



The Five Steps to Make Measures Work

By Steve Major

Often we hear the phrase “Key Performance Indicators” or the acronym “KPI”. There has been considerable effort and attention given to all manner of indicators. Unfortunately three things end up happening :-

1. Too many indicators are created
2. Once created the information provided by the indicator is ignored (or not understood)
3. The indicators focus only on the internal performance of the business.

So should we be concerned about this? Yes absolutely yes. But why?

Because what you measure and reward is what you get. What gets measured gets done. Measures coupled with rewards change behaviors.

Recently the Australian Financial Review asked a number of successful business people for top 5 things that help business succeed and one of items that they stated was – know your numbers. Numbers can tell a story of the business.

But there are **5 key steps before measures work** :-

- 1. Decide what constitutes success**
- 2. Measure the right things**
- 3. Everybody needs to understand the goal and the metric**
- 4. Reward**
- 5. Never stop**

1. Decide what constitutes success

This sounds obvious but the success I am referring to is not your bank balance but what will make the business grow. Success must be defined the way your customer defines it. How the customer defines success or value will often include aspects that you may consider trivial. But it is these little things that the customer values. Recently I overheard a discussion about international travel. Both of the people have flown regularly and the discussion focused on the quality of food and the attitude of the cabin crew. Little things that matter.

Often time the focus of measurement is on the cost or production. This is not where success lies. All it will bring is reduced costs or increased production efficiency but not necessarily customer delight. It is imperative to look at your business the way your customer does. What is important or valuable to your customer?

2. Measure the right things

Businesses fail because they want the right things but measure the wrong things. People are smart so even if you define success right but still measure and reward the wrong thing your team is going to give you what you measure eg if you were to measure employee adherence to an employee manual then you will have employees who abided by the letter of the internal rulebook but probably give lousy customer service.

What is success in the eye of the customer eg for an airline – getting every plane to its destination on time, safely with baggage and great service and food quality is success. Therefore measure this and reward this.

When measuring the right things don't go overboard. It is usually only necessary to have 1-5 items that are measured right across the business and that everybody knows and follows. There may be other measures for separate sections of the business but there will only a couple of headline measures. Too many measures lead to people losing focus.

3. Make sure everybody understands the goals and measurements.

If people either don't know or understand the goals and metrics they will create their own which are probably nothing like what you want. The goals need to be communicated to everybody regularly. The team must understand what the goal is and how they form part of it. Every decision then needs to be made in the context of the goals. If an idea is brought up, before effort is wasted it needs to be determined whether it helps achieve the goals.

The goals and the measure need to be presented in such a way so that it is easily understood. Numbers are not appealing to everybody so make it fun. Numbers can be expressed in many creative ways that everybody then understands.

We need to keep the score in a manner that everybody can determine how we are going. The scoreboard must be available constantly. When we attend a game of sport we want to know at all times how our team is going and the scoreboard is always plain to see for everybody.

Lastly the goals and measurements must be reasonable. An unachievable goal is no goal at all. It will only lead to dispirited and cynical team.

4. Reward

For behaviours to change the measurements need to be coupled with rewards. We only get what we reward. Gordon Bethune in his recount of turning Continental Airlines around states that this was one of the most important things he did. Each employee got a monthly bonus if they reached the onetime arrival target. The behaviours changed to meet the target.

Once rewards are promised then they must be delivered if the target has been achieved. Keep your word. When people are given clear direction and clear rewards they will achieve. This is applicable to all levels of the team.

When the rewards are given make it certain that they know they have got the rewards. For instance if there is a monetary bonus then instead of the funds going in with the normal wages then it should be a separate payment. This has more impact. Anything that can be done to intensify the experience of the reward makes the message stick.

Don't reward the wrong people. If a company wide goal that has been achieved then everybody gets the reward not just senior management. Everybody is necessary for the success therefore reward everybody.

5. Never stop

When driving a car we rely on a number of measurements which we are constantly referring to e.g. speed, fuel. If we decide that everything is fine or that we are too busy to look at the dashboard then this will only lead to disaster. We could run out of fuel, be caught speeding, have an accident through speed. We must refer to the dashboard to know what is going on.

Never, never, never stop measuring what matters. The dashboard of the business will have a couple of important measures that must be constantly measured.

There will be a number of other measures in the business just like the car e.g. km's

travelled, tyre pressure, coolant level, oil level etc. However the headline metrics (ie the dashboard) gives us a good indication of how everything is going.

If you do keep an eye on the measurements, as soon as a problem shows up you'll know about it and you can take action to fix it.

It is necessary to ensure the accuracy of the measurements. If the speedo is out then this can give us a false sense of comfort. Over time the measurements in a business must be constantly refined and made accurate. Measure more and measure better. Measure everything that matters.

Conclusion

These five steps will ensure that measures work in your business and not just become despised numbers. To achieve success you must know your numbers. That is the numbers that matter. So in conclusion – MEASURE WHAT MATTERS.

If you have any questions please contact me at Bizmetrics.

Ph 1300 556 460

Fax 1300 668 721

Website www.bizmetrics.net

Email smajor@bizmetrics.net