

PERFORMANCE MEASUREMENT FRAMEWORK 6 PILLARS





RESEARCH STUDY: 6 PILLARS OF THE PERFORMANCE MEASUREMENT FRAMEWORK

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In the [latest research](#) study (2015) initiated by The KPI Institute, 42% of professionals admitted to using the Balanced Scorecard. In spite of the popularity of this framework, there are many organizations in which performance management seems to be failing in producing the expected added value for the respective business. Less successful Balanced Scorecard implementations are mainly caused by the lack of leadership support, the limited ability to adapt the Balanced Scorecard to the organizational context and link it to other processes like budgeting or process management due to a poor understanding of this tool.

Similar factors, like the ones just mentioned, can operate as enablers or obstacles in implementing change within organizations or managing innovation. 32% of professionals questioned during our latest research study claimed that organizational culture is the main enabler of a performance measurement system.

In other words, no matter how sophisticated your tools are, whether your performance measurement system is supported by the Balanced Scorecard methodology, the Performance Prism or the EFQM – a performance oriented culture is vital for a successful performance measurement framework.

Developing the performance measurement capability in the organization consists in ensuring the right tools, processes and talent are in place.

The KPI Institute has consolidated its own Performance Measurement Framework, which relies on 6 pillars, each equally important in developing the performance measurement capability of an organization. Performance measurement is regarded as a distinct component, related to establishing [KPIs](#) and collecting performance data, which should be completed via strategy formulation (objectives setting) and performance improvement (reporting, decision-making and continuous learning).

1. KPI Selection

This is an important pillar that ensures the relevancy of the entire framework by monitoring the right KPIs. KPI selection is a step that follows immediately after strategic objectives are established. In practice, this seems to be

the most challenging aspect in working with KPIs for most professionals. Many organizations fail to deliver the right data for decision-making, despite having long time experience in using KPIs. Sometimes they focus on what is easy to measure or what has been always measured.

Tips:

- ▶ KPIs should be linked to objectives – when your strategy changes, the KPIs may change; even if the strategy has been the same for a longer period of time, your KPI set can evolve: you can measure the efficiency in reaching your objectives, but also its effectiveness;
- ▶ The KPI selection techniques – KPI clustering, Value Flow Analysis or KPI balancing can be used to provide more context to monitoring performance results and ensure a balanced approach to measurement;
- ▶ The right environment to identify the right KPIs – organize workshops, during which stakeholders can discuss and clarify each objective, brainstorm KPI examples and practice KPI selection techniques. These workshops will not only present meaningful KPIs but will also raise awareness on performance measurement among stakeholders and create a common business language in this field.

2. KPI Documentation

Documenting the performance measurement approach for all the monitored KPIs sets the basis for a standardized and reliable KPI framework. KPI documentation forms will ensure a consistent measurement process and will act as clear procedures for data custodians.

Tips:

- ▶ Standardized KPI documentation forms – this type of template ensures all critical information related to measuring a KPI is captured and available to all parties involved in the performance measurement process;
- ▶ A centralized KPI repository – acting like an internal library; can become an important educational tool in measuring performance.

3. Target Setting

Although it is part of the KPI documentation process, given the complexity of setting targets, it is regarded as a separate pillar. As target achievement is either formally or informally associated with employee performance and professional competencies, targets have a significant impact on how people behave.

Tips:

- ▶ Assesses the extent to which target-setting relies on data and ensures a stimulating environment to reach and exceed targets;
- ▶ Breakdown long term targets into short term targets, to be keep people engaged and reward small successes as well;
- ▶ Involve KPI owners into the target-setting process.

4. Data Gathering

Along with KPI selection, this is among the most challenging processes in measuring performance. Common difficulties associated with data gathering are data timeliness, accuracy and completeness. The process to collect data for each KPI may prove to be costlier than expected compared to the benefits of having performance results.

Tips:

- ▶ Data sources should be identified for each KPI;
- ▶ The data collection process should be clearly mapped and communicated to data custodians to ensure that the information will be ready on time;
- ▶ Data custodians should be trained and engaged in an internal community of practice to support a continuous learning process. In this manner, any data collection difficulties can be discussed and addressed.

5. KPI data Visualization

Developing competencies in data visualization is an important pillar of the KPI Measurement Framework, because it supports the efficiency principle: data should be grasped immediately by managers. Measuring and reporting KPI results should be facilitated by the visual design used in scorecards, dashboards or reports.

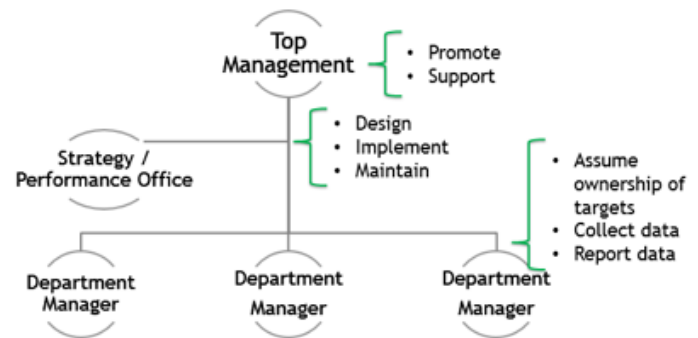
Tips:

- ▶ Graphs should be selected considering the type of data displayed (bar-charts facilitate comparisons, line charts indicate with ease evolution over time, scatter graphs enable pattern identification);
- ▶ Simple backgrounds help the reader concentrate on the performance results;

- ▶ Each of the colors used should have a meaning and consistency and ought to be provided from one page to another;
- ▶ Legends should be included to enhance the understanding of data.

6. Governance

The Performance Measurement Governance Frameworks identifies key stakeholders involved in the system and their roles and responsibilities in accordance to Figure 1.



[The State of KPIs and Performance Improvement Practice Report 2015](#) indicate that 55% of professionals have a dedicated office that manages strategy and performance management in organization. This trend is a common practice because such a governing body, which in some cases can be just one person, can provide specialized advice to managers on how to monitor performance and is responsible with maintaining an updated and relevant performance measurement framework.

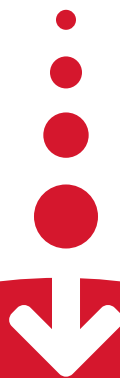
Tips:

- ▶ Adapt the size of the Strategy and Performance Management Office to the organization's size and needs in this area;
- ▶ Consider building a mixed team and bring together technical competencies as data analysis, performance management, strategic thinking and modern technology skills, with soft competencies like communication, mediation skills, coaching and training.

In the end, it can take year for an organization to reach the highest performance measurement maturity level. A performance-oriented organization needs to invest both in technology and its human capital, in order to support constant improvement initiatives. Such organizations are also very skillful in change management, in training employees on how to adopt new work methods, in addressing challenges and are also very adept at seeing the business environment and even themselves from varying perspectives.

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