OVERVIEW of KEY PERFORMANCE INDICATOR (KPI) ESSENTIALS

A Few Notes...

• Recording
  – We are recording this webinar and will email you the link to view the replay within 48 hours.

• Handout of the Webinar
  – We will provide a PDF copy of this webinar when we email the link for the replay.

• Questions during the webinar
  – Please use the Q&A box that is located on the bottom menu and type your question in the pop-up box. **Do not use the Chat box for questions.**
  – We will answer as many questions as time permits at the end of the webinar.
Presentation Topics

1. Introduction to KPIs and Performance Management
2. Launching the KPI Development Program
3. Articulate Strategic Intent
4. Identify Strategic Objectives
5. Identify Intended Results
6. Understand Alternative Measures
7. Select the Right Measurements for each Strategic Objective
8. Define and Document the KPIs
9. Perform Review Cycle (Set Targets and Thresholds – Implement Improvement Initiatives)
10. Collect Data and Visualize Performance
11. Analyze and Draw Conclusions
12. Report - Share - Learn

Introduction to KPIs and Performance Management
Performance Measure (KPI) Definition

Performance Measures (or Key Performance Indicators - KPIs) are the critical (key) indicators of progress toward a desirable outcome.

KPIs and Performance Measures:
- Are expressed quantifiably, such as:
  - # of safety accidents
  - % of product defects
  - Graduation rate
- Are NOT initiatives, actions or tasks (e.g., “redesign the website”)
- Are NOT “surveys” (the tool itself)
- Are NOT a piece of software

KPIs Can Be Interpreted Using Targets & Color Coding

Target: the desired level of performance

- Green traditionally indicates good performance,
- yellow/amber indicate cautionary/medium performance, and
- red indicates poor performance.
MPRA Prework: Launch the Program

The Measure-Perform-Review-Adapt (MPRA) Framework

Launch the Program
- Engage Leadership
- Communicate “Why formally measure performance?”
- Establish Teams and Roles
- Agree on Process and Procedures
- Consider Automation
- Foster a Performance Culture

Articulate Strategic Intent

Identify Objectives and Intended Results

Understand Alternative Measures

Select the Right Measurement(s) for Each Objective

Define and Document

Report, Share and Learn

Collect and Visualize Performance

Analyze and Draw Conclusions

Implement Improvement Initiatives

Set Targets and Thresholds

Performance Review Cycle

Senior Leadership Owns the KPI Process

- Senior leadership is the driving force for any sustainable, substantial change
- The KPI champion must have direct access to the senior leader with whom the KPI responsibility falls
- The KPI process can be “housed” anywhere in the organization, but senior leadership is accountable for determining what location best serves the organization
- Consistency in Leadership Commitment is a critical factor
  - Employees must understand that change is inevitable
  - Leaders must “walk the talk”
- Ensure that employees have the training and infrastructure they need to implement the change
Establish Teams and Roles

- Conduct a readiness assessment
- Team charter, roles & responsibilities
  - Secure a mandate from senior leadership
  - Secure broad representation across the organization
    - Cross-functional
    - Many ranks and roles in organization (subject & process experts)
    - Include the “voice of the customer/stakeholder”
- Schedule and resourcing
- Team initial trainings

MPRA Prework: Articulate Strategic Intent

The Measure-Perform-Review-Adapt (MPRA) Framework
KPIs Require Strategic Context

- **Strategic Altitude**
  - 30,000 ft.
  - 25,000 ft.
  - 15,000 ft.
  - Ground Level

**Mission**
- Purpose: what we do

**Vision**
- Picture of the future

**Perspectives**
- Different view of organizational performance

**Strategic Themes and Results**
- Main focus areas (pillars of excellence) driving key results

**Strategic Objectives and Strategy Maps**
- Key strategy components connected to tell a cause-and-effect value creation story

**KPIs / Performance Measures and Targets**
- Captures whether an organization is performing at the desired level or not

**Strategic Initiatives**
- Projects and action plans that drive results

Identify Objectives

The Measure-Perform-Review-Adapt (MPRA) Framework

- **Measure**
  - Identify Objectives and Intended Results
  - Understand Alternative Measures
  - Select the Right Measurement(s) for Each Objective
  - Define and Document

- **Perform**
  - Articulate Strategic Intent

- **Review**
  - Collect and Visualize Performance
  - Implement Improvement Initiatives
  - Analyze and Draw Conclusions

- **Adapt**
  - Report, Share and Learn

Launch the Program
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Characteristics of Good Objectives

- Action statements that describe what must be done to be successful over time
- Simple statements of strategic intent
- Easy to understand and represent or imply continuous improvement
- Use “verb-object” format - typical verbs:
  - Improve
  - Increase
  - Reduce
  - Decrease
  - Strengthen
  - Enhance
  - Lower

Good Examples:
- Improve Customer Satisfaction
- Improve Skills
- Increase Access to Services
- Reduce Costs
- Reduce Fraud
- Decrease Waste
- Strengthen Brand Awareness
- Enhance Product Quality
- Lower Cycle Time

Not-So-Good Examples:
- Train All Employees
- Better: Improve Knowledge & Skills
- Write a Strategic Plan
- Better: Improve understanding of our strategic direction

Identify Intended Results

The Measure-Perform-Review-Adapt (MPRA) Framework

- Measure
- Perform
- Review
- Adapt

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Articulate Strategic Intent

Identify Objectives and Intended Results
- Understand Alternative Measures
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Report, Share and Learn
- Analyze and Draw Conclusions
- Collect and Visualize Performance

Set Targets and Thresholds
- Implement Improvement Initiatives

Performance Review Cycle
Write Intended Results Using Concrete, Sensory Language

Concrete: I want a fleet of quiet, blue, four-door, fuel-efficient cars

Abstract: I want world-class, high quality, great value, high-performing cars

You can only measure what you can observe or detect

Understand Alternative Measures

The Measure-Perform-Review-Adapt (MPRA) Framework
Alternative Candidate KPIs Are Developed Using Various Tools

Select the Right Measurement(s) for Each Objective

The Measure-Perform-Review-Adapt (MPRA) Framework
Select Measures that Balance Strength & Availability

Using a scale of 1 to 5, select measures that provide the **strongest evidence** of performance and that are the most **available to implement**. Use the anchor points below for reference.

**Strength of Evidence**
1. The measure will not provide much information or could even increase or decline regardless of intended result performance
2. The measure will provide some evidence of performance, although additional information would be needed to tell a complete picture of performance
3. The measure will provide very clear proof about the performance towards your intended result

**Availability to Implement**
1. The organization does not currently collect and report this data and to do so would involve a tremendous cost or burden
2. The organization does not currently collect this data, but it would be relatively cost-effective to collect and report
3. The organization already collects this data and can easily convert it into performance information

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Define and Document

The Measure-Perform-Review-Adapt (MPRA) Framework

- **Measure**
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- **Perform**
  - Set Targets and Thresholds
  - Implement Improvement Initiatives
  - Collect and Visualize Performance
  - Report, Share and Learn

- **Adapt**
  - Analyze and Draw Conclusions

- **Review**
  - Implement Improvement Initiatives

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Adapted from the PuMP Performance Measure Blueprint Workshop, by Performance Measure Specialist Stacey Barr (www.staceybarr.com)
**Define and Document Selected Performance Measures**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve Community Satisfaction</td>
<td>Periodic survey of a sampling of the local community, who are asked to quantify an “I am satisfied”-type response on a five-point Likert scale.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective Owner</th>
<th>Steve</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intended Result(s)</strong></td>
<td>Community members tell us that they are happy with our services.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure Description</th>
<th>Formula</th>
<th>Unit of Measure</th>
<th>Measure Location</th>
<th>Measure Owner</th>
<th>Data Source</th>
<th>Collection Frequency</th>
<th>Reporting Frequency</th>
<th>Verified by</th>
<th>Validated by</th>
<th>Presentation</th>
<th>Target &amp; Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td># indicating Agree or Strongly Agree / total</td>
<td>%</td>
<td>Public Relations Office</td>
<td>Fred</td>
<td>Survey Monkey</td>
<td>Quarterly</td>
<td>Quarterly</td>
<td>Fred’s IT Administrator</td>
<td>Fred’s Boss</td>
<td>Line graph</td>
<td>90%</td>
<td>95%</td>
</tr>
</tbody>
</table>

**The Perform Review Cycle**

- Set Targets & Thresholds
- Perform
- Implement Improvement Initiatives
The Perform Review Cycle

The Measure-Perform-Review-Adapt (MPRA) Framework

Launch the Program
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Articulate Strategic Intent

Measure
- Identify Objectives and Intended Results
- Understand Alternative Measures
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Perform
- Collect and Visualize Performance
- Analyze and Draw Conclusions
- Report, Share and Learn
- Implement Improvement Initiatives
- Set Targets and Thresholds

Adapt
- Refine, Execute

Review
- Meet & Review

Generic Performance Management Reporting and Review Process

Collect Data → Analyze / Evaluate → Report → Meet & Review

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Adopt a performance review cycle routine:

- **Measure**
  - Set (or Review) Targets and Thresholds
  - Implement Initiatives
  - Collect Data

- **Perform**
  - Implement Initiatives
  - Collect Data

- **Review**
  - Visualize Performance
  - Analyze and Draw Conclusions
  - Report, Share, and Learn

- **Adapt**

Repeat the pattern each period (usually quarterly)

Q1 | Q2 | Q3 | Q4
---|---|---|---

Adapted from "Objectives and Key Results", Paul Niven and Ben Lamorte, 2016

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Set Targets and Thresholds
• **Target**: the desired level of performance for the reporting period in question

• **Threshold**: the upper and lower limits of desired performance around a target value (e.g., the exact point that we want an indicator to display green to indicate good performance, yellow to indicate caution or satisfactory performance, or red to indicate poor performance)
Create a Roadmap That Connects Initiatives With KPI Targets

<table>
<thead>
<tr>
<th>Major Initiatives</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overarching KPI Targets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livability Satisfaction (baseline 70%)</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>Per Capita Income (baseline $47k)</td>
<td>$48k</td>
<td>$50k</td>
<td>$51k</td>
</tr>
<tr>
<td>Green Space Program</td>
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<td>Program Marketing</td>
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<tr>
<td>Partnering Program</td>
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<tr>
<td>Asset Resale</td>
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<tr>
<td>New Business Startup Program</td>
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<tr>
<td>Tax Simplification</td>
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<td>Energy Savings Program</td>
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<tr>
<td>Individual Development Plans</td>
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<td></td>
<td></td>
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<tr>
<td>Community Engagement</td>
<td></td>
<td></td>
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<tr>
<td>Satisfaction Assessment</td>
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</tbody>
</table>

Collect Data and Visualize Performance
Collect and Visualize Performance

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Implement Improvement Initiatives

Performance Review Cycle

Measure

Adapt

Review

Perform

From Data to Information to Intelligence

Intelligence: Our growth strategy depends on web ads generating clicks, which are converted to sales. A driving objective in our strategy is Increase Marketing Impact. When Ad Clicks dropped below our red flag threshold, we implemented an “Increase Ad Clicks” initiative and performance improved.

Data: We had 1,368 Ad Clicks last month

Information: We had 1,368 Ad Clicks last month relative to our target of 1,500 and a red flag threshold of 1,400. Performance is clearly trending down.
Analyze and Draw Conclusions

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Adapt

- Analyze and Draw Conclusions
- Performance Review Cycle

Perform
Generic Performance Management Reporting and Review Process

Collect Data → Analyze/Evaluate → Report → Meet & Review → Refinement & Execution → Report, Share, and Learn
### Report, Share, and Learn

The Measure-Perform-Review-Adapt (MPRA) Framework

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- **Articulate Strategic Intent**
- **Identify Objectives and Intended Results**
- **Understand Alternative Measures**
- **Select the Right Measurement(s) for Each Objective**
- **Define and Document**
- **Measure**
- **Perform**
- **Review**
  - Collect and Visualize Performance
  - Analyze and Draw Conclusions
  - Implement Improvement Initiatives
  - Set Targets and Thresholds
  - Report, Share and Learn

### Analyze and Draw Conclusions

- Keep reporting simple:
  - Use a clean line graph with simple targets or control limits
  - Avoid 3D and other distracting software effects
  - Try to answer 3 questions in your reports:
    - What is the current level of performance?
    - Why are we getting that result?
    - What actions are we taking next?
  - Schedule periodic review meetings to review, interpret and discuss performance information

Adapted from Stephen Few, 2012 and Stacey Barr
Use Data to Improve Performance

Use Data to Improve Performance through:
- Visualization, display and report design
- Data signal interpretation and response
- Knowledge sharing
- Analytics and analysis
- “Connecting the dots” across the organization

Adapt Strategy Based on Results and Changing Environment

Continuous Review and Adapt Strategy

New Data-Driven Strategic Questions:
- Are our Initiatives making a difference?
- If not, should something else be tried?
- Does data confirm cause-effect theories represented in the strategy map?
- If so, can that logic be reinforced?
- If not, should the strategy map linkages be revisited?
Upcoming Events

June 22, 2023
Virtual!

June 23, 2023
Key Performance Indicator (KPI) Essentials Course

Ready to take a deeper dive into KPIs after the webinar?
https://tinyurl.com/CSS-KPI-Essentials

Questions?

Visit balancedscorecard.org for more information