

IMPROVEMENT SKILLS CONSULTING LTD.

“Simply, improvement...”



Lead and Lag Indicators and Open Strategies

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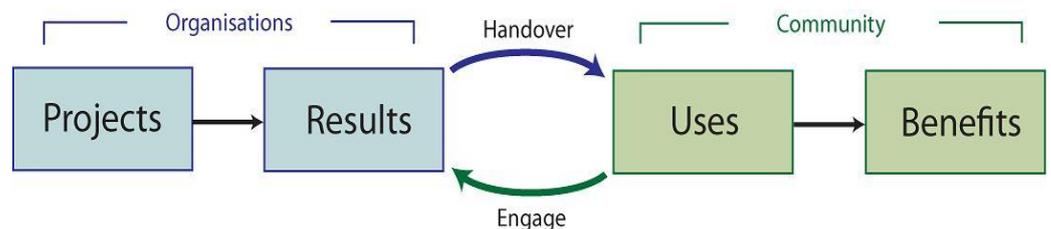
“Forecasting is hard. Particularly of the future!” [Anon.]

PRUB-thinking helps explain Lead and Lag Indicators

The idea of Leading and Lagging Indicators was highlighted when Kaplan and Norton first described the Balanced Scorecard. Since then, many organisations have recognised the need to identify not only a balanced set of objectives and measurements, but also an appropriate mix of Lead and Lag measurements (Indicators). Simplistically, Leading Indicators should give you an early warning, or forecast, of what’s likely to happen in the future and Lagging Indicators will enable you to evaluate performance after the event.

We have been impressed with the simplicity and power of OpenStrategies’ approach to strategic planning and their under-pinning PRUB-thinking. The approach is particularly relevant to multi-agency planning situations such as exist in criminal justice, healthcare and local authority settings. We think it can also be used to help develop a balanced set of Leading and Lagging Indicators.

PRUB-thinking is based on four elements that OpenStrategies use to describe what organisations do and the impacts they ultimately achieve.



PROJECTS may be any activity carried out by an organisation, for example routine processes, or one-off projects.

RESULTS are the tangible outputs of a project, for example a process to respond to a customer query would result in a “reply”. Note that some results may only be of benefit to the organisation, rather than for external customers or stakeholders (e.g. a feasibility study, a business plan, or a communications plan).

A key principle behind PRUB-thinking is that organisations do not, in themselves, cause beneficial outcomes to be achieved. Hence, the third element:

USES. Recipients of **RESULTS**, outside the creating organisation need to make **USE** of those results before **BENEFITS** (the final element of PRUB) can be demonstrated.

So, for example, an organisation that creates (via a Project) a new labelling system for foods (a Result) needs consumers to change their eating behaviour (Use) before they can hope to see improvements in health such as reduced levels of obesity (Benefit).

It's now easy to see how PRUB can be used to think through a range of linked and coherent performance measurements. There can be measurements at each stage of PRUB, but it's helpful to start identifying them at the BENEFITS end. (Start with the end in mind!)

Benefits Measurements

If we stay with our food labelling example, the Benefits measurements might include:

-  % of 5-10 year olds who are clinically obese
-  Incidence levels of Coronary Heart Disease

We'd want to set targets to reduce both of these by specified amounts in a given period.

Use Measurements

Here the measurements should focus on the USERS and how they USE the Results provided by the organisation. In our labelling example we might measure:

-  % of xyz demographic group who are aware of the new labelling system
-  % of the xyz demographic group who agree that they have changed their buying and eating habits as a consequence of using the system
-  Consumer perceptions of the ease of use of the system (e.g. & saying they find it very easy)

Note that Use and Benefits measurements can only be made outside the organisation that created the results.

Results Measurements

Here, the measurements are “internal” and may include (for our example):

- % of foodstuffs covered by the system
- % of foodstuffs correctly labelled
- No. or % of manufacturers adopting the system
- Manufacturer feedback on the system (e.g. % saying they are very happy to use it)

Project Measurements:

These are likely to relate to the way in which the project has been run:

- Cost of carrying out the project to produce the results (vs. the budget)
- Timeliness of achievement of milestones and deliverables (e.g. compared with baseline)
- Number of person-hours expended on the project
- Number or percentage of manufacturers engaged/consulted in the development of the system

Lead and Lag

We can see an emerging trail of leading and lagging indicators from this example. It is based on the following the logic...

Levels of obesity or coronary heart disease will only reduce if consumers recognise the need, and act, to change their eating behaviour. This will be more likely to happen if the new labelling system is easily understood by consumers and widely adopted by manufacturers. Achieving that depends on active engagement of the right manufacturers and it needs an adequately resourced and well-managed project to enable that to be done.

PRUB-thinking provides a relatively simple way to identify a range of possible lead and lag indicators. **Project** measurements are leading indicators of **Results** measurements. **Results** measurements are leading indicators of **Uses** measurements. **Uses** measurements are leading indicators of **Benefits** measurements.

Our track record

Our consultants have been helping organisations in the private and public sectors to develop and implement effective performance management systems for nearly two decades.

We are not wedded to a particular methodology. We work in partnership with organisations like OpenStrategies UK Ltd. to help clients identify their improvement goals and then develop an approach to achieve these; invariably ensuring the client's people develop the skills to make further improvements themselves.

OpenStrategies is a partner of Improvement Skills Consulting. Visit their website at www.openstrategies.co.uk

Please contact us for more information about how we can help you to manage and improve the way you plan and measure performance.



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