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Measurement is the key to the credibility and success of CRM

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Measuring, managing and improving the performance of CRM

Robert Shaw

Abstract

Customer relationship management (CRM) has largely escaped systematic measurement, and as a result its ability to deliver profitable performance is often regarded sceptically and under-supported by senior management. This paper describes a unique framework for assessing the effectiveness of performance management in the CRM area. It enables both marketers and senior executives involved in aspects of customer management to evaluate how effective they are managing and improving the performance of their CRM. The framework is driven by a cause-and-effect model (the Drivers of Customer Performance) and a performance management framework (the Virtuous Circle).

Introduction

Assessing performance of customer-related investments is an increasingly important task for managers and other corporate stakeholders. Firstly, many firms are embarking on a wave of investments in the customer area after years of downsizing:¹ new brands, service improvement programmes, sales channel developments, call centres and information technology. Second, performance measurement is high on the corporate agenda and increasing attention is being given to non-financial measures of performance.² Third, performance management is evolving from the HR perspective, of performance appraisal, into a multidisciplinary perspective.³ Fourth, investors and analysts are increasingly asking for information on the marketing performance of their investments.⁴

Unfortunately, assessing the performance of customer-facing investments is also very difficult to do. Unlike purely internal factors, such as defects per million, whose performance is ultimately controllable at a cost, CRM's success depends on consumers, trade customers, competitors and other actors whose behaviour is not directly controllable. Further, CRM is a mediator between these internal actors and various internal policies and processes. Bonoma and Clark⁵ observe that 'outputs are lagged, multivocal, and subject to so many influences that establishing causes-and-effects linkages is difficult'. This paper has three aims. Firstly, it is intended to introduce the reader to some of the key concepts of performance management, both the lessons from general management writers and those from marketing specialists. Second, it seeks to apply those lessons to propose a performance

management framework that can be applied in the CRM field. Third, it will provide a checklist for CRM managers to assess how effectively their existing performance management works.

Performance management approaches

Performance management began as a general management discipline early this century and has been actively developing through to the present day. In the field of customers and marketing, it began in the 1930s and has progressed steadily until the present day.

General performance management studies

Early studies of performance tended to concentrate on two areas: the output of individual managers, and the output of the firm as a whole.

Management performance in the guise of an annual 'merit rating' has been around since the First World War. A strong and influential attack on this approach was mounted by McGregor in the *Harvard Business Review* (1957).⁶ He suggested that the emphasis should be shifted to analysis from appraisal, to future from past performance, and to actions relative to goals.

The management by objectives (MBO) movement, led by Peter Drucker,⁷ claimed that it overcame McGregor's objections and retained prominence until the late 1970s. It established a formalised cyclical framework of goal setting and analysis. Levinson led a series of attacks on MBO in a *Harvard Business Review* paper (1970),⁸ in which he suggested that emphasis should shift from top management to the whole organisation, from individuals to teams, and from quantifiable outputs to multiple qualitative measures and process measures. While many of Levinson's criticisms have now been addressed by modern methods of performance management, the concept of a cyclical performance analysis framework has remained prominent in most HR accounts of performance management.

Corporate performance management in the guise of budget setting and budget reporting has also been around since the First World War. Generally, criticism of these techniques has been muted. However, John Rockart wrote an influential 1979 *Harvard Business Review* paper⁹ suggesting that chief executives should track not only financial inputs and outputs but also intermediate factors which he called critical success factors or CSFs.

Strategic management writers began to pay particular attention to the performance management process following Michael Porter's work in the 1980s.¹⁰ Porter (1985) expressed the view that 'performance management can only be effective where the organisation has a clear corporate strategy and has identified the elements of its overall performance which it believes are necessary to achieve competitive advantage'. Another way of saying this is that organisations have to establish what their critical success factors are, and align them with strategy.

The most prominent recent work in this crowded area is by Robert Kaplan and David Norton — *The Balanced Scorecard* (1997).¹¹ They bring an integrating approach to the field, stressing both the content of

Most business frameworks for goal-setting and performance assessment do not take proper account of customers

Managers can help validate hypothesised cause and effect relationships by measuring the correlation between two or more factors

the measurements (ie the scorecard itself) and the management framework (ie the cycle of goal setting and performance analysis). They also make the important point that the scorecard should be viewed as a whole: 'instead of simply reporting information on each scorecard measure, on an independent, stand-alone basis, managers can help validate hypothesised cause-and-effect relationships by measuring the correlation between two or more measures.' Their views are echoed in some of the customer and marketing studies.

Customer and marketing performance

The earliest studies concentrated on 'marketing productivity'. Among the first was the Twentieth Century Fund study (1939),¹² which concluded that most of the cost of finished goods came from distributive activities, but that labour productivity of these activities grew far more slowly than manufacturing in the period 1870–1930.

Charles Sevin's *Marketing Productivity Analysis* (1965)¹³ lays out detailed profitability models for products and marketing programmes. Goodman (1970)¹⁴ followed Sevin's approach and advocated the establishment of the position of marketing controller in firms. However, they did not define the management framework by which such individuals would exercise control, so their ideas remained largely theoretical.

Bonoma and Clark's *Marketing Performance Assessment* (1988)¹⁵ found that the most frequent output measures were, in order of frequency, profit, sales (unit and value), market share, and cash flow. The most common input measures were marketing expense, investment and number of persons employed. They also noted a large number (26) of moderating factors, which they grouped into market, product, customer, and task characteristics.

Shaw and Stone propose the adoption of a cyclical performance measurement framework in *Database Marketing* (1988).¹⁶ Their 'Virtuous Circle' is a circular framework of marketing accountability, and learning: 'If the system is working well, when we implement improved policies, we usually get further improvements ... in short the marketing system is a virtuous circle.'

Ambler more recently (1996)¹⁷ makes the case for using multiple measures, covering outputs, inputs and intermediate measures; and for viewing them together. He comments: 'a single index, or value, is not yet satisfactory but there must be some n dimensional measure which will serve ... n=2 will not do. My own preference is n being between 10 and 15.' He goes on to list a sample of potential measures, and continues by pointing out that these measures must be viewed together, in much the same way as Kaplan and Norton comment on their scorecard: 'The numbers do not matter, but trends do. So does consistency between indicators. If perceived quality and relative price are both up, book your holiday, but if relative price is up and perceived quality is down, start taking the Zantak.'¹⁸ While Ambler does not use the word scorecard in this context, his approach is clearly similar to the Kaplan and Norton scorecard.

Lessons from performance management studies

Several lessons can be learnt from the debates on performance management.

- *Scorecards*: no single performance measure is adequate. Output measures must be supplemented by reference to the corresponding inputs; and because of time lags in outputs it is important to track intermediate measures. These multiple measures have been popularised as scorecards.
- *Cause and effect*: it is necessary to look at measures as an integrated whole, in order to spot correlations and trends.
- *Critical indicators only*: there must be focus on a few critical success factors to avoid data overload. This implies that raw data must be processed — summarised, simplified and presented with visual aids — to render them usable for busy managers.
- *Management framework*: a cyclical process of learning, objective definition, target setting, measurement and feedback must be put in place. Managers will only improve their performance if there is a deliberate, disciplined process of performance improvement at work.
- *Tools for all levels of organisation*: performance management works best if it is applied to all levels in the organisation rather than to one level only.

A better framework for goal-setting and performance assessment is needed in CRM

Applying performance management principles

Drawing upon these lessons, the author has developed a two-part framework for measuring, managing and improving the performance of CRM. The two parts are as follows.

- *The Virtuous Circle*: sets out how management can improve performance by repeatedly applying measurement tools to their situation (Figure 1).
- *Drivers of Customer Performance*: this defines the contents of the performance measurement toolbox, and how the tools fit together into an integrated scorecard (Figure 2).

Figure 1: The Virtuous Circle

Many companies already have measurement tools in place, often churning out vast amounts of data, and yet their performance does not improve.

Figure 2: Drivers of Customer Performance

In a survey carried out by the author for *Business Intelligence*, the average organisation was tracking 11.6 customer-related measures, yet dissatisfaction was widespread. Problems with applying measurement were ascribed to internal problems rather than poor tools in 70 per cent of cases.¹⁹

The internal problems involved inadequate skills and training; they also resulted from the measurements being held locally and not fed back to those who need to know; and the climate and culture in the organisation discouraged accountability for performance and allowed managers to duck the tough performance issues.

A management process is clearly as important as the data — a process that will help managers apply the measurement tools so that performance does improve. At the heart of the process is active learning — learning where performance is weak or strong, in order to remedy weaknesses and build on strengths. Then there must be a process of reviewing performance, identifying performance improvement initiatives, understanding cause-and-effect dependencies of improvements, planning actions and setting stretch targets to achieve performance improvements, measuring results and feeding them back to those managers for the next round of performance improvement. This cyclical improvement process is described by Shaw and Stone as the Virtuous Circle.²⁰

Having an effective process for performance management is as important as having good data

The Virtuous Circle

Learning

Organisations need the capacity for double-loop learning: the learning that occurs when managers question their assumptions and reflect on whether the theory on which they are operating is still consistent with current evidence, observations and experience. Mintzberg calls this the emergent strategy process.²¹ The aim of learning is to test, validate and modify the hypotheses about customer relationship management that are embedded in business strategy.

Several techniques are available which can assist organisations at this stage in the cycle.²² Some firms have effective systems for screening and evaluating ideas for performance improvement. Others run regular idea-generating workshops to identify performance problems and challenge strategic assumptions. Coaching and training can greatly assist staff to identify problems, both within the marketing department and in other functions that have an impact on the customer. Original research

can sometimes be helpful to test strategic assumptions, especially in fast-changing markets. Use of computerised trend and correlation analysis can also help identify inconsistencies and diagnose performance problems. All these learning techniques feed ideas into the next planning cycle.

Planning

Organisations need to plan how to achieve better performance based on what they have learned. The aim should be to develop plans for performance improvement which are aligned with the organisation's strategic vision.

Strategies and plans need to be broken down into practical initiatives that can be monitored and evaluated. Roles and goals need to be agreed unambiguously for the individuals and teams responsible. Where several departments are involved, their roles and goals need to be aligned behind the strategic objectives.

Stretch targets for improving performance then need to be set, at levels that are ambitious but not unrealistically so. About six or eight factors can practically be monitored, and these are often used as a 'scorecard' in the subsequent review process. These should include a mix of output indicators (such as revenue growth), inputs (such as budget and resource commitments), and intermediate customer and competitive measures. Often marketing strategies fail to achieve their expected outcomes because budgetary commitments are cut, so it is important to monitor these changes.

Milestone dates should also be set for the performance improvements to take place; there should typically be milestones for the short term (within the year), medium term (often around 18 months), and the long term (often three- or five-year goals). The purpose is for strategic audits to be carried out at these future dates to ensure successful implementation of the strategic plans.

Measurement

Organisations need to measure how effective they have been in achieving their planned performance improvements. The aim should be to measure the actual performance against which target performance can be compared.

Measurement of performance is different from accumulation of data. Most organisations have masses of data on computers and printed reports, some of which may be relevant to evaluating performance. Successful firms have regular procedures and systems for converting these data into performance measures that are useful as management information. This requires budgets and resources to be set aside for data preparation and processing. Often it is discovered that key items of information needed for performance review are not routinely recorded, and new recording procedures may need to be set up.

Performance measurements need to be precise; consistent from time period to time period and location to location; sufficient (ie comprehensive); aligned with the strategy; and necessary (ie minimum fit for purpose). Company-wide standards need to be established to

**Implementation has
been the graveyard
of strategies**

**Organisations
should measure the
drivers of customer
performance**

achieve these aims, and this often requires a central measurement function to be organised.

Feedback

Organisations need the capacity to feed performance measures back to the managers, or teams, that matter. The aim should be to select the relevant measures and feed them back in a way that highlights actions which need to be taken. Feedback should not be bureaucratic.

Successful firms provide concise, consistent feedback that is directly relevant to those individuals responsible for managing performance. It is presented in a way that can be quickly understood and directly acted upon. It should encourage teamwork, and not buck passing. It should respect confidentiality, and sensitive information should only be disclosed on a need-to-know basis. Overall, it should support a 'high performance culture'.

Organisations have always found it relatively easy to measure their inputs (costs, resources, activities) and their outputs (revenues, profits, waste), and have done so for over a century. However, these measurements have major limitations for organisations which are seeking to improve the effectiveness with which they manage customer relationships: they provide little understanding of how inputs are converted to outputs, and are therefore not very illuminating on how performance might be improved.

In order to fill this important gap, the Drivers of Customer Performance model (Figure 2) was developed by the author.²³

Drivers of Customer Performance

Customer segments — who buys

The first step is to start recording information about who customers are, which can be used to identify them in the market. This may be demographic information (eg social class or industry code), or economic information (eg income or turnover), or geographic information.

Customer behaviour — what is bought

The second step is to record how customers actually behave. This includes their choice of actual products (or services) over time, how much they bought, when they bought them, how often they bought them, what they were prepared to pay, and what brands and key features they selected (including competitive ones). Patterns such as trial purchase and repeat purchasing patterns are particularly important to analyse. Date and, sometimes, time of behaviour need to be recorded to calculate trends in behaviour.

Customer motivation — why it is bought

The third step is to understand what motivates buying behaviour. Here it is important not to overlook habit and inertia, as well as more positive factors. Buying sequence models can be helpful in deciding what motivational factors to record. It is also important to measure factors

that may motivate customers to buy competing brands, in addition to the motivational factors for which one's own brands are strong. Motivation needs to be tracked over time in order to calculate trends in motivation.

Outputs

The fourth step is to record and understand the outputs — in particular revenues and profits. Often these can be calculated directly from behavioural variables, or at least modelled on the basis of behavioural data. Outputs need to be tracked over time, in much the same way as behaviour and motivation.

Inputs

Finally, the inputs that motivated customers should be recorded, and again tracked over time. Inputs are described in classic marketing literature as the 'marketing mix'. Marketing is supposed to be constantly flexing the balance between the components of the marketing mix, and marketers aspire to run integrated campaigns. It is often useful to record two aspects of the inputs: quantitative and qualitative.

Quantitative measures of five types are typically needed.

- Performance improvement initiatives and milestones (usually projects).
- Activity drivers (eg number of sales calls, enquiries, TVRs).
- Events driven (eg several events may be triggered by receipt of a customer enquiry).
- Resources consumed (eg actual amount of sales time, not the standard figure).
- Costs (eg actual cost of sales).

Qualitative factors that need to be recorded include a wide variety of 'creative' factors. The 'medium' and the 'message' are most important in the case of communications inputs.

Conclusions

The author's work to date on performance management for CRM has both applications for management and also implications for business schools and academics who are engaged in research and teaching.

Management applications

Customer relationship management is an increasingly important task for managers and other corporate stakeholders. Its ability to deliver profitable performance is critical, and yet most organisations are at the early stages in implementing performance management principles.

One problem faced by many managers is knowing where to begin. The author's framework aims to provide guidelines for those involved in performance management. A useful starting point is to audit current performance management capabilities. The Appendix contains a checklist that can be used to self-assess the organisation's existing performance management.

A useful starting point is to audit existing performance management capabilities

Academic research and teaching implications

Business schools and academics are also active in researching performance management, both generally and in the marketing area. Following the review of research in this area, a number of candidates for future research can be suggested.

- Will the use of scorecards to measure CRM performance grow in the future? How many organisations are using them today?
- What benefits do managers expect to get out of scorecards? Will they deliver the promise, or will this be another passing fad?
- Are they aimed at a particular level in the organisation — and how often are they used by the whole organisation?
- Who will create the scorecards? How will they be pulled together?
- Who will be responsible for sourcing the CRM data? What data will be needed? Will different data details be needed at different levels in the organisation?
- Can scorecards continue to be created as by-products of MR and IT, or will a more proactive approach be needed?
- What skills are needed to create scorecards? What are the skills implications for market researchers, for IT staff, and for other specialists?

**Future success lies
in combining raw
data into scorecards**

The scorecard concept figures prominently in these future research proposals. This is because past research into how firms use measurement has tended to focus on the use of individual measures — revenues, repeat purchase, consumer attitudes, for example — and yet relatively little is known about the use of scorecards. The author believes that future success lies in greater understanding of how managers can combine the raw data into scorecards, and so create an integrated view of the laws of cause and effect as they impact CRM performance.

Appendix — audit checklists

This is an auditing process that enables you to examine methodically and understand how well you measure and manage your customer relationships. It begins with the Virtuous Circle management process and finishes with the Drivers of Customer Performance.

Management framework audit

The management framework audit is broken down into five parts.

- 1 Does your organisation systematically improve the performance of its customer relationship management?**
 - 1.1 Is top management involved and actively interested in performance improvement for CRM?
 - 1.2 Is there an effective system (as opposed to ad hoc arrangements) for tracking all the customer-related performance improvement initiatives that are currently under way in your organisation?
 - 1.3 Is the number of performance improvements at corporate level considered to be satisfactory?

**Organisations can
only learn by
challenging their
strategic
assumptions**

- 1.4 Can staff approach top management with ideas about performance improvement and get a fair hearing?
- 1.5 Do people in the organisation know where to take their ideas about performance improvement?
- 1.6 Does the organisation actively encourage the communication and cross-fertilisation of performance improvement ideas:
 - between different levels in the organisation?
 - between different functions (eg sales, marketing, service)?
 - between different operating units?
 - between different international markets?

2 Does your organisation actively seek performance improvements and question the assumptions in its strategy?

- 2.1 Is the organisational climate supportive of seeking performance improvements?
- 2.2 Does the organisation also support the questioning of assumptions underlying its strategy?
- 2.3 Does the organisation undertake regular coaching and training exercises in order to generate the overall climate and competency for performance improvement?
- 2.4 Does the organisation run regular idea-generating exercises to identify performance problems and challenge strategic assumptions?
- 2.5 Is there an effective system (as opposed to ad hoc arrangements) for screening and evaluating ideas for performance improvement?
- 2.6 Are information systems used effectively to challenge strategic assumptions (eg correlation analysis)?
- 2.7 Is hypothesis-testing research used effectively to test important strategic assumptions on a fundamental open-ended basis?
- 2.8 Are cause-and-effect analysis techniques used to resolve the cause of potential performance problems (eg fishbone analysis, goal dependency trees)?

3 Does your organisation plan to improve performance in a systematic way?

- 3.1 Are plans translated into explicit scorecards, defining the targets against which progress can be measured? Do these scorecards explicitly reflect a balance of advances and retreats in your battle for the market?
- 3.2 Do your planning scorecards fully cover all five dimensions of the Drivers of Customer Performance — outputs, inputs, customer behaviour, customer motivation and customer types? Do your targets form an integrated whole that reflects the causes as well as the effects of the planned improvements?
- 3.3 Do your planning scorecards contain critical indicators only — are there too many, too few or just the right number of targets?
- 3.4 Is the rate of change explicit in your performance plans? Do you set explicit performance milestones? Do these milestones extend beyond the financial year-end?
- 3.5 Are your existing performance improvement initiatives reviewed during the planning process to ensure their adequacy to meet

Effective measurement must be precise, consistent, necessary, sufficient and aligned with strategy

performance targets? Are new performance improvement initiatives explicitly established as part of the planning process?

- 3.6 Does the performance planning process link directly to the annual resource allocation and budgeting process? Are resource and budget changes linked to the performance improvements they are expected to achieve?

4 Does your organisation have an effective performance measurement system?

- 4.1 Does the organisation explicitly measure performance against plan across all five dimensions of the Drivers of Customer Performance?
- 4.2 Has the organisation assigned adequate resources — people, skills, systems, budgets — to support the production of scorecards?
- 4.3 Does the market research process include an element that supports the creation of performance measurement data, or are performance data treated as an accidental by-product of market research? Are key performance measures highlighted in research tables and reports, or are they buried among other data? How good is the quality of the data?
- 4.4 Is information technology applied explicitly to create performance measurement data, or are performance data treated as an accidental by-product of other information technology applications? Are key performance measures highlighted in IT outputs, or are they buried among other data? How good is the quality of the data?
- 4.5 Are performance data consolidated and stored in an integrated data warehouse, or are they scattered across a number of separate data sources? Are some of the data held only on printed documents and not as computer data?
- 4.6 Do the measurement systems track performance of key performance improvement initiatives? Are the scorecards for performance improvement initiatives tracked against milestones?
- 4.7 Is a history of key events, such as competitor activities, internal budget cuts and delays in past campaigns, recorded in a 'key events history' file?
- 4.8 Are resource and budget changes explicitly tracked to ensure that expected outcomes have been achieved and intermediate changes at key milestones have occurred?

5 Does your organisation feed performance measurements to managers in an effective way?

- 5.1 Is there effective performance feedback to all levels in the organisation?
- 5.2 Does the performance information arrive in time for effective action to be taken?
- 5.3 Are the performance data accurate enough to identify areas that need attention, both problems and opportunities?
- 5.4 Is the quantity of information provided too much or too little?
- 5.5 Is the presentation of the information effective? Does it draw attention to areas that need more attention?

- 5.6 Is information technology used effectively to share information and feed it to managers who need to know?
- 5.7 Is information technology used to support collaborative working and teamwork?
- 5.8 Is feedback given at key milestone dates for performance improvement initiatives, as well as periodic reporting?

Drivers of Customer Performance audit

The DCP audit is broken down into five parts which correspond to the five perspectives in the model.

Segmentation should impact on management behaviour

1 Does your management process distinguish between customer segments?

Organisations often purchase customer segmentation data, which they overlay on their databases but which never affect the management process to any significant extent.

- 1.1 Do all key people in marketing, sales, service and other customer functions understand the differences between customer segments and reflect the differences in their plans? Or are all customers treated equally by planners?
- 1.2 Do the measurement systems track performance at customer segment level, or is performance information only available at gross market level?
- 1.3 Does segment performance analysis get communicated regularly to all members of the organisation who need to know, or is it 'owned' by segmentation specialists?
- 1.4 Do management have sufficient understanding of the differences between customers when they are diagnosing performance problems, or do they tend to treat all customers as equal?
- 1.5 Is the organisation taking steps to learn more about the differences between customers, and reflecting them in its future plans?

2 Does your management process relate performance to customer behaviour?

Organisations often try to relate financial performance directly with motivation (for example, they often pay a lot of attention to customer satisfaction), but fail to draw the connection with customer behaviour.

- 2.1 Do you link your quantitative planning targets (eg revenue growth) to quantified changes in customer behaviour (eg acquiring new customers, or existing customers buying a broader range)?
- 2.2 Does the measurement system track the behaviour of individual customers over their lifetime? Do you also track the behaviour of customers who buy from your competitors?
- 2.3 Do managers receive regular feedback about changes in customer behaviour, and relate this back to your planning targets? Do they also receive feedback about the ways that competitor activity is affecting customer behaviour (eg wins and losses in share of wallet)?

**Customer motivation
and behaviour must
both be measured**

- 2.4 Do managers have sufficient understanding of customer behaviour when they are diagnosing performance problems (eg repeat purchase rates, trial purchase rates, win/loss analyses)?
- 2.5 Does the organisation take steps to learn more about the patterns of its customers' behaviour, and does it reflect what it learns in its future plans?

3 Does your management process relate customer behaviour to motivation?

Organisations often gather information about motivation through market research, but fail to relate it to customer behaviour.

- 3.1 Do you explicitly plan for changes in customer motivation (eg customer satisfaction targets), and are such targets linked with planned behaviour changes (eg retention targets)?
- 3.2 Does the measurement system monitor a series of motivational indicators over time? Do you also monitor the motivation of customers who buy from your competitors?
- 3.3 Do managers receive regular feedback about changes in customer motivation, and relate this back to changes in customer behaviour and business performance? Do they also receive feedback about the ways that competitor activity is affecting customer motivation (eg changes in awareness and attitudes to competitors)?
- 3.4 Do managers have sufficient understanding of customer motivation when they are diagnosing performance problems (eg changes in satisfaction indicators, changes in awareness and attitudes towards competitors)?
- 3.5 Does the organisation take steps to learn more about how customers are motivated, by both its own and competitor inputs, and does this learning get reflected in future plans?

4 Does your management process relate customer motivation to inputs?

Organisations often only gather information about inputs costs, and fail to monitor activity levels or resource allocation, nor do they relate inputs to changes in customer motivation.

- 4.1 Do your plans go beyond cost budgets, and explicitly set targets for activity levels (eg numbers of sales calls), and resource allocation (eg allocation of call volumes to different customer segments)? Are these plans linked to the motivational changes they aim to cause?
- 4.2 Does the measurement system monitor activity levels and resource allocation as well as costs? Is intelligence about competitor activity levels and resource allocation also tracked?
- 4.3 Do managers receive regular feedback about changes in activity levels and resource allocation, both own and competitor? Do they also receive feedback about the changes in customer motivation associated with changes in input levels and allocation?
- 4.4 Do managers have sufficient knowledge of activity levels and resource allocation when they are diagnosing performance problems (eg changes in sales call patterns, changes in competitor activity)?

**Measures of success
should be objective**

- 4.5 Does the organisation take steps to learn more about its activity levels and resource allocation? Are modern techniques such as activity-based costing being used to gain a better understanding?
- 5 Does your management process aim to achieve a clear, consistent set of outputs?**

Organisations often vary in the outputs they tell management they want to achieve, and there is often a high degree of subjectivity and variability in the definitions of 'success'.
- 5.1 Do your plans state 'hard' measures of success, such as sales revenues and gross profits, or do they also include 'soft' strategic targets such as market share? Are such targets set at market segment level, or are there only gross targets?
- 5.2 Does the measurement system monitor outputs at market segment level? Is intelligence about competitor outputs also tracked?
- 5.3 Do managers receive regular feedback about changes in outputs, both own and competitor? Do they also receive feedback about the changes in customer behaviour associated with changes in outputs?
- 5.4 Do managers have sufficient knowledge of the causes of output changes when they are diagnosing performance problems (eg accounting issues, data problems)?
- 5.5 Does the organisation take steps to learn more about the causes of changes in output? Have additional output measures (such as market share) been included as a result of learning more about the strategic issues (eg the need to develop share to achieve strategic objectives, even at the cost of falling short-term profits)?

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