- Best to show the slide rather than bringing in material point by point—attendees can read three times faster than you can talk, so utilize this benefit.
- Never read the points on a slide; the attendees have already done that. Your role is to amplify each point. Thus, you never need to have long sentences on the slide; cryptic phrases are best. Keep the sentences to the handouts.
- I always have a discussion paper that contains all the complex slides in a larger version. If I am showing a financial statement, I will show it on the slide and then direct the audience to the appropriate page in the paper.
- Follow the basic PowerPoint slide rules set out in Appendix C, Delivering Bulletproof PowerPoint Presentations.
- Print out the slide handout, three slides to a page, as the detailed slides are shown in the attached paper.
- While the groups are in workshop, leave the room and reflect how it is going, what has been omitted, what needs to be changed, and so on.
- Over coffee breaks, chat briefly with attendees to ask how the workshop is going for them, the pace of the workshop—is it too fast, just right, or too slow?—and their findings from their workshop.
- Set up the workshop in classroom style (e.g., with a table in front). This is better than conference style (e.g., using a round table) as some attendees are sitting at an awkward angle through the presentations.
- For larger groups, have small notepads available and ask the audience to write their questions on them. I then have a question-and-answer session after each break. The benefits of the notepads are that the more introverted members, who often have pertinent questions, get a chance to raise them.

Implementation Lessons

Kaplan and Norton, in their groundbreaking book *The Balanced Scorecard: Translating Strategy into Action,*[10] indicated that 16 weeks is sufficient time to establish a working balanced scorecard with key performance indicators (KPIs). However, organizations of all sizes and complexity stumble with this process, and 16 weeks easily turns into 16 months. The key to success is to learn 11 key lessons:

1. Appoint a chief measurement officer.
2. Sell change the Kotter way.
3. Start off with a six-perspective balanced-scorecard template.
4. Focus on the critical success factors.
5. Follow the 10/80/10 rule.
6. Select a small KPI team to be full time on the KPI project.
7. "Just do it."
8. Use existing systems for the first 12 months.
9. Trap all performance measures in a database and make them available to all teams.
10. KPI reporting formats should follow the guidelines of the data visualization experts.
11. You may need to rename the scorecard.

Lesson 1: Appoint a Chief Measurement Officer

I have been working with performance measures for many years and have spent untold hours endeavoring to unlock their secrets. Over the years one thing has become abundantly clear: you need a measurement expert in-house. Dean Spitzer called this the chief measurement officer.

I have now come to the conclusion that I have not emphasized enough the importance of this in-house resource in my earlier work.

Performance measurement is worthy of more intellectual rigor in every organization that is on the journey from average to good and finally to great. The chief measurement officer would be part psychologist, part teacher, part salesperson, and part project manager. I have discussed this position throughout this book and have included a draft job description in Appendix B.

It Is a Full-time Role. In most of the implementations I have observed, my advice to appoint a KPI team leader, and making them where possible full time, has been compromised due to workload commitments. In every case this has delayed and put the project on the back foot. From around 250 people this position should and must be full time. In small organizations this duty must be at least half the workload and much daily operational activity reassigned so that the incumbent has a chance to focus and create some momentum in the project.

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 organization 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 members who are concerned about the change will do their utmost to destabilize the project.

Instead you need to appoint an in-house person best suited for the role, someone who is well respected in the organization, who can call on favors when required. Staff will support the new initiative when it is led by such an appointee.

Reporting Line. The CMO position should report directly to the CEO, as befits the knowledge and diverse blend of skills required for this position. Only when we have this level of expertise within the organization can we hope to move away from measurement confusion to measurement clarity.

Benefit of This Action. Appointing a CMO will give the project the best chance of success.

Lesson 2: Sell Change the Kotter Way

I would argue that more than half the new initiatives that are declined were undersold. In other words, given the right approach the initiative would have gone ahead.

If you are not prepared to learn the skills to cover the common deficiencies in a selling change process, you are better off playing golf or burying yourself in a process. Selling change requires a special set of skills, and we all can and should get better at it. In Chapter 13 on selling change I point out:

- Nothing was ever sold by logic! You sell through emotional drivers. Thus, we need to radically alter the way we pitch this sale to the senior management team (SMT), to the CEO, and to the board. We have to focus on the emotional drivers that matter to these groups
- In 1996, John Kotter published *Leading Change*, which quickly became the seminal work in the change management space.

He pointed out, as we already know, that effecting change—real change—transformative change—is hard. In his work he had an eight-stage process of creating major change, a clear map to follow when faced with influencing an organization to move.

- The importance of having an elevator speech for the KPI project and, when it is in progress, a weekly update elevator speech.
- When you are presenting, it is best to be well prepared. I would advocate using the 21st century better practices set out in Appendix C, Delivering Bulletproof PowerPoint Presentations.
- The importance of getting the oracles on board by using a one-day focus group. Their approval and support should be sought before you propose the project to the SMT. As John Kotter advises, you need to create a guiding coalition.
- Why you need to establish a comprehensive blueprint, mimicking Toyota's management principle "slow with consensus fast with implementation."
- The importance of generating quick wins—obvious to us all but frequently missed. Remember that senior management is, on occasion, inflicted with attention deficit disorder. Progress in a methodical and introverted way at your peril. We need easy wins, celebrated extrovertly, and we need to ensure that we set up the CEO to score the easy goals.

The SMT attitude is crucial—any lack of understanding, commitment, and prioritizing of this important process will prevent success. It is common for the project team and the SMT to fit a KPI project around other competing, less important firefighting activities.

The SMT must be committed to the KPI project and to driving it down through the organization. Properly implemented, the KPI project will create a dynamic environment. Before it can do this, the SMT must be sold on the concept. This will lead to the KPI project's being treated as the top priority, which may mean that the SMT allows some of those distracting fires to burn themselves out.

Consider this quote from a senior consultant:

> *Senior staff view the development of the BSC as an end in itself and go through the motions to keep the boss happy. If the SMT is not strategic in its perspective and consequently does not see the BSC as a tool to help it better understand and manage the organization, this will be reflected in a loss of interest when the process of*

development gets tough, for example, when deciding on which KPIs to use and the trade-offs to be made. While the role of the SMT is important, the role of the CEO is critical. The CEO must be the central driver carrying the embryo BSC with him all the time, talking about it frequently, and so on.

Organizations sometimes find that support for the BSC flounders if a new chief executive takes the helm before full implementation. It is important to sell, sell, sell the benefits to all new SMT members through their emotional drivers or their points of pain.

Benefit of This Action. The SMT will get a buzz from being involved in a dynamic project, and there will be wider ownership as the oracles put their full weight behind the cause.

Lesson 3: Start Off with a Six-Perspective Balanced Scorecard Template

Too often, time is spent debating the perspectives, their names, and the design of the scorecard. The SMT loves this time of intellectualizing; however, it does not create much value. It is easy to get carried away with the debate, spending months determining the perspectives while making little progress on defining the CSFs.

Too much time can be spent debating whether there are four, five, or six perspectives and what their names are. Let me save you some trouble. You will need:

- One on the financials performance—call it *financial results*
- One on innovation and the development of the staff—call it *innovation and learning growth*
- One on customer satisfaction—call it *customer focus*
- One on internal business processes—call it *internal process*
- One on staff satisfaction—call it *staff satisfaction*
- One on relationship with the environment and the community—call it *environment/community*

Using the suggested six perspective names will mean that you are using a better practice perspective template for the first 6 to 12 months. After 12 months, the SMT and staff will have enough experience, knowledge, and understanding to fine-tune the perspective names to better suit the organization's needs.

Benefit of This Action. The SMT members will invest the scarce time they have available for this project in more important areas.

Lesson 4: Focus on the Critical Success Factors

The critical success factors (CSFs) determine organizational health and vitality and where the organization needs to perform well. Key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs are the actual performance measures, which naturally cascade from these CSFs. It is crucial that the SMT focus on providing the project team with CSFs. If this is done well, winning KPIs are much easier to find.

Most organizations know their success factors (SFs). However, few organizations have:

- Worded their SFs appropriately
- Segregated out SFs from their strategic objectives
- Sifted through the SFs to find their critical ones—their *critical* success factors
- Communicated the CSFs to staff

If your organization has not completed a thorough exercise to know its CSFs, performance measurement will be a random process. It will create an army of measurers producing numerous numbing reports, measurers who often "measure" progress in a direction very remote from the strategic direction of the organization.

CSFs identify the issues that determine an organization's health and vitality. When you first investigate CSFs, you may come up with 30 or so issues that can be argued are critical for the continued health of the organization. The second phase of thinning them down is relatively easy, as the more important CSFs have a broader influence, impacting many success factors. Better practice suggests that there should be only between five and eight critical success factors.

Once you have the right CSFs, finding the KPIs is much easier, as they will reside within these CSF factors. This process is performed by mapping the relationships (see Exhibit 15.4) and is explained in detail in Chapter 11. The CSFs that have the most influence—shown in Exhibit 15.4 as the critical success factor with four arrows going

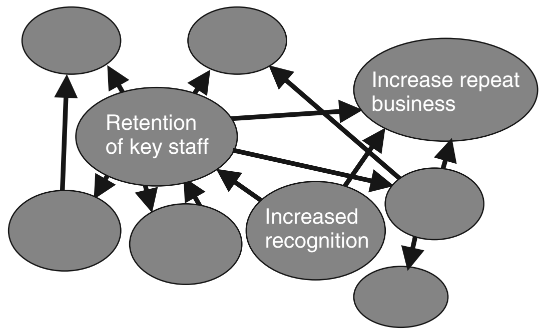

EXHIBIT 15.4 Relationship Mapping to Find the CSFs

out—are the ones to focus on first. All of the organization's KRIs and KPIs will be measuring performance within these critical success factors.

Benefit of This Action. Finding an organization's CSFs is, I believe, the goal of management. It will have a profound impact on staff members, as for the first time they will know what their focus should be on a daily basis. It will also help link daily activities to strategy and improve all forms of performance reporting.

Lesson 5: Follow the 10/80/10 Rule

Many balanced scorecards fail because the wrong measures are used. In such exercises, all their measures are called KPIs. I argue that many organizations are not working with their true KPIs, measures with special characteristics that were discussed in Chapter 1.

Kaplan and Norton recommend no more than 20 KPIs. Hope and Fraser[11] suggest fewer than 10 KPIs. The 10/80/10 rule is a good guide: 10 KRIs, up to 80 RIs and PIs, and 10 KPIs.

The KPI project team and SMT need to concentrate on identifying those 10 KRIs, 80 RIs and PIs, and 10 KPIs that really matter. They must have a good understanding of the characteristics of KRIs, RIs, PIs, and KPIs and be able to distinguish between them before they deliver any workshops.

Many organizations call every measure a KPI and end up with over 200, which will create confusion rather than clarity. All leading writers are saying the same thing: "Less is better."

Many people confuse result indicators with KPIs. Sales, net profit, customer satisfaction, and return on capital employed are not KPIs, as they are a result of many events occurring. These examples are *KRIs*, as they are measures that give a clear picture of whether you are traveling in the right direction. If a problem exists, they show it, but they will not tell you what you need to do to correct it.

KRIs provide useful information to the board of directors, which should not be involved in day-to-day management. The KPIs lie several layers beneath the KRIs. The KPIs connect the "workface" to the chief executive officer (CEO). During the day or every morning, CEOs working with KPIs are contacting people directly, asking for explanations or giving recognition of their success. Not all teams will have KPIs, as they cannot influence them. These teams will have RIs and PIs. It is important to note that the 10/80/10 is for the whole organization and is repeated if you have a totally separate business unit (e.g., different business units selling umbrellas and ice cream).

Benefit of This Action. The KPI team will immediately focus on the end product (the 10/80/10) and not try to identify 80 KPIs in 200-odd performance measures.

Lesson 6: Select a Small KPI Team to Be Full Time on the KPI Project

KPIs can be designed successfully by a small team. Kaplan and Norton have seen BSCs designed successfully by an individual who had an in-depth understanding of the business.

Notwithstanding this possibility, a team approach of between two and four full-time staff members is recommended, as set out in Chapter 9. The external project facilitator, if involved right at the beginning, should help the SMT pick a team. Research into personnel records is recommended, as many talented staff members who may already have some KPI experience are found in obscure places. You need to look for staff who have excellent presentation skills, knowledge of the organization and its market, a track record of innovation and completion, sound communication skills, and the ability to be cheerful under pressure (a recruiting trick of Sir Edmund Hillary). See Chapter 9 for recruitment suggestions.

The SMT needs to have the selected staff committed *full time* to the KPI project. By that I mean the family photos are removed from their desk and taken to the project team location. Their second in

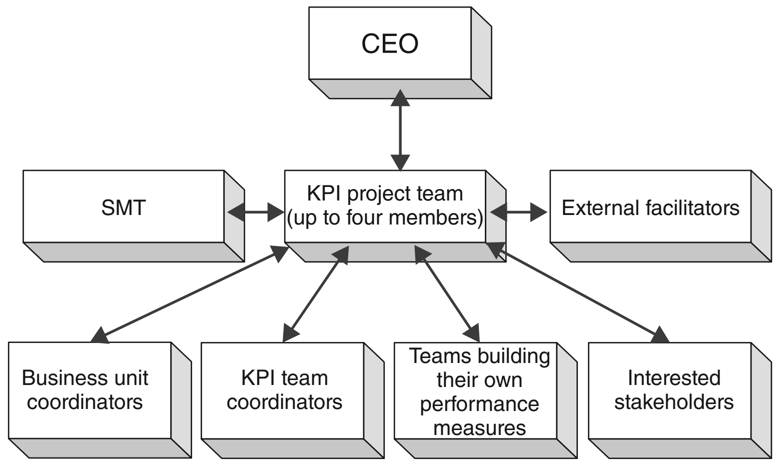

EXHIBIT 15.5 KPI Team Reporting Directly to the CEO

command will move into their office and undertake their duties, a succession-planning bonus.

Once selected, this team must have a direct reporting line to the CEO (see Exhibit 15.5). Any layer in between means that the SMT and CEO have not understood just what SMT commitment means.

Besides the KPI project team, the organization also needs to identify a liaison person (a coordinator) for each business unit and team. This liaison person needs to be knowledgeable about the operation and be available to provide detailed knowledge and feedback to project team members.

Senior managers should exclude themselves from the project team. A SMT member in the team will lead to a string of canceled meetings as the senior manager is caught in the firefighting activities that make up much of their working days. Even SMT members with the best willpower in the world can never be fully focused on just one project.

Benefit of This Action. This action will lead to a carefully picked project team who, along with the coordinators, will have a good chance of success.

Lesson 7: "Just Do It"

The exact structure of the KRIs, RIs, PIs, and KPIs is rarely right the first time. Kaplan and Norton agree with Nike and say "Just do it."

The SMT and KPI project team need to ensure that the project culture is a "just do it" culture. It is important to ensure that the project team does not spend too much time on research. The key references are this KPI book and *The Balanced Scorecard: Translating Strategy into Action*.[12]

A "just do it" culture means that the team will not have to rely on external experts to run the project. CEOs are often wary of large projects that they perceive to be managed by expensive international consulting firms. The past decade is littered with six- or seven-figure consulting assignments that have not delivered on the value expectations. A "just do it" culture brings the belief that the project team can do it. The external project facilitator's role here is to ensure that the project team members remain confident (but not overconfident) and have picked up all the required skills they will need (e.g., delivering persuasive KPI presentations). Read Chapter 2 for more guidance.

Benefit of This Action. The project will be protected against procrastination and have a good chance of implementing the KPIs within a 16-week period.

Lesson 8: Use Existing Systems for the First 12 Months

The project team should promote the use of existing in-house applications for the collection and reporting of the performance measures for at least the first 12 months. Much can be done with standard applications, such as Excel, PowerPoint, SharePoint Team Services, and Access. Often there is no need to purchase specialized software at this stage. Any such purchases can be done more efficiently and effectively 12 months down the track. The appropriate timing for implementing software to aid in the collection and deployment of KPI data will, however, vary from organization to organization. Some organizations may have a resident application that performs this task well or may already know which application they will use for this task and thus can invest in the appropriate systems earlier.

Sophisticated intranet software is of great assistance and is most likely available in-house. These applications will help the team set up its intranet website so that anyone interested in the development of performance measures can obtain access and contribute. Such applications can provide preformatted lists with expiration dates to keep announcements current and a place to collaborate on the development of KPI documentation and reports in real time.

The team will need to update the intranet site frequently themselves. Updating is too important to be left to a systems administrator who is not part of the project.

Benefit of This Action. Focusing on an immediate solution using existing in-house software will avoid compromising the project time scales by delays in pre-purchase assessments, purchasing, and implementing a new system.

Lesson 9: Trap All Performance Measures in a Database and Make Them Available to All Teams

During the 16 weeks, a number of performance measures will be found that, while not in the top 10 KPIs, still are highly relevant to business and service teams.

The project team needs to establish a database to record these measures and communicate them through a KPI intranet home page. The fields for the database are discussed in Chapter 11.

The database should show not only all the current teams' measures but also any discarded measures. The project team can then help the teams, business units, and divisions with consistency and completeness (e.g., one measure devised by one team can and should be used by others, where appropriate).

During the 16 weeks, it is important that the project team purge the database on a regular basis to eliminate duplication and ensure consistency (e.g., the KPI team can suggest to one team, "You might like to look at measure Y as teams A, B, and C are choosing to use it").

Benefit of This Action. This action will create a comprehensive and user-friendly resource for all.

Lesson 10: KPI Reporting Formats Should Follow the Guideline of the Data Visualization Experts

Data visualization is an area that is growing in importance. No longer is it appropriate for us to dream up report formats based on what looks good in our eyes. There is a science behind what makes data displays work. The expert in this field is Stephen Few. Stephen Few has written the top three "best-selling" books on Amazon in this field.

I recommend that the SMT leave the design of the reporting formats (24/7, daily, weekly, and monthly reports) to the KPI team, trusting in their judgment. The SMT should tell the KPI project team that they will be happy to live with their formats.

The key is to seek agreement that suggested modifications will be recorded and looked into at the end of the agreed review period. It will come as no surprise that many suggested modifications will not stand the test of time.

The KPI project team should make good use of the reporting templates provided in Chapter 14 before attempting to develop any of their own.

Benefit of This Action. Understand these two writers' views and you will improve your reporting of information, its attractiveness, and its ability to stimulate action.

Lesson 11: You May Need to Rename the Scorecard

Key result indicators, RIs, PIs, and *winning KPIs* should ideally be structured within a balanced scorecard. However, across the world, there have been many failed BSCs principally due to garbage in, garbage out.

The word *scorecard* may have negative connotations to management. If so, what about *navigator, compass,* or other directional terms to help sell the concept and galvanize participation? Changing the name is particularly important where existing management has prior negative experiences with balanced scorecards.

Some organizations offer a prize for the staff person who comes up with the best name.

Benefit of This Action. This action creates a KPI project name that helps galvanize the organization behind it.

Templates and Checklists

To assist the KPI project team on the journey, templates and checklists have been provided. The reader can access, free of charge, a PDF of the suggested worksheets, checklists, and templates from kpi .davidparmenter.com/thirdedition.

The templates include:

- Facilitator's Role Checklist
- Workshop Preparation Checklist
- KPI Typical Questions and Answers

Notes

1. Jack Welch and Suzy Welch, *Winning* (New York: HarperBusiness, 2005).
2. Paul R. Niven, *Balanced Scorecard: Step-by-Step for Government and Nonprofit Agencies* (Hoboken, NJ: John Wiley & Sons, 2008).
3. Stephen Few, *Information Dashboard Design: Displaying Data for At-a-Glance Monitoring* (Burlingame, CA: Analytics Press, 2013).
4. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business Press, 1996).
5. Stacey Barr, *Practical Performance Measurement Using the PuMP Blueprint for Fast, Easy and Engaging Performance Measures* (2014).
6. Elizabeth Haas Edersheim, *The Definitive Drucker: Challenges for Tomorrow's Executives—Final Advice from the Father of Modern Management* (New York: McGraw-Hill, 2006).
7. John Kotter, *Leading Change* (Boston: Harvard Business Review Press, November, 2012).
8. Stephen Few's Perceptual Edge website, www.perceptualedge.com.
9. Dean R. Spitzer, *Transforming Performance Measurement: Rethinking the Way We Measure and Drive Organizational Success* (New York: AMACOM, 2007).
10. Kaplan and Norton, *The Balanced Scorecard*.
11. Jeremy Hope and Robin Fraser, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (Boston: Harvard Business School Press, 2003).
12. Kaplan and Norton, *The Balanced Scorecard*.