

All Metrics Will Be Gamed

By Steve Major

Lin Yutang in *The Importance of Living* (1998) very succinctly puts it “In short, my faith in human dignity consists in the belief that man is the greatest scamp on earth”. (I need to thank Ron Baker for referring me to this.) We will always try, as humans to take advantage of any interpretation that we can to help ourselves. It’s only natural that people will try to take advantage of a measure in a business to ‘game’ the system, to interpret it in a way that makes it easier to achieve the number, or easier to obtain reward and recognition. This is why Gordon Bethune, when he was appointed CEO of Continental Airlines chose a measure that was both important to the customer, but it was also one that was not actually measured by the business. On-time arrivals are measured by the US Department of Transport. This meant that it was a perfect measure in the sense of not being very easy to ‘game’ the system.

We don’t always in business have the advantage of being able to utilise a measure that is both connected to what is success from the customer’s perspective and is also independently verified. It is important to be constantly aware of this aspect of human nature.

It is the leader’s job to be aware that people will try to put any interpretation upon metrics. They will strive to achieve the targets in the easiest way possible. This is particularly the case where there is a bonus attached to the metric.

If we have one focal point number or measure, we need to be constantly reviewing what is affecting that measure. What dynamics are happening in an organisation

that will lead to the system being gamed?



We need to be regularly going back to the customer to understand what is important to them. The dynamics that are in play within the business and team must be understood.

In a financial planning firm, the principal’s were keen to encourage teamwork, but they had as their key metric the individual financial planner’s sales. This number was regularly brought out at team meetings and discussed. Accordingly there were a number of incentives that were at play here.

They saw that teamwork was important to the customer. The whole organisation working together serving the needs of the customer are important, and not just an individual planner looking for the best revenue stream. So that is why the principal’s were concerned about encouraging teamwork. The metric though meant that it encouraged a competition between the planners, and in no way was there an incentive to encourage teamwork.

Within the metric there was the encouragement to either bring forth or to delay the financial sign-up of a client. If they had had a bad month, rather than bringing on a client at the end of the month, they would delay it until the first of the next month because it may mean that next they will be able to reach target and get the bonus.

The dynamic at play meant that teamwork was forgotten and then their incentives to massage the monthly sales figures.



One way to combat this dynamic was to have it as a rolling three-month average or a rolling 12-month average. My point, though, was that we should actually remove this altogether, because it didn't address what was actually important to the client.

Let's for the minute assume it was important to the client; then a rolling 3 months, or 100 day so that it wasn't exactly equal to the monthly time frame, had the benefit of smoothing out the gaming effect. It wasn't that it was going to totally remove the temptation for a planner to alter the situation to his advantage, but it lessened the impact that this would have.

The interconnectivity of operations, and thus what behaviours would result are very hard to always be fully aware of, and that is why it is imperative that with any measure

that there's a review process in place. We cannot set the metric and forget it.

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Also if we are focusing on what is important to the customer, the measure will often not be as easy to 'game' because it is something relevant to the customer, rather than the individual performance of a person in operations. This is not always the case, and we need to be constantly mindful of the dynamics at play.

As Lin Yutang said people are scamps. We all will try to alter the figures to suit ourselves. Design the metrics with this in mind and then constantly review whether the metric is still relevant.

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