



How to develop KPIs that link to strategy

Outcomes, not activity, are more important when it comes to driving organisational performance measurement. **Teresa Russell** reviews Strategic Factors' course on how to develop KPIs that link to strategy

Next seminars:
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As all HR professionals who read this review will know, L&D expenditure is one of the first things to be axed when corporate belts are tightened. However, this one-day seminar should be the exception, because it teaches middle and senior managers how to create KPIs that measure outcomes, not activity. Outcomes, not activity, drive organisational performance measurement.

Dr Graham Kenny, managing director of Strategic Factors, conducts this public session twice a year in Brisbane, Sydney, Melbourne and Perth. (The next ones are scheduled for May 2009). It was apparent from early in the first session that Kenny's practical approach was pitched at the right level, using examples that everyone could identify with. It was also clear throughout the

day that he had years of practical experience and academic research to draw from.

Throughout the day, we used a series of case studies as examples. Early in the

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seminar, we identified the key stakeholders that the departments in our timber company depended on for their success. It started to get really interesting when we took what Kenny calls an “outside in” approach to the stakeholders and asked, “What do they want from us?” and “How would each of them evaluate our own performance?” It's at this

point that you start to see the difference between “boss-centred” and “key stakeholder-centred” KPIs.

He then extended our thinking to identify what we wanted from our key stakeholders. Putting both sides of the relationship together produced a “Measures Matrix”. By employing a set of selection criteria, we created a shortlist of measures – now called a “Scorecard” containing 15 to 20 KPIs.

The next exercise took things to another level. We mapped our Scorecard KPIs, examining the relationship between each and understanding how one might drive another. Measurement intervals, or how often to assess results on each measure, was also addressed.

The day finished with a practical applications session covering three important topics: linking corporate, divisional and business unit scorecards; changing performance appraisals from being measures of activity based on job descriptions to conversations about outcomes linked to strategy; and the perils of incentive systems not linked to sound scorecards.

The last thing we did was to decide what next steps we would each take within our own organisations – an obvious step, but something that can be left out of busy training days.

We took home the usual manual, but also the much less usual Strategic Factors' proprietary software, valued at \$799. After registering the software, participants are able to work through the steps demonstrated in the seminar and produce a scorecard that can be applied as a management tool.

Kenny started the day by saying that one of the KPIs that measured his own performance would be whether participants felt they got value out of the day. Without doubt, I did. Another was whether we would recommend this seminar to others. Absolutely – but not to my competitors!

rating: ● ● ● ● ●