What's your blue line?
Measuring what matters most to your business
by JACK KELLEY

It happens all the time. Leaders tell me that they want to improve the design of their performance measurement programs to ensure that strategic, financial, organizational, customer and workforce goals are being met. So I tell them the story of the blue line.

THE POWER OF THE BLUE LINE

I was taking a tour of an automotive parts factory several years ago. It was a vast, open facility without interior walls. There was a dark blue line around the perimeter walls without any breaks. It was a foot wide and sat about four feet up the wall. You could see it from anywhere in the plant.

This line was so commanding that it piqued my curiosity. When I asked the plant manager about it, he told me that the blue line was his performance measurement system. If it disappeared at any point, he knew that inventory was backed up. By the time he made his way to the work station in question, the employees had usually solved the problem. They watched the blue line too.

I was fascinated with that blue line then. It has shaped my thinking about performance measurement ever since. There is so much power in this simple tool to manage any business. Sure, most organizations aren't actually going to paint a blue line on their office walls. But as a metaphor, a mindset and a concept, the blue line embodies three principles of any effective performance measurement approach.

1 MAKE IT VISIBLE

There was no way that anyone, anywhere in that factory could miss that blue line. Performance measurement metrics have to be visible to the organization to ensure that everyone is aligned around what matters to the business. All too often, companies come up with metrics that end up buried in file drawers, emails or PowerPoint presentations given at the annual meeting and forgotten. In fact, only 35 percent of people say they know the key metrics their organization uses to measure its overall performance success.*

Key performance indicators (KPIs) must come off the computer and into the everyday world of work. But organizations don't have to get out the paint cans to make this happen. One way to make performance measurement metrics more visible is to ensure that managers conspicuously consume them. The workers in that factory knew that the plant manager was watching that line—that it mattered, and that they would be held accountable for the inventory problems that its disappearance signaled. Companies also need clear, consistent and regular methods to communicate performance metrics so that employees understand and internalize them.

2

KEEP IT SIMPLE

I'll never forget the elegant simplicity of that blue line. What the blue line signified was simple too—one clear metric around inventory management. This kind of simplicity is rare in performance measurement. Balanced scorecards and dashboards are overrun with metrics, as if measuring more things magically equates to better performance. That is rarely the case. As the great Jack Welch reminds us, "Too often we measure everything, and understand nothing."

If employees have to rely on a dashboard to understand critical performance measures, there is a problem. Simple is better. Most people (90 percent) who know the key metrics their organization uses to measure its overall performance say they are simple to understand.* I would argue that they know the metrics because they are simple. Organizations don't have to limit themselves to one metric. They can prioritize several critical measures that tell them what is happening in the business. Think of the cockpit of a 747 with its thousands of gauges. The pilot only needs to monitor several of them to make the plane fly.

3 FOCUS ON ACTION

When workers saw the blue line disappear, they would correct the problem. Performance measurement may be visible and simple, but if it's not actionable by employees, it cannot be effective. The whole purpose of performance measurement is to take corrective action based on what the metrics tell you. Consider that 80 percent of people who know the key metrics change their decisions and behavior at work based on the results of those metrics.*

All too often, organizations assume that because they have a performance measurement approach in place, they are doing performance measurement. This is an easy trap to fall into. There's an analogy to make here with big data. The problem with having so much data is that it gives us the illusion that we're doing something. But collecting data is not acting on it. Organizations must make it a priority to train staff on performance expectations, including specific KPIs. They can encourage a spirit of continuous improvement and engage and empower employees by building blue line concepts into the culture.

OUT OF THE FACTORY, INTO THE WORLD

Leaders are intrigued by the blue line story. Some see immediately how to apply the mindset to their organization. Others are skeptical—they don't see how the blue line applies outside of that factory. But look at organizations that excel in performance measurement, and it is easy to see the blue line at work:

VISIBLE.

High-tech companies post development teams' shared metrics on massive screens in common areas for everyone to see.

SIMPLE.

After purchasing a company, the new owner told management to focus on one metric—long-term profitability of contracts—and growth skyrocketed.

ACTIONABLE.

A company that emphasized customer service metrics applauds an employee who took a ten-hour customer service call just chatting with a customer.

Find your blue line

What still amazes me about the blue line is that the automotive parts company knew exactly where to paint it on the wall. That's what is deceiving about the blue line. It is both refreshingly simple and amazingly sophisticated. It's a basic concept that takes a lot of thought and analysis to get right. This hard work is well worth it. Because finding your blue line—and getting better at doing and managing what matters most to the business—can help your organization stay in the black.