A quick look at metrics

Metrics help us understand the world around us, help us evaluate our processes and outputs, and ultimately make decisions and take actions to ensure that we are meeting our customers’ needs. I thought now would be a good time to bring up the subject of metrics for two reasons. One, my last article introduced you to vision, mission, goals, and objectives; and it is goals and objectives to which we apply metrics. The second reason is that I am working on a project with the Business and Finance units which centers on developing and refining metrics. Since I’m having these discussions with various unit leaders, I thought I would share some of what we have been discussing with you.

First let’s start with a couple of definitions. I have found that many people confuse the term metric with the term measure. They seem to say the same thing; however, they are very different. A metric is a system of measurement used to describe a specific action or level of performance; while a measure is the actual scale of units that are used to describe the metric. For example a metric that you might see used in customer service situations is the length of time that customers have to wait in line for service. The scale of measure could be expressed in seconds or minutes.

The big question is “What metrics should we pick?” It’s actually quite simple, because to quote one of the founders of Six Sigma, Dr. Mikel Harry, we measure what we value. The metrics that you select should specifically show the value of the activities that you are performing, and articulate that value to others. It has been my experience that if someone is not familiar with the development of metrics (or does not do it very often), they either try to put a metric on everything they do, or they dig in their heels and say that what they do cannot be measured. Both of these approaches are incorrect. Metrics should be applied to the critical steps (vital few) of a process that affect the output, or to the key activities of an organization that best show the value it provides. If you try and measure everything, you will end up wasting a lot of time and resources that you could put to better use somewhere else. As far as not being able to measure something, I believe that everything can potentially be measured in some way. It may require some work to figure out how to do it, but if it is critical to know, there is always a solution.

What you value is going to depend largely upon what goals you are trying to accomplish, what services or products you are providing to your customers, and your organizational values. Some operational metrics that you may find useful are:

- Revenue generated
- Costs incurred
- Process capacity
- Quality
- Operational/employee performance and performance gaps
• Employee satisfaction
• Employee turnover

Along these same lines, some customer metrics that you may want to consider might include:

• Product/service specifications
• Timelines
• Cost vs. Value to the customer
• Support provided
• Customer satisfaction

As I mentioned before, everything can be measured. You have to make sure that you are picking the correct metrics, so there are a couple of things to keep in mind when you are selecting them. Metrics should be:

• Meaningful
• Drive the level of performance that you desire
• Based on reliable and valid data
• Cost effective

If a metric is meaningful, then you actually gain something from knowing that information. They should all have a point of reference (standard or performance target) that makes the information useful. For example, if I told you that my office has a metric around the speed of response to customer inquiries; and I told you that I responded to every customer inquiry that I received in the past week within 24 hours of receiving it, what would that tell you about my performance? You have no way of knowing whether 24 hours is good or bad, because you have no point of reference to compare against. Now, what if I told you that the standard was to respond to all customer inquiries within four hours? The metric has become meaningful because you have a complete picture that shows the actual measure of my performance compared to an expected level of performance.

When selecting metrics, they should not only report on key activities, but in turn drive those key activities to the level of performance that you want to see. Having a performance standard or target gives you a clear picture of what is expected to happen, and the means to make decisions about how activities or actions need to be adjusted to reach and maintain that level of performance.

Along with being meaningful and driving performance, metrics must be based on reliable and valid data. If the information you are using does not provide an accurate picture of your performance, then the metric is useless. Worse yet, if you do not verify that your metric is based on reliable and valid data and you trust the information you are
receiving, it could very easily guide you in the wrong direction and lead to poor decisions based on the erroneous information.

Finally, all activities in an organization have a cost in time and resources, and measuring performance is no different. You will have to invest time and resources to measure, analyze, and report on the metrics that you select. When selecting metrics, you should consider the costs associated with collecting and measuring them. I mentioned before that I believe everything can be measured; but, if the effort required to measure is prohibitively expensive, then you may want to look for an alternative metric that fits your needs without breaking the budget or taking up all of your resources.

Metrics are the best tools you have for understanding how well you are performing, for making decisions, and driving specific actions; but, you have to make sure that you are selecting the metrics that articulate the value that you provide, are meaningful and valid, and support the achievement of your goals. When done correctly, metrics are a valuable tool to help you be successful. As always, I welcome your questions and feedback. You can e-mail me at clayton.taylor@asu.edu.

**About the author:**

*Clayton Taylor, MBA, is the Director, Organizational Performance and a Certified Six Sigma Master Black Belt working in the Office of the Executive Vice President, Treasurer and Chief Financial Officer at Arizona State University. He leads the Organizational Performance Office. He and his team currently consult with diverse Business and Finance and university-wide operational areas to lower costs, improve operational efficiency and provide the highest quality customer experience to internal and external customers. Mr. Taylor can be reached at clayton.taylor@asu.edu.*