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Key Metrics

PART 2: CHURN

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I've written about the challenges of using well-known business metrics which are trailing indicators. They point backward, telling you what's already happened. Pointing forward, watching for developing trends, requires leading indicators. Metrics that predict an outcome before it materializes.

I've written about several that we use such as "average days late", "revenue per headcount". This time I'll write about a class of metrics we call "churn". The word "churn" means "agitate, turn, or move about vigorously" and, in business, most often applies to customer attrition rates. For us, it is also a nickname for other key rates of change – not just attrition.

Change is not only inevitable but desirable. Too much change can be a big problem and too little change can be even worse. Rates of change can be important predictors and help shape adaption. Here are a few examples.

- **Staff Churn.** Staffing changes have many aspects and terms that imply loss: turnover, attrition rate, and unforced attrition rate are some of these. Reduction in staff is a necessary adaptation that businesses must make from time to time. There is nothing fun about it. It is so unpleasant we've invented many acronyms to hide behind such as RIF. Still, it is sometimes necessary. Better, it is often necessary to hire, increasing your staff to handle more business. Unforced attrition means people are choosing to leave your employ for their own reasons. All of these are a part of "staff churn". Measuring the rate at which your staffing changes can point to many insights.

- **Client Churn.** Similar in many ways to staff churn, this is a way to watch influx and outflow of clients. For professional service firms, big numbers on either side of this can be trouble. Onboarding a new client takes time, requires staff, and requires attention to their needs.

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Predicating an influx rate can shine a rosy glow on revenue forecasts, but it also must shine a bright light on the activities needed to make it happen.

- **Task Churn.** In managing projects, task churning is a necessary evil. Tasks planned, tasks completed, tasks added, and tasks abandoned should be measured and tracked continuously. A run-away metric for any of these predicts big problems for that project. Too many tasks added may point to a bad plan. The same with many tasks abandoned. However, too many tasks completed may point to a number of risks. How can "getting too much work done" be a problem? How's your definition of done, I ask?

It is easy to accept the idea that the one thing that never changes is change. Adaptation brings change. Growth brings change. Even tragedy brings change. Rates of change can be key leading indicators to point you toward problems that need attention. Or to remind you that things are humming along just fine.

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