

Key Performance Indicator (KPI)

Problem

How to assess performance?

Difficulty

Some training required

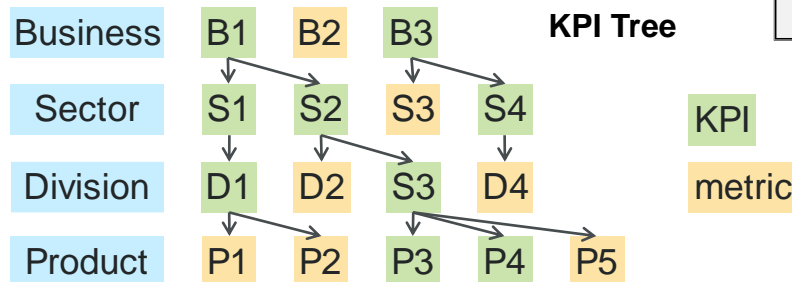
- **Key performance indicators (KPIs)** are the vital few metrics assessing the success or failure of a project or product.
- KPIs can be quantitative or qualitative and can assess an outcome or a process.
- A KPI Tree is a graphical way to flow down and manage KPIs
- At each level: use 3-6 KPIs, use outcome & process KPIs, use KPIs that are meaningful, measurable, and manageable.

Existing/planned process/product

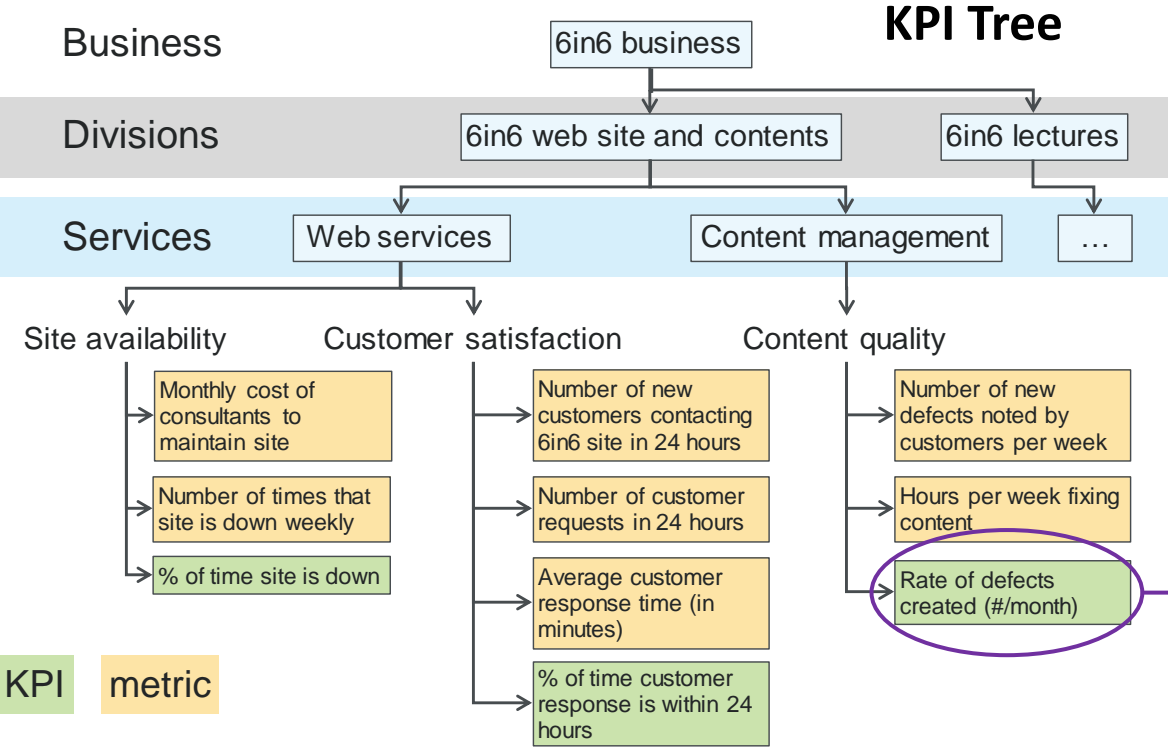
KPI Development Process

KPIs

1. Determine the 2 to 5 key business objectives for your organization.
2. Determine metrics that assess these objectives.
3. Select the vital few metrics that are KPIs.
4. Create an operational definition (clear and detailed description) for each KPI.
5. Flow each KPI down to the next level and repeat the above process ... this creates a KPI tree.
6. Conduct periodic KPI reviews. For each KPI, decide to: keep, kill, or improve.



KPI – Example – 6in6 “business”



- Per usual, there are many metrics; most are not KPIs.
- Not shown are the metrics & KPIs at the business and division levels.

Performance Indicator <i>Defect rate</i>	Division <i>web site and contents</i>	Services <i>Content management</i>
Description / Formula <i>Combine weekly defects found by Customer rep and Content rep to obtain monthly rate</i>		
Data Source <i>Bob (Customer) & Charlie (Content)</i>		Process Diagram or Drawings <i>NA</i>
Frequency (When) <i>Monthly</i>	Decision Criteria <i>Alert on value of 0.7</i>	
Data Collector (Who) <i>Betty (Quality)</i>	Owner <i>Dan (President)</i>	
Baseline <i>0.1</i>	Target <i>Below 0.5</i>	

KPI
operational
definition

KPI – Notes

Slide 1

1. KPIs are typically in four areas: Productivity and Financial, Customer Service, Process Quality, and Organizational Capacity.
2. A metric is an Indicator if it can be measured and show trends over time. All KPIs are metrics, but not all metrics are KPIs.
3. It is critical that KPIs be aligned throughout the organization. Increasing production 3x is good, increasing sales 2x is good; doing both at the same time is a disaster.
4. One way to identify KPIs is to use a balanced scorecard approach; see the corresponding 6in6 presentation.
5. KPIs should be
 - A. Clear and simple
 - B. Communicated throughout the organization
 - C. Consistently evaluated and improved
6. Employees should know how their work affects the KPIs in their area.

Slide 2

1. A KPI definition should include
 1. who, what, where, and when
 2. when a value is cause for concern