METRICS:
MEASURE WHAT MATTERS MOST

For most organizations, year-end involves planning for the following year. And with planning comes the critical task of setting metrics that will help the organization chart progress on its annual plan. But choosing the right metrics can be more elusive than most leaders think.

At their best, metrics increase strategic alignment, cut through noise to focus on what matters most, influence strategic decision-making, enable rapid learning and adaption, and incentivize the mindsets and behaviors needed to achieve growth.

At their worst, metrics create confusion, decrease efficiency, become busywork to track and update without follow-through, serve only as a historical report card rather than helping leaders make future-facing adjustments.

Leaders should take a holistic approach to metrics to drive effectiveness and avoid unintended consequences

Metrics at their best	Metrics at their worst
Clarify t**he vision** and increase **strategic alignment**	Create **confusion** and decrease efficiency
Cut through the noise and increase **focus** on what matters most	**Distract leaders** and teams from what matters most
Influence **strategic and operational decision-making**	Become **busywork** that goes unused and highlight lack of follow-through
Enable rapid **learning, adaptation, and collective problem-solving**	Become a **historical "report card"** that can stir up tension, judgment, and fear
Incentivize the **mindsets and behaviors needed to achieve growth**	Incentivize **counter-productive behaviors**; are disconnected from the organization's ideal or stated culture

You can see why choosing metrics is critically important.

Of course, there are the classic best practices for setting good metrics: they should be aligned to your goals and strategy (not detached from them), they should be quantifiable and verifiable (not subjective), and they should be relatively easy to measure and understand (not sending teams chasing piles of data).

In addition to these common best practices, there are a few ways to uplevel your metrics from good to great. Here are some of the best practices to adopt when setting metrics for your strategic or annual plan.

- **Measure what matters most: the list should be short.** Metrics, like many things, suffer from diminishing marginal returns: the more of them you have, the less meaningful they become. A great rule of thumb is to use up to five top-line metrics that track overall organizational growth, health, and success, (typically the focus of the Board and Executive Leadership Team), and up to 10 supporting metrics that track advancement on an organization's annual goals and strategies (typically the focus of departmental leadership).
- **Measure both KPIs and CPIs™.** Most organizations measure business performance through KPIs, or Key Performance Indicators. But only some companies also measure CPIs, or Cultural Performance Indicators™, even when they declare culture a strategic priority for business performance. Just like you wouldn't set revenue as a priority and stop measuring it, you shouldn't set culture as a priority and stop measuring it. The way to keep culture as a critical factor in business performance is to set metrics and gather the data regularly—more than the current standard of once a year—to continuously learn how your people are doing, what they need, and how to adapt to support their performance.
- **Don't just measure performance and culture—act on the data you gather.** Make your metrics a regular learning and decision-making tool. On (at least) a quarterly basis, leadership teams should come together to review progress on metrics, share learnings and barriers, and collectively ideate any adaptations for the next quarter to keep—or get—their metrics on track. Culture data, especially, usually comes directly from employees, who expect to see that their leaders will do something with the information they've shared. Taking action on culture data is one of the best ways to build trust and people-powered performance in your organization. How to know what to do with culture data? Analyze it to determine which of your Cultural Performance Indicators™, or CPIs™, are most impacting your organization's KPIs, and you will know where to focus your culture improvement efforts.
- **Make metrics everyone's responsibility, not just leadership's.** Not everyone in your organization will be held accountable for meeting targets (aka performance incentive plans), but everyone in your organization should know their role in influencing those metrics.
- **Be careful not to choose metrics that lead to culturally counterproductive behavior.** A common example of misaligned metrics is when an organization espouses a value of cross-team collaboration but rewards individual teams for their contributions. We've seen countless organizations desire to grow cross-team sales, innovation, or production, but their metrics reward and incentivize those teams to compete instead of collaborating.

By carefully and thoughtfully selecting metrics, setting targets, using them to drive learning and adaptation organization-wide, making them everyone's responsibility, and aligning them with your culture, **your people will have exceptional focus on your organization's top priorities.** And your organization's growth potential might just be unlimited.

Metrics matter. Advance your metrics by starting a conversation with Jonelle Lesniak.

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