The KPI Success Kit

Orchestration With Attitude

Written by Andrew Ritchie, Stephen Lynch and Tom Lombardo.

Moving beyond motivation we now achieve **orchestration** — when everyone knows their part and wants to contribute.

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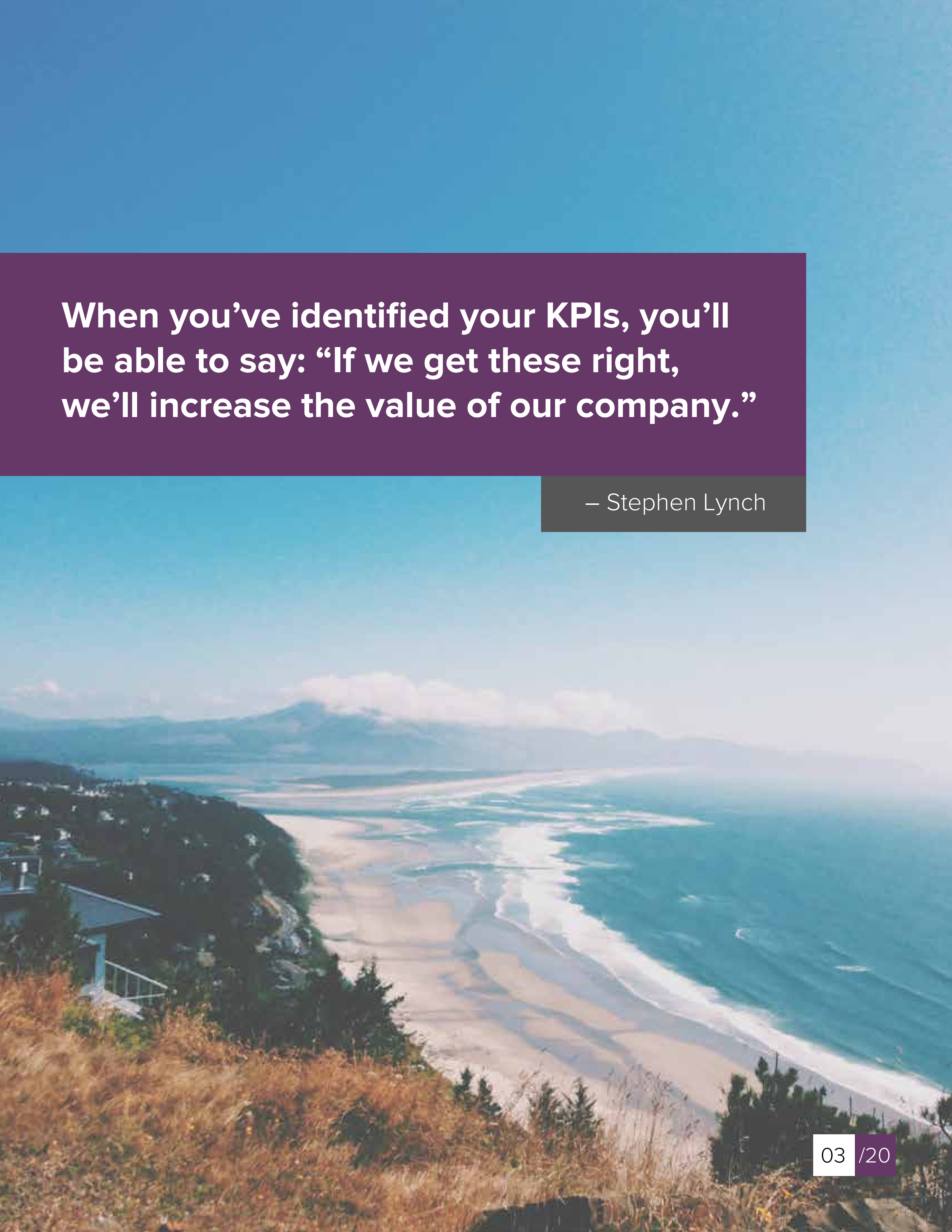
When you’ve identified your KPIs, you’ll be able to say: “If we get these right, we’ll increase the value of our company.”

– Stephen Lynch



01

Executive Summary.

Measurement without targeted action is useless.
– Gallup

For decades, RESULTS.com has helped business leaders implement management practices that empower people to succeed. We've found that thoughtful measurement of follow-through is the best way to establish positive feedback loops at every level of management.

Metrics remove judgement, create clarity, and let teams act like teams.

Those measurements are often called Key Performance Indicators (KPIs) or simply "metrics." In today's data-saturated workplace, the best people want an objective measure of their performance so there's no confusion as to how well they're doing.

When people understand how to perform, most will. When your team is performing and aligned, you're running business at velocity. Leading like that has almost nothing to do with personality. It has everything to do with method. Which metrics are meaningful? Which metrics are fair? Which ones could be shared across the company to inspire cross-functional collaboration?

There are answers to those questions, and the essence of our wisdom is distilled below. We have developed a deep knowledge of the best metrics to use across roles, functions and industries. They form the foundation of our Productivity Platform, but we'll show you how to use them without it. You can get started on your own; tracking metrics on a whiteboard can be transformative.

Prove that to yourself first. Then, when you're ready to produce sustainable, long-term success, let us know, and we'll set you up.

02

The Broken Promise.

The more clearly everyone can see your vision, the likelier you are to achieve it. – Gino Wickman, Traction

Businesses worldwide spent USD$322 billion on software in 2016. To put that in perspective, that same year they also spent USD $532 billion on advertising.

The ad spend ought to produce revenue in the short term, and calculating its ROI is generally straightforward. The software spend is a bit more tricky. It ought to produce ROI as well, but according to a study by McKinsey, “many” of those businesses have captured less than 30% of the potential from all the data they’re collecting in their applications.

You’re probably reading this because you are saturated with data, but none of it seems to be working for you. That’s because when it comes to management, there’s a significant difference between “understanding” data and “using” it.

Business Intelligence (BI) dashboards are all about understanding it, usually by visualizing it.

Executives become frustrated when their data is trapped in application “silos,” where it’s used only by the people in the silo. They buy a BI application so they can look at all their siloed data in one place.

The promise is that the visualizations will have “impact” that will “drive” your business. You hope to discover something hidden that you never saw before. And when you do, you’ll have a brilliant insight that will save you a fortune (and justify your investment in the BI software).

We talk to a lot of business owners after they've gone down that path. While they enjoyed the visualizations, they found that mixing data from different silos skipped over the most important part of their business: the teams and the people who created the data in the first place.

Data in a vacuum can't strengthen your business. But data in the hands of your entire team certainly can.

You don't want to give away all of it, of course, and that's fine. Great metrics pull just the right number out of its silo to share them across your organization. The individuals who own them get to prove their contribution, and every team can see what other teams are up to.

They make the connections. And what usually happens is that the brilliant insight you thought would arise from BI actually arises from your team. And it arises repeatedly, in the form of incremental productivity gains that fall directly to your bottom line.

03

Metrics Change The Mind.

I can tell you without any hesitation that the number one factor in creating highly engaged, satisfied and loyal customers is to have highly engaged, satisfied and loyal employees. – John Spence, Letters to a CEO

KPIs start in their silos, as they must, but great ones ultimately facilitate cross functional collaboration. To see how, let's start in the silo.

Metrics should let you know that your team is driving the right outcomes for revenue, profitability and customer loyalty. Some will measure productivity. Others will measure effectiveness. Others will measure the quality of output. The more elegantly you balance these levers of success, the more powerful your KPI structure will be.

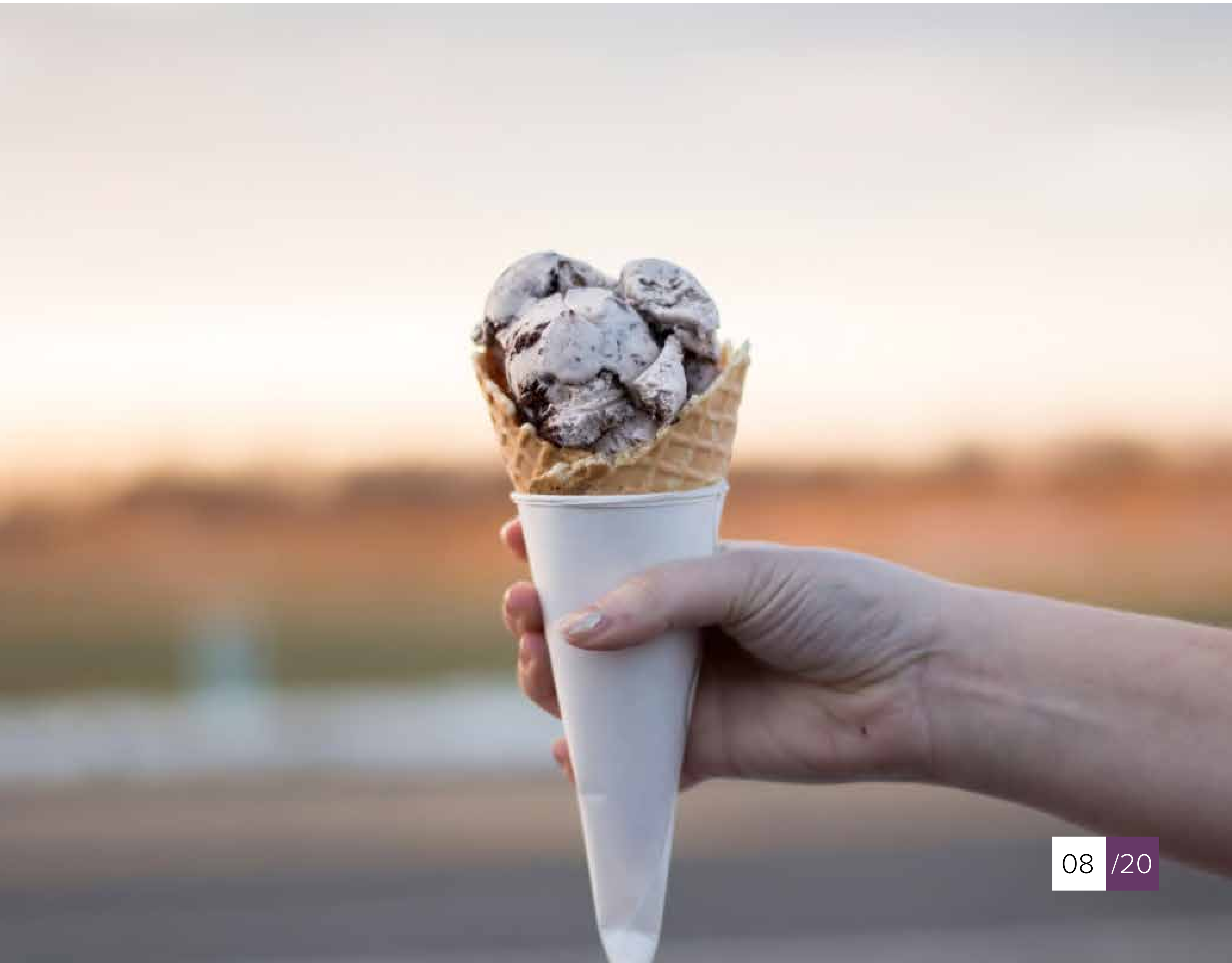
But beware, because when they're done poorly, KPIs can actually blind people to their job's business context. They can gamify a person's activity in such a way that puts them at odds with other functional areas. To give you just one recent example, airline employees wholly focused on an operational metric landed their employer in an international public relations catastrophe because quality and effectiveness metrics were either absent or out of balance. Avoiding an outcome like that is one of your main objectives when choosing the right metrics.

Done well, metrics give people a clear understanding of how their contribution fits the whole. The cultural shift opens an opportunity that cannot be achieved in any other way. If you share the top metrics across your organization, then you invite true cross functional collaboration.

At a granular level, each person owns their own metric. At the team level they own others. And, when you show them how their metrics cascade through a goal hierarchy, they can see how they contribute to the organization's strategic objectives.

Ultimately, our clients find that of all the advantages of managing with metrics, this is the most significant: People feel respected.

They buy-in. They want to be part of the community and they want to provide for it. That's when the real-world ideas start flowing. And what, above all else, would you hope to gain from that?



04

Data Is Culture.

Speed is the new currency of business.
– Marc Benioff, CEO of Salesforce

Productivity has flatlined worldwide, even during the longest bull run in the U.S. stock market history. That means that sparking productivity gains in your organization can give you a significant competitive advantage.

Modern managers do it by using metrics to address deep-seated needs in today's workforce. The financial crisis of 2008 severely "scared and scarred" them, according to the Wall Street Journal. That means that today people need to know that they're working for an organization that has a clear plan to succeed.

This is especially true of Millennials. They now make up 40% of the workforce and they will be the majority by 2020. They entered the job market during the crisis and not only did they face diminished opportunity, they also watched their families struggle. Having cut their teeth on such a difficult situation, they engage intently only when they see a chance to advance themselves and their loved ones by means of a well-run employer.

"Well-run" means "data-driven." And so, as a study by McKinsey found, a "performance review" with 5-point ratings handed down by their "boss" strikes them as absurd, for two reasons.

First, performance reviews invariably come across as subjective opinion, which Millennials and most post-crisis employees find suspect. They watched the most accomplished business leaders in the world crater the economy, and so they are unwilling to believe that a person's judgement matters just because they are in a management position.

Second, they are acutely aware that today's business leaders are awash in data. Failing to use it in real-time strikes today's employee as a gigantic red flag. Millennials in particular, who have been tracking "Likes" on Facebook for their entire lives, can only engage when data is readily available, real-time, and meaningful to them.

Thus, metrics. Put an objective measurement in the center of management's discussions with that employee, and the entire dynamic changes for the better. Opinion and judgement become constructive and useful when both the manager and the employee are focused on creating value, as measured by the metric. It's no longer "boss" and "employee," it's "coach" and "team member" or even, perhaps especially for the Millennials, "mentor" and "aspirant."

We have found that many executives overestimate how much data they need to share in order to create this benefit. "Transparency" scares even modern managers, until they realize that only carefully selected metrics are needed. That may still be more than they're used to sharing, but since it's far short of their P/L, it's entirely manageable.

The proper number of metrics for which any individual ought to be held responsible is two or three.

Always throughput and quality, and sometimes a stretch goal. HBR recently published a study of how CEOs succeed, and they found that the best "get people on board by driving for performance and aligning them around the goal of value creation… CEOs who deftly engaged stakeholders with this results orientation were 75% more successful in the role."

Metrics put your deluge of data to work in the thoughts and actions of your employees. Metrics transform data into productivity, into positive feedback loops, and into a culture focused on business success.

So, how do you choose the metrics you need? Let's find out.

05

Finding Your Path.

When you've identified your KPIs, you'll be able to say: "If we get these things right, we'll have good results on our financial statements and increase the value of our company." – Stephen Lynch, Business Execution for RESULTS

Creating a robust KPI structure requires clear thinking in the C-Suite. You will need to ask yourself "Why?" and "How?" several times to really get to the essence of what's important. It's time well spent, because the more thought and work you put into creating your metrics, the greater the alignment you'll create.

Over more than two decades working with businesses worldwide, we've developed a simple process you and your leadership team are welcome to use to arrive at KPIs you think will work:

First: Pose Good Questions

Orient yourself at the highest level: What are the key functional areas of your current operating model?

Then, focus on each functional area in turn. Meet with your leadership. Ask yourselves: What result are we looking to achieve in this functional area?

Keep your discussion wholly specific to what happens in that functional area. Think solely in terms of what the people working there actually do with their time, and ask: What activities drive the result?

You want to measure activity that the employee executes individually, so you'll need to repeat the "How?" question several times to get this right.

When you have it, you will have identified what you want to measure with that metric. You will have also prepared for the next step.

Second: Drive Robust Discussions

Once leadership has identified the activity, involve your team members in a discussion about measurement. By involving the team, you insure their buy-in. You also ensure that you'll end up with the most effective KPIs.

Generally speaking, you need to come up with two distinct metrics that matter, one for each of these questions:

How can we measure the activity?

What "effectiveness" measures let us know how well these activities are being performed?

Since you don't want to repeat the airline's mistakes, you want to be sure that you're measuring quantity and quality, at the same time, though probably not with the same number.

Front-line employees will have strong opinions about which measurements will be fair and accurate. That's buy-in, so stay out of their way. Your job is to guide them to the best ones from their point of view. You want to set them up for success, and since they're going to go down to deep levels of detail, your role is to keep your eye on the whole.

Remember, these metrics aren't just for this team. You're going to share them with everyone else, so it has to be something others can understand. That's how KPIs improve cross-functional collaboration.

Third: Establish Positive Feedback Loops

Once you have your metrics, set thresholds for them. We use a red-yellow-green model, where red is unacceptable and green means you're helping to build the business.

Employees are strongly motivated by seeing progress, so it really helps when you make progress visible on their dashboard, and praise and acknowledge them for their "small wins" every step of the way.

The robust discussion you want to have centers on proper thresholds. Many managers tend to set “green” too high, thinking that this will motivate their people, when in practice it can have the opposite effect. Your “good” people see red and think they can’t achieve the expected level of performance with a reasonable amount of effort. They can become discouraged and demotivated.

Instead, focus on establishing achievable goals. It encourages people.
Upon accomplishing this discussion, you will have changed management’s relationship with their team completely. With an objective metric and an achievable goal, all of the cultural benefits of partnership follow.

On one condition. You must never attach a formal bonus structure, such as financial or material awards, for hitting their Metric. If you attach a “payout” in any way, you run the gamification risk. It destroys the business context and shifts the employee’s focus from wanting the company to succeed to wanting to win a reward.

It takes with it the mutually respectful, cross-functional culture you want to create. So establish the fact that when things are going well, there’s never a payout, but always a celebration.

When you treat your people like one of your business partners, they’ll become one. Let’s see how.

06

Mastering It.

Human beings have an innate inner drive to be autonomous, self-determined, and connected to one another. And when that drive is liberated, people achieve more and live richer lives. – Daniel H. Pink, Drive

For many companies, a key functional area is customer service. In the Heating, Ventilation and Air Conditioning (HVAC) service industry, which we'll use by way of example, it's business critical. To maximize it, the office call center needs to work seamlessly with crews in the field. Everything from operational efficiencies to customer advocacy is at stake.

Let's focus on the call center. It's an area where managers need to work closely with their team to keep their processes fresh and effective. And it's also an area that often impacts every other area of the business.

Our metric needs to drive a key result for each employee on that team, and at the same time it needs to be meaningful to everyone else so it can drive cross-functional collaboration as well.

Let's say that the key result we want to drive is nothing less than "customer advocacy." Customer satisfaction isn't enough for us. We want our customers to bring us more customers.

Sounds great. But what activities drive the result? What's the metric? Ask your managers to drill down to the essence of what each employee does that gives the customer a great experience. You might do this at a meeting focused entirely on "how things go right," and the meeting itself can be part of the cultural change you're looking to create.

When customer service teams tackle our question in this way, many arrive at this great metric: queries resolved on the first call.

Customers hate the run-around, and they love it when they can resolve their issue with the first person they talk to. For this to be fair, what exactly it means to “resolve” a call must be tightly defined. For our HVAC example, at the end of the call the client should know when they’ll get a visit, from whom, and exactly what will happen while the crew is there.

That makes it a straightforward metric that’s objective and easy to check because there will be plenty of feedback from the customer and the crew. It also makes it crystal clear to each individual answering the phone and to everyone else aware of their metric that they’re making a direct contribution to their teammates in the field and to the organization as a whole.

07

Controlling Your Future.

Put your best people on your biggest opportunities, not your biggest problems. – Jim Collins, Good to Great

Now let's go up a level. Every executive knows that having access to accurate, up-to-date financials enables them to be proactive and to make better decisions earlier. And yet, most executives often find themselves in a financial blur.

A critical part of the solution to this problem is making sure that your month's end financial summaries are up-to-date and on time. So, meeting with your finance team, you ask, what effectiveness measures let us know how well these activities are being performed? What's the metric?

While there are a few great ones in this set, one of the most elegant and impactful is "days to close month end." It's a way to use a single number to drive a great deal of constructive, cross-functional activity.

Let's tightly define it as as the number of business days it takes to provide senior leadership with accurate month end financial reports, complete with relevant commentary on performance and any notable deviations from plan.

As a member of the financial team, the metric is going to invite good questions. Which aspects of the current process slow me down? Which make it more difficult for me to be confident in the accuracy of my report?

Allowing them to question "the way we've always done it" and to innovate new approaches makes their work significantly more interesting. Empowering them to solve their own problems also empowers them to contribute intelligently to their personal success and to that of your organization.

This metric enhances cross-functional collaboration. Finance will work with sales to expedite the invoicing process, for example, to eliminate month-end scrambles. They might work with warehousing to ensure stock accuracy, to smooth the picking process and to reduce errors.

You'll notice that every touch point with another department is itself a metric, or could be. Should you share top-level metrics like this one at all-hands meetings, you'll invite your whole team to understand why "days to close month end" is important to the company.

To today's employee, that is exactly the data they want, and exactly the level of transparency that drives the collaborative culture metrics help create.

It also accomplishes its objective. You can now count on your month-end reports. What's next?

08

Getting RESULTS.

Orchestration begins with metrics and ends when everyone knows their part and wants to contribute. It's modern management, and that's where the business world is headed. Getting there first has numerous upsides, and if you're reading this you're probably ready to make the change.

But change management requires courage, and it might require an experienced partner to pull it off well. HBR reports, "change management has been in existence for over half a century. Yet despite the huge investment that companies have made in tools, training, and thousands of books (over 83,000 on Amazon), most studies still show a 60-70% failure rate."

We know why they fail, fortunately, and it comes down to this:

1. Leaders must lead. Modern management must be driven from the top. When you introduce your metrics, explain how and why you expect them to improve your culture, too.

2. Leaders must be digital. HBR reports that "55% of [employees] who had gone through a change event at work said they wished their employer offered more digital and social engagement."

The leaders who failed did neither.

Modern management requires accurate communication, and the easiest way to accomplish that is the way modern people want you to: virtually, in a thread, on their phone. McKinsey found that "enabling talent to thrive requires a digital culture," and that failing to provide one risks "squandering of up to 85 percent of the value at stake."

Instead, use all of your tech stack to your advantage. Pull the right metrics from their silos. Share them across your enterprise in such a way that they generate positive feedback loops. Welcome a culture of understanding and engagement. And find out just how much an empowered team can do.

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