How to implement 'winning KPIs'

by David Parmenter

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1. The great KPI misunderstanding

"Show me a company with over 20 KPIs and I will show you lack of focus, lack of alignment and under achievement"

For years organisations that have had, what they thought were, KPIs. They have not had the focus, adaptability, innovation and profitability that they were seeking. KPIs themselves were mislabelled and misused. Some organisations try and manage with over forty KPIs, many of which are not KPIs.

I have developed a hypothesis that performance measures are divided into four types (**key result indicators**, **result indicators**, **performance indicators and key performance indicators**). This paper is an extract from my Key Performance Indicators book[i].

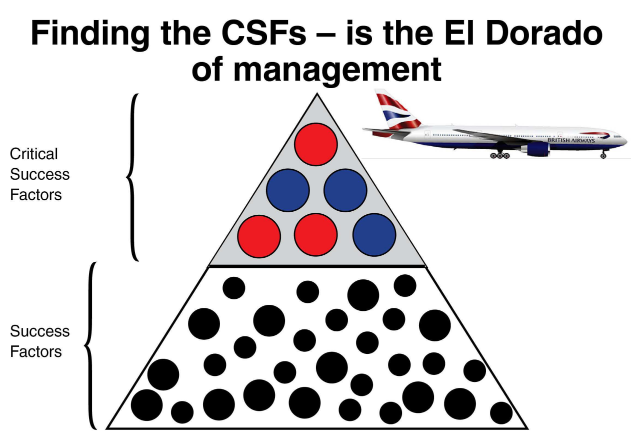
Let me explain what a KPI is through two KPI stories.

1.1. An airline

My favourite KPI story is about Lord King who set about turning British Airways (BA) around in the 1980s by reportedly concentrating on one KPI.

Lord King appointed some consultants to investigate and report on the key measures he should concentrate on to turnaround the ailing airline. They came back and told Lord King that he needed to focus on one **critical success factor (CSF)**, the timely arrival and departure of aeroplanes, see Exhibit 1.1. Finding the CSFs and narrowing them down to no more than five to eight is a vital step in any KPI exercise, and one seldom performed.

Exhibit 1.1 The importance of knowing your critical success factors



Lord King was however not impressed as everybody in the industry knows the importance of timely planes. However, the consultants then pointed out that this is where the KPIs lay and they proposed that Lord King focus on late plane KPI.

He was notified, wherever he was in the world, if a BA plane was delayed over a certain time. The BA airport manager at the relevant airport knew that if a plane was delayed beyond a certain 'threshold', they would receive a personal call from Lord King. I imagine the conversation going like this.

"Pat, Its Lord King on the phone, I am ringing up about BA135 that left Kennedy airport over two and a quarter hours late, what happened?"

"Lord King, the system will tell you that the plane was late leaving Hawaii. In fact it was one and three quarters hours late and everything was in order at our end except we lost an elderly passenger in duty free shopping. We had to offload their bags and as you can see we did it in record time, only half an hour!"

"Pat, how long have you worked for British Airways?"

Pat, realising this conversation was not going well responded, "About thirty years, Lord King"

"In fact, Pat it is thirty two. In thirty two years of experience with us you are telling me that with six hours of advance notice that the plane was already late you, and your team, could do nothing to bring it forward, instead you added half an hour. Quite frankly Pat, I am disappointed as you and your team are better than this!"

For Pat and many others employed by the airline had the "not invented by us" syndrome. A late plane created by another team was their problem not ours. With Pat's new attitude and awareness the troops were gathered the next day and undertook many proactive steps to ensure they recaptured the lost time, no matter who had created the problem. Actions such as

- doubling up the cleaning crew, even though there was an additional external cost to this,
- communicating to the refuelling team which planes were a priority
- superior communication to the external caterers so they could improve management re-equipping the late plane
- staff on the check-in counters asked to watch out for at risk customers and chaperone them to the gate.
- not allowing the business class passenger to check-in late, yet again. This time saying "Sorry Mr Carruthers we will need to reschedule you as you are too late to risk your bags missing this plane. It is on a tight schedule. I am sure you are aware that the deadline for boarding passed over 30 minutes ago."

The BA manager at the relevant airport knew that if a plane was delayed beyond a certain threshold, they would receive a personal call from Lord King. It was not long before BA planes had a reputation for leaving on time.

The late planes KPI worked as it was linked to most of the critical success factors for the airline. It linked to the 'delivery in full and on time' critical success factor namely the 'timely arrival and departure of aeroplanes'; it linked to the 'increase repeat business from key customers' critical success factor etc.

The late planes in the air KPI affected many aspects of the business. Late planes:

1. Increased cost in many ways, including additional airport surcharges and the cost of accommodating passengers overnight as a result of planes being prevented from departing due to noise restrictions late at night.
2. Increased customer dissatisfaction leading to passengers trying other airlines and changing over to their loyalty programmes.
3. Alienated potential future customers as those relatives, friends or work colleagues inconvenienced by the late arrival of the passenger avoided future flights with the airline.
4. Had a negative impact on staff development as they learned to replicate the bad habits that created late planes.
5. Adversely affected supplier relationships and servicing schedules, resulting in poor service quality.
6. Increased employee dissatisfaction, as they were constantly fire fighting and dealing with frustrated customers.

It is interesting that Ryanair has a sole focus on timeliness of planes. They know that is where they make money often getting an extra European flight each day out of a plane due to their swift turnaround and their uncompromising stand against late check-in. They simply do not allow customers to get in the way of their tight schedules.

1.2. A distribution company

A CEO of a distribution company realised that a critical success factor for their business was trucks leaving as close as to capacity as possible. A large train truck, capable of carrying more than 40 tonnes, was being sent out with small loads as despatch managers were focusing on 'deliver in full on time' to customers.

Each day by 9am, the CEO received a report of those trailers that had been sent out under weight. The CEO rang the Despatch manager and asked whether any action had taken place to see if the customer could have accepted that delivery on a different date that would enable better utilisation of the trucks. In most cases the customer could have received it earlier or later, fitting in with a past or future truck going in that direction. The impact on profitability was significant.

In a scenario similar to the airline example, staff members did their utmost to avoid a career-limiting phone call from the CEO.

(Both these examples are provided in greater detail in my webcast, "Introduction to Winning KPIs," which can be accessed via www.davidparmenter.com.)

1.3. Recent waymark research

In an international poll, see exhibit 1.2, waymark conducted during a webcast resulted with the following.

Exhibit 1.2: International Poll (web presentation CGA Canada 2012 & 2013

How many KPIs are there in your organisation?	What is the most common timeframe KPIs are reported within?
72% less than 20	9% 24/7
16% between 20-50	22% daily
3% between 51-100	14% weekly
2% over 100	55% monthly
467 respondents	121 respondents

Clearly there is a move to fewer measures with just over 70% with under 20 KPIs and the reporting period is still very historic with nearly 70% saying monthly or quarterly.

1.4. Role of performance measures

It is worth reflecting on what the role of performance measures are intended to be. It is my belief that the role of performance measures include:

- link daily actions to the strategies, as shown in Exhibit 1.3
- give an organisation direction
- ensure a more balanced performance
- create wider ownership and empowerment
- gain behavioural alignment (planes)

It is also my belief that KPIs are the only thing that truly links day to day performance in the work place to the organisation's strategic objectives. Some people think that because the annual planning process comes from a medium term view (called the development plan in Exhibit 1.4), which in turn is linked to the strategic plan, Strategy is linked to day to day activities. It looks good on paper but never works in practice. Strategy is broad and wide ranging whereas the annual planning process is a dysfunctional silo based process!

Exhibit 1.3: getting alignment through functioning KPIs

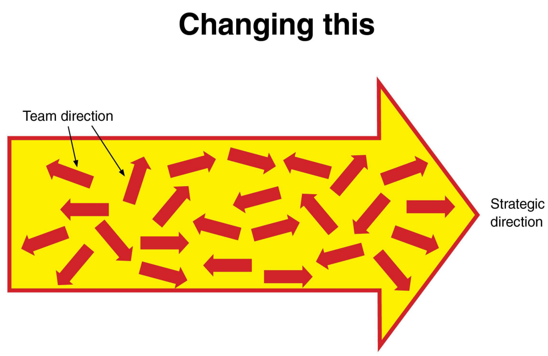
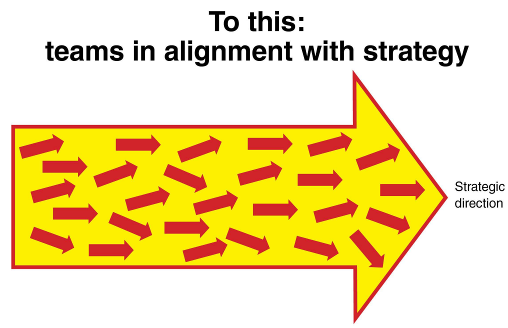
<table>
<tr><th>Status quo, a lack of alignment</th><th>Alignment through winning KPIs</th></tr>
<tr><td>
</td><td>
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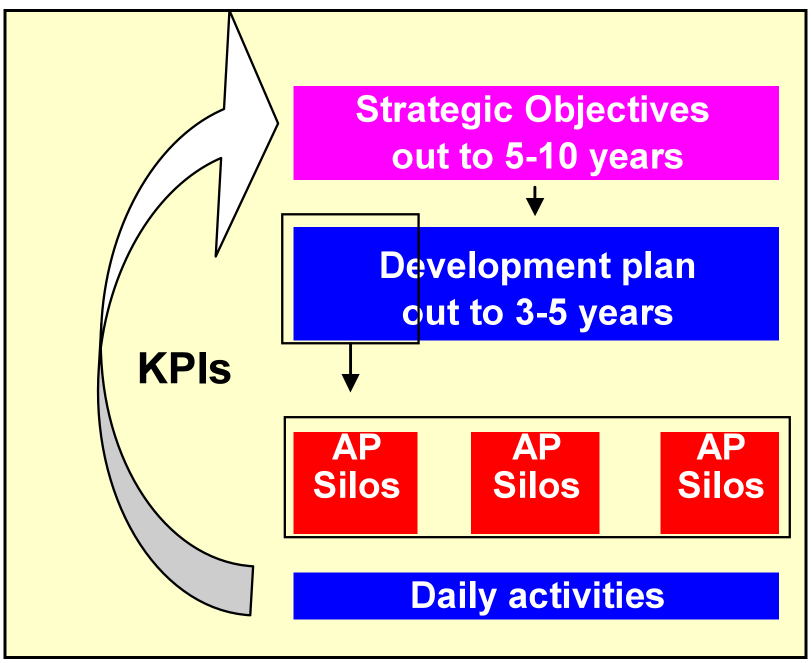
Exhibit 1.4: Linkage of KPIs to Strategic objectives



2. The four types of performance measures

From the research I have performed which I have accumulated through workshop feedback across diverse industries and, as a by-product of writing my book, "Key Performance Indicators – developing, implementing and using winning KPIs", I have come to the conclusion that there are four types of performance measures in **two groups of two.**

Two groups of two

Result Indicators	Measures that summarize the collective effort of a wide number of teams. Some of these result indicators summarize the collective efforts of all the teams. I call these **Key Result Indicators**.
Performance Indicators	Measures where the responsibility can be tied down to a team or a cluster of teams who work closely together. Some of these performance indicators tell staff and management what to do to increase performance dramatically. I call these **Key Performance Indicators**.

There are measures that summarise the collective effort of a wide number of teams. I call these Result indicators. Some of these result indicators summarise the collective efforts of all the teams and I call these **Key Result Indicators**.

There are measures where the responsibility can be tied down to a team or a cluster of teams who work closely together. I call these **Performance indicators**. Some of these performance indicators tell staff and management what to do to increase performance dramatically, and I call these **Key Performance Indicators**.

2.1. Key Result Indicators (KRIs)

The common characteristic of KRIs is that they are the result of many actions. They give a clear picture of whether you are travelling in the right direction, and of the progress made towards achieving desired outcomes and strategies. They are ideal for governance reporting as key result indicators show overall performance and help the Board focus on strategic rather that management issues.

KRIs do not tell management and staff what they need to do to achieve desired outcomes. Only performance indicators and KPIs can do this.

KRIs are measures that have often been mistaken for KPIs include:
Customer satisfaction (%)
Employee satisfaction (%)
Return on capital employed (%)
Net profit before tax and interest ($)

Separating out KRIs from other measures has a profound impact on the way performance is reported. There is now a separation of performance measures into those impacting governance (up to ten KRIs in a Board dashboard) and those RIs, PIs and KPIs impacting management.

A one page dashboard with the KRIs going in the right direction, will give confidence to the Board that the management know what they are doing and the "ship" is being steered in the right direction. The Board can then concentrate on what they do best, coaching the CEO, as required; focusing on the horizon for icebergs or looking for new ports to call. This is instead of parking themselves on the "bridge" and thus getting in the way of the captain who is trying to perform important day-to-day duties.

2.2. Performance and Result Indicators (PIs and RIs)

The 80 or so performance measures that lie between the KRIs and the KPIs are the performance and result indicators (RIs & PIs).

The RIs summarise activity and <u>all financial performance measures</u> are RIs e.g. daily or weekly sales analysis is a very useful summary but it is a result of many teams' efforts. We need to look at the activities that made the result to fully understand what to increase or decrease.

RIs could include:
Complaints from key customers
Sales made yesterday
Bed utilisation in week
Number of products rejected by quality assurance
Debtor collections in week

The performance indicators while important are not 'key' to the business. The PIs help teams to align themselves with their organisation's strategy. Performance indicators, are non financial, and complement the KPIs and are shown with them on the organisation's, divisions', departments' and teams' scorecards.

PIs could include:
% increase in sales to the top 10% of customers
Number of employees' suggestions implemented in last 30 days
Sales calls organised with key customers next week/ next fortnight
Customer complaints
Late deliveries

That now brings us to Key Performance Indicators.

8. Stage 1: Getting the CEO, senior leadership team, management and staff committed to the change

The senior management team must be committed to developing and driving through the organisation KPIs and any balanced scorecard that includes them. In order for this to happen the thought leader, who is driving this concept forward, needs to follow the guidelines set out in section 8,” Leading and selling change". In addition, timing is everything. This project has to find a suitable window where the Senior Management Team (SMT) will have time to commit to the change process.

8.1. Obtain senior management team commitment

This activity was step one, in the twelve step process, in the first or second editions of my KPI book.

The SMT must be committed to developing and driving through the organisation KPIs, and any balanced scorecard (BSC) that includes them. SMT commitment creates a dynamic environment in which projects can thrive. Before the SMT can do this, they need to be “sold” on the concept and fully understand why they should treat monitoring and following up on the KPIs as a daily task.

By senior management team commitment, I mean that the senior management will need to set aside time each week to perform exercises that include giving feedback on suggested measures, being available to the winning KPI team for interviews, visiting other government and non profit agencies, and approving investment proposals into new executive information systems that will be the main vehicle for reporting KPIs.

An attendee at one of my workshops made a profound observation that senior staff can simply view development of KPIs as an end in itself and go through with it "to keep the boss happy." They are not strategic in their perspective, so they don't see the KPIs and the associated balanced scorecard (BSC) as tools to help them better understand and manage their organisation. This can be reflected in a loss of interest when the process of development gets tough, such as deciding on KPIs to use and the tradeoffs to be made. Although the senior management team is important, I think the CEO is critical. The CEO must be the central driver, carrying around the embryonic KPIs all the time, talking about their importance frequently, and so on.

Select an external facilitator

The CEO needs to locate an external facilitator, who will work with the SMT to scope the project, facilitate SMT commitment, help select the in-house KPI team, and support the team in their journey of learning, discovery, and achievement. The facilitator needs to be experienced with performance measurement issues and given time to familiarize themselves with the book “Key performance indicators- developing, implementing, and using winning KPIs”.

With Web based meetings being a common tool it is possible to have the facilitator perform their duties from afar. I have achieved this on a number of projects myself.

Some key workshops happen in this first step.

Facilitator delivers a half-day workshop to the SMT to kick-start the project. This workshop will explain the new thinking on performance measures; convey the importance of monitoring and following up on the KPIs as a daily task; explain the difference between KRIs, PIs, and KPIs; and so forth. In the workshop the facilitator needs to ensure that the SMT understand the commitment required each

week to giving feedback on suggested measures, being available to the project team for interviews, visiting other KPI sites, and so on.
Project team delivers two short workshops to the SMT during the project. These workshops (about two to three hours long) help maintain the interest of the SMT, gain valuable input, launch newly designed reports, and convey progress.

8.2. Agree on timing, resources and approach

This activity was step four, in the twelve step process, in the first or second editions of my KPI book.

This involves ensuring that this is the right time for the project to be run in conjunction with concurrent projects within the organisation. In addition, it is necessary to consider how best to run the implementation.

The most appropriate implementation is influenced by the size of the organisation, the diversity of the departments, the organisation's locations, and the in-house staff resources available for the project. Each implementation is like a fingerprint that is unique to the organisation, and it should be designed in consultation with the stakeholders, the external facilitator, and with consideration of prior experiences that have worked and not worked in past implementation rollouts.

There are a number of questions to answer.

- What needs to be abandoned to make room for this project?
- Is this the right time to embark on this project?
- Do we have a window of opportunity to commit to this project?
- How should we best implement winning KPIs across our organisation?
- Have we maximized the fit with the other changes our organisation is pursuing to achieve world-class performance?

When you can answer these questions clearly, you will be able to locate winning KPIs in the total performance improvement game plan.

There are a number of issues to address.

Ascertain what projects, performance measures, processes, and reports need to be abandoned to make room for the KPI project

Peter Drucker said, "Don't tell me what you're doing, tell me what you've stopped doing."[ix] The KPI project needs space to work. Many projects fail because staff and management have to carry out all their existing workload as well as the new responsibilities of the new project. It does not take long before enthusiasm wanes and the project starts to come off its rails.

Ascertain the existing measurement culture

Be aware of the current understanding of performance measurement and how it has been used in the organisation. It takes time to adapt new approaches to performance measurement. It is, therefore, important to plan the introduction to KPIs with an appreciation of the organisation's existing comfort (or discomfort) levels with performance measurement.

Big bang or a phased approach

For organisations with fewer than 500 staff, a total rollout in 16 weeks is achievable. Organisations with over 500 full-time employees will require a phased approach. The larger the organisation, the more focused the first phase must be. For an agency with 20,000 or more full-time employees, the first phase would be limited to three of the departments (three pilots was recommended by Peter Drucker) where the benefits are the greatest, and it would be desirable to include one head office unit, because the head office units must be able to support this process early on, see Exhibit 8.1.

Ascertain the size and number of KPI teams required

For organisations over 3,000 there will be KPI teams in each main business unit. These teams will be supported by a central KPI team. This central KPI team, who will be trained by the facilitator, will effectively be a team of in-house KPI consultants who travel in pairs to support the teams. The size of the central KPI team varies according to the speed of roll out required.

Be flexible about the rate of progress required. KPIs do not have to be applied uniformly within the organisation

Typically, the drive to introduce KPIs originates from senior or corporate levels of management, but it can also be pushed up from within the organisation. Where flexibility is allowed, different parts of the organisation can proceed with the introduction of KPIs at varying paces, according to their own requirements and readiness. A flexible approach to the development of KPIs avoids at least two potential problems associated with centralized, universal implementation:

Too much top-down influence on KPI selection, resulting in a lack of ownership in the measures and resistance to their use.
Difficulties associated with coordinating and resourcing KPI development in several departments and work groups at the same time.

Exhibit 8.1 Indicative Rollout Duration (use as guide only)

	Size of the organisation (FTEs)				
Size of KPI team	Less than 200	200 - 500	500 - 3,000	3,000 - 10,000	10,000+
First phase (Two - person KPI team)	6 weeks	18 weeks	16-20 weeks for first phase	Team is too small	
First phase (Four - person KPI team)	6 weeks (no time savings but better product)	10-16 weeks	16-20 weeks for first phase	20-26 weeks for first phase	20-30 weeks for first phase
Roll-out phases (Four - person KPI team)	Not required, project finished		10 weeks for each roll-out phase	10 weeks for each roll-out phase	10 weeks for each roll-out phase

9. Stage 2: Up-skill in-house resources to manage the KPI project

Here we cover the importance of selecting an in-house person to lead the team (The Chief Measurement Officer), the reasons why an external recruit is doomed to fail, the training that will be required and the need for a "Just do-it culture" in the KPI team.

9.1. Establishing a 'winning KPI' team

This activity was step two, in the twelve step process, in the first or second editions of my KPI book.

In-house or external appointment

Peter Drucker said "Never give a new job to a new person" he called it a widow maker. When an organisation wants a new system implemented it is very tempting to hire someone who has expertise, a consultant or a permanent appointment. Drucker pointed out that they do not stand a chance as staff who are concerned about the change will do their utmost to de-stabilize the project.

Drucker observed that many new initiatives failed as the wrong people were leading them. When we recruit a new employee or consultant to undertake a new job or project, such as the introduction of the balanced scorecard into the organisation, there will be much uncertainty among staff and management.

Staff will be wondering, What is going to happen with my job? Are my favourite tasks about to disappear? What affect is this going to have on my pay?

These doubts, along with the added insult of the Porsche Carrera in the visitors' car park, often leads to stone walling any potential project progress. There may be some staff and management who will do their utmost to make the consultant fail. The consultant, in such circumstances, is given as much chance of success as a mountaineer solo climbing Mount Everest. It can be done but only by a freak of nature.

Instead, Drucker advised that you find a project manager in your organisation who holds the highest stack of IOUs. Train them, support them with a mentoring based consultant and watch the project fly. The staff and peers will go over the trenches for them.

External facilitator helps select the in-house KPI team

As mentioned in Stage 1, an external facilitator, should be on hand to establish an in-house KPI team. It is imperative that the organisation commence the grooming of an in-house expert in performance measurement. As already mentioned this person, who will lead the KPI team, should be called the "Chief Measurement Officer".

Whilst this position is broader than just KPIs, this project will be their first assignment. In making this appointment the organisation has signalled their commitment.

The person selected will need time to study the latest thinking and visit organisations that have made progress in this area. They can be supported remotely by KPI experts, who work with them as a mentor. With GoToMeeting web based meetings common place, no expert assistance is very far away.

The external facilitator should help the senior management team pick a team. Research into personnel records is recommended, as many talented staff are found in obscure places, and some may already have some KPI experience. The facilitator is looking for staff members who have a proven track record of excellent presentation and communication skills, a flair for innovation, the ability to complete what they start, knowledge of both the organisation and sector, the aptitude to bring others on board, and the ability to be cheerful under pressure.

As Peter Drucker said "recruiting is a life and death decision". The recruiting of the KPI team should be done very carefully ensuring they have the right mix of knowledge, experience, and credibility within the organisation to be successful. The KPI team should be selected from all experienced employees. It is important to consider those employees who have always shaken the cart. They may have the X factor to make this project work.

It is advisable to run some tests to assess the potential compatibility of prospective team members, such as personality and thinking preference, as it is likely they have never worked together on a large project before. The findings from these tests will help the KPI team members understand how to work better with each other. The human resources manager will know about these tests.

Facilitator negotiates for full-time commitment of KPI project team

The facilitator needs to convince management that these staff members are required to be committed full time. A project office needs to be set up and the photos on the desk moved! The facilitator's second-in-command, who will now move into the vacated office, will fill the team's existing roles. Succession planning will be an additional benefit from this project. It is a myth that this project can be handled while continuing on with other duties. If project staff members are still intending to start and finish the day at their desk, this project should be terminated.

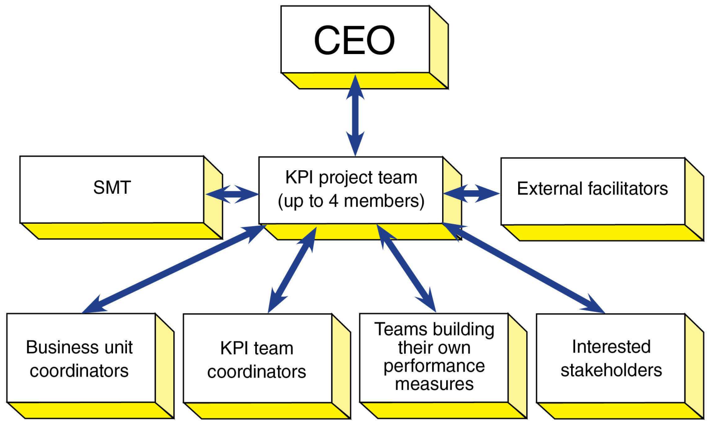
A small well-trained team

A small well-trained team will have the best chance of success. Kaplan and Norton, developers of the BSC concept, have commented that KPIs have been successfully designed by an individual, without large consultations, but that this was an exception rather than the rule.

A project team of between two to four people is recommended depending on the size of the organisation. The chosen project team members need to be committed **full time, and report directly to the CEO, see Exhibit 9.1. Any layer in between the CEO and the team indicates that step one has not been successfully achieved**.

This point is so important that the project should not proceed if the CEO does not wish to be involved this way. The KPI project team members should have a proven track record of excellent presentation and communication skills, flair for innovation, ability to complete, knowledge of both the organisation and sector, and the aptitude to bring others onboard.

Exhibit 9.1 Where the KPI team sits and its linkages



The KPI project team members should be a balanced mix of "oracles" and "young guns", the young, fearless, and precocious leaders of the future who are not afraid to go where angels fear to tread.

All business units and service teams should appoint a person to liaise with the KPI team who is sufficiently knowledgeable about their operation to provide information and feedback.

The interested stakeholders consist of those who can add a useful perspective to the project team, such as some members of the Board, union representatives, representatives from some key suppliers and key customers.

Do not include members of the SMT in the team, as they will be unable to meet the commitment required of being full time on this project.

There are a number of issues to address.

Team identifies coordinators. The team, with the help of the facilitator, needs to identify a liaison for each department or service team. This person needs to be knowledgeable about the operation, because his or her role is to provide the KPI team with detailed knowledge about their area of operation, to provide feedback, and so forth.

Facilitator develops training schedule and holds training exercises for the KPI project team. The facilitator will need to establish the knowledge gaps and set up training and some teambuilding exercises for the team. The KPI team will need training and assistance. The type of training will include the following:

- A comprehensive understanding of this white paper.
- Read Dean Spitzer's Transforming performance measurement and Stacey Barr's Practical Performance Measurement Using the PuMP Blueprint for fast, easy and engaging performance measures
- How to pass on knowledge using better-practice teaching techniques.
- How to facilitate workshops, which they will be running.
- How to deliver informative presentations.
- How to design databases.
- Better-practice communication techniques.
- Maintaining a vibrant project team home page on the intranet.

For organisations with a staff of 3,000 or more, the facilitator will also be involved in training KPI teams in each department. A central team of trained in-house KPI consultants will support these teams. The facilitator will train the in-house consultants who then will train the KPI teams as the rollout occurs.

9.2. Establish a 'just do it' culture and process

This activity was step three, in the twelve step process, in the first or second editions of my KPI book.

Right the first time is a rare achievement; the balanced scorecard is no exception. The balanced scorecard is just like a piece of sculpture, you can be criticized on taste and content, but you can't be wrong. The senior management team and KPI project team need to ensure that the project has a just–do-it culture, not one in which every step and measure is debated as part of an intellectual exercise. With this just-do-it culture comes a belief that we can do it, we do not have to rely on experts to run the project. As mentioned in Chapter 2, it is a myth that you can delegate a performance management project to a consulting firm. In any case, many CEOs are extremely cautious of those large projects that they perceive to be primarily run by external consultants. It is worth noting that experts, like artists, may not necessarily produce the sculpture that you want or need. To give the team the confidence and knowledge they will need, the KPI team should set up a small reference library and all team members should read the following books:

- David Parmenter, Key Performance Indicators: Developing Implementing, and Using Winning KPIs, 2nd ed. (Hoboken, NJ: John Wiley & Sons, 2010).
- Robert S. Kaplan and David P. Norton, The Balanced Scorecard: Translating Strategy into Action (Cambridge, MA: Harvard Business Press, 1996).
- Dean R. Spitzer, Transforming Performance Measurement: (New York: Amacom, 2007).
- Paul R. Niven, Balanced Scorecard: Step-by-Step for Government and Nonprofit Agencies (Hoboken, NJ: John Wiley & Sons, 2008).
- Stephen Few, Information Dashboard Design: The Effective Visual Communication of Data (Sebastopol, CA: O'Reilly Media, 2006).
- Stacey Barr, Practical Performance Measurement Using the PuMP Blueprint for fast, easy and engaging performance measures.

Establishing your winning KPIs is not complex, and the process should be carried out in-house, provided the team has the assistance of an experienced facilitator. The facilitator's role is principally that of a mentor to the project team and, thus, the facilitator should keep a low profile at balanced scorecard presentations.

There is no need to heavily invest in balanced scorecard applications during the first 12 months because the team should be utilizing existing spreadsheet, presentation, and database applications. This eliminates the delay caused by having to tender, select, and populate specialized software at this stage. This can be done more efficiently and effectively in the second year of the project when the organisation has a better understanding of KPIs.

There are a number of issues to address.

Provide training and support to teams so they can develop their performance measures. Major breakthroughs in performance improvement will result from the application of KPIs in local teams or work groups. Recognize that significant educational resources and time are required to implement performance measures in teams.

Introduce a moratorium on all existing KPIs. Every organisation is likely to have a number of performance measures in place, even if they are not called KPIs. These existing measures need to be reviewed to fit them within the new four-tiered structure of performance measures (KRIs, RIs, PIs, KPIs). All new measures should be allowed to be developed only from the project; there must be a moratorium on measures developed elsewhere. The organisational emphasis on the existing KPIs will be reduced as soon as senior-management-team members have been educated in what KPIs really are. All the existing measures will be included in the evaluation process with many being superseded.

Develop a Blueprint with the Help of the Oracles and plan with stakeholders. As covered in the Selling the Change section, it is important to hold a series of lock-up workshops involving senior management and a cross section of the oracles to draft the blueprint.

As stated, in the Ballance case study, three two week workshops were held for their planning tool implementation. Yes, that is six weeks of workshops. For a KPI project, which is less involved in the IT systems, I would suggest this could be completed within a couple of weeks. It would have been started from the first oracles focus group and be continued with a small group of between five to eight people.

Determining the perspectives of the balanced scorecard. Take a practical approach and avoid getting involved with debates on perspectives and their names. For the first year, stick to the six perspectives mentioned in an earlier section e.g., Financial, Customer focus, Internal process, Innovation and learning, Staff satisfaction, Environment and community.

Finding your organisation's operational CSFs	Finding your organisation's operational critical success factors through using the workshop instructions in this book and embedding them in the teams around your organisation for without them, everything will drift from one crisis to another.
Toyoata management principles	Become a Toyota convert embedding as many of their fourteen principles as possible.
Set up a KPI in-house team	Commence the KPI project using handpicked in-house resources giving them time, resources and support so they will have a chance to succeed. It is important that you champion the KPI project 24/7 by having a direct reporting link from the team to you.
Appoint a CMO	Appoint someone as the Chief Measurement Officer, see below
Customer focused vision, mission and values	Create a new vision, mission and values statement that is customer focused and ensures only like minded management and staff will join the organisation in the future
KPI definition understood	Make all staff aware that all KPIs are all non financial and are monitored 24/7, daily or weekly (see the seven characteristics of winning KPIs).

Exhibit 14.1 The minimum reading list required to move forward:

- Jack Welch's book "Winning"[xvi]
- Take a crash course in Peter Drucker's wisdom by reading "The definitive Drucker"[xvii]
- The Toyota Way[xviii] by Jeffrey Liker
- Jeremy Hope and Robin Fraser's book "Beyond budgeting"[xix]
- Jim Collins' books "Good to Great[xx]", and "How the Mighty Fall[xxi]"
- Peters and Waterman's "In search for Excellence"[xxii]

Armed with this knowledge it will be logical for you to challenge the myths and establish a simple yet effective measurement system in your organisation. You will need to champion this process, in the same way the famous CEOs listed in Exhibit 14.2 below did. You need to be the figure head of this change process like Jack Welch was in implementing six Sigma and Ecommerce within GE. You will need to select your most talented staff to lead this change to making measurement an activity that will lead to greater staff satisfaction.

Exhibit 14.2 CEOs who have championed measurement successfully

- Jack Welch former CEO GEC
- Bob Gavin former CEO Motorola
- Larry Bossidy, CEO Honeywell
- Carlos Ghosn , CEO Nissan and Renault
- Frederick Smith, President of FedEx Corporation

15. Comparison to Other Methodologies

There are a number of methodologies which I should address. I am a firm believer that the in-house project team, having researched the methodologies will follow the one that is best for them. At times it will be necessary to cut an exercise from one methodology and use it with an exercise from another methodology. That is both understandable and desirable.

15.1. Balanced -Scorecard

Nobody has done more than Kaplan & Norton (K&N) to ensure that strategy is balanced, well thought through and its implementation is monitored and managed.

The Harvard business school paper was a master piece and the follow on book "Translating strategy into action – The balanced scorecard" a classic from inception. As a writer I can appreciate the herculean effort Kaplan & Norton (K&N) undertook to amass so much case study material in such a short time. However I have been concerned for over ten years now as to why so many balanced scorecard implementations fail to deliver when the concept of implementing strategy and having a balanced performance is surely a given with most of us.

With the final editing of my second edition of my KPIs book finished I now have time to address, for the first time the main differences between the 'winning KPIs' and the balanced scorecard methodologies. I will also discuss my reasoning for the BSC failure rate and argue that the BSC fraternity need to update their methodology.

The main differences between the Balanced -Scorecard and Winning-KPIs Methodologies

The more I delved and read and reread their material I constantly had a problem about the use of performance measures in the balanced scorecard framework.

The differences between the two approaches are summarised in the table in Exhibit 15.1:

Exhibit 15.1: The difference between the BSC and winning KPIs

Winning KPIs	BSCs
Emphasises the importance of implementing strategy in a balanced way. Total agreement with K&N	Emphasises the importance of implementing strategy in a balanced way
Strategy mapping is seen as an intellectual process with questionable value. This is replaced with relationship mapping of success factors with multiple relationships.	Based around strategy mapping where success factors neatly fit into an individual BSC perspective
Knowing ones CSFs is seen as fundamental to knowing what to measure	Critical success factors not addressed in their work
Performance measures are brainstormed from the CSFs	Performance measures are brainstormed from strategic initiatives
Six balanced scorecard perspectives through the addition of 'staff satisfaction' and 'Environment and the community' perspectives	Four balanced scorecard perspectives

KPIs have seven characteristics and are thus rare. Other measures are either result indicators, key result indicators, or performance indicators	Key Performance Indicators not defined. All measures are called KPIs and thus seen as important to the organisation.
Less than 10 KPIs in a business	Many KPIs in a business
Measures seen as either looking at the past, the here and now, or the future	Performance measures are either Lead / lag KPIs
A philosophy that says it can be implemented by an in-house team	An approach that is largely consultant based, requiring much intellectual rigour
No applications required. At some stage a reporting tool will be needed to monitor and report on measures.	A myriad of BSC applications that support the strategy mapping and cascading performance measures leading to hundreds of performance measures without any linkage to the organisations' CSFs.
The KPI book is a tool kit for implementation, containing checklists, agendas for workshops, a framework for a database, report formats and guidance notes on all twelve steps.	The BSC books are largely an academic based approach with few implementation based tools provided. There is an implicit suggestion that you will need a consultant to implement.

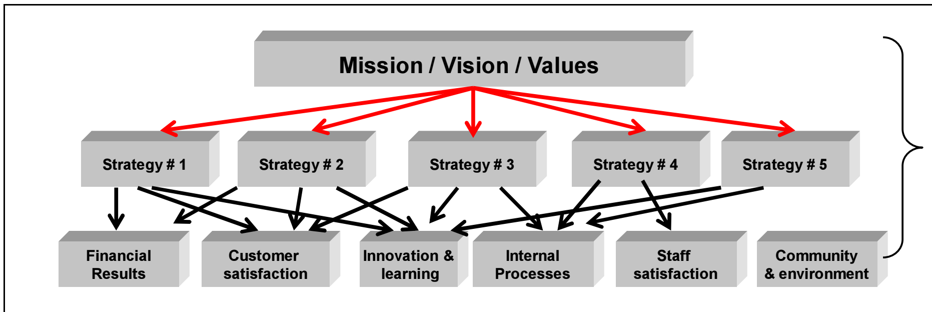
Have a balanced strategy

One of the greatest gifts given by Kaplan & Norton (K&N) has been highlighting the lack of implementation and balance of an organisation's strategy, no matter how sophisticated organisations are. They pointed out that strategy has to be balanced and the strategic initiatives reflect this balance. It has always been important that an organisation's strategy could be conveyed to those who were to implement it and the tools and diagrams in their book were an attempt to make this more transparent.

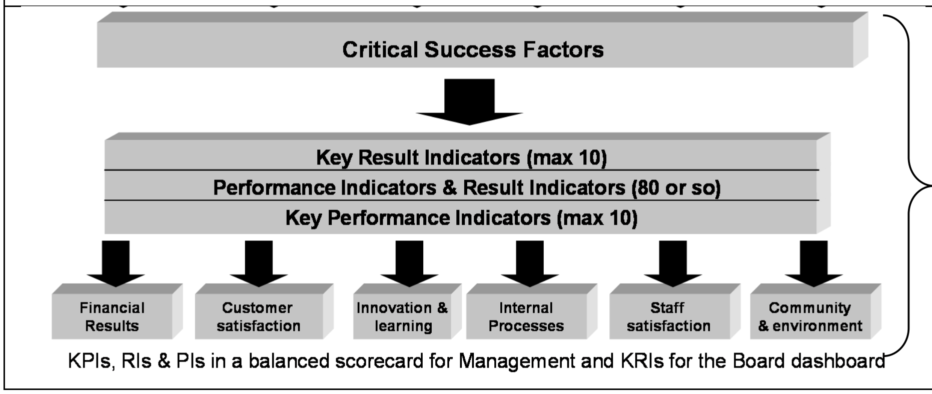
I freely admit to be a simpleton when it comes to strategy. I have seen far too many strategic plans go nowhere quickly. I often mention that if you suffer from insomnia read the first page of your organisation's strategic plan and you will be asleep by the second page. Many organisations could do major damage to their major competitor if they planted an original copy of their organisation's strategy into the competitors possession. Because, as night follows day, the organisation will be miles away from the intended route set out in the strategy and thus the competitor's reactions will be in the wrong direction.

In Exhibit 15.2, I set out the main focus areas of the two different approaches.

Exhibit 15.2: How KPIs fit in the big picture

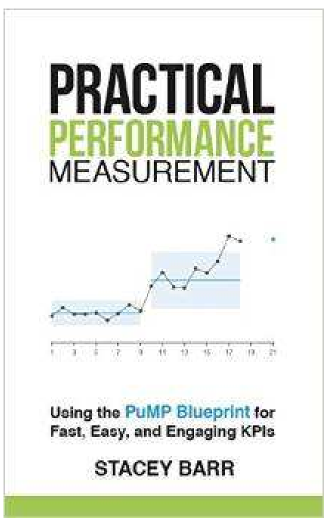


Main focus of K&N's work, making sure strategy is balanced and progress is monitored



Main focus of "winning" KPIs work is the day to day adherence to the organisation's critical success factors

15.2. Stacey Barr's PuMP



Stacey Barr is one of the world experts on performance measures. She has spent the past 15 years or so helping organizations worldwide find measures that drive performance. She has developed a methodology to fill in the gap that the balanced scorecard and other methodologies have left. Barr believes that many organizations have an ad hoc approach to measuring performance and underestimate the effort and rigor needed to produce meaningful measures.

Barr has developed a successful methodology that is a step-by-step process of simple techniques and templates that create meaningful measures that drive strategic improvement.

The eight steps of this methodology include:

STEP 1: Understanding Measurement's Purpose

STEP 2: Mapping Measurable Results

STEP 3: Designing Meaningful Measures

STEP 4: Building Buy-in to Measures

STEP 5: Implementing Measures

STEP 6: Reporting Performance Measures

STEP 7: Interpreting Signals from Measures

STEP 8: Reaching Performance Targets.

question time	
At the first break meet with a sample of the audience and enquire about whether the material is of interest and about the pace of delivery. This pick up any problems and thus helps improve the assessment ratings	❑ Yes ❑ No
Never apologize to the audience simply state the facts if there is a difficulty of some kind	❑ Yes ❑ No
Run through an example of the workshop exercise to ensure every workshop group has the correct idea of what is required	❑ Yes ❑ No
Recap what has been covered to date and ask for questions	❑ Yes ❑ No
At the end of the presentation shake hands with as many of the audience as possible by positioning yourself by the door when the audience leaves. This develops further rapport between presenter and audience.	❑ Yes ❑ No
Celebrate - you have done your best	❑ Yes ❑ No

21. Appendix 4: Common CSFs and their possible measures

Common CSFs	KRI	RI	PI	KPI
Stay, say, strive engagement with staff	Staff satisfaction (if monitored at least 3 to 4 times a year)	Turnover of experienced staff (do not count staff who are moved on soon after joining)	▪ Number of staff innovations implemented (by team reported weekly) ▪ Staff who have been ill for over two weeks that do not have a back to work programme (reported weekly to manager and GM)	▪ Staff who have handed in their notice today. Staff in key positions would be notified directly to the CEO, other staff would be reported to the relevant GM or senior manager. (The CEO has the opportunity to try an persuade the staff member to stay) ▪ Number of initiatives implemented post the staff satisfaction survey (monitored weekly after survey for up to three months) ▪ Teams not represented in the in-house courses to be held in the next two weeks. Report daily to the CEO ▪ Accidents and breaches of safety reported to the CEO immediately ▪ New staff who have not attended an induction programme within two weeks of joining will be reported to the CEO on a weekly basis. ▪ No. of CEO recognitions in last week / last fortnight ▪ No. of CEO recognitions planned for next week/fortnight

Common CSFs	KRI	RI	PI	KPI
Recruiting the right people all the time	No. of staff who have left within 3,6,12 months of joining organisation by division	▪ No. of managers trained in recruiting practices	▪ Recruitments in progress where last interview was over two weeks ago ▪ Testing of candidates capabilities completed ▪ Date of next interview by candidate	▪ Key position job offers issued to candidates that are outstanding over 48 hours (report daily all key position offers to CEO / GM) ▪ List of shortlisted candidates where next round of interviews has yet to be organized (report daily)
Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others	Number of key positions with at least two protégés by division	▪ Number of high performing staff by division (monthly) ▪ Number of promotions for high performing staff planned in the next 3 months (monthly)	▪ Number of planned recognitions in next week/ next fortnight (maintained by each manager) ▪ Number of planned celebrations in next week/ next fortnight (maintained by each manager) ▪ List of high performing staff who have been in same position for over two years. (monthly list) ▪ Date of next executive course to be attended by SMT member (monthly update)	▪ Number of CEO recognitions in last week / last fortnight ▪ Number of CEO recognitions planned for next week/fortnight

Common CSFs	KRI	RI	PI	KPI
	Number of managers who have attended leadership training (by manager level)	Number of managers who are scoring over xx on their leadership from the 360 feedback surveys (by manager level)	▪ Date of next leadership programme and the list of suggest attendees by division (report weekly to CEO) ▪ Date of next 360 feedbacks for level 1 &2 managers	Number of vacant leaderships places on in-house course (reported daily to the CEO in last three weeks before the course)
	Staff satisfaction with empowerment and fulfilment (assumes a survey is done 3 to 4 times a year)		Date of next survey (reported monthly)	Number of initiatives implemented post the staff satisfaction survey (monitored weekly after survey for up to three months)
	▪ Percentage of level 1 & 2 managers who have mentors ▪ Percentage of high performing staff who have a mentors Mentor coverage reported monthly.		▪ Number of high performing staff who do not have a mentor (reported weekly to the GMs.) ▪ List of level 3 managers who do not have mentors, (reported weekly to the GMs) ▪ These measures would only need to be operational for a short time on a weekly basis.	List of level 1 & 2 managers who do not have mentors, reported weekly to the CEO. This measure would only need to be operational for a short time on a weekly basis.

Common CSFs	KRI	RI	PI	KPI
Innovation is a daily activity (finding better ways to do the things we do every day)	Innovations implemented over last 18 months by division	▪ Innovations that are running behind (weekly update) ▪ Number of patents ▪ Date of prototype completion ▪ Date of next test	▪ Number of innovations implemented last month by team (Reported monthly to the CEO). ▪ Date of next innovation training sessions ▪ Number of managers who have been through the innovation course ▪ Date of next innovation to our key services	Number of innovations planned for implementation in next (30,60,90 days). Reported weekly to the CEO
Embracing abandonment: Willingness to abandon initiatives, opportunities that are not working or unlikely to succeed	Number of abandonments over last 18 months by division (reported monthly)	Time saved each month through abandonments by team (reported monthly featuring the top quartile performing teams in this area)	▪ List of abandonments in last month by team (reported monthly) ▪ Number of committees / task forces disbanded this month ▪ Number of monthly reports terminated ▪ Date of planned replacement of service that has now become outdated	Number of abandonments to be made in next (30,60,90 days). Reported weekly to the CEO
Making the right decisions by consensus with ready contingency plans	Major implementations in last 18 months showing degree of success (exceeded expectations, met, less than, abandoned)	Major projects awaiting consensus (sign-off (report weekly to CEO)	▪ Managers with the most success with implementations over last three years (report quarterly to CEO) ▪ Number of recognised failed decisions	▪ Major projects awaiting decisions that are now running behind schedule (report weekly to CEO) ▪ Major projects in progress without contingency plans (report weekly to CEO)

Common CSFs	KRI	RI	PI	KPI
Delivery in full on time, all the time to our key customers	Percentage of on time in full delivery to key customers, other customers. Show last 18 months	Percentage of on time in full delivery to other customers. (report weekly to GMs)	▪ Teams with the best on time delivery record (report weekly to GMs, all staff) ▪ Calls on hold longer than xx seconds	▪ Emergency response time when it is over a given duration. Reported immediately to the CEO ▪ Late deliveries /incomplete deliveries to our key clients (report 24/7 to CEO, GM, all staff) ▪ Complaints from our key customers that have not been resolved within 2 hours (report 24/7 to CEO and GMs) ▪ Key customer enquiries that have not been responded to by the sales team for over 24 hours (report daily to the GM)
Getting closer to our customers	Number of client relationships producing net profit >$X m 18 month trend showing number of clients and total revenue	▪ Number of key customer referrals in quarter (report quarterly) ▪ Date of next ‘outside-in’ activity to enhance SMT understanding	▪ Number of initiatives implemented to improve key customer satisfaction (monthly) ▪ List of key customers were time since last order is >x weeks (report weekly sales team and to the GM) ▪ Date of next think tank with major customers ▪ Date of next initiative to attract targeted ‘non customers’	▪ Date of next visit to major customers by customer name (report weekly to CEO and GMs) ▪ Key customer enquiries that have not been responded to by the sales team for over 24 hours (report daily to the GM sales) ▪ Late deliveries /incomplete deliveries to our key clients (report 24/7 to CEO, GM, all staff) ▪ Key customers service requests outstanding for more than 48 hours (report daily to the GM) ▪ Key customer complaints not resolved within two hours reported to the CEO immediately.

Common CSFs	KRI	RI	PI	KPI
We finish what we start	Status of projects reported monthly		▪ Number of overdue reports / documents by weekly to the senior management team. ▪ Number of projects that are manager / staffed by contractors or consultants	▪ List of late projects by manager reported weekly to the senior management team. ▪ List of projects that are at risk of non completion (unassigned / manager has left/ no progress made in last three months etc)
A bias for action		No of committees / task forces that have not generated any substantive action within the last 6 weeks (reported weekly to CEO)	▪ Number of recognised mistakes highlighted last month (if number too low you have an unhealthy environment) ▪ Number of bureaucratic processes abandoned in month	▪ Number of prototypes / pilots commenced in month by division ▪ Date of next new service initiative
Breeding success			▪ Number of positive press releases issued in last 30 /60 days. ▪ Number of papers /radio stations who have used press release (by major press release)	▪ Number of recognitions made last week by CEO and each member of SMT ▪ Number of CEO recognitions planned for next week/ next fortnight