



## **Corporate Objective and Performance Measurement Examples**

# Objective and Performance Measurement Examples

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## Objective and Performance Measurement Examples<sup>1</sup>

Objectives	Performance Measurements
<b>Operations Management Processes</b>	
<b>Supplier Relationships</b>	
Lower the cost of ownership	* Activity-based cost of acquiring materials and services (includes cost of ordering, receiving, inspecting, storing, and coping with defects)
	* Cost of purchasing as percentage of total purchase price
	* Percent of purchases made electronically (EDI or Internet)
	* Supplier ratings: quality, delivery, cost
Achieve just-in-time supplier capability	* Lead time from order to receipt
	* On-time delivery percentage
	* Percent of late orders
	* Percent of orders delivered directly to production process by suppliers
Develop high-quality supplier capability	* Part-per-million or percent of defects, incoming orders
	* Percent of suppliers qualified to deliver without incoming inspection
	* Percent of perfect orders received
Use new ideas from suppliers	* Number of innovations from suppliers
Achieve supplier partnership	* Number of suppliers providing services directly to customers
Outsource mature, non-core products and service	* Number of outsourcing relationships
	* Benchmarked performance of outsourcing partners

<b>Production of Goods and Services</b>	
Lower the cost of producing products/services	* Activity-based cost of key operating processes
	* Cost per unit of output (for organizations producing homogeneous outputs)
	* Marketing, selling, distribution, and administrative expenses as percent of total costs
Continuously improve processes	* Number of processes with substantial improvements
	* Number of inefficient or non-value added processes eliminated
	* Part-per-million defect rates
	* Yield percentage
	* Scrap and waste percentage
	* Cost of inspection and testing
	* Total cost of quality (prevention, appraisal, internal failure, external failure)
Improve process responsiveness	* Cycle time (from start of production until product completed)
	* Process time (time the product is actually being processed)
	* Process efficiency (ration of process time to cycle time)
Improve fixed asset utilization	* Percent of capacity utilization
	* Equipment reliability (Percent of time available for production)
	* Number of percent of breakdowns
	* Flexibility (range of products/services that processes can produce and deliver)
Improve working capital efficiency	* Days' inventory, inventory turnover
	* Days' sales in receivables
	* Percent of stockouts
	* Cash-to-cash cycle (days of accounts receivable plus days of inventory less days of payables)

<b>Distribute Products and Services to Customers</b>	
Lower cost-to-serve	* ABC cost of storage and delivery to customers
	* Percent of customers reached via low-cost-to-serve channels; e.g., switching customers from manual and telephone transactions to electronic ones
Deliver responsively to customers	* Lead times, from order to delivery
	* Time from completion of product/service until ready for use by customer
	* On-time delivery percentage
Enhance quality	* Percent of items delivered with no defects
	* Number and frequency of customer complaints
<b>Risk Management</b>	
Manage financial risk/maintain high credit quality	* Bad debt percentage
	* Percent of uncollectible receivables
	* Exposure or losses from interest rate, foreign exchange, or commodity price fluctuations
	* Inventory obsolescence and spoilage
	* Debt-to-equity ratio
	* Interest coverage ratio
	* Months of payroll held in cash
Manage operating risk	* Order backlog
	* Percent of capacity from existing and backlogged orders
Manage technological risk	* Technology ranking of products and processes compared to competitors

<b>Customer Perspective</b>	
Lower the customer's cost; increase the customer's profit	<ul style="list-style-type: none"> <li>* Price, relative to competitors</li> <li>* Customer's cost of ownership</li> <li>* Customer's profitability from own company's products and services</li> </ul>
Deliver zero-defect products and services to customers	<ul style="list-style-type: none"> <li>* Part-per-million (PPM) or percent of defect rates experienced by customers</li> <li>* Number and percent of customer complaints</li> <li>* Number of incidents of warranty and field service repairs</li> </ul>
Deliver products on time	<ul style="list-style-type: none"> <li>* Percent on-time deliver</li> <li>* Customer lead time (from order to delivery)</li> <li>* Percent of perfect orders (defect-free products and services delivered to the right location at the right time)</li> </ul>
Offer excellent selection	<ul style="list-style-type: none"> <li>* Index of product or service offerings measuring percent of customer needs covered</li> <li>* Percent of stockouts</li> </ul>
<b>Financial</b>	
Become the industry cost leader	<ul style="list-style-type: none"> <li>* Cost per unit, benchmarked against competitors</li> <li>* Percent of annual reduction in costs per unit of output</li> <li>* Percent of cost budget variance</li> <li>* General, selling, and administrative expenses per unit of output or per location</li> </ul>
Maximize use of existing assets	<ul style="list-style-type: none"> <li>* Sales/asset ratio</li> <li>* Inventory turnover ratio</li> <li>* Free cash flow</li> <li>* Investment efficiency (NPV of new projects to total investment)</li> </ul>

	* Product and development pipeline to capacity available
	* Percent of invoices paid on time
Increase account share with existing customers	* Percent of growth in existing customers' businesses
Increase revenue from new customers	* Dollar revenue from acquiring new customers
<b>Human, Information, and Organization Capital</b>	
Developing skill in quality management and process improvement	* Percent of employees trained in quality management techniques
	Number or percent of employees qualified at "black belt" six sigma quality level
	Percent of employees with knowledge and training in activity-based management, just-in-time, and theory of constraints
Technology that facilitates process improvement and customer satisfaction	* Percent of employees who obtain immediate feedback from operations
	* Percent of customers who can track order status electronically
Culture for continuous improvement	* Employee survey on culture for continuous improvement and knowledge sharing
	* Number of new process improvement ideas generated
	* Percent of employee process improvement suggestions adopted
	* Number of ideas for quality and process improvement shared across multiple organizational units
	* Performance improvement from employee suggestions and actions (cost savings, defect reduction, yield enhancement, process time reductions)

<b>Customer Management Processes</b>	
<b>Customer Selection Objectives</b>	
Understand customer segments	* Profit contribution by segment
	* Market share in targeted segments
Screen unprofitable customers	* Percent of unprofitable customers
Target high-value customers	* Number of strategic accounts
Manage the brand	* Customer survey on brand awareness and preference
<b>Customer Acquisition</b>	
Communicate value proposition	* Brand awareness (survey)
Customize mass marketing	* Customer response rate to campaigns
	* Number of customers using promotions to sample the products
Acquire new customers	* Percent of leads converted
	* Cost per new customer acquired
	* Lifetime value (estimated) of new customers acquired
Develop dealer/distributor relationships	* Dealer scorecard
	* Dealer survey feedback
<b>Customer Retention</b>	
Provide premium customer service	* Number of premium customers
	* Quality ratings from premium customers
	* Time for customers to resolve concerns or complaints
	* Percent of customer queries not

	satisfied by initial respondent
Create value-added partnerships	* Dollars and percent of revenue from sole source contracts
Provide service excellence	* Service levels, by channel
Crate highly loyal customers	* Account share (percent captured of customers' spending in category_
	* Number of referrals to new customers
	* Number of new customers acquired from referrals by existing customers
	* Number of testimonials from "apostle" customers
	* Number of suggestions for product and service enhancements from loyal customers
<b>Customer Growth</b>	
Cross-sell customers	* Number of products per customer
	* Cross-market revenues, revenues generated in markets or products beyond the entry-level product
Solution selling	* Number of jointly developed service agreements
	* Revenue/margin from post-sale services
	* Number of value-added services available to customers
Partner with customers	* Number of sloe-source contracts
	* Number of gain-sharing agreements
	* Money earned from gain-sharing agreements
	* Number of hours spent with customers
<b>Customer Perspective</b>	
Increase customer satisfaction through an attractive value proposition	* Percent of customers highly satisfied

Increase customer loyalty	* Customer retention
	* Depth of relationship
Create raving fans	* Percent of business from customer referrals
<b>Financial</b>	
Create new sources of revenue	* Revenue from new customers
	* Revenue from new products and services
Increase revenue per customer	* Account share (share of wallet)
Increase customer profitability	* Customer profitability (measured by ABC system)
	* Percent of unprofitable customers
Improve sales productivity	* Sales expense/total revenue
	* Cost per sale (by channel)
	* Percent of customer transactions done electronically
<b>Human Capital</b>	
Develop strategic competencies	* Human capital readiness
Attract and retain top talent	* Turnover of key personnel
<b>Information Capital</b>	
Develop portfolio of customer management information and data systems	* Customer application portfolio readiness
Increase knowledge sharing	* Extent of usage of knowledge management systems
<b>Organization Capital</b>	
Create a customer-centric culture	* Employee culture survey

Create personal goal alignment	* Percent of employee objectives linked to BSC customer process and outcome measures
<b>Innovation Process</b>	
<b>Design and Development</b>	
Mange the project portfolio	* Number of patents; number of patent citations
	* Project yield (percent of projects advancing from stage to stage)
	* Number of projects entering each phase of product development process
	* Number of projects reviewed using stage-gate analysis or other formal development review process
Reduce development cycle time	* Number of projects delivered on time
	* Average time spent by projects at the development, test, and launch stages of the development process
	* Total time (concept to market)
Mange development cycle cost	* Actual versus budgeted spending on projects at each development stage
<b>Product Launch</b>	
Rapid launch of new products	* Time from start of pilot production until full volume capability achieved
	* Number of redesign cycles
	* Number of new products launched or commercialized
Effective production of new products	* Manufacturing cost of new products (actual versus targeted)
	* Manufacturing process yield for new products
	* Number of failures or returns from customers

	* Initial warranty and field service costs
	* Consumer satisfaction or complaints about new products launched
	* Number of safety incidents from new products
	* Number of environmental incidents from new processes
Effective marketing, distribution, and sales of new products	* Six-month revenue from new products (actual versus budgeted)
	* Stockouts or backorders for new products
<b>Customer</b>	
Offer enhanced product/service functionality to customers	* Specific performance attribute of new product/service (for example, size, accuracy, power consumption, heat generation, speed, brightness, storability, clarity, durability, ease-of-use, response time)
First-to-market with new product/service	* Lead time relative to competitors
	* Number of new products/services first-to-market
	* Percent of product launches on-time
Extend products/services to new segments	* Number of new applications from platform products
	* Revenue from new markets and segments
<b>Financial</b>	
Return on R&D investments	* Return on spending on technology
	* Actual versus targeted breakeven time (BET)
	* Royalty and licensing income from patents
Revenue growth from existing	* Revenues and margins from existing

customers	customers from products released in last twelve months
	* Percent growth in sales to existing customers
Revenue growth from new customers	* Revenue and margins from new customers with new products
Manage life-cycle costs	* Maintenance costs as percent of total manufacturing costs
	* Disposal costs as percent of total manufacturing costs
<b>Human, Information and Organization Capital</b>	
Achieve deep functional expertise	* Strategic skill coverage in key R&D positions
Develop effective interdisciplinary and cross-functional teams	* Percent of R&D employees who work effectively in interdisciplinary and multifunctional product development teams
	* Percent of R&D employees capable of effective project management leadership
Deploy computer technology for simulation and virtual prototyping	* Percent of R&D employees with access to and knowledge of advanced modeling tools
Use technology for rapid product launch	* Percent of products launched with effective CAD/CAM integration
Capture leading knowledge from scientific and technological community	* Number of new ideas from external sources
	* Peer review of current scientific and technological capabilities
Foster a culture of innovation	* number of suggestions for new products and capabilities
	* Employee culture survey for innovation and change

<b>Organization Change Strategy</b>	
<b>Creating Value</b>	
<b>Customer-Driven</b>	
Create customer-centric culture	* Employee survey
	* Customer perception survey
	* Time spent by leadership with customers
Build an empowered, solutions-focused, community-oriented culture	* Employee survey
Foster customer-centric behavior	* Employee ratings (corporate shopper)
<b>Innovative/Risk-Taking</b>	
Foster a culture of continuous improvement, innovation, and creativity	* Change readiness survey
Promote entrepreneurial culture	* New service delivery training (percent of staff)
Promote risk taking while ensuring responsibility and accountability	* Number of published “shared learnings”
<b>Delivering Results</b>	
Create a climate for results	* Climate survey (leadership component)
Produce results	* Achievement of Balance Scorecard objectives
<b>Executing Strategy</b>	
<b>Understanding of Mission, Vision, and Values</b>	

Ensure that all employees know our strategic direction	* Employee survey
Understand our unique business model and our distinct contributions	* Strategic awareness (survey)
Clearly define expectations and accountabilities aligned with strategic priorities	* Percent of employees who can identify the organization's focus areas
<b>Accountability</b>	
Create high performance through accountability and encourage risk matched to reward	* Number of employees in "President's Club"
Create a values-driven, high-achievement culture	* Employee survey
<b>Open Communications</b>	
Create aligned thinking through two-way communication and education	* Number of employees with cross-business focus
Create a committed workforce as a result of constant two-way communication	* Climate survey (communication)
<b>Teamwork</b>	
Leverage the power of our enterprise through dual citizenship	* Amount of best-practice sharing
One team—one dream	* Percent of people rotated
<b>Leadership</b>	
Develop leadership depth	* Percent of key positions without identified successor
	* Progress versus leadership

	development plan
Develop our unique leadership profile	* Internal versus external management
Develop leaders	* Percent of personnel adherence to leader development life cycle
Make leadership a participative process	* Number of projects run by self-directed work teams
Develop effective leadership	* Vacancy rate
	* Employee survey
Foster an environment of leadership at every level	* Number of approvals needed for decisions
Increase senior management leadership skills	* Percent of favorable leadership score on staff survey
Take ownership and execute strategy	* Leadership development rating (Assessment Leaders 360° evaluation)
<b>Strategic Awareness and Alignment</b>	
<b>Strategic Awareness</b>	
Ensure that all employees understand the strategy	* Percent of employees who can identify organization's strategic priorities (survey)
<b>Strategic Alignment</b>	
Reinforce strategic direction and strengthen sense of urgency and purpose	* Percent of staff with objectives tied to Balanced Scorecard
Align efforts through measurement and reward	* Percent of employees (director and above) with goals mapped to strategy
Create a motivated and prepared workforce	* Percent of staff with personal Balanced Scorecard
Align persona goals	* Percent of staff with goals linked to

	Balanced Scorecard
Empower employees	* Percent of staff with training and development linked BSC
<b>Teamwork and Knowledge Sharing</b>	
<b>Knowledge Sharing</b>	
Develop a learning organization	* Number of best practices identified
	* Output per employee
Continually develop and transfer knowledge	* Hours of training per person
Ensure communications of best-practice ideas	* Percent of employees participating in the workout process
Improve cross-company communication	* Percent of staff using knowledge-sharing channels
Create and utilize a common global system and process for sharing knowledge	* Currency of projects in knowledge bank
	* Number of hits to knowledge bank
Ensure availability of accurate, consistent information across the organization	* Percent of targeted measures, data and statistics accessible across organization
<b>Organization Integration</b>	
Integrate employees	* number of cross-division movements
<b>Organization Readiness Report</b>	
<b>Leadership</b>	
To develop the availability of leaders at all levels to mobilize the organization	* Leadership gap (Percent of key attributes in competency model rated

toward its strategy	above threshold)
<b>Culture</b>	
To develop awareness and internalization of the mission, vision, and core values needed to execute the strategy	* Customer-focused (Customer survey; percent who understand our mission)
	* Other core values (Employee change readiness survey)
<b>Alignment</b>	
To ensure alignment of goals and incentives with the strategy at all levels of the organization	* Strategic awareness (Percent of staff who can identify organization's strategic priorities)
	* Strategic alignment (Percent of staff with objectives and incentives linked to BSC)
<b>Teamwork</b>	
To ensure the sharing of knowledge and staff assets with strategic potential	* Best-practice sharing

<sup>1</sup> Robert S. Kaplan and David P. Norton, “*Strategy Maps: Converting Tangible Assets Into Tangible Outcomes*” (Boston: Harvard Business School Press, 2004).