What is the Measurement Challenge?
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While organizations have moved quickly beyond focusing solely on financial drivers to focusing on multiple drivers of operational, environmental, health and safety (EHS) and multi-stakeholder performance, our collective understanding of how to rigorously implement these measures has moved much slower – rigor being critical to their credibility for informing strategic decision-making.

The critical ‘measurement rigor’ issues boil down to measuring relevance, quality and relationship.
1. Is this a measure that is relevant to our strategy?
2. How good is the data and is it the right proxy for what we want to measure?
3. How does this measure relate to all of the other measures?

How do current measures in use stack up against these criteria? The following table shows where we stand on measures of mission / vision, stakeholders, resources, functions, relationships and the system. Over the past decades, management experience and scholarship has done an excellent job at answering the three ‘measurement rigor’ questions for financial measures. We understand this and do it well, which is no surprise given the cumulative billions of hours spent studying and applying these measures.

The past two decades have focused on what we think we understand – financials and processes. We have accumulated lots of experience in measuring processes, though there is far less agreement of how to do this than with accounting principles. We can now clearly answer questions 1 (relevance) and 2 (quality), but question 3 (relationship) remains unclear – it is hard still to show how all process measures relate to each other and to the strategy. This is important because it is where the Metrics Navigator™ encourages effort in developing measures that link environmental, social and economic issues to the company’s success factors.

While recent efforts have pushed the envelope on incorporating measures of EHS, multi-stakeholders and resource dynamics, these efforts are in their infancy regarding the three ‘measurement rigor’ questions. Why? The core challenge of the evolution of measures answering the questions of strategy is around their systemic nature. As we move from left to right in the table, we are moving from relatively static, lagging, one-dimensional measures (What we understand) to relatively static, lagging and leading, multi-dimensional measures (What we think we understand) to very dynamic, lagging and leading, multi-dimensional, inter-sectoral measures (What we do not understand). The increase in detail and dynamic complexity is very significant and our practice of understanding has not caught up. This means that we should not declare these measures useless just because they are hard to use; rather, it should be recognized that we need to be able to answer the three ‘measurement rigor’ questions for these measures, just like we have for the financial measures. This might take just as much effort as it took us all to develop, test, institutionalize and teach the basic accounting principles of today.