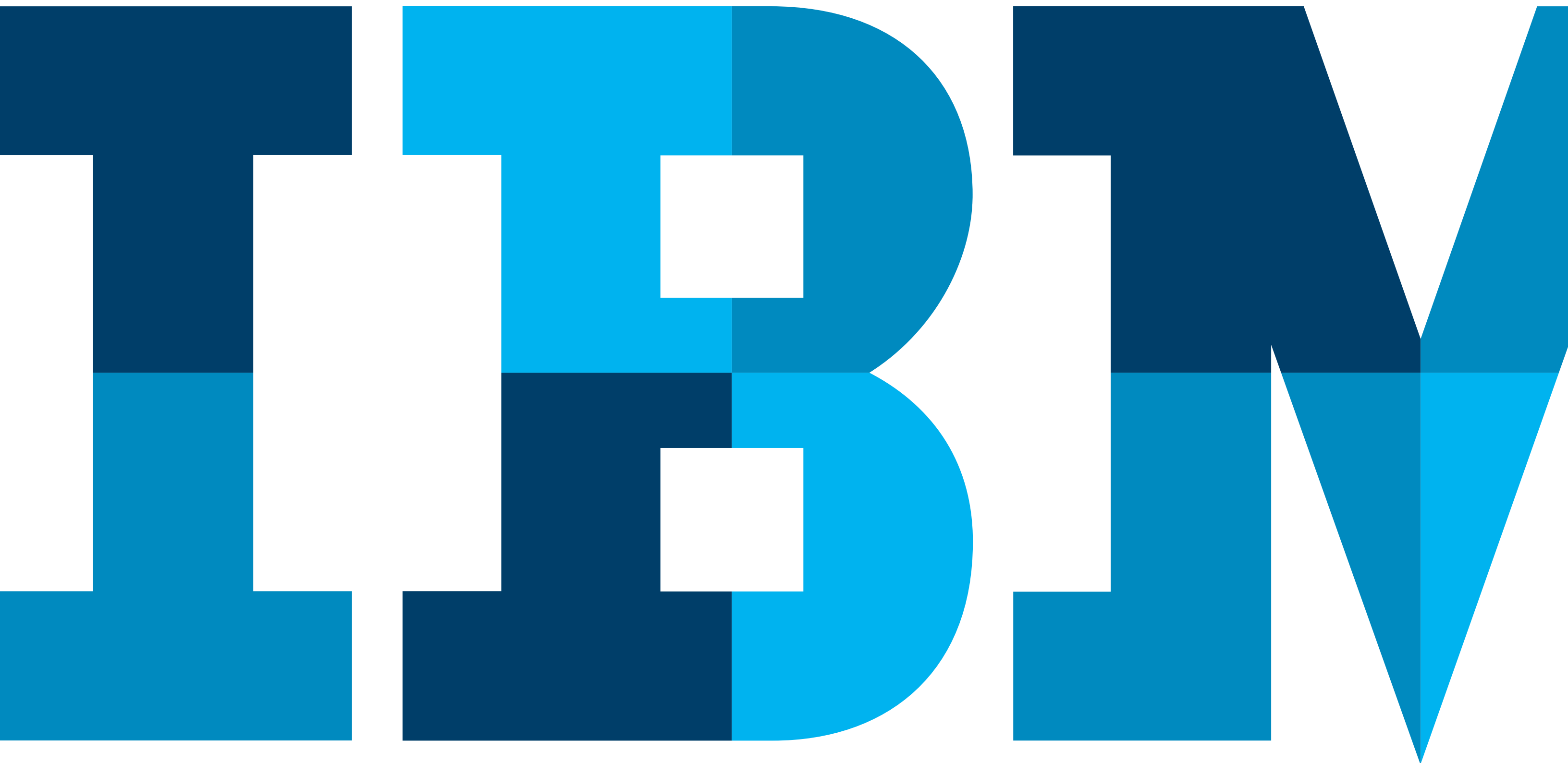
# The New Thinking on KPIs

*by David Parmenter*



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## Introduction

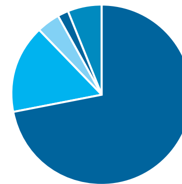
Performance measurement is failing organizations worldwide, whether they are multinationals, government departments, or not-for-profit agencies. Measures are often a random collection prepared with little expertise, signifying nothing. KPIs should be measures that link daily activities to the organization's critical success factors (CSFs), thereby supporting an alignment of effort within the organization, in the intended direction.

I call this alignment the El Dorado of management. However, poorly defined KPIs can cost the organization dearly. Some examples are: measures gamed to benefit executives' pay, to the detriment of the organization; teams encouraged to perform tasks that are contrary to the organization's strategic direction; costly "measurement and reporting" regimes that lock up valuable employee time; and a six-figure balanced scorecard consultancy assignment resulting in a dysfunctional balanced scorecard.

## Recent Waymark research

A poll conducted by Waymark solutions during an international series of webcasts (see Figure 1) came up with the following results.

**How many KPIs are there in your organization?**

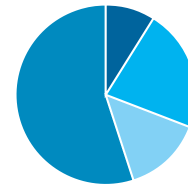


**72%** less than 20
**16%** between 20-50
**4%** between 51-100
**2%** over 100
**6%** none

**Source:** CGA Canada 2012 and 2013

*470 respondents*

**What is the most common timeframe KPIs are reported within?**



**9%** 24/7
**22%** daily
**14%** weekly
**55%** monthly

**Source:** CGA Canada 2012 and 2013

*120 respondents*

*Figure 1*: International poll on KPIs.

I have seen a move, over the last 10 years, to limit the number of KPIs and, with just over 70% with less than 20 KPIs, there is clearly a move in this direction. Forty-five percent are reviewing KPIs in the time frame that I consider relevant, 24/7, daily or weekly.

## The myths of performance measures

KPIs and balanced scorecards are also failing because management is not aware of the many myths surrounding performance measures and the balanced scorecard.

Just like six centuries ago, when many thought the world was flat, mankind was blind to the realities that are there to see on closer observation. We are blindly applying old thinking on how we measure, monitor and improve performance.

Let us now look at some myths surrounding performance measures which I feature in my KPI book.[1]

### Myth: Most measures lead to better performance

Every performance measure can have a dark side—a negative consequence or unintended action that leads to inferior performance. Well over half the measures in an organization may be encouraging unintended negative behavior. KPIs are like the moon, they have a dark side. It is imperative that before a measure is used, the measure is:

- Discussed with the relevant staff: “If we measure this, what will you do?”
- Piloted before it is rolled out.
- Abandoned if its dark side creates too much adverse performance.

I expand on this dark side in the section on Unintended Consequences.

### Myth: All performance measures are KPIs

Throughout the world, organizations have been using the term “KPIs” to refer to all performance measures. No one seemed to worry that they have not agreed on a common definition of what a KPI actually is. Thus, measures that were key to the enterprise were being mixed with measures that were badly flawed.

Let’s break the term down. “Key” means key to the organization. “Performance” means that the measure will assist in improving performance.

From research I have performed in diverse industries and as a by-product of writing my book “Key Performance Indicators—Developing, Implementing and Using Winning KPIs,”[2] I have concluded that there are four types of performance measures. These four types are discussed in a subsequent section.

### Myth: By tying KPIs to remuneration you will increase performance

It is a myth that the primary driver for staff is money, and that an organization must provide financial incentives to achieve great performance. Recognition, respect and self-actualization are more important drivers. In all types of organizations, there is a tendency to believe that the way to make KPIs work is to tie them to an individual’s pay. But when KPIs are linked to pay, they can create key political indicators (not key performance indicators), which often leads to a manipulation of the measures to enhance the probability of a larger bonus.

KPIs should be used to align staff to the organization’s critical success factors and show how teams are performing 24/7, daily or weekly. They are too important to allow them to be manipulated by individuals and teams to maximize bonuses. KPIs are so important to an organization that performance in this area is a given, or as Jack Welch says, “a ticket to the game.”

## Myth: Measuring performance is relatively simple and the appropriate measures are obvious

There will not be a reader of this paper who has not, at some time in the past, been asked to come up with some measures with little or no guidance. Performance measurement has been an orphan of business theory and practice. While writers such as Edward Deming, Whetley and Kellner-Rogers, Gary Hamel, Jeremy Hope and Dean Spitzer have been pointing out the dysfunctional nature of performance measurement for some time, it has not yet permutated into business practice.

Performance measurement is worthy of more intellectual rigor in every organization on the journey from average to good and then to great performance.

## Myth: KPIs are financial and non financial indicators

I firmly believe that there is not a financial KPI on this planet. Financial measures are a quantification of an activity that has taken place, and we have simply placed a value on the activity. Thus, behind every financial measure is an activity. I call financial measures "result indicators": a summary measure. It is the activity that you will want more or less of. It is the activity that drives the dollars, pounds and yen. Thus financial measures cannot possibly be KPIs.

Financial measures will always be used to measure the performance of a group of teams working together. However, they will never pinpoint the problem, or what went well, as they are a result indicator. When you have a pound or dollar sign in a measure, you can always dig deeper for the drivers of performance, the activities you want more or less of. Sales made yesterday will be a result of sales calls made previously to existing and prospective customers, advertising campaigns, product quality and reliability and amount of contact with the key customers and so on. I group all sales indicators expressed in monetary terms as result indicators.

## Myth: There are only four balanced scorecard perspectives

For over 20 years, the four perspectives listed in Kaplan and Norton's original work (Financial, Customer, Internal Process, and Learning and Growth) have been consistently reiterated by them and their followers.[3]

I recommend that these four perspectives be increased by including two more perspectives and that the learning and growth perspective be reworded as "innovation and learning" (see Figure 2).

| **Financial**<br>Assets utilisation, sales growth, risk management, optimisation of working capital, cost reduction | **Customer**<br>Increase customer satisfaction, targeting customers who generate the most profit, getting close, non-customers | **Environment and community**<br>Employer of first choice, linking wiht future employees, community leadership, collaboration |
|---|---|---|
| **Internal**<br>Delivery in full on time, optimising technology, effective relationships with key stakeholders | **Staff satisfaction**<br>Right people on the bus, empowerment, retention of key staff, candor, leadership, recognition | **Innovation and learning**<br>Innovation, abandonment, increasing expertise and adaptability, learning environment |

*Figure 2*: Suggested six perspectives of a balanced scorecard

## Myth: Indicators are either lead (performance driver) or lag (outcome) indicators

Regardless of where the lead/lag indicator labels came from, they have caused a lot of problems and are fundamentally flawed. They assume that a measure is either about the past or about the future. They ignore the fact that some measures, particularly KPIs, are about both the past and the future.

I recommend that we dispense with the terms "lead" (performance driver) and "lag" (outcome) indicators. We should see measures as either past, current or future.

Current measures refer to those monitored 24/7 or daily. I also include yesterday's activities, as the data may not be available any earlier (e.g., late/incomplete deliveries to key customers made yesterday).

Future measures are the record of a future commitment when an action is to take place (e.g., date of next meeting with key customer, date of next product launch, date of next social interaction with key customers). In your own organization, you will find that your KPIs are either current- or future-oriented measures. In Figure 3 are some examples of these three time categories in different industries.

| **Past measures** (last week / fortnight / month / quarter) | **Current measures** (24/7, daily and yesterday's activities) | **Future measures** (next day / week / month / quarter) |
|---|---|---|
| **Number of late planes last week/ last month** | Planes more than two hours late (updated continuously) | Number of initiatives to be commenced in the next month, months two and three to target areas which are causing late planes. |
| **Date of last visit to key customer** | Cancellation of order by key customer (today) | Date of next visit to key customer and date of next social interaction with key customers |
| **Sales last month in new products** | Quality defects found today in new products | Number of improve-ments to new products to be implemented in next month, months two and three |

*Figure 3*: Past, current or future measures to replace lead/lag indicators.

### Myth: Measures are cascaded down the organization

This was probably the most damaging process used in the balanced scorecard approach. It assumed that by analyzing a measure such as "return on capital employed" you could break it down in a myriad of measures relevant to each team or division. It also assumed that each and every team leader, with minimal effort, would arrive at relevant performance measures. Kaplan and Norton ignored the crucial facts that team leaders, and the senior management team, need to know about the organization's critical success factors and the potential for the performance measure to have a "dark side," an unintended consequence.

I believe all measures are sourced from the organization's critical success factors and that it is better to find measures, **from the ground up**, at the team level within the operation, level 4 in Figure 4.

*Figure 4*: The interrelated levels of performance measures in an organization

Other myths (discussed in my KPI book) include:

- All measures can work successfully in any organization, at any time
- We can set relevant year-end targets
- You can delegate a performance management project to a consulting firm
- The balanced scorecard can report progress to both management and the board
- Measures fit neatly into one balanced scorecard perspective
- Strategy mapping is a vital requirement
- Performance measures are mainly used to help manage implementation of strategic initiatives

## Unintended consequences—the dark side of performance measures

Every performance measure has a dark side, an unintended negative consequence. The importance of understanding this dark side and the careful selection of measures should never be underestimated. Well over half the measures in an organization may be encouraging unintended behavior. The frequency with which measures are set to fail by at best naïve or at worst corrupt management is breathtaking.

As Dean Spitzer says "People will do what management inspects, not necessarily what management expects."[4]

How performance measures can go wrong can be illustrated by two examples.

### Late train measure backfires

A classic example is provided by a city train service that had an on-time measure with some draconian penalties targeted at the train drivers. The drivers who were behind schedule learned simply to stop at the top end of each station, triggering the green light at the other end of the platform, and then continue the journey without the delay of letting passengers on or off. After a few stations, a driver was back on time, but the customers, both on the train and on the platform, were not so happy.

Management needed to realize that late trains are not caused by train drivers, just as late planes are not caused by pilots.

Lesson: Management should have been focusing on the controllable events that led to late trains, such as the timeliness of investigating signal faults reported by drivers or preventive maintenance on critical equipment that is running behind schedule.

### Timeliness of treatment measure fails in accident and emergency department

Managers at a hospital in the United Kingdom were concerned about the time it was taking to treat patients in the accident and emergency department. They decided to measure the time from patient registration to being seen by a house doctor. Staff realized that they could not stop patients registering with minor sports injuries but they could delay the registration of patients in ambulances as they were receiving good care from the paramedics.

The nursing staff thus began asking the paramedics to leave their patients in the ambulance until a house doctor was ready to see them, thus improving the "average" time it took to treat patients. Each day there would be a parking lot full of ambulances, with some even circling the hospital awaiting a parking spot.

Lesson: Management should have been focusing on the timeliness of treatment of critical patients. Thus, they only needed to measure the time from registration to consultation for these critical patients. Nurses would have treated patients in ambulances as a priority, the very thing they were doing before the measures came into being.

There needs to be a new approach to measurement—one that is done by trained staff, an approach that is consultative, promotes partnership between staff and management, and finally achieves alignment with the organization's critical success factors and strategic direction.

Dean Spitzer, an expert on performance measurement, has suggested the appointment of a chief measurement officer who would be part psychologist, part teacher, part salesman and part project manager.[5] The chief measurement officer would be responsible for setting all performance measures, assessing the potential 'dark side' of a given measure, abandoning broken measures and leading all balanced scorecard initiatives. (See Appendix 1 for more information about this role.)

## The four types of performance measures

Over the last 25 years I have come to the conclusion that there are four types of performance measures, which fall into two groups as shown in Figure 5.

| Two groups of measures | Two types of measures in each group |
|---|---|
| *Result indicators* reflect the fact that many measures are a summation of more than one team's input. These measures are useful in looking at the combined teamwork but do not help management fix a problem, as it is difficult to pinpoint which teams were responsible for the performance or non-performance. | Result Indicators (RIs)<br>Key Result Indicators (KRIs) |
| *Performance indicators* are measures that can be tied to a team or a cluster of teams working closely together for a common purpose. Good or bad performance is now the responsibility of one team. These measures thus give clarity and ownership. | Performance Indicators (PIs)<br>Key Performance Indicators (KPIs) |

*Figure 5*: Four types of performance measures

### Key result indicators

The common characteristic of key result indicators (KRIs) is that they are the result of many actions. They give a clear picture of whether your organization is traveling in the right direction and at the right speed. They provide the board or governing body with a good overview of progress on the organization's strategy. These measures are easy to ascertain and are frequently reported already to the board or governing body.

The fact that key result indicators are called "KPIs" creates a problem that many organizations do not appreciate. They cannot understand why performance ebbs and flows and appears to be outside the control of the senior management team. Key result indicators that are reviewed typically on monthly or quarterly cycles will only tell you whether the horse has bolted or not and are thus of little use to management as they are reported too late to change direction or shut the gate, so to speak. Nor do they tell you what you need to do to improve these results.

KRI measures that have often been mistaken for KPIs include:

- Customer satisfaction
- Employee satisfaction
- Return on capital employed

Separating KRIs from other measures has a profound impact on the way performance is reported. There is now a separation of performance measures into those impacting governance (up to ten KRIs in a board dashboard) and those RIs, PIs and KPIs impacting management. Accordingly, an organization should have a governance report (ideally in dashboard format), consisting of up to 10 KRIs for the board, and a series of management progress reports at various intervals during the month, depending on the significance of the measure.

## Result indicators

The result indicators (RIs) summarize the activity of more than one team and they provide an overview of how teams are working together. The difference between a key result indicator and a result indicator is simply that the key result indicator is a more overall and more important summary of activities that have taken place.

As already mentioned, financial indicators are a result indicator as they are a result of activities often undertaken by a number of different teams. Financial indicators are useful but they can mask the real drivers of the performance. To fully understand what to increase or decrease, we need to look at the activities that created the financial indicator.

Result indicators (RIs) could include:

- Number of employees' suggestions implemented in past 30 days.
- Sales made yesterday
- Hotel bed utilization in a week

## Performance indicators

Performance indicators (PIs) are those indicators that are non-financial (otherwise they would be result indicators) that can be traced back to a team or teams working closely together, who share the same measures. The difference between performance indicators and KPIs is that the latter are deemed fundamental to the organization's well-being. Performance indicators, though important, are thus not crucial to the business. Performance indicators help teams align themselves with their organization's strategy. Performance indicators complement the KPIs; they are shown on the organization, division, department, and team scorecards.

Performance indicators (PIs) could include:

- Abandonment rate at call center—caller gives up waiting.
- Late deliveries
- Sales calls organized for the next week, two weeks and so forth

## Key performance indicators

What are KPIs? KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization. KPIs are rarely new to the organization. Either they have not been recognized or they were gathering dust somewhere unknown to the current management team.

### How an airline was turned around by one KPI

My favorite KPI story is about a senior official who set about turning around British Airways (BA) in the 1980s, reportedly by concentrating on just one KPI.

The senior official employed some consultants to investigate and report on the key measures he should concentrate on to turn around the ailing airline. They identified one critical success factor (CSF), the timely arrival and departure of airplanes. (Finding CSFs and narrowing them down to no more than five to eight is a vital step in any KPI exercise, and one seldom performed.)

While everybody in the airline industry knows the importance of timely planes, the consultants nevertheless pointed out that this is where the KPIs lay and proposed that he focus on a late-plane KPI.

The senior official arranged to be notified whenever a BA plane was delayed over a certain time and the BA managers at the relevant airport knew that if a plane was delayed beyond a certain threshold, they would receive a personal call from the senior official based around Banchard's one minute manager reprimand. Whatever the excuse, it quite frankly was not good enough. The senior BA official would point out that the manager had over six hours of advance notice that the plane was already late and needed to use this window to take actions that would bring the plane back on time.

Prior to the "personal call policy," the airport manager (and many other airline employees) had the "not our fault" syndrome. A late plane created by another BA team was "their problem, not ours." But after receiving the personal call from the senior official, the airport manager undertook many proactive steps to recapture lost time, no matter who had created the delay. Actions included:

- Doubling up the cleaning crew, even though there was an additional external cost to this.
- Communicating to the refueling team which planes were a priority.
- Providing the external caterers with late-plane updates so they could better manage re-equipping the late plane.
- Asking staff at the check-in counters to watch for at-risk customers and escort them to the gate.
- Not allowing business-class passengers to check in late, as was previously allowed.
- Possibly asking traffic control for a favor or two.

It was not long before BA planes had a reputation for leaving on time. The late planes KPI was linked to many other critical success factors for the airline including the 'delivery in full and on time' critical success factor, the 'timely arrival and departure of airplanes'; the 'increase repeat business from key customers' critical success factor, etc.

The late planes KPI affected many aspects of the business. Late planes:

- Increased costs, including additional airport surcharges and the cost of accommodating passengers overnight as a result of planes being curfewed due to late-night noise restrictions.
- Increased customer dissatisfaction and alienated people meeting passengers at their destination (possible future customers).
- Increased ozone depletion (environmental impact) because additional fuel was used to make up time during the flight.
- Hurt staff development as they learned to replicate the bad habits that created late planes.
- Adversely affected supplier relationships and servicing schedules, resulting in poor service quality.
- Increased employee dissatisfaction, as they were constantly dealing with crises and with frustrated customers.

## The seven characteristics of effective KPIs

From extensive analysis and discussions with over 3,000 participants in KPI workshops, covering most organization types in both public and private sectors, I have been able to define seven characteristics of effective KPIs (see Figure 6).

| | |
|---|---|
| 1.Non-financial | Non-financial measures (i.e., not expressed in dollars, yen, pounds euro, etc.) |
| 2. Timely | Measured frequently e.g., 24/7, daily or weekly |
| 3. CEO focus | Acted upon by the CEO and senior management team |
| 4. Simple | All staff can understand the measure and what corrective action is required |
| 5. Team based | Responsibility can be assigned to a specific team or cluster of teams who work closely together |
| 6. Significant impact | Significant impact i.e., it affects more than one of the organization's top CSFs and more than one balanced scorecard perspective |
| 7. Limited dark side | They encourage appropriate action (i.e., they have been tested to ensure they have a positive impact on performance, whereas poorly thought through measures can lead to dysfunctional behavior) |

*Figure 6*: Seven characteristics of effective KPIs.

When you put a dollar sign on a measure, you have already converted it into a result indicator (e.g., daily sales are a result of activities that have taken place to create the sales). The KPI lies deeper down. It may be the number of visits to contacts with the key customers who make up most of the profitable business. As discussed in the section on "The myths of performance measures," it is a myth of performance measurement that KPIs can be either financial or nonfinancial indicators. I am adamant that all KPIs are nonfinancial.

KPIs should be monitored 24/7, daily, or perhaps weekly for some. As stated above, it is a myth that monitoring monthly performance measures will improve performance. A monthly, quarterly, or annual measure cannot be a KPI, as it cannot be key to your business if you are monitoring it well after the horse has bolted. All KPIs make a difference; they have the CEO's constant attention due to daily calls to the relevant staff. Having a career-limiting discussion with the CEO is not something staff members want to repeat, and in the airline example above, innovative and productive processes were put in place to prevent a recurrence.

A KPI should tell you what action needs to be taken. The late-plane KPI communicated immediately to everyone the need for a focus on recovering lost time. Cleaners, caterers, ground crew, flight attendants, liaison officers, and air traffic controllers would all work to save a minute here and a minute there, while maintaining or improving service standards.

A KPI is deep enough in the organization that it can be tied to a team. In other words, the CEO can call someone and ask, "Why?" Return on capital employed has never been a KPI, because it cannot be tied to an individual manager—it is a result of many activities under different managers.

A KPI will affect one or more critical success factors and more than one balanced-scorecard perspective. So, when the CEO, management, and staff focus on the KPI, the organization scores goals in all directions. In the airline example, the late-plane KPI affected all six balanced-scorecard perspectives.

Before becoming a KPI, a performance measure needs to be tested to ensure it produces the desired behavioral outcome (e.g., helping teams to align their behavior in a coherent way, to the benefit of the organization).

Key performance indicators (KPIs) could include:

- Number of CEO recognitions planned for the next week or two weeks.
- Staff in vital positions who have resigned on a given day. (The CEO has the opportunity to try to persuade the staff member to stay).
- Late deliveries to key customers.

My KPI book provides many examples of measures and illustrates the difference between these four measures.

## Correcting the lead/lag confusion

As mentioned above, it is a myth that KPIs can be categorized as lead or lag indicators. Instead, I suggest a simpler method. We should see measures as either past, current (yesterday's or today's activities — the here and now), or future (monitoring the planning and preparation for events/actions that should occur in the future).

I have lost count of the number of times I read Kaplan and Norton's original masterpiece6 to try and understand the lead/lag indicators argument until I realized my difficulty in understanding lead/lag indicators was a result of flawed logic.

I have presented to nearly two thousand people on KPIs and I always ask "is the late-planes-in-the-air KPI, a lead or lag indicator?" The vote count is always evenly split. It has clearly arisen out of past events and will have a major impact on future events — the late arrival will make the plane leave late.

The differences in the four measures and how they relate to the past, current and future time periods are further explained in Figure 7. KRIs are summaries of past performance, principally monthly trend analysis over 18 months. KPIs focus

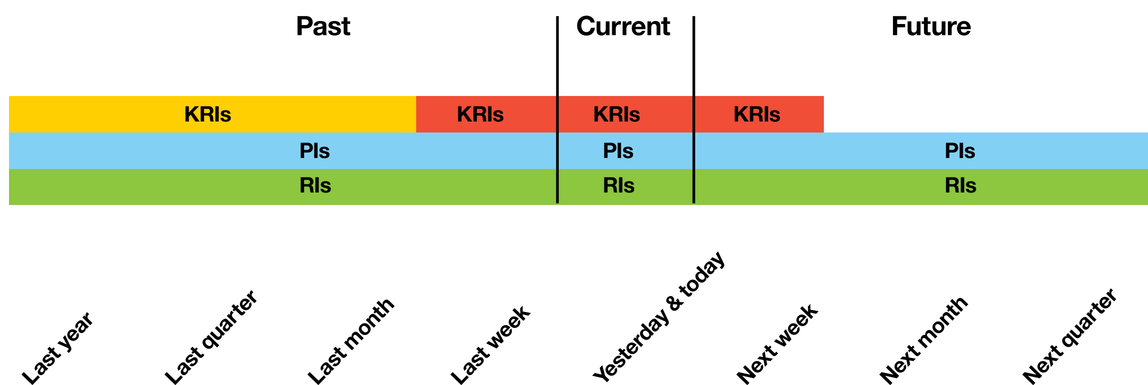



*Figure 7*: The differences in the four measures and the past, current and future time periods.

on activity in the last week, yesterday and today, and that planned for the next week or next fortnight. PIs and RIs will be heavily weighted to the past, however we do need at least 20% of measures to be current or future focused.

## Sorting the wheat from the chaff

Mankind has, for thousands of years, been able to sort the wheat from the chaff. We now need to use a tried and tested methodology to learn what measures will work, what they are, and what measures should be abandoned.

An overview of my "winning KPIs" methodology will appear in the follow-on white paper "Getting KPIs to work rather than misfire."

## Immediate next steps

There are a number of immediate steps I would recommend. These include:

- Start gathering "war stories" about dysfunctional measures within the organization.
- Commence your marketing for the change within your organization. If you send me an email, I will send you some free electronic templates to help you get the marketing of change started.
- Circulate this article among your management.
- Read Dean Spitzer's book "Transforming Performance Measurement: Rethinking the Way We Measure and Drive Organizational Success."
- Prepare the way for the introduction of a chief measurement officer. If you email me, I will send you a draft job description, free of charge.

## About the author

David Parmenter is an international presenter who is known for his thought-provoking and lively keynote addresses and workshops, which have led to substantial change in many organizations. Mr. Parmenter has worked for Ernst & Young; BP Oil, Ltd; Arthur Andersen; and Price Waterhouse. He is a fellow of the Institute of Chartered Accountants in England and Wales. He is the author of four books published by John Wiley & Sons, Inc., and has written more than 50 articles for accounting and management journals. Mr. Parmenter has won two "article of merit" awards from the International Federation of Accountants. He can be reached at parmenter@waymark.co.nz; website: www.DavidParmenter.com. Phone:+64 4 499 0007

## Appendix 1: The role of the chief measurement officer

There needs to be a new approach to measurement—one that is done by staff who have been suitably trained, an approach that is consultative, promotes partnership between staff and management, and finally achieves behavioral alignment with the organization's critical success factors and strategic direction.

I have been working with performance measures for many years and have spent untold hours endeavoring to unlock their secrets. Over the years one thing has become abundantly clear; that you need a measurement expert in-house. Dean Spitzer called this the Chief Measurement Officer.

I have now come to the conclusion that I have not emphasized enough the importance of this in-house resource in my earlier work.

Performance measurement is worthy of more intellectual rigor in every organization that is on the journey from average to good and finally to great. The Chief Measurement Officer would be part psychologist, part teacher, part salesperson, and part project manager. He or she would be responsible for:

| | |
|---|---|
| **Testing measures for value** | Testing each new measure to ensure the dark side is minimal. |
| | Vetting and approving all measures in the organization; eliminating those that are duplicated, worthless, have a negative cost benefit etc. |
| | Consult with staff so that you have some idea of the possible unintended consequences of the measure. You have to ask staff. "If we measure X, what action will you take?" |
| | Pilot the performance measure to enhance its chance of success. |
| **Overseeing measurement** | Leading the KPI team and any balanced scorecard initiative. |
| | Developing and improving the use of performance measures in the organization. |
| | Promoting the abandonment of measures that do not work. |
| **Resident expert** | Learning about the latest thinking in performance measurement including work by Stacey Barr, Dean Spitzer, Paul Niven, Kaplan and Norton. |
| | Being the resident expert on the behavioral implications of performance measures. |
| | Replacing annual planning with quarterly rolling planning. |
| | Revitalizing performance-based pay by basing it on solid, well thought out foundation stones. |

## Full or part time responsibility

In most of the implementations I have observed, my advice to appoint a KPI team leader and make him or her full time, where possible, has been compromised due to workload commitments. In every case this has delayed and put the project on the back foot. For organizations of around 250 people, this position should and must be full time. In small organizations this duty must be at least half the workload and much daily operational activity reassigned so that the incumbent has a chance to focus and create some momentum in the project.

## Reporting line

The position would report directly to the CEO, as befits the knowledge and diverse blend of skills required for this position. Only when we have this level of expertise within the organization can we hope to move away from measurement confusion to measurement clarity.

## In-house or external appointment

Peter Drucker said "Never give a new job to a new person." He called it a widow maker. When an organization wants a new system implemented, it is very tempting to hire someone who has expertise, a consultant or a permanent appointment. Drucker pointed out that they do not stand a chance, as staff who are concerned about the change will do their utmost to de-stabilize the project.

Instead, you need to appoint an in-house person best suited for the role. Someone who is well respected in the organization, who has a pile of "I owe you" favors which he or she can call on when help is required. Staff will support the new initiative when it is lead by such an appointee.

For organizations of over 500 employees, there should be enough talent to find someone who:

- Has tertiary qualifications and thus is able to absorb new methods and practices swiftly
- Has a successful track record in project management
- Is known for well-thought-out and interesting presentations
- Is well respected within the organization—has favors to call on
- Is analytical and a decisive decision maker with the ability to prioritize and communicate to staff key objectives and tactics necessary to achieve organizational goals
- Can be freed from their current role to study and gain an understanding of their new role
- Has been able to sell change within the organization successfully
- Has advanced interpersonal skills and an understanding of human behavior
- Has strong written and verbal communication skills; is a persuasive and passionate communicator with excellent public speaking skills.
- Is action-oriented, entrepreneurial, flexible, and takes an innovative approach to operational management.
- Has passion, humility, integrity, positive attitude, mission-driven, and is self-directed.

It is expected that there will experience gaps and these will be closed when they go on a study sabbatical visiting progressive organizations around the world.

## Endnotes


1 David Parmenter *Key Performance Indicators—developing, implementing and using winning KPIs*, J Wiley & Sons Third Edition 2014

2 David Parmenter *Key Performance Indicators—developing, implementing and using winning KPIs*, J Wiley & Sons 2007 & 2010

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## About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals. For further information please visit **ibm.com**/business-analytics

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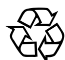

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