David Parmenter's KPI Guide – An overview of his KPI methodology

What is a KPI?

A Key Performance Indicator (KPI) is an indicator that focuses on the aspects of organizational performance that are the most critical for the current and future success of the organization.

In contrast, Key Result Indicators (KRIs) are measures that have often been mistaken for KPIs. The common characteristic of these measures is that they are the result of many actions carried out by many teams, hence the use of the term "result". They give a clear picture of whether your organization is traveling in the right direction at the right speed. They provide the board or governing body with a good overview as to the progress with regard to the organization's strategy. These measures are easy to ascertain and are frequently reported already to the Board or governing body.

To understand more about the difference of these two types of measures, you can access, free of charge, chapter one, "The Great KPI Misunderstanding".

What does KPI mean? It means Key Performance Indicator

Table of Contents for this KPI Guide (Extract from David Parmenter's 170 page Toolkit + e-templates)

1. Confusion on What KPIs Are and What They Can and Should Do

The 2018 *MIT Sloan Management Review* and Google's cross-industry survey* asked senior executives to explain how they and their organizations are using KPIs in the digital era. It is probably the largest survey on this topic with more than 3,200 senior executives providing feedback and supported by in-depth interviews with 18 selected executives and thought leaders. This study found that the leading organisations:

1. Look to KPIs to help them lead—to find new growth opportunities for their company and new ways to motivate and inspire their teams.
2. Treat their KPIs not simply as "numbers to hit" but as a tool for transformation.
3. Use KPIs to effectively align people and processes to serve the customer and the brand purpose.

However, this study lost its way when it confirmed a common misunderstanding by defining KPIs as:

> *The quantifiable measures an organization uses to determine how well it meets its declared operational and strategic goals.*

This definition is flawed on several counts:

- Measuring progress on the journey to reaching the strategic goals is done by periodic reporting, which will seldom lead to profound alignment of people and processes.
- It makes the time-honored mistake that all measures are KPIs. How can this be? In the study, the writers acknowledged that
  > "most companies do not deploy KPIs rigorously for review or as drivers of change. In practice, KPIs are regarded as 'key' in name only; the most prevalent attitude toward them seems to be one of compliance, not commitment."
- The words "key" and "performance" are linked together so that the measure is one that will lead to customer delight and improved financial performance
- Reporting progress against goals is necessary, typically done monthly, and is not the real driver for alignment that we seek. I have yet to see a monthly report that ever created any change. We need 24/7, daily, and weekly warning flags which encourage timely corrective action and thus the monthly progress report should only confirm what we already know.

* Michael Schrage and David Kiron, Leading with Next-Generation Key Performance Indicators.

This information has been extracted from David Parmenter's [Key Performance Indicators (4th Edition)] Pages xxx-xxxi which is the highest rated KPI book on Amazon.

2. How KPIs fit into the four types of measures and the 10/80/10 rule for performance measures

From my research over the past 30 years I have come to the conclusion that there are four types of performance measures, and thus it is a myth to consider all measures as KPIs. These four measures are in two groups: result indicators and performance indicators.

I use the term **result indicators** to reflect the fact that many measures are a summation of more than one team's input. These measures are useful in looking at the combined teamwork but, unfortunately, do not help management fix a problem, as it is difficult to pinpoint which teams were responsible for the performance or non-performance.

Performance indicators, on the other hand, are measures that can be tied to a team or a cluster of teams working closely together for a common purpose. Good or bad performance is now the responsibility of one team. These measures thus give clarity and ownership.

With both these measures some are more important, so we use the extra word "key." Thus, we now have two measures for each measure type:

- **Key result indicators (KRIs)** give the Board of directors an overall summary of how the organization is performing.
- **Result indicators (RIs)** tell management how teams are combining to produce results.
- **Performance indicators (PIs)** tell management what teams are delivering.

- **Key performance indicators (KPIs)** tell management how the organization is performing 24/7, daily, or weekly in their critical success factors, and by taking action, management is able to increase performance dramatically.

Many performance measures used by organizations are result indicators and it is thus, no wonder, why reporting these measures has not improved performance.

2.1. The eight key learning points about KPIs

There are a number of important key learning points about KPIs which include:

1. Clarity over the different types of measures, result indicators and performance indicators
2. The definition of a KPI
3. British Airways late planes KPI story
4. The seven characteristics of KPIs
5. The 10/80/10 rule
6. The lead or lag debate is finally buried
7. The need to have more current- and future-oriented measures that act like a fence at the top of the cliff
8. Avoid measuring too much and measuring too late

To help you understand these issues I have provided you with the entire Chapter 1 "The Great Misunderstanding' from Key Performance Indicators 4th Edition.

This information has been extracted from David Parmenter's Key Performance Indicators (4th Edition) Pages 3-23, which is the highest rated KPI book on Amazon.

3. Why KPIs do not work?

There is a burning platform in many organizations, and it is called performance management. Old, broken bureaucratic methods are being used that limit the longevity of the organization. These dubious performance management methods enable managers to take actions that produce short-term illusionary gains at the expense of the organization's longevity. In fact, the more successful managers are at the "short-term game", the higher they climb up the corporate tree helping themselves to ever-increasing annual bonuses.

If Martians landed and inspected our methods, they would wonder how we ever managed to get to the moon, let alone land a rover on Mars. It is testament to the great people working against such a system.

Over the forty years I have been observing and studying performance management, I have come to the conclusion that the major performance management issues are not only common in most organizations, but they are also being amplified as big data and new wave technology lead us to an ever-growing reporting regime of meaningless measures. The sparse progress in those forty years indicates that these issues appear to be locked in each organization's DNA.

While the list of failed performance management practices is daunting, it is still worth understanding them and selecting a sound starting point. I will address the major performance management issues and supply a reference to explore the long-term fixes.

3.1. List of failed performance management practices

<table>
<tr><td></td><td>Failed performance management practices (the bolded statements have been further explored in this introduction)</td><td>Books offering workable solutions</td></tr>
<tr><td rowspan="8">A lack of clarity on performance measurement</td><td>No formal education on performance measurement</td><td rowspan="8">This book</td></tr>
<tr><td>Confusion on what KPIs are and what they can and should do</td></tr>
<tr><td>Too many of the wrong measures</td></tr>
<tr><td>Measuring far too much at the bottom of the cliff</td></tr>
<tr><td>Calling all measures KPIs</td></tr>
<tr><td>Linking measures to performance Pay Schemes</td></tr>
<tr><td>Using external consultants to deliver a KPI or balanced scorecard project</td></tr>
<tr><td>A lack of CEO and senior management commitment to KPIs</td></tr>
</table>

A lack of clarity of purpose	**Operating without ascertaining the organization's critical success factors**	This book
	Believing that a long-drawn-out strategy process will galvanize action	Jack Welch's *Winning* Chan Kim and Renée Mauborgne's *Blue Ocean Shift*
	Allowing a self-serving culture to override the publicly stated values	Jeremy Hope's *The Leader's Dilemma*
	Allowing short-term thinking to override the greater good	
A regime that nurtures the status quo	**A failure rate with projects that matches the failure rate of race horse ownership**	Jack Welch's *Winning* Tom Peters' *Thriving on Chaos* Henry Mintzberg, *No More Executive Bonuses* (*Sloan Management Review*, November 2009). Elizabeth Haas Edersheim's *The Definitive Drucker*
	Allowing innovation to be stifled by bureaucracy	
	A lack of commitment to getting recruitment right the first time	
	Executive salary setting and redundancy pay-outs	
	Reliance on outdated management practices	
Old, broken command-and-control bureaucratic processes	Allowing growth in the layers of bureaucratic management	Jeremy Hope's *The Leader's Dilemma* Tom Peters' *Thriving on Chaos*
	A focus on centralization	
	Setting annual targets when you cannot see into the future	
	Fixation on annual planning processes when it should be a continuous process	
	A reporting regime designed to further support the top-heavy bureaucracy	
	A lack of trust that business unit will deliver without oversight	

A trail of failed IT implementations	Installing a silver bullet, an untried IT system installed by a team of external consultants	Elizabeth Haas Edersheim's *The Definitive Drucker*
A misguided belief that the lean movement is only for manufacturers	A lack of understanding and adoption of continuous flow	Jeffrey Liker's *The Toyota Way*
	A lack of abandonment	Elizabeth Haas Edersheim's *The Definitive Drucker*

This information has been extracted from David Parmenter's Key Performance Indicators (4th Edition) pages xxv to xxvii, which is the highest rated KPI book on Amazon.

4. An overview of how to generate KPIs for your organisation (a three stage process)

Many organizations that have operated with key performance indicators (KPIs) have found the KPIs made little or no difference to performance. In many cases this was due to a fundamental misunderstanding of the issues.

Organizations often begin to develop a KPI system by immediately trying to select KPIs without the preparation that is indicated in the three-stage implementation plan. Like painting the outside of the house, 50 percent of a competent job is in the preparation.

Establishing a sound environment in which KPIs can operate and develop is crucial. Once the organization understands the process involved and appreciates the purpose of introducing KPIs, the building phase can begin.

The implementation difficulties were first grasped by a key performance indicator manual developed by the Australian Government Department “AusIndustries”. This guide has adopted many of the approaches of the KPI manual, which was first published in 1996. The KPI manual was the first to recognize that:

- A project needs foundation stones. There were originally four, and these have now increased to seven.
- You need to invest resources to sell the change to senior management and the rest of the organization. This edition emphasizes the need to sell the change through the emotional drivers of the intended audience.
- The critical success factors are the key driving force behind performance measures. This has been further refined with the branding of operational critical success factors.
- KPIs are at the workface, improving operations benefiting the financial, customer, internal process, innovation & learning, Environment & community and staff BSC perspectives.
- Readers need templates to move forward swiftly. This edition continues the tradition of endeavoring to second-guess all the main templates a KPI project team would need.

The three stages of the Winning KPI Methodology are described in Chapters 4 to 11 in David Parmenter's Key Performance Indicators (4th Edition) . This is a summary.

4.1. Stage 1: Getting the enterprise committed to the change and up-skilling the in-house KPI team

All major project implementations are deeply affected by the success or failure in leading and selling the change. Chapter 4, which outlines John Kotter’s model of leading change, emphasizes the importance of selling by the emotional drivers of the intended audience, and sets out the steps required in this stage.

The senior management team must be committed to developing and driving through the organization’s KPIs and any balanced scorecard that includes them. In addition, timing is everything. This project must find a suitable window where the senior management team will have time to commit to the change process. Chapter 5 outlines the steps required in this stage.

The success of a KPI project rests with trained home-grown staff who have been reassigned so that they are full time on the project. Chapter 6 covers the importance of selecting an in-house person to lead the KPI team and explains the reasons why an external recruitment to run the KPI team is doomed to fail.

4.2. Stage 2: Ascertaining your organization’s operational critical success factors

Critical success factors (CSFs) are operational issues or aspects that need to be done well day-in and day-out by the staff in the organization. Chapter 7 looks at the differences between CSFs and external outcomes, highlights the importance of the CSF by indicating that it is a missing link in management theory, explains that an organization has typically five to eight CSFs, shows how CSFs are the origin of all performance measures, and explains how an organization goes about ascertaining them. Chapter 12 covers case studies on CSF workshops and some common critical success factors and their likely measures.

4.3. Stage 3: Determining measures and getting the measures to drive performance

Many performance measures are created from a flawed process. Chapter 8 examines common reasons why organizations get their measures radically wrong and how to design appropriate measures. Chapter 9 outlines all the tasks that need to be performed during a performance measures workshop, the tidy-up process on the performance measure database, and how to select the KPIs and KRIs.

Chapter 10 looks at the reporting framework that needs to be developed at all levels within the organization and shows how KPIs are refined to maintain their relevance and a variety of reporting templates.

5. The 11 rules for designing meaningful measures

There are a number of rules to follow when designing measures.

1. **Determine the difference between Result and Performance Indicators**	If you can phone a manager and they accept the responsibility for a measure, it is a <u>Performance Indicator</u>. Where you have measures that summarize collective action, of several teams working together, then a phone call is of no benefit as no one will accept responsibility. These I call <u>result indicators.</u> Each of these two categories have some exceptional measures and these are called <u>key result indicators</u>, or <u>key performance indicators</u>, as appropriate.
2. **Ensure that a measure is designed from or links to one of the organization's CSF**	I see the CSFs as the source of all performance measures. If you get the critical success factors right, it is very easy to find your winning KPIs. In other words, by ascertaining the CSFs, first you have started with the end in mind.
3. **Timely measurement so you are measuring more at the "top of the cliff" rather than at the "bottom of the cliff"**.	It is clearly better to catch problems early on rather than measure their impact in the monthly report. Monthly measures will never change performance as management are far too proficient in explaining away anomalies to be motivated to change behavior. Where you need change to occur, daily or weekly measurement has a far better chance to prompt corrective action to take place. I do not believe there is a monthly KPI on this planet. If a performance indicator is key to the well-being of an organization, surely you would measure it as frequently as possible.
4. **Focusing measures on the exceptions**	Focusing on an exception is better than having to measure everything. It is surely better to measure late

	planes in the sky over two hours late than the percentage of "on-time" flights in the month.
5. **Remove measures that will lead to damaging or dysfunctional behavior**	All measures will have a dark side. The question is how big is the dark side? Some will lead to damaging dysfunctional behavior e.g., the measuring of the number of calls made by staff in call centers, will lead staff to make more short calls to the same customers leading to the eventual loss of those customers.
6. **The wording of a measure should leave no doubt what is being measured**	Often the initial measure is a statement or even just a clue as to what is to be measured. E.g., "Number of successions plans in place". A better rewording is "Number of key positions with at least two potential replacements", this should be measured quarterly. It will promote managers to recruit and train staff who have the potential to be their successor. It also reminds management that one potential successor is not enough as the odds are that the staff member will leave before the promotion can occur.
7. **Ensure the benefit of measurement is much greater than the cost**	Many measures may appear useful but on reflection have a negative cost/benefit relationship. E.g. Number of business opportunities in the pipeline. Whilst it would be great to have a central database of business opportunities, in reality such lists will be incomplete and take much time to maintain. Timesheets should not be introduced to support measurement. It is a far too onerous, error prone, and costly system.
8. **Design the measure around the action you want to stimulate**	When you have the results of a staff or employee satisfaction survey, the net score is interesting but not that important. The key is whether any of the survey recommendations has been implemented. If you do not implement these recommendations, the survey was a total waste of money and respondents' time. Thus, the measure becomes the number of recommendations that have been implemented to date (and this is would need to be reviewed weekly by the executive team).
9. **Use your oracles when designing measures**	When looking at a CSF, get your wise oracles to ask themselves "What has good performance looked like?" and then ask yourself "What has bad performance looked like?" Both views will shed light as to what should be measured. Then ask yourself, "What top of the cliff measures would give advance warnings of this negative performance?"
10. **Prioritize measures that you can compare to other organizations**	Relative performance measures are an important addition to KPIs; for example, you may focus 24/7 on all planes in the air that are flying more than two hours late, but in addition compare total late flights, average turnaround times, number of missing passengers, and so forth, to other airlines. Perhaps this could be carried out quarterly, using a benchmarking company. Another benefit of relative measures is that they do not need constant alteration (e.g., if being in the top quartile

	or 2 percent above the norm is the relative measure, then this benchmark does not need changing).
11. Have a mix of 60% Past, 20% Current and 20% Future orientated measures	In many organisations over 90% of the measures are those looking back at historic events - past measures. Any measures that relate to activities within the last 24 hours are considered current indicators. Future indicators are measurements you can do now that will encourage an action to take place, e.g., Number of innovations scheduled to be implemented in the next month. See Chapter 1 for more explanation.

This information has been extracted from David Parmenter's Key Performance Indicators (4th Edition) Pages 154-156, which is the highest rated KPI book on Amazon.

6. Designing and refining measures

This task is best undertaken in a two-day workshop.

6.1. Train attendees to derive measures from the CSFs

When designing measures, you need a very structured process. You begin with the CSF that will be the easiest to measure, and then you ask the audience "What results you would expect to see if the critical success factor is working correctly". You suggest to them to recycle the words used in the critical success factor name. I tend to aim for between four to five results. For example, if we were to ascertain measures for the critical success factor "maintaining a safe, happy and healthy workplace" (see Exhibit 1), the results could be:

1. staff happy with their work,
2. nice workplace environment,
3. workplace is safe at all times,
4. healthy working conditions at all times,
5. there is a positive "go for it" culture.

Every workgroup will have a slightly different mix of result wording. This does not matter as it is only the measures that will be recorded.

With each result, you ask the attendees, "What would good performance look like in this area?" Using their answers, ask them, "What measures would show this good performance best?" Then ask, "What would poor performance look like?" In response to their answers, ask them, "What measures would give advance warnings of this negative performance?"

6.1.1 Staff happy with their work

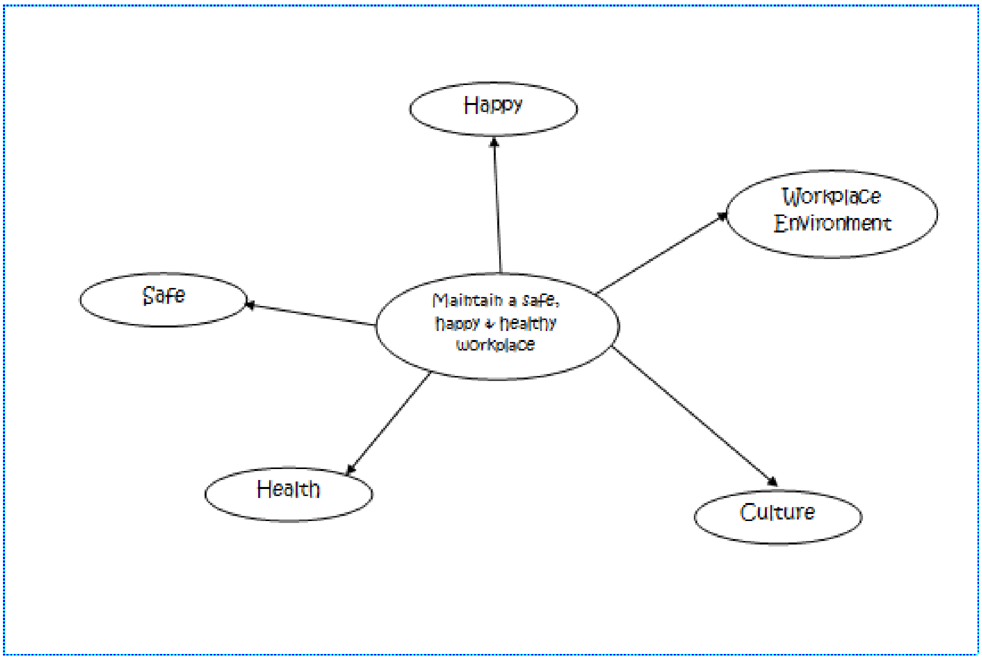
For **staff happy with their work** we start ascertaining the likely measures. Which might include:

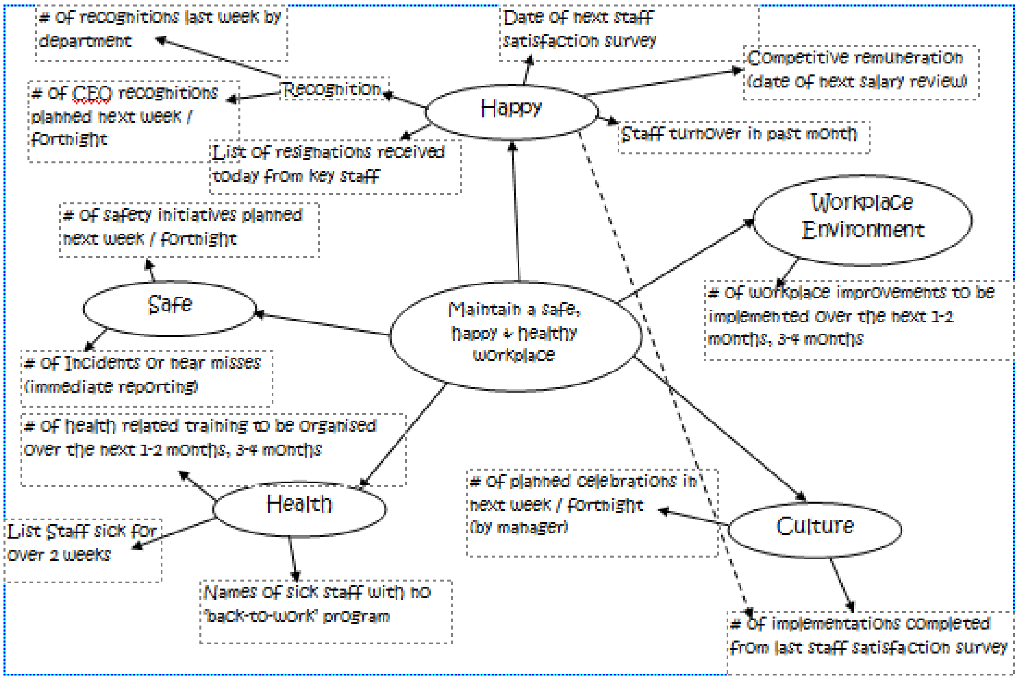
- Number of recognitions given last week by department
- Number of CEO recognitions planned for next week/next fortnight
- Number of incidents or near misses (immediate reporting)

The next stage is to mark the measures that are:

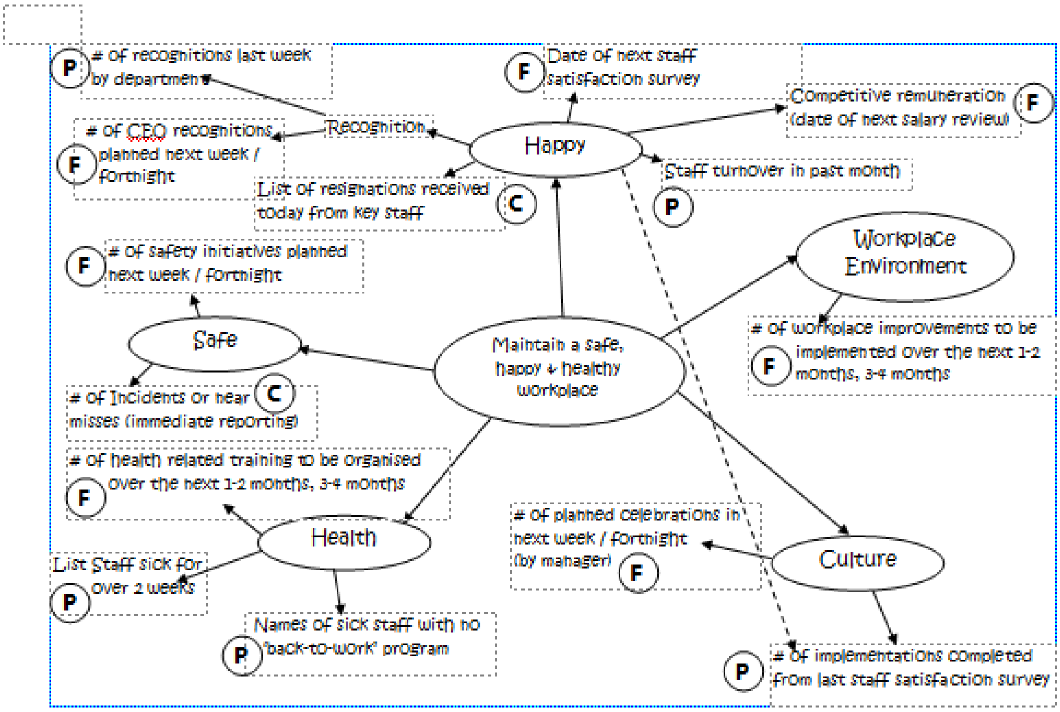
- Past measures with a **P** (Number of recognitions given last week by department)
- Current measures with a **C** (Number of incidents or near misses)
- Future measures with an **F** (Number of planned celebrations in next week / next fortnight)

Exhibit 1: Ascertaining measures from a critical success factor





# of recognitions last week by department
Date of next staff satisfaction survey
Competitive remuneration (date of next salary review)
# of CEO recognitions planned next week / fortnight
Recognition
Happy
Staff turnover in past month
List of resignations received today from key staff
Workplace Environment
# of safety initiatives planned next week / fortnight
Safe
Maintain a safe, happy & healthy workplace
# of workplace improvements to be implemented over the next 1-2 months, 3-4 months
# of incidents or near misses (immediate reporting)
# of health related training to be organised over the next 1-2 months, 3-4 months
# of planned celebrations in next week / fortnight (by manager)
Health
Culture
List staff sick for over 2 weeks
Names of sick staff with no 'back-to-work' program
# of implementations completed from last staff satisfaction survey



P
# of recognitions last week by department
F
Date of next staff satisfaction survey
Competitive remuneration (date of next salary review)
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# of CEO recognitions planned next week / fortnight
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Recognition
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Culture
List staff sick for over 2 weeks
P
Names of sick staff with no 'back-to-work' program
P
P
# of implementations completed from last staff satisfaction survey

6.2. Show how to word measures properly

At this point we need to explain to staff what makes a useful measure:

- It should be free of abbreviations so that all employees will easily recognize the measure.
- It should describe what is being measured and not be a statement e.g., customer satisfaction survey (statement) number of initiatives implemented from the customer satisfaction survey (measure).
- There should be a focus on the exception and what is important e.g., Number of <u>key</u> customer complaints that have not been resolved within four hours (focusing on key customer complaints).
- It should encourage action in a timely manner (Performance indicator) or report how effectively teams have worked together (Result indicator).

6.3. Achieve a mix of past, current, and future-looking measures

It is important for staff to learn to restate measures. There will be tendency to measure in the past as this is the easiest form of measurement. We now want them to measure also in the current and in the future time periods.

<u>Current measures</u> are measured 24/7 or daily, and <u>future measures</u> are the record of a future date when an action is to take place (e.g., date of next meeting with key customer, date of next product launch, date of next social interaction with key customers). <u>Key result indicators and result indicators</u> will all be past measures, whereas <u>performance indicators</u> <u>and key performance indicators</u> are now categorized as either past, current, or future measures. You will find that most of the KPIs in your organization will fit into the current or future categories.

6.4. Removal of duplicated measures

Before the workshop ends, all workgroups are asked to review the measures output. The measures are printed out from the database by critical success factor and placed on a wall for review. The attendees are asked to view the lists on the wall and delete all duplicated measures and edit any unclear measure names, Exhibit 2 .

Exhibit 2: Staff looking for duplicated measures.

6.5. Introduce a moratorium on measures being developed outside the KPI project.

Every organization is likely to have a number of performance measures in place, even if they are not called KPIs. These existing measures need to be reviewed to fit them within the new four-tiered structure of performance measures (KRIs, RIs, PIs, KPIs). **There must be a moratorium on measures being developed outside of the KPI project.**

This information has been extracted from David Parmenter's [Key Performance Indicators (4th Edition)] which is the highest rated KPI book on Amazon.

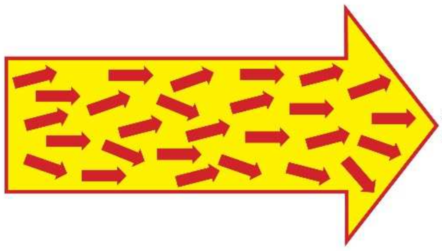
7. 3 ways KPIs can transform your business

Here are 3 ways that can help you transform your business.

7.1. A Clarity of Purpose from Aligning the Daily Staff Actions to the Organization's Critical Success Factors

Before measures are developed, you need to know what is important in the organization to get right day in, day out. Every organization on planet earth, seeking outstanding performance, needs to know what its critical success factors are and have these communicated to staff. If the CSFs of the organization are clarified and communicated, staff members will be able to align their daily activities closer to the strategic direction of the organization, as shown in Exhibit 3.

Exhibit 3: Achieving a better alignment of effort



This behavioural alignment is often the missing link between good and great organizations. CSFs and their associated KPIs are the only things that truly link day-to-day performance in the workplace to the organization's strategy. In the past people thought that because monthly budgets were linked to the annual planning process, which in turn was linked to the five-year plan, which in turn was linked to the strategic plan, strategy was linked to day-to-day activities. It looked good on paper but never worked in practice.

7.2. Improving Performance through Having Fewer and More Meaningful Measures

Performance measures can and should have a profound impact on performance because they:

- Tend to make things happen; it helps people see progress and motivates action.
- Increase visibility of a more balanced performance and focus attention on what matters.
- Increase objectivity—Dean Spitzer[3] points out that staff actually like measuring and even like being measured, but they do not like being judged subjectively.
- Improve your understanding, your decision making, and execution— Spitzer illustrates that you will not be able to execute well, consistently, without measurement. Measurement can improve your business intuition and significantly increase your "decision-making batting average."
- Improve consistency of performance over the long term.
- Facilitate feedback on how things are going, thereby providing early warning signals to management.

▪ Help the organization become future-ready by encouraging timely feedback, looking forward by measuring future events (e.g., a CEO should look weekly at the list of celebrations, or recognitions, scheduled for the next two weeks), encouraging innovation, abandonment of the broken, and supporting winning management habits such as recognition, training, and mentoring.

7.3. Creating Wider Ownership, Empowerment, and Fulfilment in All Levels of the Organization

Performance measures communicate what needs to be done and help staff understand what is required. They enable leaders to give the general direction and let the staff make the daily decisions to ensure progress is made appropriately. This shift to training and trusting staff to make the right calls is very much the Toyota way. Any incorrect decision is seen as a fault in training rather than with the individual.

The delegation of authority to the front line is one of the main foundation stones of this KPI methodology (see Chapter 3, Background to the Winning KPI Methodology). This issue was discussed at great length in Jeremy Hope's book *The Leader's Dilemma*.*

I have yet to meet a person who desires failure or finds failure rewarding. Where measures are appropriately set, staff will be motivated to succeed.

* Jeremy Hope, The Leader's Dilemma: How to Build an Empowered and Adaptive Organization without Losing Control (San Francisco: Jossey-Bass, 2011).

This information has been extracted from David Parmenter's Key Performance Indicators (4th Edition) which is the highest rated KPI book on Amazon.

8. 17 steps to develop effective KPIs (through a KPI project)

You will need to: Complete my checklist "Are you ready for a KPI project". Read David's chapters on The Great Misunderstanding with regards to KPIs and the myths of performance measurement.

Then carry out these 17 steps (references are to KPI book 4th edition)

1. Selling the KPI project to the CEO, the senior management team and the organization's oracles. (See Chapter 4 and 5). Read David's chapter on Leading and Selling Change.
2. Locate an external facilitator to help prepare the KPI team. (See Chapter 5)
3. Train a small KPI team. (See Chapter 6)
4. Locate the success factors and desired external outcomes. (See Chapter 7)
5. Ascertain the critical success factors and present them to the staff. (See Chapter 7)
6. Selling the KPI project to all employees to encourage their participation. (See Chapter 4)
7. Run the two-day performance measures workshops to train staff to develop meaningful measures. (See Chapter 8 & 9)
8. Refining the measures after the performance measures workshops. (See Chapter 9)
9. Hold a performance measures gallery to wean out dysfunctional and poor measures. (See Chapter 9)
10. Ask all teams to select their team performance measures from the finalized database of measures (See Chapter 9)
11. Find the key result indicators (KRIs). (See Chapter 9)

12. Find the key performance indicators (KPIs). (See Chapter 9)
13. Design the reporting framework. (See Chapter 10)
14. Facilitate the use of performance measures. (See Chapter 11)
15. Refine CSFs and measures after one year of operating with the CSFs and KPIs. (See Chapter 11)
16. Plan your approach by reading my KPI book, my KPI toolkit and getting me to deliver an in-house webcast to help train the KPI team for you.
17. Start the journey with ascertaining the organisation's critical success factors. I can support you from afar through GoToMeetings or phone calls.

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9. 15 examples of KPIs you might be interested in

15 key performance indicators that fit the KPI characteristics I have proposed include:

9.1. Measuring any exception that relates to delivery in full on time to key customers including:

1. Late deliveries over two hours late to key customers—reported intraday to the CEO
2. Incomplete deliveries to key customers—reported intraday to the CEO
3. Late planes in the sky over two hours late—reported intraday to the CEO
4. Late projects which have passed their original deadline—reported weekly to the executive team
5. Complaints from our key customers that have not been resolved within __ hours—reported intraday to the executive team
6. Key customer service requests outstanding for more than 48 hours—reported intraday to the executive team
7. Date of next visit to major customers by customer name—reported weekly to CEO and GMs

9.2. Measures that relate to recruiting the right people all the time

8. Key position job offers that are over 48 hours old and have not yet been accepted by the chosen candidate—reported daily to the executive team
9. Names of shortlisted candidates for whom the next round of interviews has yet to be scheduled—reported daily to the executive team

9.3. Measures that relate to staff satisfaction

10. Number of planned CEO recognitions for next week/two weeks— reported weekly to the CEO
11. Number of initiatives implemented after staff satisfaction survey— reported weekly to the executive team for up to two months after survey
12. Staff in vital positions who have handed in their notice in the last hour—reported within one hour to the CEO.

9.4. Measures that relate to training

13. Number of vacant places at an important in-house course— reported daily to the CEO in the last three weeks before the course is due to run

9.5. Measures that relate to innovation

14. Number of innovations planned for implementation in the next 30, 60, or 90 days—reported weekly to the CEO
15. Number of abandonments to be actioned in the next 30, 60, or 90 days—reported weekly to the CEO

This information has been extracted from David Parmenter's Key Performance Indicators (4th Edition) which is the highest rated KPI book on Amazon.

10. 5 measures (KPIs) you should not use

Measuring sales staff against a predetermined gross revenue target. Sales staff are legendary at meeting their targets at the expense of the company, offering discounts, extended payment terms, selling to customers who will never pay; you name it, they will do it to get the commission.

Tying pay to low inventory levels. Stores maintaining low inventory to get a bonus and having production shut down because of stockouts.

Measuring completion of case load. Experienced caseworkers in a government agency will work on the easiest cases and leave the difficult ones to the inexperienced staff because they are measured on cases closed. This has led to tragic circumstances.

Capacity utilization rate. This is an anti–lean performance measure that prompts plant supervisors to maximize long runs, producing items for stock rather than for actual customer demand.

Delivery in full on time on all deliveries. Using this measure on all dispatches no matter how insignificant they are will lead to cherry picking by staff. It is only human nature to tackle the easy, nonimportant dispatches first, putting the major, more complex, deliveries at risk.

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