IBM White Glove Events

Moderator: Rhonda Rekstad
July 27, 2010
10:00 a.m. CT

Operator: Good day and welcome to today's web conference. During today's event, all participant lines have been muted to prevent background noise. If you require technical support at anytime, please press star then the zero on your touchtone phone and someone will assist you. This event is being recorded. There will be a question-and-answer session after the formal comments. You may submit questions electronically throughout today's presentation using the question-and-answer feature on the web. To do so, you will first need to exit full-screen view by pressing the escape key on your keyboard. Select the question-and-answer option located to the left of your screen under meeting features. Then simply type your question into the area provided and submit.

Please note that your web questions are private and only the presenters will see them. We will gather your questions throughout the presentation and address them as time permits during the Q&A session. Today's presentation includes the live demonstration. Please make sure all other applications are closed, clear you cache on your browser. And if you see a blink or a black screen, please use the refresh button. If you are having difficulty seeing the entire app–share, click on the skill-view button. Those buttons are located at the top of your screen while the presenter is in application sharing mode. You will need to exit out of full screen view to see these buttons. If you're still experiencing difficulty, you can chat with the Event Manager or press star zero for technical support. Again, today's session is being recorded. We will pause for a moment to initialize the recording. Please standby.

We would like to welcome everyone to today's web event titled "bad metrics are worse than no metrics". At this time, it is my pleasure to turn the floor over to Mr. Tim O'Bryan. Mr. O'Bryan, you have the floor.

Tim O'Bryan: Thank you, and welcome to everyone to this installment of the business intelligence strategies webcast series presented to you by the IBM Cognos Innovation Center. Today's topic is "bad metrics are worse than no metrics" presented by Bob Lewis from IT Catalyst. Before I pass the microphone over to Bob Lewis, I wanted to just quickly tell you a couple of things about the IBM Cognos Innovation Center and about business analytics. I think a lot of you are hearing that from IBM these days. You might all be hearing that out in the marketplace. I just want to define what it is when we talk about our business analytics real briefly. So, as I mentioned the IBM Cognos Innovation Center is bringing you this webcast today.

We are a membership community comprised of IBM Cognos customers within the business analytics segment. We've got over 6,500 customers that are members of the innovation center. In addition to customers that are members of the innovation center. We also have third-party thought leaders like Bob Lewis, like David Axson from The Sonax Group, Jeremy Hope from the Beyond Budgeting Round Table and many others. And each one of these third-party thought leaders is considered a practitioner or a best practice expert and subject matter expert as well who speak at our events to offer articles that we make available to our community. Bob speaking on this webcast is a perfect example of that. And all the work we do with our community that we do with our, these customers, with these third-party thought leaders and that we do internally with IBM and the Business Analytics segment produces many different assets that our membership can leverage.

Certainly, we do a number of live best practice workshops all around the globe focused on different best practices within this spectrum of business analytics cell of the framework specifically in a moment. We also do monthly webcast. This isn't the only one we do, we do three others. So we average about 2.5 to 3 webcast a month, with some great information to help our customers leverage our Business Analytic technologies to the various extent

with that customer. We've got podcast. We've got thought leadership articles. We've got an online community. We've run customer advisory boards which is a fantastic thing for our members to have access to our product development and product management team to understand the roadmap for our products where we are headed and it also gives you an opportunity to influence product direction, find out why we're doing things the way we are and perhaps, we can get suggestions from you at the same time.

So a lot of the information coming out of the innovation center including IBM Cognos performance blueprint. These are pre-built data process and policy models, all based on a specific business practice that we see a lot of organizations implementing. Things like capital project planning. Things like head count and compensation planning and other functional processes that are consistent across most organizations. We've got these pre-built models that can be leveraged by our membership. And we also have models that are developed, that are industry specific. So for example if you take retail, we've got four operations planning blueprints. We've got merchandise planning blueprint. These are great way to get started on your implementation of our technologies, give you kind of great reference point. Maybe it's not exactly how your processes work for that specific blueprint we've developed but it's easily customizable and most importantly it's at no cost.

So, a great stuff for you to leverage from the IBM Cognos Innovation Center and I just wanted to tell you a little about Business Analytics software. And I think we'll all agree that the global marketplace has changed. It's smaller and flatter. There are pervasive connections and communications and emerging markets are taking on a greater role in the global economy. There is open trade, yet it's a little riskier as well, where there is a system level complexity that's a part of our business today and a viral spread of information, a widening gap between the information available and the information needs to be effectively managed. So more information doesn't always mean better insight into your business. And we are smarter in the sense that we're more instrumental, we're more interconnected and it is also more intelligent. And this is certainly a change from the old 19th century, 20th century industrial economy with manufacturing at its core. And you think about those industrial

based economy, those organizations and it really was centered around the tangible assets that made up the market value of those companies. And when I talk about tangible assets, I'm talking about inventory property plan and equipment. I'm talking about the amount of cash. That's really what determines the market value of a company and Perkins Institute actually did a study based on the S&P 500 Companies and the market value based on tangible asset value was at 62 percent in 1982.

Spring board to 2006, tangible asset value of the overall market value of S&P companies is only 10 percent, at least 90 percent based on intangible value. When I talk about intangible assets, I'm talking innovation in products and services, I'm talking about customer relationships and loyalty, information technology and databases, I'm talking about efficient, responsive and high quality operating processes, employee competency skills and motivations and lastly political regulatory and societal approval and what does that mean? What that means is that the people today are ever more important to a businesses market value, its real success, the driver of success than before.

And that's why Business Analytics software is so important because as we all know in this the speed of business today that velocity has changed such that there can no longer be the top down command and control organizational climate where you have to wait for others to make decisions for you before you can move forward. People are making decisions across the organizations globally regardless of their level in the organization, regardless of the function with which they work in, regardless of the geography. And as a result, you need to make sure that people are making decisions based off of the right information that they have. So that they are not only following top line business strategy but they've got the right insight into the rearview mirror information to make the right go forward decision and so that will help put into context what it is when I talk about Business Analytic software. And it comprises four components, business and intelligence, advanced analytics, financial performances and strategy management and analytic application.

In business intelligence what I'm talking about here is clearly reporting analysis for cars and dashboards to enable decision makers across the organization to easily find, analyze and share the information they need to

improve decision making. Advanced analytics, that's data mining, predictive modeling, what is stimulation? Statistics and text analytics to identify meaningful patterns and correlation and data set to predict future events and it sets the attractiveness of various courses of action.

Thirdly, financial performance and strategy management, that's budgeting and planning financial consolidation, score carding strategy management, financial analytics and related reporting capabilities to help simplify structure and automate dynamic and sustainable financial performance and strategy management practices. Lastly, analytic application, that last component of, is this analytic software. This is applications that package business analytics capabilities data models, process workflows and report to address a particular domain of business problem. For example, customer workforce by chain and financial performance management.

So let's look at it another way, OK. Let's take the actual tools out of the equation and just talk about it from a more simplistic perspective around what a decision maker goes through and the information they need before they can make that go forward decision, if you will. So first of, a decision maker wants to understand the current landscape and that is what's happening? How are we doing today? That's typically done through measuring and monitoring their business, looking at your key performance indicators which is really the keynote topic for today's webcast and that's accomplished through scorecards and dashboard reports and real-time monitoring but first you want to understand how are we doing today, what's happening and once you've got that understood you want to understand why? Why are we on target? Why are we off target? What can we do to correct whatever maybe the issue if you are off target? Or perhaps you want to understand why things are going so well and you're way above target. You want to be able to this in context. You don't want to log in and out of multiple applications and possibly see different sets of data which although in aggregate to the same numbers.

Single platform working across these questions and so once you've understood in context to why to read out clearly trending statistical analysis and content analytics, now you're on for the go forward view of things which is what's likely to happen what should we be doing and that through what if

analysis predict as modeling, planning and budgeting solution to make that go forward decision for you based on those insights of previous question how are we doing and why and now what's likely to happen. With that information provided to the decision maker worked within a single platform is the way to expedite this process and ensure that business performance is optimized because better decisions result in better performance.

So hopefully that information was helpful to you. You can certainly go out to the innovation center on ibm.com/cognos/innovation-center to find more information on the innovation center and all of these assets that I described to you earlier as well as find other information within the business analytics universe at IBM. So without further due I'm very happy to be bringing you all Bob Lewis. He is the author of seven books including his latest which is "Keep The Joint Running". He has also got another book which is soon to be published and titled (barebones) change management what you should and should not do and you can find information on all of these things that Bob published in his organization that issurvivor.com. So it's my pleasure to introduce to you all Bob Lewis from IT catalyst. Bob you have the floor.

Bob Lewis: Thanks Tim but I'm looking forward to this. This will be interesting for – well this may not be interesting for everybody we are dealing with. One of the liveliest subjects on earth is metrics. The topic is "bad metrics are worse than no metrics" is of course criticizing the bad work of others is far more satisfying than providing quality work with himself. So, let's right, let's get started right away and I'm going to start with some, that's call a pop metrics. This is some of the thinking and I'll – I won't comment but seem to be trend in the field for example.

OK, so it's not correct Lord Kelvin worked a few centuries ago, he said "if you cannot measure it, you cannot improve it", only he said it with a distinguished British accent. Peter Drucker, "if you can't measure it, you can't manage it". A recent proposition by John Freeman "if you can't measure it not only can't you manage it, it doesn't even exist". Again there is Albert Einstein who said "not everything that counts to be counted and not everything that can be counted counts". If I had to make a choice between John freemen and Albert Einstein, I would recommend Albert Einstein

because I have lost track of a number of things I can't measure that I know exist at least meaningfully. So we're going to start with a parable.

Now those of you who know that I hail from Minnesota we were talking about a lawn mower factory. This is not Toro this is, there maybe client some day, I want to offend them. This is a mythical lawn mower factory. It is a parable and this mythical lawn mower factory of course they do a lawn mower factories do they make lawn mowers. They got the quality religion and the size that they needed to reduce the number of defects. So they established a metric which is the defect rate and as you might expect, they started the metrics program, would put big charts on the factory wall, plotter the number of defects per month and the moment they started doing that, the program was a huge success. The number of defects plummeted. So they declared victory. They thought there was a great result. There was only one problem and that is that there were two kinds of defects, bad paying jobs and (inaudible), the break cause the amputations.

Now you might think that everybody did the right thing, they did. They improved the metric. Because the core principle of metrics is that you get what you measure, the risk you take. There are lots of reasons businesses think they put systems and metrics in place. But it clearly doesn't matter what they think. What they are doing is driving behavior with the measurement. And because of driving behavior with the measurement what goes on is that metrics are worse than no metrics because the wrong metrics will drive the wrong behavior. So for example in our mythical lumber factory, the everybody in the factory understood that it's a whole lot easier to fix that paint jobs than it was to fix the blade problem that amputates customers' legs and the result was that they greatly improved their ability to apply paint to lawn mowers.

Now let's imagine just for the sake of argument that you had no metrics at all. All you had was knowledge on the part of everybody in the factory that you're producing lawn mowers with their paint jobs and that you are producing lawn mowers where the blades came off and amputated people's legs. Under those circumstances, no metrics, your factory workers would do exactly what you really want them to do which is (worry) a whole lot about the bad blades.

Once you put the metrics in place that doesn't happen anymore. People move the metric not the actual business. Therefore measurement fallacies are four places that companies go furiously wrong when establishing a system of metrics. The first is measuring the right things in the wrong way. You get the wrong results. Our lawn mower factory is an example of that. Second thing is measuring the wrong things. Now if you measure the wrong things, it doesn't matter whether you measure the right or wrong, you get the wrong results. Third, failing to measure something important. Now this is a critical one and it's a really, really tough one to get your answer out. Anything you don't measure, you don't get. Problem is that it maybe essential to your business but that doesn't matter, you're not measuring it - metrics side behavior since you're not measuring it, nobody has their eye on the ball.

Then there is the fourth one which is probably the most controversial. If you extend your measures to employees, it doesn't work. It ought to work; it doesn't work. Because once you extend measures to employees, they will gain spin otherwise deliver data you can't rely on which leads to either management fallacy number one, if you define the metric or measurement fallacy number two if they define the metric. So, some examples, measuring the right things wrong.

So customer satisfaction is a popular thing to measure. So how do a lot of companies measure customer satisfaction? They put up web surveys especially retailers. At the end of your sale, you have the opportunity to participate in the contest or whatever it is that you do or you invite people to participate in the customer satisfaction survey. It is cheap, it's easy and you have a few problems, sample buyers, highly satisfied, highly dissatisfied customers are far more likely to respond. So right after that you can't trust the data. Second, you're offering the incentive towards participation which means people don't actually care about the accuracy of what they put in. They are just going through putting a number in, in order to participate in the survey.

So what the customers don't actually know how satisfied they are unless they are amazingly pleased, unless they're seriously aggravated about what you have done to them. It it's not the kind of question that is easily answered

unless you are at the extremes and so the consequences are you don't actually know how satisfied or dissatisfied your customers are. You don't know if they will come back you don't know if they will recommend you to their friends. But you have data that you're going to act on just as if you know.

Measuring the wrong things. Customer service call center, call centers are by the way just about the most mis-measured part of every business and one of the reasons is that you can see a lot of the standard measures. They work are still out of the automated call distributor and because they're really easy to collect, that's what you get. Now I am not saying timing too is irrelevant. I'm not saying (Inaudible) is irrelevant. I'm not saying call duration is irrelevant but it's the customer service call center. What matters the most is none of that, what matters the most is have you taken care of your customer in a way that your customer appreciates. Time that you have abandoned the call duration don't tell you anything about that, and so unless every call is for a new problem and at the end of the call, you fix that problem then there is a whole lot more time in queue. There is a whole lot more call duration in the metrics state because there are multiple calls bad. And you don't know what's going on and the consequences are if you waste your customer's time because you don't solve the problems, pretty good chance they will go elsewhere if they have the opportunity of doing that.

Failing to measure important things, this is of all the metrics fallacies, this is probably the most dangerous. So give you an example, employee engagements how committed your employees are to the success of your business. Just might be the single most important determinant of success in most large enterprises, and for that matter smaller enterprises. Challenges, do you even know you need the measure it and the answer is there are whole lot of it of high-level executives, we have no idea it matters, I've actually heard CEOs use phrases like, "We consider our employees to be fungible commodities." Well, there is something that's guaranteed to generate huge levels of employee engagement but let's pretend you want to know. The thing is, there are not easy and popular measurements. There employee satisfaction surveys, that's not the same as engagements. So definition, it's objective. It's about attitude it's not behaviors. Now (inaudible) for the last I don't know how long it's all been about. You can't get it that attitudes, all you can deal

with is behaviors. Anybody who has been a parent knows if all you deal with is behaviors and you don’t get with the underlying attitudes, the behaviors will recur, they will just pop up in another way and you got to deal with it like swatting it from the net.

Employees aren't engaged in the business. We have leadership deficiency. How many leaders want to know that there is a leadership deficiency? So fully engaged highly competent workforce is, I think, maybe the biggest determinant business success most companies can have. You can have employees (inaudible). Your customers leave you one at a time. Your cost still up. Now by the way, I have used this a 1,000 times. The old thing about boiling a frog, you put a frog in cold water, slowly turn up heat, it will never knows it is being boiled. This is actually being tested by experiment, it doesn’t happen. The frogs are smart enough to jump out. But the metaphor is too good to give up.

OK. Last one, extending measures to employees. So just because there is – and we dealt with this in the last webcast, the challenge of trying to hold employees accountable. And the thought process behind extending your metrics to individual employees is this what you need to do to hold them accountable for the success of your business. It’s not a bad theory except for the unintended consequences which are worse than the problem that you have by not extending the measures. And the easy way to demonstrate is isn’t we have the measures you extend to line employees.

So let's look at CEO compensation for a minute. So (lots) of popular measurements like for example the stock price and the stock price and the stock price. Yes, this year this quarter EPS growth, EBITDA, there are lots of measures that are all about this. And they are popular because – well – the real reason they are popular is, they are very easy to manipulate. Anybody who has worked in a company ever with any level of call center responsibility knows that you get to the end of quarter, you get to end of the year and there’s a lot to talk about what expenses you differ, what revenue do you slide in under the line. If you’re in sales everybody knows, at the end of the quarter you can get a – your customers know you can get a better price. There are any number of things that companies do to legally settle with the numbers to make

things look better than they really are and that's a whole lot easier, than running a company that actually knows how to create and sell great products for taking get care of customers. And we've all seen the consequences over and over again. This is why Sarbanes-Oxley exist and for all the complaints about Sarbanes-Oxley, there is a reason for it and the reason is that without Sarbanes-Oxley manipulating the numbers, it's been a whole lot easier than improving the company in far too many situations.

By the way, I pick on CEOs because it is prominent, it's obvious, it's really hard to argue with the same issues happened right down on the factory floor. I have seen data collection systems where employees are supposed to scan in what they are – what kind of work they are doing and how, when they start, and when they finish and one of the codes is doing nothing.

Now everybody on this call, you can – (I'm) going to do pop quiz. The question is the employees who have the opportunity to let you know that they have nothing to do, how many employees do you think will do that? And if any of you think the answer is lots of them, I have great consulting services to sell you at a very high price. But why do these fallacies happen? One, two and three is measuring the right things wrong, measuring the wrong things right or wrong failing to measure something important.

One is simple laziness. One of the questions that we get in our consulting all of the time is what do other companies measure. And the answer is, it doesn't matter what other companies measure because they are not in your exact business competing on your exact competitive differentiators. The second one is laziness. Companies measure what's easy to measure instead of what's important to measure. The first time I ever interacted with a metrics consultant when I did real work for a living. His advice was, here is how you get started with metrics, find something easy to measure. That's when I start paying attention to it.

Third one, placing objectivity above importance is a value, never do this. One of the – and I have great respect for Peter Drucker. I sometimes take the worst single piece of damaging everyday to American business, was introducing the (nature) of the smart goals because that made measurability

more important than important. Tim is talking earlier about the – how much more important intangibles are the intangibles in creating shareholder and customer value. That's what this is about. If the intangibles have more impact, we need to find a way to get your arms around them without first insisting on if it’s hard to measure we’re not going to pay any attention to it. OK, the fallacy number four, how’s does that happen? (False) thing is to old employees accountable. If you need to hold employees accountable, you've hired the wrong employees. Fix the problem if you have employees who only do the right thing if you’re keeping an eye on them, either through metrics or through direct supervision or through monitoring cameras or whatever it is, you've hired the wrong people. That means you’ve got a systemic problem in leadership about how you hire and who you retain, fix the problem don’t try and fix it by extending metrics to employees which mostly causes them to distort the data.

So, some of you know my academic background comes from the study of animal behavior and so there is a researcher name Donald Griffin and I’m not making this up to – then I created the makers up, he studied bats on earth. Not like Batman and Robin, put Robin the bats owner. These are bats detecting through eco-location. He wrote a book titled and later in his career titled the question on animal awareness and he recognized four stages of scientific research.

The first list all the variables that might effect the phenomenon you’re studying. The second, measure all of the variables that are easy to measure. The third is to declare that these are the only important variables and the fourth is then to decide the other ones don’t exist at all. Now, if this is what professional scientists do, what do we do in business? Pretty much the same thing. We list all the variables that might affect our business. We measure all the variables that are easier to measure. We declare that these are the only important variables, these are the smart ones and then we decide that the other ones aren’t smart and if they have smart measures, they must be dumb measures. So, by the way Peter Drucker, his one relation was specific and strategic. Most of the versions are smart, you will read out, they will leave out the strategic which is just to say–they leave out the notion that they ought to be important. So you usually run this process saying specific measurable

obtainable results based in time out or something like that. If you are going to use smart goals, at least make sure that they are all strategic too, that they are critical to your company.

So, but not criticism I hope I've convinced you that it is easy to do metrics wrong, and it has just to do the metrics wrong, how do you do it right? The starting point is to know the answer to a pretty simple set of questions and it's amazing to me how often business leaders have not thought this through. The questions are what do we try to accomplish? What the success or what those progress towards success look like are we sure like it if it happens, if there is you know the old saying be careful what you ask for because you might get it, because the subject of metrics you are much more likely to get it. If you don't know what you are trying to accomplish and what success will look like there is no metric in the world that would be of any value to you. So we present formulation that seems to work pretty well for defining what quality metrics really need to be the first – the first do we call them in six (inaudible) the first is that they need to be connected to important goals that you know before we started by the way, (inaudible) is going to be artificial but it's cute.

So let me get away with this so connected to important goals, if your metric doesn't start with some statement of what you are trying to accomplish is not connected to important goal. Consistent any good metric all these goals up when things get better and it go always goes down when things get worse or the other way around, but it's consistent. If it goes in one direction that direction always means improvement or deterioration the metric, if you have a metric that can go up or down without telling you whether things are better or worse then you got a metric.

It's worse than no value, all it will do is completely confuse people and lead to dysfunctional behavior. Calibrator, calibrator is a tough one, calibrator says no matter who would makes the measure they get the same result, and I will be the first one to tell you this one is in conflict with the notion of the subjectivity, which is the best you can do is some measures are subjective measures, you have to do your best on this though because if there is no calibration among measures then you end up with any number of challenges in

which two different people give you different results that might – might really mean the same result.

Fourth, they need to be complete, they need to cover everything that's important they need to prevent metrics (inaudible) number three what you don't measure you don't get. So that if the metrics improve, the real situation improves. Fifth, they need to be communicated to the people whose behavior trying to influence. They are process and practice based they are not individual based, but people who can affect the outcome need to know what the metric is, what it means why that metric that we choose, how it connects to important goals.

All of that so that they know what it is that you are really trying to accomplish and they need to be current, because your business changes all the time. If your business doesn't change all the time you are not adapting to changing circumstances and if you are not adopting to changing circumstances, well then your metrics are current, but your business isn't. If you are adapting to changing circumstances, then you need to constantly adjust your goals to make sure that your goals fit what you are trying to accomplish right now. That's requalifications of good metrics, how do you go about creating them? First, define success, make sure you and everybody else agrees it's not knows – everybody whose efforts are required to achieve success, the entire executive team right and down everybody has to know what success looks like, what it means.

Two set important goals they have to matter. If they don't matter everybody will know that you are focusing on the trivia, if you can reframe them to be operational and more objective, but don't reject them if you can't make sure your goals are complete, if you achieve them all. You achieve success you need to know how your business works, you need to know what it is that has to come together what all the moving parts are. So that if you achieve your goals success must happen. And then and only then are you ready for metrics, English is a language, Math is a language, so if you can speak your goals in English or if you are listening from an International locale in French or Spanish as your native language or whatever they are trying, I'm not trying to be linguistically bigoted, but use a verbal expression of the goal and then you

can translate it in the math. Optionally, there is a difference between a goal and a target. A goal is in the way of a formula at least the metrics version of the goal is verbal, we need to improve customer satisfaction we turned that into a mathematical expression to make it metric. The target is an actual number, we want to improve it by 10 percent, so they establish whether or not the metrics that you are generating tell you that is good enough. Now targets by the way can be dangerous, because they define what good enough means once you reach a target the motivation for improving further diminishes.

Sixth, determine how to collect the data and be very alert to the method of data collection, because the method of data collection easily reach data quality problems, the web surveys are just one of the most gracious examples.

Fine-tune the metrics, especially make sure there is consistent. If you don't fine tune the metrics, now we are back to well more factory, kind of communicate the results. So let's go back to the (well more) factory remember we had our metrics program, we had bad pay job – bad, sorry, bad paid jobs and blades that break amputating legs. And that gives you the metrics program, now it's time to fine tune the metric, fine tune just means make the metric work so that if you achieve the metric, you achieve the actual goals you want. So what we are going to do is as complicated once you know you have a problem. We are going to apply a weighting factor to the bad blades. So that fixing every bad blade it improves the metric just as much is improving 1,000 bad paying jobs.

So now you can see we restate the defect rate, we start the fine-tune metric and now we get real improvement, the amputations are reduced, leading to great fullness on the part of the General Counsel's office who no longer has to continue defending both lawsuits, the outcome development need to be hoped for.

To indicate the results, you can't remind people to offer what your goals are, now theoretically you can, I have never seen people reminded too often about what we are trying to accomplish as a company. Connection, make sure everybody knows how the metric connects to your goals. Status, how are you doing is it good, the whole point is to modify behavior to influence behavior

and if you don't tell people how you are doing, if this defined to me how there can be a need to more basis that doesn't include how the organization is doing, so employees have some investment in this.

Plan, what do you want everybody to do to improve for next time, because individual initiative is in valuable, individual initiative connected to a plan to create focused action is even more in-valuable. So just in case wasn't clear. If the goal is a matter, is not the metrics that matter, metrics are useful goals are essential. If you have engaged the employees who understand your goals, those who had success looks like they are committed to achieving it, they will be successful the right metrics to be more successful.

So the usual conclusion out of this when we actually work with clients and thought the company is about what it takes to do metrics is some variation of, how this appears to be quite expensive (inaudible) it is just too hard and you know what, doing this right, just like doing just about everything right, takes a great deal of effort if you talk to Tim and team about what it takes to do a great job of implementing a business intelligence solution, with a system of pre-tested analytics built of a data warehouse and all the rest of it. It's a lot of work that's what it takes to get something valuable, you don't get it on the cheap.

Now there is an alternative, what I was describing here I would call strategic metrics. There is a tactical alternative that is much more streamlined; much more straight-forward, in some cases it will pass the AD20 and other cases it is a not the right idea. Tactical metrics what you are doing is at any given time based on your insights into your company, you are choosing an improvement target, develop metrics within, whatever it is that you want to improve, collect the data tabulate it and use it until you see solid improvement and you are confident your employees have developed the right habits. And once you do that, you stop collecting the data tabulating it and using it, you just stop.

Now there is some important messaging you have to do with your employees, which is we are not stopping this because we don't care about this any more, we are stopping this because we are on the right track and we are confident

you will keep us on the right track. Now we are going to start doing something different. As you choose a second improvement target and go after that the same way. Tactical metrics have a big advantage, which is that you can institute these with less here, especially about measurement policy number three, whatever you don't measure you don't get. But they are prone to it. And if you're not careful to occasionally choose in those very difficult, but very important to attempt to goals. Tactical metrics will get you into the exact trouble you're trying to stay out of.

Business intelligence. Well fist of all it's the power tool for metrics. If you want to use power tools properly and you're not using properly, picking up you achieve important results. And when you don't, they'll hurt you. So with that, I think it's time to turn this over to questions. So (Jim) as moderator, I'll turn this back to you.

(Jim): That's great. Thanks Bob, that was a lot of great information. There is already a few questions coming in on the sideway about the slides. Again, people get access to this information perhaps it's something that you composed on (IF) survival, I'm not sure, but a lot of (great) deals interest, I think for everyone as far as wanting to access this for future reference, we will have a on-demand version available. It's usually within a week or two that we make it available and it will be communicated out to all registrants for this event. So that will be available to you.

So great, great information (Bob). A question around that next step, you've identified all of the appropriate metrics. OK, let's say their first rate, where have you seen people succeed in sale in the deployment and subsequent adoption of these metrics. Is it sort of the approach in some respects of the ripping off of the band-aid, just something …

Bob Lewis: That's – that sounds…

(Jim): That was a slide show there of course. Glad, you laughed. But what have you seen people do to great success. Is there a grace period of six months, and then eventually becomes tied at an (MBOs) or objectives or even compensation. What have you seen?

Bob Lewis: Well fist of all – if you start tying these compensation, you're right back in the measurement policy number four.

Male: Yes.

Bob Lewis: … which is extending measures, individual employees and the higher you go in the organization, the more dangerous it is because first there's more money at stake, and second the – having the power to manipulate the numbers is increased. So, I definitely – I think this is one of the great – that piece is one of the great unsolved problems, because I think any board compensation committee will be very nervous about the notion of not connecting CEO compensation to business results.

The flip side is, we've all seen what happens when you do. So we've been exploring the subject more or less theoretically along the lines of tying employee compensation to process to how they do their work is supposed to be outcomes. Now, that's dangerous too, that's a good way to encourage the creation of bureaucrats as opposed to flocks who are focused on the outcomes. But that's a sideshow.

The question you asked, so you want to get this going what do you do next? Like so many business changes, one of the most important things to do is start thinking about your company culture and now your company culture should change based on your decision to make metrics a center piece in how you assess how you're doing, because if – your starting point is asking employees to use their good sense based on what they see and you start putting numbers in front of them, on top of all the other bad things that can happen, this can in general a great deal of (synopsis). Yet our employees who were saying, they use to trust our judgment now they're throwing a number in front of us. Let me turn to the (jail house) lawyers.

They deliberately start manipulating the number to the determent of the company just to show how much smarter they are than the folks putting the numbers out there. So one of the key dimensions of the business change that you're trying to accomplish is a (kin) to every other business change making sure everybody understands what you're trying to accomplish, why you're

trying to accomplish it and then moving people forward in their thought process so that for them operating according to a system of metrics and maybe a system of metrics that is complementary tool instead of just an alternative tool, judgment based management. That's probably a good idea because especially as you're fine-tuning your metrics, you're going to have to use your judgment to see what they're missing.

But getting peoples arms around, why this is a good idea. Now you mentioned the – the next book is coming out, (inaudible) change management. We're going to – the book covers not this with respect to metrics necessarily, but the concepts in quite a lot of detail. So keep an eye on my website if anybody is interested in that (inaudible). Those who did wrong I think somewhere and there was an answer to the question you asked.

(Jim): Yeah, I think so. It's well and I'm going to summarize one of the questions that come in, we'll definitely get to draw the questions that came in. I think we got enough time for that. But you expressed a reluctance or a slight resistance to wanting to measure employee behavior, specifics, and that there is certainly an argument for that. But the concern could be that that leaves employee measurements as a subjective criteria. And that certainly has its pit fall as well.

So what do you suggest and if you are rewarding employees based on subjective criteria exclusively and not using metrics to measure them how do you reconcile that? What do you think?

Bob Lewis: Well, the first thing I do is tab that a whole lot. The second thing I do, I want to clarify this. I'm not saying, applying no metrics to employee performance. What I'm saying is, don't take your process goal based measures. What do we consider success in our process and practices to look like. Don't extend those directly to employees, so that each employee – if you have 10 employees collaborating to achieve an important result, each one is measured on that result and get one-tenth of the credit for.

That's where you are at serious risk of having your measures manipulated. So, what you need to do and it's challenging, is you need to develop a

complementary, may be your right angle set of metrics, but it says how employees perform. That don't simply measure them on, have you achieved the outcomes we defined. It's counter intuitive and it's challenging because of course you want employee to be fully engaged in the outcomes you're trying to achieve.

But I think, here's part of this, and this is not a very controversial point. There is guys – a better known with number of years. There is Alfie Kohn. Alfie Kohn wrote a book titled 'Punished By Rewards'. And the point Punished By Rewards was whether we're talking about school systems or employees. He says when you use a compensation system of any kind to act as an incentive, employees consider that what you're trying to do is bribe them to do the right things.

And looking at how people really behave I'm inclined to think he was on the right track. So what we talk about to our clients, we're talking about compensation and along with that the kind of metrics that leads to compensation decisions, is to fit your compensation decision or systems not as a set of incentive, but as the loudest voice you have in expressing what you value, because you are putting your money where your mouth is.

So the opening from back of the TQM days was company has got the quality religion, we want quality, we will pay for quality, but well they've been – they paid for quantity and if the (performance) bonus depended on number of units that went out the doors it didn't matter how much you said you want in quality, your loudest voice that you wanted quantity. So that's the best I have. This is not …

(Jim): That's – that's great (Bob). Thanks.

Bob Lewis: You bet.

(Jim): So let's take a transfer and look at more of the corporate measures and the question coming in versus in some industry for example your healthcare, their common measures of success, for example suspected heart attack patient should receive (inaudible) drug within X minutes of arrival. Are there any weaknesses in using such measures?

Bob Lewis: At the line, I'd tell you that I'm not a clinician. I am …

(Jim): OK. But maybe as far as …

Bob Lewis: Usually …

(Jim): … few point of something like that if you are basing it off of number of minutes that a certain drug is administered and the success rate of that drug. Is it more of a general response that should be careful what you measure because it might incent the wrong behavior thinking new century back in the yield, mortgage application days, which really contributed the crisis where in where they where compensated on the number of applications that were approved, the number of loans that were approved.

Bob Lewis: Right.

(Jim): While great job, you got all your loans approved, but 95 percent of them were unqualified and look at what happened as a result, but …

Male: Yes, I see where you are going with that. Yes, the mortgage example is far closer to the mark. That the chance of clinical data is a hold other matter does not ones that I have any level of authority and I very recently read an article that there is an emerging field, which is looking at negative outcomes I don't get this exactly right but the notion is that there are some treatments that from a narrow clinical perspective, do what they are – supposed to be doing, but they don't actually improve length or quality of life at all. And so in the end even though the narrow no clinical result is positive the goal results if we assume that the right goals are length and quality of why if aren't being contributed to. So that would be an example of looking very carefully at the metrics that you use and again that's not the advice isn't - don't use them, is be sure you know, what your goals are and they should advance what you are measuring. And I think that would apply the clinical outcomes as well. The challenge of course is we're talking now about a very, very complicated area. And I'd love to tell you like and simplify it into PowerPoint deck that we go through in an hour, there is no chance. This is one or it takes serious

authorities who really know what they are talking about and gone have through this in great depth. It's very easy to do much more good in this field.

Male: OK. So, taking it out of healthcare, just to expand on this question a little further. If you think of a process flow. If A occurs then you administer one, two three, whatever one, two three is. If B occurs then you do this. If C occurs then you do that that kind of cost relationship. Is that something you would want to actually measure via a key performance indicator or is it Bob something you perhaps want to measure, separately this is not something that would be part of that the KPI structure, does that help?

Bob Lewis: It depends. It's part of the KPI structure, if A is more desirable then B is more desirable than C and part of what you want to do is encourage everybody involved in the process to take advantage of the most preferred pathways. If what you simply have our multiple cases and you process follows multiple branches then we're talking about some of this I don't really consider to be it all strategic in the way of metrics. It simply knowing how moving the process is …

Male: (Inaudible).

Bob Lewis: Yes, is dedicated to be different cases. So that you can allocate proper resources and invest properly in the different kind of situations you face. That's a whole different level. It's not that it isn't important understanding how your processes will. It's very important but I think it's secondary to what we've been talking about today.

Male: Yes.

Male: Well, I think that's great and Bob, maybe you want to take a second that's people want to contact you directly. Perhaps you want to provide your email address. I would imagine on issurvivor.com just the information on how to contact you.

Bob Lewis: Yes.

Male: But as I mentioned to everyone else here why don’t you provide your email address with that.

Bob Lewis: Sure. I have two if you are interested on consulting side. It’s rdlewis@itcatalysts.com and otherwise the one that’s easier to listen to and spell because the other one, all the Ts or (TSM) time by the way rdlewis that are r is Robert and D is in dreadful lewis@issurvivor.com. That’s where I published, keep the joint running once a week. It’s where I sold make available the books including the new one. If you want a PDF of the presentation contact me directly by email. I’ll be happy to send you one.

Tim O'Bryan: Great. And thank you everyone for your time. Thank you Bob Lewis from IT Catalysts for this great presentation. We appreciate your time everyone, Bob of course and enjoy the rest of your day everyone. Thank you.

Operator: This concludes today’s presentation. You may now disconnect.

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