



“How Do You Measure Up?”

According to Edward J. Deming, “You can’t manage what you can’t measure.” That said, some ways of measuring business performance and results are better than others. The right success measures will focus your efforts strategically where they matter most. The wrong measures may not only fail to move you towards your goals, but can actually reinforce behaviors that have the opposite effect.

How does your business measure up when it comes to the following common measurement errors?

Common measurement error #1: Measures are not important

Perhaps your environment relies heavily upon intuition or ‘gut reactions’ for decision making. While there is certainly a place for common sense and intuitiveness in a successful business leader, too much reliance upon the soft touch in the absence of data can contribute to a constant cycle of changes in response to external pressures.

The time it takes to gather some data to support decisions is far outweighed by the benefits the data will yield about your options – and your data may surprise you! Clear definitions of success measures will also reduce the perception of chaos and maintain focus for entrepreneurial environments, and will provide a framework for managing and rewarding employee behavior in an organizational setting.

Common measurement error #2: Measures are not balanced

Most successful businesses do rely heavily upon financial measures as a matter of practice. Net income, cost of goods sold, return on investment and a host of other financial metrics are valuable business indicators – but are they enough?

Customer Satisfaction and Employee Satisfaction are critical to the health and profitability of a business but often overlooked in the measurement process, perhaps because they are more difficult to capture. Financial indicators may provide the ultimate yardstick, but in the short-term may mask issues relating to the Customer and the Employee that can negatively impact long-term success.

Common measurement error #3: Measures are not strategic

The final key to developing the right metrics for your business lies in your ability to select *strategic* measurements to evaluate your business. Consider the following tips to ensure that your measures are high impact:

- Lagging indicators will only provide historical evidence of success or failure, rather than a warning signal for an issue as it occurs. Common lagging indicators include net income, customer complaints, employee turnover. **Leading indicators** are much more strategic early warning signs that promote proactive problem resolution.
- The opposite of a seat-of-the-pants measurement vacuum is ‘analysis paralysis.’ Too many metrics distract leaders (and employees) rather than focus efforts where they count. What’s the right number? As a general rule, **5-7 key metrics** should be sufficient for strategic evaluations, with further analysis only when prompted by high level indicators. For any given level of management, more than a dozen are likely too many!
- The “law of averages” is made to be broken. We are taught from a young age that an average score is an appropriate measurement tool, but consider this: FedEx does not deliver packages overnight “on average,” and employees do not want their paychecks delivered “on average” on the 15th and 30th of the month! The Customer is much more concerned about and affected by ‘**the exception,**’ and strategic metrics will reflect success rates rather than averages.
- Metrics that do not connect business processes to **customer requirements** can quickly send a business in the wrong direction. For example, Company ABC rewards Customer Service employees based upon time Customers spend on hold and length of time of Customer calls. Employees receive stellar reviews and healthy bonus checks for meeting these standards, yet the number of Customer complaints is steadily increasing. Can you spot the disconnect?

Whether you are a sole proprietor or business manager, it is important to step back from your daily business activities and think strategically about the measurements you use to gauge your success. The use of strategic metrics can have an immediate and direct impact upon your productivity, your Customers, and your bottom line.

Kathleen Koprowski, President of Strategic Linkk Consulting Services LLC, partners with business leaders who are committed to developing high performance employees and focused upon bottom line results. For more information, contact us at (801) 487-0747 or www.linkkconsulting.com.