Metrics Matter Until They Paralyze

Idea In Short

Curate a short hierarchy of leading and lagging metrics that cascade from strategy to operations. Strip dashboards to the handful that drive decisions, and challenge every benchmark against the right peer set.

The Necessity and Danger of Measurement

Consultants exist to understand business problems, propose solutions, and measure results. Metrics form the backbone of this process. The Define, Measure, Analyze, Improve, and Control [DMAIC] methodology depends on measurement at its core. Consulting is inseparable from metrics and Key Performance Indicators [KPI].

Metrics give executives an invaluable way to track relative performance against competitors and historical baselines. Governments publish thousands of economic indicators monthly. Wall Street analysts scrutinize financial and valuation statistics daily. Financial Statement Analysis [FSA] remains one of the most popular and powerful classes in Master of Business Administration [MBA] programs. Variable A divided Variable B equals a metric.

Peter Drucker offered two contrasting perspectives that capture the tension. He observed that what gets measured gets managed, a quote widely attributed to him across management literature 1. Yet he also cautioned that there is nothing so useless as doing efficiently that which should not be done at all. These two ideas sit in permanent tension. Measurement enables management, but measurement of the wrong things enables efficient waste.

Too Many Metrics Numb Decision-Makers

Many executive dashboards resemble a printed spreadsheet with tiny font and endless rows. People become inundated. The volume of data overwhelms comprehension. A better

approach distills the problem into a handful of key metrics that cascade into more detailed levels. Seeing a chief executive officer maintain a list of dozens of metrics signals a lack of strategic focus.

Regulated industries suffer the most. Regulators, industry watchdogs, investors, board members, employees, and bankers all demand their own piles of metrics. Executives eventually grow numb from the onslaught of numbers. Strategy is as much about what you choose not to do as what you pursue. When everything is measured, nothing matters.

Not All Metrics Deserve Equal Weight

Too often, metrics receive the same level of importance on a dashboard. Three or four mission-critical measures sit alongside something trivial in its detail. The dashboard becomes a dustbin of measurement. Hospitals provide a clear example. Healthgrades lists mortality and readmission rates next to the percentage of patients who receive aspirin at discharge. The latter is a Centers for Medicare and Medicaid Services [CMS] mandated measure, but it dilutes attention from outcomes that matter more.

Executives must tier their metrics. The top tier should contain the measures that drive strategic decisions. Lower tiers exist for operational teams who need granular detail. Without hierarchy, every number competes for attention and the critical ones get lost.

Lagging Metrics Keep Eyes on the Rearview Mirror

Metrics divide into leading and lagging indicators. Market share, revenue, and profit margins look backward. They lag current reality. Managing a business based solely on lagging metrics resembles driving a car on a curvy road while staring into the rearview mirror. Few things in business move in straight lines.

Leading indicators predict future outcomes. They track activities and behaviors that influence results before they materialize. Effective executives blend both types, using lagging metrics to confirm historical performance and leading metrics to steer forward 2. The balance prevents both complacency and reckless speculation.

False Causality and Illusion of Progress

Metrics are reductionist by definition. They indicate something, but they remain symptoms rather than root causes. A speedometer tells you how fast you travel, but it cannot reveal whether you head in the right direction or whether that speed suits the road. Frameworks share this limitation. As one professor noted, frameworks are useful and all a little wrong.

Executives often look at metrics too frequently. This habit creates a false sense of achievement. An executive might spend hours reviewing national market share, then call meetings to discuss, debate, and align around the numbers. The chance that activity from the last twenty-nine days actually moved national market share remains weak. Discussing the speedometer does not make the car go faster.

The Wrong Benchmarks Distort Reality

Comparing performance against the wrong peer set misleads. A student who earned a B in mathematics might argue it was not bad because friends earned Cs. Who you benchmark against matters. You cannot compare the operational performance of companies in different industries, at different stages of development, or with different capital structures. Apples and oranges produce meaningless comparisons.

Metrics Do Not Give Advice

Metrics describe the situation but never prescribe the fix. A smoke detector screams at you, but it cannot tell you how to escape the fire. That judgment belongs to you. Too many people waste energy on lagging indicators and spend insufficient time examining leading indicators of where customers are heading and how to compete differently.

The moment incentives attach to metrics, people game the system. Smart employees push out or pull in bookings and billings to suit the compensation plan. The business world calls this sandbagging, and it happens constantly. Goodhart's Law captures this dynamic precisely. When a measure becomes a target, it ceases to be a good measure 3. The metric distorts the very behavior it was designed to track.

The Hidden Cost of Metric Maintenance

Incredible amounts of time go into collecting data for reports that track metrics. Like bad legislation, corporate reports rarely die. People spend hours calculating metrics that may or

may not influence decisions. Line staff at companies frequently complain about the burden of tracking things with no meaning. It is the office version of Sisyphus pushing his boulder uphill.

Consultants should advise clients to audit their metrics regularly. Ask whether each measure still informs a decision. If the answer is no, eliminate it. The goal is not to measure everything but to measure what matters.

Practical Guidance for Consultants

Consultants must help clients think through their metric strategy rather than fall prey to metric-mania. Have a point of view on which metrics deserve focus. Balance lagging and leading indicators. Question why certain metrics exist and test the assumptions behind them. Create hierarchies that roll up to the CEO and cascade down to each functional department.

Bring clients back to strategic questions. What are they trying to achieve? What does success look like? What is the realistic time frame? What leading indicators should they monitor? These questions reframe the conversation from measurement obsession to purposeful action. Metrics serve strategy, not the other way around.

- 1A-Z Quotes
- 2BMC Blogs
- 3Wikipedia

Summary

Metrics are indispensable tools, but they are tools, not strategy. The best executives measure what matters, question what does not, and refuse to let dashboards substitute for judgment. Strategy is as much about what you ignore as what you track.