HomeServices Relocation
A Berkshire Hathaway Affiliate

#relorant

A Lively Conversation with Steven M. John, SCRP, SGMS-T, President and CEO

A Measured Approach

Lighting up your business scoreboard

Pearson's law states that, *"When performance is measured, performance improves. When performance is measured and reported back, the rate of improvement accelerates."*

– Karl Pearson, father of the modern science of statistics

From a psychological perspective, this makes sense. People love to know the score. Are we winning as a team? Am I winning as an individual? Humans are competitive by nature and that nature is fueled by knowing the score. Imagine a football game with no scoreboard. Pretty boring for both the players and the fans. What is true in the sports arena is also true in business. Keeping score, and publicizing the score, drives improvement in process and profits. In business, we don't call it "keeping score," but rather "measurement," "metrics," "KPIs," etc. But how do we make sure we are measuring the right things?

Targets

Every business, division, department, and individual should have targets that define the goals we want to achieve. Top line revenue growth, operational efficiency, profits, etc., can all be defined as numeric metrics. These targets are known as "lag" measures. They let you know that you have reached the goal. Essentially, they are the "score at the end of the game." Most lag measures are easy to come by. They are readily defined and measured. However, lag measures do not tell you how to actually get there. For that, we need driver measures.

Cause and Effect

In our football example, we can look at the scoreboard and see if our team is winning or not. But the scoreboard does not tell us how we got there and will not help the coach do what needs to be done to win the game. The coach cannot tell the linemen, "score points." that's not their job. Nor can the coach tell the defense, "score more points," that's not their job. The coach needs a much more detailed scorecard which tracks the activities required to win the game; blocks, tackles, sacks, interceptions, yards per carry, etc., all combine together to make the winning score. A good coach, or business leader, must make assumptions about what activities will actually drive toward desired results. These activities are called "lead" measures.

© 2020 HomeServices Relocation, LLC, a Berkshire Hathaway affiliate and
wholly-owned subsidiary of HomeServices of America. All rights reserved.

HomeServices Relocation
A Berkshire Hathaway Affiliate

Lead measures are critical because they allow a leader to manage the activities required to reach the target and reinforce the behavior needed from employees. Lead measures are based on assumptions of cause and effect. For example, if the target is revenue growth, we might assume that more prospect visits will result in additional sales. The lead measure is the number of prospect visits, the lag measure is revenue growth. As a leader, you can manage your team's activity around prospect visits, you cannot manage revenue growth.

Measurement and Execution

Most business plans fail not as a result of bad assumptions, but through a lack of execution. A scorecard, displaying progress versus defined lead measures, is the greatest tool ensuring execution. If we assume 10 prospect calls per week will grow revenue and at the end of month, we've made only 3 calls, the problem is not in our strategic thinking, but in our inability to execute. Execution is key. The vast majority of improvement plans fail through lack of execution.

> "I'm not losing any weight. What's wrong with my work out?"
> "You're not doing it…"

A lead measure scorecard will make it clear the team is doing what we said we would do. Hold yourself accountable or get a partner to help hold yourself accountable.

Measurement Tips and Tricks

- **You will get what you measure.** The scorecard is a very powerful tool, especially when combined with rewards and recognition. Be careful what you measure as it will drive employee behavior, even if that is the wrong behavior.
- **Test and Adjust.** The beauty of a good lead measure scorecard is that it allows management to test strategic assumptions. If, based on the scorecard, we did what we committed to and we've not improved toward the goal, then the only conclusion is that our assumption as to how to get there must be modified. It's time to try something else. We can now safely pursue another path to the same goal.
- **Keep measures simple.** Don't spend more time measuring than doing. Some managers become enamored with systems and data. Keep it simple. Sometimes a simple log with checkmarks is all that is required.

"What Gets Measured Gets Improved"
– Peter Drucker, management guru

Thanks for listening!

Steven M. John

Further reading:
"The Balanced Scorecard" by Robert S. Kaplan, David P. Norton
"The 4 Disciplines of Execution: Achieving Your Wildly Important Goals" by Chris McChesney, Sean Covey, et al.

© 2020 HomeServices Relocation, LLC, a Berkshire Hathaway affiliate and wholly-owned subsidiary of HomeServices of America. All rights reserved.