



We Are What We Measure

Why the metrics your business tracks are shaping decisions and behaviours you never intended

Nigel Woodall

Aftermarket Advisory Consulting

'We are what we measure' is undoubtedly an accurate business truism. So, the obvious question is, why is it that many businesses pay limited attention to the creation or revalidation of their metrics?

The Illusion of Control

Most leadership teams say they understand how their business is performing. They have KPIs, defined dashboards, and the monthly review cadence delivers a sense of thorough monitoring. The numbers are discussed, trends are tracked, and decisions are backed up with data. So, on the surface, it all feels very controlled.

Yet, despite all these factors, many organisations still experience performance decline, or just a sub-

optimal level of adequacy. This is typically framed by customers being hard to retain, and the reappearance of issues that were supposedly already fixed. The result - profitability weakens, maybe not dramatically at first, but gradual enough that it's difficult to pinpoint exactly when things started to move in the wrong direction.

Businesses don't become what they intend to be. They become what they measure, reward and pay attention to.

This isn't usually because there's a shortage of data either, as in most cases, there's plenty of it. The problem is more subtle than that, and it's simply that what's being measured, and what

actually determines performance, are not quite the same thing.

And this is where the problem starts to take shape.

When those measures are slightly 'off', even if they look perfectly reasonable in isolation, the organisation begins to optimise around them anyway. That's not just a measurement issue. It's a structural one. As time goes on, the relationship between a business's revenue streams, operational processes, and value capture tends to drift apart. That misalignment sits at the core of what I describe elsewhere as revenue integrity - and once it begins, performance rarely fails suddenly...it just slowly drifts.

When Measurement Starts to Shape Behaviour

You see it most clearly when new KPIs are introduced (always with the best of intentions). In one service operation, product turnaround time had become an issue, so leadership pushed measurement deeper into the organisation. Targets were set at cell level on the shopfloor, focusing on average turnaround time and schedule adherence. To be fair, it looked like exactly the kind of discipline that should improve performance.

What followed was entirely logical once you step back and look at it in isolation.

Teams began to ignore any job that was already overdue. There was

simply no benefit from a KPI perspective because it would always count as a failure when they shipped it. Instead, they focused on work that could still be completed within target. The numbers improved quite quickly, and from a management and reporting standpoint, it looked like the changes were working.

Meanwhile, a backlog of older work built up. Work-in-progress costs rose, customer wait times increased, and unsurprisingly, complaints followed. By the time the issue became visible, the business had created a problem that took months to unwind.

The crazy thing was that no one involved was being careless (albeit they were 'gaming' the system). The teams were doing exactly what the system (and management) was encouraging them to do. The metrics weren't just measuring behaviour, they were shaping it, and not in the way anyone intended.

Financial Targets and the Power of Incentives

A similar pattern tends to appear at a different level when financial targets come into play, particularly around inventory.

Reducing inventory is usually framed as something positive.

It improves cash flow, tightens discipline, and so, on paper at least, it's very hard to argue against.

Consequently, targets get set, often tied to the financial year-end, and as that deadline approaches the business focus narrows.

The conversation shifts from “what level of stock do we need to support the business?” to “what do we need to do to hit the number?”



This type of response is particularly strong in organisations where individual R&R (bonuses) are directly linked to the KPI's.

That's where behaviour starts to change.

Orders get delayed, replenishment is pushed out, and stock is run down harder than it should be. It makes perfect sense if the goal is simply to land the KPI. When the year closes, the result looks good - inventory is down, the target is met, and it may even be presented as strong execution.

Unfortunately, what doesn't show up immediately is the cost of how that number was achieved. Service and sales teams find themselves short of parts, and so customer demand

becomes harder to fulfil. Growth targets slip, and not because the opportunities aren't there, but simply because the business has constrained its own ability to respond to them.

Why KPI Drift Is Inevitable

KPI drift is almost unavoidable in any organisation, whether it's growing or not. The way a business creates value is always evolving - new customers, new processes, shifting priorities, changes in capability, and the natural adjustments teams make as they learn what works. But the KPI set rarely evolves at the same pace. What began as a coherent measurement system gradually fragments as functions optimise locally. New metrics are added reactively, and old ones remain in place long after the business has moved on. None of this is deliberate - it's simply the natural consequence of organisational change. Unless the KPI system is periodically re-aligned to the way the business now creates value, the organisation ends up managing to a picture of performance that no longer reflects reality.

By this point, the pattern should be clear. Because KPI drift happens naturally as organisations evolve, leaders can end up celebrating improvements in performance metrics without realising they've just introduced a different problem somewhere else. Not because the metric was wrong in principle, but because it wasn't considered in the

context of the wider system it sits within.

Where Problems Hide

And that's really where most measurement issues come from. Not a lack of good intentions, or data, but simply a lack of alignment.

KPIs get built function by function. Operations measures one thing, finance another, sales something else again. Each one makes sense on its own terms, but the connections between them aren't always obvious. Over time, gaps start to appear. Not large ones, but just enough so that certain problems sit slightly outside of what's being tracked.

Employees notice those gaps. They quickly learn what matters, what doesn't, and how performance is judged, and their behaviour adjusts accordingly.

That's when KPIs start to create what are, in effect, 'hiding places'. Not deliberately, but structurally. Issues stop being visible, not because the data isn't there, but because it no longer sits within how performance is being measured.

In the service example, overdue work became one of those hiding places. The system was designed to track what was delivered on time, so anything already late became less relevant from a measurement perspective. The KPI improved, but the underlying problem grew.

The fix in that example wasn't complicated. Two additional measures were added - average age of work and throughput balance - brought the full picture back into view. The behaviour subsequently corrected itself because the system was realigned.

These are the points many businesses overlook. KPIs don't operate in isolation - they interact, and once they're linked to reward and recognition, they become powerful behavioural levers. A metric intended to drive improvement can just as easily drive distortion, gaming, or local optimisation that undermines the wider outcome. None of this requires any bad intent; it's simply rational people responding to the incentives they've been given.

So, the clear message is that KPIs shape behaviour as much as they measure it. Unless they're designed as a coherent system, you end up optimising individual functions while degrading the performance of the business as a whole.

In practice, that's where the fragmentation sets in - revenue, operations and cost start to move out of alignment, and the business loses its ability to consistently protect and compound the value it has already created.

A Simple Test for Any KPI

There's a simple way to pressure-test a new KPI before it creates problems.

Assume a rational person's bonus depends on hitting that number. Then ask: *'what behaviours might that drive that we wouldn't actually want?'* If that question surfaces uncomfortable answers, the metric needs more work before it becomes operational.

Measuring What Actually Drives Value

Even with a well-aligned KPI set, a deeper problem often remains: the business isn't actually measuring several of the things that drive real value. Revenue and margin are almost always tracked, but the picture becomes less clear when you look at how value is actually created.

Account-level profitability, for example, is something many SMEs don't have a firm handle on. Two customers can generate the same top-line revenue and yet contribute very differently once the cost to serve is properly understood.

One account might be straightforward, predictable, easy to support. The other might generate constant exceptions, additional work, and disproportionate management time. Without measuring that difference, it doesn't get managed, and so pricing decisions become vanilla across the customer base. Similarly, resource allocation follows the wrong signals.

The same thing happens with retention. Sales churn gets attention, but it doesn't say much about the health of the customer base. Whereas Net Revenue Retention tells a clearer story: if it's below 100 percent, the business is simply replacing what it's losing rather than building on it - a very different position from the one suggested by new business performance alone.

All of this comes back to how measurement is used.

In some organisations, it's largely administrative. Regular reports are produced, exceptions are noted, it becomes the routine, and the conversation moves on. In others, it's more embedded. Metrics are used to challenge assumptions, to surface issues early, and to connect what's happening in one part of the business with the consequences in another.

That last part is where the real value sits. Most of the problems that damage performance don't originate neatly within a single function. They emerge at the boundaries, where decisions made in one area have unintended effects somewhere else. If measurement doesn't reflect those connections, it becomes very difficult to see what's really going on until the impact is already visible in the results.

The Question Leaders Rarely Ask

Which brings it back to a fairly simple question, but one that doesn't get asked often enough.

If your organisation is performing exactly as it's being measured, is that actually the performance you want?

If it isn't, the issue isn't execution. It's simply the system that's defining what 'good' looks like. In most cases this is the system doing exactly what it was designed to do. The problem is, that isn't what the business actually needs.

And at that point, the business isn't protecting the value it has already created, it's systematically eroding it.

Most businesses don't have a performance problem. They have a measurement problem that hasn't been recognised yet.

If any part of this feels familiar, it may be time to take a more structured look at how your metrics are shaping decisions across the business.



These insights draw on my work across multiple business sectors and the principles explored in greater depth in *After-sales Excellence: Driving Improvement, Customer Satisfaction, and Growth* by Nigel Woodall.

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