customers to other products or services at the point of sale, in this case, the bank. The merchandising budget was for signs, banners, window decals, fliers, and lobby displays.

One of the bank's products was free checking with no minimum balance for three years. To determine the return on investment of the merchandising effort, the bank asked its branch managers to track the number of new checking accounts opened over a one-month period. Free checking is a loss leader, however; customers who want free checking usually have low-balance accounts, which makes them the most costly accounts to service. Banks therefore lose money on free checking accounts. Measuring only the number of new free checking accounts does not accurately measure the return on investment for the merchandising campaign.

The HR director for a municipal government developed a new performance appraisal process. The municipality's employees were all unionized, and the union had negotiated that performance measures and salary could not be linked. The HR director wanted to prove there was nevertheless a benefit to adopting a new performance appraisal process and convinced management that a new performance appraisal form would have value and increase productivity despite the union contract. The director suggested that they measure the form's effectiveness based on how many managers used it. However, the number of managers using the form has no bearing on productivity. Other criteria were needed before HR could prove that the cost to develop the form and train managers how to use it was worth the investment.

These stories illustrate two common measurement problems: insufficient criteria and inappropriate criteria and metrics:

- *Insufficient criteria.* In each case, only one criterion (the number of transactions, new checking accounts, and managers who used the process) was used. Other measures the retailer might have used were the number of add-on transactions (transactions for items that were not part of the promotion), the margin (profit) that resulted from those other transactions, and how much the overall sales volume changed. The retailer could then have compared these measures to the cost of the promotion, which included the costs of advertisements and printed collateral materials and the amount of time it took sales clerks off the floor to be briefed on the promotion. In the case of the new appraisal process, the HR department could have measured whether performance had improved, how the process affected development, or if it reduced turnover.

Key Measures: what organizations pay attention to and value	*Criteria: things commonly used to measure performance*	*Metrics: what gets counted, weighed, and so on*	*Ways to get the information or metrics*
Customer satisfaction	Perceptions and opinions; complaints and returns; referrals	Ratings of how strongly the opinion is held; number of incidents; cost to resolve problems	Focus groups; rating scales on surveys; customer service numbers
Employee satisfaction	Morale; grievances; turnover and retention	Mean score on survey; number of incidents per year; percentage within x months; cost to recruit	Surveys; focus groups; interviews; exit interviews
Market share	Actual compared to potential or competition	Dollar amount or percentage of sales; number of units sold; cost to increase service	Market research; industry indexes
Productivity	Time at task; units produced; calls received; process versus cycle time	Percentage of time; number and average per time; average call-handling time; size of gap; indirect cost to achieve	Time sheets; production records; worksheets
Product performance	Cost; recalls; variance; customer opinion; unscheduled service; waste	Dollars or cents per unit; number per unit or model; standard deviation; ratings; number, percentage, or ratio; direct and indirect cost of waste	Finance; statistical process control (SPC) data; focus groups; service calls
People performance	Yield; waste; time at task; attainment of objectives; cost of supervision; rework	Ratio or percentage; percentage of time; percentage of achievement; ratio of managers to employees; direct and indirect cost to achieve	SPC data; time sheets; plans; budgets
Financial performance	Fixed costs; variable costs; margin; rate of growth; cost of sales; cost of service	Ratio; percentage or dollars per unit	Daily reports; actual dollars versus budgeted dollars; sales analyses
Compliance	Formal filings; incidents; reportables	Quantity, dollar value; rate per 1,000 hours; number of incidents	Quality control reports; complaint calls; citations
Growth	Training; succession plans	Number trained; dollars per employee; training that meets individual development plans; retention (dollars, number, or percentage)	Actual versus budget; changes in the database

Figure 9.2. Measures, Criteria, and Metrics Scorecard