10 Challenges of Measuring What Matters

Just because something *can* be counted doesn't mean it *should*

By CONNIE SIU

Measuring for measurement's sake is a waste of resources. Businesses review results regularly and seek to improve performance, whether it is at the individual, departmental or corporate level. To improve performance, you need to measure what matters – things that are important for driving success.

Despite its importance, measurement continues to be a challenge for many businesses. There is a lack of understanding around what is important to measure.

Here are 10 challenges to overcome in order to measure what matters:

1. Too many metrics

It takes time and effort to collect data, do the analysis and create the report. When you measure something, you want to be able to take action about the result. If there is no will or resources to follow through with action, stop wasting time and effort on it. Many organizations have way too many metrics. For example, a recent client was tracking 55 performance measurements for its IT department alone – half of which were statistics such as storage disk capacity, number of user accounts managed and the volume of trouble tickets. There are two problems with so many metrics. First, statistics are useful data for resource planning but they are not good performance metrics. Second, it is difficult to focus and have a meaningful dialogue around actions that you should undertake to improve performance.

Good performance metrics should reflect the outcome you want to achieve. Assess what you measure and determine if the measurements are indicative of the desired result. Focus on a few essential metrics. Measuring everything in sight is counter-productive.

2. Measure milestones rather than outcomes

Milestones are indicators for completing a task. They are means to an end. Milestones are perfect for project management but they do not reflect result. For example, completing a policy on environmental protection is a milestone. It takes you a step closer to delivering the benefits of having the policy, but no benefit has been realized yet. What is the purpose of the environmental protection policy? Does it aim to reduce paper use in the office, or to eliminate plastic cups used in the cafeteria?

Focus on the purpose of an initiative. Articulate the end result you aim for. Differentiate action from result. You don't know if an initiative would contribute to the desired result unless you know what the result looks like and how to measure it.

3. Default to financial-focused metrics

Financial data are usually readily available. While it is important, financial-focused measurements do not provide insight on how well activities are performed in the delivery of goods and services to customers. When you see the financial results, it is generally too late to do anything. You need to do an autopsy to figure out what went wrong. Therefore, you need to look at process performance. Process performance measurement provides an early warning system which allows you take corrective action promptly. For instance, sales conversion is critical to increase sales in a retail store. Poor weekly sales conversion rates might prompt you improve sales training in order to turn around poor performance.

Identify the critical activities your business must do well in order to succeed and measure the performance of these activities. This provides insight on the workflow, the bottlenecks and the drivers for performance. The right process metrics help you hone in quickly on problem areas of the business.

4. Broadly defined strategy

Vague strategy statements sound appealing but often it is difficult to grasp what the intended business outcomes are. What does "to be more efficient with assets" mean? It is the responsibility of the executive team to clearly articulate what the ideal end state looks like.

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What would you hear? What would you see? How do customers feel? No one can describe the desired results better than the creator of the strategy.

Turn the strategic goals for your business into concrete results that you can communicate to the rest of the organization. Businesses are quick to initiate projects thinking that those projects would support the end goals. You cannot tell unless you have clarity on the outcomes you seek and the results you actively monitor.

5. Adopt others' metrics

Brainstorming and pulling metrics from a KPI (key performance indicator) library are two common approaches used to select metrics. The end result is a list of metrics that are incongruent with your business goals. What gets measured gets improved. This is true because when you focus your energy, you are bound to improve. However, it is good only when you focus on the right things.

The risk of adopting others' metrics is investing resources on things that are not important to your business. For example, the average call duration for a customer support centre might be important for a retailer but it is irrelevant for a crisis support centre.

Create a meaningful set of metrics for your business based on your priorities. Your business priorities are different from others'. Do not waste your valuable resources on things that are not important to your business. Goal clarity and deliberate thinking help to design relevant and effective metrics.

6. Benchmarking

Businesses put too much emphasis on comparing their results with benchmark measurements that are irrelevant and generally not well defined. It takes tremendous effort to research what is incorporated in the benchmark metrics and to normalize the data. Without proper rationalization of the benchmark results, you are comparing apples with oranges. In the retail industry, revenue per square foot is a common benchmark metric. London Drugs and Shoppers Drug Mart are both "drug stores" but their product portfolios are very different. The electronics portfolio London Drugs offers undoubtedly raises its revenue per square foot. Hence, it is not meaningful for Shoppers Drug Mart to use London Drugs' revenue per square foot as a benchmark.

Focus your energy on your unique differentiation as it is your competitive advantage. Choose metrics which reflect the associated results. The return on effort is more rewarding than deciphering why another company chooses to measure results that are important to its strategy.

7. Constrained thinking by data availability

It is often cited that a measurement cannot be done because data is not available. That is narrow thinking. You cannot manage what you don't measure. The problem is not in the lack of data, but in defining what and how to measure it. Even an unquantifiable result could be measured using a rating scale once you identify the specific outcome.

Keep an open mind in defining what measurement is relevant to the outcome. When you are clear on what success looks like, it is relatively easy to design metrics that are relevant. Then, it is a matter of committing the necessary resources to collect the data.

8. Fear of looking bad

Nobody wants a poor report card or to be a bearer of bad news. In a business which doesn't have a culture for measurement, employees tend to view measurement as a management exercise to find fault and lay blame. Employees shy away from raising problems. The end result is often inappropriate metrics that are politically driven.

Foster a measurement culture which everyone embraces. This requires support from senior management and buy-in from everyone in the organization. The alignment can be achieved when there is a clear understanding of what measurement is about and why it is important.

9. Encourage the wrong behaviour

Compensation is often tied to measurements in ways that conflict with the intended objectives. For example, sales staff are compensated on sales volume without taking returns into account. In order to maximize sales commission, sales representatives aggressively push sales which might result in inappropriate product recommendations and hence, a high returns rate. The consequence might take some time to surface, while in the interim the business might be celebrating prematurely.

Align your actions so that they incentivize employees to do the right things. It is important to understand the implications of what you measure so that employees do the right things for the customers or the business as a whole.

10. Measure what is within control

Nobody likes to be measured against things that they do not control. Unfortunately, this promotes a silo mentality. Most work crosses departmental boundaries. What you do well, within your control, is not good enough. You need end-to-end collaboration. A piece of equipment that has been designed expediently might require long assembly time because there are too many components. The fast pace of change today places more demand on a business to be agile.

Look at the big picture and be cognizant of what drives success for the business. Adapt metrics that are relevant to enhancing the satisfaction of your customer. Always have the best interest of the customer in mind.

The purpose of measurement is to make improvements and not for finger pointing. Use the right metrics to uncover deficiencies in processes, policies and guidelines. Goal clarity leads to focused action on improving critical activities. You get speed in completing the work and quality is optimized.

Just because it is countable does not mean that it is important or useful to do so. Measuring the wrong things could lead you to the wrong decisions. Investing in the wrong areas doesn't do any good. ■

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