The KPI Success Kit

Real-Time Key Performance Indicators

RESULTS
COM

CONTENTS

The best teams and the best companies in the world are those who consistently apply basic, proven fundamentals. Rugby is one of the toughest sports in the world. With a dominant winning record spanning a hundred years, the New Zealand national team, the All Blacks, are considered to be the greatest team to have ever played any sport in history. The key to their success is they define what success looks like, have a strong vision, everyone knows what that vision is, and they know their part in achieving it.

REAL-TIME KPIs are one of the "Four Pillars" or Best Practices that are proven to produce extraordinary results. They're distilled from decades of researching the greatest companies on the planet.

The "Four Pillars" are:

- **A One-Page Strategic Plan**
- **Real-Time KPIs**
- **Integrated Meetings**
- **Integrated Collaboration**

If a company or organization properly implements these, they are on the path to amazing success.

"Success is neither magical nor mysterious. Success is the natural consequence of consistently applying basic fundamentals."

— Jim Rohn
America's Foremost Business Philosopher

INTRODUCTION

Metrics remove subjective judgment, create clarity, and let teams act like teams. **Some of the most critical metrics are called Key Performance Indicators or KPIs.**

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 your business at velocity.

Leading like this 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 gathered over decades of empowering businesses to succeed is distilled in this *KPI Success Kit.*

WHAT EXACTLY IS A "KPI"?

A KPI or Key Performance Indicator is the current action required to achieve a specific Goal

For example, the **GOAL** is the monthly sales target, while the **Real-Time KPI**, or action required to achieve that goal, would be the number of sales calls made per person per day or per week.

KPIs are one of the most easily misunderstood metrics—they're most often confused with goals and accounting metrics. However, they're not a historical measure looking back at whether you achieved something or not. They're a measure of your forward progress towards a goal—as it's happening.

Like a pilot adjusting the flight of his aircraft—he's not looking at where he's come from, he's looking at where he's going and constantly adjusting his course in real time. That's the difference between an historical accounting measure and a KPI.

At the end of every month and quarter and year, your company probably generates a balance sheet and a profit and loss statement. No matter how accurate they are, they're only looking in the rearview mirror.

To improve your results, you need to be forward-looking. You need to pay attention to the things that drive the financial results of your current business. Concentrate on the few most important things that make a big difference. We call these your Key Performance Indicators (KPIs). **These are the handful of leading indicators that will predict and drive the success of your current business model.**

When you've identified your KPIs, you'll be able to say: "If we get these things right,

WHAT EXACTLY IS A "KPI"?

we'll have good results on our financial statements and increase the value of our company."

With a KPI, you're not just focused on the end result—you're focused on the key activities or drivers that lead to that result.

For example, if you are a sales manager, you'll want to concentrate on the number of visits or sales calls your sales reps make every week. "Sales" (the eventual outcome) is your Goal—but the "Sales visits or calls" (the activity that drives the outcome) is the key driver. Therefore, the Number of Sales Visits or Calls would be your KPI or Key Performance Indicator.

KPIs are your real-time instrumentation. Just as a pilot can fly 12,000 miles (making constant adjustments in real time) to land on a dime, exactly on time—using KPIs you'll be able to know what your results are on a daily and weekly basis (fine-tuning as you go). This is the key to achieving your strategic goals and building a successful business.

Remember, if you're simply relying on accounting metrics to drive your business. It's all "after-the-fact", too late to do anything about it. Your plane is off course and you're looking backwards. It won't work.

If you are a construction company, your Goal might be the number of contracts you get each month. However, if the key driver for that Goal is the number of proposals submitted—then "Number of Submitted Proposals Per Week" would be your KPI.

KPIs should be a daily or weekly measure. This lets you spot problems earlier —which means you can solve them sooner.

KPIs do more than simply measure activity or effectiveness levels. They send a message to the people in your company, telling them what is important. KPIs tell your staff what you're paying attention to. They drive behavior and help align individual priorities with company priorities which are driven by your Strategic Plan.

UNDERSTANDING REAL-TIME KPIs

The Broken Promise

“The more clearly everyone can see your vision, the likelier you are to achieve it.”

— Gino Wickman, *Traction*

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.

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

The promise is that BI 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).

Great metrics pull just the right numbers out of their silos to share across your organization. The individuals who own them get to prove their contribution, and every team can see what other teams are up to.

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.

Metrics Change The Mind

"Results are important, but you can't manage results. What you can manage are the activity and effectiveness measures that drive results. That's where the most powerful metrics are usually found."

— Stephen Lynch, *President, RESULTS*

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.

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. That's when the real-world ideas start flowing.

Want your folks to enthusiastically buy-in to your strategic goals? Give them real-time KPIs to work with.

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.

When an individual's performance (and evaluation) is driven by specific real-time KPIs, then everyone knows exactly what's expected and they can work to make it happen.

Modern managers do it by using KPI 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 people need to know 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, 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, KPI 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.

We recommend the number of metrics for which any individual should be accountable for should be no more than four.

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? Read on.

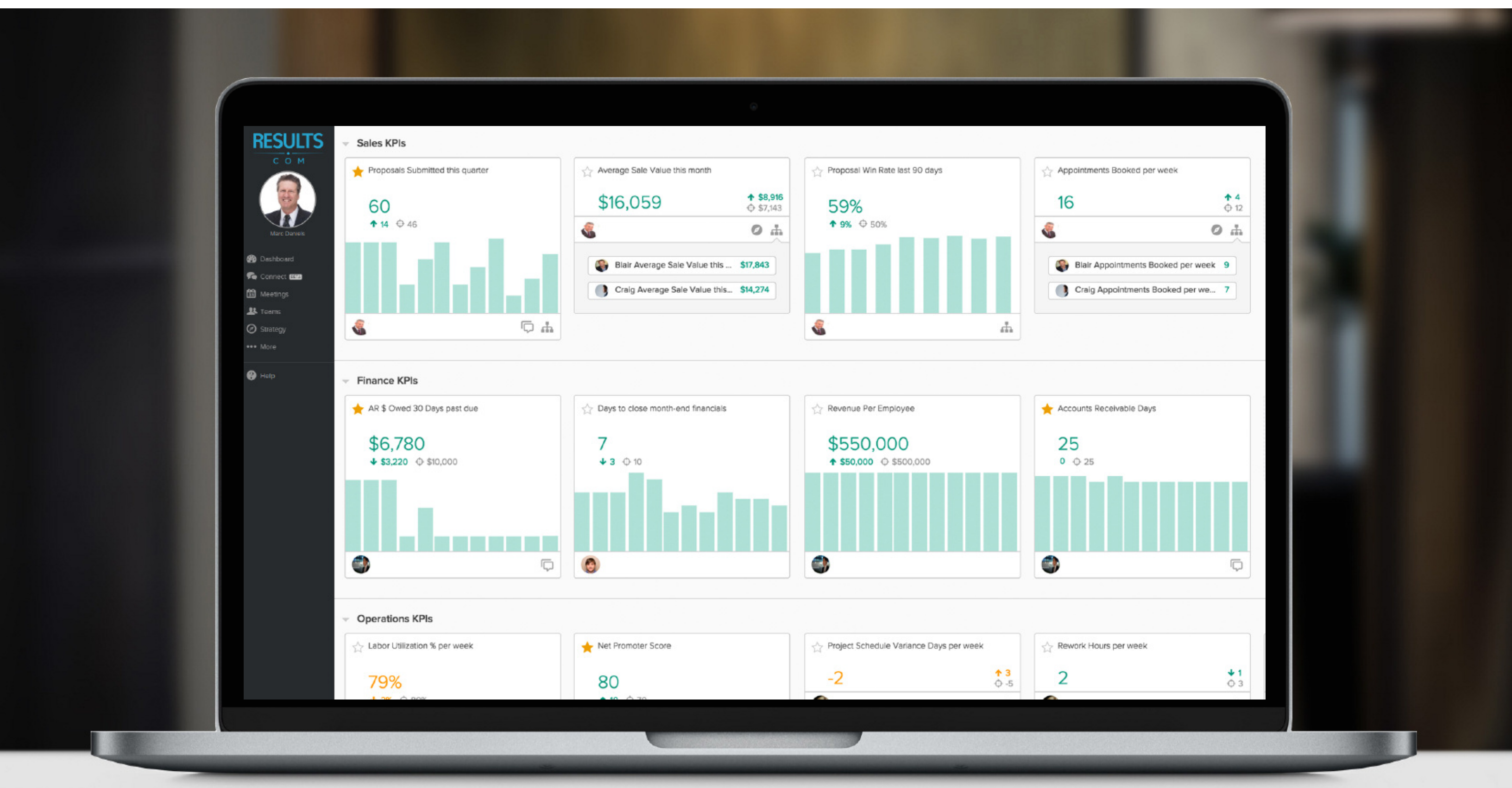
Using KPIs To Find Your Path

“When you’ve identified your KPIs, you’ll be able to say: ‘If we get these things right, we’ll have great results on our financial statements and increase our company’s value.’”

— 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 can use to arrive at KPIs that 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

Posing good, thoughtful questions is the key to drilling down until you arrive at the right KPI metric that will most contribute to the accomplishment of the desired goal.

Discussion and participation by those who will be ultimately responsible for meeting the KPI metric is the key to having your teams enthusiastically embrace the task ahead.

distinct metrics that matter, one for each of these questions:

1) How can we measure the activity?

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

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 real-time KPIs improve cross-functional collaboration.

Pearson's Law:

"That which is measured improves. That which is <u>measured and reported</u> improves exponentially."

— Karl Pearson,
Mathematical Statistician & Albert Einstein's Mentor

Third: Establish Positive Feedback Loops

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

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.

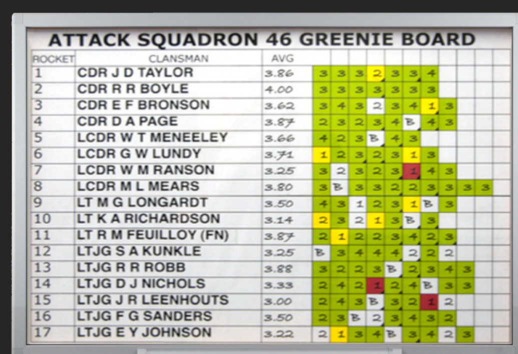
Instead, focus on establishing achievable goals. It encourages people. Upon accomplishing this discussion, you will have changed management's relationship with their team completely. With an objective metric and an achievable goal, all of the cultural benefits of partnership follow.

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.

The "Green-Yellow-Red" system is used to improve the performance of the world's most elite pilots.



ATTACK SQUADRON 46 GREENIE BOARD

ROCKET	CLANSMAN	AVG											
1	CDR J D TAYLOR	3.86	3	3	3	2	3	3	4				
2	CDR R R BOYLE	4.00	3	3	3	3	3	3	3				
3	CDR E F BRONSON	3.62	3	4	3	2	3	4	1	3			
4	CDR D A PAGE	3.87	2	3	2	3	4	B	4	3			
5	LCDR W T MENEELEY	3.66	4	2	3	B	4	3					
6	LCDR G W LUNDY	3.71	1	2	3	2	3	1	3				
7	LCDR W M RANSON	3.25	3	2	3	2	3	1	4	3			
8	LCDR M L MEARS	3.80	3	B	3	3	2	2	3	3	3	3	
9	LT M G LONGARDT	3.50	4	3	1	2	3	1	B	3			
10	LT K A RICHARDSON	3.14	2	3	2	1	3	B	3				
11	LT R M FEUILLOY (FN)	3.87	2	1	2	2	3	4	2	3			
12	LTJG S A KUNKLE	3.25	B	3	4	4	4	2	2	2			
13	LTJG R R ROBB	3.88	3	2	2	3	B	2	3	4	3		
14	LTJG D J NICHOLS	3.33	2	4	2	1	2	4	B	3	3		
15	LTJG J R LEENHOUTS	3.00	2	4	3	B	3	2	1	2			
16	LTJG F G SANDERS	3.50	2	3	B	2	3	4	3	2			
17	LTJG E Y JOHNSON	3.22	2	1	3	4	B	3	4	2	3		

The "Greenie" Board is currently used on every U.S. carrier to openly share and improve pilot performance. Every landing is measured, color-coded and posted.

The RESULTS software platform utilizes the same proven principle to drive and improve the performance of every team member:

GREEN Solid performance

YELLOW Watch closely

RED Sound the alarm

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. This is an effectiveness metric The activity metric would be number of queries received or processed.

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.

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 lets them be proactive and 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?

GETTING RESULTS

"When you have current, up-to-date Metrics displayed on a live dashboard, the manager can quickly see which people need your praise and acknowledgment, and which people need your help and support."

— Stephen Lynch, *President, RESULTS*

Real-Time KPIs are the essence of 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.

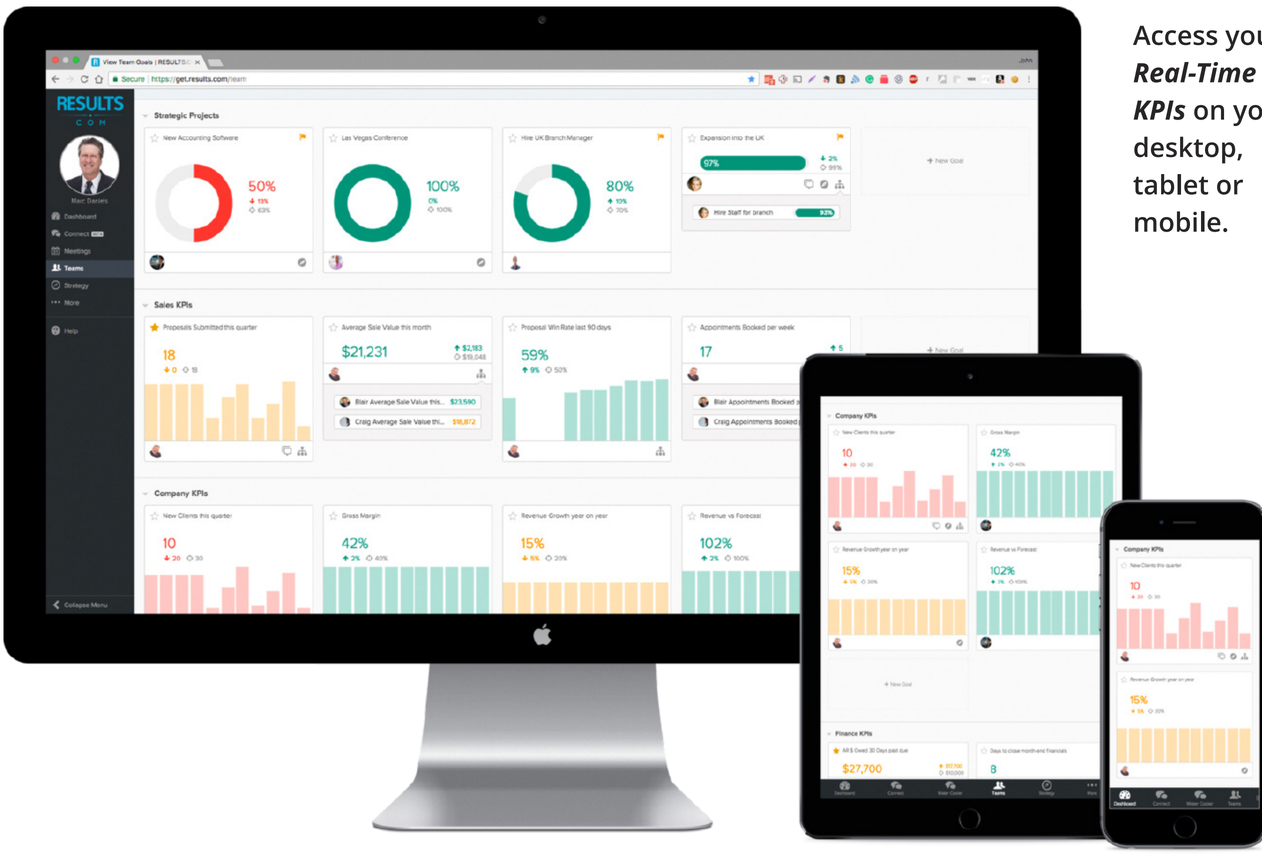
2. **Leaders must be digital.** HBR reports that "55% of [employees] who had gone through a change event at work said they wished their employer offered more digital and social engagement."

The leaders who failed did neither.

Modern management requires accurate measurement and communication. 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.**

About RESULTS

The World's Leading Business Management System



Access your ***Real-Time KPIs*** on your desktop, tablet or mobile.

Empowering Organizations To Execute Their Strategy and Grow

THE RESULTS SOFTWARE PLATFORM is based on what we refer to as the "Four Pillars." Found in most successful businesses, they are the proven methods known originally as the "Rockefeller Habits." Many popular management books expand upon them, while consulting organizations and consultants all over the world use them. The RESULTS system provides the software framework that makes the "Four Pillars" easy to implement, helping organizations across the globe successfully execute their Strategic Plans.

The RESULTS Platform helps you succeed with these "Four Pillars":

One Page Strategic Plan
Real-Time Projects & Key Performance Indicators
Integrated Meetings
Integrated Collaboration

A proven system that's helped over 10,000 businesses improve their results

RESULTS

YOUR PARTNER FOR SUCCESS

Schedule a Personal Demo Today

When you book a demo of the RESULTS Business Management System, you'll see for yourself the effectiveness of this truly powerful platform—and the potential it has for growing your business or organization. We have clients across the world who are accomplishing their strategic plans and achieving results they never thought possible by using the RESULTS platform.

Click on this link to see this amazing cloud-based platform in action:

YES! I WANT TO SCHEDULE A DEMO

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