The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

barr
stacey

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

barr
stacey

Contents

Don't have time to read every word? Spend 5 minutes scanning whatever is blue.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #1: Bad KPI habits are the cause of your struggles with performance measurement.

This report is your kick-start to ending the struggles you have now with performance measurement. It's going to show you how easy, and engaging and fun it can be to meaningfully measure the things that matter most in your organisation or business.

Early in this report we will name those struggles, the struggles that just about every organisation, industry and sector around the world has with performance measurement. And then we'll find out the simple secrets to ending these struggles, many of which will be surprisingly obvious and refreshingly practical.

These secrets are absolutely worth your effort to learn and master, because when performance measurement works, so does almost everything else.

The key to organisational success is measurement.

Author Dean Spitzer, says that "the key to success is measurement… Measurement done right can transform your organisation." And he says that "Measurement is one of the highest leverage activities any organisation can perform."

Dean is right. Measurement done right has the power to focus everyone on what matters most and align the organisation's effort in the same direction. Measurement done right is the best way to create a performance culture. But measurement is rarely done right.

We all have the same struggles in doing performance measurement well.

We don't often experience the kind of leverage and power that Dean talks about because of the struggles we have at a practical level with performance measures:

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

- We have goals that seem immeasurable

- We don't know where to look to find meaningful measures

- We can't get people engaged in measurement

- We spend too much time and effort in reporting and data collection

These were my struggles as well, back at the start of my measurement career, when I was the Measurement Consultant in a railway organisation. Since then, I've learned that those struggles I had are everybody's struggles too.

Our struggles are caused by bad habits that have become common practice.

Our struggles are caused by some bad KPI habits.

The reason why we struggle with performance measures is that there are some common mistakes that have evolved into common practice. For example, one of the mistakes is the way we write our goals and objectives. We use weasel words: waffly, vague language that really doesn't make it clear what the result is we are trying to measure. If you haven't got a specific and clear result, it is very hard to find a meaningful measure.

Another mistake we make is that we use brainstorming to choose our measures. But brainstorming is not a measure design approach – it's a creativity tool. To find good measures, you need to *narrow down* on the best evidence of your goal. You don't want to *widen out* and look at a whole range of possible things that might have even just a skerrick of a link to the thing you're trying to measure.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

Another mistake we make in measuring performance is that we "consult" people in the process, but we don't truly engage them. We might come up with a bunch of measures for a group of people and show them the measures, and ask them to sign off on them: "these are the measures you're going to be using now." And then we wonder why people don't take true ownership of those measures. They don't use them. They complain about them. They might manipulate the data to make the measures look good. They even behave in a way that hits the targets but at the expense of other important results.

There are more common struggles with measuring performance, and you'll explore them also, as you discover each of the secrets to KPI success.

When I had these struggles early in my career, I went looking for a methodology to help me. You know Einstein's definition of insanity, don't you? Doing the same thing over again and expecting a different result. Well of course, if you want better measures you've got to do something different to what you're doing. And I knew that then too, so I went out looking for something different.

I found the Balanced Scorecard. I found process improvement methodologies like Six Sigma. But I didn't find anything specifically about how to design and implement the right performance measures. I didn't find anything that directly helped me with my struggles. Many people still think that the Balanced Scorecard is a measurement methodology. But the more I've learned about it, the more I've realised and appreciated it as a strategy design and strategy execution tool. There's nothing in the Balanced Scorecard methodology that helps you come up with really, really good measures – and to implement them properly and to use them properly as well.

So I had to come up with something that would help me with the struggles that I had. And I ended up borrowing ideas from a wide range fields: from systems thinking, quality management, process improvement, open space technology, Neuro Linguistic Programming, and statistics (which is my background). And I pieced together a collection of techniques that helped me overcome the struggles mentioned earlier.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and
engaging.

What evolved from that collection of techniques is a methodology that I called the
Performance Measurement Process. Because it was a series of techniques that
step-by-step-by-step helped me and my colleagues to do performance
measurement well. Not too long after this Performance Measurement Process
was born, it earned the nickname "PuMP". And it stuck.

The PuMP methodology is what I use now, still today, and so do thousands of
people around the world. It's used in local government, state and federal
government. It's used in non-profit organisations. It's used in government-owned
corporations, multi-national corporations, and small business as well. It works
everywhere, due to the fact that we all share the same set of struggles with
performance measurement.

The secrets to KPI success are the backbone of PuMP. You're going to see more
clearly the common mistakes people make in the performance measurement
process, and pick up some practical tips to stop making those mistakes yourself.
You'll see how to replace them with practices that make measurement work. And
that brings us to the first secret of KPI success:

Secret #1 for KPI success is that performance measurement has to be a
deliberate process. It can't be ad hoc. Common KPI practice isn't good
practice, and certainly not when it's at the root of the very struggles that stop
performance measurement from working.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and
engaging.

TAKE ACTION

Reflect on your existing performance measurement process. Take a pen and
piece of paper and draw the flow of how you currently go about selecting your
performance measures, implementing them, and using them. What happens in
each step? What struggles do you have in each step?

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #2: Remove the threat people feel from KPIs by reframing what performance measurement is really for.

It's very likely that one of the struggles you have with performance measurement is the way people feel about it. They resent it. They don't want to be a part of it. They don't see the value in it. To them, it's boring and burdensome. You'll often hear them say "I've got *real* work to do!" And measuring performance is never urgent enough to make time for.

There are reasons why people commonly feel this way about measurement, and those reasons stem from a few bad KPI habits that disguised as common practice. There are very few true methodologies for exactly how to do performance measurement well, even today. And in the absence of good methodology, bad practices have been able to proliferate. Even in your organisation.

Performance measurement has a bad reputation, as a result. To help people feel differently about it, its purpose and meaning must be reframed, and the ways to go about doing it must change. People need the opportunity to see what it really is about, what its most powerful role is in an organisation. And most importantly, they need to leave behind the reasons for their disdain and resistance and fear, by replacing the bad KPI habits with practices that make measurement work.

Instead of seeing performance measurement as a numbers game, we need to see measurement as a way to focus on the things that matter most. It's funny, but when you start measuring something, it's like gravity to your attention. It really does help you focus on the things that matter most. You've heard that phrase, haven't you, that what you measure is what you get? Measurement's gravitational pull is the reason why.

Another thing to reframe about measurement is that instead of seeing it as a judgement about how people are performing, we instead need to appreciate it as

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

barr
stacey

feedback. And it's feedback that people should be using themselves to continually improve what they are doing before problems get elevated to managers and leaders. Measures should be a tool in people's hands, not rods for their backs.

The third thing to reframe about measurement is that instead of it being about reporting to others, we instead need to use it as a fulcrum for improving the processes we have influence over. The fulcrum is the pivot point of a lever. And that's what good measurement does – it gives our improvement efforts so much more leverage in achieving the results that we want to achieve; to achieve the success we're looking for.

Jason is a good example of what can happen when performance measurement is reframed. Jason worked in a team that provided technical support to the traders in an investment company. He was in the PuMP team for his business unit, to develop measures for the technical support they provided. In each of the first few meetings to design the measures, he just sat there with his arms folded. He wouldn't participate much, but he wouldn't be negative either. They reached the half-way point in the PuMP process, the time for the team to share their measures with stakeholders, to get feedback and also build their buy-in. At this particular event, Jason played his role of welcoming visitors, explaining his team's new measures, and inviting visitors' feedback. He did this a few times and then came over to the PuMP Facilitator, Mark, and said:

"Mark, I think the penny has dropped. I finally have this sense of 'aha' about what this measurement stuff is doing for us. I've been explaining these measures to people, and it's made me realise why I turn up to work each day, the difference that I turn up to work each day to make. It's not about coming to work to do stuff, it's about coming to work to make a difference for my internal customers."

Seeing this reframe of the meaning of measurement happen to somebody is tremendous. The act of measuring helps people find a bigger purpose for the work they do, and the influence they have over it. We see this time and again.

Performance measurement can be easier, faster, more meaningful and engaging.

Measures are a tool in the hand, not a rod for the back.

When people can reframe the true role of performance measures, they will see measures as tools to help them, not as a rods for their back. That means they have the power to make the improvements happen that need to happen, and they have a bigger purpose for coming to work each day. That's the start of a performance culture.

Secret #2 for KPI success is that measurement is about focus, feedback and fulcrum. It's not a numbers game. It's not just about reporting. And it's most definitely not about judgement. It is about continuous improvement, and getting everybody involved in it as part of their "real" work.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

TAKE ACTION

Take a look at some of your KPIs and consider these questions:

- Are those KPIs or measures focusing you on the things that really do need your attention, the important things?
- Are those measures helping you stay on a path toward excellence, are they giving you the kind of feedback to make the right decisions to continue towards performance excellence?
- Are those measures showing you the impact of the improvement initiatives you're putting into place, are they showing you that you're getting a return on the investment you're spending on performance improvement and strategy execution?

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

stacey barr

KPI Secret #3: Make your immeasurable goals meaningfully measurable by thinking like a 5th grader.

There is no doubt that one of the big struggles you have with performance measurement is goals that seem impossible to find meaningful measures for. Those goals have a few features you'll recognise.

One feature of hard-to-measure goals is that people don't share an accurate or consistent understanding of what they mean. I've seen this lots of times, where an executive team had created a set of goals – maybe four or five or six months ago – and when they try to measure those goals, they struggle to agree on the intent. Someone asks: 'How can we measure our goal to enhance the sustainability of our operations?' And the conversation that follows goes around in circles, slowly revealing all the different assumptions each person has about the meaning of 'sustainability of our operations'.

Another feature of hard-to-measure goals is that generally people lower down in the organisation – frontline workers, supervisors, even middle managers sometimes – are dismissive or cynical about them. Some are confused about what they mean. Others couldn't be bothered with the effort to wrestle through the management buzzwords. And there will be more than a few who are too embarrassed to ask what those vague goals actually mean.

When you have that kind of problem with your goals, of course they're not going to be measurable, because nobody knows what they really mean. Nobody knows how they would recognise them come into reality.

The reason our goals are so hard to understand and so hard to measure is the words we've used to articulate them. I love this idea that performance measurement doesn't start with numbers; it starts with words! It starts with words that describe the results we are trying to achieve. Performance measures

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

and KPIs are evidence of results. If we're not clear about the results we're trying to achieve, of course we're not going to be clear about the right things to measure.

The words that get in the way of a good understanding of your goals are 'weasel words'. Acknowledged, balanced, capacity, diversity, effective, foster, generate, holistic, issues, key, lead, managed, optimised, productive, quality, reliability, sustainable, transparent, unique, value, world-class. You get the picture.

They are words that sound very familiar to us because they're words that have become part of management lexicon. But they are words that have different meanings to different people. And when we use them to write our goals, of course we are going to get a lot of different interpretations of what those goals really mean.

Let's take this as an example: "improve the efficiency and effectiveness of all our core processes". Sounds like a typical goal, yes? And it's completely immeasurable! For a start, it's too broad. All our core processes? How many core processes do you think a normal company or business would have? They would have a marketing process, a sales process, a customer service process, a maintenance process, a procurement process, a billing process. There's not one KPI that would measure all of them.

Another problem is with the words 'efficiency' and 'effectiveness'. They are two different things, at least. One KPI is not going to measure both of them. And then when you look at each of those weasel words on their own, you realise that they can mean lots of different things as well. What does efficiency mean? Basically, efficiency is about improving output relative to input. But which outputs and which inputs, specifically? And as for effectiveness, it's basically about the goodness of the outputs. But outputs are very contextual, and their goodness has many dimensions. Just ask the customer and they will give you a long list of attributes that are important about the outputs you produce for them.

So with a goal this broad and this weasely, you will really struggle to find a good KPI. Goals like these need to be rearticulated into specific results. For example,

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

take just one core process: the billing process. There are lots of results that could relate to the efficiency and effectiveness of the billing process. Possible efficiency results might be the cycle time of producing bills, or the time spent per bill, or the cost of getting bills paid. Possible effectiveness results might be the accuracy of bills, bills being paid on time, ease of paying bills, or customer satisfaction with the billing experience. So we need to be a lot more specific than we're typically used to being when we articulate our goals, if we want to measure them meaningfully.

The solution to this problem is fairly simple. But it does require the courage to challenge the status quo of the words we use in writing our strategy. We have to be brave enough to ask:

- "What does efficiency mean?"

- "When you say sustainable, what do you really mean?"

- "When we say we want more diversity, what does that look like?"

- "When we say that the learning outcomes are important to students, specifically what outcomes?"

- "How would we recognise if employee engagement was happening or not?"
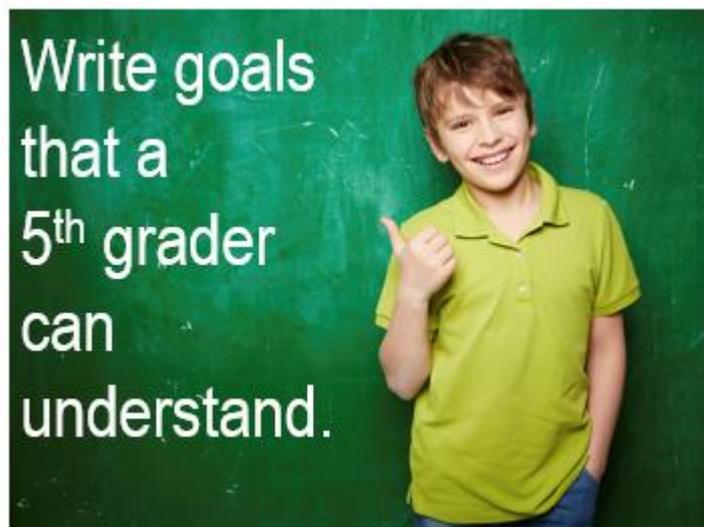
The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

The idea is to write goals in language a 5th grader, a 10-year old, would understand. This isn't dumbing down the goals. It's making them understandable and observable. If something can't be consistently and easily understood, and it can't be recognised when it happens in the real world, it just can't be measured. You simply cannot measure in a meaningful way something you can't see or hear or touch, or detect in the real world.

Making goals measurable by articulating them in 5th grader language also helps to build a performance culture. Measurable goals are easier for people to connect their work to, to stay focused on, and to see the influence they have over achieving them.

Secret #3 to KPI success is that the words used to articulate goals or objectives or anything we want to measure have to be clear, specific and observable before it's possible to find meaningful measures for them.

TAKE ACTION

Review the way your goals are currently written. Get a copy of your strategic plan, or your department's plan or team plan; whatever plan has the goals that you are trying to measure in it. And get a highlighter pen.

Look over those goals and highlight the weasel words; highlight phrases or words where you're just not quite sure exactly what it means. Maybe even test some of the goals with your colleagues, and see how much of a consistent understanding people have of the goals. It will help you find where the problems are and the root cause of your lack of ability to really find meaningful KPIs.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #4: Stop producing lame KPIs by stopping your lame measure selection methods.

The problem that a lot of us have with performance measures is the way people react to them. Some people will look at the performance measures and say "I don't like them; they're not the right ones; I'm not going to use them." Other people will look at them and they will spend all of their time arguing about the data integrity or the calculation method or the scope of the measures calculation, rather than using the measure to make any kind of decision about how to improve performance. Generally when you get that reaction to performance measures, it's a good hint that the measures just aren't the right ones. They're lame. They're not really as relevant or as useful as they need to be.

The reason why measures and KPIs are lame is the method used to select them. Generally people will brainstorm their KPIs or performance measures. That is probably one of the most commonly used ways to choose KPIs. Another is shopping in a KPI repository or database where you can just pluck KPIs off a shelf, so to speak, that might relate to industry or your sector or your particular business process. Or you might hire an expert to tell you what you should measure. Even though these methods are common, none of them are good enough to produce truly meaningful performance measures; measures that are the best evidence of the results that you are trying to achieve.

These methods produce very consistent problems. One of the problems is you produce a plethora of measures to choose from, and nothing better than a popularity contest to decide which to choose. Another problem with using those traditional methods is that very often what you'll end up with are things that aren't actually real performance measures. They might be things like 'complete the Customer Relationship Management project by June 2015'. That's a milestone, not a performance measure. Performance measures need to give you evidence of the result that you are trying to achieve, not the activity you are doing

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

to produce that result. Measures track your journey toward a particular state, over time. A milestone can't do that. It either tells you that you finished something or not. Just doing stuff doesn't guarantee that you are going to get the intended result.

The other problem with using traditional methods for coming up with KPIs is you don't get true buy-in. Often there will be one or two people that might dominate the decision about which KPIs to go with and you haven't really taken in everybody's views. Now it might sound like a tall order, but it absolutely is possible to do that, it is possible to deliberately design meaningful performance measures for your goals or results, without getting overwhelmed by way too many, without being distracted by things that aren't truly performances measures and still getting a lot of input from people that will almost guarantee their buy-in.

Consider the example of a goal about improving customer satisfaction. What brainstorming will generally produce is a list of measures like 'customer complaints', 'customer relationship management system', 'customer survey', 'customer loyalty'. But really, none of those are particularly good measures. 'Customer complaints' is biased toward those customers that feel strongly enough to voluntarily share their views. 'Customer survey' is a data collection method, not a measure. 'Customer relationship management system' is an action and not evidence that customer satisfaction is any better. 'Customer loyalty' is just a vague concept, and not a measure, because it could be quantified in any number of ways e.g. percentage of customers who return, their total spend with us versus our competitors, customer lifetime value.

A more direct measure for improving customer satisfaction would be *Average Customer Satisfaction Rating*, measured at fairly regular intervals over time and based on asking customers a simple question about how satisfied are they, overall, with the service that you provide.

If you want to avoid lame performance measures and KPIs, you really need to have a good understanding of what a good, or a real, performance measure is. It's not an action, it's not a data collection method, and it's not a few vague words

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

that could really be measured in multiple ways like 'customer loyalty'. A real performance measure is a clear and objective piece of evidence that tells you the degree to which you are achieving a performance result, through time. It's not evidence of action, it's not data collection method, and it's not a vague concept. It is evidence of the degree to which you are achieving a performance result, over time.

Evidence before measures: quantify what you see, hear feel, observe.

Good performance measures have to be designed deliberately. Brainstorming will not produce those good measures, neither will a lot of the other methods we use; you need a deliberate approach to designing the best evidence.

In PuMP® we have a technique called the Measure Design framework. It has five simple steps that start with understanding the result we are trying to achieve, then considering the evidence of that result, then quantifying that evidence into potential measures, and then choosing the potential measure that has the best balance between relevance and feasibility.

Secret #4 to KPI success is that you need a deliberate approach to designing your measures, which quantifies the evidence that would convince you the result or goal was truly happening.

All those other methods: brainstorming, shopping for KPIs off the shelf, waiting for somebody to tell you what the right measures are – none of them are going to produce the right measures for you, with the right amount of buy-in.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

TAKE ACTION

Take a look at a sample of KPIs or performance measures that you use and do an evaluation of them. You'll find on this webpage a Checklist of The Criteria of Excellent Performance Measures:

www.staceybarr.com/downloads/CHECKLISTCriteriaofExcellentPerformanceMeasures.pdf

Use that template and those criteria, to assess those measures. Find out which are good measures, which are lame measures and what's need to convert those lame measures to good.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #5: Buy-in to KPIs trumps sign-off, and there's only one way to get it.

One of the big struggles with performance measurement - and it's one of the stickiest struggles as well - is when people just won't take ownership of their performance measures. You might have put all the effort in to choosing some really good measures, but still people resist wanting to use them or to accept them. They are often scared of how those measures are going to be used and what those measures are going to say. We like to think that we are all about making things better and improving and pursuing performance excellence, but it's not actually the truth. Quite often a lot of us are very scared about anything negative at all reflecting back on us, so we'll measure the easy stuff, or measure our effort rather than results, or measure things that tell a good-news story.

One of the reasons why this happens is that we don't engage people in performance measures. It's not enough for a team of experts to go away and design the best set of performance measures for a set of goals and then give those measures to the owners of those goals. "Here they are, we've done the good hard work. Here's a very sophisticated set of performance measures for you to start using." The people that we want to use those measures are just not going to accept them.

There really is truth in that adage that when you create something with your own hands, you have true ownership of it. Performance measures are no different. I've found that when you involve people in the process of selecting their own performance measures and bringing those measures to life themselves, they have much more ownership of those measures. They feel excited about those measures.

You may sometimes have to trade off sophistication for ownership, but I think the buy-in is far more important. When you have buy-in, when you have people taking true ownership of their measures, then you've changed them in some way and you've helped them feel a lot more comfortable using information to inform

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

their decision making. You've helped them get closer and closer to the philosophy of continuous performance improvement. When you have that as a foundation, it's much easier for the sophistication of the measures to improve as the people's skill improves. When you start thinking that the foundation has got to be sophisticated measures, it's much, much harder to get to a point where those measures will improve performance, because that lack of buy-in is always going to be a significant obstacle.

When you allow people to participate in the process of choosing the measures that are going to be most relevant for them, you are not just helping them learn about measurement. You're also helping them get far more clarity about the work they do and the results they achieve, and that is a very profound experience. I think that's partly why when people develop their own measures, they truly are measures that those people can feel excited about.

To do this you have got to get out of the way of people's buy-in. It's not something that you can orchestrate, it's not something that you can force to happen. Buy-in is something that happens naturally when the obstacles are taken away. One obstacle is fear. So make sure that measures are never used to judge people. As soon as they are used to manage individual people's performance, then you have a big barrier to buy-in. Another obstacle is irrelevance. So make sure that people realise those measures are for them to use, as tools to improve their own processes. It's not about creating measures only to report upwards.

Ownership comes through contribution.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

stacey barr

In the PuMP® methodology we have an event that's called a Measure Gallery and it's an opportunity for a set of performance measures to be socialised, far beyond the team that designed them. Not everyone is going to have the time to participate in the Measure Design process, but everyone does have the time to participate in a Measure Gallery. Presentations, meetings, and even workshops wont' create buy-in quickly or easily. What works best is an organic, simple approach where people can spend as little as a couple of minutes to participate, or longer if they choose. It can be the time it takes them to make a cup of coffee, walk in to the Measure Gallery, have a conversation with a few people, look at a few measures, drink their coffee and go back to work. And they know they've contributed exactly how they wanted to. The Measure Gallery is a very powerful event that helps people beyond just those who participated in the Measure Design to have input and to engage with the measures.

Secret #5 for KPI Success is engaging and involving people in the measurement process, not just consulting them. Let people contribute and participate in a way that's very natural for them, without it feeling forced or contrived or superficial.

TAKE ACTION

Take a few of your existing KPIs or performance measures and test how much engagement and buy-in there is for them. Find out who participated in creating them, find out who was able to have input, find out if it was just a 'tick and flick' sign-off exercise.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #6: The time and effort you hate investing in KPIs shouldn't even be there.

Probably one of the most costly struggles that we have in performance measurement is when measures don't even make it to the decision-making table. Instead people will argue about the how the measures should be calculated and whether the data has enough integrity. Or they will attempt to bring the measure to life, but there are multiple versions of it floating around the organisation and no one knows which the correct version is. Or there might not be enough resources available to collect the data, to do the analysis and to bring the measure to life.

The root of this costly problem is a lack of discipline in the measure implementation steps in your performance measurement process. Let's take 'customer loyalty' as an example: exactly how do you calculate that? Is it the retention of your customers, like the percentage of customers who keep coming back? Or is it how much they spend with you? Or is it how much of their total budget for the kind of service you offer, that they spend with you as opposed to a competitor? There are a few different ways that we could define that and therefore a few different ways that we can calculate 'customer loyalty' and decide where the data should come from.

Assuming that someone knows the correct way to implement a measure is going to cause a lot of problems in bringing the measure to life. I had this problem a lot back in my days as Measurement Consultant in the railways. On one side I would have the managers saying to me "Stacey, these IT people have no idea how to report this measure." On the other side, the IT people would say to me "These managers have no clue what they want to report; they've got no idea what they're asking us to do." So I was caught in the middle and it taught me that the problem was a lack of definition about exactly how a measure needs to be implemented or brought to life.

One of the railway managers was concerned that each report of cycle time he

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

looked at, he got a different story. Which report should he trust? After an investigation of how these different reports were put together, we learned he had 12 different versions of the same KPI of cycle time. Analysts were making different assumptions about how to calculate it, about what data to use and also about the scope of the measure. What this manager needed was a single version of the truth. He needed one standardised version of his 'cycle time' KPI. So he had to define in sufficient detail what he wanted, so no assumptions were necessary.

Be disciplined to define all measures in a single way, in a single place.
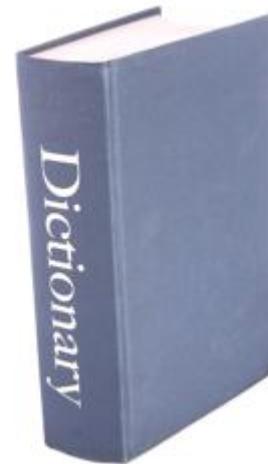
Every organisation needs a Corporate Performance Measure Dictionary and in that dictionary we need specific instructions for how to implement each of the KPIs that are reported in the organisation. In the PuMP® methodology we have a particular way that we do this: a Performance Measure Definition template. We fill out all the appropriate details to make sure there is a single version of the truth for each KPI or performance measure.

Secret #6 for KPI Success is that assumption is the mother of all bad performance measures. We need the discipline to define in detail the implementation steps to bring our measures to life, with consistency.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

TAKE ACTION

Take a look at a few of your KPIs or performance measures and check how they are calculated. Are they always calculated consistently? Do people know the right way to calculate them? Do they know the right data to draw on to bring those measures to life?

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #7: Your performance reports lack actionable insight because they're answering the wrong questions.

Yet another of the struggles that we have in performance measurement is that performance reports and dashboards tend to be cumbersome and boring and hard to navigate. They make it very difficult to get the answers to our questions.

One reason why performance reports and dashboards aren't insightful is that we have the wrong purpose for them. Too often we use performance reports more to 'cover your arse' (CYA) rather than for continuous performance improvement (CPI). So the way they are designed ends up answering the wrong questions. They include as much information as possible, to keep the monkey off our backs. Or they are full details that someone thought would be interesting for the audience without necessarily giving enough thought to what would be *useful* to that audience.

This usually means that performance reports are full of noise and that noise drowns out the important signals that we need to respond to. Just about every performance report that I see from my clients and people who come to my workshops, share similar features. They are full of tables, they are full of words and usually these words are really just explaining all the stuff that was done last month or last quarter. If they do contain graphs, the graphs are often there for decorative purposes, and different styles of graphs are used just to keep the report interesting. They are feature dials and gauges, which do not have the capability to show us how performance is tracking over time.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

Performance reports should answer only 3 questions: What? Why? Now what?

Every performance report really needs to answer 3 important questions:

1. **What is performance really doing?** We need to see clearly any true signals of change in the measure over time, not just the noisy point-to-point variances.

2. **Why is it doing that?** If you see a signal in your performance measure, you need information that helps you interpret that signal and understand what's causing it.

3. **What should we be doing about this?** Actionable performance reports include recommendations for action to improve performance, based on analysis of the causes of any signals.

So a good performance report will have the performance measures, some supplementary analysis to interpret what's going on with that performance measure, and some recommendations that are based on the analysis so that the users of the report can make the best decisions about how to improve performance.

In the PuMP® methodology we have a very specific performance report and dashboard design approach that makes sure that reports answer those three questions. But it also makes sure that reports are formatted well, laid out in a way that's easy to navigate and helps the signals jump right off the page and almost slap you in the face.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and
engaging.

Secret #7 to KPI success is based on the architectural adage that "Form
Follows Function". And for a performance report, that means that the report
design serves the purpose of that report. And the purpose of performance
reports is to take performance improvement actions.

TAKE ACTION

Now a useful activity for you to do at this stage is to take a performance report,
perhaps it's one that you are involved in producing or one that you use yourself
and talk to some of the users of that report. Find out how much of the report
they use; find out how hard or easy they find it to navigate through; find out
how often they get performance improving insights from it.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #8: Comparing this month to last month means you're wrong most of the time.

There is a struggle that we have in performance measurement that a lot of people don't even realise is a struggle. It's this: every month or every reporting period, explaining every up or down movement in our KPIs. Related to this problem also is where everyone is looking at the same KPI, looking at the same graph or the same visual presentation of it, but not agreeing on whether performance is going up or going down or staying the same.

The root cause for this struggle is that we are not able to discern the signals in our KPIs from the noise. We treat every up and down variation, every difference as something that's real. This is a symptom of a very common situation where people are using statistical techniques without statistical thinking.

A very typical way that we interpret our KPIs and performance measures is to compare this month to last month or this month to the same month last year or maybe this month to a target or a standard or we compare the year to date to some kind of annual target. The problem with doing this is we can often get different answers to the very same question: what is performance doing? This month for example might be better than last month, but it might be worse than the same month last year, and it might be better than target, even though the year to date is behind. So you can't get agreement on what the KPI is doing. If you can't get agreement, you don't know whether you should take action or not.

There is an interesting experiment that I do in my workshops and webinars around this very topic and I show people a range of these typical analyses and I ask them the question "Is performance getting better, getting worse or staying the same?" Now everyone will be looking at exactly the same data, exactly the same analysis and I will get responses across the board. Some will say "It's getting better!" Some will say "It's getting worse!" Some will say "It's staying the same!" And interestingly enough some will say "I have no idea!"

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

Now that's *not* the kind of response you want when you are looking at your KPIs. That's madness! If we can't interpret our KPIs accurately and consistently, we are wasting a whole lot of effort in fixing things that ain't broke and we are missing a whole lot of opportunity to pick up problems early before they turn into very costly big problems.

Statistical thinking helps us see signals in the noise.

We need a single, correct set of rules for interpreting our KPIs and we shouldn't make them up! They are not something that we can just pluck out of thin air, even if we are consistent about them. We need to apply statistical thinking. Statistical thinking means we have to accept that everything varies naturally, there will be a certain amount of routine variation in absolutely anything that we measure. That routine variation is a pattern of consistent variation through time, what we want to manage is not the up and down routine variation, we want to manage the abnormal variation, where the pattern of variation suddenly starts changing. And we need specific, statistical techniques to do this. You don't have to worry about not being a 'numbers person' or 'Oh, I didn't go to University and study statistics!' You don't need any of that. You just need a very specific chart that anyone can construct and interpret with minimal effort.

In the PuMP® workshops I teach this special chart. It's called an XmR chart and everybody in the workshops always understands it and correctly constructs their first one. For many, it's the first PuMP technique they apply when they get back to work, and many find signals in their existing performance measures that no one

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

ever noticed before.

Secret # 8 for KPI success is that we have to learn how to discern signals from the normal routine variation or noise that is present in every single KPI. We have to stop making point to point comparisons. We have got to stop comparing this month to last month, or this month to a target.

TAKE ACTION

Take one of your existing KPIs or performance measures and put its values into a time series chart. You want some historic data too, for example, 2 years' worth of monthly values in this chart. And then just take a look at the chart:

- How would you describe the normal amount of routine variation that's in that KPI?

- Can you see any deviations away from the routine variation pattern that would suggest a signal?

- How would you interpret your KPI when you have the context of the historical data and an understanding that routine variation is absolutely normal and okay and what you need to look at is the patterns that show a deviation from that?

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #9: There's no leverage for reaching KPI targets in treating symptoms.

Probably one of the biggest struggles at this stage in the performance measurement process is not being able to work out if the initiatives or projects or strategies that you had planned to achieve your goals have worked or not. It might be because you didn't know how to measure the impact of those initiatives. Or it might be from focussing too much on all the stuff that got done as opposed to the results that were achieved. The cause for this kind of struggle is a lack of a strong link between performance measurement and performance improvement.

There are three main approaches people take to try and improve performance:

1. They educate stakeholders, either to make expectations of performance more in line with what the business process or program is currently capable of delivering, or to have them change their behaviours because underperformance is their fault.

2. They request more resources for the business process or program. They believe they need more staff to produce improved performance, because they can't be expected to perform better with the same level of resource they have now.

3. They seek funding for systems to automate aspects of the business process or program.

These solutions for improvement only treat symptoms, not the root causes. These solutions just compensate for a business process or program that isn't designed well enough to produce what's needed from it.

In a freight business, customers were not paying their bills on time. One solution the business considered was to educate the customers about paying bills on time. But that wouldn't achieve much more than annoying or offending the customers. Another solution was to hire a few more staff to focus on chasing unpaid bills. But the additional wages would reduce the return on investment. What we actually

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

did was start with a clear understanding of the result they wanted: to have bills paid on time. Then we analysed their billing process, flowcharting it and looking for all the different things that could be happening that might influence whether or not a customer paid their bill on time. And what we discovered was their pricing system was so complex that it caused a lot of errors to be made on the bills. When the customers received the bills, they didn't want to pay them because they weren't accurate. Fixing the pricing system was a simple solution that had a big effect.

Find and fix the root causes: in business processes.

That's what leverage is. It's finding the root cause that's constraining performance and removing the constraint. Fix it once, and from that time forward it's better. No ongoing investment to compensate for that root cause. Earlier we discussed how focus, feedback and the fulcrum sum up the role of performance measurement. This is a perfect example of performance measures being the fulcrum to get more leveraged improvement and a better result.

The causes of performance problems are in the business processes. We need to look for the root causes and fix them. Not just the inputs, not just throwing more money or more resources at a process that really isn't working well enough.

In the PuMP® Using Measures framework we focus on getting that kind of thinking – that process-based thinking, root cause thinking, continuous improvement thinking – into the decision making processes that use performance measures, because that's where the rubber hits the road with KPIs.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

Secret # 9 to KPI success and that is that the leverage for performance improvement lies in true business process improvement. Not in project management or initiative management and certainly not in throwing resources at a problem and not fixing the underlying cause.

TAKE ACTION

Have a look at your business plans and ponder this question: How many of the initiatives or improvement projects that are in there are really targeting root causes?

If you chose those initiatives and projects before you chose your performance measures, or before you started doing some kind of analysis to figure out what the root causes are, it's very likely those initiatives and projects are really targeted at symptoms not at the true root causes.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

KPI Secret #10: Performance measurement is important, but not urgent.

Here's a big struggle with performance measurement: and that is getting the commitment to do it properly, right across the organisation. We see that there's an investment of people's time to learn and implement measurement well. The problem is, that this investment in proper performance measurement never seems urgent enough, amidst the whirlwind of 'business as usual'. So we keep delaying when we are going to do performance measurement properly.

Largely this is because people don't see performance measurement as part of 'real' work. It's interesting, because it's really saying that it's okay to keep wasting time and effort and money on projects that aren't really working. It's okay to spend a thousand hours every month reporting information that nobody finds useful. It's okay to keep using the wrong information and interpreting it in the wrong way and missing important lead information about what future performance could be doing. But of course, this is not okay.

The problem is we don't see the real waste of not doing performance measurement properly and we don't see the real potential that we are missing out on by not doing performance measurement properly.

A client of mine from a few years ago was thankfully a manager who was very committed to evidence-based decision making and he really did value performance measures. I had worked with him a couple of times in this particular organisation and he really did embrace these ideas of what true performance measurement is about. When he started work as the General Manager for Procurement in this company, he asked me to help him and his team develop some performance measures to monitor their new procurement strategy. They targeted their procurement strategy at one of the organisations most important strategic goals, which at that time was about reducing unnecessary expenditure.

So he created a system of goals that were very result-oriented. He involved his

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

stacey barr

team in choosing and designing really good performance measures. His team reported those measures in a way that they could see the true signals and didn't get distracted by the noise (that noisy routine variation that all performance measures have). They followed a deliberate performance measurement process, using PuMP® to build a really fantastic set of performance measures. What he did for that company was save them $40 million in two years! It's no wonder he was promoted to a senior executive role following this success.

The PuMP® Performance Measure Blueprint

Step 1	Step 2	Step 3	Step 4
Understanding Measurement's Purpose	Mapping Measurable Results	Designing Meaningful Measures	Building Buy-in to Measures

Step 5	Step 6	Step 7	Step 8
Implementing Measures	Reporting Performance Measures	Interpreting Signals from Measures	Reaching Performance Targets
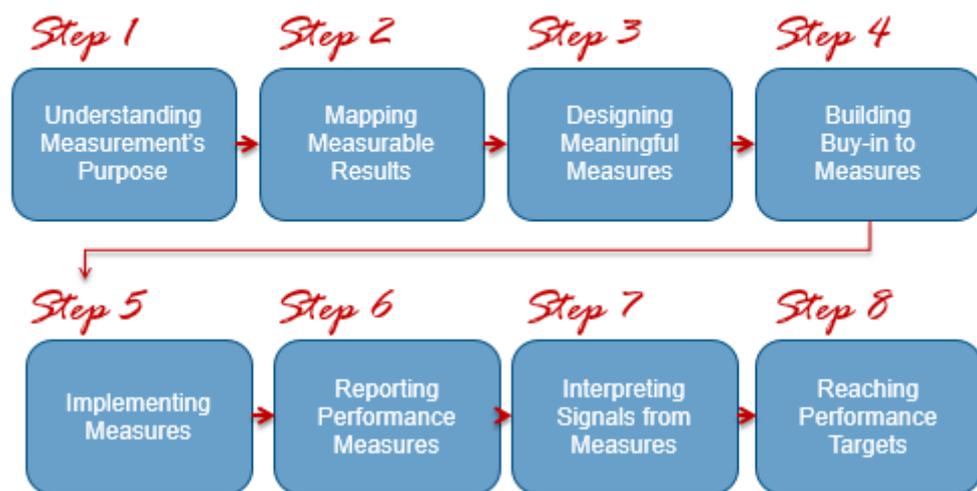
The idea is that you need to take a deliberate approach to performance measurement, an approach that works. And when you do, it really will transform your organisation. A proper approach to performance measurement will be fun and engaging and will draw on untapped energy that you have in your people because they'll know that they are contributing to something really meaningful.

A proper approach to performance measurement will also be relatively easy and fast. You know it will overcome those struggles that we've been talking about through this report. It will mean that you have great information with far less effort than what you are investing in your performance measurement process

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

now. The same performance measurement process that isn't giving you the powerful measures you want.

This is what the PuMP® Blueprint exists for. It exists because we've all got those struggles. We've got to stop those struggles, in order to make performance measurement work really well.

Secret #10 for KPI success is that performance measurement is a deliberate process in its own right. It is not an event that you tack on to a Balanced Scorecard workshop or as a little task that you do in a Six Sigma project. If you really want to transform the performance of your organisation, you have to give performance measurement deliberate and urgent attention – you have to make it work for you.

TAKE ACTION

To help you just get one step closer to a deliberate performance measurement process, take the PuMP® Diagnostic and find out where your current strengths and weaknesses are. It's a tool that you'll find down below here on the web page and it steps you through a series of criteria for you to assess. Those criteria sum up what an excellent performance measurement system is and you will be able to find out where you are on the scale and therefore focus on where you performance measurement urgently needs the most improvement now.

www.pumpdiagnostic.info

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

About the author

Stacey Barr

Stacey Barr is a globally recognised specialist in organisational performance measurement. She discovered that the struggles with measuring business performance are, surprisingly, universal. The biggest include hard-to-measure goals, trivial or meaningless measures, and no buy-in from people to measure and improve what matters. The root cause is a set of bad habits that have become common practice.

Stacey created PuMP®, a deliberate performance measurement methodology to replace the bad habits with techniques that make measuring performance faster, easier, engaging, and meaningful.

Stacey is author of Practical Performance Measurement, publisher of the Measure Up blog, and her content appears on Harvard Business Review's website and in their acclaimed ManageMentor Program.

Discover more about Stacey and practical performance measurement at www.staceybarr.com.
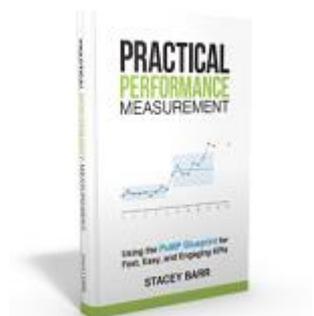
Copyright

Feel welcomed to email or print this white paper to share with anyone you like, so long as you make no changes whatsoever to the content or layout.

The 10 Secrets to KPI Success

Performance measurement can be easier, faster, more meaningful and engaging.

Disclaimer

This white paper is provided for educational purposes only and does not constitute specialist advice. Be responsible and seek specialist advice before implementing the ideas in this white paper. Stacey Barr Pty Ltd accepts no responsibility for the subsequent use or misuse of this information.