DEFINING A KPI

By Carrie & Ian Richardson, Partners, Richardson & Richardson

PURPOSE

The purpose of this whitepaper is to assist you in defining Key Performance Indicators (KPIs) in your business. By properly defining your KPIs, you can use them to manage your business by objective data and define a common definition of "success" for the organization and the teams within.

SCOPE

Before starting on selection of KPIs, consider doing perspective exercises to determine everything that should be covered.

- Who is the KPI important to (Your customer, your team, the organization's shareholders)?
- Why is the KPI important to the concerned parties?
- What is the cost of managing and reporting on this KPI? Do you have the resources needed to do so?
- How will you collect information on this KPI? Will you analyze it at points of time only, or is trending data going to be important?
- What is the controllability of this metric? Is it something your organization can control, or is it subject to outside forces?

Use this guide to build a KPI template that you can reuse for future development. Focus on ensuring the accuracy of the data that makes up your KPI before worrying about graphic design and presentation.

BEST PRACTICES

1. **Consistent Structure:** Make sure all KPIs are presented in a similar, easy to use fashion. Try to adopt the same rating systems (The "Stoplight" methodology [Red/Yellow/Green] or something similar) to present "health" of each KPI.
2. **Accountability:** Ensure you have a person or team that is responsible for the KPI. The team that is accountable for the KPI should be able to directly impact the health of the KPI, it should be under their "Control" to improve / impact.
3. **Clear and Concise:** KPIs should be simple, easy, and straightforward.
4. **Prevent "Gaming" of KPIs:** Each KPI should be evaluated for how it could potentially be manipulated, either intentionally or inadvertently, by your team or third parties. Develop counterbalances for your KPIs to ensure that they are not manipulated in this fashion.
5. **Objective, Not Subjective**: KPIs are "data-based" objective measurements. Feelings do not belong in KPI's.
6. **Visual Aids:** Flowcharts, Graphics, Pictures, and diagrams can be invaluable to showing KPIs to your team.
7. **Have a Review Team:** Collect resources from each area impacted by your KPI, including potential client reviewers. Have them review your KPI and offer feedback on areas of confusion, gaps, and potential improvements.

8. **Create a review methodology:** Nothing in business is written in stone. Have a routine way of reviewing your KPIs after implementation for improvements and modifications.
9. **Track Revisions:** A revision table is invaluable in tracking reasons for changes over time and showing evolution of a KPI.
10. **Train to your KPI:** Ensure that impacted parties have routine communication and training around your new KPI. Repetition is required for retention of the information presented.
11. **Make the KPI accessible:** Making sure the KPI and its associated documentation is readily available for reference and review is key to adoption and success.
12. **Hold your team accountable:** KPIs are worthless without accountability. Have the awkward conversations if the KPI is not being met. Explore potential gaps with your team when the KPI is rolled out and collect feedback.
13. **Sanity:** Make sure your KPI's are achievable, not aspirational.
14. **Don't overthink it:** KPI's don't need to be complicated or complex. Simple answers are often the best answers. Choose KPI's that don't need exceptions.

If your team is struggling with KPI development, Richardson & Richardson can help. Visit us on the web at https://randr.consulting for additional whitepapers, blogs, and video content, or to book a complimentary consultation for your business.