

Metricizing the World

Kirk J. Gould

There is much to be said about building the infrastructure of a performance management system in an organization. Committees, software applications, management meetings, data queries, charts, dashboards, definitions, summarization techniques, and analysis techniques require a vast infusion of preparation and, of course, funding. Unfortunately, all those things seldom dictate the success or failure of the system. There are two keys that ultimately provide triumph or doom for the whole endeavor. These keys are Disease and Dimension.

Metrics as a Disease...

What is more dangerous than an untrained soldier **without** a gun?

...an untrained soldier **with** a gun *is much more dangerous*.

What is more devastating than a **missed** human resources review at your job?

...a human resources review **performed** by a person with no understanding of human motivation based upon an HR policy that is built on a flawed philosophy of humanity *is more devastating*. (Try giving your spouse an HR review on your wedding anniversary. You will find out how effective that can be and how quiet an evening is when you spend it by yourself.)

The normal corporate response to a "call for metrics" is to panic, then paint the sky bright with an array of red, yellow, and green indicator boxes. Why do we treat metrics differently than we do a medication prescription? We never use that approach at a pharmacy. If we have a physical or emotional problem, we get a doctor to identify the source of the problem and request a specific medication from the pharmacy. The doctor never says, "Well, we have some problems, so I suggest ingesting about 80 different medications and trust that their net effect is a positive one." Taking medicine just because it is on the shelf is a recipe for health disaster. You have heard the phrase, "Paper will lay still for anything to be written on it." Unfortunately, metrics can be created the same way. **The proliferation of metrics does not equal success**. Even if by some small chance you were successful by applying countless metrics at once, how would you know which ones helped you be successful? There are too many data points, with too many combinations of variables that will confound the rational process.

Treatment

The use of metrics is a science. In science, one substance, idea, approach, or variable is changed at a time. This way, each can be accounted for in the final results.¹ If you add one adjustment knob at a time, you can see the effect of it. The scientific method is based on being able to prove a hypothesis repeatedly. You theorize that turning your inventory over at a certain rate is good for your business. Therefore, you measure the rate that your inventory is turning over. You see how your business is doing. You discover a correlation. You do it again to prove that your research is valid. You prove your idea. You become a master at understanding how inventory affects profits, revenue, taxes, and expenses. Now you have mastered one prescription.

In science, we start with one variable and adjust it until we can graph the correlating output for a given input. Unfortunately, in business we often tend to add all the variables together, display all the outputs, and gag on the sheer number of possible combinations of cause and effect.

How about this prescription for Metricizing?

1. Start with three clean metrics that are focused on helping you achieve three clear objectives.
2. Build them so they roll up from the *front lines* to the *bottom lines* of the "top dogs."

3. Display them so they can be understood in three seconds or less. ...like the gas gauge on your car.
4. Provide the ability to drill down into the processes but not into the individuals that perform the processes. Drilling too deep can cause allergic reactions for sensitive humans. They tend to burrow down into the process and the data provided will magically cease to be realistic.
5. Use recent data that actual humans have validated.
6. Understand the importance of viewing metrics from a direction of change and rate of change perspective.
7. Learn how the metric relates to results BEFORE you set thresholds for what is acceptable and what is not.
8. If the metric is useful, keep it. If it is not, ditch it for a better one.
9. Do this for six months and observe the patient. When your organization can safely ingest a few basic metrics; you can get more sophisticated. Until then, have patience. Monitor at 98.6 F for six months. Take out of clinical trials and observe.
10. Ask yourself, are we achieving the objectives? Are the three objectives we wanted six months ago the same ones we need now? **Are we using these metrics constructively or are we just finding fault?**

Metrics as a Dimension...

There is an important question that needs to be asked when people are discussing metrics. The question is: Which way is up? The Balanced Scorecard approach, the Corporate Finance approach, and the Human Resources Performance Management approach measure performance *vertically* in the organization. Everything seems to roll up to the CEO, the Board, and the Shareholders. This is a very common way of looking at metrics.

Another approach is to look at performance *sideways* in the organization, from Customer to Supplier. It can be categorized as placing metrics at strategic points in the SIPOC (*Supplier, Input, Process, Output, Customer*)ⁱⁱ, using a "dipstick" to sample measurements as they flow through the system. Business Activity Monitoring, Activity Based Costing, Process Based Managementⁱⁱⁱ, and ISO-9000 are tools, concepts, and programs that look at things horizontally.

From an employee's point of view, up is both vertical and horizontal. Employees are *paid* for the horizontal work and *rewarded* for the vertical organization performance. Managers and Leaders are rewarded less for the horizontal work and more for the vertical organization. The problem is, the money flow is horizontal from right to left, but management and leadership (and front line workers) often spend an inordinate amount of effort managing up and down.

So to get back to the question: **Which way is up? Up is both ways.**

We need to manage up and down. We need to manage left and right. But when someone asks us to help them with a metric, we need to know which way they think is up. Very few people understand both dimensions, but as Business Process Management practitioners, we live in both dimensions – The Business Process dimension and The Organizational Management dimension.

If we are called upon to build vertical metrics, then we need to acknowledge that up front. If we are to build horizontal metrics, we need to appreciate that fact right away. Then we need to communicate that to the necessary parties and point out that they are looking at life in one dimension, but organizations are never one dimensional.

Interestingly, it just might be feasible that the optimal organization does not make the vertical and horizontal measurements of performance achieve nirvana. It may well be that optimal performance is reached when misery is shared equally between the organization and the process. If some people are running around your company who seem to be too happy, there is probably a group of people who are disproportionately sad as well.

Ask yourself, “**Which dimension are my metric requestors living in?**” **Then understand that dimension as you help develop metrics.**

Summary

A **metric disease** can be treated with a careful, scientific approach. Start **simply** and use measurements **constructively**.

A **metric dimension** must be identified so it will be clear whether parties are examining **vertical organizational management** or **horizontal business process**. Both are important.

Author

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ⁱ ...*not withstanding the Taguchi Method*.

ⁱⁱ ...conversations with The Boeing Company.

ⁱⁱⁱ ...Consortium of Advanced Management, International