Welcome to the lesson on Managing and Measuring the Results of the AI Deployment.

I'd like to start with this simple, clever quote that I learned when I was younger. I used to live in New Orleans and I remember walking into an Italian restaurant and seeing this written on a sign whatever. It’s cute however, if you understand how this applies in the management measurement, if we have good data points, if we have good KPIs, we don't find ourselves in a situation with a leadership team or the management or department heads where we're unsure of the next action. “Okay, we've completed this cycle, Where do we go from here? Well, I think we should go there. Oh, I had a customer call out and say that was great.”

Those aren't the data points we're talking about. And to not being clear on data-driven decisions results in us, because of one customer's feedback or two or three customers' feedback, make a pivot from the direction that we were headed. “Oh, we need to do this.” Let the data tell us. When you are using hard numbers to understand the effect of the deployment on certain workflows you, don't have the opportunity to accidentally decided to go in the wrong direction.

You have data, you can understand where you need to be, and you can make a decision based on where the data is and the delta between where you want to go.

KPI Categories

The KPI categories that we discussed in the written material, there were a number of them. Not all of them may apply to every business that you work with or within your own company. However, it's important that you have an understanding of those categories so that you can best calibrate: what are we going to measure? What indicators will be more likely to help us make data-driven decisions that lead us to the result as compared to kind-of- a-wild west scenario where we're a little bit of guessing and a little bit of opinion?

I have a mentor. He said, “If you go with your gut, GUT stands for **Gave Up Thinking.”** Obviously, that's not the best approach in business. So we want to as often as possible, let the data tell us the next step.

Leading Indicators

The two main categories that you're going to hear about, usually when it comes to the discussion of KPIs are leading indicators and lagging indicators. So let's talk about those a little bit more since they're usually the easiest to categorize, and it's a phraseology that's well understood in boardrooms and team meetings and any environment where the metrics are being discussed.

Leading indicators, when measured, allow us to see a trend that's not going in the direction that we want to go. And using the scorecard, we'll know on a week-by-week basis that something's off, and as a result, we will be able to refine the next actions in order to get us back to the benchmark or above the benchmark that we set for that particular KPI.

I'll give you an example of a leading indicator. The leading indicator would be our churn rate, meaning people who either didn't re-subscribe to our product or canceled because they didn't like our product. It could be either canceled because they were dissatisfied, didn't re-up because maybe they weren't using it, or the credit card they had on file expired. Nobody reached out to say, “Hey, you no longer have this membership.”

These indicators, in this case the churn, if we see an indicator of churn normally have about two to 5% of our client base. Turns out that doesn't resubscribe or cancel each month, but the past three months or the past three weeks, if we're using the scorecard has been 6%, 8%, and 10%.

We can predict what's going to happen to the business as that number continues to climb. It won't be pretty. Revenue will go down. There will be turnover within the organization from people who recognize that we're not solving the customer's problems and we're not doing anything about it. So these leading indicators are extremely powerful when it comes to refining the decision-making process for the next step. How do we fix it? What do we fix and how do we fix it?

Lagging Indicators

Lagging indicators would be a reflection of the action that was taken result. What do we do because of that action? Do we continue doing that action? Do we continue with this workflow? Do we continue with the volume of output from that workflow or do we need to reevaluate these lagging indicators that would be common to everybody would be revenue?

Revenue is something that's already happened. We're getting this month's reports or this quarter's reports. They're a result of what's already happened in the past. So that lagging indicator, if we see the trend going up or down, we have a good idea of whether or not our deployment is effective.

The workflows are being followed. The new processes that we've put in place are having the impact that was forecasted when we did our initial impact assessment with the organizational chart. There are a number of categories of KPIs. These are the main two that will be coming up probably in your discussions.

However, your knowledge of the additional categories is a bonus for your client and for you. You'll have more ways to focus on what's actually happening in the business as compared to having an opinion about what should be the next step. Here's an example of bad KPIs resulting in Blockbuster's demise.

Blockbuster dominated the non theater film experience for the majority of America 8,000, 9,000 locations. Their KPIs that they were watching were - late fees were a big revenue source for them. So they were monitoring late fees as a key performance indicator, like late fee revenue as compared to new customer signups, a number of times per month, the user was checking out a video, things that would have been more in leading for Blockbuster.

And as a matter of fact, at one point, Netflix in 2017 approached Blockbuster and said, “Hey, we're open to acquisition. Would you be interested in buying us? Blockbuster took the meeting and when the price was shared they were asking a 50 million exit price for Netflix. Blockbuster said, “Absolutely not”

Fast forward, you know what's happened. No more Blockbuster. Netflix now owns the space. There's now a single blockbuster store in Oregon that's open and it may not even be open anymore. This is a result of them not having clarity on the KPIs that they were monitoring now, There were a number of other reasons and there was more than just one KPI, but that's an example of late fee revenue as compared to new customer sign up or frequency of use of a store resulted in their business model experiencing challenges, to say the least.

At one point, the leadership of Blockbuster doubled down on late fee revenue as compared to trying to enter and compete with Netflix. They made an effort at it, but it was too late at that point. So an extreme example of what can happen from a poor KPI selection is a poor understanding of what to do with the data that you get from those KPIs. So it's one that we can all remember that we all use Netflix these days.

Collecting and Analyzing the Data

As I've mentioned, we recommend in the ignition process, we build out a scorecard company level all the way. Each level down on your organizational chart should have a scorecard.

And in this case, let's take a look at this very quickly. Anybody could look at this and go, “Oh, some of these cells are colored differently than others. Why would that be?” If you're familiar with a scorecard and you're using it in your meetings, our process is that once the benchmarks are established, but by having one single name here under who is responsible for that. Again, to understand this, in this case, maybe Jordan didn't do the work that resulted in that number, but Jordan was identified as the person responsible for the result. Jordan, in this case, the weekly ad revenue, Jordan's got a team of ad sales people out there.

We don't want all of the ad sales people reporting on the scorecard. We want them to report to the individual who's responsible for the result. In this case, Jordan, which I would assume and the scorecard was a team lead of the advertising sales team, we see a weekly goal of $55, 000 set for ad revenue.

And we see, “Hey, February 8th, they're hitting it. February 15th. They're hitting it.” The moment that it goes below the benchmark, we want to make sure that on the scorecard it's documented. We typically highlight it in red or yellow. The reason is that we can start to see visually, almost as if it was a dashboard, a trend, we can see that revenue went down five weeks in a row.

The purpose behind that is that it's very clear to anybody. And usually, the data points that are measured on the scorecard, it's with the leadership of that department or that division of a company that's responsible. So collectively in that meeting, it becomes very apparent. This number is off.

It's not his problem. It's our problem. It's everybody's problem. And it allows for there to be a clarity of where we need to prioritize our energy. Ad revenue is a pretty good place for this company to have pivoted their interest. But as you can see, it continues to drop towards the end of this quarter.

There's going to be other metrics that may fall off once or, you know, once or twice throughout the quarter, and that's okay. Good week. Somebody was on vacation. Bad week. Who knows? But if we don't see week after week on the scorecard of it being in the red or emergency, it becomes an anomaly and we can address it, and fix it.

And the case may be in one of these by seeing this, let's say in this first column, February 8th, Carrie's weekly in-house ad revenue, $25, 000. She was below in the meeting. We use this as a tool to say, “Okay, Carrie, at the end of the meeting, we're going to talk about why you're below.” It's not intended to be punitive and to get somebody in trouble because their numbers are off.

It's intended to be an indicator that, “Hey, this is something we need to talk about.” There's an issue, there's a constraint, there's friction, there's something going on with whatever's required to produce that result that is not being met. We've got our indicator. Let's talk about it at the end of the meeting and come up with a solution to make sure that it doesn't happen again.

This is an example scorecard. Yours will probably have some red in it as you're measuring the different departments that you're working with.

We'll have some red in it as you go week by week. But not collecting and analyzing this information on a weekly basis or some tempo that's pretty regular every day is a little too much.

Good day. Bad day. Good day. Bad day. It's a little whipsaw, but if you can look at it over a longer period of time, that line starts to smooth out and the Intel that you gain from that over a longer period is much more actionable on a strategic level. So I wouldn't necessarily advise that you measure it on a daily basis.

Look at it for a week. It'll give you enough signal versus noise here. But if you can see here having this in place and being able to collect it, analyze it, and be reviewed by everybody who's responsible for the result of that department or that division it doesn't allow us to get more than one week off.

With numbers that are in the red before we do something about it, that level of speed in which you're able to identify and address an issue before it turns into a lagging indicator." Oh, last quarter's revenue was down 32% a quarter. Maybe we could have fixed it on a weekly basis." That's why we recommend it, at least at that frequency.

And having the scorecard, making sure that the individuals that are on the scorecard are clear on what's going on. And that's why we use this data for the right action. To occurred after the discussion about why it was in the red. Now, the topic of data analytics is much more detailed than what we've discussed here.

However, the idea was really to introduce you to the importance of establishing KPIs. So that you can project that across the team leads and department leads and C suite so that everybody's clear on why we're measuring these particular things and what actions will we take because of the result of the indicators themselves. These are for your purposes as a Chief AI Officer unless you have a deep interest in data analytics and KPI development.

You will not necessarily need to be the expert at this. You will just need to help the teams understand why they need these KPIs to help them initially establish what those KPIs are and to train them on how to know how to use the scorecard in conjunction with the data reported to make the appropriate course corrections should the numbers be off. So with that, I hope you enjoyed the session. See you in the future modules.