

TRANSFORMATION SPOTLIGHT

Part Four: MEASURE IT, MANAGE IT

“It’s not my business,” sniffed Ebenezer Scrooge, whenever an interloper attempted to distract him from the income and expenditure columns in his piles of ledgers.

No Programme Management Offices appeared in Dickens’ oeuvre. But, if they had, they would never have advocated such a crass distinction between financial measures (“my business”) and other measures (“not my business”).

Business transformations are doomed to failure if the income and expenditure numbers become the sole preoccupation, with all other aspects of performance regarded as irritating noise. As Robert Kaplan and David Norton observed in their seminal work on the Balanced Scorecard, measuring financial targets in isolation can provide false reassurance. It is not difficult to over-deliver in the short-term on revenues and profits if little heed is paid to customer satisfaction, employee engagement, or product innovation.

Yet neglecting these priorities will inevitably have consequences in later years. As the authors remark, there will be a “collision between the irresistible force to build long-term competitive capabilities, and the immovable object of the historical-cost financial accounting model.”

Accountants themselves recognise there is more to measuring success than pure accountancy. Their professional body, the ICAEW (Institute of Chartered Accountants in England and Wales), embraces a multitude of non-financial indicators when reporting upon its own activity.

Upfront in its latest annual review is a plethora of strategic measures that sit alongside its revenue and surplus outturns – includes ones that relate to membership, global reach, public sector engagement, engagement with global business leaders, training, web traffic and professional standards.

A Programme Management Office often becomes the catalyst for CEOs to wrestle with, and then define, the suite of strategic measures that will best demonstrate progress from the ‘pre-transformation’ to the ‘post-transformation’ state.

Settling on the right strategic measures is not straightforward. Key considerations include:

- **The number of measures.** Too many, and they lose their impact and clarity. Too few, and the organisation becomes lopsided. Generally, most firms settle on between ten and twenty, with additional layers available for scrutiny as required.
- **The predictive nature.** The best strategic measures help illuminate future trends as well as historic activity. For example, ‘customer’ measures such as retention and satisfaction often serve as lead indicators of a firm’s imminent fortunes – whether for good or ill
- **The objective quality.** The world is not yet run by Microsoft Excel, and it’s often not practical entirely to exclude judgment from the schedule of suitable measures. For example, assessing the favourability of media coverage may require interpretation.

In such cases, the calculation methodology should be consistent, open and transparent to command credibility

- **The strategic fit.** In a previous Transformation Spotlight, the need to align PMO activity with the firm’s wider strategy was emphasised. The same holds true with strategic measures. Ideally there should be a natural cascade from the priorities articulated in the strategic plan, to the measures being tracked on the PMO dashboard.
- **Regularity.** It is generally acceptable for the measures in the dashboard to be updated on varying timescales and with different regularity. For example, staff surveys may be undertaken annually, whereas customer diversification can be tracked in real time. But the PMO should avoid allowing ‘annual updates’ to become the norm, or stagnation will likely result.

A powerful, balanced, insightful, relevant dashboard of strategic measures can galvanise an organisation towards its goals. Success can be celebrated, and early redress enacted whenever elements of the transformation stray off course.

Even Ebenezer recognised, by Boxing Day, that the measures of his own worth were not simply the size of his balance sheet, but whether he was “as light as a feather”, “as happy as an angel”, “as merry as a school-boy”, and “as giddy as a drunken man.” Admittedly, I’ve yet to observe these particular metrics in even the most progressive corporate accounts. But perhaps, somewhere in the world, a PMO team is already finetuning how such qualities might be reported.

Strategy	Measure	Baseline	2016	2017	2018	2019	Change	Owner
Financial	Revenue							
	Profit							
Customer loyalty	Engagement							
	Retention							
Quality	Complaints							
	Testing results							
Innovation	Patents							
	Successful NPD							
Diversification	Market reach							
	Product mix							

Dashboard in use at a Chase Noble client
(numbers removed due to confidentiality)

Chase Noble help clients create strategies that build real value and are fit for the twenty-first century ... and then communicate them to staff, customers, investors and journalists in compelling ways. We have set up and run Transformation Programmes in sectors including financial services, healthcare and real estate.

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