

## 9.17: Performance Objectives and Measurements

### Learning Objectives

- Compare various performance objectives and measurements

A performance metric measures an organization's behavior, activities, and performance. It should support a range of stakeholder needs from customers to shareholders to employees. While traditionally many metrics are finance based, inwardly focusing on the performance of the organization, metrics may also focus on the performance against customer requirements and value. In project management, performance metrics are used to assess the health of the project and consist of the measuring of seven criteria: safety, time, cost, resources, scope, quality, and actions.

A criticism of performance metrics is that when the value of information is computed using mathematical methods, it shows that even performance metrics professionals choose measures that have little value. This is referred to as the “measurement inversion”. For example, metrics seem to emphasize what organizations find immediately measurable—even if those are low value—and tend to ignore high value measurements simply because they seem harder to measure (whether they are or not).

To correct for the measurement inversion other methods, like applied information economics, introduce the “value of information analysis” step in the process so that metrics focus on high-value measures. Organizations where this has been applied find that they define completely different metrics than they otherwise would have and, often, fewer metrics. For projects, the effort to collect a metric has to be weighed against its value as projects are temporary endeavors performed with finite resources.

There are a variety of ways in which organizations may react to results. This may be to trigger specific activity relating to performance, such as an improvement plan, or to use the data merely for statistical information. Often closely tied in with outputs, performance metrics should usually encourage improvement, effectiveness, and appropriate levels of control.

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