

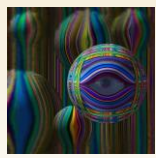
Operational Metrics You Should Consider



Michael Stanleigh; CMC, CSP, CSM
CEO, Business Improvement Architects



Performance Metrics



Leadership



Innovation



Project Management



Why Establish These Metrics?

- These disciplines more difficult to measure than work processes
- Establishing metrics gets attention of management
- Enhances their view of us, as quality professionals
 - Why?
- Provides them with metrics related to their strategic mandates



Measuring Leadership



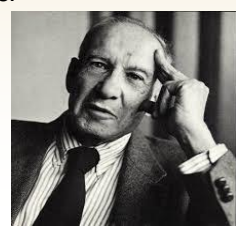
What is Leadership?

- Process where one person influences group of individuals to achieve common goal
- Jim Rohn, American author - description of leadership:
- "Objective of leadership is to help those who are doing poorly to do well
 - and to help those who are doing well to do even better."



Peter Drucker

"Effective Leadership is not about making speeches or being liked: Leadership is about results, not attributes."



Leadership

- It's about achieving goals, missions & objectives

- It's measured in terms of results

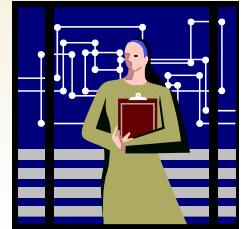
Glenn Llopis; Forbes magazine clarified:

“Successful leadership is something that happens organically when a leader focuses on the true impact of their actions.”



Leadership Definitions

- These definitions illustrate that leadership is about achieving goals, missions & objectives
- It's about results
- If leader has KPIs then Good Leadership measured in terms of results achieved



Leadership Measures

- Productivity #s compared to last yr.?
- Are employees making fewer or more mistakes?
- # errors corrected in timely manner?
- Sales #s up, steady - even during economic downturn?
- Are there numerous customer service complaints getting to leadership level or are they being resolved at lower levels?



Measuring Business Value

- Business Value – includes all forms of value that determines health & well-being of org.

Value includes

Employee value, customer value, supplier value, managerial value, societal value, etc.



Developing Business Values

1. Create personal principles, beliefs & values

Business value categories can include;

- Business value
- Work values
- Customer service
- Decision making
- Teamwork
- Leadership
- Business improvement
- Staff values
- Market identity
- Financial values
- Social values



Developing Business Values

For each category ask:

- What principles & values come to mind?
- Why is each value important?
- What influence does it have on how individuals approach or manage their business?



Developing Business Values

2. Reflect on the meaning of each value

- What is the value about?
- What does it really mean?
- Do employees understand it?
- Will your customers understand it?
- What assumptions are behind this value?
- What other words, ideas, mental images can one associate with it?



Developing Business Values

3. Translate values into set of guiding principles & standards of behaviour

Value: Respect

Principle: I am open in my dealings with people and expect others to be open with me

Behaviour: If I have a disagreement with someone I'll try to resolve it directly with them, rather than involve colleagues



Implementing Business Values

4. Develop value statements

5 core values everyone cares about better than 25 that don't mean much to anyone

Core values act as behavioural guidelines that shape everyone's actions and behaviours

- To have impact on org. everyone needs to make values part of everything they do



Measuring Leadership

- Measure leadership performance through values and principles
- This evaluates leader skills, behaviours, attitudes against organizational values & principles

Ask:

- Do leaders demonstrate behaviours and actions supporting organizational values?



Values & Behavioural Statements

Value: *Integrity...*

Behavioural Statements

- *"We are committed to honesty and doing the right thing.*
- *We say what we will do, do what we say, and acknowledge when we are wrong or have made a mistake."*



Integrity Value

Behavioural Actions

- Acknowledge mistakes/admit when wrong
- Promote humbleness and humility
- Live & lead by example
- Always tell truth & have courage to tell it like it is
- Do right thing rather than being right
- Display highest ethical standard
- Promote equal opportunity for all



Measuring Values

- Brainstorm with leaders – what are actions, behaviours, attitudes that leaders will do/display demonstrating an understanding & commitment to each value?
- 360-degree instrument - Measures how they see themselves, how their peers see them, how their staff see them
- Creates awareness of how their actions & behaviours align with established values



Measuring Strategy

How do we want to be seen from the outside (our values)	MISSION
How do we see ourselves in the future (loosely defined)	VISION
What specifically do we want to accomplish within a specific time frame that will take us closer to our envisioned future?	GOAL(S)
How are we going to accomplish this?	STRATEGY
What would be the few good measurable indications that we are moving in the right direction and our strategy really works?	KPI(S)
How are we going to measure those indicators?	MEASURE(S)



Start Measuring Leadership

- Consider major areas of measurement we've reviewed
- Don't worry too much about where to start
 - Just start!!!
- Your measurements won't be perfect
- Expect metrics to evolve

"It is better to be approximately right than precisely wrong." Warren Buffett



Measuring Leadership – Where to start

- Brainstorm outcomes for each role/dept.
 - What does success look like?
 - What does failure look like?
- How do they know?
- Pick one metric for each success
- Example; Overtime – what does success look like?
 - Then expand on these metrics



What if it can't be Measured?

HR Director wants to measure employee engagement

1. What is result?
 - Want lots more employee engagement
2. Break result into metric components
 - Morale, productivity, employee retention, increased customer satisfaction



What if it can't be Measured?

3. Break components down further to measure
 - **Morale** –employee survey
 - **Productivity** –output per hour, # customers served, shipments sent, etc.
 - **Retention** – monthly employee turnover rate
 - **Customer Satisfaction** – customer satisfaction survey, # repeat orders, new orders, increased volumes, decrease in complaints, etc.
4. Benchmark others who have measured it



Why Measure Project Success?

Provides leadership with:

- Relevant information needed to make decisions affecting project completion
- Information so they can continuously sell impact project management having on organizational performance



In Search of Excellence in Project Management
Successful Practices in High Performance Organizations

“Project Management no longer viewed as system internal to an organization. Now viewed as competitive weapon that brings quality and value added to customer.”

Dr. Harold Kerzner
“In Search of Excellence in Project Management”

Forrester Research

The PM leaders interviewed had one common goal
Enable organization to grow business by building core set of practices that delivered consistent outcomes

2012 Standish CHAOS Report

Success – 39% delivered on time, on budget, with required features & functions

Challenged – 43% late, over budget, and/or with less than the required features & functions

Failed – 18% cancelled prior to completion or delivered & never used

These are traditional measurements

Business Improvement Architects

On-time and On-budget?

- Project completed – not to original deadline or within original budget?

Successful?

- Are there approved change requests to move deadline date?
- Are there approved change requests to increase budget?

Business Improvement Architects

On-time/budget – Other Measurements of Success

- Benefits outlined in business case achieved?
- Anticipated user adoption?
- Realized expected ROI?
- Solution addressed customer needs?
- Sales met or exceeded forecast?




Goal	Objectives	Performance Measures
Ensure stakeholder needs identified & met	A. Identify & analyze stakeholder requirements B. Establish on-going communication with stakeholders C. Identify business requirements D. Develop an operational manual	A. Stakeholder satisfaction survey results indicate their needs met B. Feedback indicates that on-going communication met stakeholder needs & requirements C. Business requirements understood & met D. Operational Manual is clear & released on-time

Goal	Objectives	Performance Measures
Provide satisfactory & positive client experience	Apply research of customer needs	Complaints resolved in timely manner (benchmark to be identified)
	Complete post-implementation client analysis	Total client centre volumes increase




Measuring Project Success

- Managed within specified quality criteria
- Met regulatory requirements
- Met defined targets
- Met all deliverables
- Issues successfully managed
- Customer satisfaction post-surveys indicated product/service delivery met needs
- Successful/problem-free launch
- Business case proven through rate of return




Measuring Success of Projects

- # projects completed within their time constraint vs. # projects not completed within their time constraints
- # projects completed within their budget constraints vs. # projects not completed within their budget constraints
- # projects met with or exceeded customer requirements
- # projects that aligned with corporate strategy (should be 100%)



Measuring Success of Projects

- # projects successfully managed (on-time, on-budget, met customer expectations) after training vs. # projects successfully managed without training
- # projects that followed prescribed PM Quality Process & completed successfully vs. projects that didn't
- # projects that applied risk management process with fewer crisis situations vs. projects that didn't





Can we Measure Innovation?

- Innovation by nature is non-routine, creative, unpredictable task
 - Metrics – not common skill central to innovator’s DNA
- Argue - too much measurement stifles innovation
- But innovation key for business survival



Why Measure Innovation?

- To assess progress & measure impact of innovation activities
 - Enables innovator to change their strategy before mistakes become expensive or great ideas are refused
- Innovation metrics - still an emerging discipline
- No clear/consistent guidelines on how to measure success of innovation initiatives



Measuring Ideas

- Increased number of new ideas
- Improved quality of ideas
- More efficient implementation of quality ideas
- Improved success achieved from implementation of new ideas



Innovation Strategy Metrics

4 areas to consider

1. Customers and Other Stakeholders

- Are strategies designed to address needs of each stakeholder group?

Result: Are we doing the right things?

2. Processes

- How good are critical innovation processes?

Result: Are we doing things right?

Innovation Strategy Metrics

3. Resources

- How effectively are internal & external resources engaged?

Result: Do we have access to the right resources?

4. Organization and Culture

- Are organizational structures, culture, and reward systems set-up to drive innovation?

Result: Are we getting best from our resources?

Innovation Strategic Plan

Management should ask these questions to ensure innovation team demonstrates right focus:

- How well did we do yesterday?
- How well are we doing today?
- How well are we likely to do tomorrow?
- How well will we do in the longer term?



Innovation Metrics

- Provides management with data to support sustainable innovation culture
- Helps motivate employees to embrace innovation & give it on-going priority
- Employees believe they're recognized for their overall contribution to organization & its customers
- Metrics identify "what" happened but more importantly "why"

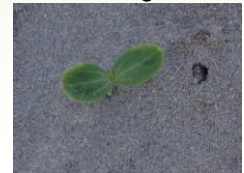
Innovation Metrics

- Budget % allocated to innovation efforts
- % of workforce dedicated to innovation
- % of time employees spend on innovation
- # ideas submitted by employees in specific period of time
- # ideas submitted & put through innovation process
- # ideas submitted by customers, suppliers, vendors and/or consultants



Return on Innovation Investment

- Provides tangible measurement to innovation process
- Looks at organization's total profits from new products, new services and key business processes generated through innovation process



Return on Innovation Investment Metrics

- New revenue generated from innovations
- # and type of ideas ready to take through innovation process
- How long it takes to move ideas through entire innovation process
- % of new products/services launched from innovation process vs. all products/services launched
- Reduction in new product/service/process development time/cost

Innovation Metrics

% of Killed Innovations

- Killed innovations/total innovations submitted
 - If % is high maybe leadership being too strict
- Leadership should review their selection criteria
- Maybe selection criteria OK but innovation team needs to work on quality of ideas



Innovation Metrics

- % of early idea rejections in innovation process
- Number of innovations killed in early stages of innovation process/total number of innovations
- Why are innovations being killed so early?
- Killing an innovation before it incurs more resources is not always valid reason for elimination
- Beware on what they are killing and why



Innovation Metrics



- Total costs of "killed" innovations
- % employees identifying innovation as key performance goal
- % of employees trained in innovation process



Measuring Innovation Critical

- Measurement critical yet organizations usually don't think about how to measure success of an innovation

Is innovation meant to;

- Change people's lives
- Materially improve safety
- Our standard of living
- Quality or ease of life
- Convenience, speed, time, etc.?



Measure Success of Innovation

- <70% corporate leaders say innovation is one of their top three business priorities
- 22% set innovation performance metrics *McKinsey*
- Why aren't more organizations measuring innovation?
 - Because innovation definitions differ & expectations vary



Operational Metrics You Should Consider

Leadership
Innovation
Project Management



➔ Success

Thank You

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