

## KPIs mean action this day ... and every day



**If your key performance indicators don't lead to strict action on a daily basis they are not KPIs. And KPIs must evolve. If they are comfortable, they aren't working!**

The late Lord King is said to have been told wherever he was in the world of any BA plane running unacceptably late. He would then telephone the management team involved. So dreadful was the prospect of a call from the CEO that airport teams went to great lengths to achieve 'the timely arrival and departure of aeroplanes'. Everybody benefited. Customers were happier. Cleaning and maintenance crews were not kept waiting. Compensations costs fell. The seven-word mantra above became one critical success factor (CSF) that pulled all other targets into place.

### What is a true KPI?

KPIs focus on aspects of organisational performance critical to the business' current and continuing future success. The number within any business is limited and they share several characteristics. Crucially, KPIs must be measured constantly. Trying to gauge them in £ and \$ is far too vague. They are acted upon immediately by the CEO and senior management team. Staff understand exactly what they mean and corrective actions they must take. Responsibility belongs to individuals or teams. A KPI is tied to most of an organisation's critical success factors. It affects all other performance measures positively.

### What KPIs are not!

A monthly KPI is almost certainly not a KPI. It simply shuts the stable door after the event. True KPIs address the present and future. Monthly measures can prove other things. But they can't control current operations. In the same vein, monetary measures may reflect past sales efforts but not the present. Almost always good KPIs put power into the CEO's hands to pick up the phone and call for answers and actions. KPIs are instantaneous. They are a 'heat map' of the organisation.

### Three different measures

The author concludes that there are three kinds of performance measure that affect the running of a business organisation. At the centre of business activity is key performance indicators (KPIs) which inform executives, management and workforce how performance can be improved dramatically. Surrounding these are a series of performance indicators (PIs) which tell everyone what to do on a more tactical level. Finally, key result indicators (KRIs) give an overall impression of whether the company is moving in the right direction. KRIs report results but do not communicate what needs to be done to meet goals. KRIs are easily mistaken for KPIs, such as customer satisfaction, net profit before tax, employee satisfaction and return on capital employed.

### Three Measures

**KRIs, such as profitability, are at the top. Improving KRIs requires clear actions and achievements.**

**If the KRI is increased turnover via web sales, this is the PI. Improvements here will raise turnover.**

**The KPI is the number that impacts directly on the PI, such as greater daily visitors numbers.**