



TenStep Supplemental Paper

7 July 2005

Measuring Organizational Performance

Human Resource managers should monitor the overall success of their organization. However, how should an organization define its success and measure its achievements?

All organizations' stakeholders have an interest in how the enterprise performs. A successful organization is one that properly balances the requirements of all stakeholders. Top managers should ascertain the extent to which these requirements are being met. It involves determining what stakeholders require of the organization, and measuring performance against those requirements.

Stakeholder requirements and success measurements are key inputs to the long term strategic planning of an organization. Strategic planning is about how the organization will satisfy the requirements of its stakeholders.

Determining measures for success requires a long-term view as they are collected outside the organization and they should be:

- Exhaustive, covering all the stakeholder requirements;
- Quantifiable, collected from stakeholders themselves;
- Reliable, the measurement must reflect the quantity it is designed to measure;
- Repeatable, so that if the quantity being measured remains unchanged over time data collected over time will reflect this;
- Revised, as stakeholder needs evolve.

Key Performance Indicators (KPIs) are defined as measurements collected internally, but which are related to external success measures.

Linking the KPIs to the external success measurements may require some research. Just as success measurements should be reflected in the long-term vision, strategy and goals of an enterprise, KPIs should reflect an organization's short-term vision.

While KPIs represent the highest-level internal measurements to assess organizations' performance they are often not directly actionable. In order to control process output as measured by KPIs, enterprises need a system of lower level performance indicators and process measurements, which are actionable.

In order that organizations respond to KPIs, and ultimately affect the success of the organization, KPIs should apply to lower organizational levels as well and ultimately be related to process measurements.

Measuring organizational performance indicates how well the vision and strategy of the organization are being translated into outcomes. More than any other marker, looking at how an organization chooses to judge its own performance illuminates what matters to the organization.