

Key Performance Indicators

*Profit is not a natural condition.
It takes some very special work to create.*

The road to failure is paved with good intentions. Success comes from consistently doing the right things very well. In this crowded and competitive market where customers want everything for free yesterday, you need to be relentless, passionate and committed to being a high-performing organization – and high-performing organisations are made up of high-performing individuals.

Here are some tools you can use to help your managers and team members become high performers themselves and also become part of a high performing team.

Key Performance Indicators.

Key Performance Indicators (KPIs) are things we measure and monitor to find out how well something is working. In our day-to-day lives, we monitor many KPIs. For example, when we drive, we watch the speedometer and the fuel gage. If we care about our health we monitor our weight and if we care about our financial health, we monitor our bank balance and our expenditures.

A KPI, then, is a dial we look at to know how well our business is doing. You have probably had KPIs in your business for a long time. Many departments measure aspects of what they do so they can see how well they are performing. A Distribution Centre, for example, might measure DIFOT – delivery, on-time and in full. Sales, which are measured and monitored regularly, tell us how well a store, salesperson, area or region is performing.

Individual Key Performance Indicators

Each individual manager and team member could have KPIs that indicate which activities are critical to their role and how well they are performing these activities. This happens in sports all the time. Every rugby coach knows how many tackles each player misses, what their work rate is and how often they drop the ball. In netball, a coach knows the percentage of goals a Goal Shooter makes and how many shots a Goal Defence blocks. This information is critical to helping both the individual and the team to achieve.

Why have individual KPIs?

The performance of your business is the sum of the individual performances of all our team members. Without KPIs we have no way of knowing how well someone is performing – until it is too late.

Having KPIs **will give you the information you need** to know your team are doing their jobs well and to help you help them to improve if they are not. Individual KPIs **will tell your team members what they must focus on** if they, and your department, is to succeed. This will allow them to concentrate on the *important* and not just the *urgent*. This is good because if they ignore

the important they will never run out of urgent things to do! Knowing what they must do to succeed in their jobs, and knowing how well they are performing will **give your team members confidence** and make work less stressful and more fun.

Having individual KPIs will allow you to **give your teams frequent, timely and consistent feedback**, based on fact and data not opinion. This in turn will allow you to **recognize their effort, reward their achievement and celebrate their success**. You will also be able to help them identify new career opportunities based on their Knowledge, skills and achievements.

Here's another advantage of having individual KPIs. Having objective measurements allows us to **move out of the world of opinion and conjecture into the world of facts**. Without data, you are just another person with an opinion and high performing organizations are run on facts not opinions.

Yet another reason for having individual KPIs is **that which gets measured gets done**. Human nature being what it is, people will make it a priority to do the things they are going to be measured on. So KPIs are not just measures of performance, they tell your team what they *must* do. This will stop them developing bad habits such as spending most of their time on tasks they enjoy or find easy but are not critical to the success of the business.

What makes a good KPI?

Good KPIs are **measures of how well your team members are doing in areas critical to the success of their position** so we have a successful department, store or brand. Basically, good KPIs fall into two main groups. They measure things that:

1. **Matter to the Customer** whether it is an internal or external Customer. Our aim is to make our Customers successful. We will do this only if we concentrate on those activities that are important in our Customers' eyes.
2. **Indicate levels of waste or productivity**. High waste of materials or time, and low levels of productivity create high costs to the business and lower value for the paying customer.

Here are **10 things to consider** when choosing an individual's KPIs:

1. What must this person excel at to succeed in their role?
2. What matters most to their Customers?
3. How could this person help us reduce costs.
4. How could this person increase the value they create for their internal Customer and/or for the paying Customer?
5. What would this person have to be better at for BBRC to do better?
6. Is this easily measured and tracked?
7. Is this something the person will understand? Will having it as one of their KPIs make sense to them?
8. Is this something that the person can influence or control?
9. Is the KPI stated in positive terms.
10. Are data available at least every two weeks?

Good KPIs do not exist in a vacuum. **They are linked to standards of performance.** Measuring the number of customers lost every year is a great KPI but it would be more meaningful if we also had a standard related to it, such as “9 out of 10 Customers will be retained.” This is what is done now in mystery shopping. Every store gets a score and that score is related to the standard of 80% is the minimum acceptable.

How many KPIs should each person have?

In my experience, between three and five KPIs is a manageable number. Any fewer than three and we are not measuring enough of what the person does. On the other hand, it is rarely necessary to have more than five.

What should an individual's KPIs be?

One KPI should be related to something that matters to the Customer (internal or external) and one should be related to waste or productivity (reducing costs). The third fourth and fifth can be related to either area. Look for things to measure at the beginning of a process (all work is a process) and one something that happens towards the end. Here is an example of five KPIs for a team member working in a distribution centre.

Example

- 1. How long it takes the person to respond to communications from team members in stores.**
- 2. The number of orders recorded accurately.**
- 3. The percentage of shipments arriving in stores on time, in full and containing the right products.**
- 4. The percentage of time products required by stores are in stock in the warehouse at the time an order is placed.**
- 5. The number of shipments that go out each day?**

How to introduce KPIs

If you have recruited the right people they will care about their performance. They will want to make a difference and help your part of the business succeed. However, for KPIs to be effective, **they must be introduced properly** which means discussing with each of your team members why we are introducing individual KPIs, why you have chosen those particular KPIs for them and how they will be used.

Make sure you get their buy-in. This will happen if you follow three steps. First, **explain the benefits of having KPIs for them.**

Example

- You will have a clear idea about the critical aspects of your role.**
- You will get regular, timely and consistent feedback on your performance.**
- Your efforts will be recognized, your achievements rewarded and your successes celebrated.**
- You will have more self- confidence and will enjoy your job more.**
- It will help us help you to have more career opportunities.**

Secondly, **ask their views on the KPIs you have chosen for them and get their agreement these are good KPIs to measure.** Getting their agreement is critical to getting their buy-in.

Example

So, what do you think about having individual KPIs?

Do you see any benefits to you from having them? To the business?

Is there anything you worry about?

Are you keen to give it a try?

Is there anything I can do to help you understand the need for individual KPIs or to help you feel confident to can achieve good results?

Thirdly, **explain how you will be using the KPIs.** Tell them when you will meet with them and what will happen at those meetings. The make sure you do this!

Example

Once a month you and I will meet to review your KPIs. If you are getting good results, I will congratulate you and this will go in your file. If you are not, I will help you to improve.

How to use KPIs

When using KPIs to monitor a team member's performance and to coach them to improve, make sure you recognize effort, reward achievement and celebrate success. **Remember the goal is to use the KPIs to make each team member successful in their position.**

First, **schedule meetings with each team member to review their performance.** These should happen weekly or monthly. Leave it any longer and you will be talking about things that happened a long time ago. This means you will have lost the opportunity to praise the individual if they are doing well or take corrective action before any great damage is done if they are not. **When a team member walks away from one of these review meetings, they should know when the next one will be taking place.**

Secondly, show the team member the data collected from measuring each KPI **and ask them what these results mean.** It is very important you hold back your views until you have heard their's because it is more empowering for them to tell you where they are doing well and well they need to improve than to have you tell them. It makes the conversation more "adult to adult" rather than "parent to child."

Thirdly, **agree with them about where they have done well.** This is your opportunity to hand out praise, which is something we all crave! Remember to recognise effort, reward achievement and celebrate success. Make it personal by talking about how their performance helps you and makes you feel.

Example

You are doing so well in responding to every communication from

stores within two hours. I feel really good when I see that because I know getting a prompt response from us helps them look after their Customer.

Fourthly, **identify any areas of weak performance.** Present it as an opportunity to improve not as something they are failing in. Get the team member's agreement that this an area where they could improve and that it would be to their advantage to improve in this area. Talk to them about what they will gain if they improve rather than on what they will lose if they do not. Always accentuate the positive!

Fifthly, **problem-solve and coach when dealing with areas of weakness.** No one comes to work determined to fail at their job. If they are under-performing there will be a reason. Your job is to work with your team member to identify the problem or obstacle that is preventing them from doing well. Seek their input and **spend your time asking questions and listening to the answers.** Help the team member to think through possible solutions. If you use the technique of brainstorming, you can suggest solutions too without it looking like you are telling them what to do. When you have got a list of possible solutions, ask your team member this question: "What are you going to do to improve your performance and what can I do to help you." This question puts the responsibility for improving squarely on the shoulders of the team member and you in the role of supporting them. It is a very powerful question!

As you know, **the principal difference between coaching and teaching** is who comes up with the answers. Teachers spend their time talking and telling others what to do and how to do it (like when I give a speech!) Coaches, on the other hand, spend their time asking questions to help the learner, in this case the team member, discover the answer themselves. Ultimately, coaching is a much better way of bringing about learning because it teaches the learner not only the answers but how to find the answers themselves. Coaching is also more empowering and fun for the learner. It maximizes buy-in too.

Sixthly, **end the meeting by agreeing an action plan and setting goals for next meeting.** This gives the team member a clear sense of what they have to do and it gets their buy-in. It also ensures the conversation won't be forgotten by either of you and gives you a focus for the next meeting. After you have summarised what has been agreed to, ask the team member if your summary is correct. It is really important to hear them say "yes" as that significantly increase their buy-in. Make sure this action plan is written down and give the team member a copy.

Example

So, we have agreed that between now and when we meet in three weeks time, you will work to reduce by 50% the number of products that arrive in the stores damaged by improving the way you pack the fragile items. I will arrange for Tony, who is an experienced packer, to spend some time showing you how he packs fragile items. Is that correct?

To sum up

As a manager, your team members are your customers. In a Customer Driven world, we aim to make our customers successful. The purpose behind having individual KPIs is to assist team members to be successful. KPIs that reflect the key activities in each person's role and that meet the 10 criteria outlined above, if introduced and used properly will help your managers and team members lift both their own and your organisation's performance.