the measures must be changed. Otherwise the team's motivation will be destroyed.

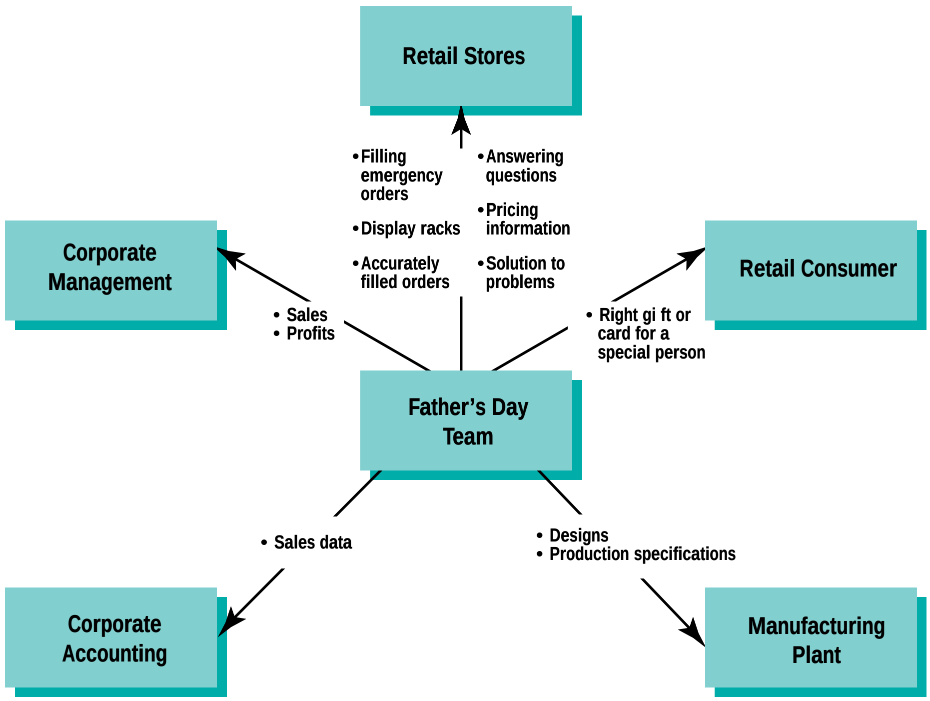
Step 2: Define Team Measurement Points

Measurement is easier if the team understands the *result* it is attempting to identify measures for. This step will help the team identify those results that are worth measuring. A key term to understand here is *accomplishments*. Accomplishments are the *value-added results* the team leaves behind after its members go home at night. They are the contributions the team makes to the organization that result from the team's activities.

All team measurement should flow from either the team's accomplishments, or the work process the team engages in to produce these results. Accomplishments are the best place to start in identifying team results for these reasons:

- ***It takes less time.*** Agreeing on the *result* a team is to produce takes less time than agreeing on the best *activities* to achieve the result. While there can be many means to an end, the team will

EXHIBIT 1
Team-Customer Diagram for Father's Day Team
(Team Accomplishments Supporting Organizational Measures)



usually agree more quickly on the "end" and less quickly on the "means."

- ***It makes collecting feedback data less costly.*** Evaluating activities requires someone watching them. Evaluating the results of the activities can be done by just looking at the results.

- ***It focuses the team on what is really important.*** Measuring activity makes the activity seem more important than the results. Unless what the organization wants is activity, focus the team on results.

There are four methods for identifying the starting point for team measurement:

- the team-customer diagram,
- accomplishments that support organization measures,
- the team-accomplishment pyramid, and
- work-process mapping.

Team-Customer Diagram

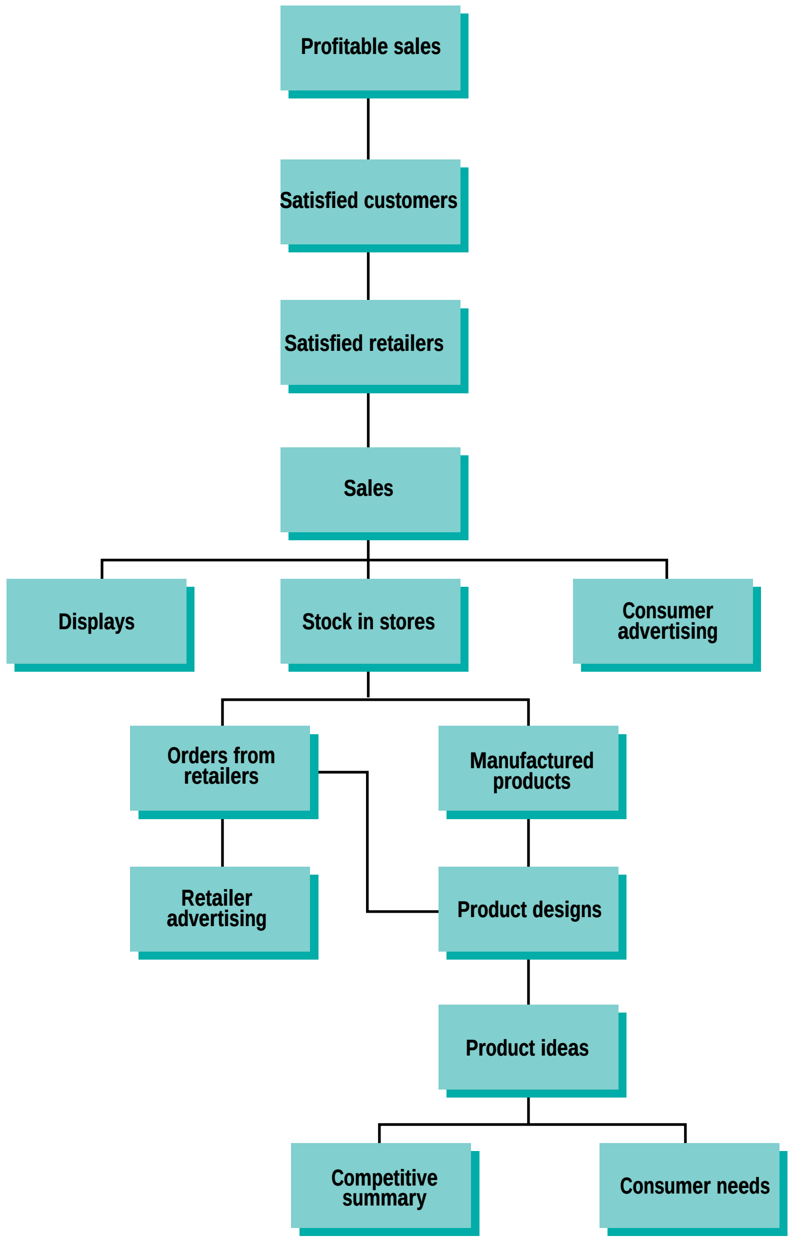
Because a picture is worth a thousand words, a good method for identifying measurement points is to focus the team on who its customers are and what it does for them through a customer diagram. A team-customer diagram will show the linkages between the team and the internal and external customers it serves as well as the products and services these customers need from the team.

Exhibit 1 is an example of a team-customer diagram for a cross-functional team in a greeting card company. The team is responsible for developing, selling, and distributing all products related to Father's Day. The team's customers are listed around the team. The boxes contain statements of products and services the customer needs from the team.

Team Accomplishments Supporting Organizational Measures

A second method for identifying team accomplishments involves asking the question, "What value-added results does the team produce that can help the organization achieve its goals?" This helps the team identify the accomplishments that it has control over and that will lead to the organization's success. This technique works best when the team is formed to help the organization make an improvement in a measurable goal, such as reducing cycle time or product costs, or increasing sales or customer retention rate. In such cases, the goal is one that can be measured

EXHIBIT 2
Team Accomplishments Pyramid for Father's Day Team



with numbers, and the team is supposed to help move the numbers in the right direction.

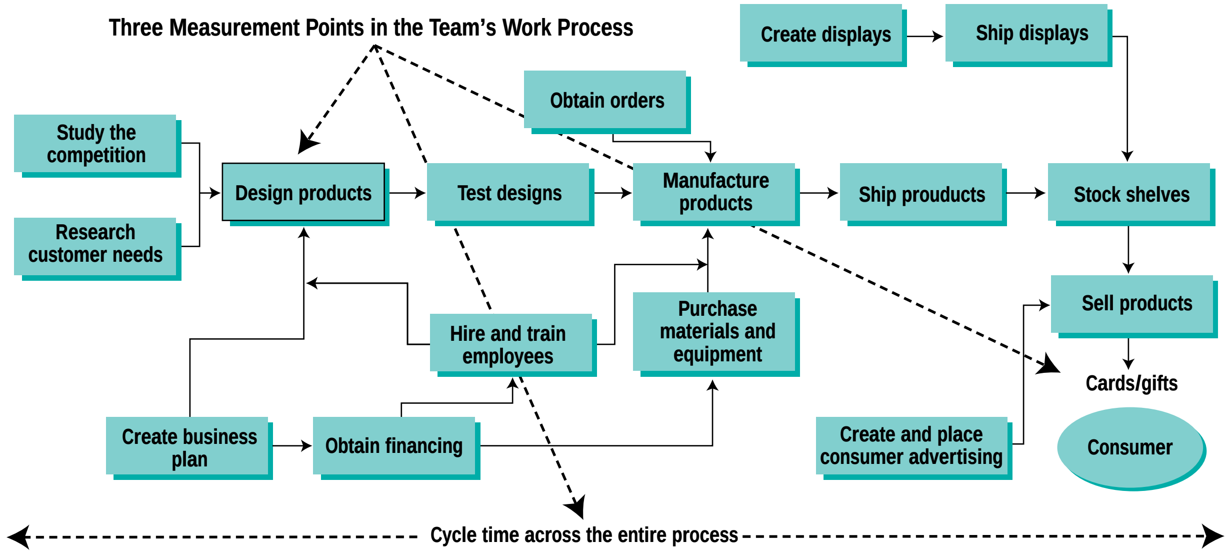
The Father's Day Team described in Exhibit 1 is part of an organization whose strategic goals include increasing its profit and sales and diversifying its sales channels.

The organization measures profit and sales goals in dollars and the diversification of sales channels by the number of new sales outlets opened that are not part of a franchise or company-owned network.

Step 1 in our process says to ensure that the team can affect measurable outcomes. Because the Father's Day Team controls costs and makes sales, it can affect both profit and sales. Since it is charged with finding new retail outlets, it can also affect the number of new sales outlets.

Step 2 says to answer the question, "What value-added results does the team produce that can help the organization achieve its goals?" In this case the answer is "signed retail outlets" and "making profitable sales."

EXHIBIT 3
Work Process Map for Father's Day Team



Team Accomplishment Pyramid

The third method for identifying team measurement points is to identify the hierarchy of results the organization must produce and to select those that link the team to the organization's results so that the team's success benefits the organization.

Most teams are linked to their organization's results by *measures*. For example, if a company is trying to increase sales and profitability, teams are told those are the measures by which they will be judged. The first problem with using measures to link teams to the organization is that it sometimes puts the teams in a position of trying to affect an outcome over which they have little or no control. For example, the sales measure is correct for a sales team, but since the team can't control expenses in any meaningful way, the profit measure should not apply. If the team is a design or customer service team, neither sales nor profits make much sense as measures.

The second problem with linking the team to the organization through measures is that it is often too abstract for team members to grasp. The formula for calculating profit in most publicly-held companies can be very technical and subject to wide swings as a result of factors such as dividends and tax write-offs over which teams usually have no control. "Helping" a mathematical formula produce a better number is difficult for a team to get excited about.

On the other hand, linking team accomplishments to the organization's accomplishments can avoid the problem of measuring the team on something over which it has no control. While a human resources team has no direct control over profit, it does screen candidates for new positions and train employees. Both of these accomplishments can be measured but they will be measured very differently from the way profitable sales are measured.

Exhibit 2 is an example of an accomplishments pyramid for the Father's Day Team we've been following. The team's central contribution to the organization is profitable sales. Every other accomplishment leads to this.

Mapping the Work Process

This fourth method of identifying team measurement points is to identify places in a work process that are worth measuring. This differs from the previous three methods, which all use accomplishments as part of the process. Work processes are a series of steps that usually cut across departments and provide some value-added service or product to a customer. The customer may be internal or external. A work-process map diagrams the steps in the process and where activity occurs. The arrows represent the movement of work between steps. Mapping the work process and using this map as a tool to identify team measurement points has several advantages:

- It provides a way to link quality and process improvement programs to performance management.

EXHIBIT 4
Role-Result Matrix for Father's Day Team

Team Members	Team Accomplishments		
	New Product Designs	Shipped Products	Profitable Sales
Production	• Product cost estimates	• Manufactured products	• Cost-saving ideas
Marketing	• Focus group results • Product ideas • Competitive summary		• Retail sales • Orders from retailers
Creative	• Product ideas	• Product designs	
Fulfillment	• Shipping requirements	• Correctly filled orders	• Cost-saving ideas
Human Resources	• Skills/experience inventory of existing employees	• Trained employees	• Trained employees

• Teams that support an obvious work process can evaluate their effectiveness in terms of how the process performs.

• Mapping the process may identify opportunities to simplify and reengineer, resulting in a better work process and better team performance.

The Father's day team has mapped out the work process (see Exhibit 3) and identified the following measurement points:

1. the delivery of the final product into the hands of the retailer and consumer;

2. the quality of the design step (is everyone involved in the designing and have they signed off on the designs?); and

3. the cycle time across the entire process (if these products are late, they are worthless to the consumer and the retailer).

Step 3: Identify Individual Accomplishments that Support the Team

So far we have only discussed measuring the team's performance. While it is egalitarian to assume that team performance measures will apply equally to individual member performance, measuring both individual and team performance offers several advantages:

1. Individuals raised in the North American culture expect to be judged on both a team and individual basis. While comfortable with being evaluated on things only a team could achieve, they want to be recognized for their individual contributions too.

2. Even in cultures where individualism is not as prevalent, performance appraisal systems usually are individual-based. Measuring both team and individual performance allows a smoother transition to team-based appraisal.

3. Evaluating individual performance provides the data for coaching individuals who are not supporting the team well enough with their contributions. Without these data, performance discussions can degenerate into personality conflicts and lose their aura of professionalism.

4. Finally, evaluating individual performance provides the data for rewarding outstanding individuals who might otherwise be overlooked on a "losing" team. A Michael Jordan might leave a professional basketball team unless his contributions are rewarded apart from the team's results for the season.

Team and individual measures often will conflict unless the performance system is designed to avoid this eventuality. Most team members complain that individual performance assessment and pay systems do not reward them for team results they have produced. In fact, their bosses see the time they spend on the team's work as taking away from their "real jobs."

How, then, can managers prevent these conflicts between team and individual performance measurement? One answer is to use a role-result matrix that defines the roles of individual team members in terms of the results they must produce to support the team's accomplishments or work process.

Exhibit 4 illustrates part of the role-result matrix table for the Father's Day Team. Team accomplishments are listed across the top of the

EXHIBIT 5
General and Specific Measures of Team Accomplishments for Father's Day Team

Accomplishments and Weights (Team Accomplishments = 60%)	General Measures	Specific Measures
Profitable sales (20%)	Quantity	• Annual dollar sales • Percent profit before taxes • Expense budget variance
New product designs (5%)	Quality	• Corporate VP Marketing's judgment of: —Fit with other product lines —Innovation —Corporate image Focus group opinion of: —Value —Preference compared to competition —Uniqueness —Fit —Durability
	Quantity	• Number of new ideas generated
Shipped products (10%)	Quality	• Percent of complete orders
	Timeliness	• Percent of orders shipped within 48 hours • Cycle time for entire design/production process
Signed retail outlets (5%)	Quantity	• Number of new outlets signed • Dollar sales from new outlets
Satisfied consumers (10%)	Quality	• Number of returns due to defective products • Dollar value of gift returns to retailers • Percent of surveyed retailers who are satisfied with: —Breadth of product line —Ease of meeting customers interest and price points —Quality of merchandising assistance

table. To support the creation of new product designs, the team member from production determines the cost of various product ideas the team generates. The marketing person brings customer needs from focus-group research as well as his or her own product ideas and a summary of what the competition is doing. The creative department member produces product ideas. The fulfillment person contributes his or her requirements to ensure safe and economical shipping of any given product design. Finally, the human resources member helps the team decide if it can produce a given design with the human resources available in the company.

Note that the marketing person does not contribute to the accomplishment of "shipped products" in the second column. When defining individual contributions to a team, it is okay that some team members do not contribute to a particular team accomplishment.

Step 4: Weight the Accomplishments

The team can use percentage weighting to discuss priorities and agree on what is really important. Because weights reflect the importance of each accomplishment and not just the amount of time spent working on it, weights can help the team manage its time better. When the team makes individual assignments, weights help the team members prioritize their team and individual accomplishments. Failing to discuss priorities and define the relative importance of accomplishments can cause the following problems:

- Team members can become confused about what is important and, if time is short, which results to emphasize.
- Team members may not have a shared vision of the team's priorities and the reasons for those priorities.
- Without weights for their team accomplish-

ments showing on individual performance appraisals, most individuals will complain about not receiving credit for their team activities.

- Team leaders on cross-functional project teams often will find that they do not have the attention of some team members because these members' supervisors control the rewards they receive in what is most often an individual-based compensation system.

To balance the importance of members' team and individual assignments, the Father's Day Team also gave overall relative weights to both. The team decided that team accomplishments overall were worth 60% and an individual's accomplishments were worth 40%. The team narrowed down the list of team accomplishments and produced the following list of weights for the marketing team member:

Team accomplishments (60%)	**Individual accomplishments (40%)**
Profitable sales 20%	Focus group results 5%
Satisfied retail outlets ..10%	Product ideas 10%
Shipped products 10%	Competitive summary . .5%
New product designs . . .5%	Retail sales 20%
Signed retail outlets 5%	
Satisfied consumers . . .10%	

Step 5: Create Measures for Each Accomplishment

Now that the team has defined and prioritized the accomplishments for the team as a whole and for individual members, the next step is to decide what is important to measure. Not everything can be measured with numbers—trying to quantify everything sometimes results in meaningless measures. Good measures are those that can be verified and observed by someone else. For example, it is possible to use words to describe how someone could observe an *excellent* job.

General Measures

Measures are the yardsticks used to judge how well a team has produced each outcome or accomplishment. One way for the team to identify good measures is first to identify a general measure and then break it down by identifying more specific ones. General measures tell what is generally important about each accomplishment. There are four general measures a team can use: *quantity*, *quality*, *cost*, and *timeliness*.

Specific Measures

Specific measures describe in numeric or descriptive terms which parts of the accomplishment the team wants to track. They define how the team will know whether it has met the quantity, quality, cost, or timeliness standard. Of these two kinds of specific measures, numeric measures identify the units that will be tracked, while descriptive measures use words to evaluate the accomplishment. The descriptive measure also identifies who will judge the performance and which factors the judges will be evaluating.

To create measures for any accomplishment, the team must ask, "How can the team measure (quantity, quality, cost, and/or timeliness)?" or "Is there some number or percent the team could track?" If the measure is numeric, list the units the team will track. If the measure is descriptive and only the accomplishment can be judged, the team would ask "Who can judge that the task was well done? What factors would they look for?"

Exhibit 5 is an example of the general and specific measures the Father's Day Team created for its list of team accomplishments.

Step 6: Create Performance Standards

The next step in measuring team performance is for the team and its manager to set the level of performance expected for each of the measures identified. If a measure is the yardstick used to judge a team's performance, then a *performance standard* is the range of points on the yardstick that represents *excellent* performance. The measure is what is evaluated, and the performance standard is how much is required.

After defining the measure, creating the performance standard is usually easy. For numeric measures, the team would ask, "How many is the team expected to produce?" or "What level of performance must the team achieve to help the organization achieve its goals?"

For descriptive measures,the team would ask, "For each factor the judge is looking at, what would this person observe that shows the team has met expectations?" Or, "what would this person hear the team's customers saying that means the team has met expectations?" The team would list the judge, the factors, and what constitutes "meeting expectations" for each factor. It would repeat the process to define "exceeds expectations." Exhibit 6 shows performance standards for the Father's Day Team.

Step 7: Create a Feedback System

Now that the team has developed a performance plan and knows what is to be measured, the next step is to decide how to collect the information

EXHIBIT 6
Sample Performance Standards for Father's Day Team

Team Accomplishments and Weights (Team Accomplishments = 60%)	General Measures	Specific Measures	Performance Standards
Profitable sales (20%)	Quantity	• Annual dollar sales • Percent profit before taxes • Expense budget variance	• $24M to $35M annual dollar sales • 15% to 21% profit before taxes • +/-5% expense budget variance
New product designs (5%)	Quality	• Corporate VP of Marketing's judgment of: —Fit with other product lines —Innovation —Corporate image • Focus group opinion of: —Value —Preference compared to competition —Uniqueness —Fit —Durability	• Corporate VP of Marketing's satisfaction that the new product designs: —Maintain the corporate feel —Contain at least 3 products that are different from anything the competition is selling —Enhance and maintain the corporate image through high quality art, text, and materials • Focus groups say the following about the new product designs: —"The value of the product exceeds the price" —"I would be proud to purchase this for my father" —They prefer our designs to the competition's designs in a blind preference test —Designs are different from others they have seen —Designs have something which they think their fathers would enjoy —There are at least two cards expressing the exact feeling they want to communicate to their fathers —Gifts look like they will last as long as the gift will be meaningful
	Quantity	• Number of new ideas generated	• 30 to 50 ideas generated that are different from those suggested during the last 3 years

the team needs to stay on track. The feedback system consists of the documents and procedures used to collect and summarize the data for feedback purposes. The team can use these steps to design the feedback system:

1. Decide which data to collect for each performance standard. The data should be relevant to the standard and specific enough to allow the team to know what was right and wrong compared with the standard.

2. Decide which sources the feedback should come from. Possibilities include the job itself, a team member, the team leader, or other people who receive the team's work.

3. Decide whether all data or just a sample should be collected. Collect all the data if the measure is very critical and needs to be tracked each time it occurs or if the accomplishment is performed infrequently. Sample the performance if the accomplishment is performed so frequently that it is not practical to collect all data.

4. Determine when to collect the data. Whenever possible, collect it immediately after completing the work. Determine who should collect the data. The team should collect the data unless gathering data disrupts the work flow and takes too much time, or the completed work is seen only by another person.

5. Determine who, other than the team, needs to receive the data.

6. Review existing regular reports for possible use as feedback. They can be used if the information is relevant to the standard and specific enough and if the report is frequent enough to be of value and not cluttered with useless information. If possible, modify existing reports to meet the criteria. The team should create its own feedback tables or graphs when necessary.

7. Decide whether it would be of value to summarize the data. If the data cover a short period of time (for example, daily), summarizing is probably appropriate.

8. Create the forms.

Conclusion

Team measurement is quite achievable if the organization follows the systematic, seven-step method outlined here. This method creates a feedback loop, in which team members first get clear direction, based on performance measurements of what they are to accomplish. Then measurement keeps individuals and the team focused and facilitates the successful accomplishment of goals. Success, now clearly measurable, creates additional motivation, and employees are more likely to maintain a consistently high level of performance over time.

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