Topics

• KPI Myths and Mistakes
• KPI Best Practices

“People and their managers are working so hard to be sure things are done right, that they hardly have time to decide if they are doing the right things.”

Stephen R. Covey
Good KPIs (Performance Measures):

• *Provide objective evidence* of progress on achieving a strategic objective or goal

• *Measure what is intended* to be measured, to help inform better decision making

• *Offer a comparison* that gauges the degree of performance change over time

• *Track organization progress* -- organization efficiency and effectiveness -- quality, timeliness, safety and security, governance, compliance, behaviors, economics, project performance, personnel performance, and resource utilization

• *Are valid, verifiable and balanced* between leading and lagging indicators
Performance Measurement Myths and Mistakes

“I’ll Find My Measures In A Book (or on the Internet)”
Performance Measurement Myths and Mistakes

Milestone Measures are Not Strategic Measures

A Better Sequence

Goal or Objective → Do Initiative → Measure Initiative

Strategic Objective → Strategic Initiatives → Project Measures and Targets → Strategic Measures and Targets
Performance Measurement Myths and Mistakes

“We need to start counting things.”

![Graph of Total No. of Employees Leaving the Organization]

“Our employees are leaving—we’re in trouble!”

![Graph of Total No. of Employees]

Many measures are best expressed as ratios:

- Percent completion
- Coverage, fraction of the total possible
- Error or defect rate
- Per capita cost
- Efficiency = Output / Input
- Productivity = Output / Cost (or Output / work hour)
Other Performance Measurement Myths and Mistakes

“We’re in a hurry…let’s just use the measures we have.”

“Here is an easy way to do this — write a vision (or mission) statement, set some goals, select programs and projects for each goal “bucket”, and pick some milestone measures.”

“Our strategy is what we are currently working on… find some measures there.”

“Just buy some software for performance reporting… use the measures the come with the software.”
21st Century Strategic Management System
“Connects the Dots”

Answers Both Strategic and Operational Questions:
“Are we doing the right things, and are we doing them right?”

- Vision
- Mission
- Goals (Desired Results)
- Strategy & Objectives (The “Strategic How”)
- Budget and Strategic Operating Plan (“How Much and What”)
- Projects, Programs, and Services

Operate with Excellence
KPIs Help With Many Management Challenges

- **Strategy execution failures**: Helps managers and employees understand and monitor organizational strategy.
- **Lack of accountability for results**: Employees understand what is desired and take accountability for hitting targets; builds enterprise-wide accountability for results also.
- **Decision making too slow or based on limited information**: Provides analytical basis for faster, more informed decisions.
- **Lack of strategy input to the budgeting process**: Provides efficiency and effectiveness performance information to inform budgeting.

*Adapted from Performance Measurement, Gary Cokins, 2009*
Performance Measurement and Analysis
“Deep Dive” Process

KPI Development

1. Describe Intended Results
2. Understand Alternative Measures
3. Select the Right Measures for Objectives
4. Define Composite Indicators, If Needed
5. Set Targets & Thresholds
6. Define and Document Selected Performance Measures

Performance Analysis

7. Select the Most Appropriate Automation Tool
8. Collect and Monitor Performance
9. Analyze and Draw Conclusions
10. Improve Performance

Step Five

Step Seven
Different Types of KPIs Measure Organizational Performance

Operational Measures (Product / Program / Service)
- Efficiency
- Output
- Quality
- Timeliness

Project Measures
- Schedule
- Resource
- Risk
- Scope

Employee Measures
- Human Behavior
- Human Performance

Risk Measures
- Hazard
- Economic
- Security
- Operational
- Strategic

Performance Data / Analysis / Public and Internal Reporting

Strategic Measures
- Financial
- Customer
- Internal Process
- Organizational Capacity

 Reporting
Focus KPIs on Outcomes and the Drivers of Outcomes

Operational Measurements

- **Inputs** (e.g., FTE’s, budgets)
- **Process** (e.g., efficiency – output/input, cycle time, cost per unit)
- **Outputs** (e.g., widgets produced, brochures produced)

Project Measures (e.g., schedule, resources, scope, risk)

Strategic Impact Measurements

- **Intermediate Outcomes** (e.g., widget sales, awareness)
- **End Outcomes** (e.g., profitability, program impact)

Strategic Business Intelligence Increases
Best Practice Tip: Use Strategic Objectives

**Vision & Mission language:**
- “World – class”
- “High-performance”

**Problem: Too High (Vague)**
Risk: not actionable; will not give actionable focus and direction

**Objective language:**
- “Improve Customer/Citizen Satisfaction”
- “Improve Staff Knowledge & Skills”
- “Reduce Cost of Service”

**Project, Program or Service Language:**
- “Train staff”
- “Implement the new Economic Reform Program”

**Problem: Too Low (project specific)**
Risk: too narrowly defined; strictly operational
Use Strategic Conversations to Build Your Strategy Map

Best Practice Tip: Create a Strategy Map

**Financial**
- Lower Cost → Increase Profitability → Increase Revenue

**Customer/Stakeholder**
- Lower Wait Time → Improve Customer Retention → Improve Customer Satisfaction

**Business Processes**
- Increase Process Efficiency → Lower Cycle Time → Improve Communications Clarity

**Organizational Capacity**
- Improve Knowledge and Skills
- Improve Tools and Technology

Leading Questions:
- If _ Then _?
- How?
- Leading Question If _ Then _?
Best Practice Tip: Use KPI Tools to Identify What to Measure

**Logic Model**
- Input
- Process
- Output
- Outcome

**Cause-Effect Analysis or Ishikawa (Fishbone) Diagram**
- Resources
- Methods
- Environment
- Systems
- Policies
- Effect

**Process Flow Analysis**
Example: Intended Results Drive KPI Development
Strategic Objective--Improve Customer Satisfaction

Resourcing:
- Budget
- Workforce (FTEs)
- Infrastructure

Production attributes:
- Input/output
- Time to process order
- Cost to process order
- Rejects/ rework

Customer interaction:
- % accurate order placement
- % satisfied with service
- % delivered on time
- % delivered correctly

Service or product delivery attributes:
- On-time delivery of services
- Order is correct

Customer experience drives positive behaviors:
- % satisfied
- % reorders
- New customer recommendations

Costs of products & services
- FTE costs
- Indirect costs
- Capital costs

Results

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Results
A Composite Index Captures Different Dimensions of an Intended Result

Customer Loyalty

- Annual Satisfaction Survey Score: Score 1.33
- Transaction Satisfaction Survey Score: Score 2.67
- # of Referrals: Score 4
- Service Level Agreement Quality Score: Score 6
- # of Complaints: Score 2.33
- Timeliness Score: Score 8.67

Score: 5
Set Targets and Thresholds

**Target:** the desired level of performance for the reporting period in question

**Threshold:** the upper and lower limits of desired performance around a target value

- Target setting should not be arbitrary
- Targets based on:
  - Existing baseline data
  - Best practice (benchmarking) results
  - Required level of performance to achieve an organization goal (e.g., customer satisfaction)
  - Or other logical comparative
- Targets should be reviewed periodically against actual performance and adjusted as necessary
Make it SMART (Goals, Objectives, Measures)

- **Specific**
- **Measurable** (Motivating)
- **Achievable** (Assignable, Attainable, Ambitious, Aspirational, Appropriate)
- **Relevant** (Realistic, Reasonable, Results-based)
- **Time-related** (Time-bound)

**Example:** *Decrease the average time to resolve customer complaints from 10 minutes to 7 minutes by the end of third quarter 2018.*

**SMART is a Filter...not a Framework.**
**Just Because Measures are SMART Doesn’t Mean They are RIGHT!*
Visualize Performance Information To Better Inform Decision Making

Management Dashboard

Drill-Down

Roll-Up

Source: Spider Strategies and Actuate

Dashboards

Maps

Reports

Cloud-Based

Charts/Graphs

Source: Spider Strategies and Actuate

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Clients/Stakeholders
- % satisfied
- Benefits on time
- New clients added
  - Clients successfully served
- New program services added
- Quality of Life index

Financial
- Funds control
- % outsourced
- Cash reserves on hand
- Costs managed
  - Average program cost/client served
- Audit effectiveness
- Unspent obligations
- Program budget

Internal Processes
- Quality rate
  - Productivity
    - Downtime
    - Bottlenecks
    - Wait time
    - Time to repair
    - Hours lost to injury
    - Missed deadlines

Organizational Capacity
- Employee satisfaction
- Employee trained
  - % cross trained
- Training hours/employee
  - Computer currency

Why is this more valuable?
Understanding relationships among performance drivers of results leads to more informed decision making and smarter actions.
Vision: Earn our customers trust every day by delivering seamless service, seeking innovative solutions, and exceeding expectations.

Tier 1: Enterprise-Wide

Objective: Improve Customer Satisfaction

- Strategic Measure: % of customers satisfied with information received over the Internet
- Strategic Initiative: New Web Portal for Customers to get improved information faster

Tier 2: Department/Unit:

Objective: Improve Information On Available Services

- Strategic Measure: Service availability awareness survey score
- Strategic Initiative: Communications program announcing new information hotline
- Measure (Accomplishment): Web content and print media delivered on-time with minimal re-work
- Measure (Behavior): Web design skills
- Initiative (From Personal Development Plan): Web design training at local community college

Tier 3: Employee (Operational):

Personal Objective: Improve Web & Print Content Delivery
Example: Complimentary KPIs in a Manufacturing Plant

Cascaded corporate scorecard to business units and teams

Financial Example:
- Profitability
- Operating Margin
- Variable Costs
- Mfg. Overhead

Customer Example:
- Customer Satisfaction
- Customer Retention
- On time delivery
- Quality
- Supply Availability
- Schedule Adherence

Financial Example:
- Variable Costs
- Scrap Rate
- Labor/Unit

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Aligning Individual Objectives/Goals to Unit Objectives

**Start With:**
- Tier 2 Objectives
- Previous Individual Goals
- Job responsibilities (duties, tasks, activities)
- Competencies (knowledge, skills, abilities)
- Organization Values

**Process:**
- Evaluation of performance and goal accomplishment
- Feedback
- Coaching
- Redefine responsibilities
- New goal-setting

**Resulting Actions:**
- Alignment with organization strategic objectives
- Rewards and recognition
- Training
- Continuous coaching
- Meaningful individual development plans
Criteria for Setting Individual Objectives/Goals

- Link to higher level objectives
- Clearly define expected outcomes and results – not a list of activities
- Challenging but achievable
- Obtain buy-in from employee
- Set realistic number (typically 3-5)
- Establish action steps or milestones and process to track
- Monitor and adjust as appropriate
- Make them SMART
### Examples: Aligned Goals

<table>
<thead>
<tr>
<th>Corporate Goal</th>
<th>Individual Goal</th>
<th>Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Expenses</td>
<td>Reduce printing costs</td>
<td>% cost reduction</td>
<td>5%</td>
</tr>
<tr>
<td>Increase New Client Base</td>
<td>Increase major clients</td>
<td># of new clients with $2m+ revenue</td>
<td>2 (achieved)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3+ (exceeded)</td>
</tr>
<tr>
<td>Improve Operational Efficiency</td>
<td>Decrease time to complete new designs</td>
<td>% time reduction</td>
<td>10%</td>
</tr>
<tr>
<td>Increase Knowledge and Skills</td>
<td>Improve Excel Skills</td>
<td>Demonstrated ability to create complex spreadsheets</td>
<td>August 15</td>
</tr>
</tbody>
</table>
Linking Performance to Rewards

- Line of sight and ability to influence results
- Short-term incentives
- Must be budgeted
- Plan must be clearly communicated and documented
- Perception of fairness is important
Best Practice Summary

• Start with the end in mind
• Words matter
• Use the right kind of chart to convey performance information
• Use measurement data to tell a performance story
• Don’t just measure the easy stuff
• Your most meaningful KPIs are in the heads of your employees, not in a book or on the Internet

“Performance measurement is about story telling.”
“It’s a journey...not a project.”
Options for Learning More

KPI Professional Certification

• 5-day Boot Camp

• Comprehensive look at developing and implementing KPIs using various tools and methods

• Apply the methods to your own organization in a comprehensive application project

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The replay of this webinar and a link to download the slides will be emailed as well as posted here:
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