Hello everybody. Welcome back to Digging Deeper, our series where we delve into some construction issues, hopefully give you some tips that you can take with you. As always, please give us your comments, any suggestions for future blogs, et cetera.

Today I want to talk about measuring as a support system. In business, we measure lots of things and those measurements can be very important to keeping our business on the right track, making sure we're addressing the things we need to be addressing and really succeeding. But oftentimes, from an employee standpoint, some of those measurements can come down as a big brotherish, we're monitoring their performance and we're assessing their performance. Depending how you utilize your bonuses and review systems, those can come across as negatives. Sometimes the measurements that the company applies end up with consequences, those consequences being maybe bad attitudes or negative feelings or even lack of confidence to go out and do their jobs.

Just to give you a couple examples of this. Many years ago, we had a client who started a new office, and they had set some goals for that new office. As they got down the road, they were measuring that office's bottom line by allocating overhead, both of course the overhead that applied to that particular location but also company overhead, and they were allocating it on the basis of revenue. Well, that particular market offered the opportunity, let's just say, for slightly lower gross profit margins. So, when you allocated overhead in that manner, it looked like that operation was a losing operation as opposed to a winning operation. Looking at those measurements, the group up there had some negative influence, I would say, on their morale overall and probably even affected the conversations between headquarters and that location.

If you really cut back to the original goals of that location, they actually were meeting the goals of that location and were performing really quite well for a startup in that market and they were contributing profit to the organization. But somehow the conversation got lost because of the method of measurement and the way those measurements were used.

If you think about the things that you are measuring, for example, you might be measuring production rates for your estimating group or your business development group, you might be measuring hit rates for your PMs, you might be measuring their revenue per PM or profit per PM, things like that. Those can all be very positives, very much positives. They can give you information to double check your strategy, improve your strategy, manage people's workloads, assess your effectiveness. If you use measurement as a support system, you can give the employees information with which to better themselves, better their performance, do better for you and for themselves. But if those measurements come across too critical or too evaluative, they can also have negatives.

Just think about the things that you as a business are measuring and how are you using those measurements. Are you using them for good to motivate people to do better and to understand, again, the strategies or the possibilities for improvement, or are they being used more as that stick and they're actually providing negative consequences for your organization? Again, Dennis Engelbrecht, Digging Deeper. Thanks for tuning in.

www.familybusinessinstitute.com • Phone: 919-783-1880 • Fax: 919-783-1892