BI Radio

Episode 15 – Metrics and Measurement

00:00:00

Station ID: This is BI Radio

00:00:03

Montage:

- All human beings need to know that the thing I do at work matters to someone and improves their world.
- We want to use the balanced score card to communicate the strategic objectives and strategic direction of the company. We've always looked at it as a communication tool.
- Most organizations already have a strategy. Over 80% of strategies fail; they fail because they're not executed.

00:00:36

Ken Seeley: Hi there and welcome to BI Radio. I'm Ken Seeley. On the show today, metrics, measurement and miserable jobs. Kelsey Howarth takes a trip to the balanced scorecard hall of fame. Lisa LaRochelle leans the difference between scorecards and dashboards. But first up, three signs that you have a miserable job. Kelsey Howarth learns from Patrick Lencioni why measurement makes the difference between work that's miserable and work that's meaningful.

00:01:15

Kelsey Howarth: Hi, I'm Kelsey Howarth. What's the difference between a bad job and a miserable one? Well there's no better person to ask then Patrick Lencioni. Patrick is founder and president of The Table Group; a specialized management consulting group focused on organizational health. He is a passionate speaker, trusted consultant and the author of 8 best selling books including The 5 Dysfunctions of a Team, Silos, Politics and Turf Wars and Death by Meeting. Here he and I discuss his book, the Three Signs you Have a Miserable Job and ways companies can make any job more rewarding and fulfilling. Hi Patrick, thank you so much for joining us.

Patrick Lencioni: It's great to be here.

Kelsey Howarth: I was reading recently that in the average company about 25% of the workforce is completely disengaged from their job. Do you think companies are really aware of the financial impact of this lack of job satisfaction?

Patrick Lencioni: You know, they're probably not completely aware of it or they probably don't realize the depths of it. But I think most importantly they just assume it's inevitable and that it's a part of human nature for people not to like their jobs. And when they see companies that actually don't have this problem, that overcome this, they're confused by it and oftentimes they resent them. They kind of don't even want to talk about it. Rather than looking at it and saying what is it that they're doing that maybe we should do, they just are confused and often resent that competitor in the industry. So I think the biggest problem is we do underestimate the impact, but we also just don't think that it's possible to overcome.

Kelsey Howarth: You read about companies that block employee access to sites like Facebook or My Space to eliminate time wasting in the workplace. Why are businesses so reluctant to address root causes?

Patrick Lencioni: You know, I think that when we say businesses are reluctant to, I think what we have to say is its really senior leaders, senior management that's reluctant to. And I think their reluctance comes the fact that they realize that they have to look at themselves. I mean it's just a lot easier to say we have a problem with employee engagement. The real issue starts at the top of an organization and the question is are the senior managers, the leaders of the organization doing the things for their direct reports and then creating a culture where they demand that others do it for their people, that can bring about true employee engagement and satisfaction. And that's a human issue. I mean nobody likes to think that maybe they're the issue. But the truth is any company where employees are not satisfied or engaged ultimately it goes back to the senior executive team.

Kelsey Howarth: Now you write that a miserable job is not the same as a bad job. How are they different and what are the three signs of a miserable job?

Patrick Lencioni: Well a bad job really depends on who is…it really lies in the eyes of the beholder. I mean one person's bad job can be another person's dream job. You know some people think that working in the forestry service would be an awful thing; some people live for that. Another person would think that being a management consultant or doing financial consulting would be miserable; other people this is the dream job they've always had. So when we say so and so has a bad job, it's almost like that TV show called "Dirty Jobs". You know some of those people don't seem unhappy in their jobs even though others will say well that's a bad job. But they're like no, I get to be outdoors, I get to do this or I like this. So good or bad really depends on the person. Job misery though is universal. Because a miserable job runs the gamut…it doesn't matter what you're doing, how much you're getting paid. A miserable job is one where you're experiencing the three signs of a miserable job which are, first of all where you feel anonymous or you feel like the person you work for is not interested in you as a person, doesn't know what's going on in your life and in your world and has no connection to you on an individual basis. No matter what you do for a living, no matter what level you are in a company; how much money you get paid; how sexy your job seems; if you know that the person you're working for is disinterested in you as a person its impossible to love your work. The second sign of a miserable job is irrelevance. And that's when you don't see how your job, the work you do, impacts someone, anyone, in any sort of meaningful way in their life. All human beings need to know that the thing I do at work matters to someone and improves their world; whether in a small or a large way. So when a person says I really don't see how the world would be any different and if anybody would care if I really did this; that's another sign of a miserable job and that hits people at all different kinds of jobs. Finally, the last sign of a miserable job is what I call im-mearsurement. And that is when you have no way to measure or gauge for yourself whether or not you're succeeding but you're dependent on someone to tell you if they're approving of you. All human beings need to know, need to have some way to objectively assess a situation and say I'm having a good day or a good week or a good month. Or I'm doing a good job because I see this evidence of it. If we don't have that we are completely dependent on other people's opinion. So with anonymity, irrelevance and im-measurement, no matter what you do misery follows.

Kelsey Howarth: IBM Cognos software helps companies unite data and create meaningful reports, scorecards, analysis, dashboards and more. So we're big fans of the you can't manage what you can't measure concept. Why is measurability so important?

Patrick Lencioni: You know it's one of those things we've come to accept over the years and I do believe things don't improve if you don't measure them. But there's a human reason for that as well, and that is that if a human being does not have a way to objectively assess whether or not they're actually accomplishing what they're supposed to be accomplishing, especially if that accomplishment impacts their relevance, then they're left to rely on someone else's subjective opinion about whether they're doing a good job or not. You know jobs that don't have this problem are sales people and professional athletes generally, interestingly enough. Because they have these built in measures; a professional athlete, at the end of the day their team either wins or loses and then they can look at their statistics and say how did I do; did I score enough points; did I gain enough yards; did I get enough hits, whatever it is? A sales person has this wonderful thing called a quota and they always know where they stand. And that allows them not to think that someone's going to come along and say, gee I don't really like the way you're doing this; I don't think you're doing a good job; I think you should feel bad about your performance. Because they're going to look and say listen, it says right here I'm doing a good job or a bad job. So it gives them the power for assessing for themselves. Without that you feel like you're a slave to your manager's mood, opinion or their subjective assessment that day.

Kelsey Howarth: We find sometimes that employees can be a little nervous about workplace measurement. They fear it will be used as a very big stick. How would you confront the fear of measurability?

Patrick Lencioni: We're talking about just objectifying things so that it's less subjective but allows you to really look at the bigger picture. You see this all the time; companies have everybody write MBO's at the beginning of the quarter of the year. Well what happens is people end up managing themselves just toward those MBO's so they can justify their bonus. When in fact what's better is if there's a way for employees and managers to sit down and regularly talk about what they need to be accomplishing and putting that in just objective enough terms that they can see if they're succeeding. So that it doesn't come down to, are you going to catch me on one technicality. But on the end it doesn't come down to, do you like me and do you think that you want to keep me around.

Kelsey Howarth: Patrick, thank you so much for joining us.

Patrick Lencioni: My pleasure.

00:09:25

Kelsey Howarth: For more information on Patrick Lencioni, including details on his new book, The Three Big Questions for a Frantic Family, please visit The Table Group website at www.tablegroup.com

00:09:41

Advertisement: Feeling the heat? Go from the hot seat to the driver's seat with IBM Cognos 8v4, the latest release of the IBM Cognos performance management platform. Inform, engage and align your business users with new dynamic dashboards, dimension management and many other innovations. Get into the driver's seat today. Visit cognos.com/driversseat. That's cognos.com/driversseat.

00:10:12

Station ID: Interviews, insights and opinions on performance management. You're listing to BI Radio

00:10:21

Lisa LaRochelle: Hi, I'm Lisa LaRochelle. Brett Knowles is a long-time thought leader in the performance management space. He is the co-founder of the first balanced scorecard application, has developed numerous measurement concepts around intangible assets and has served on countless editorial boards and conference constructs. Listen in as we discuss the difference between scorecards and dashboards; scorecarding best practices and corporate strategy. Good afternoon Brett.

Brett Knowles: Good afternoon Lisa.

Lisa LaRochelle: A lot of people confuse scorecards with dashboards. How does a scorecard differ from a dashboard?

Brett Knowles: Maybe the best way to explain that is to think of a dashboard in a car. When you go to your car you come to the car with a whole bunch of knowledge about what your objectives are, why you're getting in the car, how to interpret the data that's in front of you. Imagine if you put a 6-year-old in the dashboard of your car, they wouldn't be able to figure out what the dials are for. A dashboard expects that the user has a whole bunch of experience and knowledge about the objectives that they're bringing to the dashboard. And the purpose of the dashboard is to give you timely, moment by moment information that you overlay with this other knowledge you have in order to correctly manage the business at hand. A scorecard on the other hand overlays strategy on top of the data so that you can align yourself with the rest of the organization on how you interpret the data. Best example of that is if you think of the oil light on your car, when the oil light triggers on you're supposed to stop the car. Now that's what you're supposed to do on an ongoing basis. But now imagine your strategy is not to go to work but now you're going to the hospital in an emergency situation. When that light triggers on now what do you do? The strategy tells you ignore that data; the objective is more important. So the strategy overlays how we interpret the data. That's what the scorecard brings to the table.

Lisa LaRochelle: And what is a balanced scorecard?

Brett Knowles: The balanced is the key word of a balanced scorecard of course. What we're trying to do is balance the organizational needs of today with those of the future. Often organizations might make decisions to make quarter end numbers or month end numbers which may sacrifice the longer term viability of the business. We're trying to balance those short term needs with the longer term needs. Now what that looks likes is we often begin using metrics which are not financial. Indications of customer satisfaction like repeat business and spend and so forth become lead indicators to future activities and provide a balance to the scorecard or the data that we look at. So we can see the longer term impact of these moment to moment decisions that we make.

Lisa LaRochelle: And how long would it take to build that kind of a balanced comprehensive view?

Brett Knowles: Well there's two parts to that. The best way to build a scorecard is in fact to very quickly build a pilot scorecard that you'll then test drive and use in the organization. So to build a pilot can be quick; it's five days usually. But now you release it to the organization; it may take 6 months for them to use it and refine it and make it better. Now it turns out that that is a very effective strategy because not only does it allow everyone in the organization to participate in building the scorecard and making it better, it also drives deep ownership. So the short answer is it takes a week to build it and a year to mature it.

Lisa LaRochelle: Are there things that are typically followed or adhered to to create an effective scorecard for an organization?

Brett Knowles: Best practices around building scorecards centralize on three core issues. Number one, it's important that you get deep ownership. One of the problems that many organizations have is they build a scorecard with a small team and when they release it to the organization the ownership and usage of it is quite low because its only owned by the small team. So best practice number one is build a quick pilot and release it to the whole organization so everyone can work on making it better. Second, take your existing strategy and use that as a starting point. Over 80% of strategies fail and they fail, it turns out, not because they're not clever. They fail because they're not executed. In other words the broken part of the process is not coming up with a strategy, it's making sure that we execute the strategy that's in place. Many times when people build a scorecard they spend an inordinate amount of time trying to develop a new strategy. A better practice is to build the scorecard around the existing strategy and run with it for say 6 months and then get together to have a strategy discussion now based on facts and data. Thirdly, you have to have a mix between financial and non-financial metrics. Now most organizations have an abundance of financial measures. The challenge is many things don't reflect themselves very well in a financial measure. In fact in the intangible asset world, human capital, customer capital and structural capital, the metrics of dollars don't work. So we need a better mix of metrics to go into a balanced scorecard to give us a better view of current and future performance.

Lisa LaRochelle: And where do you think most companies are in terms of the creation and implementation of scorecards? What do you think the market maturity is?

Brett Knowles: It moved up significantly in the last decade. Ten years ago most organizations weren't really familiar with what a scorecard was or why they would use it. Now we very seldom go into organizations where they don't already have either experiments with scorecards underway or at least all the components already existing in the organization. The issue is most organizations have huge amounts of information and now the issue is how do I cull out those core few indicators that tell me the big picture; what's happening in the organization. Most organizations already have a strategy it just might not be top of mind. Most organizations have a good process and project mindset but they haven't linked those processes and projects back to specific strategic objectives.

Lisa LaRochelle: Are scorecards more prevalent in certain industries?

Brett Knowles: They're not prevalent in more industries. I would say though that they often start in either the IT function or the HR function. Those two are a shared service type environment where they have multiple customers with conflicting priorities. And by putting a scorecard in place it better helps explain to them what is their customer value equation and what is a service level agreement they have with their customers and how do we measure for meeting those things. It also helps them make decisions across those departments to make sure that what they're doing is best aligned to the strategy in aid of those departments.

Lisa LaRochelle: Let's talk a little bit about corporate strategy. You've been quoted as saying "if you can't fit your corporate strategy on a napkin, it's too complicated." Can most companies you work with do that?

Brett Knowles: Without exception everyone can if you use the right thought ware to get to that approach. Here's the issue; with most organizations the essence of the strategy is pretty straightforward. The dilemma we have is we try to describe too much detail of the strategy in the overall strategy map or top level view. The overall strategy should be kept simple. The bottom line is this; if it's not top of mind, if the strategy is not simple enough that people could repeat it to you or draw it on a napkin, chances are it's not top of mind when they make decisions day to day.

Lisa LaRochelle: It's been a pleasure speaking with you today Brett. Thank you very much.

Brett Knowles: Thank you.

00:18:43

Lisa LaRochelle: For more information about scorecarding, see pm2.ca. That's pm2.ca Thank you for joining me.

00:18:52

Advertisement: Got perspective? Cognos Performance Perspectives is the Cognos e-newsletter; for business intelligence, enterprise planning and performance management. It's your source for exclusive interviews, insights and opinion on industry trends. It's a perspective uniqe to Cognos, one we think you'll enjoy. Get the newsletter and get a new perspective. Subscribe now at cognos.com/newsletter.

00:19:24

Station ID: Insights on performance management from the people who shape the industry.

00:19:33

Kelsey Howarth: Hi, I'm Kelsey Howarth. In order to compete in a challenging economy manufacturers must improve service levels, gain visibility into revenue and profitability performance, control costs and better manage complex supply chains. Today you're going to listen in as I speak with Mark Lack. Mark is the planning and financial analysis manager at Mueller Inc., an industry leader in steel building and metal roofing solutions. Listen in as he shares how Cognos has helped the company quickly spot areas for improvement, stay firmly focused on goals and effectively measure progress and profitability. You'll also hear why the company was recently named to the Balanced Scorecard Hall of Fame for executing strategy. Thank you for joining us.

Mark Lack: Thank you.

Kelsey Howarth: Could you tell us a little bit about Mueller?

Mark Lack: Mueller is a steel building company. We sell and manufacture steel buildings and roofs and other metal building products in the southwestern part of the United States.

Kelsey Howarth: What were some of the central issues or pains before Cognos?

Mark Lack: It was really taking the data that we had and we were looking for a solution to take all of the data that we were now capturing and put it into reportable format that was sensible to the organization, but was also fairly easy to use and also had a low overhead with the maintenance of the system.

Kelsey Howarth: What sort of metrics are you measuring when it pertains to steel buildings?

Mark Lack: Well the steel buildings are the products that we add value to that we sell to our customers. So around the products, you know, we look at are we selling complete projects. So we want to look at do we have customers that are buying pieces of their entire project from us or are they buying their entire project from us. So we would want to look at the type of product people are buying, the type of project people are buying and how those things come together. So analyzing that type of information; those are metrics that help us understand our business activity. In terms of other processes that are fairly generic in the way the objective may be written. And when I say generic they are…companies are always going to need to improve quality, they're going to improve customer relationship and we identified those processes that we have that we can glean information from that represent that objective. So we look to see okay, in these processes as they link to other customer outcomes, are they working; do they give us an indication of the health of our business. Those are the type of things that we look at.

Kelsey Howarth: So your first BI implementation, where did you start?

Mark Lack: We started with reporting. To go back a little bit; we have a balanced scorecard and that was the central management theme that we have of our strategic processes from planning to reporting and analysis. To manage our strategic direction we needed a software that's going to be able to do that. So we created a balanced scorecard and we were looking for how can we now we've got this balanced scorecard how do we report it. Well there are many companies that they do one thing and they may specialize in, okay we have a great balanced scorecard reporting tool or we have a great analysis tool or we have a great reporting tool. But there wasn't anything that had all three. So that was very, very important that we had a architecture that you could manage all of these processes together and including planning so we had a sort of end to end system. Cognos really had that for us.

Kelsey Howarth: Your balanced scorecard has recently won a big award. You've been named to the balanced scorecard hall of fame for executing strategy. Now what puts you at the cutting edge in terms of balanced scorecard implementations?

Mark Lack: Well the balanced scorecard, the things that are representative of what we've achieved are those of a strategy focused organization. And those are the principles of defining our strategy, driving it through the organization, communicating the results to the organization and using the balanced scorecard to manage strategic themes in order to meet your company's results. It started out a long time ago, the balanced scorecard as a measurement system but really the value that you get is the weaving of the balanced scorecard in your company's culture. And that's what we've done. The balanced scorecard is not a measurement tool, it's a communication tool. We use it to report results, but the results are important only as much as that we're getting value in approaching and completing our strategy. The problem you have if it's just a measurement tool is that people can react to measures in ways that are not the way that you would want them maybe to react. So we want to use the balanced scorecard to communicate the strategic objectives and the strategic direction of the company so that everybody has a part and they can look and see what it is that is important for us to be doing. Whereas many people look at the metrics or the balanced scorecard as maybe a measurement tool, we've always looked at it as a communication tool. We can let the people that are taking the metal and manufacturing it and let them know these are our strategic priorities and so that they understand why when they have processes that they have to implement what they do to help effect the strategy of the organization. So it's the communication. You could just say well you need to do 15 parts per minute per hour per labor hour. That's a great metric that tells you at the end of the process were you within the confines; that's great. But what's really important for us is to say look, by implementing this process we're going to have less errors, higher quality to the customer, they're going to buy more, there's more opportunity for you in this organization. That is the important thing that needs to be communicated to the employee. Much more so than a metric that a finance guy such as myself has calculated that represents their good performance.

Kelsey Howarth: Can you speak to any time saving, cost saving or just new insight that Cognos has given you?

Mark Lack: Oh absolutely. When we first went down the road of implementing the business intelligence we were just looking for a reporting piece of software. By buying this system and solution the way that we did I say we saved a year in report development time. And when I say a year, because there's a lot of back and forth that goes on, is this the report you want, is this the information? Oh gosh, I told you that but we really needed this as well. So you go back and you add this piece of information. The performance applications had 90 to 95% of the information we needed right out of the box. So by having that we could've built that because we knew where the data was and we had experts within our own organization that could do that, but the value we got was an almost out of the box solution. And once you put together an out of the box solution, a lot of people say, out of the box, I've seen out of the box. Really this thing was out of the box and it was…when they said it was going to take about 30 days they did it in about 20 days; 20 working days. So it was a very quick implementation. And we started getting value almost right away. You go from having almost no data or very limited static data to now you have dynamic data and cubes and reporting and you push it out to a larger audience. And when the value has been…it's really neat being in a meeting and when somebody has something that in the past would have been either rhetorical or taken offline to go research again, we pull up the Cognos system and we basically ask the system because we have the data mapped, and we find out the answer to that question right away. So we're able to very quickly respond to questions that in the past would have been, actually I just don't know…I don't know how we would get that information. Now give me five minutes and I'll have it for you, which is a big difference from where we were.

00:27:43

Kelsey Howarth:
For more information on why Mueller and thousands of manufacturers worldwide choose Cognos please visit www.cognos.com/manufacturing.

00:28:06

Advertisement: Performance 2008 is your direct path to performance management expertise and the most important one-day event of the year for anyone who is using, supporting or evaluating Cognos solutions. Get practical knowledge you can use right away. Meet product experts to learn how to increase the value of your current investments. Performance 2008 takes place in dozens of cities worldwide. Registration is free and it's open now. Get on the path at cognos.com/performance2008.

00:28:31

Ken Seeley: Well that's a wrap. I'd like to thank our guests today; from The Table Group, Patrick Lencioni; from Performance Measurement and Management, Brett Knowles and from Mueller Inc., Mark Lack. A note of thanks as well to our segment producers Kelsey Howarth and Lisa LaRochelle; to our writer Delaney Turner and finally to our head producer and audio engineer Derek Schraner. A reminder to check us out online at radiocognos.com where you can listen to previous shows, download individual segments and view the transcript of each broadcast. If you care to comment about anything you hear on the show email us at biradio@ca.ibm.com. Thanks for listening. I'm Ken Seeley, we'll see you in about 6 weeks.

00:29:36

Advertisement: Performance management you can listen to. This is BI Radio.

00:29:46

END OF RECORDING