

Sample Edition

KPI

Checklists



PRACTICAL
HOW-TO GUIDE



50 CHECKLISTS



TEMPLATES
INCLUDED

BERNIE SMITH

KPI Checklists

Develop meaningful, trusted, KPIs and reports using step-by-step checklists

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I have attempted a number of things in life where I have seriously underestimated the time, effort and commitment needed to complete them. Of these efforts, none has been tougher to complete than writing this book (with the exception of helping raise two children and I'm still working on that). Without lots of patient help I would never have finished it. I am particularly grateful to Liz, Jenny, David Bishop, Kate Stott and Richard Holloway. I am also grateful to all those who sounded genuinely interested when I told them about this project.

Introduction

Who this book is for

This book is for people who:

- Have the task of creating new KPIs for their organisation.
- Have been asked to improve or enhance existing KPIs.
- Need help with the practicalities of implementing a measurement system.

If you follow the steps laid out in this book you should end up with a measurement system that meets your needs. Crucially, you will have a structured and documented record showing how and why the system was developed in that way. You will also be clear on the limitations and assumptions that were made along the way - invaluable for future improvement.

About the author



Bernie Smith coaches businesses to develop meaningful KPIs and present their management information in the clearest possible way to support good decision making.

As owner of Made to Measure KPIs he has worked with major organisations including UBS, Lloyd's Register, Scottish Widows, Tesco Bank, Yorkshire Building Society, RSA and many others.

Previously, Bernie led teams delivering operational improvement in FTSE 100 companies using Lean and Six Sigma approaches. This took him to the US to help paper makers, Finland, to make olefins and Wrexham to package cheese.

Bernie lives in Sheffield, UK, with his wife and two children and some underused exercise equipment.

Why this book was written

One of the things that has become very clear, no matter what the industry, is that businesses that don't have a clear idea of what they're trying to improve invariably get disappointing results.

It may seem that KPIs are something that you should just be able to pick up off-the-shelf and use, like a piece of software or a template. The truth is that KPIs are a detailed representation of **your** specific business and of **your** aspirations for **your** business.

KPI books normally fall into one of three camps:

- They talk about lofty organisational goals and strategy.
- They're interested in software and the mechanics of measurement.
- They focus in on a very particular type of management e.g. HR or sales performance.

This book does not fit into any of these categories. It is intended to be a practical step-by-step guide that will take you from early questions around 'What is it you are trying to achieve in this business?' through 'How do you cascade this to the right people and make sure you drive the right behaviour?' to 'How do you physically collect this information and make sure it gets analysed in as pain-free a way as possible?'

I realise this is the kind of book you will be reading because you have an objective to achieve, not for entertainment, so it is designed so you can jump between sections depending on your need - just make sure you don't skip the critical steps though.



Key Idea

Guide to icons

Crucial concepts are flagged with a key idea icon. It is well worth reading these before using the checklists as they help lay the conceptual foundations.



True Story

Although this book is very checklist centric, I have added a few experiences and stories along the way. They bring some of the advice to life and offer some relief from the lists.



Example

Examples are used to explain how principles and techniques are applied.



Trap

There are some traps for the unwary. This icon flags up some of the ones I have witnessed or fallen into myself.



Tip

Sometimes there are short cuts or better ways of doing things. Look for this big thumb for practical tips.



Checklist

The main attraction of this book is checklists. There are lots of them and they are clearly marked with this icon.

You can download any templates I mention from my website. Here's the shortlink: <http://wp.me/p1H6XP-zD>



Key Idea

What is a KPI?

First of all, let's be clear what we mean by a KPI. The literal meaning is 'key performance indicator'.

Just knowing what the initials stand for is not that helpful. So what does it really mean?

- **Key** means it... 'provides a means of achieving or understanding something'.
- **Performance** means... 'a particular action, deed, or proceeding'.
- **Indicator** means... 'a thing that indicates the state or level of something'.

Put in simpler language, a KPI is a thing that:

- shows you how you are doing at...
- a particular activity...
- to achieve a particular level or outcome.

In fact, it's pretty much exactly the same thing as a 'measure' or 'metric'. The only real difference is the word 'key' implies that it is 'really important'. I will generally use KPI in this book. Take KPI, metric and measure as interchangeable.

Why Finance should not own (all) your KPIs

One important point to make is that KPIs are not just financial measures. Financial measures are crucial in many organisations, but they are also 'lagging' - which means they tell you what happened after the event. KPIs should also help you see what is coming, not just what has passed. It's like the difference between a rear view mirror (lagging indicator) and having a windscreen (leading indicator). You need both. Life becomes considerably riskier without a clear view of the road ahead. A good dashboard or balanced scorecard will have a mixture of financial and non-financial, leading and lagging indicators.



Key Idea

The seven steps to KPI bliss

The approach of this book is to follow a series of structured steps known as the Results Orientated KPI System or ROKS.

These steps start with making sure your strategic objectives are crystal clear and take you all the way to a fully functional dashboard or report. There are seven main steps, each broken down into sub-steps. This means there are a lot of stages in the method but this is to make it as easy as possible to follow. Each step consists of:

- A short description.
- An example, illustration or story to help understanding.
- A series of checklists showing key steps, questions or requirements to help you get through that step successfully.

The main steps are shown in Fig. 0.1. Don't worry too much about trying to figure out the subtleties of each, that's what the rest of the book is about...

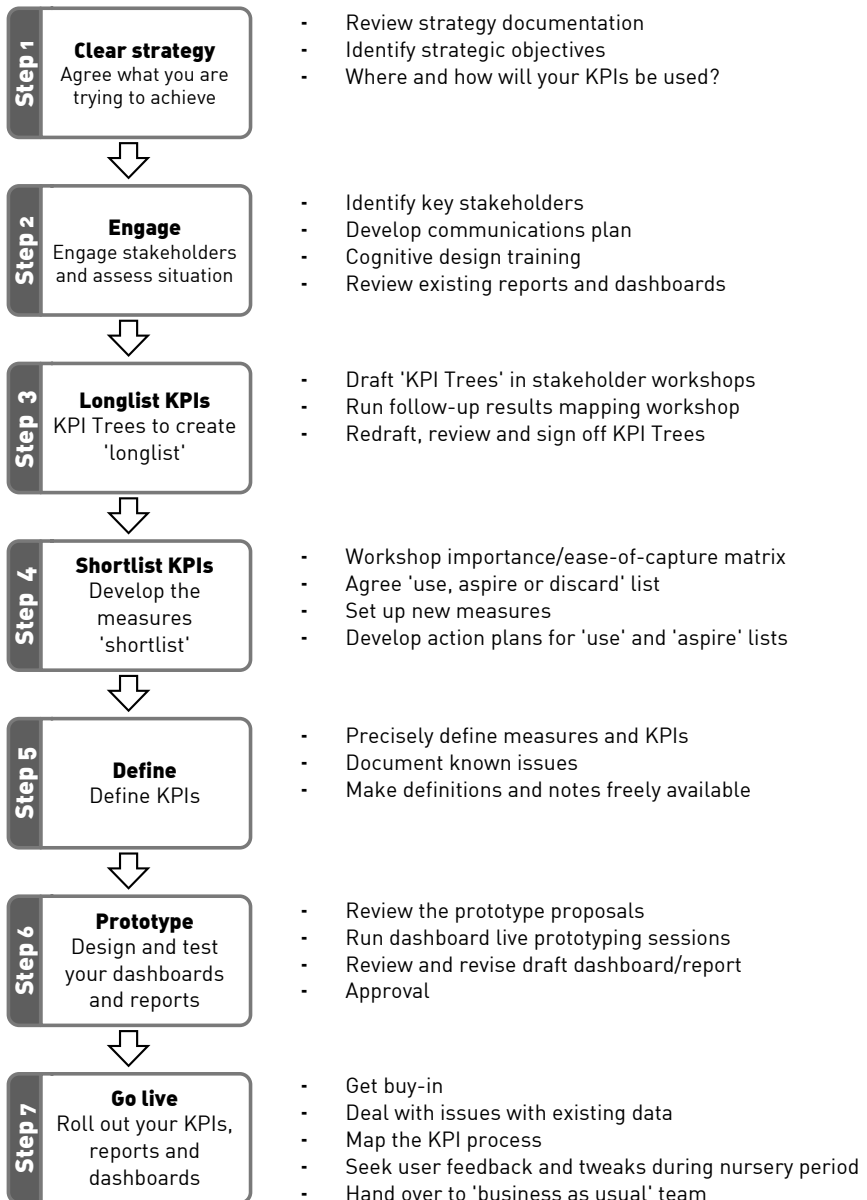


Fig. 0.1: The 'Results Orientated KPI System' process steps

Why use checklists?

I'm a huge fan of checklists. If you have used them and love them, great. If you need some persuasion then I'd strongly recommend 'The Checklist Manifesto' by Atul Gawande. It's a very readable and highly compelling explanation of how checklists can help just about any enterprise, how they work and when to use them. Full details of his book are in the Bibliography.

One of the things I learnt from Gawande's book was that checklists can be traced back to a US Air Force competition in 1935.



True Story

The history of checklists - Inspiration from the ashes

In the summer of 1934 the US Air Corps proposed replacing the B-10 bomber with a new multi-engined bomber. It had to be able to fly at least 1,020 miles, be able to carry a 2,000 pound bomb load and reach at least 200 mph. The specification was circulated to the major aircraft manufacturers. Their prototypes would be evaluated in a competition.

Realising that they could not substantially improve on the existing designs for twin engined planes, Boeing went for a radical, four-engined design. Working in complete secrecy, Boeing devised the Model 299.

It took its maiden flight in July 1935 and had innovations such as wing flaps for better performance at low speeds, electric trim tabs on its control surfaces for improved handling, hydraulically operated constant-speed propeller and a host of other new ideas.

It created a sensation and was quickly dubbed the 'Flying Fortress' in the press. It was the clear favourite to win the competition, exceeding all the specification requirements by a massive margin. There was nobody to meet it as it was flown in for delivery to the assessment in Dayton. 'No one expected it for

another hour', such was its speed.

On October 30th 1935 the prototype took off, watched by a crowd of spectators. Leslie R. Tower, Boeing's senior test pilot, was observing. At the controls was Major Ployer P. Hill, the Air Corps' chief test pilot. The plane rose to 300 feet, stalled, rolled to the side and crashed back into the airfield, exploding.

Investigation showed a recently added safety feature, a lock on the elevator, had not been turned off before take-off. The lock was intended to stop the control surfaces being damaged by high winds when the plane was on the ground.

The mechanism was controlled from the cockpit, but no one remembered to turn it off before take-off, causing the stall. This was despite the involvement of Tower - who probably knew more about the plane than anyone alive - and Hill, the Air Corps' top test pilot.

The General Staff concluded that 'Because the airplane crashed, it must be too complex for anyone to handle safely.' They went on to order 133 competitor aircraft, the Douglas B-18 Bolo.

It was a devastating blow for Boeing, almost putting them out of business.

Still convinced of the benefits of the Flying Fortress, a group of test pilots decided to use a novel approach. Rather than focusing on 'more training', they came up with a simple list of things that should be checked before and during take-off.

Armed with this new approach, and using a legal loophole that enabled the Air Corps to buy a further 13 aircraft for 'testing', they were able to fly 1.8 million miles in the Model 299 without incident. The US Air Corps were slowly won round to the merits of the model, eventually ordering nearly 13,000 of them.

Introduction

The legacy of this outside of aviation was the very simple but powerful concept of the checklist. It enables humans, with our unreliable memories, to handle high levels of complexity with confidence and ease.

Measurement and reporting has become increasingly complex. Checklists are the ideal tool to help both with implementation and everyday running of those processes.

**Agree what you
are trying to
achieve**

Is your strategy fit for purpose?

Imagine a friend asking 'Can you pop out to the hardware store and buy a tool for me?' Obviously your first question would be 'What kind of tool are you looking for?'

Deciding on your measures and KPIs without having a clear business strategy is like going tool shopping without knowing what it is that you are trying to achieve or what tool you need.



Trap

Be wary of 'off-the-shelf' KPI sets

It's also equally risky to use so-called 'off-the-shelf' KPIs if you don't make any attempt to customise or filter the selection you are offered. Imagine being told by a complete stranger 'The hammer is the most useful tool a manager can buy.' If your issue is nail-related then she may have a point. If you have a wood-size issue then you may have a pretty compelling argument that the saw is the king of the tool kit. Without a clear picture of what you are trying to achieve, any debates about the relative merits of 'this KPI over that one' becomes completely unstructured and pointless.

Being clear on what you are trying to achieve through measurement is 100% essential and unavoidable. If you skip this crucial step you only achieve your organisational objectives by accident.

The next step, after nailing down your strategy, is to break this down into a little bit more detail. This next level we call strategic objectives, or long-term organisational goals.

Sticking with the DIY theme, I particularly like the vision statement of B&Q (a very large UK DIY chain):

'We have a vision at B&Q: to be the first place anyone thinks of when they think of home improvement, and the only place they need to go.'

I like this as it is very clear how it can be broken down into specific and measurable outcomes:

- **To be the first place anyone thinks of when they think of home improvement** - This can be directly measured through market research showing customer recall of DIY brands. We can also look at relative footfall, repeat visits etc. to build a more nuanced view.
- **The only place they need to go** - There are some very clear and measurable specifics around product lines, customer needs and stock management.

I'm sure this mission statement could be improved but it certainly beats the usual bland and generic mission statements focused on 'service' and 'realising people are our most valuable asset'. It's probably worth adding that B&Q would have other strategic objectives that are not customer-related but these two certainly make a good starting point.



Example

If my personal strategy is to 'Be the first external support that a UK FTSE 100 financial services senior manager contacts when they need KPI and measurement help', then my strategic objectives might be:

- Become the most sought after UK author on KPIs and measurement.
- Develop a visible and frequently visited online and social media presence - outperforming alternative UK-based offers.
- Deliver more than six months of KPI-related projects to FTSE 100 UK financial services firms each year.

Even though I've not put many specific measurable targets in there, they are quite specific without being too narrow. Watch

Step 1 - Clear strategy

out for woolly objectives, with words like 'excellence', 'aspire', 'fantastic', 'best in breed' and 'great', as you will end up having endless debate about what 'brilliant' actually means. I was involved in just that debate for at least an hour, with a group of very bright and motivated individuals. We still could not agree at the end of the debate.

It is far better to start with a bit of clarity. If you are saddled with poorly worded strategic objectives then you have some work to do to make them clearer and more specific.

A good indicator that you are at the right level of detail is the number of strategic objectives. You should expect to have between two and seven. Fewer than three and you are probably not breaking your strategy down enough, more than seven and you risk confusing people and having a fragmented approach.



Tip

This book isn't intended to help you develop your strategy. There are lots of excellent books to help you do this. I would particularly recommend the Harvard Business Review's book 'On Strategy' which comprises 10 definitive and surprisingly readable articles on strategy (full details at the back of this book).

What is crucial is that your strategy is fit for the job intended.

Now hopefully your organisation has a clear strategy, broken down into objectives in a readily accessible form. If it has, then you need to get hold of it and read it a few times. Once you have done that, use the checklist I have included on the next page to show whether it's going to do the job for you:



Checklist

Strategy fitness

- Is the strategy written down?
- Does the strategy make sense to an intelligent, but non-specialist, reader?
- Is there broad management consensus that the strategy is correct?

- ❑ Is your strategy relevant to the key decision-makers in the business? (Do any of them dismiss it when you discuss it with them?)
- ❑ Is your strategy linked to clear and specific **strategic objectives**?
- ❑ Are the strategic objective descriptions physically accessible by all the managers within the organisation? Do they have easy access to a paper or electronic copy?
- ❑ Are the strategic objectives broad and 'non-dated' (rather than simply being important actions that will be completed at some point)?
- ❑ Are managers across the organisation familiar with the strategic objectives, without scrambling onto the intranet or looking for bits of paper?
- ❑ Are the key decision-makers either working to the strategy or attempting to work to the strategy?
- ❑ Is the current strategy still relevant to the business situation and up to date?
- ❑ Are there fewer than seven strategic objectives?

If the answer to each of the questions above is 'yes', then you are in a great position to start developing your measures. If one or more of your answers is 'no', then much of your hard work could be undone if you start to create measures without fixing the problems with your strategy.

The very first workshop I ran after setting up Made to Measure KPIs, to create measures for a large not-for-profit organisation, rapidly identified that there was no clear strategy for that organisation. Instead of developing a working set of measures, as planned, we ended up spending a large chunk of the session debating what our strategic objectives should be. I learned early on that no strategy equals no meaningful measures.

Step 1 - Clear strategy

A clear strategy that creates an aligned set of measures will mean that most people in the organisation are pushing in the same direction at the same time. A badly designed set of measures and KPIs will mean that alignment and collaboration are likely to be random and poorly controlled.



True Story

Perfect chaos

Just to underline this point, here's a story about when I worked with a financial services firm that felt the error rate in their process was strategically important. They created a scorecard that focused almost entirely on the 'right first time' rate and linked it directly with their staff's personal bonuses. If they hit 99.9% quality they would get their bonus. Funnily enough, almost everyone got their accuracy bonus but the volume of complaints trebled in the two years after the measure/reward scheme was introduced.

What is the difference between a strategic objective and a mission statement?

There is a bit of a blurry line between mission statements and strategic objectives. Often clues to the strategic objectives are contained within a mission statement. Here are some notable vision/mission statements from history.



Example

A grim mission statement

General Motors: 'GM is a multinational corporation engaged in socially responsible operations, worldwide. It is dedicated to provide products and services of such quality that our customers will receive superior value while our employees and business partners will share our success and our stockholders will receive a sustained superior return on their investment.'

Three good mission statements

Innocent: 'Make natural, delicious food and drink that helps people live well and die old'.

National Multiple Sclerosis Society: 'A World Free of MS.'

Microsoft: 'A computer on every desk and in every home.'

I like these because they are short, clearly carefully-considered, distinctive and you can see how a set of unique, and measurable, KPIs could spring up to support the statement.

A funny mission statement

Newport News Shipbuilding and Drydock Company Mission Statement: 'We will build great ships. At a profit if we can. At a loss if we must. But we will build great ships.'



Checklist

Are your strategic objectives clear?

- Is each strategic objective articulated in no more than two sentences?
- Does the description of the strategic objective make sense?
- Is it possible to interpret a statement in a radically different way? (Best test this by getting a number of different people to read and explain back what a given statement means - there can be very surprising variations.)
- Are there any 'woolly words' or 'management buzzwords' in the strategic objective? Examples of words that don't help include 'synergy', 'excellence', 'outstanding' and 'empowerment' - they sound great but are very hard to pin down. If there are, then these need to be removed or replaced with clear, simple phrases.

If your strategy is not available in this form then you will need to have a session with the leaders in your organisation to make sure that you can distil the strategy into something suitable.

Here are some examples of clear strategic objectives:

- Increase bank capital ratio to 11%.
- Reduce loss of life through road accidents by 50%.
- Become the biggest UK supplier of rubber ducks.
- Be the fastest-delivering mail order memory stick retailer.
- Have the widest selection of digital delivery channels in Europe.

You need your strategic objectives in this very specific form to support the next steps in the ROKS process.

Engage stakeholders and assess your situation

The challenge of managing change and complexity

Because organisations are complex structures and the people within them are often anxious and busy, the 'Engagement' step is one of the easiest steps to mess up. Just working out who to talk to can be a serious challenge.

Here are some key things you need to tackle during this step:

- **Who to talk to** - You need to identify all those who have involvement in your new measures, whether in production, review or reward.
- **How deeply to engage with them** - Not all stakeholders need the same level of engagement. You need a method to manage this.
- **What the 'message' is** - KPIs can scare people. Sometimes this is a rational response, sometimes not. Simply ignoring the issues is a recipe for disaster so you need a clear understanding of what message you are trying to convey to stakeholders.
- **How you communicate** - A communications plan is needed for all but the simplest implementations. This should cover method, timing, audience, message and outcomes.
- **Stakeholder receptiveness** - Introducing new concepts, such as a radically different dashboard design, can upset stakeholders, even if they are excellent and innovative. Substantial changes should be backed up by good-quality discussion and training. The sessions should cover both the reasoning and science behind the changes.

Why develop a communications plan?

Using a communications plan does two things. Firstly, it makes sure you carefully consider what you say, to whom and when - pretty obvious. The second, slightly less obvious, point is that it provides tangible evidence it has been done properly. There will always be complaints about poor communication but the

best way to show that your communications plan was properly implemented is to:

- Discuss and share the plan in advance.
- Document progress against the communications plan during the implementation.
- Evidence the delivery through a completed plan, after the event.

Build a communications plan

The sophistication of the communications plan will depend on a number of factors. Political sensitivity, number of people affected, degree of change and complexity of the implementation will all play a part. Use the following checklist to create your communications plan:



Checklist

Communications message, purpose and audience

- Why** are you communicating?
- What is it that you are trying to change through your communications?
- If you succeed with your communications, do you know what would be different?
- Do you understand what your communications audience currently thinks? If not, you may need to survey the audience so you can measure any change resulting from the communication.
- If you do know the current audience's view, make sure it is documented properly and can be referred back to after the communications plan delivery.
- Is that difference quantifiable?
- Who do you need to communicate with? Use the RACI matrix approach, explained in the next section, to segment your audience.
- Write your key messages for each audience segment - keeping the purpose in mind.



Checklist

Designing communications activities

- Delivery method** - Will it be face-to-face, by email, intranet or teleconference?
- Timing** - When will you communicate? How many updates or reminders will they receive?
- Owner** - Who will deliver the communications? Will they be trained? Are they suitable and motivated?
- Audience** - Are you completely clear about who is included in the communications and what type of communications they will receive?
- Target outcomes from communications** - What do you want the audience to know, think or do as a result of the communications?



Checklist

Deliver your communications

- Who will deliver the message?
- What preparation do they need?
- Have you drafted 'frequently asked questions and responses' and other backup resources for your deliverers?
- How many people will you need to ensure you cover all the target audience?
- What other resources do you need? E.g. company intranet pages, dedicated SharePoint sites etc.
- How can your audience feed back comments and questions?
- What checks do you have in place to make sure the plan is delivered as intended?
- How can you tell if the communication has been effective?
- How will you know if further communication, over and above the plan, is needed?



Get the message and delivery right

The depth and method of delivery will be determined by:

Checklist

- The time available.
- The number of people to be engaged.
- The geographical distribution of those people.
- The communications resource available - especially people to present road shows etc.
- The level of controversy/complexity in the message.
- The ability/existing knowledge of the audience.



Key communications principles

Checklist

- Use targeting to make sure you don't encourage people to ignore your communications.
- Put yourself 'in the shoes' of your audience. Look at things from their perspective and try to provide them with what they need to know.
- Senior endorsement can help make sure people take the message seriously, even better if the keynote communications are delivered by a senior executive.
- Be as honest as you can be.
- If you expect a bumpy ride, try and have one-to-ones with key players in advance of any group sessions to prevent the sessions becoming 'gladiatorial'.
- Accept that you will not always have the right information to hand. If you don't, commit to getting an answer and do so in the promised time scale.
- Be very, very familiar with the message.



Key Idea

Identify stakeholder types and groups

Knowing who you need to talk to, gain agreement with or keep updated is central to implementing successful measures. Many management information projects fail because of political or communications problems. This makes it especially important that you clearly identify, document and manage your stakeholders. The first step is to identify who your stakeholders are.

Stakeholders fall into these broad camps:

Data originators - The people at, or very close to, the point at which the data is collected or generated. This might be an agent or team manager in a call centre, for example.

Data aggregators - People involved in pulling the data together, but probably not analysing it. Sometimes they will be the 'data packagers' as well. Often these people are part of the company IT function.

Data packagers - The 'packagers' will perform analyses, create reports and dashboards. These people often work in a management information, business intelligence or reporting team.

Internal customers - The people who use the output from the packagers to make decisions that affect the business.

Group stakeholders based on relationship

Stakeholders are people who are involved in some way with what it is you're trying to do. To identify the key stakeholders I use a simple (and commonly used) tool called a RACI assignment matrix. It can really help clarify how you need to engage and inform your wider audience and also gives you a document for review and approval.



RACI Definitions

The initials RACI stand for:

Key Idea

Responsible - These are the people who do the work to achieve the task objective.

Accountable - This is the person who is ultimately answerable for correct completion of the task. This person will sign it off.

Consulted - These are people whose opinions are sought. They are often subject matter experts. It is a two-way dialogue.

Informed - People who need to be kept up to date on progress. This is not normally a two-way conversation.

The idea is to create a simple matrix. Along the top you have column headings corresponding to roles within the business - the 'Name' columns. Down the side you have either a specific KPI or report or a strategic objective or business outcome.

It will depend on the precise nature of your project and the number of measures/reports involved. On a big project it just is not practical to go down to individual measures so you need to group things in a logical way at a higher level.

You then go down the list systematically and ask yourself the question 'Is this person responsible for, accountable for, consulted about or informed about this particular KPI/objective/business outcome?'

Perspective	Objective	CEO	CFO	COO	HR Dir.
Group	Ensuring sustainability of the group and fulfilment of our mission	A	R	R	R
Financial	Increase revenue in new markets		A	R	
	Increase productivity and margin		A	R	
	Increase revenue in existing markets		A	R	
	Increase value of branding in new and existing markets	R	I	R	R
Stakeholder	Market leading services and products	I		R	
	Consistently deliver hassle-free service	I	R	R	
	Consistently deliver superior value to customers	I		A	R
Process	Improve how we understand what our customers need from us	C		C	
	Introduce innovative and high-performance services and products	I		C	
	Provide information to make sound decisions	I	C	C	
	Improve quality, cost and delivery of operating processes		R	R	R
	Deliver value from investments	I	R	R	
	Retain, develop and recruit the right people			R	A
	Deploy resources effectively			A	R
	Ensure our people are safe	A		R	R

Fig. 2.1: A sample RACI matrix

Step 2 - Engage



Trap

One of my clients pointed out RACI isn't in hierarchical order. In fact it should be ARCI, but this is probably best avoided!

So, to summarise, the RACI matrix gives you a neat way of grouping stakeholders by the method with which you will interact with them. It can be really useful for creating communication plans since you can refer to a complete block of stakeholders as, for example, 'informed' and reference it back to your RACI matrix.

You can further refine the matrix by grouping the names into data originators, data aggregators etc.

You can download a template from my website using this shortlink: <http://wp.me/p1H6XP-zD>

The next step is to make contact with those stakeholders.



Checklist

Talk to key stakeholders and subject matter experts

It is usually best to have a mixture of semi-structured interviews and stakeholder workshops. A semi-structured interview is one where you ask open questions and then listen carefully to the answers. When I conduct an interview I include:

Introductions

- About you (the interviewer), who you are and why you are here.
- What your objectives are, what you are looking to get from the interview.
- Whether the outputs are anonymous or not.

About the interviewee

- Their background.
- How long they have been in their current role.

- What they are looking to get from the interview.
- Any concerns they may have.
- Any questions they may have.

Open questions I ask include:

- Which reports, measures and dashboards are they regularly exposed to?
- What are their biggest worries about current reporting/ dashboarding?
- What single thing do they think should be the priority to improve as regards measures and reports?
- How confident are they in the quality of the data in their organisation?
- What outputs would they like to see that are not currently produced?

..And some closed questions

- Have the company's strategic objectives been communicated to them?
- Can they recall those objectives?
- Do they have any specific examples of measurement issues or things that need fixing urgently?

Take notes and make sure you summarise issues as you go so you can easily review your notes and develop a balanced overview.

These questions can be a bit aggressive if delivered poorly, so make sure you tread lightly in the interview and let things develop.

Stakeholder workshops

Stakeholder workshops are particularly useful when you are interested in gathering **problem-related** information or need to understand processes. Workshops are less suited to exploring more sensitive topics.

Most of the steps are the same as for a semi-structured interview, although it is wise to dwell a bit less on the background of the participants as this can make some of the more anxious group members uncomfortable.

Key points for running a successful stakeholder workshop are:

- Be clear about the purpose of the session.
- Make sure the sessions are not too big (10-12 attendees is the upper limit for one person to facilitate well).
- Be aware of management structures and make sure you don't end up with an outspoken manager and his/her tongue-tied subordinates.
- Be clear and honest about confidentiality and re-use of comments and quotes.
- Note down key points and play them back to the group at the end to make sure you have understood correctly.

Train stakeholders in quantitative visual presentation techniques

To build a consensus on how to improve management information and reporting in your organisation, it is very helpful to have some good solid theoretical underpinnings on how to communicate information clearly. If you do not have this then any design decisions can become a battle, determined by strength of will and aesthetic opinion.

There are a number of academic giants in this field, such as Edward Tufte and Stephen Few. They have written some brilliant books. Whilst the books are very interesting, they are not really

in a 'how-to' format. To tackle this gap, I wrote 'BlinkReporting' which is a step-by-step guide explaining the science behind good report design and instructions on how to build a dashboard using this approach in Excel. 'BlinkReporting' is available as a download from this link or QR code:



<http://www.madetomeasurekpis.com/downloads/blinkreporting-step-by-step-guide-to-creating-brilliant-reports/>

Use the code **KPIChecklists50percent** for a 50% discount.

I recommend reading BlinkReporting as it explains the ideas behind the approach. If you don't have time to read it, there is a very high-level summary in **Step 6 - Prototype: Design and test your dashboards and reports** on page 71.



Tip

How to tell what people really think of a design

If your objective is to fundamentally overhaul the reports or dashboards that are produced in your organisation, it really helps to start showing people some examples from previous projects or other organisations. Often their initial reaction will tell you a great deal about what they really think of the current documents being produced. Listen very carefully to what they say they like and don't like about the samples you show them, as this can help you avoid going down blind alleys later in the process.

Here is a pair of before-and-after examples that you can use:

Daily Flash Card

	Avg of last month	Day	08/11/13	09/11/13	10/11/13	11/11/13	12/11/13	13/11/13	14/11/13	15/11/13	16/11/13	17/11/13	18/11/13	19/11/13
Branches														
Withdrawals Volume (£million)	19.6	15.9				31.7	17.6	15.6	17.9	26.3			18.3	17.6
Amount per Withdrawal(Average £)	46	52				50	37	41	49	42			50	36
Counter Cheques Issued (1000s)	1.7	1.6				1.2	1.5	1.5	1.6	1.2			1.8	1.9
Digital														
Successful Logins (1000s)	107	87	101			102	98	65	76	87	170	145	78	90
Traffic to Website (1000s)	214	172	244			234	207	186	342	362	243	221	388	406
Peak user journey time (seconds)	12.0	15.3				18.7	20.3	17.6	15.2	16.9			17.0	18.4
Peak concurrent sessions (users)	190	198				150	298	187	205	389			147	231
Core IT														
Service status (reds)	0	10				0	0	0	0	0			0	0
Mainframe performance	97	87				88	95	84	82	81			87	86
Customer Operations														
Customer Telephone Calls (1000s)	16.8	18	11			19	17	16	17	19	11	7	20	5
Calls abandoned (%)	12.3	10.6	0.3			0.2	8.6	5.1	4.3	4.7	0.9	0.8	5.0	5.6
Account Closures	200	220				267	129	164	88	279			37	166
Total Faster Payments Outbound	75.0	38.0				101.0	68.0	64.0	78.0	81.0		15.7	90.0	94.0

Fig. 2.2: Dashboard 'Before'

Daily Flash Card Reporting to 19th November 2013

Branches

Avg of last month	Day											
	Fri 08/11	Sat 09/11	Sun 10/11	Mon 11/11	Tue 12/11	Wed 13/11	Thu 14/11	Fri 15/11	Sat 16/11	Sun 17/11	Mon 18/11	Tue 19/11
19.6	15.9	15.9	17.6	15.6	17.9	26.3	18.3	17.6				
46	52	52	37	41	49	42	50	36				

Digital

Counter Cheques Issued (1000s)	1.7	1.6	1.2	1.5	1.6	1.2	1.8	1.9				
Successful Logins (1000s)	107	87	101	95	102	98	65	76	87	170	145	78
External Funds Transfers (Volume, 1000s)	14.75	14.4	9.2	8.8	13.7	12.7	11.9	11.9	16.5	9.5	9.2	14.2
Traffic to Website (1000s)	214	172	244	209	234	207	186	342	362	243	221	388
Peak user journey time (seconds)	12.0	15.3	18.7	20.3	17.6	15.2	16.9	17.0	18.4			
Peak concurrent sessions (users)	190	198	150	288	187	205	389	147	231			
Service status (reds)	0	10	0	0	0	0	0	0	0	0	0	0

Core IT

Mainframe performance	97	87	88	95	84	82	81	87	86			
Customer Telephone Calls (1000s)	16.8	18	11	6	19	17	16	17	19	11	7	20

Customer Operations

Calls abandoned (%)	12.3	10.6	0.3	0.2	9.2	8.6	5.1	4.3	4.7	0.9	0.8	5.0
Account Closures	200	220	267	129	164	88	279	37	166			
Total Faster Payments Outbound	75.0	38.0	101.0	88.0	64.0	78.0	81.0	15.7	90.0	94.0		

Maintained by: bernie.smith@msadommeasurekPlc.co.uk
Last updated: 22nd November 2013

Version number: 1.13

Fig. 2.3: Dashboard 'After'

Step 2 - Engage

Use KPI Trees to create a 'longlist' of measures

How to balance aspiration with practicality

There is always a tension between your ideal measures and the brutal reality of 'not enough resource', 'complexity' and 'practicality'. Often that tension can cloud managers' ability to think objectively about what the ideal set of KPIs might look like.

The approach to take is to first come up with the 'longlist', or the 'ideal-but-clearly-impractical' set of measures (this section) and then worry about the practicality and importance of each measure (the next section).

In this step, you are going to create a longlist of candidate measures that may be suitable for your dashboard or report. In the end you will not use **all** of the measures generated even though each one will be shown to link to your strategic objectives. One of your key tools is the 'KPI Tree'.

What is a KPI Tree?

A KPI Tree is a simple graphical tool to show the linkages between your strategic objectives and the things you measure on an everyday level.

Here is an example of a KPI Tree:

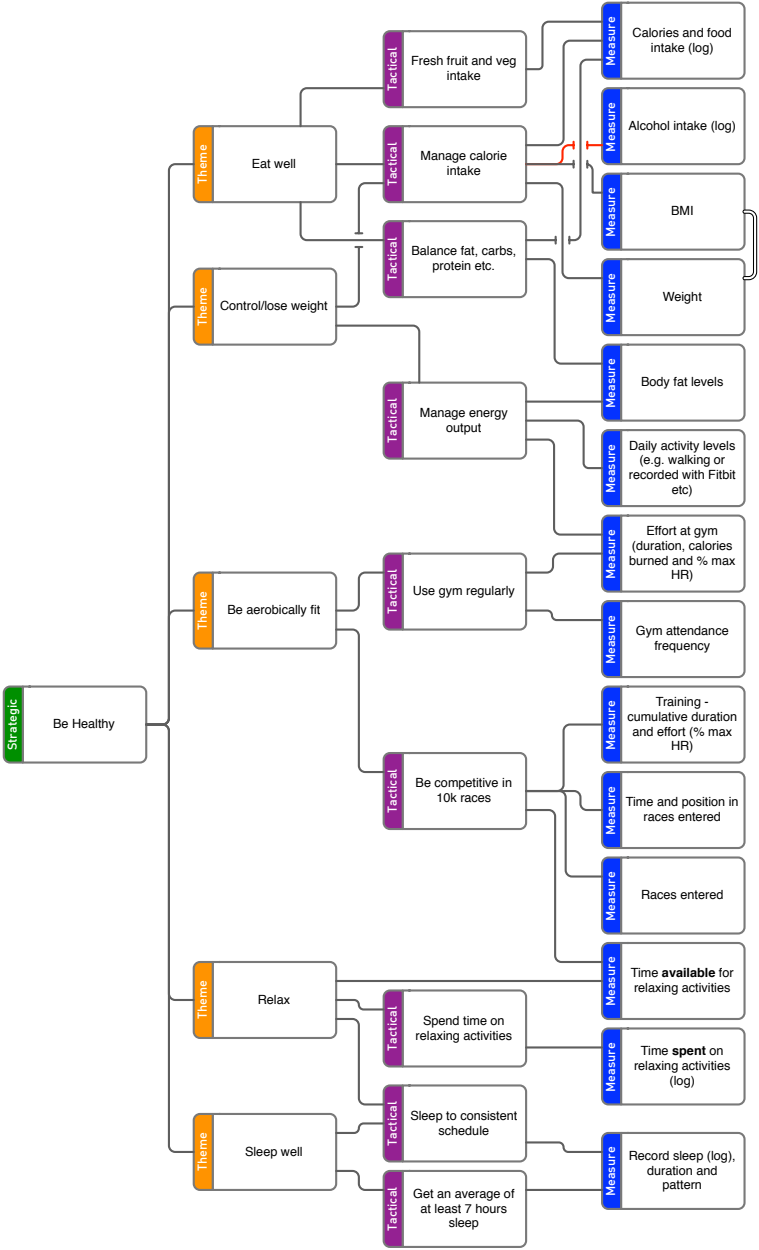


Fig. 3.1: An example KPI Tree for the strategic objective 'Be Healthy'



Key Idea

Why use a KPI Tree?

Most strategic objectives are high-level outcomes. It's very hard to agree with total confidence that you should, for example, measure 'process moisture content' as a way of delivering 'lowest cost per metre production of all manufacturers' unless you understand precisely how one links to the other.

There are a number of benefits that come from using KPI Trees.

Benefit 1 - Sum up a complex situation with just a few indicators

With the KPI Tree you naturally arrange sub-measures into meaningful groups. Creating high-level summary measures becomes relatively straightforward, as all you need to do is decide on the relative weightings and the arithmetic you use to blend the sub-measures.

Benefit 2 - Help build agreement

Every client I have worked with has featured a dominant character in the group. They can bounce a group into a particular set of measures through a mixture of rational argument and strength of will. Creating a KPI Tree avoids this through a highly collaborative series of sessions. It also gives a tool, structure and visible output that **anyone** can easily challenge and question.

Benefit 3 - Explain the approach

It normally takes two two-hour workshops to get a group up to speed and to successfully create a complex KPI Tree, but it's possible to get a group to grasp how to read one with about five minutes of explanation. It can also become a powerful way for the executive to explain their strategy in terms that a group can really understand. It shows a depth, coherence and clarity of thought that's rare when it comes to strategy and measures.

Benefit 4 - Keep in step with changes in strategy

Businesses, markets and executive teams change. It's absolutely guaranteed that, if you are lucky enough to have a good strategy, it will have to change - possibly very soon. Using the KPI Tree approach means that you can see what impact changes in the strategy will have on measures.

Benefit 5 - Understand how measures interact

You **can** have too much of a good thing. It's especially true in the world of measures. By pushing a 'good' measure too far you can unexpectedly have a negative impact on your ultimate strategic objective.



Trap

Going straight for the 'obvious' measure

One of my favourite examples of measures that interact is a measure used in call centres. Most of us have experienced a call centre agent who is clearly dying to get us off the line (even if they are scripted to hurriedly ask you 'Is there anything else I can help you with today, Mr Smith?'). The reason you can hear every sinew of their body pleading for you to get off the line is AHT. AHT, or 'Average Handling Time', is a measure that shows how long a call takes an agent to handle - on average. Note that it doesn't talk about whether the caller's objectives have been met, for example by resolving their problem or making sure it won't recur. AHT seems to make sense if you are running a big call-centre environment.

The logic goes 'I have lots of calls, so the quicker I can get through those calls the lower my wage bill will be and the shorter the queues will be.' Wrong. Pushing AHT reduction can rapidly increase call volumes. Agents become fixated with getting you off the phone at all costs. This leads to a decrease in 'first touch resolution' (the problem being sorted out, there and then, by the person who answers the phone) - as they will get you off the phone or pass you on to a colleague without resolving your problem themselves.

It's possible (even common) to see AHTs come down, but call volumes being driven up and customer satisfaction plummeting. The chances are that you have been fobbed off and passed around in call centres in the past and it may well be down to an 'apparently sensible' measure creating unexpected side effects.

Build out the branches of a KPI Tree

Below is a single branch from the earlier example, showing how you move progressively closer to something you can directly measure as you move towards the 'measures' level of the diagram.



Fig. 3.2: Drilling down one branch of the KPI Tree

As you go down the levels there is a one-to-many relationship. So, for example, our strategic objective 'Be healthy' has several enablers that link into it. Here are the enablers I've identified:

- Eat well
- Control/lose weight
- Be aerobically fit
- Relax
- Sleep well

Each of these will have several tactical enablers living below them, and measures below them. Here I have fleshed out the Eat well branch:

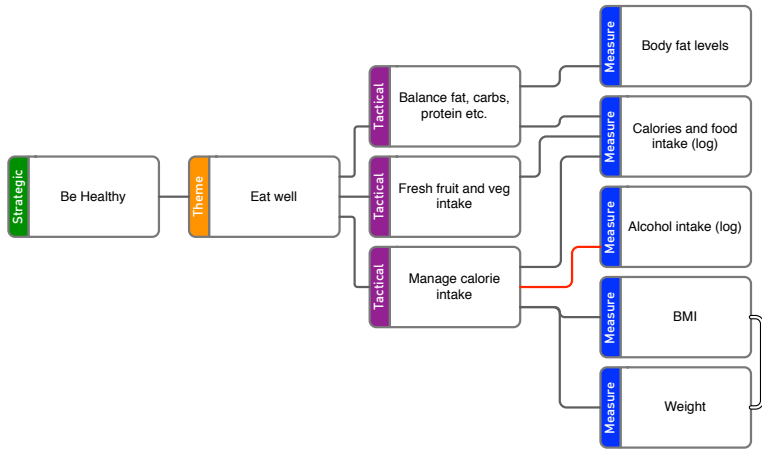


Fig. 3.3: Expanded branch of the KPI Tree

Any 'node' on the tree can be linked to any other to show a relationship. Use colour, intensity or terminator shape to distinguish between the three link types, described below.



Key Idea

Link 1 - Cause-effect

Where one activity directly influences another. This the most common type of relationship, so I use a plain grey line for this.

Examples of cause-effect relationships include:

- 'Sell popular flavours' causes 'Increase in ice cream sales'
- 'Consumption of free salty snacks' causes 'Increase in drinks sales'

Link 2 - Conflict

Where one activity conflicts with another. I use a red line to show this.

Examples of conflict relationships include:

- 'Minimise Average Handling Time' conflicts with 'Maximise First Touch Resolution'.
- 'Minimise performance rewards' conflicts with 'We have motivated staff'.

Link 3 - Companion

Where one measure is a subset of the other, or there is significant overlap. I use a double line for this - implying a two-way relationship.

Examples of companion relationships are:

- 'Weight' is a companion to 'Body Mass Index'.
- 'Reduce loss from car accidents' is a companion objective to 'Reduce injury from car accidents'.



Checklist

How to build a KPI Tree

Build a KPI Tree: Preparation

- Become fully familiar with the strategy of your organisation.
- Become fully familiar with the strategic objectives of your organisation.
- Double-check those strategic objectives with all engaged senior stakeholders - if there are differences then they **must** be ironed out before the sessions.
- Check that there are between two and seven strategic objectives - if there are more than this, it is likely that lower-level tactical objectives are in the mix.
- Gain support and approval to hold a session from senior stakeholder(s).
- Pull together some example outputs from previous sessions (or use the examples included in this book).
- Gather your stakeholders together in groups.
- Select groups of between three and nine people per session (certainly no more than twelve).
- Select group to have a good mix of seniority.
- Organise two two-hour long workshop sessions, separated by between one and five working days.

Practicalities

- Book meeting rooms for both sessions.
- Create briefing email and send out invitations.
- Base group selection around broadly similar remits.
- Make sure there are desks available for them to work at.
- Ensure a whiteboard is available, if possible.
- Print out examples and worksheets.
- Take Post-Its and pens to the session. A camera phone can also be useful.



Checklist

Build a KPI Tree: The first session

- Explain the approach.
- Identify the strategic objectives - agree these with the group.
- Give the background to the session.
- Show a finished example.
- Get the group to do a simple (non-work) exercise example.
- Explain the three link types: cause-effect, conflict and companion (see page 43).
- Help the group work through a more complex non-work example, including link types.
- Get the group to develop a draft KPI Tree specific to **the group's** relevant organisational strategic objectives.
- Develop one tree per objective. The trees will almost certainly cross-link so it makes sense to create them using one large sheet if possible.



Tip

If the participants start to get anxious about the number of potential measures this process is throwing up, then it's worth reassuring them that the whole point of this step is to generate the longlist of measures. You will absolutely **not** simply take this longlist and attempt to implement it as it stands at the end of this session. There is a critical next step which involves shortlisting candidate measures.

Follow-up work

- Write up the trees from all groups and merge into one tree.
- Add notes to show where decisions have had to be made on the merge.



Checklist

Build a KPI Tree: The second session

- Review the merged tree.
- Are there important factors that will not register with any of the measures identified? If so, then you have missed something out of your tree.
- Is there a way of making a measure go the 'right' way, but by doing something stupid?
- Add any further branches that need adding.
- Make corrections and discuss the merged tree.

The second session is normally quite straightforward as the group will be fresh, familiar with the purpose of the session and used to working as a group.

Follow up work

- Finish drawing up the trees from the second session (there may be several trees, but there should be only one version for each objective, the various versions having been merged after the first session).
- Add explanatory notes as needed.
- Circulate to the participants for final approval. State that the absence of a response will be taken as implicit approval.



Checklist

Tools for building KPI Trees

There are several choices for drawing diagrams. Key points you need to consider when choosing one are:

- Does the read/edit software have to be a standard desktop application (like Microsoft Word or PowerPoint) or do you have the chance to install specialist applications like Visio or Aris?
- What is the IT skill level of the users?

Step 3 - Longlist KPIs

- ❑ Do you have to attach meta-data to objects? If so, you will need to go for a more specialist diagram package e.g. Visio.
- ❑ Is there a company standard currently in use for this type of diagram? E.g. Mindjet, mind mapping software.
- ❑ Will the software be used on a variety of operating systems? Some applications like OpenOffice, Freemind and Mindjet cover two or more operating systems. Others, such as Visio, tie you firmly to one platform.
- ❑ What level of annotation and general sophistication are you looking for? How many nodes/branches do you need to fit in?

How to fit complex KPI Trees on one page

Although people generally like brightly coloured diagrams, the most space-efficient method is a wire tree diagram as shown in fig. 3.4 on the next page. This style, championed by Jon Moon in 'How to Make an Impact', often takes 5-10 times fewer pages than the same data represented in an 'organisation chart' style KPI Tree. The example wire tree was done entirely within Excel, mostly using the 'Borders' function. An additional benefit of this approach is that you can add lots of supporting data to each KPI in cells off to the right of the tree.

You can download a wire tree template from my website using this shortlink: <http://wp.me/p1H6XP-zD>

Example: 'Customer Experience' KPI Tree

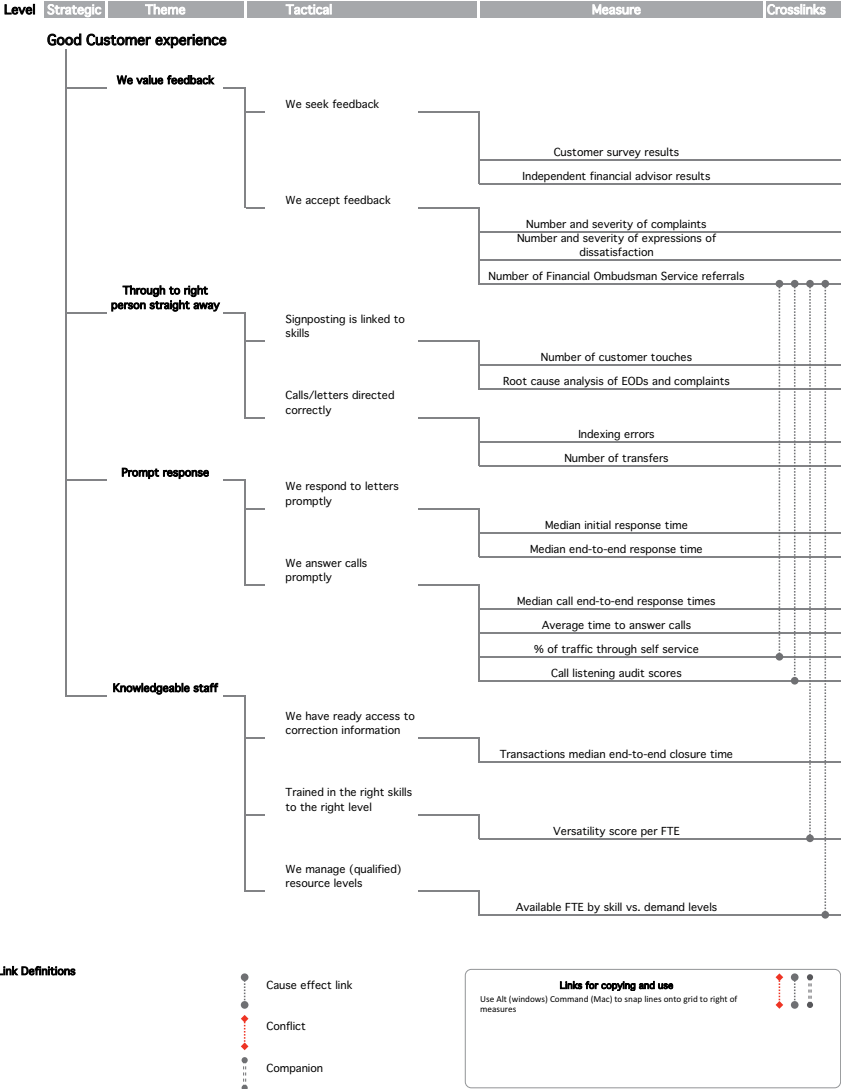


Fig. 3.4: A much more space-efficient way of showing KPI relationships. This diagram was produced using Excel.



Tip

Tools to consider if you prefer ‘Mind Map’ style diagrams

If you like the slightly more chaotic ‘Mind Map’ style of diagram, other tools that are worth considering for KPI Trees are:

- Visio (PC)
- Word/PowerPoint Draw Tools (PC, Mac)
- Omnigraffle (Mac)
- SmartDraw (PC)
- Lucid (Web app, multi-platform)
- MindMeister (Web app, free)
- Mindjet MindManager (Mac, PC)
- Xmind (PC, Mac) free
- FreeMind (Java) free
- iMindMap (PC, Mac, Linux)

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Bernie

Made to Measure KPIs