BEST PRACTICE GUIDE 5

Five Steps to Measuring What Matters

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This is the age of big data – but big data is not necessarily useful data. Making use of information in a way which powerfully impacts business performance is a process that begins with measurement.

Measurement connects the day-to-day working of the organization to its long-term goals, the operational whirlwind to the vision. In a nutshell, it is a way to put your money where your mouth is. Best practice measurement is creative and dynamic, it supports change and improves performance.

Reviewing the process of measurement in an organization starts with questions. What is our vision - where do we want to get to and how will we know when we have? Who decides what we measure and why? What does what we measure say about us as an organization? If this is our strategy, what should we measure? How do we make what is important to the organization measurable?

Measurement is the start of the process that creates data. If that data is to be useful, the measurements have to be well-thought-out. This is not about creating sticks to beat people with or hostages to fortune.

Instead, it is a lever controlling the direction of the organization. It is about making considered choices that allow data to flow into action plans. When the strategic goals are set, thought should be given to how they can be made into concrete targets. The monitoring of these give sightlines into the working of the organization and focuses energy.

A precursor to being able to crunch large amounts of data in a way that informs decision-making is to have a professional services automation solution, preferably one that links CRM with delivery, because this helps the organization to look forward (see Kimble Best Practice Guide l) That said, this Kimble Best Practice Guide looks at five simple steps to using measurement to fuel and sustain growth and improve performance across the business.

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1

LOOK AT WHAT IS MEASURED AND WHY

Consider whether the data that the staff is being asked to input into the PSA is useful. Collecting too much or the wrong information is burdensome and can be a barrier to the creation of a live source of up-to-date information.

Consulting organizations sometimes have data-gathering practices that have grown up over time. One example would be that staff members are being told to fill in many fields in the CRM system which nobody uses. As soon as this separation between what the business is measuring and what the management team is doing with it is revealed, confidence is damaged. People don't care about the data, they don't put it in, they don't believe in it, and it doesn't become part of running the business.

The most important information is that which helps to navigate the road ahead.

Understanding what is being measured is the first step. For example, the gross margin of a project is going to make more sense if it is put in the context of the margin at which this project was won rather than against the target margin for the business. There may have been a commercial decision to offer a low rate for a strategic piece of work, and this may have necessitated a low margin, but for the data to be useful, whoever looks at it needs to know what that commercial decision was and how the business is performing against it.

Overhauling the data collection procedures, perhaps before or at the same time as introducing professional services automation, is an opportunity to clear the decks and to improve the process.

2 PRIORITIZE INFORMATION THAT CAN FEED INTO FORECASTS

When data is pulled out of the system to close month-end sharply, the main focus can move to gathering information which impacts on the future.

The most important information is that which helps to navigate the road ahead. Drawing accurate forecasts from the information gathering process, extends the time managers have to act on those predictions to avert issues and build on successes.

Which are the critical measurements? Of all the measurements that the business collects, only a small percentage are likely to be true key performance indicators (KPIs). Another few percent will be key results indicators (KRIs), and the rest are just general performance measurements.

An indicator is key if it is looked at every day and if it feeds directly into the way the business is managed. The difference between the two is that a KPI is a forward-looking measure and a KRI is a backward-looking measure. Selecting the best KPIs is an important opportunity to focus on the future.

Collecting too much information about things we can't change is not the best use of time and energy. In a white paper available on the Kimble website analyst Paul Howard demonstrates how measurements of labor, costs, and revenue can be tied together to show "time to value'. If time to value is improving, he points out, customer satisfaction and profitability are likely to go up too.

3 USE MEASUREMENT TO LINK STRATEGY AND OPERATIONS

Take the vision statement and create a way to measure how it is being realized in practice.

When the board agrees on a statement that expresses the vision for the future direction of the company, there is a danger that can stand alone as a collection of phrases. Questions to ask include: "What is our vision for the organization? What does success look like? How will we know when we get there?"

The mission statement should link to the real world actions that will make it a reality. Deciding what success looks like and giving it a numerical value is an important process which can then feed into how everyone in the organization has to act on a consistent, day to day basis, to make that a reality.

This can be expressed in a "performance cascade" which involves breaking down the strategic vision into a series of small steps and then assigning them to people within the team. These create sightlines throughout the company, enabling a view of how the organization is progressing towards its goals.

In the example above, of time to value, the clock starts ticking as soon as the client says "Yes" and the first task is to get the contract finalized as expeditiously as possible. Measuring this and agreeing on initiatives to speed up what can sometimes take too long, is an example of a link between strategy and operations.

4

USE MEASUREMENT POSITIVELY AND NOT NEGATIVELY

Allow managers of new business areas to set the metrics; use measurement to support the staff, not to browbeat them.

Measurement should not be about blaming people. If everyone is looking at the dashboard saying "I'm behind on my target," that's not useful for anybody. It is more constructive to use data to coach less experienced staff members so that it is closer to the results obtained by more experienced colleagues.

For instance, knowing the total number of hours which have been approved to a project means that the project manager can be alerted that cover is running out before he or she takes a step that will push it into the red. Providing the hint at the right time which allows a member of the staff to succeed in their role helps the individual, and it helps to lift the business performance at the same time.

When setting up new business units and departments, the managers of these can decide what the vision is, what success looks like, what the targets should be and how measurement should be used to meet them. This helps to prevent people trying to 'game' the system, trying to meet requirements they don't have ownership over. Real-time live data which is shared across the organization supports transparency and encourages a culture of accountability and empowerment.

5

CONTINUOUSLY REVIEW THE DATA AND ACT ON IT

Pull the data out of the system on a regular basis, force people to look at it, check it against reality.

There is not a prescriptive list of what the metrics should be, but regularly interrogating them will help to ensure that they are producing useful data. By regularly drawing the information out of the system, looking at it, looking at the forecasts, comparing them to reality and making decisions based on them about how to move forward, the data will constantly be tested and improved.

Measuring what matters is the first step to creating useful information.

Organizations which regularly pull out the numbers, pore over them and review them are the ones which over time create the most accurate forecasts. For instance - a start date is going to slip this month because the customer is not ready. Are there things we can measure which may alert us to customers where start dates are more likely to slip? Has this customer's readiness been an issue in the past? A customer has published disappointing results for the quarter - is that going to impact planned business with them?

CONCLUSION

Measurement is a powerful driver of business success. It is vital to the magic of being able to create accurate forecasts.

Measuring what matters is the first step to creating useful information. And being able to share live, real-time data across an organization means decisions are better informed and the choices that are made as a result are more likely to be the best ones. If the whole organization is attuned to making the best use of the information that is being shared, the PSA will underpin a culture of visibility, empowerment, and discipline.

Kimble Best Practice Example. Atlas Cloud

San Francisco-based consulting organization Atlas Cloud experienced an 8% increase in profitability after introducing PSA. Measuring what matters has increased the company's ability to steer towards the most appropriate and most profitable projects.

Delivery Director Carlos Castro said: "Before, we were just looking at raw amounts, the dollar signs not rates versus resource costs or resource utilization based on role." A better use of data has also positively impacted customer satisfaction. "It means we no longer have to have those difficult conversations because we gave them a contract saying one thing and reality turned out to be different." The number of projects going over budget has fallen from ten percent to between 2 and 5%

If you can't measure it, you can't improve it.

— Peter Drucker

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