



Navigating the Metrics Landscape: An Introductory Literature Guide to Metric Selection, Implementation, & Decision Making

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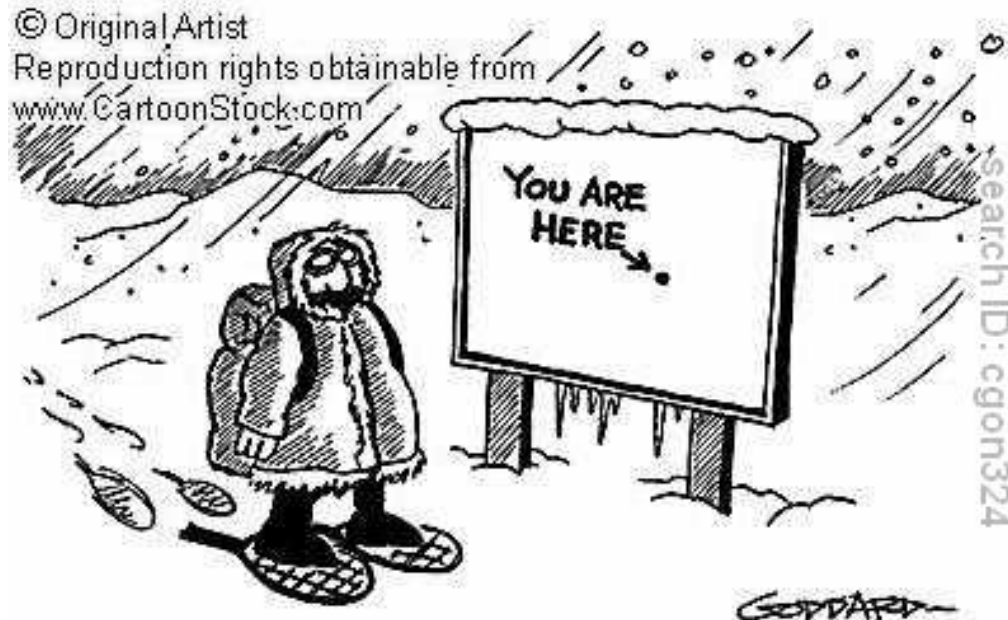
21 April 2009

Navigating your metrics knowledge journey

Finding what you are looking for is often a guessing game, our goal is to provide you with a GPS



Results 1 - 10 of about 1,370,000 for metrics



- The ½ century long challenge... still studied today
- Mistakes & unintended consequences
 - Sports: We want team play but pay based on individual performance
 - Academics: We want professors to pursue excellence in teaching yet we reward them on publications
- Selection considerations
 - Value of information
 - Relation to value delivery
 - Systematic processes



3 Categories of Metric Selection Mistakes

Behavioral Effects

Not considering effect on humans
Hard for a team/group to impact

Value Added

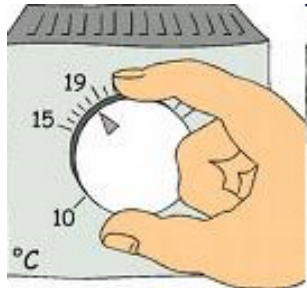
Ignoring Something Important
Measuring only part of what matters

Commitment

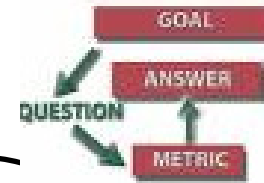
Company boundaries dictate metrics
Not being serious about measurement



4 Metrics Selection Steps



1. Relate Metrics to Value & Supporting Decisions



	Strategic Objective			
	Strategic Objective			
	Strategic Objectives			
	Metrics	Stakeholder Values		
	Key Processes		Stakeholder Value	
Metric				
Metric				
	Enterprise Process			
	Enterprise Process			

Figure 2.9: Aligning strategic objectives, stakeholder value, key process and measures (adapted from Nightingale, 2003)

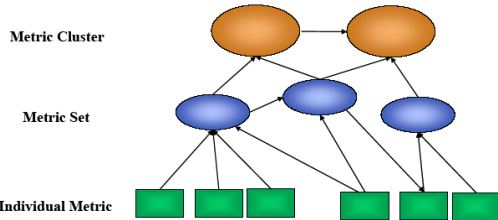
Steps to Metric Selection

2. Identify what you know, need to know, & the value of information

$$RRL = \frac{RE_{BEFORE} - RE_{AFTER}}{RISK\ REDUCTION\ COST}$$

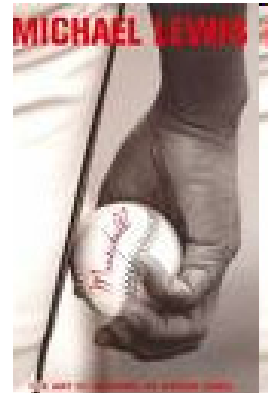
3. Determine how metrics impact behavior & align with organizational levels

4. Systematic Processes, Feedback & Measurement Friendly Culture



Focus on Value: An Example from Baseball

- How can a team with the lowest budget year after year systematically continue to succeed?
- Move from individual to team metrics
 - What limits potential (value) → outs!
 - What should we emphasize... homers? NO – *not getting out!*



Michael Lewis, Moneyball: The Art of Winning an Unfair Game, 2004

if traditional organizational boundaries and mechanisms do not facilitate value identification, you can't be afraid to go against the grain!!!



- **Why do we have PM systems?**
 - **Motivate-Monitor-Coordinate-Control-Improve**
- **Juxtaposition of Approaches**
 - **“Traditional” financial vs. “contemporary” balanced systems**
 - **“Structural” vs. “Procedural” Systems**
 - **“Macro” vs. “Micro” Scale Systems**
 - **“Universal vs. Contingency”**

Case Study Example:

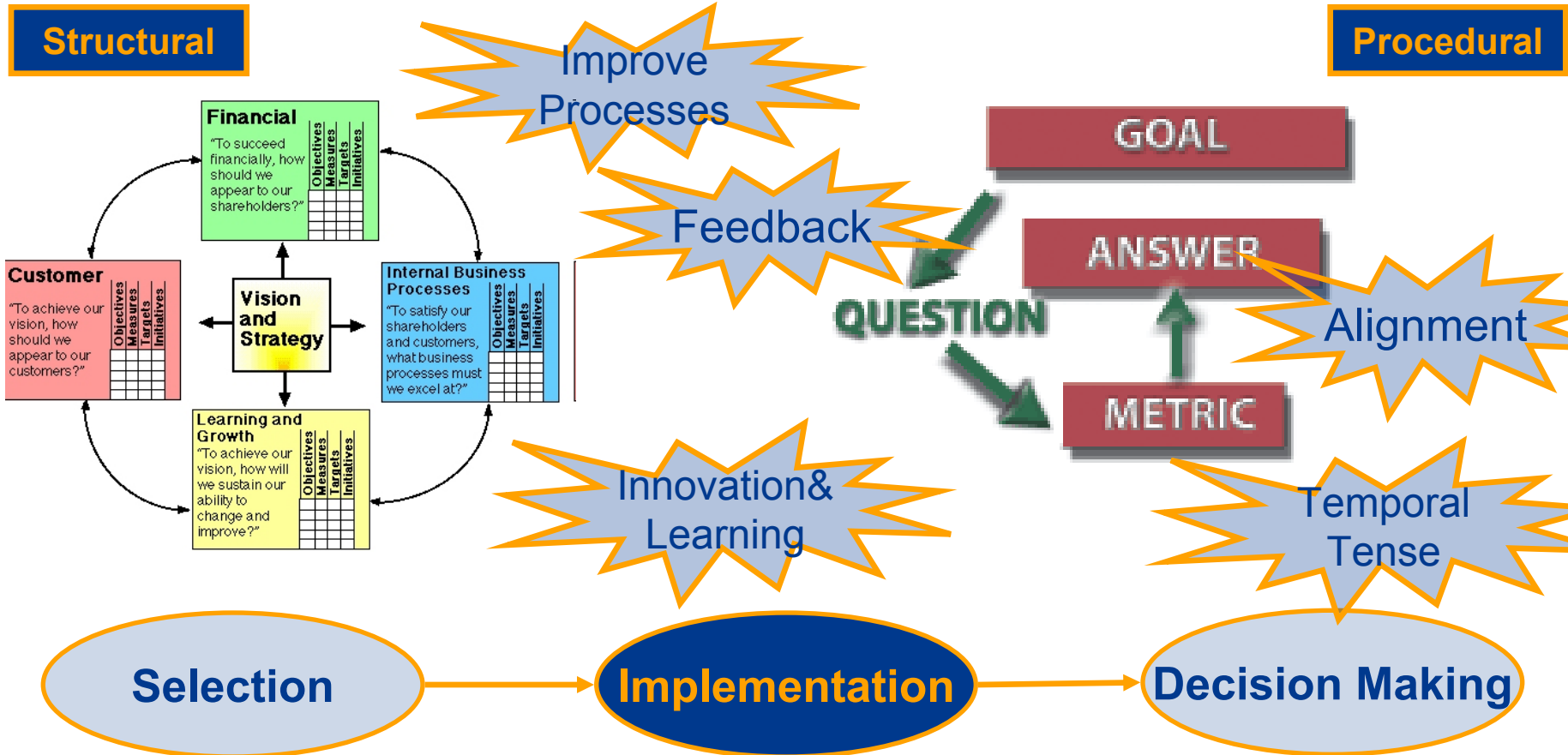
Blackburn, C., and Valerdi, R., “Practical Implementation of an Enterprise Measurement System: From Inception to Transformation,” *7th Annual Conference on Systems Engineering Research*, Loughborough, United Kingdom, April 2009.



Some PM Frameworks & Attributes

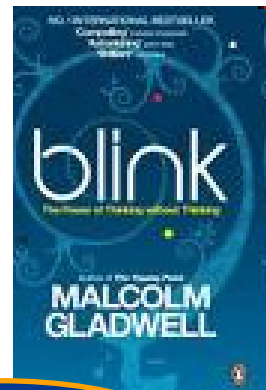
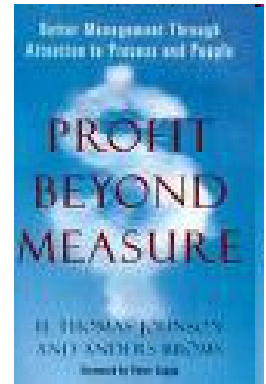
Structural: a typology for performance measure management (balanced scorecard)

Procedural: step-by-step processes for developing performance measures from strategy (Goal-Question-Metric or Six Sigma's Define, Measure, Analyze, Implement, and Control)



Decision Making

- **Management Trends: MBM → MBR**
 - **Traditional quantitative thinking**
 - Limits the perception of the decision maker to one dimension
 - Organizations are living entities with interactions and relationships that traditional methods cannot quantify
 - **Decision makers jump to solutions without understanding the causal factors – leading to false positives or negatives**

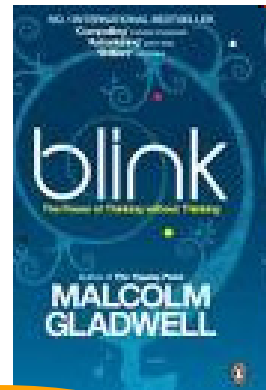
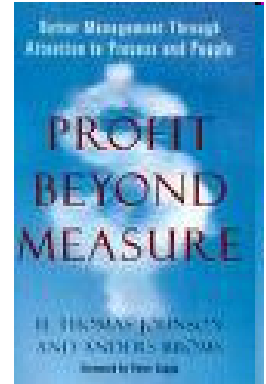


Book References: Gladwell, M., Blink: The Power of Thinking Without Thinking, 2005.
Johnson, H. T. and Broms, A, Profit Beyond Measure, 2000.



Decision Making (Continued)

- **Knowledge Appraisal & Information**
 - Decisions require a few pieces of high quality information
 - **Biases**
 - Anchoring-Halo/Horns-Bandwagon-Hindsight-Optimism
 - **Optimism: Methods to measure, calibrate, and eliminate bias**



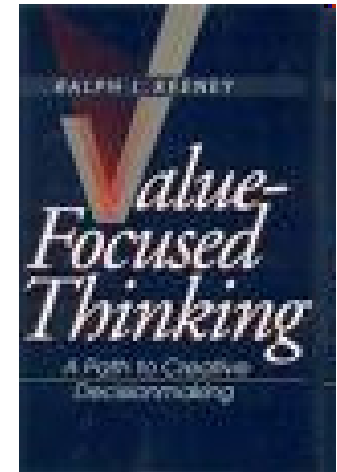
Optimism Investigation Example:

Valerdi, R., and Blackburn, C., "The Human Element of Decision Making in Systems Engineers: A Focus on Optimism," *19th Annual International Symposium of INCOSE*, Singapore, July 2009.



- **Understanding Value**

- Intuition – Structural Metrics – Analysis of Indicators
- *“Value-focused thinking involves starting at the best and working to make it a reality. Alternative-focused thinking is starting with what is readily available and taking the best of the lot.”*



Ralph Keeney, *Value-Focused Thinking: A Path to Creative Decisionmaking*, 1992.

Value Focused Thinking

1. Recognizing a decision problem
2. Identifying alternatives
3. Specifying values
4. Evaluating alternatives
5. Selecting an alternative



Decision Making: Exploring the Problem Space

- What is the decision this [measurement] is supposed to support?
- What really is the thing being measured?
- Why does this thing matter to the decision being asked?
- What do you know about it now?
- What is the value to measuring it further?



Decision Making: Assessing a Metric or System

- Are the metrics tied to organizational goals?
- Does it identify root causes?
- Does it consider all stakeholders' needs?
- Does it motivate action as intended?
- Does it accurately portray progress?
- Is it easy to use?
- Is the right information delivered at the right time?



Selection

Implementation

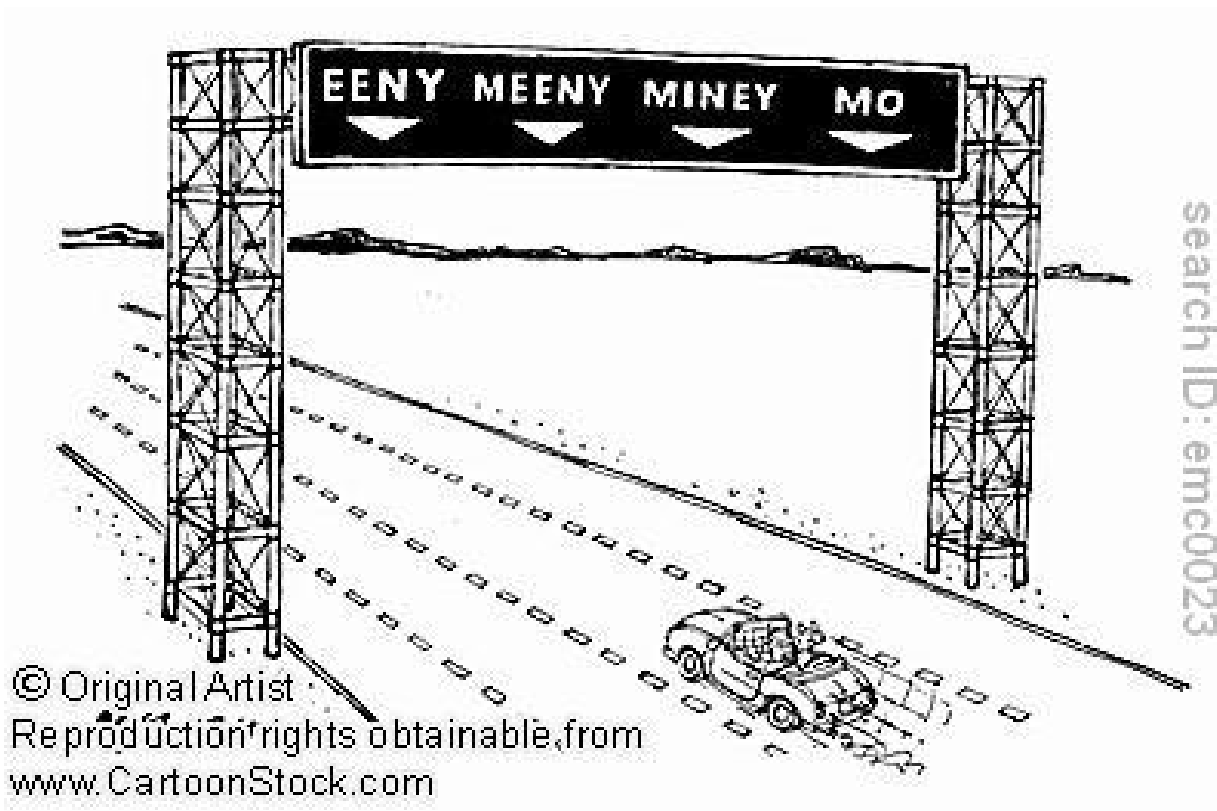
Decision Making

- **Selection:** Further communicate the value of metric selection & holistic selection methodologies.
- **Implementation:** Does using the right PM drive success, or do successful companies use PMs?
- **Decision Making:** Assess the value of imperfect information and work to eliminate biases.



Questions or Comments?

Hopefully, with our guide, finding what you are looking for will be a little bit less of a guessing game!





Backup Slides

The Six Mistakes

- 1. Not using the right measure (ignoring something important) or choosing metrics that are wrong (i.e. for a phone help service, customers don't just want quick answers, they want accurate ones as well)**
- 2. Having metrics reflect functions as opposed to cross-functional processes**
- 3. Assuming one knows what is important to measure without giving enough thought or using measures that intentionally make you look good**
- 4. Measuring only a part of what matters, measuring from your view rather than the customers, or forgetting your goal [10; and 12]**
- 5. Implementing metrics that focus on short-term results, or that do not give thought to consequences on human behavior and enterprise performance**
- 6. Having metrics that are not actionable or hard for a team/group to impact or collecting too much data**

Some PM Frameworks & Attributes

- **Structural:** a typology for performance measure management (think balanced scorecard)
- **Procedural:** step-by-step processes for developing performance measures from strategy (think Goal-Question-Metric)

Table 2 - Performance Measurement Framework Typology

Structural	Procedural	Both
Strategic Measurement & Reporting Technique [35]	A Framework for Design & Audit [39]	The Balanced Scorecard [1]
The Performance Prism [36]	A Framework for Factors Affecting Evolution [40]	Extended Enterprise Balanced Scorecard (Structural) and Procedural Frameworks [29]
European Foundation for Quality Management – EFQM [37]	Define-Measure-Analyze-Implement-Control [34]	-
APSM's Measurement Construct [8]	GQM [18]	-
Value Stream Mapping [38]	Steps to Metric Selection	-

Feedback

Alignment

Temporal Tense

Innovation & Learning

Improve Processes



References and how they were used

	Selecting the Right Metrics: Common Mistakes in Selection	Selecting the Right Metrics: Lessons/Methods for Selection	Measurement Frameworks: Frameworks for Selection	Measurement Frameworks: Frameworks & Attributes	Implications of Implementation Metrics for Decision Making:	Focussing on the Right Problem Metrics for Decision Making: Imperfect Information													
Hubbard, 2007 [6]																			
McGarry et al., 2001 [8]																			
Schmenner et al., 1994 [9]																			
Hauser et al., 1998 [10]																			
Hamer et al., 2007 [12]																			
Ittner et al., 1998 [13]																			
Basili et al., 1994 [18]																			
Nightingale et al. 2007 [19]																			
Nightingale et al. 2001 [20]																			
Boehm, 1981 [21]																			
Mahidar, 2005 [26]																			
Folan et al., 2005 [29]																			
Burgess et al., 2007 [31]																			
Gomes et al., 2007 [45]																			
Ghalayini, et al., 1997, [54]																			
Lohman et al., 2004 [55]																			
Ittner et al., 2003 [57]																			
Ittner et al., 2000 [60]																			
Keeney, 1992 [61]																			
Gladwell, 2005 [62]																			
Tversky et al., 1974 [65]																			
Valerdi et al., 2009 [67]																			