From: Martin Goldberg <mdg@distantdrummer.us.com>
Date: December 2, 2010 3:00:35 PM EST
To: Ron Shulman <rshulman@cvminsights.com>
Subject: Re: Weekly Blog: November; Insights into Corporate Value Creation

The Purpose of Measurement, Not the Measurement of Purpose

Ron, thanks for your post and including my earlier comments in it. I found it stimulating and wanted to reply more extendedly with my thoughts here—with the banner above: The Purpose of Measurement, Not the Measurement of Purpose.

First, let me simply stipulate that measurement has real value, and agree with you entirely that good measurement is critical in vast areas of human social and, more specifically, organizational life. In operational arenas, good or effective measurement seems synonymous with value, as operational discipline is brought to bear that brings about efficiencies, clarity and coherence, and that can be instrumental to spectacular outcomes, as we saw in the case at 3M. Good measurement and finely tuned instrumentation are often themselves in fact synonymous.

I also agree that this doesn't mean that there are times when figuring out what the right measurement is in a particular situation (how to fine tune measurement so that it works) is always evident right away. Sometimes, often, what makes for good measurement is not always apparent, and it takes creative effort to get it right. It is good that you and other colleagues are focused on helping companies think about this and help them develop and apply measurement towards these critically important ends. Measurement has its purpose.

However, I am still struck by a couple of things.

First, measurement, I believe, never creates value, economic or otherwise. It only induces value. I don't mean this as a semantic quibble—because I'm convinced that the misapplication of measurement—and not just bad measurement, but measurement itself—can be counter-productive, even destructive of value sometimes. Helping understand when this is is the purpose of this writing.

To my way of thinking, value comes from things that are simply worthwhile to people—what as people they want. Some fairly simple demonstrations of this are in the economic realm where people want certain goods (or services) that they attach value to and thus are willing to spend their nickels on. Organizational measurements that help guide behavior to producing or providing an efficient product or service—and one that hits the bullseye of the market, to use your apt image—can help induce the rise in the firm's economic value through its products that stimulate demand for what people want. I grant you that in large scale operational matters, this happens so fluidly that it appears that value is being "created" by the measurement interventions (six sigma or otherwise as the case may be). But, strictly speaking, the value derives from the demand that it is instrumental in stimulating. The measurement does not create the value. Value is induced.

I am carrying on here a bit for a larger, second point.

As we start to move away from operational matters, towards those of strategic creation, innovation and invention, measurement of any kind has less to say about the induction of value. Some basic milestones may be important (as in my example last post of the Manhattan Project), to help orient the enterprise's work. And there is little doubt that some measurement may be important to help those creative agents "keep score" and monitor outcomes to help steer future efforts. (Thomas Edison counting and recording the number of unsuccessful filaments for the electric light is a good example.) But (putting myself out on a limb) I cannot think of an instance where the work of strategic creation—akin to a kind of artistry in business—is done because of metrics. That will come as a shocking statement to those in the compensation and reward business surely. Maybe insane. So be it.

Some personal experience and a modest example if I may: When my business partner and I at KPMG created what later became a $50M change management consulting practice, we did not do it because of metrics or even compensation. We were paid reasonably well I suppose and there were future payoffs to be sure (though these were far from certain when we began, as we did not have position status at the start, and there was only a history of failure of what we were trying to accomplish in the firm). But what drove us was that we were inwardly motivated to get something in this area developed that would meaningfully serve clients and the firm (including employees who wanted to really develop and offer their services here). Yes, we later developed scorecards to keep track of our success, as we operationalized things. Yes, such instruments helped us to track and make some portfolio decisions—in other words, to help operate and grow the business. But we did not create the business with scorecards or metrics or anything else of the kind in mind. We did it from our hearts and the vision we had in our heads. We would not have done it otherwise. We would not have stayed with the firm for years without this. Nor do I believe would have our people, despite the later fortunes and follies of the larger firm.

Another case from another industry: two of my mentors, real estate business partners who went on to found a multi-billion dollar bank, did not create their company because of measurements or because they were looking to simply hit it big (they did). They were genuinely excited about the strategic possibilities of creating something that was new and not previously offered to business men and women in California (like themselves). Metrics and even dreams of financial riches did not drive them to create the entity they did, though they were certainly money motivated in the plain sense of that phrase. But there were other ways they could have made a buck. They were inwardly driven by a dream to create something truly new. They were artists—in this case, creating a financial engine that would help capitalize other aspiring business men and women to foster their dreams. They of course had metrics and milestones and rewards and incentives as the organization grew to further its development and operations. And they were subject to financial motivations and looked at metrics and operating results like everybody else (or as many others at least do). But this was not the raison d'être of the business—and never was.

These are instances where purpose is what mattered and drove the creation of value, not metrics, not the means of keeping score, not external incentives.

Helping organizations recover a sense of purpose—so often lost today—is vital to the viability of organizations sometimes urgently, but certainly over the long haul. The recovery of purpose at the creative center of organizational life has its place, just as measurement has its place in the operational disciplines. (And this starts with leaders understanding the recovery of their inner sense of purpose, not just what 360 metrics tell them.) This is also not to say that some interplay of the two regions is not essential. But confusing the two realms—purpose in its realm and measurement in its—is also see so often today, is a problem.

In the first place, this confusion gives metrics a bad name, unjustly, because it is simply misapplied to a realm that it is not fundamentally intended for. The purpose of measurement is confused with the measurement of purpose. In the second place, it often hurts generative invention of the type I am speaking of. Measurement can only reify the assumptions from which it starts—and creative invention, above all, requires rethinking underlying (often tacit) assumptions anew. As a practical matter, it is hard for me to find an example of an entrepreneur (inside or outside corporate organizations) who would not chafe under the leash of operational metrics. That is why I suppose it is also a traditional wisdom that first generation entrepreneurs often do not make for those best to professionally manage it in its later operating stages. However, even that truism seems to me to break down in an era where strategic invention moves—and must move—dynamically and fast. Depth of purpose undergirds performance.

There are good organizational theorists—and perhaps fewer consulting practitioners yet—who recognize these distinctions. Many practitioners are content to work operational matters, or else they work strategy in externally driven terms, as they present by their clients. Peter Koestenbaum is one divergent thinker who has written cogently on the need for deep thinking and conception—personally propelled—in business. There are others.

But perhaps it is best to return to the metaphor of artistry and poetry in business. There are few other words to capture the genius of people like Steve Jobs, Bill Gates, and others who invented the modern business world. I liked your ending quotation of Sun-Tzu, for even great warriors are in their own way artists, poets too.

So I leave you with the words of the lower case poet, e.e. cummings: "…so far as I am concerned, poetry and every other art was and is and forever will be strictly and distinctly a question of individuality... poetry is being, not doing. If you wish to follow, even at a distance, the poet's calling (and here, as always, I speak from my own totally biased and entirely personal point of view) you've got to come out of the measurable doing universe into the immeasurable house of being."

Best,

Marty

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Ron Shulman has sent you a message.

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Subject: Weekly Blog: November; Insights into Corporate Value Creation

Hi This is my weekly blog, in which I have taken some of the feedback from your comments and further discussed the issues of creating organizational value. I hope you find it interesting and please continue to comment. My blog is ronshulman.blogspot.com. Best regards Ron