concept of the critical success factors being operational, and thus internal, was never understood.

The board was naturally looking from the outside in. The board wanted to see the CSFs expressed as naturally as outcomes and impacts they wanted to see. The board wanted the organization to “deliver this,” “deliver that,” which would demonstrate that there had been a successful implementation of the organization’s strategy. The board members thus made changes to the CSFs so that they became external outcomes, completely nullifying the exercise.

Due to the small size of the charity, they were unable to assign a staff member full time to this project, nor were they able to establish a full-time in-house KPI team leader as recommended in Chapter 3. This coupled with the frequent movement of staff left the project largely uncompleted.

Implementation Lessons

Kaplan and Norton, in their ground-breaking book *The Balanced Scorecard: Translating Strategy into Action*,[1] indicated that 16 weeks is sufficient time to establish a working balanced scorecard with key performance indicators (KPIs). However, organizations of all sizes and complexity stumble with this process, and 16 weeks easily turns into 16 months. The key to success is to learn from these 10 implementation lessons:

1. Select a small KPI team to be full time on the KPI project.
2. Leading change the John Kotter way.
3. Start off with a six-perspective balanced scorecard (BSC).
4. Focus on the critical success factors.
5. Follow the 10/80/10 rule.
6. “Just do it.”
7. Use existing systems for the first 12 months.
8. Trap all performance measures in a database and make them available to all teams.
9. KPI reporting formats should follow the guidelines of the data visualization experts.
10. Embracing Peter Drucker’s abandonment rule.

Lesson 1: Select a Small KPI Team to Be Full Time on the KPI Project

With the exception of small organizations, with fewer than 250 staff, a small team with two full-time staff members is recommended, for organizations up to 3,000 staff. If larger, a team of four is recommended, so that the KPI team can run two workshops simultaneously at different locations. The external project facilitator, if involved right at the beginning, should help the senior management team (SMT) pick a team. Research into personnel records is recommended, as many talented staff members who may already have some KPI experience are found in obscure places.

You need to look for staff who have excellent presentation skills, knowledge of the organization and its market, a track record of innovation and completion, sound communication skills, and the ability to be cheerful under pressure. The KPI team leader will also need to be part trainer, part salesperson, and part project manager. They will need to be respected in the organization so that they can challenge the executive when necessary.

The SMT needs to have the selected staff committed *full time* to the KPI project. By that I mean the family photos are removed from their desks and taken to the project team location. Their second-in-command will move into their office and undertake their duties, a succession-planning bonus.

Reporting Line

Once selected, this team must have a direct reporting line to the CEO, as shown in Exhibit 12.8. Any layer in between means that the SMT and CEO have not understood just what SMT commitment means.

Besides the KPI project team, the organization also needs to identify a liaison person (a coordinator) for each business unit and team. This liaison person needs to be knowledgeable about the operation and to be available to provide detailed knowledge and feedback to project team members.

Senior managers should exclude themselves from the project team. An SMT member in the team will lead to a string of canceled meetings as the senior manager is caught in the firefighting activities that make up much of their working days. Even SMT members with the best willpower in the world can never be fully focused on just one project.

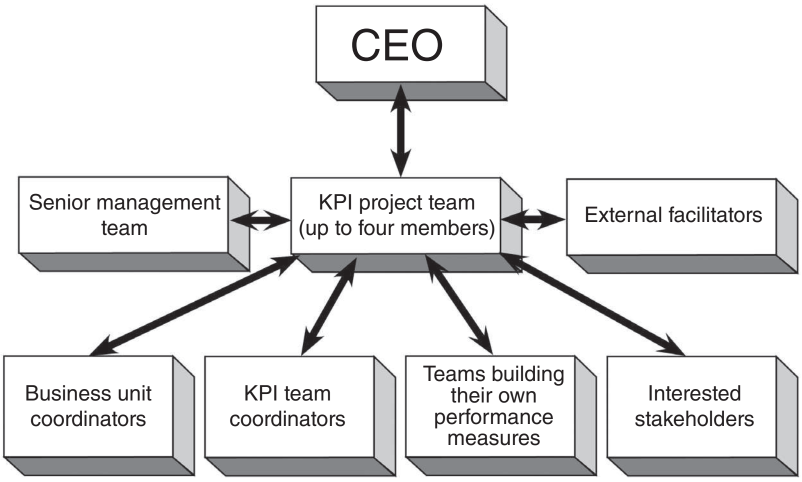

Exhibit 12.8 KPI Team Reporting Directly to the CEO

In-House or External Appointment

Peter Drucker said, "Never give a new job to a new person"—he called it a widowmaker. When an organization wants a new system implemented, it is very tempting to hire someone who has expertise, as a consultant or a permanent appointment. Drucker pointed out that they do not stand a chance, as staff members who are concerned about the change will do their utmost to destabilize 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 can call on favors when required. Staff will support the CSF and KPI initiative when it is led by such an appointee.

Benefit of This Action

This action will lead to a carefully picked project team who, along with the KPI team coordinators, will have a good chance of success.

Lesson 2: Leading Change the John Kotter Way

I would argue that more than half the new initiatives that are declined were undersold. In other words, given the right approach the initiative would have gone ahead.

If you are not prepared to learn the skills to cover the common deficiencies in leading change you may as well cancel the KPI project as it does not have a chance to succeed. Selling change requires a special set of skills, and we all can and should get better at it. In Chapter 4 on leading and selling change, I point out:

- Nothing was ever sold by logic! You sell through emotional drivers. Thus, we need to radically alter the way we pitch this sale to the senior management team (SMT), to the CEO, and to the board. We have to focus on the emotional drivers that matter to these groups.
- In 1996, John Kotter published *Leading Change*,[2] which quickly became the seminal work in the change management space. He pointed out, as we already know, that effecting change—real change, transformative change—is hard. In his work he had an eight-stage process of creating major change, a clear map to follow when faced with influencing an organization to move.
- In 2009 Zaffron and Logan published *The Three Laws of Performance*.[3] They pointed out that staff will always march toward their default future, the one they believe will happen, the one they see as the prescribed future. The key to change is therefore to make it very clear that there is a burning platform by painting the absurdity of the default future, ending up by asking them, Is that what you are voting for? When the default future is challenged in this way, a new future can be put in its place and, as Zaffron and Logan argue, the staff will willingly march toward to the new future.
- The importance of having an elevator speech to start the sale process off for the KPI project and, when it is in progress, a weekly updated elevator speech.
- When you are presenting, it is best to be both well prepared and practiced. See the checklist in Chapter 4 on delivering bulletproof PowerPoint presentations.
- The importance of getting the oracles involved in the project. You can do this by holding a one-day focus group, as described in Chapter 4, as their approval and support should be sought before you propose the project to the SMT. You can bypass that step if the CEO is driving the project and involve them in the two-day CSF workshop as outlined in Chapter 7. As John Kotter advises, you need to create a guiding coalition.

- The need to establish a comprehensive blueprint, mimicking Toyota's management principle, "Slow with consensus, fast with implementation."
- The importance of generating quick wins—obvious to us all but frequently missed. Remember that senior management is, on occasion, inflicted with attention deficit disorder. Progress in a methodical and introverted way at your peril. We need easy wins, celebrated extrovertly, and we need to ensure that we set up the CEO to score the easy goals.

The SMT attitude is crucial—any lack of understanding, commitment, or prioritizing of this important process will prevent success. It is common for the project team and the SMT to fit a KPI project around other competing, less important firefighting activities.

The SMT must be committed to the KPI project and to driving it down through the organization. Properly implemented, the KPI project will create a dynamic environment. Before it can do this, the SMT must be sold on the concept. This will lead to the KPI project's being treated as the top priority, which may mean that the SMT allows some of those distracting fires to burn themselves out.

Consider this quote from a senior consultant:

> *Senior staff view the development of the BSC as an end in itself and go through the motions to keep the boss happy. If the SMT is not strategic in its perspective and consequently does not see the BSC as a tool to help it better understand and manage the organization, this will be reflected in a loss of interest when the process of development gets tough, for example, when deciding on which KPIs to use and the trade-offs to be made. While the role of the SMT is important, the role of the CEO is critical. The CEO must be the central driver carrying the embryo BSC with him all the time, talking about it frequently, and so on.*

It is common for BSC and KPI projects to flounder when a new chief executive takes the helm. Sadly, not all CEOs are equal and thus it is important that the Board, when recruiting the new CEO, ensure that the new appointee is conversant with modern performance measurement.

Benefit of This Action

The SMT will get a buzz from being involved in a dynamic project, and there will be wider ownership as the oracles put their full weight behind the cause.

Lesson 3: Start Off with a Six-Perspective Balanced Scorecard (BSC)

Although I believe the BSC is a flawed model, the overall message of having both a balanced strategy and balanced performance measures is very important. I therefore support the need to work with BSC perspectives, six of them.

Too often, time is spent debating the perspectives, their names, and the design of the scorecard. The SMT loves this time of intellectualizing; however, it does not create much value. It is easy to get carried away with the debate. I came across one team, in a government department, that had spent months determining the names of the perspectives while making little progress on defining the CSFs. Let me save you some trouble. You will need:

1. One on the financials performance—call it *financial results*
2. One on innovation and the development of the staff—call it *innovation and learning*
3. One on customer satisfaction—call it *customer focus*
4. One on internal business processes—call it *internal process*
5. One on staff satisfaction—call it *staff satisfaction*
6. One on relationship with the environment and the community—call it *environment/community*

Using the suggested six perspective names will mean that you are using a better-practice perspective template for the first 6 to 12 months. After 12 months, the SMT and staff will have enough experience, knowledge, and understanding to fine-tune the perspective names to better suit the organization's needs.

Benefit of This Action

The SMT members will invest the scarce time they have available for this project in more important areas.

Lesson 4: Focus on the Critical Success Factors

The critical success factors, as the name suggests, are the aspects the organization's staff need to perform well in day-in and day-out. Key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs are the actual performance measures, which naturally cascade from these CSFs. It is crucial that the SMT focus on providing the KPI project team with CSFs. If this is done well, winning KPIs are much easier to find.

Most organizations know their success factors (SFs). However, few organizations have:

- Worded their SFs appropriately
- Segregated out SFs from desired external outcomes
- Sifted through the SFs to find their critical ones—their *critical* success factors
- Communicated the CSFs to staff

If your organization has not completed a thorough exercise to know its CSFs, performance measurement will be a random process. It will create an army of measurers producing numerous numbing reports, measurers who often "measure" progress in a direction very remote from the strategic direction of the organization.

CSFs identify the issues that determine an organization's health and vitality. When you first investigate CSFs, you may come up with 10–15 issues that can be argued as being critical for the continued health of the organization. The second phase of thinning them down is relatively easy, as the more important CSFs have a broader influence, impacting many success factors. Better practice suggests that there should be only between five and eight critical success factors.

Once you have the right CSFs, finding the KPIs is much easier, as they will reside within these CSF factors. This process is explained in detail in Chapter 7.

Benefit of This Action

Ascertaining the organization's CSFs is the El Dorado of management. It will have a profound impact on staff members, as for the first time they will know what their focus should be on a daily basis. It will also help link daily activities to strategy and improve all forms of performance reporting.

Lesson 5: Follow the 10/80/10 Rule

Many balanced scorecards fail because the wrong measures are used. In such exercises, all their measures are called KPIs. I argue that many organizations are not working with their true KPIs, measures with special characteristics that were discussed in Chapter 1.

Kaplan and Norton[4] recommend no more than 20 KPIs. Hope and Fraser[5] suggest fewer than 10 KPIs. The 10/80/10 rule is a good guide: 10 KRIs, up to 80 RIs and PIs, and 10 KPIs.

The KPI project team need to have a good understanding of the characteristics of KRIs, RIs, PIs, and KPIs and be able to distinguish between them. One important role for the KPI project team is to educate all relevant staff on these differences.

Many organizations call every measure a KPI and end up with over 200, which will create confusion rather than clarity. All leading writers are saying the same thing: "Less is better."

Many consultants, authors, and managers confuse result indicators with KPIs. Sales, net profit, customer satisfaction, and return on capital employed are not KPIs, as they are a result of many events occurring. These examples are *KRIs*, as they are measures that give a clear picture of whether you are traveling in the right direction. If a problem exists, they show it, but they will not tell you what you need to do to correct it. KRIs provide useful information to the board of directors, which should not be involved in day-to-day management.

The KPIs lie several layers beneath the KRIs. The KPIs connect the "workface" to the chief executive officer (CEO). During the day or every morning, CEOs working with KPIs are contacting people directly, asking for explanations or giving recognition of their success. Not all teams will have KPIs, as they cannot influence them. These teams will have RIs and PIs. It is important to note that the 10/80/10 is for the whole organization and is repeated if you have totally separate, unrelated businesses (e.g., manufacturing umbrellas and ice cream).

Benefit of This Action

The KPI team will immediately focus on the end product (the 10/80/10) and not try to identify 80 KPIs in 200-odd performance measures.

Lesson 6: "Just Do It"

The exact structure of the KRIs, RIs, PIs, and KPIs is rarely right the first time. Kaplan and Norton agree with Nike and say, "Just do it." The SMT and KPI project team need to ensure that the project culture is a "just do it" culture. It is important to ensure that the project team first reads the key reference books set out in Chapter 6.

A "just do it" culture means that the team will not have to rely on external experts to run the project. Progressive CEOs are wary of large projects managed by staff sourced from expensive international consulting firms. The past decades are littered with six- or seven-figure consulting assignments that have not delivered on the value expectations. A "just do it" culture brings the belief that the KPI project team can do it. The external project facilitator's role is to ensure that the project team members remain confident (but not overconfident) and have picked up all the required skills they will need (e.g., delivering persuasive KPI presentations) and understand all the templates available with this KPI book.

Benefit of This Action

The project will be protected against procrastination and have a good chance of implementing the KPIs within a 16–20-week period.

Lesson 7: Use Existing Systems for the First 12 Months

The project team should promote the use of existing in-house applications, such as Microsoft's Excel, PowerPoint, Teams, Access, and OneNote for the collection and reporting of the performance measures for at least the first 12 months.

The reason for the delay is because all the balanced scorecard–based applications will be inconsistent with this methodology and it will take the KPI team time to understand the differences.

The organization's intranet software will be of great assistance as these applications will help the team set up its intranet website so that anyone interested in the development of performance measures can obtain access and contribute. Such applications can provide preformatted lists with expiration dates to keep announcements current and a place to collaborate on the development of KPI documentation and reports in real time.

The team will need to update the KPI intranet site frequently themselves. Updating is too important to be left to a systems administrator who is not part of the KPI project.

Benefit of This Action

Focusing on an immediate solution using existing in-house software will avoid compromising the KPI project time scales by delays in pre-purchase assessments, purchasing, and implementing a new system.

Lesson 8: Trap All Performance Measures, Both Existing and New, in a Database and Make Them Available to All Teams

During the 16 weeks, a number of performance measures will be found that, while not in the top 10 KPIs, still are highly relevant to business unit and service teams. The project team needs to establish a database to record these measures and communicate them through a KPI intranet home page. The fields for the database are discussed in Chapter 9.

The database should show not only all the current teams' measures but also any discarded measures. The project team can then help the teams, business units, and divisions with consistency and completeness (e.g., one measure devised by one team can and should be used by others, where appropriate).

During the project, it is important that the project team purge the database on a regular basis to eliminate duplication and ensure consistency (e.g., the KPI team can suggest to one team, "You might like to look at measure Y as teams A, B, and C are choosing to use it").

Benefit of This Action

This action will create a comprehensive and user-friendly resource for all.

Lesson 9: KPI Reporting Formats Should Follow the Guidelines of the Data Visualization Experts

Data visualization is an area that is growing in importance. No longer is it appropriate for us to dream up report formats based on what looks good to our eyes. There is a science behind what makes data displays work. The expert in this field is Stephen Few.

Stephen Few has written the top three best-selling books on Amazon in this field. I recommend that the SMT leave the design of the reporting formats (24/7, daily, weekly, and monthly reports) to the KPI team, trusting in their judgment. The SMT should tell the KPI project team that they will be happy to live with their formats. The key is to seek agreement that suggested modifications to the new formats will be recorded and looked into at the end of the agreed review period. It will come as no surprise that many suggested modifications will not stand the test of time.

The KPI project team should make good use of the reporting templates provided in Chapter 10 before attempting to develop any of their own.

Benefit of This Action

Understand Stephen Few's views and you will improve your reporting of information, its attractiveness, and its ability to stimulate action.

Lesson 10: Embracing Peter Drucker's Abandonment Rule

Of all Peter Drucker's legendary insights, "abandonment" stands head and shoulders above them all. Drucker saw abandonment as the vital source, the fountain of innovation. Abandonment is a sign that management is recognizing that some initiatives will never work as intended and it is better to face this reality sooner rather than later. It is essential that the organization have freed up enough time to give the KPI project the time and commitment it deserves.

I believe that this is so important that it has become one of the seven foundation stones of the winning KPI methodology. Organizations need to:

1. Create an abandonment day each month during which teams report on what they intend to abandon. Other teams have 24 hours to appeal the abandonment.
2. Make heroes of the teams who embrace abandonment the most.
3. Trap all existing measures in the performance measures database so that broken and out-of-date measures can be disbanded.
4. Abandon performance reports that are completed the same way they were last month and the month before, with nobody reading them.
5. Abandon performance review meetings that have become a ritual, held because they were held last week and last month, and yet the action points are never cleared.
6. Abandon the existing balanced scorecard if it is not working.
7. Abandon linking KPIs to performance-related pay, as discussed in the Introduction and Chapter 2.