

The Performance Management Series

How To Measure

TEAM

PERFORMANCE

By Jack Zigon

ZPG

ZIGON PERFORMANCE GROUP

IMPROVING EMPLOYEE PERFORMANCE

HOW TO MEASURE TEAM PERFORMANCE

By Jack Zigon
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Preface to the Second Edition

Three years and thousands of hours of work with clients and workshop attendees have validated the original models in this book. In 1995, we were searching for a way to *measure team results*. Now, in 1998, we're looking for *more efficient ways* to measure those results.

This second edition represents a refinement and simplification of the techniques presented in the first edition. It includes improved steps and questions for shaping measures while they are being developed. The section on feedback systems is simplified with new rules of thumb for sampling performance. Finally, the collection of examples has been expanded to include a new set of team performance measures and 32 new function examples.

Again, I want to thank my clients and workshop attendees for the opportunities to work with them over the last 19 years to solve their performance management problems. Without their hard work and desire for results, these ideas would have been neither born nor applied.

Good luck in your team measurement work. Let me know where these techniques fall short so we can create a more robust model.

Jack Zigon
Media, Pennsylvania

July 21, 1998

How To Use This Guide

What this guide is about

It's a given that successful work teams require clear, results-oriented goals. But creating objective goals for today's high-performance teams is easier said than done. This guide describes a seven-step process for developing measures of work-team performance. The process links corporate goals and work flow to performance measures for both the collective team and individual members.

Note

This guide uses the terms "performance standards", "goals", and "objectives" interchangeably. While they take on specific meanings inside a particular organization, they all describe some future, desirable state that the team is trying to achieve.

Who the guide is written for

This guide is written for:

- Managers responsible for the results of work teams.
- Members of work teams and their leaders.
- Human resource personnel charged with helping teams define their goals.
- Compensation professionals searching for metrics on which to base team compensation.
- Anyone interested in how to measure team performance.

While any of the above readers can use this guide, the text assumes that the reader is a member of a work team in need of performance measures.

Purpose of the guide

This guide is designed to help you learn to create team performance standards in the least possible time. It will act as your coach and guide while providing a place for you to record ideas as you draft your team's objectives.

What you will learn

After working through this guide, you will be able to:

- Link your team’s measures to the organization’s measures.
- Select methods for identifying team measures.
- Identify measurement points for a given team using a combination of four techniques.
- Define the value-added results that the team produces.
- Create measures for each result.
- Set performance standards for each measure.
- Plan how to track each measure.

What the guide contains

How to Measure Team Performance contains step-by-step instructions, worksheets and examples to help you develop performance standards for a work team.

The first half of the guide walks you through the process. It explains and demonstrates each step, and then gives you opportunities to practice the step. The second half of the guide is a reference that offers ideas for team and individual performance measures.

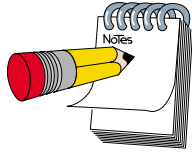
How to use the guide

Your Situation	What to Do
You are helping others to develop team measures.	<ul style="list-style-type: none">• Learn the techniques before trying to help others learn them. Use the exercises and your own department’s work as practice material for learning the skills.• Guide team members through the parts of the process that apply to their situation.
You and your team are working together to create team measures.	<ul style="list-style-type: none">• Work through the exercises as a group. If you are pressed for time, skip the generic exercises and move directly to the “Apply this to your team” exercises.• To avoid getting bogged down in unproductive sessions, use sub-teams to create drafts for team discussions.
You are completing this guide alone.	<ul style="list-style-type: none">• Complete the exercises alone but seek out someone with whom to discuss the answers. This “reality check” is helpful when you get lost in the details of measuring your team’s work.
You are in a workshop on Team Performance Measurement.	<ul style="list-style-type: none">• Complete the exercises as directed by your facilitator.

Learning advice

Before going further, gather any materials you have that describe the charter or purpose of the team as well as any materials that describe measures of the organization’s or team’s performance.

What to do next



The icon at the left appears in this guide as a signal for you to do something. Usually you will be asked to complete an exercise.

Sections marked “Practice Exercise” give you an opportunity to *practice* what you’ve read about in the preceding pages. Your practice will be directed toward a case study team.

Sections marked “Application Exercise” give you an opportunity to *apply* what you’ve learned to *your team’s* situation. You will use your own team experiences as the basis for your efforts.

In either case you will receive feedback to help you determine if the work you’ve done is correct.

Problems of team measurement

Team performance is difficult to measure for the following reasons:

- Results that should be measured are not always obvious. Most teams use obvious measures without asking what results they should produce or how they will know they've done a good job.
- Even if you know *what* to measure, *how* to measure it is often unclear. Not everything can be easily measured with numbers; thus, teams give up when faced with measuring something like “creativity” or “user-friendliness.”
- Teams are made up of individuals; thus, measurement must be done at both team and individual levels, effectively doubling the size of the measurement task. Without direction, it is difficult to develop individual measures that support the team and don't conflict with team measures.

Benefits of this approach

This approach to measuring team performance will accomplish the following:

- Provide a road map for a difficult task. It is easy to get lost when the task is as hard as measuring team performance. If you have a process, you can focus on the goal instead of on what step to take next.
- Help reduce the cycle time to create team measures. Companies have spent up to two years trying to create measures for work teams. This process will cut that time down to weeks or days.
- Provide a way to measure difficult-to-measure work. For example, manufacturing might be easy to measure, research and development, graphic arts, customer service and design engineering are rarely easy to measure. This process explains how to create performance standards for those types of work.
- Help you link team goals to the organization and the individual goals to the team. Line of sight helps motivation, but it can be difficult to achieve. A team needs to see how its results can help the organization and the individual team members need to know what is required of them to reach the team's goals.
- Provide a way to combine team and individual measurement so they support each other and do not cause conflicts.

Benefits of this approach (cont'd)

- Provide options for varying the process, given the type of team and work being measured.
-

End point of the process

Because there are many types of teams with different measurement challenges, the measurement process is not linear. You need to have a clear understanding of where you want to end up, and then make choices along the way to find the most efficient path to your goal.

Most often, we want to end up with a measurement system in which all team members understand what is expected of them and how they will be evaluated in meeting these expectations. The measurement system needs to include:

- A statement of the team's value-added results with measures and performance standards for each result.
 - A statement 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.
 - A plan to collect and summarize the data so that the team and the individual know how they are performing compared to the performance standards.
-

Example set of team and individual performance standards

For example, the following pages show a partial set of team and individual performance standards for an oil company exploration and exploitation team. The first table shows the performance standards shared by the entire team. The second and third tables show performance standards for two team members. The fourth table shows how performance data for one of the measures might be tracked. Don't worry about the details of the performance standards, especially if you aren't from the oil industry.

Note that, in each case, the performance plans consist of a list of value-added results with performance standards stating how well each result must be performed. The fourth table shows one of several ways to summarize individual (or team) performance compared to the agreed-upon performance standards.

Example oil exploration team performance plan

These are performance objectives shared by the entire team.

Value-Added Results/Weights	Performance Standards
<p>Region business results (40%)</p> <ul style="list-style-type: none"> • Deliveries • Controlled costs • Development opportunities • Acquisition opportunities • Exploration opportunities • Good corporate citizen and partner 	<ul style="list-style-type: none"> • \$2.5M to \$3.2M net operating income. • 1.1M to 1.6M total yearly cubic feet of gas. • 3M to 3.5M total yearly barrels of oil. • \$50K to \$75K lease operating expense. • Cash flow increases at 3.5% to 4.5%/year. • Reserve additions are greater than 10%. • Cost to find and develop oil is <\$9/barrel for the life of the field. • Projects are completed by agreed-upon team deadline. • No citations from government agencies. • Investors seek company out as a business partner. • No dissatisfied royalty owners. • No fines.
<p>Investment opportunities (25%)</p>	<ul style="list-style-type: none"> • 15 to 25 new investment opportunities/year that meet corporate hurdle rates for drill wells, acquisitions, workovers/recompletions, facility modifications, and explorations: <ul style="list-style-type: none"> • Fits strategy. • Leverages into other opportunities. • Uses corporate competitive advantages (horizontal drilling, etc.). • Continuous reduction in average project study cycle time for: <ul style="list-style-type: none"> • Repairs and workovers, etc. • Recompletes and drill wells. • Acquisitions and divestitures. • Continuous reduction in cycle time between first submittal of AFE to final decision for: <ul style="list-style-type: none"> • Repairs and workovers, etc. • Recompletes and drill wells.
<p>Oil ready for shipment (25%)</p>	<ul style="list-style-type: none"> • Production deliveries meet agreed-upon business plan. • PDP+PDNP meets agreed-upon business plan. • Lease operating costs meet agreed-upon business plan. • No fines or shut-ins due to regulatory and environmental problems.
<p>Completed capital projects (10%)</p>	<ul style="list-style-type: none"> • Continuous reduction in average cycle time from signed AFE to start of work. • Actual volume meets forecast. • Cost/barrel of reserves meets corporate hurdle rate. • Cash flow meets forecast (adjusted for price).

Example exploitation geologist performance plan

These are performance standards for one team member, an exploitation geologist.

Value-Added Results	Performance Standards
New reserves (25%)	<ul style="list-style-type: none"> • 125,000 net to company BOE reserve replacements/year (new, unbooked reserves that wouldn't have been recovered without this work). • 75% to 85% overall success rate on recompletes, w/o's and infill drilling. • 1 to 2 economically successful major prospects/year • VP Exploitation is satisfied that the amount of effort matches the potential.
Subsurface interpretations (20%)	<ul style="list-style-type: none"> • Management is satisfied that: <ul style="list-style-type: none"> • Seismic data ties together. • Log correlations look reasonable. • All the available data is used and fits the interpretations. • Conforms to known models. • Fits engineering data. • Looks beyond current producing horizons. • Interpretations identify new opportunities. • Meets agreed-upon deadline. • Management agrees that time spent matches potential. • Exceeds expectations = Map fits the production data.
Log analyses (20%)	<ul style="list-style-type: none"> • Other team members are satisfied that the interpretation: <ul style="list-style-type: none"> • Integrates offset well performance • Integrates ll relevant data. • Makes a decision.
Volumetric maps (10%) <ul style="list-style-type: none"> • Structure map • Isopach map 	<ul style="list-style-type: none"> • Other team members are satisfied that: <ul style="list-style-type: none"> • Map contours match the structural and net sand maps. • The map is consistent with the reservoir data. • Well production performance matches the map.
Log correlations and zone identifications (5%)	<ul style="list-style-type: none"> • Reservoir engineer and other team members are satisfied that the correlation and zone: <ul style="list-style-type: none"> • Differentiate between structural and stratigraphic effects. • Are consistent with available data. • Meets agreed-upon deadline.
Drill well objectives and design criteria (10%)	<ul style="list-style-type: none"> • Operations manager and drilling engineer are satisfied that : <ul style="list-style-type: none"> • Formation objectives are clearly identified. • Well parameters are accurate.
Risk assessment (5%)	<ul style="list-style-type: none"> • Team members and management say risk looks realistic based on appropriate weighting of available data.
Well performance predictions (5%)	<ul style="list-style-type: none"> • Team members and management say the well performance predictions properly weigh and incorporate historical and analogous data. • Exceeds = Well comes in as projected or better.

Example geophysicist performance plan

These are performance standards for a second team member, a geophysicist.

Value-Added Results/Weights	Performance Standards
<p>New reserves (25%)</p> <ul style="list-style-type: none"> New trends and prospects identified 	<ul style="list-style-type: none"> 1 million BOE reserves additions net to company/year. 30% to 50% overall success rate on wildcat drilling. Average of 1 economically successful major prospect/year. Team and Exploration VP are satisfied that the amount of effort matches the potential.
<p>Seismic interpretations (30%)</p>	<ul style="list-style-type: none"> VP Exploration is satisfied that: <ul style="list-style-type: none"> Data is analyzed correctly. Data is integrated with all the subsurface information. All the data is used. Map matches the interpretation. Agreed-upon deadlines are met.
<p>Subsurface interpretations (30%)</p> <ul style="list-style-type: none"> Log analysis Volumetric maps Surface maps Isopach maps 	<ul style="list-style-type: none"> Management is satisfied that: <ul style="list-style-type: none"> Seismic data ties together. Log correlations look reasonable and are integrated into seismic interpretations. All the available data is used and fits the interpretations. Fits engineering data. Looks beyond known producing horizons. Interpretations identify new opportunities. Meets agreed-upon deadline. Management agrees that time spent matches potential and the results. Exceeds expectations = >50% of the recommendations match the results. Other team members are satisfied that the interpretation: <ul style="list-style-type: none"> Integrates all relevant data. Makes a decision. Other team members are satisfied that : <ul style="list-style-type: none"> Map contours match the structural and net sand maps. Maps are consistent with the reservoir and seismic data. Wildcat well information matches the maps.
<p>Log correlation and zone identifications (15%)</p>	<ul style="list-style-type: none"> Geologist and other team members are satisfied that the correlations and zones: <ul style="list-style-type: none"> Differentiate between structural and stratigraphic effects. Are consistent with available data. Meets agreed-upon deadline.

Example geophysicist feedback report

This is how the geophysicist's performance data for the first three results might be summarized for the year.

Value-Added Results/Weights	Performance Standards	Actual Performance
<p>New reserves (25%)</p> <ul style="list-style-type: none"> • New trends and prospects identified 	<ul style="list-style-type: none"> • 1 million BOE reserves additions net to company/year. • 30% to 50% overall success rate on wildcat drilling. • Average of 1 economically successful major prospect/year. • Team and VP Exploration are satisfied that the amount of effort matches the potential. 	<ul style="list-style-type: none"> • 1.1 million BOE reserves additions net to company/year. • 42% overall success rate on wildcat drilling. • No successful major prospects this year. • VP Exploration is satisfied that the amount of effort matched the potential.
<p>Seismic interpretations (30%)</p>	<ul style="list-style-type: none"> • VP Exploration is satisfied that: <ul style="list-style-type: none"> • Data is analyzed correctly. • Data is integrated with all the subsurface information. • All the data is used. • Map matches the interpretation. • All agreed-upon deadlines are met. 	<ul style="list-style-type: none"> • The VP Exploration is satisfied that in 18 of 21 seismic interpretations: <ul style="list-style-type: none"> • Data was analyzed correctly. • Data was integrated with all the subsurface information. • All the data was used. • Map matched the interpretation. • All agreed-upon deadlines were met.
<p>Subsurface interpretations (30%)</p>	<ul style="list-style-type: none"> • Management is satisfied that: <ul style="list-style-type: none"> • Seismic data ties together. • Log correlations look reasonable and are integrated into seismic interpretations. • All the available data is used and fits the interpretations. • Fits engineering data. • Looks beyond known producing horizons. • Interpretations identify new opportunities. • Meets agreed-upon deadline. • Management agrees that time spent matches potential and the results. • Exceeds expectations = >50% of the recommendations match the results. 	<ul style="list-style-type: none"> • Management is satisfied with all subsurface interpretations. • Six new opportunities were identified. • All 29 interpretations met the agreed-upon deadline. • Management is satisfied that the time spent matches potential and the results in all but one instance.

Overview of steps for measuring team performance

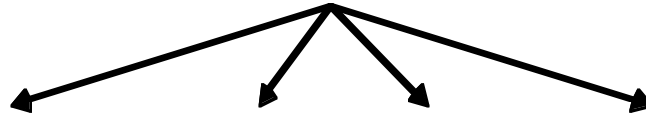
These are the seven steps to creating performance standards for teams:

1. **Review the existing organizational measures.** This step makes sure that the measures “above” and “around” the team are known and are linked to the team’s measures.
2. **Define team measurement points.** This step offers four ways to identify starting points for team measurement. Selecting the best way to identify the team’s value-added results provides the basis for all further measurement.
3. **Identify individual team member results that support the team.** This step lets you identify the results each team member must produce to support the team’s results or work process.
4. **Weight the results.** This step allows the relative importance of each value-added result to be discussed and agreed-upon.
5. **Develop performance measures for each result.** This step identifies the numeric and descriptive yardsticks to use to gauge how well the results have been achieved.
6. **Create performance standards.** This step defines how well the team and individuals must perform to meet expectations.
7. **Create a Tracking System.** This step identifies how the data for each performance standard will be collected and fed back to the team and team members.

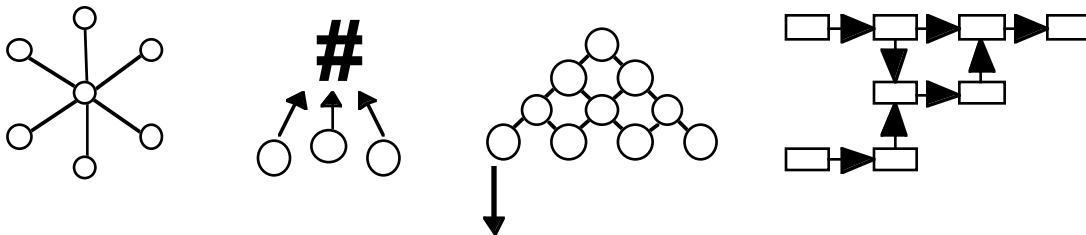
The diagram on the next page overviews the steps graphically. Each symbol or phrase will be explained as the steps are explained one by one.

Summary diagram of how to measure team performance

1. Existing organization measures



2. Options for identifying team measurement points



3. Individual results supporting the team

	TR	TR	TR	TR	TR
TM 1	IR	IR			
TM 2		IR		IR	
TM 3					
TM 4		IR			



4. % Importance



5. Measures (#, %, or Judge + Factors)



6. Performance standards (Range, Description)



7. Tracking system

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Step 1—Review Existing Organizational Measures

Why review organizational measures

Teams do not operate in a vacuum. The measures above and around them are the goals to which the team needs to link. Dysfunctional organizational measures can cause a team to exhibit dysfunctional behavior.

Common problems with organizational measures

Organizational measures can cause problems if they are unknown to the team, unbalanced or unable to be affected by the team.

- Many times the team is buried deep within an organization, unaware of what measures are important to the organization.
 - A team asked to improve customer satisfaction in a company interested solely in profit will find few supporters when it makes suggestions requiring additional investment .
 - If the team trying to improve customer satisfaction consists only of auditing employees, it is likely to be unsuccessful because few aspects of front-line customer satisfaction can be affected by a support organization.
-

Balanced scorecard measures

Unidimensional measures, which focus only on financial measures like profit or return on net assets, direct the team to change only those facets of the business that can be measured with dollars. Kaplan and Norton's balanced scorecard concept suggests that organizations will be more successful if they add three other perspectives to the *financial* perspective when defining organizational measures of effectiveness. The *customer* perspective wants to know what customers think, the *internal business* perspective asks what measures of internal efficiency are important, and the *learning* perspective asks what aspects of employee development and learning are critical to the organization's success. See the Kaplan and Norton book *The Balanced Scorecard: Translating Strategy into Action* (Harvard Business School Press, Boston, 1996) for a discussion of the concept.

Definitions

Business Unit is a logical sub-unit of the larger organization. Large corporations can have business units which are as large as other entire companies.

Work Process is a series of steps that transforms some input or raw material into a useful product for a customer of the process.

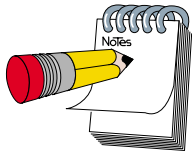
How to check organizational measures

Work through these steps to check the organizational measures:

1. Learn what is measured at the organization, business unit and work process levels.
2. Determine if the measures are balanced (combining financial, customer, internal business and learning perspectives), or only financial in focus. If only financial, attempt to have the measures changed to reflect a more balanced approach.
3. Determine if the team can affect the measures.

What to do if you can't affect the organization's measures

If the team can't affect the measures, you have two choices—either change the membership of the team so that it can affect the measures, or change the measures. Asking a team to affect organizational measures that are out of its control eventually weakens or destroys the team's motivation.

Application exercise

Use the worksheet on the next page for this exercise.

1. Review your organizational goals. Record these goals and measures on the worksheet.

Note: Do not *create* goals. Just record those measures that someone decided were important enough to track for your organization or manager.

2. Check those your team can affect (4).

How to check your work

When you've completed the exercise above, check your work by answering these questions:

- Does your list contain goals and measures for the entire organization and your manager?
- Does your list contain measures for the levels of the organization above the team?
- Have you checked the measures that the team can affect?

Organizational measures worksheet

Level of Measure	Measures	4
<i>Entire organization</i>		
<i>Business unit measures</i>		
<i>Department measures</i>		

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