Corporate Measurement Myopia

Persons with myopia, or nearsightedness, are unable to see distant objects clearly. In Europe and the United States, it is estimated that about 25 percent of all adults are myopic. While similar studies are not readily available for the corporate sector, well over 70% of publicly traded corporations are probably suffering from an undue focus on short-term, financially oriented metrics of performance. That’s corporate measurement myopia.

At an individual level, while inconvenient, myopia is readily corrected. Usually, concave lenses are prescribed to compensate for this defect, and the person is then able to see clearly.

On the other hand, for corporations, measurement myopia, or nearsightedness, is not so easy to cure. In fact, it can be fatal.

So why do so many organizations continue to focus myopically on just the traditional measures of performance – revenues, profit, cash flow, and departmental actual to budget comparisons? That’s not really what customers care about – is it? The culprit here is the traditional management mindset of most executives and managers.

There is good news, however, and a possible cure: Business process management principles and practices can provide the corrective lenses for organizational measurement myopia. Why is that? Simply because the implementation of process management principles requires that a firm view the business from the customer’s point of view – looking at things outside-in, as well as from the traditional, internal perspective.

The first step in viewing the business from the customer’s point of view involves identifying, measuring, and monitoring the firm’s performance in terms of delivering what customers really want.

Fortunately, that is not very difficult. After all, executives are not just senior managers; they are customers too. So, as Table 1 illustrates, it should not be too difficult to identify what customers really want.

Yet, the results of qualitative research indicate that only about 35% of respondents could demonstrate that their firms took a rigorous approach to identifying, measuring, and monitoring the firm’s performance in terms of delivering what customers really want.
Table 1

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<th>What Do Customers Really Want?</th>
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<td>1. On time delivery [ideally when they asked for it, or at least, when it was promised to be delivered]</td>
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<td>2. Accurate [the exact items/services they ordered]</td>
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<td>3. Complete [no back orders or call backs]</td>
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<td>4. Responsiveness to inquiries [first time right]</td>
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<td>5. An accurate invoice</td>
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<td>6. Value for money</td>
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<td>7. Flawless service/support [both during and after product/service delivery]</td>
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The lack of discipline in measuring what really counts to customers was reinforced during a recent conference workshop. Workshop participants from a regional bank reported that their firm monitors loan volume and the value of the loan portfolio, but does not monitor the mean cycle time to execute a typical retail loan. Other participants from a regional insurance company reported that their firm monitors a series of financial metrics on claims processing but does not monitor or manage how long it takes to settle the average claim. Yet, that is precisely what customers care about – fast service, right the first time.

Why is it that many organizations are afflicted with such measurement myopia? Part of the reason for them being out of focus is the traditional functional mindset practiced by senior managers. Many leaders have a strong functional bias that has been nurtured by both their academic and business experience. This understandably leads to viewing the business from the perspective of their prior functional experience. The COO of a major health care institution, in referring to this issue, said, “In health care – the org chart gets in the way of care delivery.”

And it is not just in health care! The perception of the organization as a group of functional entities was repeatedly underscored by respondents in the aforementioned qualitative research.

A further aspect of traditional thinking that constitutes an obstacle to viewing the business from the customer’s point of view is that leaders are seldom accustomed to working together in a deliberate and collaborative way. But that is precisely what is needed for proper focus as it is the firm’s large cross-functional processes that deliver what customers want. Yet many executive teams that act more like a group of talented individuals than a team. This becomes an even more fundamental issue when a firm employs process management to go beyond simply identifying and monitoring performance to making improvements and even introducing innovations.

If you think that this focus on mindset is making a mountain out of a molehill, just consider this. EbizQ reported that when CIOs were asked, "What most hinders your company's ability to achieve better business performance management?" nearly half
(45.83%) of the CIOs cited a corporate culture that is resistant to change as the principle impediment. Business processes (37.5%), technology (33.33%) and a shortage of people and skills (29.17%) were the other reasons cited.\(^2\)

So, if you suspect that your firm suffers from measurement myopia, put on those process management corrective lenses and begin to see clearly what customers really want. It’s worthwhile recalling what management guru Peter F. Drucker said:

'You can't manage what you can't measure!'

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1. [http://www.i-see.org/prevent_myopia.html](http://www.i-see.org/prevent_myopia.html)


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