

What are Metrics and Why are they Important ?

What are Metrics ?

Metrics are numbers that tell you important information about a process under question. They tell you accurate measurements about how the process is functioning and provide base for you to suggest improvements.

It is said that only when one can express their understanding in terms of numbers is the understanding satisfactory and meaningful.

Usually measuring results with one metric is not a good enough strategy. A combination of metrics is used to measure the effectiveness of the process.

Types of Metrics

1. **Operational:** Operational metrics are the ones that are represented by performance on the shop floor or service levels in case of service industry. Common example of these metrics include turnaround time, production time, number of defects etc. These metrics measure the performance of the people in operations function and can help identify where the discrepancy has its roots, if a discrepancy has risen.
2. **Financial:** Financial metrics judge the ability of an organization to convert operational performance into financial goals. Such metrics include profitability ratios, sales figure comparisons so on and so forth.

In the end it is only an understanding of both types of metrics and what they suggest can meaningful decisions be made about the process is question.



Here are some important functions that metrics fulfill in an organization.

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- **Control and Feedback Loop is Driven by Metrics:** Once the ideal state of the process is decided through analytics, it has to be expressed in terms of metrics. This is because metrics are the numbers that are being measured on a daily basis. Management philosophy also believes that what is measured gets managed. Hence metrics suggest whether the process is in order or needs external interference. They therefore form the basis of control in any organization.
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- **Metrics Make the Process Objective:** Processes have to be designed as per the customers critical to quality requirement. Metrics help transform the vague requirements that a customer gives into a series of numbers that can be used to accurately map the process for its efficiency. Metrics tell us whether a process is good enough to meet the customer's requirements or whether it needs to be better.

- **Improvement Goals are in Terms of Metrics:** For the improvement goals to be objective, it is essential that they are measured in terms of numbers. Words like good quality, bad quality and acceptable quality are vague and may depend on the personal opinion of the person expressing them. Therefore metrics play an important role since they transform both the customer requirements as well as operational performance to numbers which can be compared. As a result management can objectively state whether the customer's needs are being met or not.

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