

Pick the Right “True North” Metric

Even after you’ve ascertained that an AI initiative is likely to positively impact the bottom line of your business, you need to define a more specific “true north” metric for each major project in order to keep your machine learning projects on the right trajectory. Goals like “Increase revenue by X dollars” or “Cut costs by Y percent” are almost always too high-level to be useful, since a confluence of intermediate factors drive your end result. Choosing a more specific metric helps you to qualify your AI strategy and also check that your decisions align and advance your business and technology in the right direction.

Facebook’s true north metric for platform growth is the number of members who connect with ten friends in seven days. Just having a user sign up for an account is insufficient to inspire the engagement rates that Facebook needs to later monetize that user through advertising. Similarly, Slack focuses on teams that have exchanged at least 2,000 messages. Once a team has reached this threshold of usage, they’re much more likely to stick around and eventually upgrade to paid plans.

Identifying the right true north metric can be a challenge. Ask yourself the following questions to avoid the common mistakes executives make.

Is this a metric everyone can understand? Avoid using jargon or overly technical terminology when defining your true north metric. You want to align your entire company, not just a handful of domain experts, to your AI strategy goals. Optimize for simplicity, transparency, and ease of communication.

Is this a vanity or a success metric? You may have tons of page views, but those aren’t useful unless you are also converting those visitors into more paying customers. Be sure your true north metric is an accurate proxy for success.

Is this a leading or a lagging indicator? Lagging indicators like post purchase behavior may be useful for evaluating the condition of your business but they may come too late to inform your daily business decisions.

Is this a relative or absolute metric? Absolute metrics such as the total number of registered users will always increase. Don't fall into the trap of using such metrics to stroke your ego. A relative metric such as the number of monthly active users (MAU) can be used to compute a rate of change for comparative analysis between different periods.

Is this metric actionable? Do you know what you will do if you don't hit your minimum thresholds for your true north metrics? What about when your performance exceeds expectations? An effective metric needs to help you filter out unproductive follow-up actions and prioritize impactful ones.

Is the metric tracked and measured correctly? Adjustments almost always need to be made to correctly compare results from different periods. For example, you may need to account for seasonality or remove statistical anomalies such as outliers. You'll also need to perform a sanity check to make sure that the data sources used to compute your metric are free of bias and mistakes.

Is our true north metric really aligned with our business goals? The right true north metric may not be immediately obvious. Companies may need to experiment a little before honing in on the right metric. You're likely to generate new insights during every round of experimentation which will help you realize what actually drives business results. Once you have confidence that a metric is productive, however, it's best to stay consistent until you have strong reasons to optimize for a new goal. Constantly switching true north metrics will confuse your team and hinder your execution.