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Business Leader Magazine - December 2007

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Evaluating Results in a Real-Time World

Business Leader Magazine (December 2007)

Yes, there is truth in the old business proverb — what gets measured gets done! Yet, one of the many challenges business leaders face in today's fast-paced, change-driven world is determining the what and how in measuring relevant organizational performance. Traditional outcome metrics — such as sales, profits, costs, employee retention and even customer satisfaction — are important. If they are the only performance measures in your scorecard, however, then you are navigating your enterprise by looking out the rear window.

The pace of change, rampant innovation and rising customer expectation at all levels demands a different and more fluid approach to performance measurement. Evaluating results is one of five key drivers of organizational agility in the AGILE MODEL,™ as shown at right, and represents the dashboard for organizational focus.

Dashboards For Focus

For those who may not be familiar, a business dashboard operates much like one in your car — digital gauges linked to various parts of the car's operating system such as the speedometer, gas, oil, temperature, GPS compass, odometers, trip meters, and so on — provide the driver (leader) with real-time operating performance feedback.

Just as modern-day cars are programmed with various warning lights to pinpoint excess variability or signal potential trouble spots, business analytic dashboards are designed to give the executive user a series of dials, gauges, and warning lights that enable an ability to rapidly detect trouble spots by following simple green, yellow and red light signals. The premise is to leverage the power of technology so that executive attention can be rapidly channeled to the pressure points (variances in revenues, costs, quality, customer service, etc.) where value-added leadership is needed.

The notion of computer-operated dashboards for tracking and guiding performance has become very well developed over the past several years. The latest examples of business analytic dashboards from providers such as SAS Institute or QLIKTECH, both operating out of Cary, are increasingly sophisticated and robust in their capability to synthesize data into actionable insight at incredible speed.

So clearly, the technology exists to enable us to monitor organizational activity in real-time but the question remains — what should we be measuring? Our measurement choices actually define our real de-facto priorities and create focus for the organization.

A Matter of Balance

The concept of using a "balanced scorecard" was developed by Harvard professors Robert Kaplan and David Norton back in the early 1990s, and is still evolving. The balanced scorecard concept promotes the inclusion of four perspectives into your measurement system — the traditional financial view, measures of core business processes, the voice of the customer, and measures of the organization's ability to learn and grow. These domains represent important forces in the organizational success equation. The key is to find ways to define specific measures for each area that can be reliably measured in real-time and that align with the core value proposition (CVP) for the organization. Making sure that our measurement is always linked to the CVP is the grounding that makes these metrics meaningful and instructive for the organization.

As we look at measuring core business processes, leaders looking to help their organizations become more agile will want to include performance metrics on the other four drivers of organizational agility as well, e.g., how well do we...anticipate change, generate confidence with employees and customers, initiate action through speed of decision-making at all levels and generate volumes of valuable new ideas because we have created the environment for fresh, innovative thinking.

The Human Sigma

Finally, over the past several years there has been an explosion of studies to confirm the power of the "Human Sigma." A term coined by researchers and authors at the Gallup Organization, "Human Sigma" refers to the measurement rigor that went into a series of studies demonstrating the bottom-line impact on profitability when organizations achieve high levels of both customer and employee engagement.

For years, there has been much anecdotal evidence and intuitive wisdom for leaders to conclude that a positive relationship exists between "happy employees" and "happy customers." Well, the evidence coming out over the past couple of years demonstrates a much stronger cause-and-effect relationship. In fact, the Gallup study demonstrated that an "engaged employee" produces 3.4 times more profitability than employees not rated as fully engaged.

Organizational Bio-Rhythms

Just as the medical field has demonstrated the performance enhancing benefits to be gained from streaming bio-rhythmic feedback onto our basic physiological activity, so can we create mechanisms for monitoring the right organizational bio-rhythms. When we make good strategic choices in what we measure — coupled with real-time, feedback mechanisms that provide a broad organizational reach — we greatly improve focus, alignment, synchronization and the active engagement of employees and customers. These are some of the important characteristics of agile organizations and leaders ready to adapt and thrive in the 21st Century.



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