

## Creating Metrics

In the language of the Balanced Scorecard, metrics are called **Performance Measures**. In business they are often called Key Performance Indicators (KPIs) or simply Measures. It is not really important what they are called, but it is important how they are defined and used.

For a full guide to Developing Meaningful Performance Measures, please refer to our [White Paper](#).

**A Performance Measure is something that can be counted and compared; it provides evidence of the degree to which an objective is being attained over a specified time.**

If we break down this statement, the terms used can be defined as follows:

**Counted:** This may seem a little trite, however, counted means that a quantity can be assigned. A number or value. It does not mean a percentage achievement. One of the most frequent mistakes in setting Performance Measures is to create a project and assess its success through how much work has been done. Just because an e-mail marketing campaign has been active for 3 weeks out of four does not mean it has been a success. Success is dependent on the outcome not the activity.

**Compared:** A number or value may be interesting but it only becomes useful when it is compared to what is optimal, acceptable or unacceptable. Every Performance Measure must have a comparator or benchmark. Using an industry benchmark gives an objective quality to the comparator, objectivity is not required, but it is desirable.

**Evidence:** The evidence will fall out by 'counting' and 'comparing' correctly. It is important to strive for a measure that will be observed in the same way by all stakeholders. The evidence should be clear and have specific meaning.

**Objective:** A Performance Measure only has significance if it is contributing to an objective. If there is no objective, why is it being measured in the first place? This does not mean we should ignore all operational measures; they still need to be in place – but even as sub-measures they should still contribute to the objective.

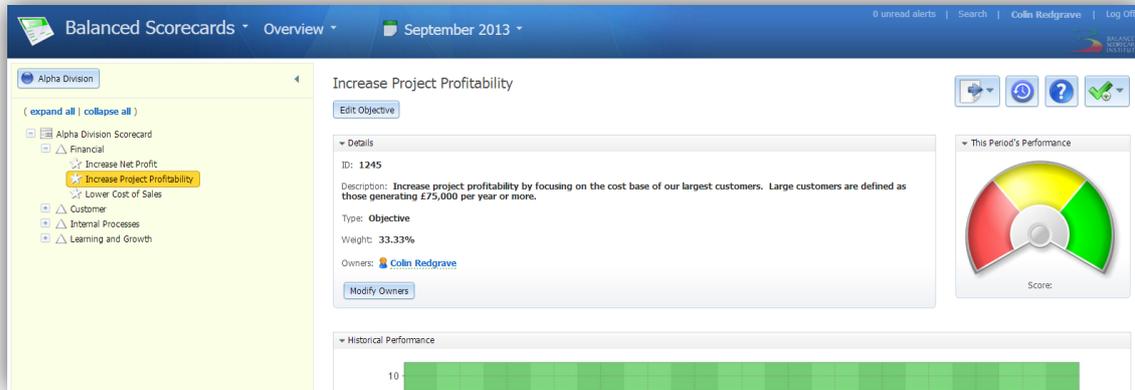
**Specified Time:** Everything is time bound; progress towards meeting an objective and therefore a strategy must be measured over a specified period of time.

There are two methods that can be used to create Metrics. The first is to use the **Builder** sub-menu function. This method is usually used in the early stages to create an entire scorecard (it can be used to edit scorecard elements as well). For more information about using the Builder sub-menu go to the Quick Start guide called The Builder.

The second method is to use the basic desktop functionality built into the application, that is to right-click and select. By now you should have created an Organisation, a Scorecard, some Perspectives and some Objectives. If you have not, go back to the Quick Start guides of the same name and complete these tasks. If you have, from the main menu go to Balanced Scorecards, sub-

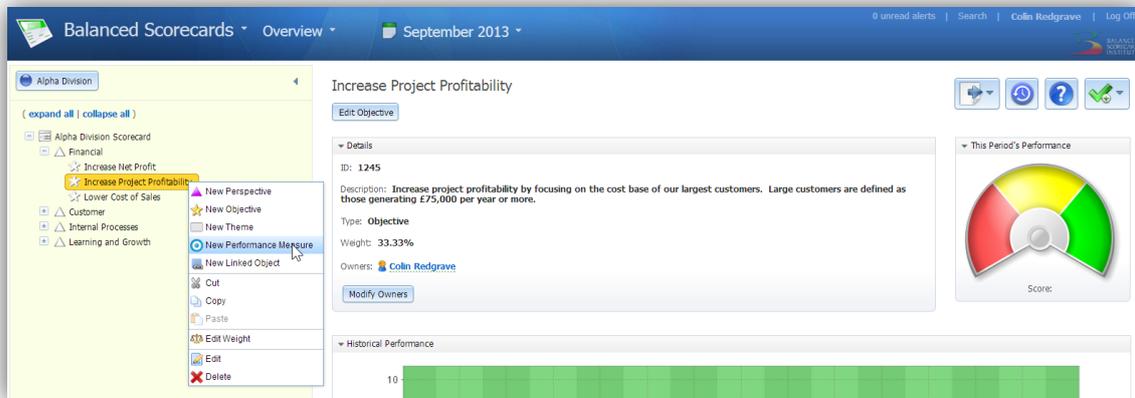
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menu Overview. Click on any Organisational node (blue dot) in the left hand pale blue pane, then click on the Scorecard in the right hand pale yellow pane. A short animated move will occur and you should see something like this:



The scorecard above is made up of four Perspectives. In the Financial Perspective there are three objectives and we are looking at the overview of the 'Increase Project Profitability' Objective. Note that there is a description and ownership has been assigned.

To create a Performance Measure associated with the Objective right-click on the Objective name in the pale yellow panel to the left, a menu drop-down will appear like this:



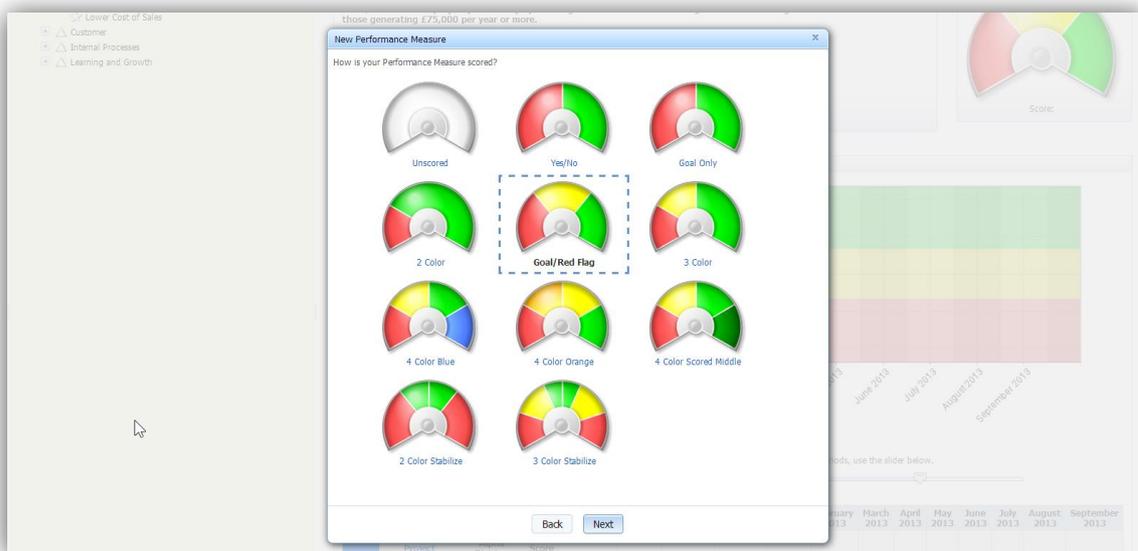
Click on 'New Performance Measure' and a dialogue window will appear asking you to give the Performance Measure a name and provide a description.

You will also need to decide the frequency with which the data will be collected based on whatever calendar has been defined. This will default to Monthly.



Click Next to go to the 'Scoring Type' selection panel. There are eleven score types in the application. The Goal/Red Flag is the default and will be used 95% of the time.

**Important Note:** Before selecting anything other than Goal/Red Flag be sure to look at the Quick Start guide called Scoring types. Different scoring types have a different impact on the way scores are 'rolled-up' to Objectives, Perspectives and Scorecards.

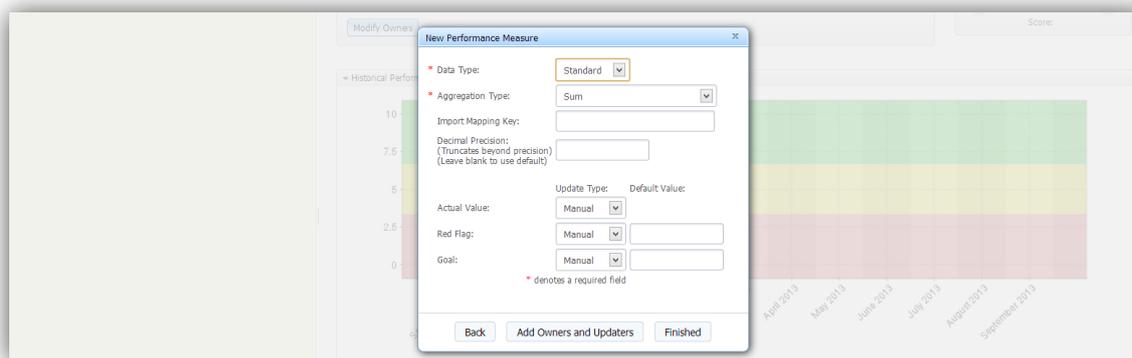


Before selecting a Scoring Type think about the effort required in defining the way your Performance measure will be scored. For your convenience, the Goal/red Flag type has been created so that you need only concern yourself with two threshold values:

**Goal:** The value at which the Performance Measure will change from Amber to Green

**Red Flag:** The value at which the Performance Measure will change from Amber to Red

Other scoring types may require up to 5 or even 7 values to be set, one for each threshold change. For the purposes of this guide, we will select a Goal/Red Flag scoring type. Click Next to be taken to the threshold input dialogue screen:



Together with the Name and Description, and Scoring Type there are several other pieces of information required as follows:

**Data Type** – QuickScore has three data types, standard numeric, percentages and currency (the default currency type can be defined in Administration)

**Aggregation Type** – This refers to what should happen to the data when it is viewed in a calendar of a longer duration than the frequency collection calendar. For example, if the Performance Measure ‘Net Operating Profit’ is collected Monthly, what should happen to it when viewed Quarterly or Annually? In this case it would be Summed ( $\Sigma$ ). If However the Performance Measure was ‘% Net Operating Profit’ and it too was collected Monthly, then when viewed Quarterly or annually we would expect to see either an Average % or we might want to see the Last Value entered.

**Import Mapping Key:** Ignore this, a value will be generated. It is here for historical reasons.

**Decimal Precision** – How many decimal points should be shown on this metric. A default value will have been set in Administration, this option allows the default to be over-riden.

**Red Flag and Goal** – These are the targets associated with the performance measure. What is considered ‘good’ for this metric and what is considered ‘bad’ needs to be defined. For the metric type ‘Goal/Red Flag’ there are two targets, for other metric types there are more or less. For example for a Goal/Red Flag, the red/amber/green could look like this:

- Red            0 - 10
- Amber        11 - 20
- Green        21 – 30

In which case the values entered into the system would be **Red Flag = 10** and **Goal = 21**.

You may have noticed that the options ‘Manual’ and ‘Calculated’ as part of the Goal/red Flag input. If you select Calculated, a ‘Next’ option will appear to take you to an additional dialogue screen where instead of entering a single value you can enter a calculation based on any Performance Measures defined to the system. The calculation area can use any common operand that can be found in a typical spreadsheet. For more information on the Calculated option refer to the QuickScore manual.

When all of these details have been entered, you have the option to 'Finish' or 'Add Owners and Updaters'. If you know who the owners and updaters for this Performance Measure are then Select this option. You will be taken to an additional dialogue where you can select Owner and Updaters and optionally notify them. Otherwise click Finished.

Go through the same process to add as many Performance Measures as are required to provide a good measure for the selected Objective.

**Important Note:** As with Objectives related to Perspectives, it is good practice to have no more than Three Performance Measures per Objective in a balanced scorecard. Performance Measures in this context are those measures that are key to the business. They are often called Key Performance Indicators for that very reason.