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Solving the Measurement Paradox

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Solving the Measurement Paradox

This is the second in a series of articles that will assist you in gaining the benefits of becoming a measurement-managed organization. In this article we discuss the measurement paradox, its causal factors and the means to overcome them.

The measurement paradox lies in the fact that managers at all levels of the organization extol the benefits of measurement, but do not implement nor use measurement as a strategic management tool. Out of the 100s of CIOs, CEOs and CFOs we have met with, not one has ever said that measurement is not an important element of their management processes. Yet, few of these have implemented measurement as a management tool beyond the very traditional use of operational and financial measures.

H. James Harrington, the author of *Business Process Improvement* stated that,

> *"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it.*
> *If you can't understand it, you can't control it. If you can't control it, you can't improve it."*

Becoming a measurement-managed organization can provide the understanding, and control necessary for the success of the continuous improvement process.

There are a number of forces that inhibit an organization's ability to change and it is the failure to effect change that has created the paradox. This paradox has led to IT's traditional use of operational and financial measures to the exclusion of more performance linked or strategic measures.

Would you "bet your job" based on the measures currently in use by IT? The probable answer is "no" and some of the reasons why are not complex.

- There is a lack of confidence in your measures (with the probable exception of financial and operations data)
- There is disagreement on what to measure (other than financials and operations)
- For those measures agreed upon there is disagreement on how to measure them
- There is usually a failure to update information feeding the measures, on a frequent and regular basis
- Access to data required for the measures is usually manual, requiring more effort than the perceived value of the measure is worth

Further, collectively IT leadership is aware of the factors that determine the success of the organization. The difficulty lies in the fact that they also recognize that there is often not full agreement on what the factors are and how to measure them.

Until executives can overcome these issues they will not employ measurement as a strategic management tool.

What are the specific factors associated with the measurement paradox

1. Lack of agreement on objectives and lack of clear definitions
2. Executive belief systems and prior experience
3. The management psyche
4. Lack of leadership "buy-in" and commitment
5. Organizational and cultural barriers

Lack of agreement on objectives and a lack of clear definitions

"If you wish to debate with me, define your terms." Aristotle

Few IT organizations have, as a part of their strategic planning process, the mandate to develop measures for their strategies. Valid strategies must have goals and objectives that are defined clearly enough to be able to develop metrics for them. It is said that strategies without metrics are merely a wish and metrics not aligned with strategy are a waste of time.

IT's financial and operational strategies typically have specific measures and for this reason the organization knows what their goals and objectives are and how to achieve them. This is not the case for other strategies having to do with customer or employee satisfaction, infrastructure flexibility, employee competence and those things with "soft" value propositions. Because of this many of these strategies are not well understood and the organization has a more difficult time associating them with what they do and how they might impact the strategy.

As a first step in overcoming this barrier, "soft" objectives must be translatable into clear statements of results that are expected through their successful implementation. If this cannot be accomplished then the strategy involved should be questioned as to its value and possible contribution.

The second, step in climbing this hurdle is to specify the behaviors associated with terms such as "value" and "culture". What are the success criteria associated with establishing the desired values or culture? What will occur if the organization adopts these values or if "infrastructure flexibility" is realized? The anticipated results of these strategies must be clearly defined so that measures can be established.

Clear definitions for strategies are a first step to overcoming the paradox. Before employees can help implement their organization's strategy, however, they need to know about it and understand it. Our experience shows that the most effective way of communicating what the strategy means and how it impacts employees is to educate the employees on the strategy and what it means to them. Successful organizations use well-defined and carefully integrated training program, focused on how to execute the strategy, in order to accomplish this.

Executive belief systems and prior experience

Many executives, CIOs among them have been weaned on financial and operational measures and in the past these may have been sufficient for their needs. Today's global and increasingly competitive markets require a much broader set of measures in order to compete effectively and efficiently. These include measures associated with customers, employees, stakeholders, technology, shareholder value and the like. Many executives, however, do not appreciate the validity and value of many of these "softer" measures e.g. customer surveys, employee surveys, and market studies, et al. Because of their belief in the precision and constancy of traditional measures it is difficult for them to consider and invest confidence in the more strategic and forward looking measures necessary for the successful implementation and outcome of their strategic initiatives. In other words they avoid bringing these types of measures into the strategic planning process because they either don't believe in them or do not understand them.

Evidence indicates that not addressing these types of measures is more problematic than asking the questions that will produce them. Research shows that 94% of customers will not complain after receiving bad service. Evidence further shows that 82% of customers that had a bad experience, but are asked about it and the problem resolved, will buy the service again (Direct Education Selling Foundation). Asking the questions doesn't create problems, but rather provides the opportunity to address issues that improve customer and employee loyalty.

Prior negative experiences with measurement are another factor that contributes to the paradox. These experiences may have been the misuse or even abuse of measurement or the waste of resources associated with an aborted measurement program.

These are understandable human responses to these types of circumstances. The key to overcoming these paradox factors is to have a well-planned and systematic approach to establishing or advancing your measurement program. Executives will embrace a well thought out plan that can demonstrate tangible benefits with a reasonable expenditure of resources over a short period of time. We will describe this type of plan and its benefits in a following article.

The management psyche

Executives often become and remain successful through their ability to control situations and circumstances. Any change to organizational structures and/or management techniques can threaten that control. The introduction or change to the measurement system can be seen as a threat to that control.
Resistance to change can be extremely high, particularly among the leadership group. The introduction of new measures is a change and therefore can be met with either resistance or benign neglect. In either instance this is an impediment to the introduction of new measures or a new measurement system.

Often times the way to overcome this resistance is to introduce a few measures on a limited and non-published basis. This gives the parties involved the time necessary to get comfortable with the accuracy and value of the measures and therefore allows for change as an evolutionary rather than revolutionary process.

Lack of Leadership "buy-in" and commitment

No one factor is more responsible for the measurement paradox than the lack of leadership commitment to the use of measurement as a management tool. This commitment must be in place in order for a measurement program to succeed. For reasons described above and others, e.g. lack of time, other priorities, perceived lack of resources, lack of buy-in from CEO, CFO or COO, IT executives have often made overtures to the use of measurement, but not committed to its use as a management tool.

It is not uncommon for a CIO to explain that they had tried measurement before and "it just didn't work", typically the result of a flawed plan or lack of commitment. Also, many managers have experienced optimism at the start of a measurement or scorecard program, only to be disappointed in the final results and the eventual abandonment of the program.

Once again it may be necessary to begin the change in the use of measurement at a low key and non threatening level in order to gain the confidence and commitment of the IT leadership team. The key to success is to:

1. Select a part of the organization that is in favor of measurement as the initial target
2. Include the people in that group in the development of their measures in order to gain consensus and accountability
3. Select a group of measures that can be reasonably and easily developed and that will show short term, positive results

Organizational and Cultural Barriers

Culture is a set of beliefs and behaviors that have evolved through shared experience. Organizations develop their own cultures and eventually the "best way" to do things emerge. The "not invented here" syndrome is a prime example of how organizational culture can stifle change.

An organization's cultural norms become the only way of doing things even though the rationale for the norms may be lost over time. The use of measurement within IT developed along the lines of the command and control measures necessary to maintain operational integrity. As IT evolved and reliability increased, the measures did not change. Today, measures such as availability, mean time to repair, number of abends and unit costs are the norm for most IT organizations. A new measurement system should not challenge the validity of these measures; however, it does question the value of the measures as they relate to stakeholders and the implementation of the IT strategy.

Another norm is the use of informal feedback loops as a means to understanding things like user and employee satisfaction. There is value to having informal channels of feedback, but these do not provide any degree of accuracy in identifying problems or their causal factors. This method typically leads to the "squeaky wheel" situation while other, possibly more important problems go undetected or unresolved.

A final cultural or organizational barrier is the issue of who should have access to information. Today we constantly hear the term "information is power" which may have given rise to the residence to share information, particularly with users and lower levels of the organization. Typically it is senior management that determines and controls information access. This level of control is often a reflection of the senior management style in use within the organization. Organizational leaders not only determine who is going to see information, but more importantly they affect the ability of the organization to effectively use the information.

It is ironic that the obvious way to overcome this barrier, i.e. provide the information, is not necessarily the means to effectively use the information. If senior management is not willing to actively assist others in the effective use of the information, it may as well not provide it all. This goes to the issue of senior management commitment to the changes necessary to effectively implement the use of measurement as a management tool.

Conclusions

The measurement paradox exists, in large part, due to these five deterrents to change. These are all powerful forces that inhibit the migration to becoming a measurement-managed organization and gaining its benefits. These impediments can be overcome by a more strategic approach to the use of measurement beginning with an honest evaluation of your organization's leadership style and commitment to a strategic measurement program focused on continuous improvement.

Because the need for senior management commitment to change is so critical to the establishment of the measurement-managed organization this evaluation is a necessary first step in that evolution. Once this evaluation is complete, you will have a better idea of some of the specific characteristics in your organization that can get in the way of any change process.

Organizations employing measurement as a management tool have a very distinct leadership style as compared to those that do not. The list below comes from the work of Terry Anderson in his book *Transformational Leadership*.

LEADERSHIP STYLE ASSOCIATED WITH THE MEASUREMENT MANAGED ORGANIZATION

Measurement Managed

- User/market driven
- Decisions made where knowledge is
- Control the strategic; delegate the operational

Non-Measurement Managed

- Internally driven
- Decisions reside at top
- Control everything

- Rapid decisions
- Share knowledge
- Optimize entire system
- Team success; joint risk
- Use judgment
- Listen
- Predict user and financial outcomes

- Slow, careful decisions
- Hoard information
- Optimize functions
- Individual stardom
- Follow rules
- Tell
- React to user and financial outcomes

Experience tells us that every IT organization encounters one or more of the five barriers discussed. The degree to which they impact your change process is different from another organization's as is your ability to overcome these hurdles. We also believe that you know your organization better than we do and for these reasons no "pat" solutions are offered here. However, we can almost guaranty that your understanding of the issues set forth here, will lead to the solutions that need to be employed within your IT organization in the pursuit of the benefits associated with measurement-managed organizations.

Contact ITPMG today to get a better understanding of how your organization can benefit from implementing or upgrading an IT performance management program:

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