LEAN COMPLIANCE

ELEVATE COMPLIANCE USING METRICS THAT MATTER MOST

ELEVATE COMPLIANCE WEBINARS

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ABOUT LEAN COMPLIANCE

Our mission – Building Compliance That Works for You



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THE BIG IDEA

To stay on mission, between the lines, and ahead of risk requires measures, and measures need to be measured



"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it."

- H. James Harrington

"What gets measured gets done, what gets measured and fed back gets done well, what gets rewarded gets repeated."

- John E. Jones

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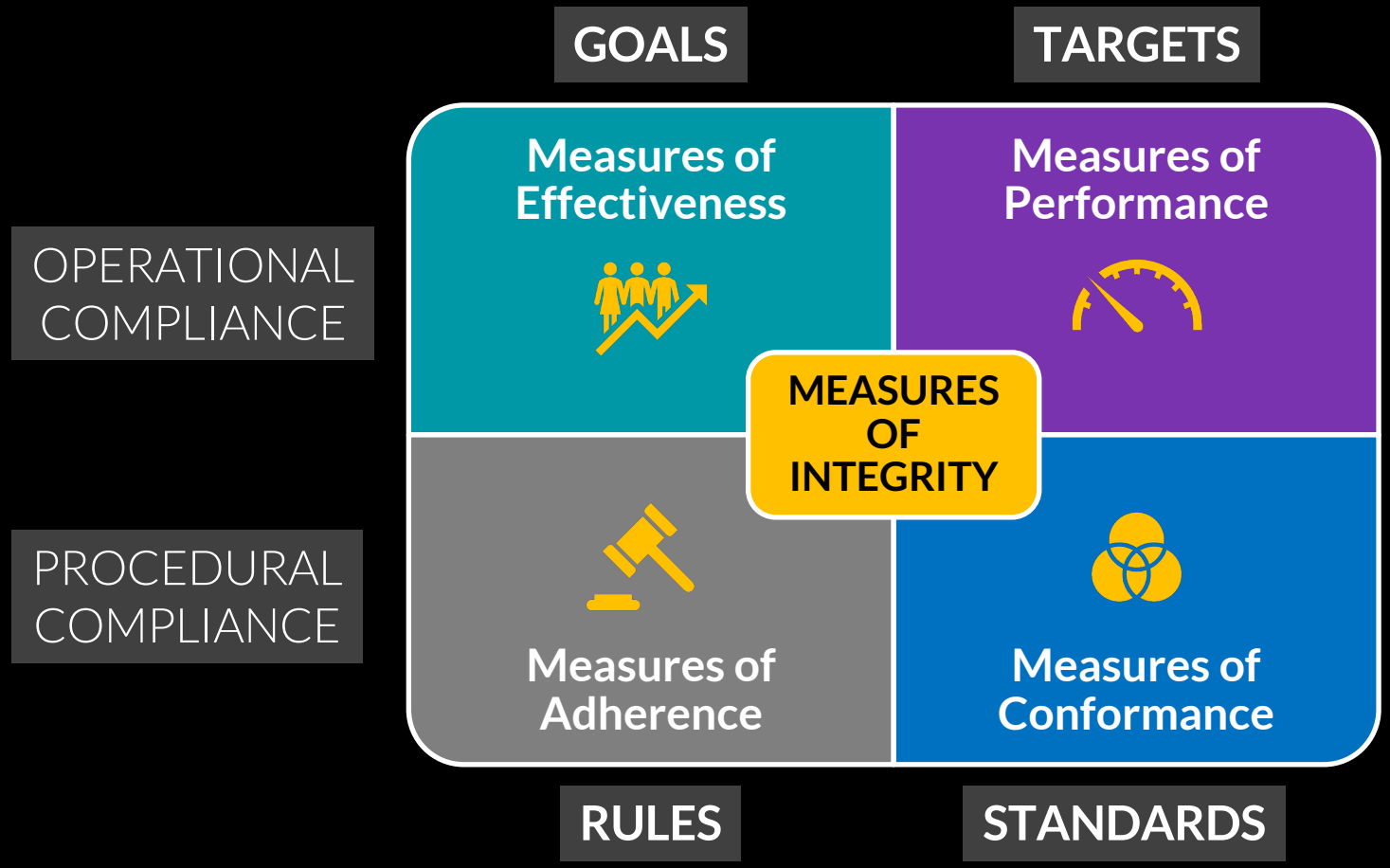


Which Metrics Really Matter?

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THE BIG IDEA

The metrics that matter most are the ones connected to outcomes



OUTCOMES

- Sustainability
- Reputation
- Security
- Integrity
- Quality
- Safety
- Profit
- Trust

Value in the eyes of all stakeholders

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LEAN COMPLIANCE

OUTLINE

1. The Purpose of Metrics
2. The Problem with Metrics
3. A Model for Metrics
4. Elevating Compliance using Metrics

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LEAN COMPLIANCE

1. THE PURPOSE OF METRICS

What they are and what they do



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THE PURPOSE OF METRICS

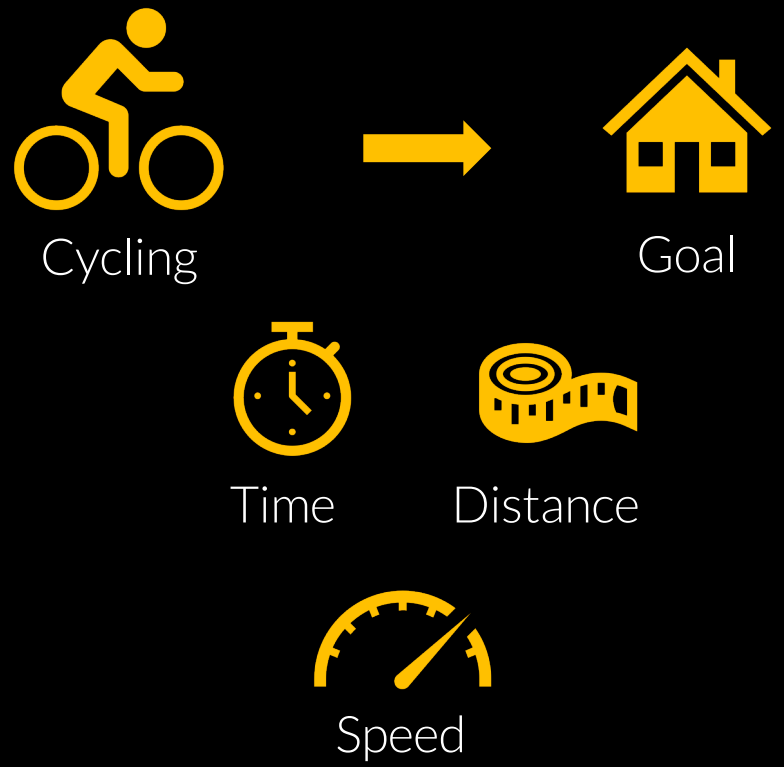
Measures, methods, measurements, and metrics

A goal without a method is nonsense – W. Edward Deming

- **Measure (Measurement)** – an estimate or assessment of the extent, quality, value, or effect of something.

- **Measure (Method)** – a plan or course of action taken to achieve a particular purpose.

- **Metric** – a measurement in context



A method without a measurement is waste

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THE PURPOSE OF METRICS

Where are metrics used?



- **Performance Management**: Metrics allow for quantifying performance in areas like productivity, quality, and efficiency, enabling comparisons to benchmarks or standards.
- **Decision-Making Support**: By providing concrete data, metrics help leaders make informed decisions, setting priorities and allocating resources effectively.
- **Goal Alignment**: Metrics align activities and outcomes with organizational or personal goals. They keep teams focused on measurable objectives that drive desired results.
- **Progress Tracking:** Metrics allow tracking progress toward short- and long-term goals, showing whether initiatives are on track or need adjustments.
- **Accountability and Transparency**: Metrics establish accountability by creating clear expectations and measuring individual or team contributions, supporting transparency in performance reviews and audits.
- **Continuous Improvement**: By identifying areas needing improvement, metrics enable targeted changes and innovation, fostering a cycle of ongoing improvement.

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THE PURPOSE OF METRICS

Example: Key Performance Indicators

Category	KPI	Definition
Safety	Recordable Incident Rate (RIR)	Measures the frequency of recordable work-related injuries and illnesses per 100 full-time employees (FTEs) over a specific period.
	Lost Time Injury Rate (LTIR)	Measures the number of workplace injuries or illnesses that result in lost work time per 100 FTEs over a specific period.
	Safety Observation Completion Rate	Tracks the percentage of scheduled safety observation rounds conducted to identify potential hazards and promote safe work practices.
	Near Miss Reporting Rate	Tracks the number of near misses or close calls reported per 100 employees.
	Personal Protective Equipment (PPE) Usage Rate	Measures the percentage of employees observed wearing required PPE during work activities.
Security	Mean Time to Detection (MTTD)	Measures the average time it takes to identify a security breach.
	Mean Time to Response (MTTR)	Measures the average time it takes to contain and remediate a security breach.
	Phishing Email Click-Through Rate	Tracks the percentage of employees who click on malicious phishing emails sent during simulated attacks.
	Security Patch Management Compliance Rate	Measures the percentage of devices or systems that have been patched with the latest security updates.
	Password Complexity Score	Measures the average strength of employee passwords based on complexity criteria.
Sustainability	Energy Consumption per Unit of Output	Measures the amount of energy consumed to produce a specific unit of product or service.
	Water Use per Unit of Output	Measures the amount of water used to produce a specific unit of product or service.
	Recycling Rate	Tracks the percentage of waste diverted from landfill through recycling programs.
	Renewable Energy Use as a Percentage of Total Energy Consumption	Tracks the proportion of energy derived from renewable sources compared to total energy usage.
	Sustainable Procurement Rate	Measures the percentage of goods and services procured from suppliers committed to sustainable practices.

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THE PURPOSE OF METRICS

Example: Key Performance Metrics (Indicators)

Quality	Customer Defect Rate	Measures the percentage of products or services delivered to customers that do not meet quality specifications.
	First-Pass Yield	Measures the percentage of products that pass inspection the first time through the production process.
	Customer Satisfaction Score	Measures customer satisfaction through surveys or feedback mechanisms.
	Product/Service Return Rate	Tracks the percentage of products or services returned by customers due to quality problems.
	Process Rework Rate	Tracks the percentage of products or services that require rework due to quality issues.
Ethical	Employee Ethics Training Completion Rate	Tracks the percentage of employees who have completed required ethics training programs.
	Supplier Code of Conduct Compliance Rate	Assesses the percentage of suppliers who adhere to your organization's ethical sourcing standards.
	Whistleblower Report Investigation Rate	Tracks the percentage of whistleblower reports thoroughly investigated by the organization.
	Charitable Giving as a Percentage of Pre-Tax Profits	Measures the percentage of pre-tax profits donated to charitable causes.
	Customer Privacy Complaint Resolution Rate	Tracks the percentage of customer privacy complaints resolved within a specified timeframe.
Regulatory	Regulatory Audit Non-Compliance Findings	Tracks the number of non-compliance findings identified during regulatory audits.
	Regulatory Permit Renewal Success Rate	Measures the percentage of regulatory permits successfully renewed on time.
	Regulatory Fines Incurred	Tracks the total amount of financial penalties imposed for violations of regulations.
	Employee Regulatory Training Completion Rate	Tracks the percentage of employees who have completed required training on relevant regulations.
	Internal Regulatory Compliance Audit Completion Rate	Measures the percentage of scheduled internal audits conducted to identify and address potential regulatory compliance gaps.

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QUIZ #1

Which of the following best defines what a **METRIC** is?

1. A goal
2. A method
3. A measurement
4. A measurement in context
5. None of the above

Answer:

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2. THE PROBLEM WITH METRICS

Not all metrics matter, in fact some will cause more harm than good



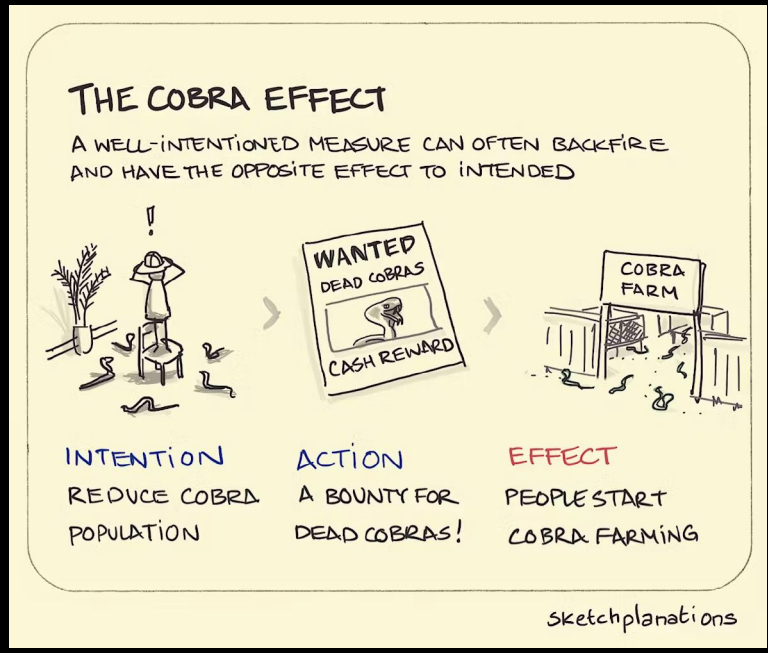
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THE PROBLEM WITH METRICS

Be careful what you measure



If you measure people on the number of nails made, then you might get lots of tiny nails.

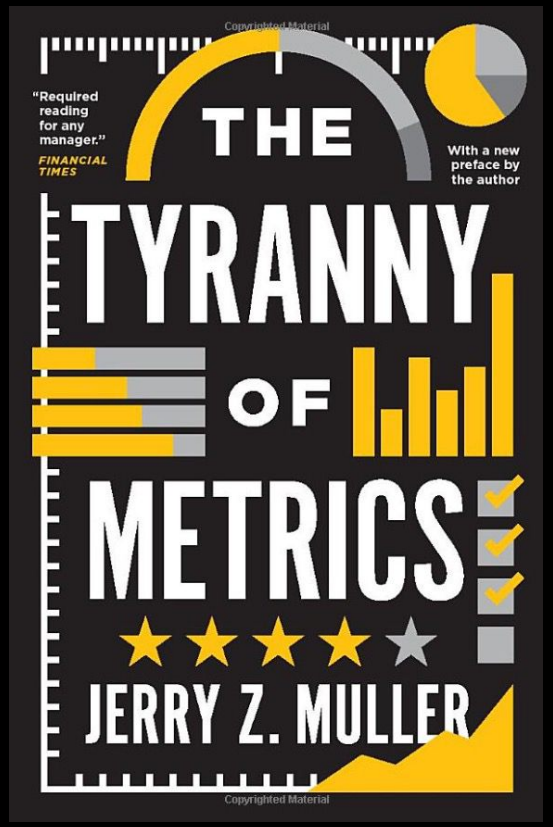


If you create a bounty on catching software bugs, you might end up with an industry of bug creation.

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THE PROBLEM WITH METRICS

What can be measured may not be worth measuring



The costs of measuring may be greater than the benefits.

The things that get measured may draw effort away from the things we really care about

– **Tyranny of Metrics (Jerry Z. Muller)**

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THE PROBLEM WITH METRICS

Not all metrics are observable or measurable

VISIBLE THINGS



HIDDEN THINGS



Don't look with your eyes, look with your feet.

Don't think with your head, think with your hands.

– Taiichi Ohno (Father of Lean)

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THE PROBLEM WITH METRICS

We rely too much of metrics

"It is wrong to suppose that if you can't measure it, you can't manage it—a costly myth”

– **W. Edward Deming**



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THE PROBLEM WITH METRICS

Some of what we need to measure cannot be expressed as a number

Quantitative

- Refers to data that can be given a numeric value (Objective)

Qualitative

- Data that captures qualities, characteristics, and behaviors in a descriptive or narrative form (subjective)

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THE PROBLEM WITH METRICS

The trouble with measuring nothing

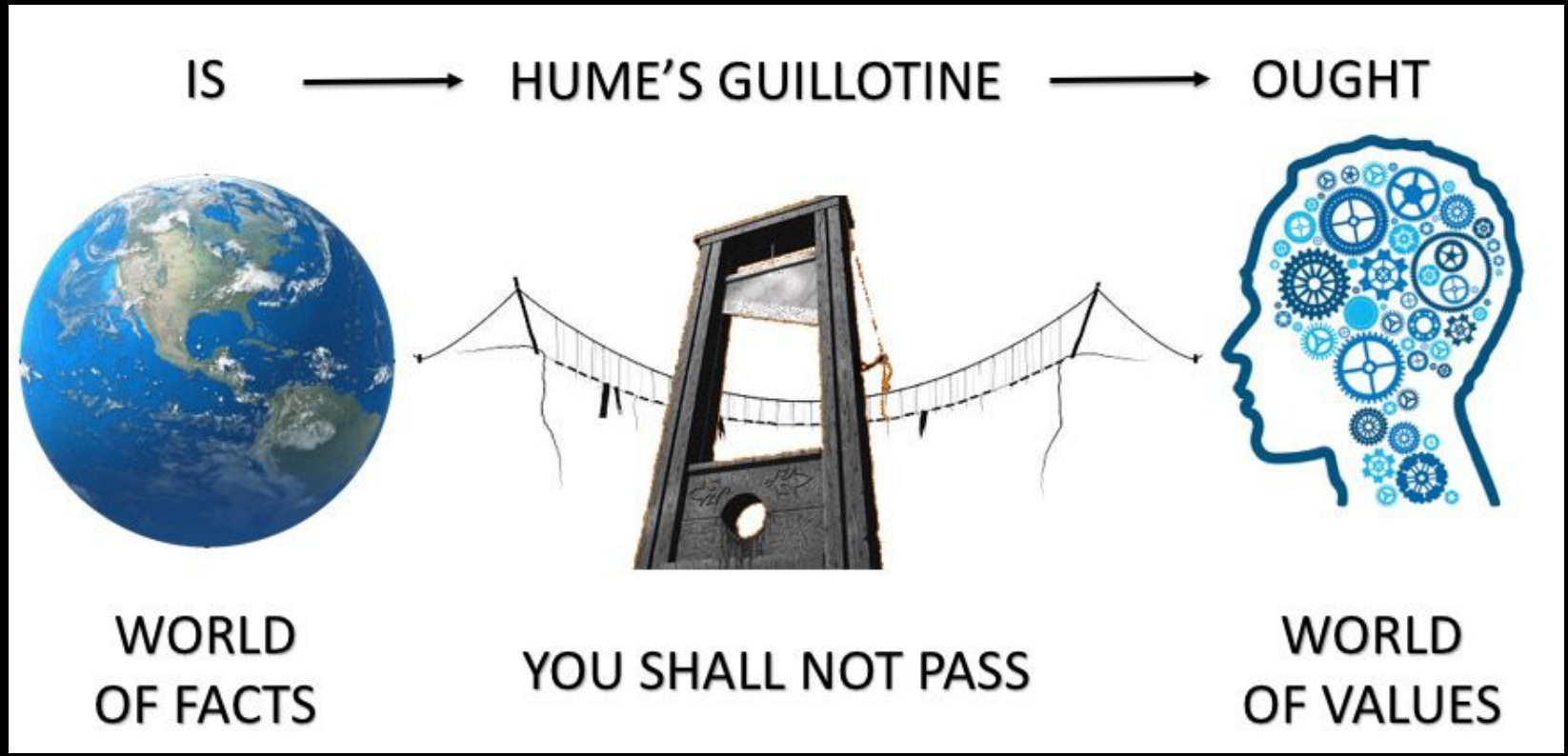
Measuring the absence of something (Intangible) is not a good measure of compliance.



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THE PROBLEM WITH METRICS

The problem with facts – what is versus what should be



Data can tell us what is but will never tell us how things "ought" to be.

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QUIZ #2

Which of the following type of metrics is the most **difficult** to measure?

1. Quantitative
2. Qualitative
3. Observable
4. Tangible
5. None of the above

Answer:

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3. A MODEL FOR METRICS

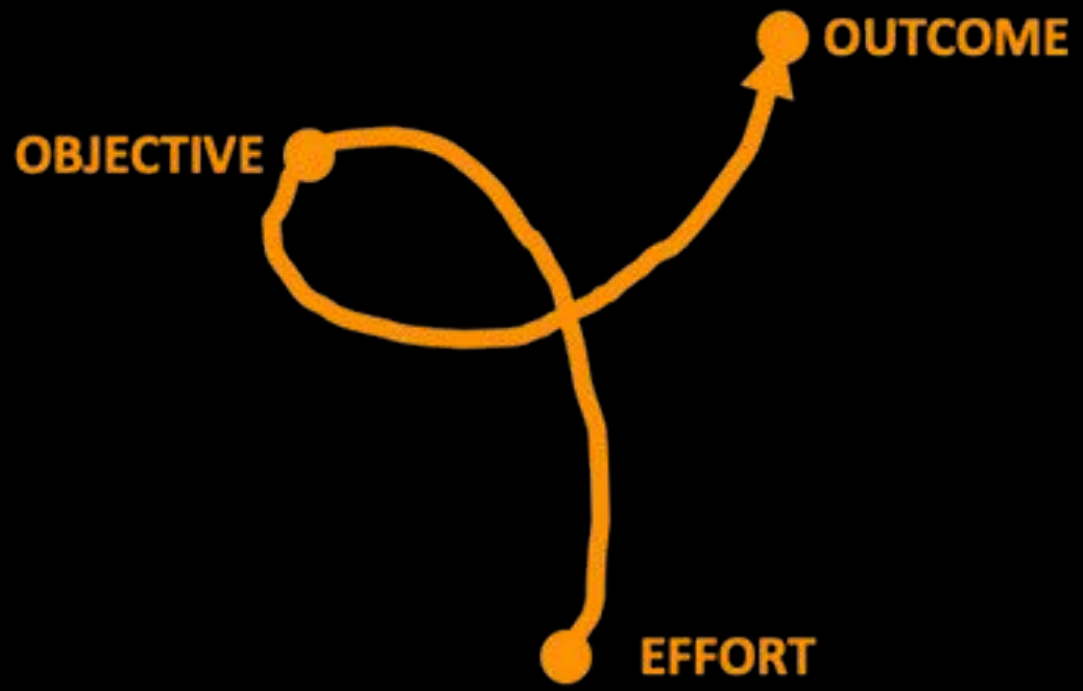
Connecting measurements to the things that matter most



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A MODEL FOR METRICS

Things to measure: outcomes, goals, targets, objectives, and effort



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A MODEL FOR METRICS

Outcomes - the result of our efforts

- **Outcomes** are the "ends" that we expect to attain over time where progress is expected through the achievement of planned goals and objectives.
- These are often described in qualitative terms but may also have defined measures to indicate and track progress towards the desired **outcome**.
- An example **outcome** is achieving carbon neutrality by 2050.
- Other examples of **outcomes**: confidentiality, integrity, availability, integrity, safety, security, quality, etc.



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A MODEL FOR METRICS

Goal – that which drives us forward

- **Goals** are defined measures of intermediate success or progress.
- They are often binary similar to **goal** lines that are reached or not.
- **Goals** are usually associated with outcomes and are long-term in nature whereas targets tend to be associated with performance and are short-term.
- There are two kinds of **goals**; terminal and instrumental:



- **Terminal goals**: are the highest-level outcome that we want to reach. They define the "ends" of our endeavors. For compliance these might include: zero defects, zero fatalities, zero violations, zero releases, zero fines, and others.
- **Instrumental goals**: are intermediate outcomes or results that are critical or that must occur in order to achieve the higher-level outcome. These are often used to define measures of effectiveness (MoE) for compliance programs as they provide clear indication of progress towards terminal goals.

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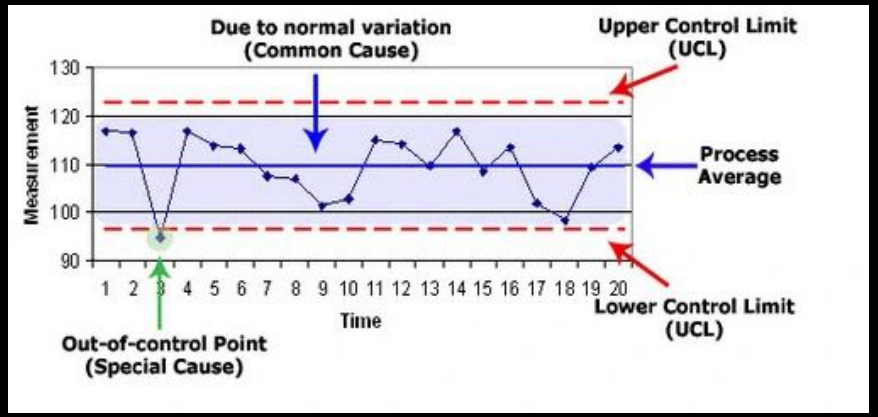
A MODEL FOR METRICS

Targets help us make progress towards our outcomes

- A **Target** can be a *Measure of Progress* when connected to a goal. It measures how close we are to the goal line.



- A **Target** can be a *Measure of Performance* when associated with the rate we need to make progress. It may also indicate a single point or a range (min and max) of performance needed to achieve an objective.

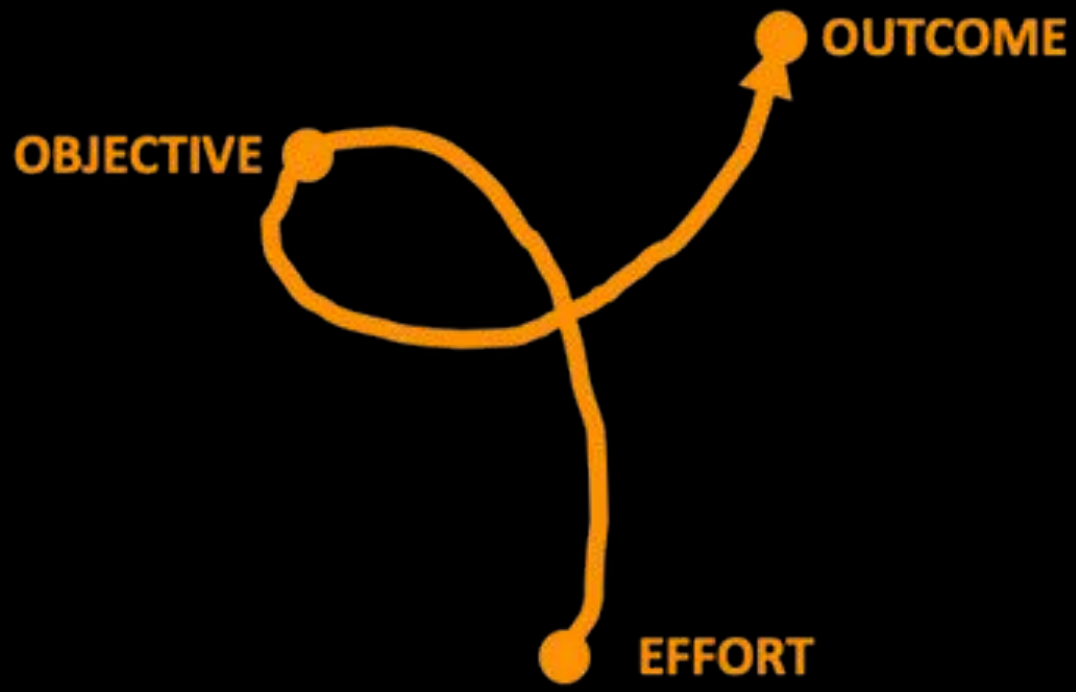


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A MODEL FOR METRICS

Objectives –take effort and connect it to strategy (a method) to achieve a result (outcome)

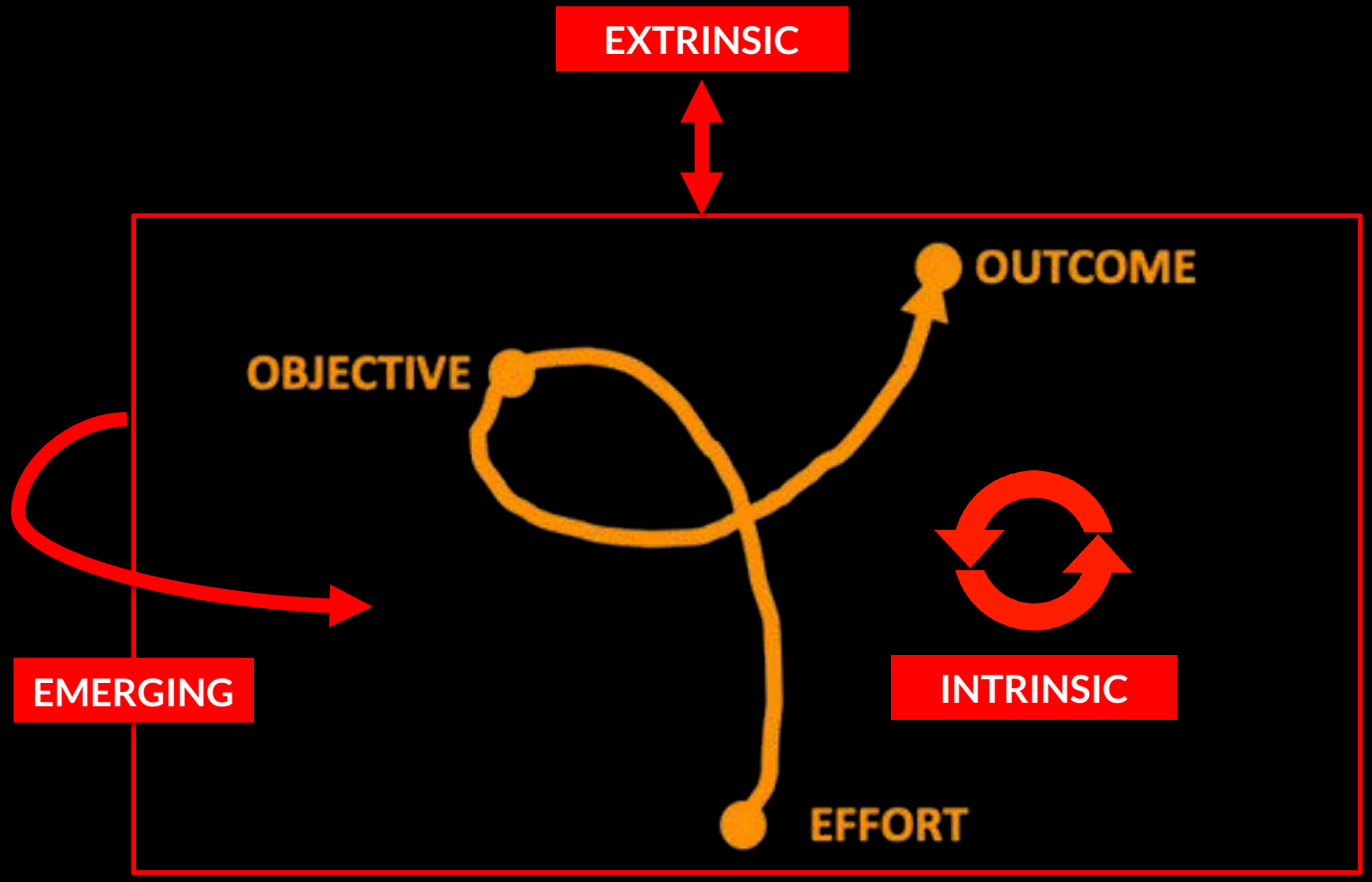
- **Objectives** are the results we expect to attain over a planned period-of-time. These results contribute to (or cause) progress towards the targeted outcome.
- An outcome may require several **objectives** done in parallel, sequentially, continuously, and some contingent on others.
- Some form of causation model (deterministic, probabilistic, linear, non-linear, etc.) is needed to estimate the confidence level of creating the desired outcomes using planned **objectives**.
- In cases of significant uncertainty these models will be adjusted over time as more information is gathered and correlation between **objectives** and outcomes are better known.



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A MODEL FOR METRICS

Everything happens in the presence of uncertainty



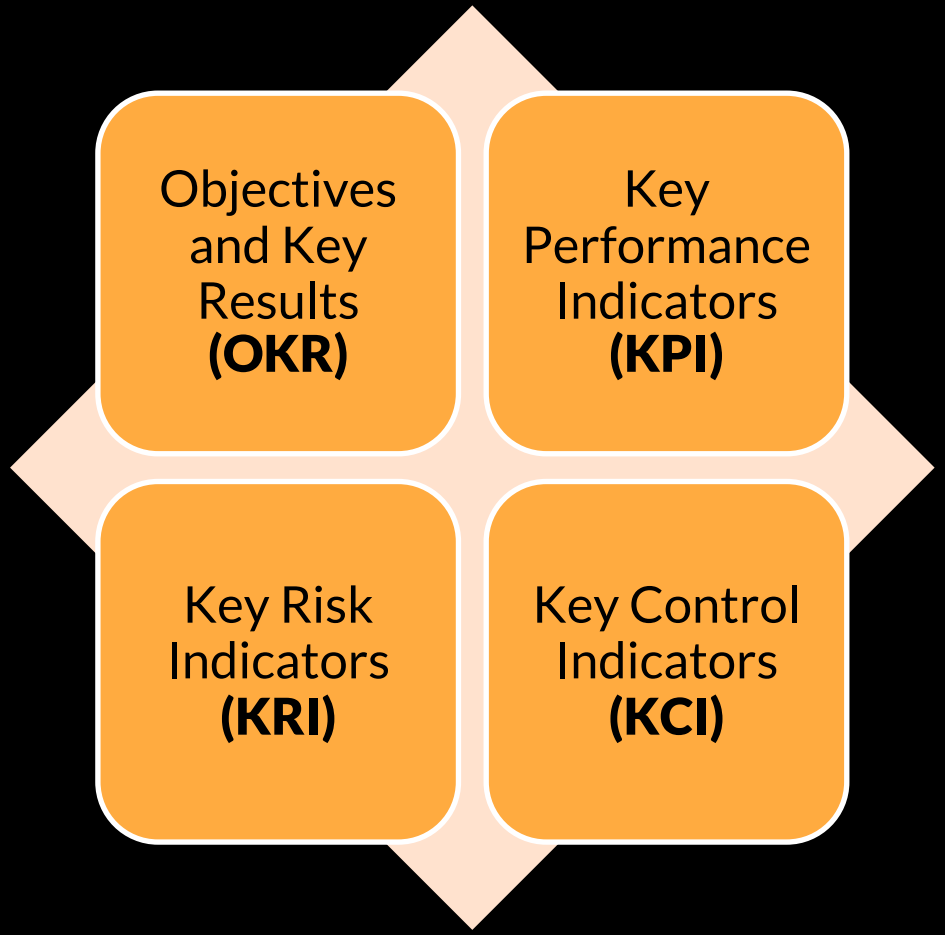
RISK = Effects of Uncertainty on Objectives

- **EXTRINSIC** – risks that are external to the organization (in/out).
- **INTRINSIC** – risks that are inherent in the organization.
- **EMERGING** – risks that arise because of changing conditions, behaviours, or capability.

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A MODEL FOR METRICS

Management Metric Frameworks



- **Objectives and Key Results (OKRs):** These set the overall direction and define success through specific, measurable targets. Objectives are broad aspirational goals, while key results are quantifiable metrics that track progress towards achieving those objectives.
- **Key Performance Indicators (KPIs):** These are quantifiable measures that directly track progress towards achieving the key results. KPIs provide a clear picture of how well an organization is performing in relation to its goals.
- **Key Risk Indicators (KRIs):** These are qualitative or quantitative measures that identify potential risks that could derail progress towards achieving the objectives and key results. KRIs help organizations proactively identify and manage potential roadblocks.
- **Key Control Indicators (KCIs):** These metrics assess the effectiveness of the controls implemented to mitigate the risks identified by the KRIs. KCIs ensure that the controls in place are functioning as intended and effectively mitigating risks.

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QUIZ #3

Which metrics framework is most applicable for **OUTCOMES**:

1. Key Performance Indicators (KPI)
2. Objectives and Key Results (OKR)
3. Key Risk Indicators (KRI)
4. Key Control Indicators (KCI)
5. None of the above

Answer:

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4. ELEVATING COMPLIANCE USING METRICS

An operational metrics framework to achieve compliance success

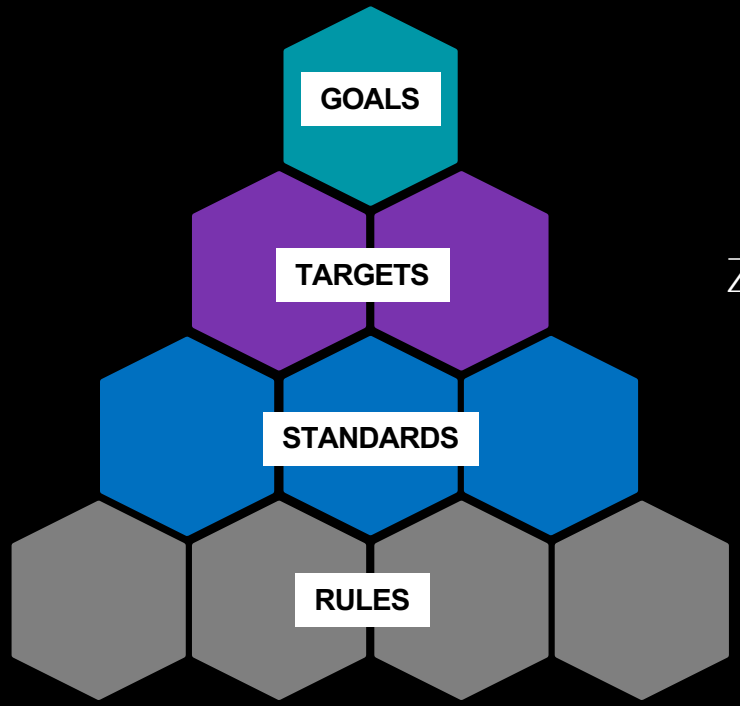


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ELEVATING COMPLIANCE USING METRICS

Obligation's Hierarchy of Needs

ACCEPTING STAKEHOLDER RESPONSIBLITY



ACCEPTING LEGAL RESPONSIBLITY

Stakeholder Expectations, ESG Commitments, Corporate Policy

Zero Defects, Zero Violations, Zero Incidents, Zero Breaches, Zero Emissions

ISO, NIST, COSO, CSA, CSO

Legislation, Acts, Regulations, Licenses, Permits, Orders, Contracts

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ELEVATING COMPLIANCE USING METRICS

Measures of Compliance Success – Metrics that Matter Most

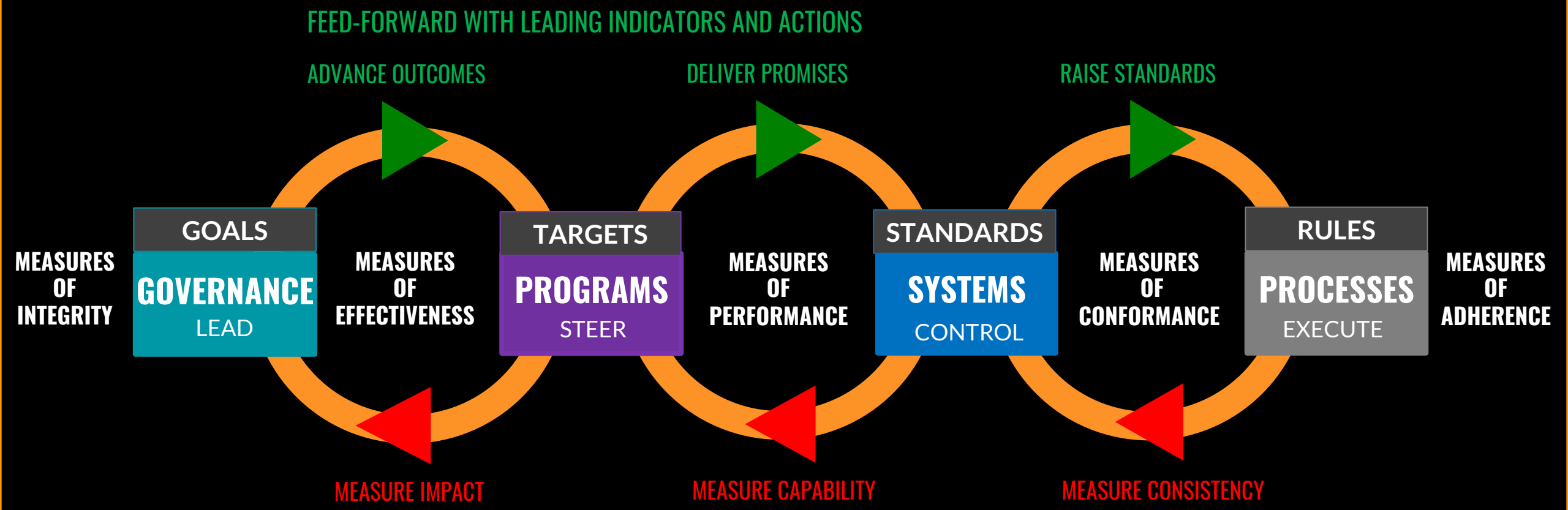


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ELEVATING COMPLIANCE USING METRICS

Operational Compliance Model - Metrics



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ELEVATING COMPLIANCE USING METRICS

Measures of Compliance Success - Metrics that Matter Most

OPERATIONAL COMPLAINCE

PROCEDURAL COMPLAINCE

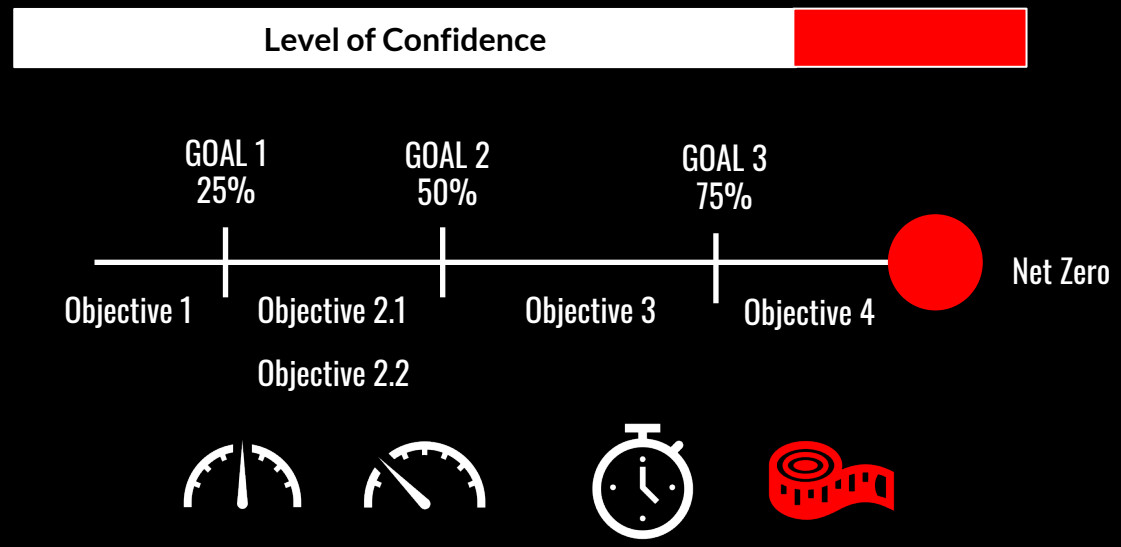
Measures of Integrity (MoI)
Confidence of Meeting Obligations

Measures of Effectiveness (MoE)
Progress Towards Goals

Measures of Performance (MoP)
Achieving Targets

Measures of Conformance (MoC)
Evidence of Conformance

Measures of Adherence (MoA)
Evidence of Adherence



ISO NIST COSO POLICIES

AUDIT INSPECTION CHECKLISTS

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ELEVATING COMPLIANCE USING METRICS

Measure of Compliance Success – Metrics that Matter Most

SAFETY

MODEL COMPONENT	MEASURES OF COMPLIANCE	OBLIGATION / PROMISE	METRIC TYPE	METRIC EXAMPLE	METRIC TARGET
PROCESS	Measure of Adherence (MoA)	*Adhere to Safety Legal Rules*	Count of evidence of adherence	*Existence of Training Records for Each Employee / Year*	*100%*
SYSTEM	Measure of Conformance (MoC)	*Maintain ISO Management Standard Certification*	Count of evidence of conformance	*Evidence of using a Continuous Improvement Process*	*Positive*
PROGRAM	Measure of Performance (MoP)	*Achieve TRIR Industry Average*	Key Performance Indicators (KPI)	*Total Recordable Incident Rate (TRIR)*	*3 per 100 full-time workers*
PROGRAM	Measure of Performance (MoP)	*Reduce Safety Risk to below Risk Tolerance*	Key Control Indicator (KCI)	*Level of Risk / Risk Tolerance*	*100%*
GOVERNANCE	Measure of Effectiveness (MoE)	*Provide a Safe Work Environment*	Progress towards better safety outcomes	*Actual / Planned Percent Complete on Instrumental Goals*	*GREEN (on track or ahead)*
OVERALL	Measure of Integrity (MoI)	*Safety Function is Working as Designed*	Level of Confidence of Achieving Safety Success	*Promises Kept / Promises Made*	*100%*

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ELEVATING COMPLIANCE USING METRICS

Measure of Compliance Success – What can we learn from this framework



- Metrics connected to outcomes drive real impact.
- No single metric tells the whole compliance story - view them holistically and as a system.
- Metrics without targets are just numbers.
- Obligations and commitments define your targets.
- Metrics reveal if you can deliver what you promised.
- Be careful what you measure

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QUIZ #4

Which of the following contributes to the **Measure of Integrity**?

1. Measures of Adherence
2. Measures of Conformance
3. Measures of Performance
4. Measures of Effectiveness
5. All the above

Answer:

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SUMMARY

1. The Purpose of Metrics
2. The Problem with Metrics
3. A Model for Metrics
4. Elevating Compliance using Metrics

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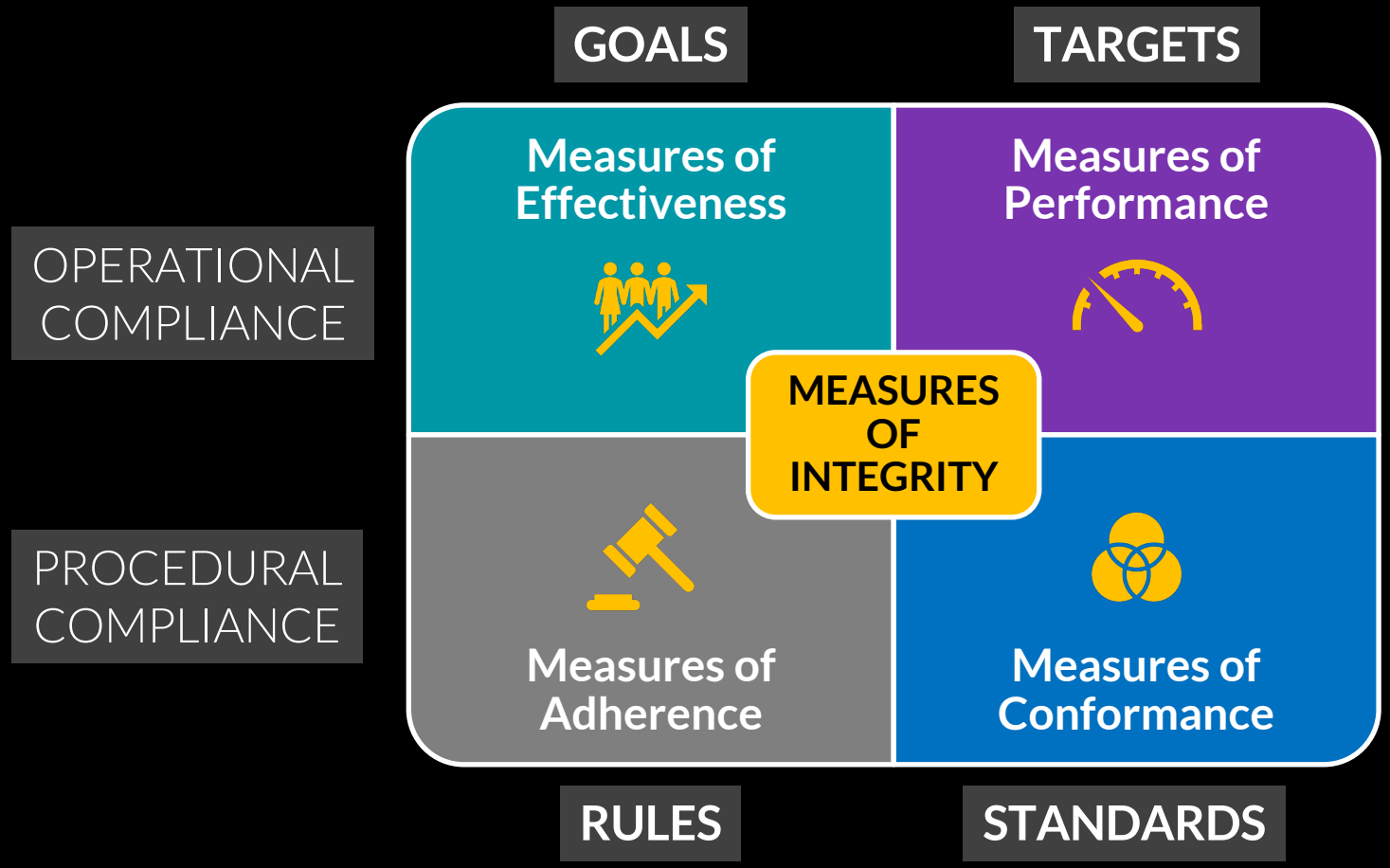


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- Sustainability
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- Trust

Value in the eyes of all stakeholders

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Q&A



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Thank You!