



12 Steps for getting started with KPIs

The simple and practical way for beginners (and busy people) to measure what matters for business performance

by Stacey Barr

introduction

Before we can throw ourselves into developing corporate-wide performance measurement or KPI systems, or get the best return from business intelligence (BI) and dashboard applications, we have to know how to meaningfully measure what matters. And for novices, this means starting small and learning quickly so you build toward a corporate-wide system that will be meaningful and sustainable.

stacey barr


Are you a KPI novice?

Some years ago a client of mine had invested \$2,000,000AU in a custom-made management dashboard application that everyone stopped using a mere two weeks after it launched. If that was your business or organization, wouldn't such a waste make you feel sick to your stomach?

The problem was that this client was a KPI – or performance measurement – novice. They thought measuring and KPIs were all about having a flashy set of dials and gauges that updated in real time and were available 24/7 at the click of a mouse button. They didn't realize that performance measurement is a process, a series of deliberate steps to design the information you truly need for decision making; a process that has several essential steps that come BEFORE the development of a dashboard application.

There are a few symptoms that KPI or performance measurement novices display. And if you tick several of these boxes, guess what that probably means for you?

- You're not sure why measuring performance is important – you suspect it's just a fad, a bureaucratic process or impost on doing your "real work".
- You think that milestones like "implement customer relationship management system" or actions like "train staff" are measures or KPIs.
- You are comfortable to have things like "survey results" or "customer loyalty" in the KPI or measure column in your business plan.
- You don't have a KPI or measure column in your business plan.
- You identify some measures or KPIs but fail to implement them (they never get graphed or reported).
- You don't have clear links between measures and goals.
- You believe your goals aren't measurable.
- You couldn't confidently define or describe what a performance measure really is, distinct from goals, initiatives, targets or results.
- You're not sure what should be measured – actions, goals, people, processes?
- To find measures or KPIs, you do brainstorming, look at your existing data, search for KPI libraries, or try to find out what other organizations in your industry are measuring.

If you did tick a few of these boxes, don't feel bad. The majority of people still struggle to get their heads around what good performance measurement is all about – and indeed why we should even bother doing it. But the good news is that it's easier than you think, and it will make a bigger difference than you think.



What good performance measurement means

Performance measures (or KPIs – the terms are more often used interchangeably these days) are objective evidence of the degree to which a performance result is happening over time. They are feedback about your progress in improving aspects of your business.

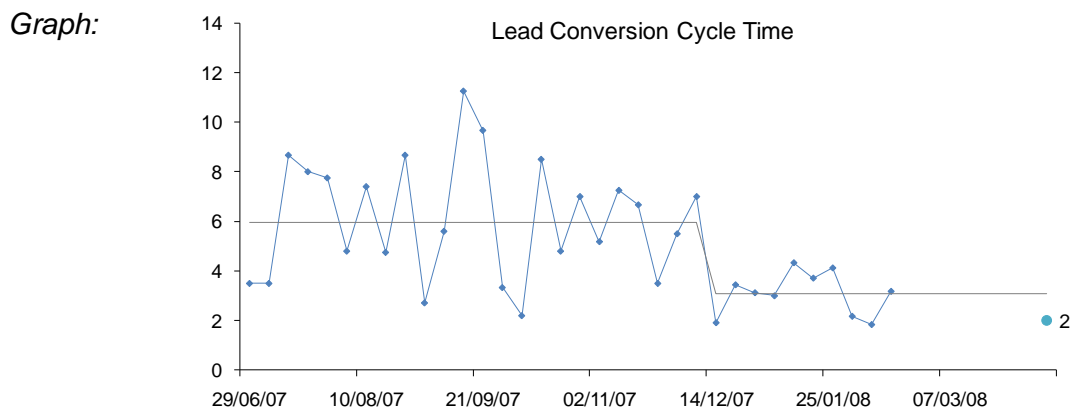
Without regular and objective feedback about our progress in pursuing the results we want, we are at the mercy of hope and chance. With good performance measures, we can make the right decisions at the right times to pursue our results and not waste time or money or effort (or even sleep) in doing so.

Usually we use goals to describe the results we want, or the improvements we want, in our business or organization. We set up measures of those goals so at any time we can see where we are. We also set targets for our measures, so we can know when we've done enough to achieve the results we want (or to know when we've arrived at our results). And graphs that track your progress through time are the most powerful way to display this information. Here's an example:

Goal: Reduce the time it takes to convert a lead into a customer.

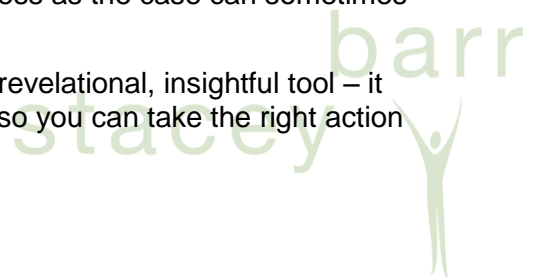
Measure: Lead Conversion Cycle Time = The average number of days from when we receive an enquiry from a lead to when the lead makes their first purchase (and therefore becomes a customer).

Target: 2 days



Of course you also need a strategy or an initiative or some action you'll take to move from the current level of performance (in this example it started out at 6 days and has improved to 3 days) to the targeted level (of 2 days). Your measure's graph will show you the success of your chosen actions, or lack of success as the case can sometimes be!

The graph of your performance measure is a powerful, revelational, insightful tool – it shows you what's really happening, quickly and easily, so you can take the right action at the right time.



Imagine if you had a simple performance measure for each goal that really mattered to you in your business or organization. It's not that hard, but many people make it harder than it needs to be by taking the wrong approach.

The right approach for getting started: start small!

There are a few reasons why novices should start small and learn quickly before attempting a corporate-wide approach to performance measurement:

- People do a lot better when they understand the 'why' before the 'how'
- People don't want to give a lot of time to something they don't yet value or trust
- People don't care about measures – they care about their problems (fixing them, that is)
- A small approach is less overwhelming and less time consuming in this busy and complex world we live and work in
- It's got to feel personally important, not like jumping through bureaucratic hoops
- People learn faster through action learning cycles as opposed to the pressure of trying to get it all right, first time
- People can quickly become cynical about the huge investment in BI or dashboard applications that no-one gets value from because wrong things are measured
- Excellent reporting of misleading measures is a very easy trap to fall into

Starting small with performance measurement is a sure way to success because it gives you the opportunity to learn how to do it well, to avoid wasting time and effort, to build momentum and buy-in naturally, and to experience some quick successes (such as a real bottom-line improvement from using a measure or two) that can fuel the desire to measure more of what matters.

The 12 steps of a good measurement process for novices

Good measurement is as simple as having clear goals, choosing a few relevant measures, tracking them through time and looking for the signals worth responding to.

Novices start this process with just one or two goals. Intermediates progress to measuring a team or department's collection of goals and align them to the corporate strategic direction. More advanced organizations align and link goals and measures throughout the whole organization. Experts have performance measurement embedded naturally into routine planning, reporting, decision-making and performance improvement processes. But it's a journey to move from novice to expert.

The principles of getting started on this journey are about keeping it simple, relevant and making an impact – which is what measures are for in the first place. There are 12 very specific but very simple and easy-to-follow steps to set up your first powerful performance measures:

- Step 1: Choose a goal you really want or need to achieve.
- Step 2: Make your goal measurable by teasing out the performance result(s) it implies.
- Step 3: Use sensory rich language to describe your result.
- Step 4: Choose potential measures that give evidence of your result.
- Step 5: Evaluate your potential measures and select the most meaningful one.
- Step 6: Name and describe your selected measure.
- Step 7: Define exactly how to calculate your measure's values.
- Step 8: Get the data and make it ready for analysis.
- Step 9: Calculate your measure's values.
- Step 10: Choose the presentation method that best highlights your measure's message.
- Step 11: Interpret what your measure is saying, and understand why it's saying that.
- Step 12: Make a decision, and take action to move closer to your goal.

It's more important to learn the right way and less important to measure everything

When you're just getting started with performance measures, it's more important to learn the correct mechanics of measuring what matters and to get the experience of the value of measuring what matters. It's far LESS important to measure everything or get everyone involved right up front.

You should only ever measure what truly matters in helping you pursue and achieve the goals or results you want in your business or organization. If measuring performance feels like jumping through bureaucratic hoops, you're doing it all wrong, and doing more damage than good.

Start small and specific, learn quickly, and measure more only as the relevance and buy-in start to grow.

TAKING ACTION:

If you'd like some practical and simple guidance to apply these 12 steps, with clear audio and written instructions, easy to follow templates and lots of illustrative examples, find out more about the *Getting Started With Performance Measures* How-to Kit at <http://www.gettingstartedwithperformancemeasures.com>



ABOUT THE AUTHOR

Stacey Barr is a specialist in performance measurement, helping people to move their business or organisation's performance from where it is, to where they want it to be.

Sign up for Stacey's free email newsletter at www.staceybarr.com/202tips.html to receive your **complimentary copy of her e-book "202 Tips for Performance Measurement"**.