

Down Under John Jeston

## Performance Management and Measurement – Are KPIs all we need?

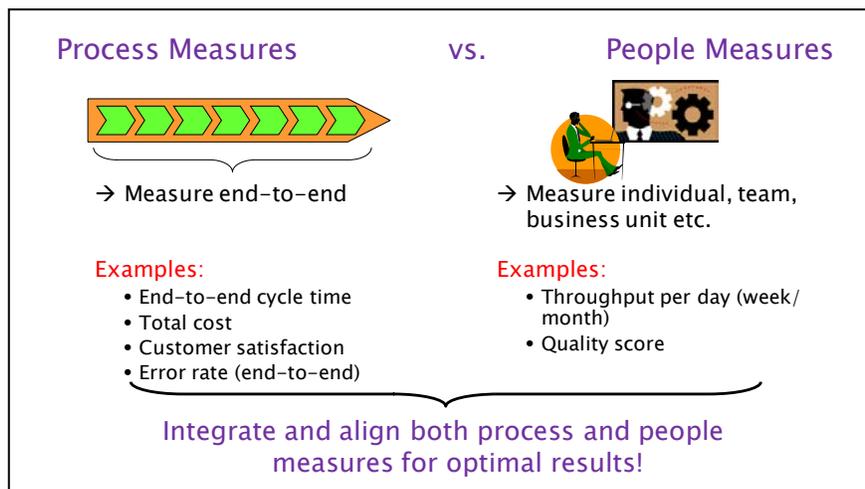
This is where “the rubber hits the road” in BPM - at least one of the major areas where this is the case.

We all know the expressions:

- “If you’re not measuring, you are not managing”; and
- “You get what you set”.

We also know that the measures or goals (often referred to as KPIs) should:

- Be SMART (**S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime-related)
- Not be too numerous – with a small number of measures
- Be split between the measurement of the business processes and the measurement of the performance of the people – as depicted in figure 1. These two different measurement areas must be aligned and interrelated – at least if you want to optimize the management of your business.



**Figure 1 – Process versus People measures**

How well do organizations follow these guidelines? How important are they anyway? How should they change with different levels of the organization?

These questions should be reviewed and answered within an organization. If they can't be answered in a satisfactory manner, then maybe the measures or your approach could be better.

Other aspects that must be considered and taken into account include:

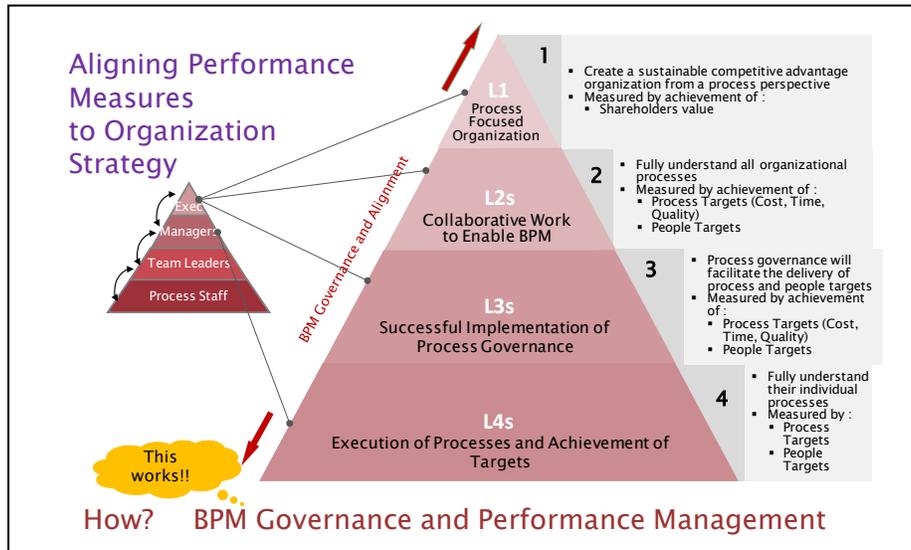
- Are you measuring the right thing? Only measure what matters.
- Is the KPI directly traceable to a customer requirement and outcome? If not, why are you doing it or measuring it?
- Is the KPI directly (or indirectly) linked, or contributing, to the organization's strategic objectives? If not, why are you doing it or measuring it?
- Is the measure directly assigned to people who know they have ownership, are accountable and have responsibility for the results? Measuring will be a waste of time if understanding the results of the measure lead to no action.
- Do the measures lead to a desirable change of behavior in the organization?
- Are the measures stretching people (without breaking them)? People 'give up' if they are not committed or believe the goals are just not achievable.
- Are there only a small number of KPIs? Typically we speak about there being no more than 3-5 measures. Recently I was dealing with a medium size bank and they were about to finalize a new business process and go live. The various managers across the functional silos that the process spanned wanted 18 different KPIs to measure the process performance. The politics sometimes get in the way of good business practice!

If the results of a measure are "just interesting", then don't measure it. Unless effective action can be taken as a result of the measurement outcome, then again it is just 'interesting'.

- What KPIs do you have on your KPIs? How and when do you measure the effectiveness and usefulness of the KPIs set? This is a critical aspect often missed by an organization. Management must put in place the periodic evaluation of the established KPIs and change them if necessary.

With the various levels in an organization the measures will be different and may or may not roll up or down to higher or lower levels.

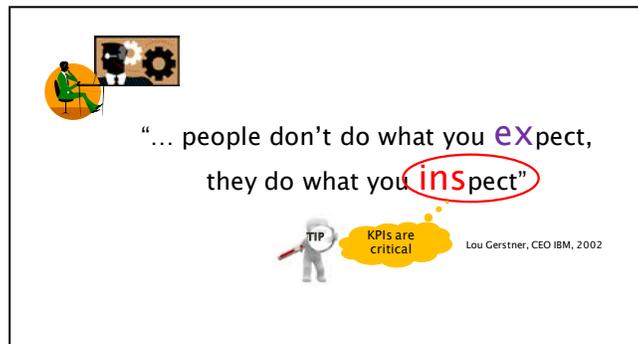
Figure 2 provides an example of how the various levels of an organization may be measured and how each level aligns.



**Figure 2 – Aligning performance measures to organization strategy**

The establishment of effective and appropriate KPIs is one thing - it is the achievement or delivery of these KPIs that is sometimes the challenging aspect. Unless the CEO and his or her direct reports are correctly targeted and incentivized then it can be a waste of time. This is where the governance of the business processes can play a critical role.

Always remember what Lou Gerstner said, as shown in figure 3. Unless you understand human behavior and follow-up, you may not achieve the results you **expect**, unless you **inspect**.



**Figure 3 – People behavior**

## Author

### John Jeston



**John** has serious experience getting things done—the right way. For over 30 years he has covered Business Process Management (BPM), business process re-engineering, project management, systems development, outsourcing, and general management. He has held the positions of Financial Controller, Divisional Manager, Company Director, HR Director and Chief Information Officer. John is internationally recognised as a key opinion leader in BPM strategy and implementation. He has provided these services to significant organisations throughout Australia, Europe, Saudi Arabia, Dubai, the United Kingdom, U.S.A., Singapore, Mexico and Brazil. He has authored a number of books and more than 20 articles on BPM and high performance management. He is a regular speaker at conferences and a Master Project Director, with the Australian Institute of Project Management and is a Chartered Accountant.

John has authored or co-authored:

***Business Process Management: Practical Guidelines to Successful Implementations*** (2006 and 2008)

***Management by Process: A Roadmap to Sustainable Business Process Management*** (2008)—the only book to provide a roadmap to sustainable BPM and High Performance Management

***Beyond Business Process Improvement, On To Business Transformation*** (2009)

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