

The Power of Measurement

“Cheshire Puss,’ [Alice] began, rather timidly, as she did not at all know whether it would like the name: however, it only grinned a little wider. ‘Come, it’s pleased so far,’ thought Alice, and she went on. ‘Would you tell me, please, which way I ought to go from here?’

‘That depends a good deal on where you want to get to,’ said the Cat.

‘I don’t much care where—’ said Alice.

‘Then it doesn’t matter which way you go,’ said the Cat.

‘—so long as I get SOMEWHERE,’ Alice added as an explanation.

‘Oh, you’re sure to do that,’ said the Cat, ‘if you only walk long enough.’”

*Lewis Carroll in
Alice’s Adventures in Wonderland*

Unlike Alice in her journey, can you imagine going on a trip and not using a map and your car’s dashboard? Think of the key numbers the dashboard gives you:

Speedometer — How fast are you going? Are you within the allowable speed limit?

Gas gauge — How much gas do you have left? Some gauges show a warning light when the gas level is too low.

Engine temperature — Is the engine at an ok temperature?

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—John Jones

Clock — What time is it? How much time do I have to get to my destination?

I could go on and on about the information a car dashboard gives us, but you get the picture.

Sports are the same way. Did you ever watch an athletic contest and never look at the scoreboard? Especially if you are involved in the game. If we are watching a baseball game we notice what inning we are in, the balls, the strikes, hits errors, runs.

If we are true fans, or a coach, we look at the players' statistics. For hitters, we look at batting average, runs, walks, runs batted in, slugging percentage. For pitchers, we look at wins and losses, earned run average, strikeout to walk ratio, and in the last few years they began measuring WHIP (walks and hits per innings).

The coach will use these statistics to make decisions and adjustments in the course of the games in an effort to affect the outcome. As a kid I used to love keeping the statistics on the major league players. I could tell who was performing or not and of course, I could question the manager's decisions as he sent in a pinch hitter or a relief pitcher.

Statistics and measurements are just as important as you are managing your business as they are in managing your car and trip during travel or as for the manager or coach as they manage the performance of their athletic team. More often than not, the entrepreneur or small business owner fails to measure. Or when he or she does measure, measures the wrong things.

Just as the primary purpose of measurement in sports is to improve performance, the same purpose applies to the entrepreneur.

Why Have Measurement Processes?

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It's true that measuring does take time and effort, however, there are several key advantages of having a measurement process for your business.

1. **Evaluation of your actions and results.** How well are you doing? Are you tracking toward your goal?
2. **Better control of your activities.** By defining and measuring the key success factors, which we will discuss later, you will find that you are taking more control in seeing that you and your staff are doing the right things.

The first step is to define your Key Success Factors. What are the key activities and the key results that will lead you to success?

3. **Better time management.** You will improve your time management skills, since you will have defined the activities that will lead to success. You will do more of those activities and less of the activities that don't have an impact.
4. **What can be a better motivator** than seeing yourself moving steadily in the direction of your goal?
5. **Just like that athletic coach, you will be better able to see what's working.** Are your contacts to interview ratio or your closing ratio favorable or do they need improving? Do you see ways to increase revenue by increasing products per household or to improve velocity? Or make larger sales?
6. **You can make adjustments on a more timely basis.**
7. **The fact is, we normally improve in the areas we measure.** I have been trying to lose weight for several years and might lose some, but I would quickly gain it back. At the beginning of the year, I began tracking my weight using a spreadsheet. If I make a slight gain, I will analyze why and make corrections. As a result, I am steadily losing weight for the first time. A major reason is seeing the weight loss graph and reacting quickly when there is a move upward. We do the same thing when we effectively measure our performance and results at work.

What Should We Measure?

The first step is to define your **Key Success Factors (KSFs)**. What are the key activities and the key results that will lead you to success?

It is important that you properly identify your KSFs. These are the ones that are critical to your operation. There are several pitfalls in identifying KSFs:

1. **Having too many.** If you identify too many, you will spend too much time measuring and you will have so much feedback that it will be nearly impossible to use it.
2. **Not having enough.** There is really no magic number, but you should make sure the critical activities and results are measured.
3. **Measuring the wrong things.** Make sure the things you measure are relevant. If you measure the wrong things and make adjustments as a result, you might be making a wrong turn.
4. **Not using the feedback, or interpreting it the wrong way.**

The biggest factor in making sure the activity or result should be measured is that all measurables should be synced with your strategic and tactical plans.

The Four Areas of Key Success Factors

Basically, KSFs can be grouped into four areas:

Financial — These would be the results such as sales, revenues, profits, expenses, average face amount, premium per policy, velocity, ROI, assets under management

Customer — Measure of customer satisfaction, measuring value we deliver to the customer such as touches or fast turnaround on service requests.

Internal Processes — For the financial service professional, this might be the activities that lead to the financial results such as contacts, referrals requested, referrals obtained, interviews, closing interviews, closing rates, etc.

Learning and Growth — How can we improve and continue to create value? This might be a measure of study hours to earn an industry designation. Or it might be setting a timeline for completing a client management system.

Select 3-5 KSFs in each area that will lead you to balanced growth. Just remember to make sure they truly are Key Success Factors. If they are not critical to your success, don't go to the effort to measure them. In fact, question whether you may be spending too much time with that activity.

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Module Project

Using *Worksheet XIV, Key Success Factors*, list the measurable factors that are critical to your success. List the KSFs in the four different categories, limiting your measurements to those that drive the strategic and tactical plans. Remember, guard against having too many. Next, note the standard for each KSF. Is it XX contacts per week, XX interviews per week, revenue per month, etc.

You should then note in column three how often you will measure each KSF.

After determining your Key Success Factors and setting the standards for each, set up a scorecard using a spreadsheet.

Worksheet XIV

Key Success Factors

KSF	STANDARD	FREQUENCY OF MEASUREMENT
FINANCIAL		
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
CUSTOMER		
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
INTERNAL PROCESSES		
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
LEARNING & GROWTH		
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____