Are Your Metrics For Success All Messed Up?

Sometimes the hardest part of accomplishing a goal is figuring out what a step in the right direction actually looks like. Missteps are tell-tale signs that your metrics for success need a makeover.

The recent Super Bowl was an instant classic with a highly unusual next-to-last play. It was fourth and long and the Ravens needed to punt from deep in their own territory. With 11 seconds left on the clock, Ravens punter Sam Cook received the ball in his own end zone and ran around until he was forced out of bounds. By taking an intentional safety and giving the 49ers two points, the Ravens wound down the clock in order to keep the 49ers from having time to produce a game-winning touchdown.

The strategy worked. The Ravens won their second Super Bowl when the 49ers did not score on the ensuing free kick. While many viewers were focused on the game and the advertisements, what struck me as a strategy consultant, was how different the metrics for success were for this play compared to the typical punting situation.

Normally, if the punter cost his team 2 points, he would have been a goat, not a hero. In the closing seconds of the game, the Ravens coaches made the success metrics for this particular play (take time off the clock and don't fumble) absolutely clear.

In football, the metrics for success depend on the situation.

The same is true in business. As part of my consulting practice, I get the opportunity to work with companies that want to enter new markets or accelerate revenues for new products.

One of the first things I examine when I start a new product or new market engagement is to analyze the metrics that the company is using to measure success. Get the metrics right and the odds of success go up. Get the metrics wrong and your new initiative may be doomed from the beginning. Companies often mess up their metrics by making one of these common mistakes. I refer to them as the "fatal four."

Mistake #1: The selected metrics are not appropriate for the situation

One of my clients produces components for the electronics industry. They make good use of metrics such as revenues and market share. However, when senior management applied the same metrics to measure their success in the early stages of a new market entry, disaster loomed. In this case, revenues need to temporarily take a backseat to more relevant metrics such as:

- Feedback from early users
- Number of reference customers
- Customer inquiries
- Quantifiable impact on a customer's business

Mistake #2: Management sets unrealistic targets

Senior managers love to push their teams and give them stretch goals. However, if you raise the bar unattainably high, this tactic can backfire. I worked with a chemical company that introduced a game-changing new product. However, getting their customers to modify their processes to use the new chemical took some time. The first year the team was overjoyed with $300,000 in revenues and forecasted a 5x growth in sales to $1.5 million. However, the management wanted to "challenge" the team. They set an unrealistic (based on benchmarking other new product introductions in this industry) stretch goal of $15 million. The second year sales grew 20x to $6 million in revenues but unfortunately they were at only 40% of "plan." The product review meetings went from celebratory to ugly finger-pointing sessions.

Mistake #3: The metrics are set without analysis

Frequently, metrics are set without understanding the true market potential for the product. Some examples of the questions to ask are:

- Where are you in the product lifecycle?
- How large is the segment of the target market that has a need for your product?
- What types of behaviors do you want to encourage in your employees?

Mistake #4: The metrics are not clearly understood by the team

I've witnessed several occasions where management just assumes that the team will understand what the metrics are and why they are important. Effective use of metrics requires constant and consistent reinforcement of:

- Why these metrics were selected
- How individuals and teams contribute to achieving the metrics
- How teams and individuals will be evaluated against the metrics

As exemplified by the next-to-last play of the game, the Ravens avoided making these mistakes. And as a result, they are the newest Super Bowl champions. The Ravens' leadership quickly analyzed the situation and focused on a key metric (take time off the clock) that would enable them to achieve their goal (winning). From there, they were able to set a realistic and motivating target, which was clearly communicated to the punting team, achieving the win.

Are the metrics for your business this clearly defined and communicated? Are they the right metrics to lead you to success?

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