

Performance Metric Framework™

A behavior-first approach to performance metrics



The Metric Challenge

Why Traditional Metrics Fail

- ▶ Metrics are crucial for continuous improvement and organizational success.
- ▶ Traditional metrics often fall short
 - ▶ Tracking partial targets simplistically
 - ▶ Encouraging the wrong behaviour
 - ▶ Ignoring key outcomes, or too lagging
 - ▶ Leading to wasted effort and distorted priorities
- ▶ Many organisations commit a category error believing they are measuring performance when they are only measuring outcomes or convenient activity - confusing visibility with control.

Visibility ≠ Control
Behaviour design is the missing layer



Foundational Laws & Principles

- ▶ Hawthorne Effect (1953): “*People change their behavior when they know they’re being observed.*”
- ▶ Goodhart’s Law (1975): “*When a measure becomes a target, it ceases to be a good measure.*”
- ▶ Campbell’s Law (1976): “*The more any quantitative social indicator is used for decision-making, the more it will be subject to corruption pressures*”.
- ▶ DeMarco (1986): “*You can’t control what you can’t measure.*”
- ▶ Creathorn’s Law: “*Metrics do not directly determine outcomes; they shape behaviour, and behaviour determines outcomes*”

A Performance Metric Framework

A structured thinking process developed to make internalised expertise explicit and teachable – not a checklist



1. Objectives - Desired business performance and outcomes.
2. Means - Practical vehicles explored as possible ways to influence the objectives - many will be challenged, refined, or abandoned before becoming metrics.
3. Measures - What can be measured about the means to promote positive behaviour toward the objectives.
4. KPI/Metrics - The defined computational formula, including scope, definitions, and assumptions.
5. Baselines - The historical performance level of the metric. Without a baseline, credible targets cannot be set.
6. Targets - The agreed, desired business performance improvement.

Advice, in Good Measure



1. Define concrete business goals that are within your control & aligned with the company's current strategic focus. Define success qualitatively before defining numbers.
2. Identify the key instruments within your control that can influence the objectives. Order them by priority.
3. Ask: What attributes can we measure that promote only positive behaviour?
 - ▶ Measures must pass Creathorn's Law
 - ▶ Avoid side effects and behavioural distortion
 - ▶ If the means cannot be measured effectively, *it cannot be used*
 - ▶ Pair metrics that *balance each other*
4. Define a precise mathematical formula to remove ambiguity. Data availability, collection effort, and automation affect metric priority.
5. If the metric is new, reliable historical data may be difficult to obtain. Lack of baseline limits target credibility.
6. Targets must be negotiated between teams and management
 - ▶ Especially critical where incentives or bonuses are involved
 - ▶ Acceptance matters as much as ambition

What are the necessary & sufficient objectives & metrics to support the company's strategic focus?

- Challenge all assumptions
- Set a clear order of priority

Anti-Patterns

Recurring real-world metric failures observed across organisations

Goal	Metric	Behaviour	Result
Sales growth	Sales Revenue	Sales teams maximise sales volume by sacrificing margin	Unprofitable business
Customer relationship	# of customer visits	Sales teams meet friendly customers to talk golf	No impact on sales
Productivity	Worker of the Month	One individual publicly praised	N-1 employees feel unseen and unappreciated
Customer satisfaction	First response & resolution time	Chat-only support; AI replies generically and closes tickets	Frustrated customers unable to reach a human
Invoicing accuracy	Punctual time reporting	Automated generation of random reports	“Reporter of the Year” awarded for nonsense
Return On Investment	Revenue per head	Revenue spread evenly to equalise division bonuses	High-performers underfunded; weak areas over-resourced

Case Study: Power Utility

The framework was applied through a structured 6-week process of weekly workshops, iterative challenge, and guided reflection between sessions.

► Challenge

- ▶ Metrics often misaligned with objectives
- ▶ Metrics are “soft” and don’t drive performance
- ▶ Some departments have no metrics at all
- ▶ Scorecards rely on lagging indicators

► Solution

- ▶ Introduce lead metrics that measure ability to achieve goals
- ▶ Structure: Business Objectives → Critical Success Factors → KPI

► Benefits

- ▶ Clear objectives & understanding contribution
- ▶ Standard approach across teams
- ▶ Early warning of divergence
- ▶ Improved ability to hit targets
- ▶ Fosters continuous improvement

Case Study

Power Utility 2015

- ▶ Strategic focus: sell sufficient energy to ensure profitability
- ▶ Sales Objective: hold contracts for X% of peak capacity
- ▶ Means: Open Access contracts
- ▶ Measure: Hit Rate for Open Access contract opportunities.
- ▶ KPI: HROA % = CG4 / CG3, where
 $CG3 = \# \text{opportunities} > \text{Gate 3 (submitted)}$
 $CG4 = \# \text{opportunities} > \text{Gate 4 (won)}$
 Cumulative monthly total %, last day of month.
- ▶ Baseline: 25%
- ▶ Target: 30%

Energy Sales - Hit Rate																											
Abbreviation	ES-HROA																										
Category	Performance Measure																										
Business Owner																											
Concept Owner																											
Report Provider	Measures Hit Rate for Open Access customers.																										
Purpose and Objective																											
Source System(s)	Contracting report Hit rate = CG4/CG3 Where: CG3 = Number of prospects in funnel past Sales Gate 3 (submitted) CG4 = Number of prospects in funnel past Sales Gate 4 (closed)																										
KPI Calculation	Cumulative monthly total percentage, last day of month.																										
Unit of Measurement	Rate																										
Reporting Frequency	Quarterly. Every 1st Monday of the month, concurrent with the monthly Checkpoint meeting.																										
Graph / Chart	<table border="1"> <caption>Hit Rate (%) Data</caption> <thead> <tr> <th>Month</th> <th>Hit Rate (%)</th> </tr> </thead> <tbody> <tr><td>Jan</td><td>0%</td></tr> <tr><td>Feb</td><td>20%</td></tr> <tr><td>Mar</td><td>14%</td></tr> <tr><td>Apr</td><td>29%</td></tr> <tr><td>May</td><td>18%</td></tr> <tr><td>Jun</td><td>20%</td></tr> <tr><td>Jul</td><td>27%</td></tr> <tr><td>Aug</td><td>27%</td></tr> <tr><td>Sep</td><td>24%</td></tr> <tr><td>Oct</td><td>22%</td></tr> <tr><td>Nov</td><td>22%</td></tr> <tr><td>Dec</td><td>30%</td></tr> </tbody> </table>	Month	Hit Rate (%)	Jan	0%	Feb	20%	Mar	14%	Apr	29%	May	18%	Jun	20%	Jul	27%	Aug	27%	Sep	24%	Oct	22%	Nov	22%	Dec	30%
Month	Hit Rate (%)																										
Jan	0%																										
Feb	20%																										
Mar	14%																										
Apr	29%																										
May	18%																										
Jun	20%																										
Jul	27%																										
Aug	27%																										
Sep	24%																										
Oct	22%																										
Nov	22%																										
Dec	30%																										
Historical Baseline	25%																										
Target	30%																										
Event Triggers	If we qualify aggressively, we should have at least 50% chance of winning whenever we submit a proposal. This will discourage wishful thinking, and wasting time proposing when we don't believe we can win.																										
Comments & Additional Information																											

- One of four metrics supporting three objectives
- The metric passes Creathorn's Law: it shapes behaviour that enables success *before* outcomes occur
- The target is :-
 - Grounded in a real baseline
 - Negotiated and credible
- The metric focuses on decision quality, not raw activity

Reality Check

The Performance Metric Framework

- ▶ Aligns behavior with desired outcomes
- ▶ Reduces unintended consequences
- ▶ Supports accountability & sustainable improvement

Metrics are not guarantees

- ▶ Designing effective metrics requires
 - ▶ serious effort
 - ▶ critical thinking
 - ▶ continuous adaptation

Creathorn's Law

- ▶ A metric that encourages behaviour undermining success has failed
- ▶ The framework provides structure, not immunity

Define Metrics To Drive Successful Behaviour

→ Get started or learn more: enquiry@punkfrog.se

(Please cite Punkfrog AB when using or referencing these materials)

