



# What is worth measuring?

It is often said in management, that “you get what you measure.” Put another way, you get what you focus on. Most Sri Lankan companies don’t have tools of measurement in place. As a result, appraising company performance in every aspect is not possible. It is vitally important that it is understood how measurement can contribute significantly to the business.

Process methodology enables the business achieve its strategic objectives – however perfect processes are not the end goal – business performance and profits are.

Many traditional process excellence methodologies such as Lean and Six Sigma focus on process largely as a non-technology activity. But with the advent of fast-evolving and disruptive new technologies, the rules of process engagement are changing and technology is a fundamental component of process improvement.

Performance excellence is much more than just applying technology to a problem or improving a process, it’s also about ensuring the right focus throughout the organization. This means that you cannot wait for quarterly reports. Your KPI dashboard should be available to you at least on a monthly basis, and in many cases, weekly or biweekly would be even better. In fact you may benefit from seeing some KPIs on a daily basis.

### Driving customer satisfaction

Companies that focus on driving customer satisfaction are more likely to report greater success with process excellence efforts than those who view it as a cost cutting exercise or drive for efficiency. So, do you focus on business process or business performance? Perhaps it doesn’t matter. How to find the right measures is the most asked question in the field of performance measurement. It’s critical to differentiate reporting from analytics. Reporting provides a performance snapshot for a set of measures compared to an agreed standard or target.

Analytics is a detailed quantitative and qualitative deep dive in order to holistically compare performance against a perfect or world-class standard for the expressed purpose of identifying the biggest operational and financial improvement opportunities, flagging which of those opportunities to pursue, and recommending the best tactics for pursuing them.

According to the strategy of the organization, given by its vision, mission, goals and objectives, there are a number of measurements which can be used to understand where the organization is heading. In particular, it is critically important to consider the KPIs surrounding the voice of the customer as this is the heart of the business.

Lifetime value (LTV) — You need to know how much your customer is worth to your business. This is going to help you with various decisions you’ll need to make.

Customer attraction and retention and customer attrition — How long are you keeping your customers? Always take at least two ‘snap shots’ of this figure, at 30 days and at 90 days. When customers seemingly fall out at 30 days, how often do they come back within 90 days? Do you track customer issues and complaints? Are you aware of what they like and do not like?

Customer Feedback — Do you have metrics of the types of customer, waiting times, checkout times, queue times, service and product delivery times and so on? This will depend on the industry you are in.

Customer acquisition cost — How much does it cost your business to get a new customer? Compare it to LTV. If your acquisition cost is near to or greater than your LTV, you need to go back to the drawing board. Also, what’s your ‘customer retention cost?’ What works to maintain customer loyalty?

Sales or revenue by category, product, or service — This need be monitored as closely as possible in real time. Understanding what is selling and what isn’t allows you to better control inventory, find opportunities to push up prices, and know when it’s time to have a ‘fire sale.’

Your growth versus your industry’s growth — Are you on par, lagging, or leading your competitors in growth? How are you faring against the industry norms?

Once you have a set of measures such as those given above, you need to use them to drill down to the root causes which are creating issues at a micro level, for instance within and between departments. In contrast, today the general practice is to look at the root causes facing the issues within the organization at the macro level. To do this important analysis, one has to follow various steps.

most important paradigm shift that needs to occur is to successfully embed measurement systems and continuous improvement (CI) into the DNA of the organization. People’s mental model must move away from thinking of improvement work as a series of largely disjointed or unrelated activities competing for limited time and resources. The lack of priority for continuous improvement has little to do with the methodology or tools and a lot to do with the perception that improvement work is of secondary importance or otherwise distracts from more urgent operational matters.

In fact, many operations have never completed a true ‘gap to perfect’ analysis across critical operational performance categories — productivity, cost (fixed and variable), quality, maintenance and reliability, and so on — which means that they don’t really know with a high degree of accuracy



### DMAIC

The steps are given by the DMAIC steps in Lean Six Sigma. Basically DMAIC stands for Define, Measure, Analyze, Implement and Control. To follow these steps, you need to understand the key issues you are facing — the gap between the existing scenario and where you wish to get to. Some issues can be solved on a ‘quick win’ basis, but in some instances the processes will need to be mapped, analyzed, potential solutions found and piloted and then the new process put into place. This should be charted thereafter to monitor and ensure stability of the process. Very importantly, these changes need to be signed off by the manager in charge, the CFO and highlighted within the organization.

In today’s organizations, there are always many small things that can be improved on a day-to-day basis and the use of quality circles will assist in this. The company should be striving for continuous improvement (CI). However, to improve, we need to measure the issues at hand and where we wish to go. Ideally regional and global benchmarks needs to be in place as well.

### Data is critical

The most successful organizations use data analysis – the science of examining raw data with the purpose of drawing conclusions about

that information. Data analytics is used in many industries to allow companies and organization to make better business decisions and in the sciences to verify or disprove existing models or theories. For instance, it allows companies to find out more about their customer’s actual behaviour faster than ever before. This is opening up new opportunities to identify new market segments, uncover hidden needs, and empower employees with information that can help them make better decisions day-to-day.

### Incremental versus quantum changes

Today it is no longer enough to look at process in isolation from new technologies that could fundamentally open the business up to entirely new ways of working. Mobile technologies, big data and analytics, automation, wearable technology and so forth are all technologies that are driving profound change in entire industries. To truly drive performance excellence, both the technology and process must be considered as integral parts of the overall whole. The effects of technology are very visible in the telecommunication industry today in Sri Lanka.

### We need a new mindset

For Sri Lanka to really move forward, the

what they could deliver to the business under ideal circumstances.

Analytics is necessarily more detailed and prescriptive than reporting and is an often overlooked managing process. However, it is critical for the organization to see just how it is ranking within the country, regionally and globally.

Benchmarks need to be put into place to see where the organization stands. Companies have to get away from the culture of fire fighting to a culture of efficiency, innovation and technological improvement. Many organizations in Sri Lanka are far away from this ideal goal and barely gather statistics other than those used in their financials. By doing this they miss out significantly on performance, revenue and profits and perhaps head even into corporate failure.

We need to establish a sense of urgency in organizations. We need to move out of ‘Comfort Zones’. Merely making profits is not enough! There has to be a feeling of urgency to be competitive and efficient in delivering quality to the customer. Successful change is 70% to 90% leadership and only 10% to 30% management — the directors and senior management need to drive the changes required.

