

Transforming Performance Measurement Excerpt from Chapter 8

The data-to-knowledge-to-wisdom conversion process reflects one of the great positives of transformational measurement. Although it is possible for individuals to do this alone, the most effective way to create knowledge and wisdom from measurement is through frequent and high-quality interactions between people with complementary knowledge. Ask anybody (including yourself): "Do you learn more from data or from interacting with other people who have a like-minded mission?" I have asked this question of hundreds of leaders in all sectors of the economy and in government, and the resounding answer is unequivocally: "From our interactions with others." It is ultimately the *social things* that will help convert measurement from information into knowledge and wisdom and, in the process, positively transform the context of measurement.

According to Jim Collins, co-author of *Built to Last*, "Turning mountains of data into useful concepts is an iterative process of looping back and forth, developing ideas and testing them against the data, revising the ideas, building a framework, seeing it break under the weight of evidence, and rebuilding it yet again. That process is repeated over and over, until everything hangs together in a coherent framework of concepts."⁵ Gee, I couldn't have said that any better!

Let's take a look at a few examples of how interactivity can benefit performance measurement in the data-to-wisdom conversion process.

Consider a company that wants to reduce waste in a critical process in a manufacturing plant. First, *data* is collected on the "start time" and the "end time" of the process, and the total process time is calculated. This current process cycle time is then compared with several benchmark comparatives to determine whether there is a discrepancy (*information*). Once the problem has been confirmed, structured observation reveals *knowledge* on all the wasteful activities in the process (those that add no value to the customer or to the process). Then, generalized principles (*wisdom*) are derived from the performance measurement effort and applied to other waste reduction efforts in the plant. This project--if done well--involves a lot of interpersonal interaction, and therefore a lot of learning. It is not just a matter of taking measurements, calculating, and analyzing data. The most valuable parts of the effort are the opportunities for interactivity that lead to a deeper understanding of the processes involved.

In a second example, a government agency was concerned about the high cost of information technology. Cost *data* was collected on all aspects of computer workstation acquisition and use (including initial acquisition, software, upgrades, maintenance, etc.). This data was summarized in a table (*information*) that showed the costs for each stage of the computer's lifecycle. This is an interesting example, because it shows how important it is to "look beyond" the obvious cost data to identify the costs at each of the lifecycle stages. This is something that might have been missed if this had been viewed as a purely technical measurement exercise. In such a case, there might have been no dialogue around the "equipment's lifecycle" and all the associated costs, and an enormous amount of information would have been missed and knowledge lost. On the other hand, in this case, the information generated enormous *insight* into the "total cost of ownership" (*knowledge*), and enabled this organization to derive guidelines (*wisdom*) for reducing the total cost of ownership by millions of dollars by actually increasing the initial acquisition costs through pre-sale service and software agreements and outsourcing some services.

In a third case, a company wondered why it was losing so many customers who had responded on customer satisfaction surveys that they were "happy." The company compared customer satisfaction with customer attrition *data*, and used that data to identify *information* on the more egregious instances of high reported satisfaction and attrition. Interviews with these "satisfied" ex-customers indicated that the customer satisfaction survey had not been asking the kinds of questions that would enable the company to predict attrition potential (*knowledge*). Based on this knowledge, a new customer satisfaction survey was developed, incorporating all that had been learned during the performance measurement study (*wisdom*).

In all three cases, there were extensive internal and external interactions around the data that facilitated the data-to-wisdom conversion process. Without that human interaction, there would have been much less yield of knowledge and wisdom.