The Peaceful Productivity Podcast
Ep #77: Setting Business Metrics

Full Episode Transcript

The Peaceful Productivity Podcast®, with your host Kim Christiansen

Hi, everyone, welcome to another episode of the Peaceful Productivity Podcast. I'm excited that you've joined me today. Today we're going to talk about metrics. This is something that I introduced last episode. I wanted to spend some time on this topic because I think it's really important and I think it'll be helpful to those of you who are in business.

I thought I'd start with a story. I was in the office of a specialist recently, and I was noticing that he rarely made eye contact with me. He didn't really take much time to explain his recommendations. In fact, he seemed really irritated with my questions, and his answers were laced, in my perception, they were laced with this patronizing tone. I believed his recommendations were solid, I still do. I believe that I received excellent science-backed treatment recommendations for my particular issue.

But let's just say that level of care left a lot to be desired.

It reminds me of a surgery that I had decades ago… When I shared my stories of the dry, almost rude bedside manner of the surgeon that I had with others shortly after, without exception everyone I told this to agreed that while his people skills were atrocious, his technical skills were exceptional (which is probably the reason he continues to practice medicine). And I would agree, I was very, very happy with the results of my surgery.

I think these stories contain a really valuable lesson for business owners.

I've come to believe that success in business is one part math and one part mindset.

What I mean by mindset is basically the attitude of the business owner, their ability to objectively assess a situation, and use a combination of intuition and data to make decisions.

Even more than that mindset is the ability to keep going, how you talk to yourself, when it feels like nothing is working. Mindset is really important. But it's not everything.

Making decisions objectively is important.

And equally important is gathering the data from your business to help you make those decisions.

That's what I mean by math. It's the data. It's the numbers of the business.

It's the factual evidence that you can gather about your business, about the progress that you're making in order to help you navigate obstacles that are coming up and make decisions on how best to proceed.

Much of this podcast over the past 75 episodes has been dedicated to the subject of mindset. So today, what I'd like to focus on is the subject of math, or metrics.

We know that measurement is so important. Peter Drucker once said, “what's measured, improves”.

So we can't necessarily grow our business or really even understand what is happening in our business without the metrics.

That information then becomes power.

I worked many years in data analysis. And what I also know is that data is also very much open to interpretation - we can make it mean whatever we want to make it mean.

That's why business is a mixture of both math and mindset.

But the math can also actually foster the mindset.

It's been shown that the data, collecting the data, measuring it, communicating it, and recognizing progress, can really create a culture of success in which people feel like their contribution is having a positive impact on the business. It's a reason to work hard, collaborate and share in each other's victories.

Data draws a line between individual efforts and overall business success, which is so important.

I was talking to one of my besties the other day and we were talking about the carrot and the stick principle from back in the day, in terms of how to motivate people and motivate ourselves even. The idea was that the carrot was the reward and the stick was the consequences.

We were talking about how the concept of the carrot and the stick has actually fallen by the wayside. And it's been mostly replaced by efforts to draw a link between an individual's contribution and the impact that they're having on the business.

When we can show and demonstrate that that individual effort translates into business success, it often leads people to feeling more empowered, more fulfilled, more productive, and feeling like their work has meaning for both the people who work in our businesses, but also for ourselves as business owners.

When we can look at the metrics and draw that line between what we're doing, and the results that that's having, and show evidence for it with the numbers, I think that's when we really demonstrate to ourselves that what we're doing matters.

Having the math to demonstrate the progress also reminds us to take a moment to recognize and celebrate that progress as well.

When we're caught up in the minutiae of the day-to-day, and we're not looking at the progress that we're making, we can become almost complacent, we can blow by it not even really see it.

That's when we start to think that we are at the effect of things - of our customers, of our suppliers, of our team, of our peers, we think that we are at the effect of it.

Whereas when we're seeing the correlation between our contribution and the numbers and the effect that that's having, that's when we start to realize that there are levers that we can press in business.

That's my favorite way to think about it. Like the dashboard of a car - all of the different dials and metrics, the outputs that are being communicated to you, allow you to make decisions and press levers in your car to change direction, to slow down, to evaluate how things are going.

I've worked for many organizations over the years, and I have also partnered with many businesses in terms of helping them to become more successful, and there are many reasons why metrics don't work.

First, and most obvious one, is because the metrics don't exist. Or if they do exist, they're not visible. It's not helpful to have the dashboard of the car situated in the backseat, where you can't see it, because it is meaningless in terms of making decisions on how to navigate and drive that car.

Another reason why metrics might not work is because they're there, they've been established, but they're not consistently referred back to. It's almost like they're created, and then they're parked on a shelf somewhere. Then maybe annually, if you're lucky, organizations go back to them. They'll look at them in hindsight, and think, oh, we didn't make the mark here. They're not used to actually make some of the more day-to-day decisions in the business.

Another reason why metrics might not work is because there're too many of them, or they're too broad, or you're measuring the wrong things.

So I'm going to talk a little bit about how to avoid some of those more common pitfalls around metrics.

First, I want to share the difference between lagging indicators and leading indicators. This business terminology, that's really old school, but it's super helpful, so I wanted to share it with you.

Lagging indicators are those data that's being output as a result of past performance. It's like looking in the rearview mirror.

Some examples are of the number of WorkSafe accidents, that's a lagging indicator, or sales is a lagging indicator, it's 'after the fact'. If you've got a weight loss goal, then the weight, that is a lagging indicator.

If you're in business, some other lagging indicators are total expenses, customer participation and renewal rates.

The great thing about lagging indicators is that they're really easy to measure and they're usually quite accurate. It's easy to know what happened in the past.

The downside of lagging indicators is that they can be really challenging in terms of understanding how the contributions lead to the result. That link that I was talking about earlier in terms of linking contribution to result - it can be a bit fuzzy after the fact.

Lagging indicators are also usually quite broad, such as revenue. And we know that revenue can be influenced by a number of different factors. So it's hard to determine which actions taken led directly to the revenue result and which ones were just due to chance. Lagging indicators, especially in isolation can often be counterproductive. An example is sales numbers… When they're arrived at, at any cost, those sales numbers are not sustainable.

So we want to strike a balance between the lagging indicators, the ones that are looking backwards, and leading indicators.

Leading indicators are looking forwards and predicting future performance. They're like looking through the windshield of the car. For example, things like the number of people with helmets, the number of offers made...

If you've got a weight loss goal, it would be food consumed.

In business, it would be the number of qualified leads that you have.

So when you're looking forward, that gives you more of a link between what the actions you're taking are and the predicted results.

The benefit of that is that you get faster feedback, more team involvement, because it feels more powerful, because team members feel empowered, as well.

Those leading indicators can be more useful for understanding and improving performance in a more timely manner.
Those leading indicators can be more helpful for understanding and improving performance because they're not a year after the fact looking backwards, they're more proactive looking forwards.

So as you might have guessed by now, the best practice is to use a combination of both lagging indicators and leading indicators.

This helps both your understanding of the results that you're creating, as well as creating that cause-and-effect chain, in which you can decide which activities lead to which results.

Some examples of leading indicators might be things like the number of satisfied and motivated employees as a way to influence customer satisfaction, or measuring the number of high performance processes that you have as a way to influence cost efficiency.

Another example might be the number of marketing communications and articles published as a way to influence the number of customer inquiries. Another example might be customer satisfaction rates, as a way to influence the number of customers.

Something that can really help you to create some leading indicators are things like breaking the process down into very small stages, and measuring the performance of those stages. That can help you to get more precise in your measurement and avoid the risk of having measurement that's too broad and not informative.

One of my favorite tips when it comes to measurement is creating a dashboard, whether it's a digital one or a visual one, that you can post somewhere visible, so that everyone who's invested in helping to accomplish the goal can see and have access to it.

Also calling attention to it, creating opportunities to look at it and celebrate the progress on a very regular and frequent basis. As I mentioned right at the outset, math can have an influence on the mindset.

When we're mindful of creating metrics, collecting the data, and looking for reasons to celebrate our progress, it can be very helpful in terms of creating this mindset where we're more resilient to the inevitable ups and downs that we experience in business.

If you need any help setting metrics, I'll invite you to sign up for a free coaching session. You can find the link on my website at FinancialWellnessCoach.ca. Take care everyone and have a great week!

Are you looking for a coach who will help you increase your business profit while protecting your time and your well-being? If so, I'll invite you to check out my website, FinancialWellnessCoach.ca.