

ON POINT

executive briefing report



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Defining MBRs v. 4.06.05A

Key Points:

- > MBRs (Measurable Business Results) are critical to defining the success of any critical project.
- > MBRs can be used with consultants and internal staff.
- > Write out the impediments to achieving the desired MBRs beforehand.
- > Don't ditch MBRs because you cannot define them or they seem subjective.
- > Every consultant or executive needs something tangible to strive for.
- > Getting past the "we cannot control the outcome" is not that difficult and can be an excuse to avoid accountability.
- > Defining MBRs should not be done in the contract negotiation phases.
- > MBRs should be defined with the consultants and agreed to prior to contract.
- > SLAs and MBRs are different. Most don't know the difference between the two.
- > SLAs measure operational levels of performance and MBRs are the end

For more information on this subject or for more information go to: www.josephbmurphy.com or contact Joe Murphy (see below).

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How To Construct Measurable Business Results (MBRs)

"Results in the end are what matter most" is a statement almost everyone will rally around when it comes to projects. And most consultants and clients will agree in principal to this statement.

When it comes right down to it, few actually adhere to it and say that "it's not practical." Invariably results begin to take a backseat when someone comes up with the abnormal example of when a consultant bulldozed their way through the organization. The "likeability" of the consulting firm or their "technical process" becomes the main evaluation criteria. The consulting firm's "process" and ensuring all the client's actors are happy takes precedence over results. No one has time to argue that this does not make sense, so everyone agrees in order to move on to other problems.

When clients agree they should have measurable business results, they soon run into a second problem. The problem comes about when the consulting firm throws up their arms and say, "We cannot possibly be held accountable for your execution". In talking to Forrester Research, they confirmed this problem. Several of their principal researchers found that when the client sat around the negotiation table with the consulting firm to discuss MBRs, both parties' legal council could not agree to how they could possibly define MBRs that would hold the other accountable. With so many other items to negotiate, MBRs become "non-essential" and soon fade off to "non-existent."

What happened? We come so close. We know we should use MBRs, they make sense, but we don't. It's as what Stanislaw Lem wrote, "Is it really progress if we teach a cannibal to use a knife and a fork?"

Clients need predictability and clear results. The focus on clearly defined, measurable outcomes in order to maximize your success when using consultants cannot be stressed enough. Outside firms work better with clearly defined outcomes to shoot for. All too often the predictability we use to measure projects is on par with reading today's horoscope.

In my firm, we have given some thought to MBRs. To clear up some of the confusion you as a client or consultant, consider the following criteria – prior to legal and contract lawyers are involved. Determine which ones are doable and achievable. Here is a sample of MBRs. Note the differences between "measurable" and "subjective". Aim for the measurable.

1.	Return on sales (investment, assets, equity, etc.)	Measurable
2.	Revenue (sales) improvement	Measurable
3.	Profit improvement (or gross margin improvements)	Measurable
4.	Staff retention (decreasing employee turnover)	Measurable
5.	Increased customer loyalty (customer attrition rate reductions, buy more, etc.)	Measurable
6.	Increased customer cross-selling (selling more different items to your current customers)	Measurable
7.	Increased market share	Measurable
8.	Improved speed to market with products (project completion, response to customer queries etc.)	Measurable
9.	Faster product cycle times	Measurable
10.	Less rework (less/improved defects or improved quality, less scrap)	Measurable
11.	Cost reduction	Measurable
12.	Decreased SG&A (improved SG&A to revenue ratios)	Measurable
13.	Improved employee satisfaction (improved user or customer satisfaction)	Measurable
14.	Increased employee productivity	Measurable
15.	Higher morale (better, improved)	Subjective
16.	Better communications (improved)	Subjective
17.	Improved image	Subjective
18.	Increased teamwork	Subjective
19.	Better use of interdepartmental resources	Subjective
20.	Increased number of hours worked	Subjective