

Measure What Matters

"What gets measured is what gets done" is an old business maxim that's as relevant today as ever. Sure, companies that win big today play by different rules. But they still have to keep score -- whether they're building for future growth or living on past accomplishments. What's particularly interesting about companies that change the game is that they often find new ways to measure their performance. We asked the leaders of 10 organizations -- from the CEO of Sun Microsystems to the dean of the London Business School -- to identify the metrics that matter most to them. What indicators do they track to determine whether their organization measures up? Read their comments, and then decide for yourself: What are the measurements that matter to you?

Scott McNealy
Chairman, President, and CEO
Sun Microsystems Inc.
Palo Alto, California

There are few metrics to which I pay closer attention than "system uptime" -- how often Sun systems are up and running at customer sites. The most important commitment that we can make as a company is to share our customers' risk. Most of our customers face the same risk: computer systems that go down when people need them. I wish I could say that the concept of focusing on system uptime came to me in a flash of brilliance. But it didn't; it came straight from a customer. One of the most eye-opening customer comments that I've heard was "You have to understand that we guarantee the availability of our solutions to our customers at much higher levels than you ever guarantee your systems to us." That's why we assemble real-time data on system availability at customer sites. We use that data to determine the causes of downtime. We also use that information to educate people, to improve processes, to implement enhancements: whatever it takes to help our customers maximize uptime -- which, in turn, maximizes their ability to serve their customers. We also try to be as honest as we can about this metric. We don't generate results from internal tests in a sealed lab. We go for hard data that comes right off our customers' systems. We neither massage the data to make Sun look good nor throw out ugly results. We face the facts head-on, because we know

that our customers have to face their problems head-on. Understanding the real needs of our customers -- and how well we're meeting those needs -- has a huge impact on our performance. The measures that matter to us are the measures that our customers use. When you align your metrics as closely as you can with your customers, you win.

Scott McNealy helped found Sun Microsystems in 1982 and became its CEO in 1984. Sun is one of the world's leading computer manufacturers, with annual revenues exceeding \$9 billion. More than 900,000 developers work with its Java programming language.

Barbara Cassani

CEO

Go Fly Ltd.

London, England

We're a startup. Our product is a low-fare airline. So we monitor costs very closely. The Airline industry uses a fancy-sounding term: cost per available seat kilometer. In other words, How much does it cost us to make a seat available for sale? That formula collapses every cost -- marketing, maintenance, fuel -- into a single number. I monitor that number every quarter, and I compare our performance with that of other low-fare airlines in Europe. I monitor costs because being low-cost is the core of our business strategy. The rationale behind an airline like Go is that keeping costs low lets us offer customers a cheaper way to fly -- and, as a result, more people will want to travel. Indeed, when we lower prices of regular airfares by 40% to 50%, the overall market grows by 70% to 80%. We do lots of things to keep costs down. We don't use travel agencies, for instance. Our customers say they're happy to book flights with us directly by phone or on the Web. We don't serve free food and drink. Instead, passengers can buy quality refreshments on board for a fair price. Our strategy seems to be working. In our first year of operation, repeat business and personal recommendations -- two other metrics that we track every week -- have been our two largest sources of business. And 92% of the people who have flown with us say that they would do so again. If we can maintain those numbers, Go will really take off.

Barbara Cassani worked for 10 years as a senior manager at British Airways before she helped to create Go Fly. The company, which launched in May 1998, flies between London and 12 other European cities.

Jerre L. Stead

"Head Coach," chairman, and CEO

Ingram Micro Inc.

Santa Ana, California

What's the most important metric that I track? Customer delight. Each quarter, we measure our quality of service against that of our competition worldwide: Are we considered statistically equal? Less respected? Or are we much better -- world-class -- compared with our competitors? We ask our customers 60 survey questions. I have those questions memorized: They're that important to me. They explore a range of issues -- from "My salesperson thinks of me as a partner and provides me with the technical support I need" to "When I call Ingram Micro, the phone is answered within three seconds." Part of our employees' incentive program is based on how customers respond to those questions. I also measure customer delight by talking directly to customers. Each week, I answer hundreds of customer emails and almost the same number of voice mails. These direct interactions don't provide hard numbers, but I sure learn a lot. A few years ago, I was on a shuttle bus in New York City. When the driver saw the Ingram Micro logo on my bag, he said, "You know, I've been trying for months to become one of your resellers. It's a tough process." Driving was a part-time job for him, and he was trying to become a "customer" -- one of our value-added resellers (VAR). I thanked him for telling me about his problem, and then I made sure that he got approved that very day. I also assembled a team to streamline our approval process -- ASAP. And we created a new metric: "Has a VAR-customer candidate received a response of yes or no within 24 hours?" Just for fun, I still track that driver every week. Customer delight is that important.

Jerre L. Stead headed several companies, including AT&T Global Information Systems and Legent Corp., before he joined Ingram Micro in 1996. Ingram is the world's largest distributor of computer-technology products and services. Stead's book, Soaring With the Phoenix (Warner Books), coauthored by James A. Belasco, was published in March.

Gary White

CEO

The Gymboree Corp.

Burlingame, California

What matters at Gymboree is employee satisfaction. We're a company that's centered on kids. Our motto is "Celebrate Childhood." If people aren't happy working here, that's going to show in our products and services for children -- and that won't do. Each year, we survey all 7,000 of our employees. We ask how they feel about working here and what we can do to make work a better experience. And, to make sure that we get at what's really going on, we ask questions in many different ways. Then we assemble a team to work on what we've learned. Many of the changes that we've made to create a more comfortable workplace -- for women with children in particular -- have come directly from these surveys. We support telecommuting and flexible work schedules for many jobs. We've made it easier for women who are in the later stages of pregnancy to work: We give pagers to them and to their spouses, so they can be in constant contact with each other during those critical final weeks. And, for parents who return to work, we've set up baby-changing stations in the women's and men's restrooms. Another lesson that came out of the surveys was the need to keep work fun. So, every Thursday at 3 p. m., we ring a bell and declare recess. Some people walk around a lake that's near our offices. Others play on the grounds. Four square, a schoolyard game, is very popular. You'll get people from information services playing against people from human resources. In that way, people who otherwise might have no interaction come together. Recess is one thing that helps keep us "small" -- even as we grow. Keeping employees happy is the key to long-term success. That means keeping the channels of communication open -- measuring satisfaction through surveys, as well as by just walking around and checking in with people.

Gary White "celebrates childhood" by collecting yo-yos (he owns 200 of them). He joined Gymboree as senior VP and COO in 1996 and became CEO in 1997. The company runs nearly 400 parent-child play programs and operates more than 500 retail clothing stores.

Reuben Greenberg

Chief of police

Charleston Police Department

Charleston, South Carolina

We are a service organization. Our customers are the citizens of Charleston. In my 17 years as head of this organization, the question that I've always asked myself is, Are citizens happy with the job that we're doing? One metric I use to answer that

question is the number of complaints that we receive. Complaints provide a window into your overall performance. When one citizen makes a complaint, four or five others probably feel the same way but either don't take the time to complain or don't think that it would do any good. I also look at how many compliments we receive. When someone writes to the local newspaper to commend the police, that's important to us. And we pay special attention to tourists. Tourism brings in millions of visitors and millions of dollars to Charleston every year. So, if a tourist gets robbed -- losing, say, \$300 -- we compensate that person immediately, by drawing on our investigative fund. Obviously, the way to minimize complaints and maximize compliments is to do a great job of protecting citizens. To measure how we're doing, we track all kinds of statistics -- from incidents of domestic violence to crimes involving guns. And we use what we learn from those statistics to devise programs to combat specific problems. Take domestic violence. Very few women in Charleston die as a result of physical abuse -- because we have a program that focuses on public arrests. The first time a man commits an act of physical abuse, we respond aggressively. Instead of arresting him at home, we arrest him in public -- even at his workplace. We had a doctor here who had beaten his wife. So we went into his waiting room and, with all his patients watching, told him that he was under arrest for wife beating. Gun Stoppers is another program that has been successful. Do you know how many guns were found in Charleston city schools last year? None -- because we've taken the prestige out of having a gun. Kids bring guns to school to show off. We burst that bubble. We give \$100 the same day to the person who tells us that someone has a gun in a book bag, in a locker room, in a gym, on a playground -- even if it's just a toy gun. As a result, few kids want to show off their guns at school anymore. Ultimately, we don't just want to fight crime -- we want to make life better for people. So all of our officers can make on-the-spot decisions to help citizens. Say it's raining, and an officer drives by and sees a woman and two kids huddled under an umbrella, waiting for a bus. If that officer doesn't have a call, he'll put those people in his car and take them where they are going. After all, people like these are the ones who pay our salaries -- and who pay for the car that the officer is driving.

Reuben Greenberg became chief of police in Charleston in 1982. He is a graduate of the FBI Academy, And he has taught sociology at California State University and political science at the University of North Carolina at Chapel Hill.

Gerry House
Superintendent

Memphis City Schools
Memphis, Tennessee

The business of schools is to educate children. And the way we know whether children are being educated is by measuring how well they do on tests. I look closely at scores from the state's standardized test. Every year, the test compares how well our children are performing with the performance of children across the country. But I also look at other tests, such as writing assessments. The way to improve test scores is to improve not students' test-taking ability, but the fundamentals of what and how we teach. When I came to Memphis, I sat down with the school board and with members of the community to reflect on two questions: What do children need to learn during their 13 years of school to become successful citizens in the 21st century? And what must schools do to help students acquire that knowledge? We made a firm commitment at that meeting: to hold all children to the same standards, regardless of their family situation. Our teachers have clear standards for what kids need to know in each subject, and they are accountable for the performance of every child they teach.

Gerry House became superintendent of the Memphis school system in July 1992. The system, which has implemented whole-school reform (a nationwide restructuring effort), has 162 schools and serves more than 112,000 students. In 1999, house was named National Superintendent of the Year by the American Association of School Administrators.

Charles Digate
Chairman, president, and CEO
MathSoft Inc.
Cambridge, Massachusetts

Of all the numbers that we measure, two are especially important to me. One -- how many PhDs we have on staff -- shows how smart we are. The other -- the percentage of our revenue that comes from ecommerce -- indicates how fast we can grow. The education level of our staff is important because we're not your average software company. Our products have a lot of unique content: They contain mathematics and engineering formulas as well as statistical algorithms. The number of highly educated people whom we have on board directly affects our product quality. Also, a well-educated staff helps attract other highly educated people. I believe that MathSoft has a higher ratio of PhDs to total employees than any other software company. We employ about 170 people

worldwide, and we have about 45 PhDs. So it's no surprise that smart, highly trained people feel good about working here -- or that customers believe that MathSoft has something special to offer them. I track the share of revenue that comes from e-commerce because our business focuses on engineers, scientists, and students. Besides being large, that market is fairly mature. A great many of our customers -- engineers, especially -- have already acquired tools from us or from other companies. As a result, our growth rate in that area has slowed. Right now, for example, 1.3 million people use our products. That's up from 1.1 million users last year. This year, we'd like to add several hundred thousand more customers. So we're looking to the Internet to generate new growth -- by selling our classic products to new customers and by adding online services and subscription-based businesses.

Charles Digate, Before he joined MathSoft, was a senior executive at Lotus Development Corp. and the founder of Beyond Inc. MathSoft provides a broad range of technical-calculation and analytical software for business and academia. hundreds of giant companies, more than 500 government agencies, and 2,000 academic institutions use its products.

John A. Quelch

Dean

London Business School

London, England

We're not in the education business. We're in the transformation business. We expect everyone who participates in a program at the London Business School -- whether it's for three days or for two years -- to be transformed by the experience. We want people to look back on their time here as something that significantly influenced their career and possibly even their entire life. I've been dean for only 10 months, so I haven't been able to change the world yet. But I am committed to measuring our performance against the objective of creating a transformative experience. We are in the process of developing what I call a "transformation-benchmarking questionnaire" that we will give to students who have taken a program at the school. We'll administer the survey again as they advance in their careers -- one year after they leave, and then every five years. The questionnaire asks students how much of the program's content they can recall and whether they're in touch with faculty or fellow students. We'll also ask how big an impact the program has had on their career and on their quality of life. One nice thing about declaring that we're in the transformation business is that everyone here -- from custodians to deputy deans -- has become much more

motivated. People are eager to take part in having an impact on the students who come here.

John A. Quelch, a native Londoner, was the Sebastian S. Kresge Professor of Marketing at the Harvard Business School. The London Business School, established in 1965, now serves more than 1,100 graduate students and more than 4,000 executives each year. The Financial Times, of London, recently ranked it as the leading business school outside the United States.

Brian Maxwell

Cofounder, president, and CEO

PowerBar Inc.

Berkeley, California

Before I got into business, I coached track. One thing I learned was that I not only had to manage my players' workouts; I also had to help manage their lives so that they would be ready to compete. Today, as a businessman, I've got to make sure that my frontline people are ready to compete. What I've been wrestling with as a business coach is, How do I create an environment in which people are committed to doing really great work? Tracking company culture is the answer. That means looking at the company as a whole and understanding how all aspects of it are interconnected. We're in the midst of a major culture project. It began with a survey that measured 41 statements about our company culture. Those statements covered everything from how we treat customers and how we work as a team, to how we value employees and how we treat the environment. Employees used a fivepoint scale to indicate whether they agreed or disagreed with each sentence. The results of our first survey were somewhat depressing: We scored below the 80th percentile in everything. We want those numbers to improve, so we've formed teams from across the organization. Each team is charged with establishing an action plan to improve survey results. Two things are going to help us compete successfully: our brand and our people. And because our brand is managed by our people, people are what matter most. For us, that means tracking company culture.

Brian Maxwell, an Olympic marathon runner, started PowerBar with his wife, Jennifer, in the kitchen of their apartment in 1986. The fast-growing company, with annual revenues of \$100 million, employs more than 250 people.

Edward Iacobucci

Founder, chairman, and CTO

Citrix Systems Inc.

Fort Lauderdale, Florida

The difference between a great technology company and an average technology company is how much intellectual property a company creates. I keep a close eye on two measurements. One is our rate of innovation in existing products. I want to know how many customer-requested features are making it into the next release. The other measurement that I track is patent flow. We've been able to innovate rapidly: We secure two or three patents every quarter. Encouraging employees to write patents not only forces them to get their ideas on paper; it also gives them recognition, because their name goes on their patents. At our quarterly meeting, I award the patents that were granted during that quarter. I do that because this business is about ideas, and the creation of ideas is a very personal thing. We never want to forget that fact.

Edward Iacobucci spent 11 years at IBM, where he ran the joint IBM-Microsoft design team that developed the OS/2 operating system. In 1989, He founded Citrix Systems, which employs more than 650 people worldwide and has a market value of \$3.6 billion.

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