

Study Guide: KPIs



What is KPI?

Key Performance Indicators (KPIs) are measurable values that help organizations assess their progress and performance in achieving specific goals and objectives. They serve as quantifiable, data-driven benchmarks, which organizations use to evaluate and gauge their success. Here's why KPIs are important and how to decide which ones to track.

Importance of KPIs

- **Performance Assessment:** KPIs provide a clear and objective way to assess how well an organization, department, or individual is performing in relation to their intended goals and targets.
- **Focus and Alignment:** KPIs help align employees and resources with strategic objectives, ensuring that everyone is working towards a common purpose.

- **Decision-Making:** They aid in data-informed decision-making by providing real-time insights into what's working and what's not, enabling timely adjustments to strategies and tactics.
- **Accountability:** KPIs create accountability and responsibility, as individuals and teams are accountable for achieving or improving specific metrics.
- **Continuous Improvement:** Tracking KPIs promotes a culture of continuous improvement by identifying areas for enhancement and innovation

How to Develop KPIs

There are 6 steps to develop KPIs. We will break them into three categories: Planning, Data Collection, and Using KPIs to Improve Performance.

Planning Phase



Step 1. Always Start With Your Goals: Begin by clearly defining your organization's goals and objectives. KPIs should directly relate to these overarching goals.?

Using KPIs properly can drive the team's productivity and behavior/.

Additionally, when you focus on the right goals, you have a better chance of reaching those goals.

Writing your goals down and sharing them with your managers and stakeholders will reduce misunderstandings and misalignment.

Step 2. Define The Questions That Need Answering: During this step, you need to define how you are going to achieve the previously stated goal by making a detailed plan. Once you have defied which steps you need to take to achieve your goal, you can start defining which KPIs would be best to measure your performance along the way.

Data Collection Phase



Step 3. Identify the Data: Don't start this step by only considering the information you readily have at hand, this will result in settling for ok, rather than great KPIs. Think about what would the company really benefit from

measuring and assessing the availability or accessibility of data required to measure the KPI. It's crucial to choose KPIs for which you can obtain accurate and timely data.

Make sure the KPIs drive the right behaviors, and thus the right results.

If capturing the chosen data is too difficult or expensive, ask others if they can come up with an alternative measure which would drive the same behavior or results.

Step 4. Create Ownership of the KPIs.

Involve specific team members in designing and setting up KPIs

Handover or assign the collation, review, and reporting of the KPIs

Always give ownership of a KPI to ONE specific person. This person is responsible for the performance of this metric and the on time reporting of the same.

Make sure to convey the importance of the KPI and how it is going to be used to the person you are assigning it to. This will increase the likelihood they will own it.

Using KPIs to Improve Performance



Step 5. Build Visibility and Accountability: This is an important step to ensure the metrics chosen are understood, top of mind, and acted upon by the stakeholders.

Here are some ideas to increase KPI visibility:

- a. Weekly KPI Emails
- b. Talk through KPIs in meetings
- c. Meetings with stakeholders and managers
- d. Put KPIs on a whiteboard
- e. Hold Huddle Meetings (daily or weekly)
- f. Hold Planning Meetings.

Step 6. Interpret the Results and Take Action. Taking action is where the value is created and how you progress towards your goals.

Some questions you can ask yourself to increase action are:

Why is progress where it is?

What can I do to increase progress?

What can I do to anticipate possible progress and sidestep these problems to keep progress on track?

Keep looking and planning ahead

Use KPIs to make it easy to spot good or bad performance and take action accordingly.