

KPI Selection & Design

Making Sure Your KPIs Count

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academy
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Is it possible to create a universal, simple method for designing KPIs for *any* organisation?

MOTIVE

PRO Services
Services Pro

Lumber

15

14

Starting
\$79

LIVE
POWER TOOL
DEMOS

RYOBI ONE+
BRUSHLESS
HAMMER DRILL/DRIVER KIT

LIVE
POWER TOOL
DEMOS

Blue
DEF

STEALTH
FORCE

Building
Materials

Building
Materials

Ladders
Attic Stairs

Starting At
\$4.97

FREE
SECOND BATTERY
FLEXVOLT POWER OF CHOICE

99

299

79

99

299

99

299

99

299

99

20V

SAVINGS

SAVINGS

SAVINGS

SAVINGS

Results-Orientated KPI System

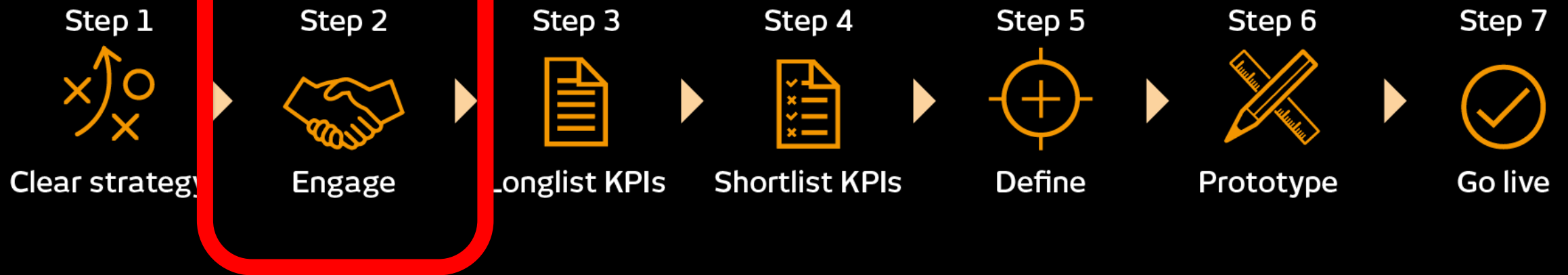


ROKS[®]



A word of warning on strategy...





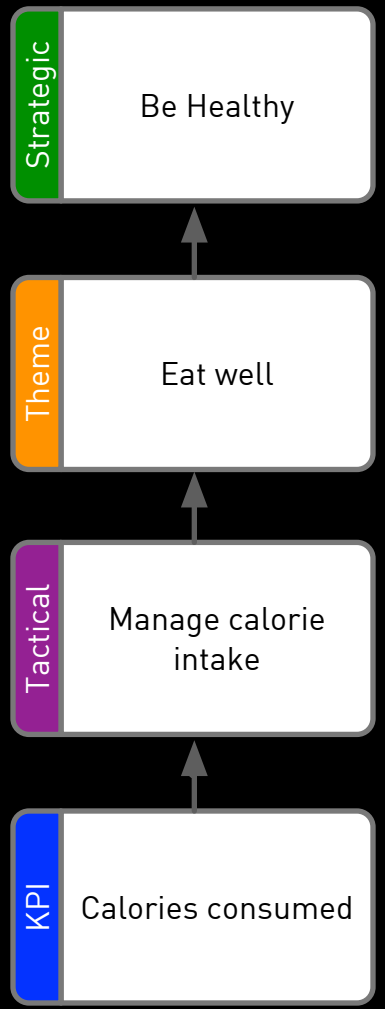


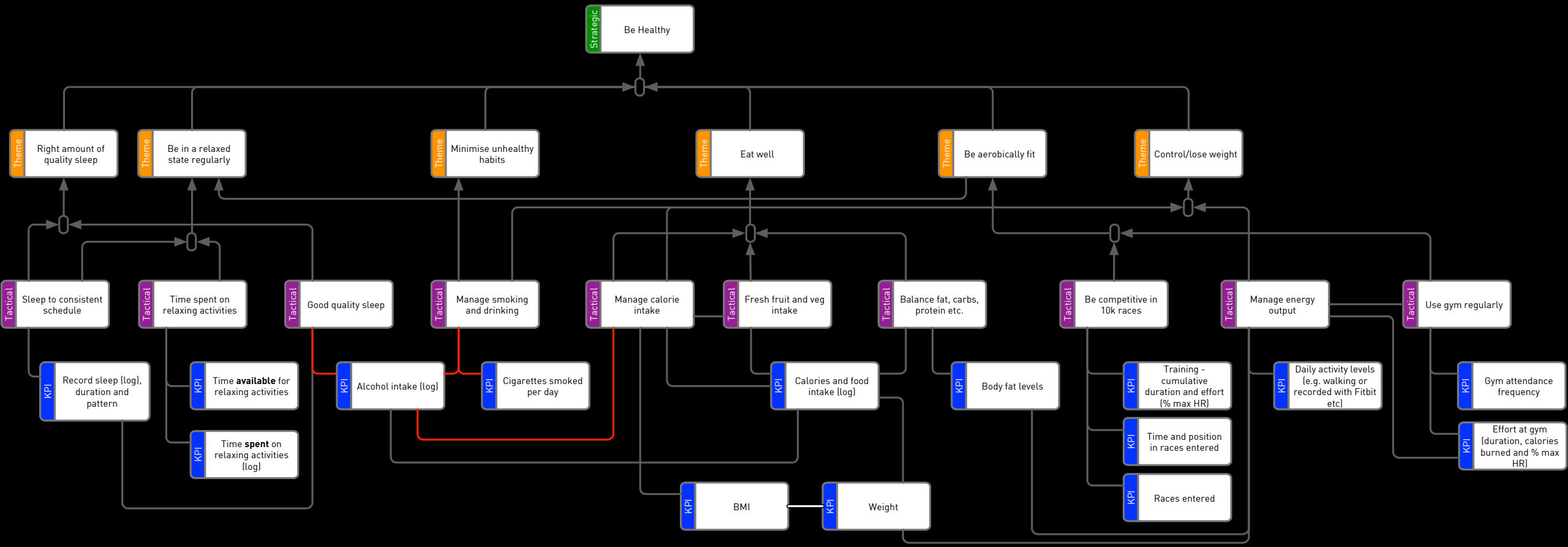
Engagement

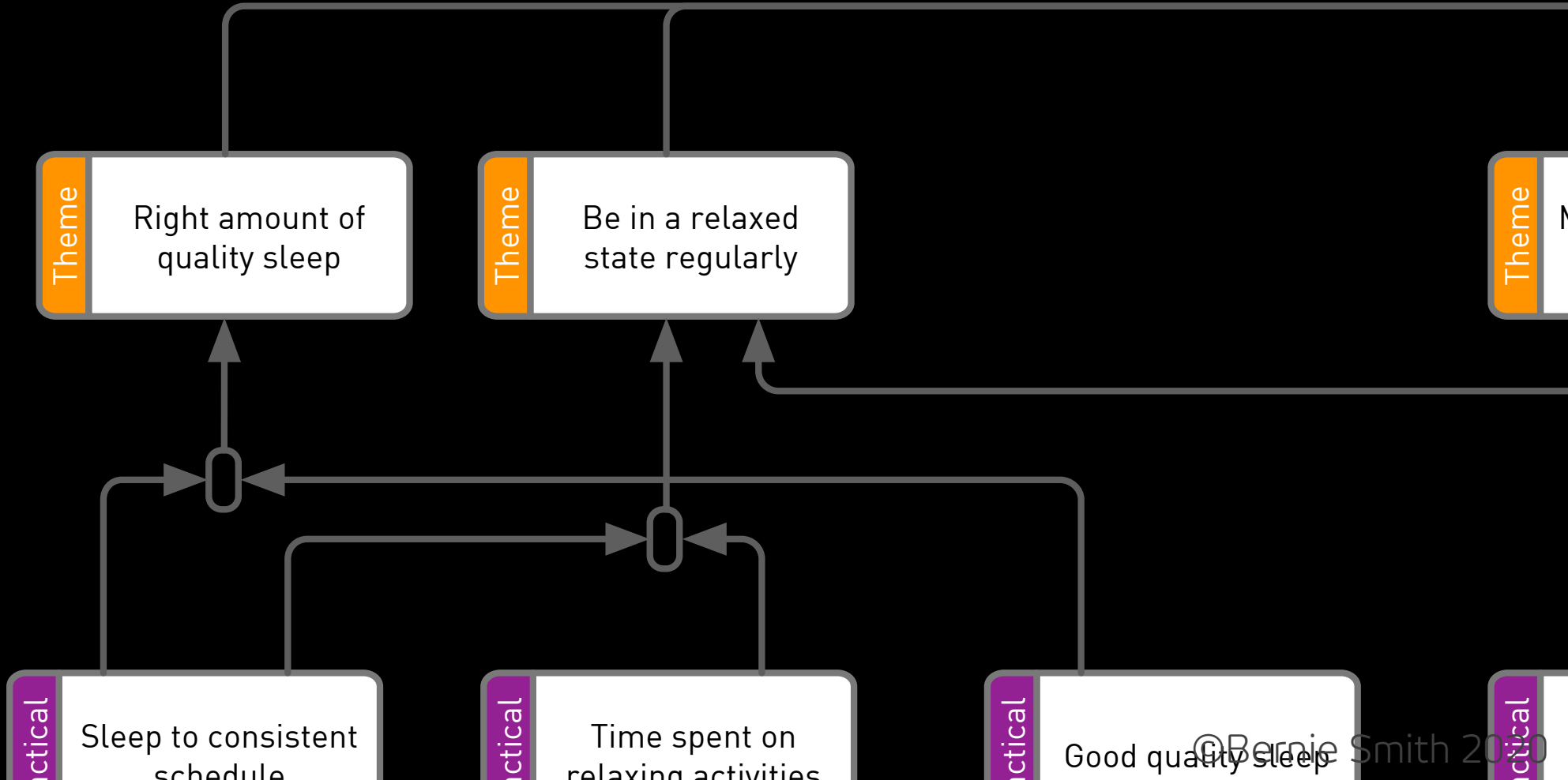
- Identify who needs to be involved
- Assess level and type of involvement
- Engage the team as early as possible

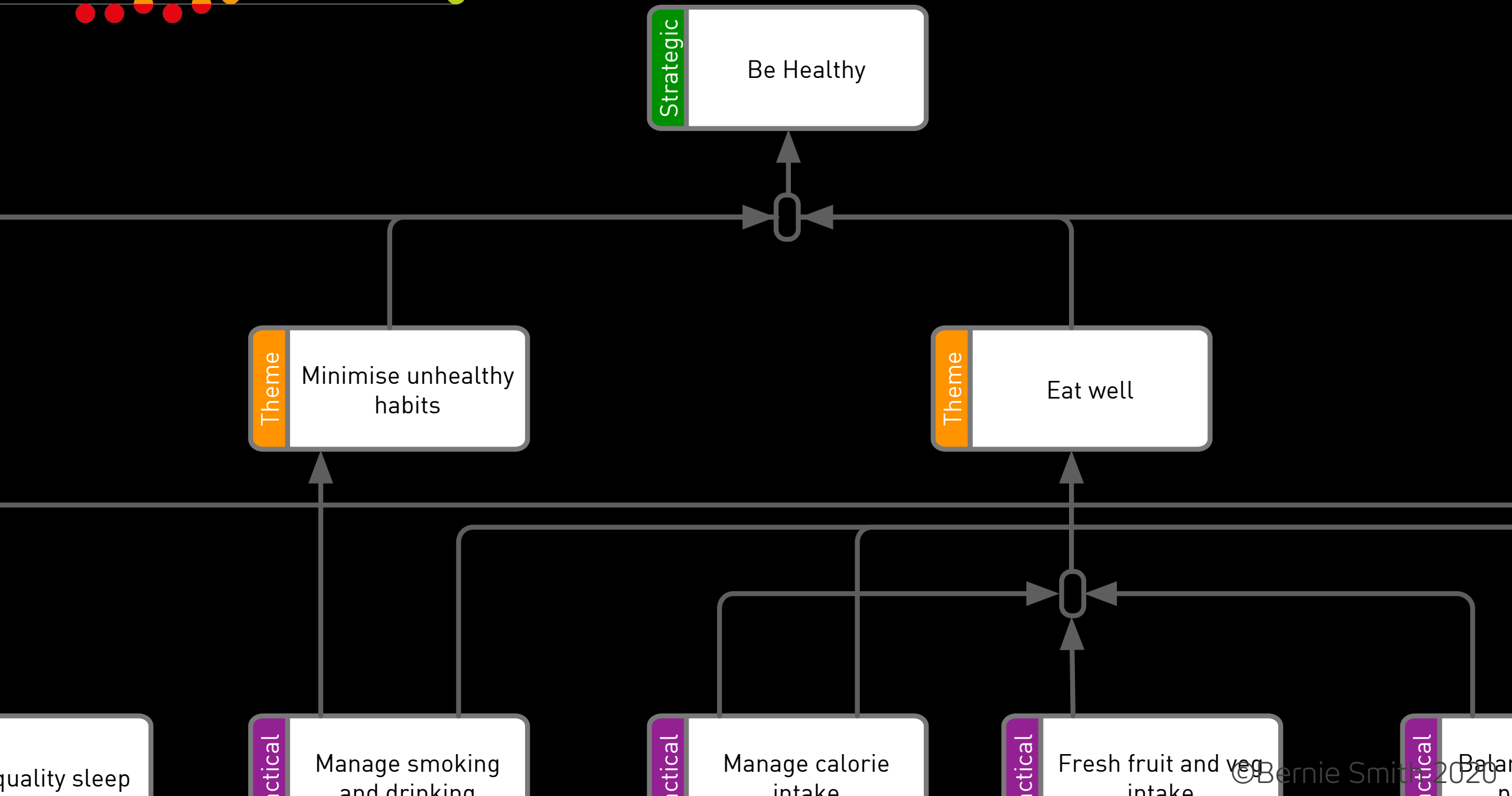


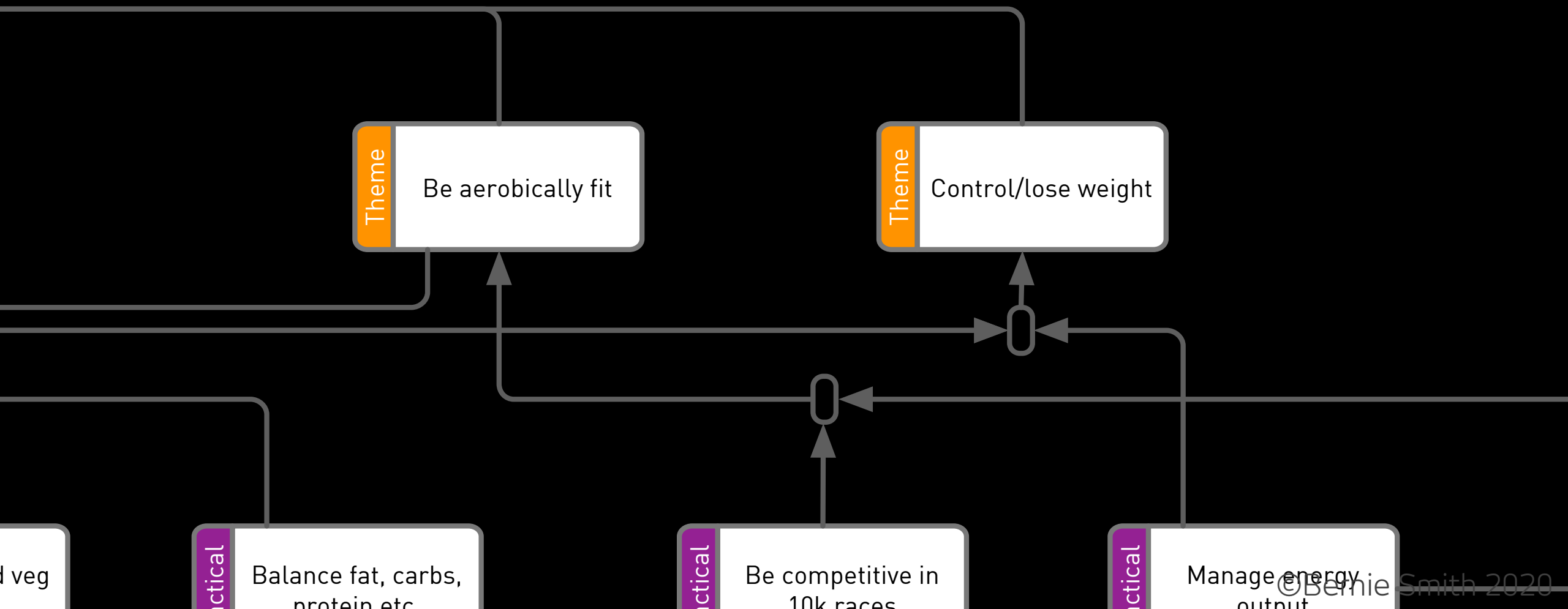
'Be Healthy' KPI Tree



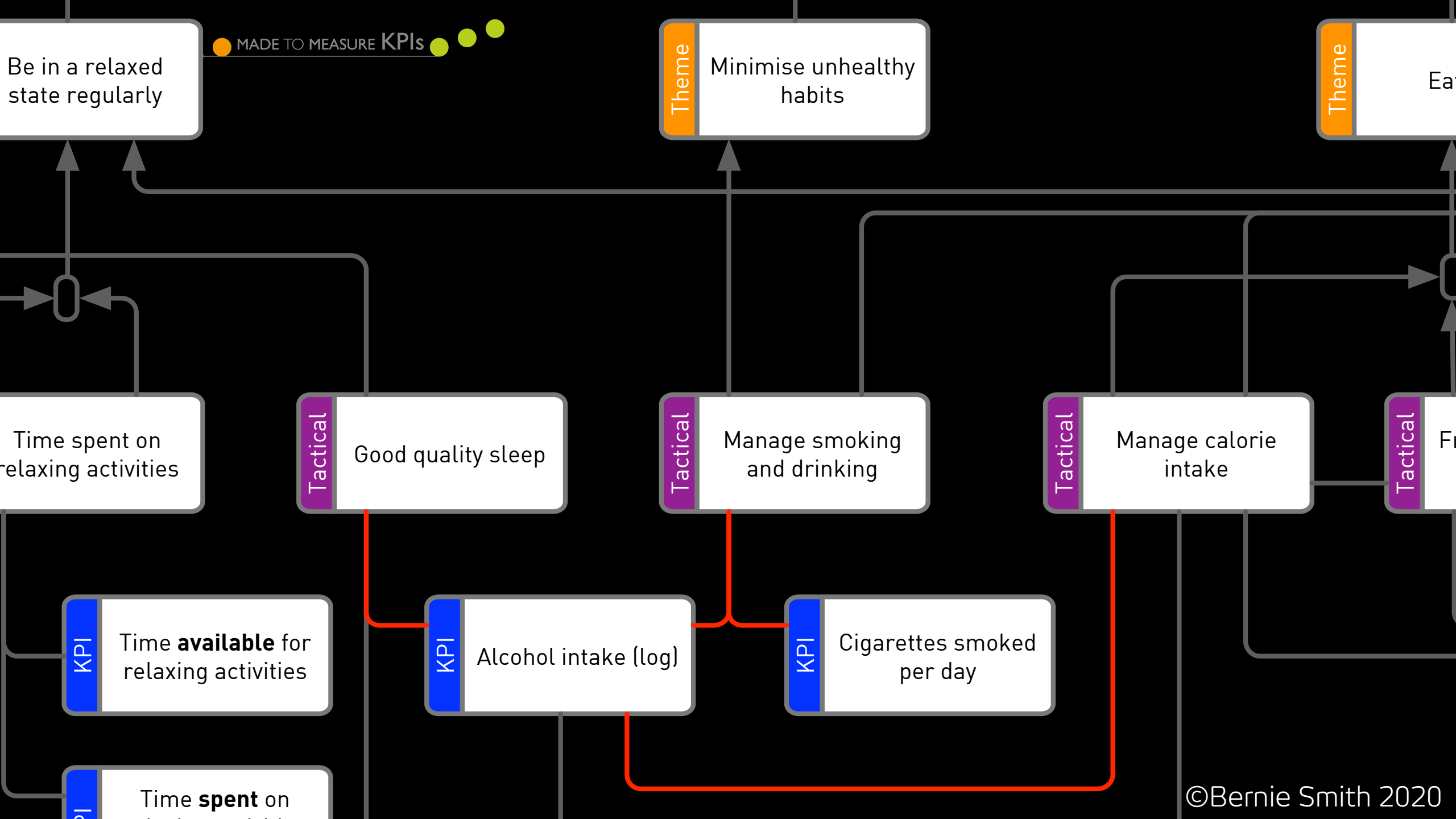








MADE TO MEASURE KPIs



Be in a relaxed state regularly

Theme: Minimise unhealthy habits

Theme: Eat

Tactical: Time spent on relaxing activities

Tactical: Good quality sleep

Tactical: Manage smoking and drinking

Tactical: Manage calorie intake

Tactical: Fr...

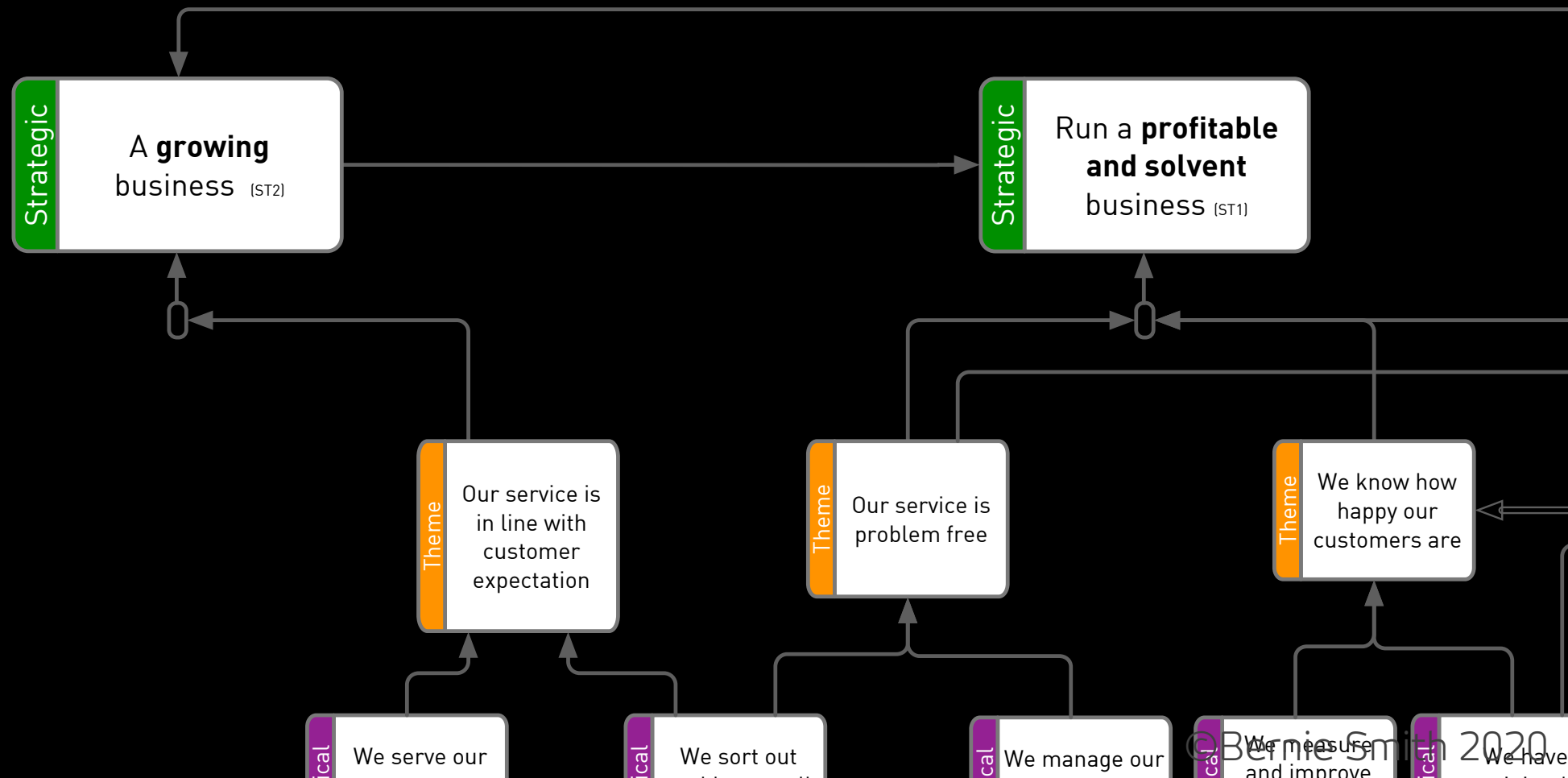
KPI: Time **available** for relaxing activities

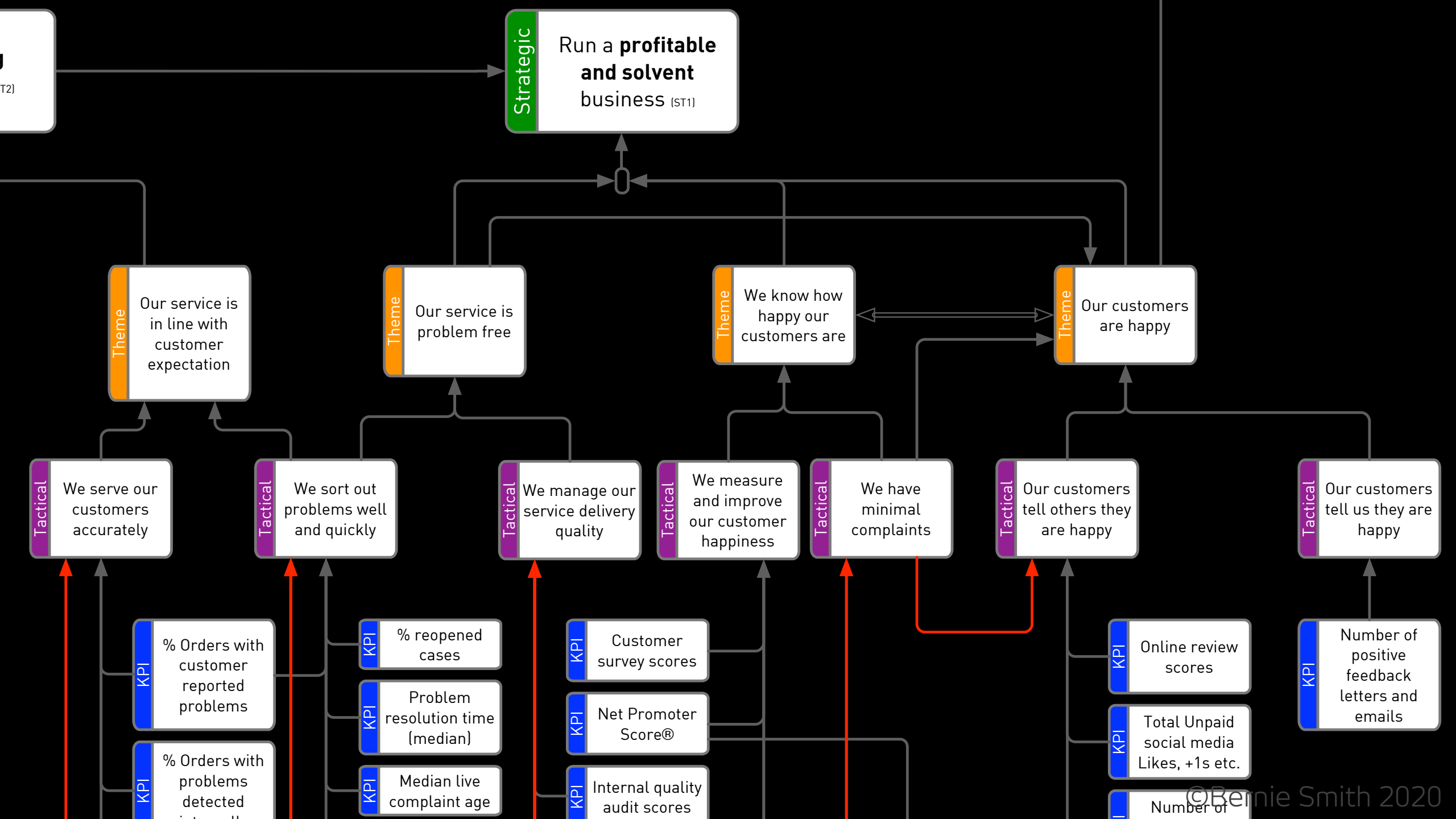
KPI: Alcohol intake (log)

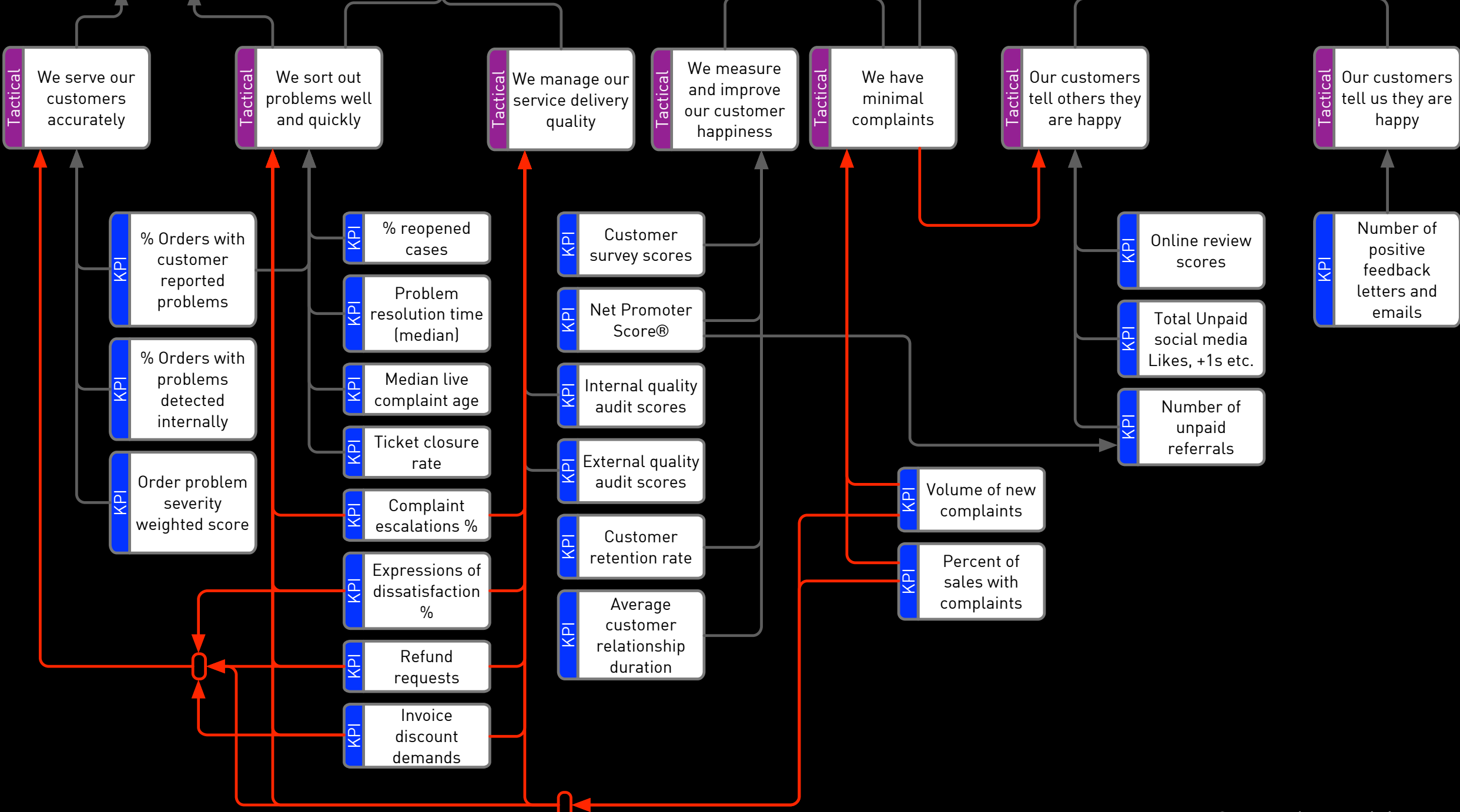
KPI: Cigarettes smoked per day

KPI: Time **spent** on relaxing activities

Service Quality KPI Tree







Strategic
Run a profitable and solvent business (S1)

Profitable

Solvent

Theme
Maximise income

Theme
Optimise costs

Theme
Maximise profit

Theme
Manage assets

Theme
Manage liabilities

Tactical
Income

Tactical
Manage controllable (variable) costs

Tactical
Manage non-controllable (fixed) costs

Tactical
Manage depreciation

Tactical
Maximise individual product/service profit margins

Tactical
Maximise sales volumes (S1)

Tactical
Manage inventory (stock)

Tactical
Minimise the amount owed to me

Tactical
Manage the amount I owe

Tactical
Manage owed and due tax

- KPI** Invoiced amount in period
- KPI** Cash receipts in period
- KPI** Average days to issue invoice

- KPI** Total cost of good sold
 - KPI** Raw materials
 - KPI** Packaging
- KPI** Total controllable costs
 - KPI** Overtime
 - KPI** Energy
 - KPI** Waste disposal

- KPI** Total non-controllable costs
 - Itemised non-controllable cost examples**
 - KPI** Salaries
 - KPI** Rent
 - KPI** Insurance
 - KPI** Accounting and legal
 - KPI** Permits and licenses
 - KPI** Property tax

- KPI** Total costs
- KPI** Depreciation

- KPI** Net profit
- KPI** Gross profit
- KPI** Gross profit percentage split
- KPI** Gross profit per unit product/service

- KPI** Cost of inventory
- KPI** Inventory turn ratio
- KPI** Cash in bank
- KPI** Total assets
- KPI** Working capital ratio

- KPI** Working capital
- KPI** Total accounts receivable
- KPI** Debt ratio
- KPI** Average debtor days

- KPI** Total liabilities
- KPI** Total accounts payable
- KPI** Tax forecast
- KPI** Tax owed

KPI Trees...

1. Explain a complex situation visually
2. Help build agreement
3. Align plans top-to-bottom
4. Show how measures *interact*
5. Produce too many KPIs

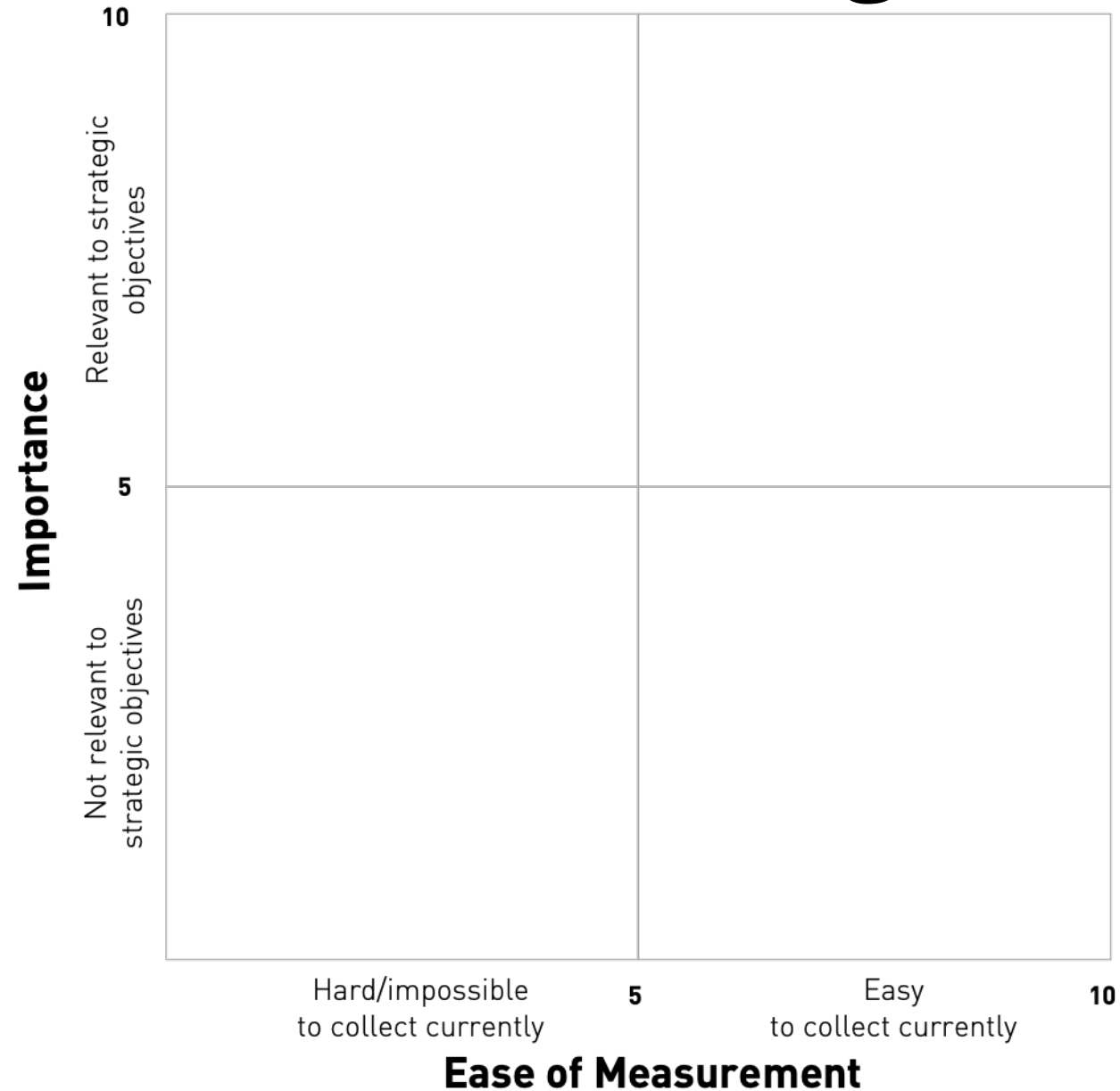
Step 4: Shortlisting



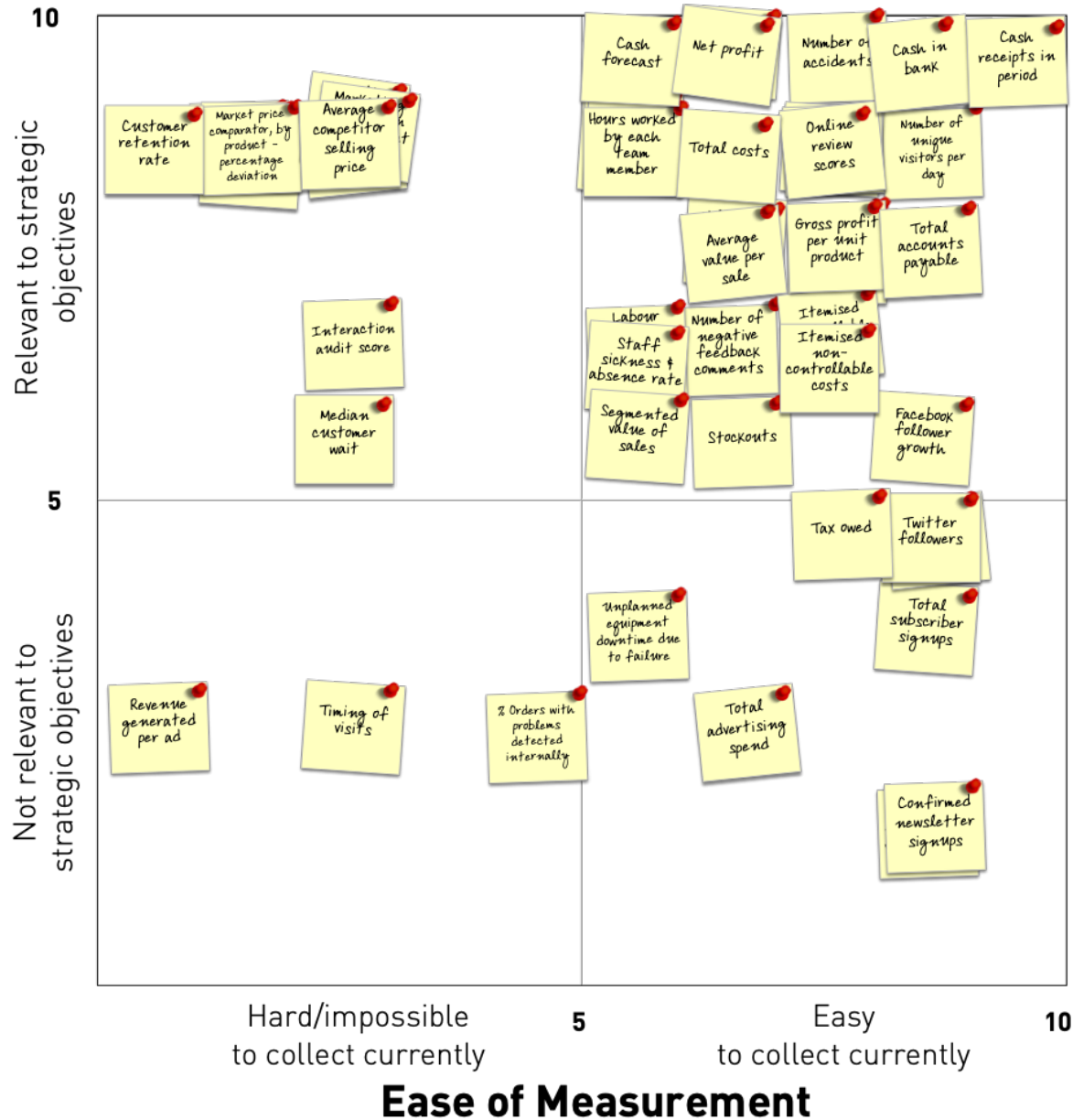
How to shorten our list of KPIs



The KPI Shortlisting Matrix



Importance



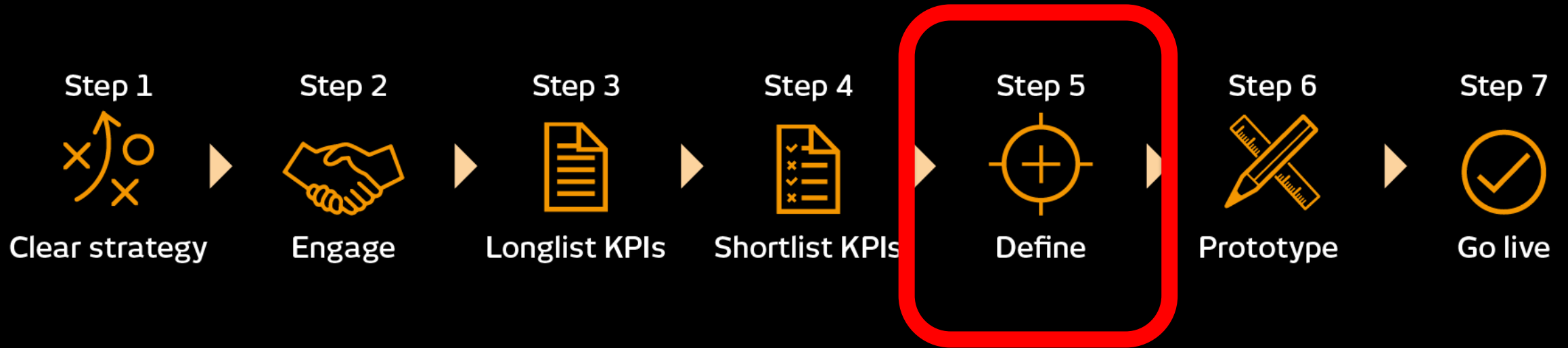
- ✓ FI: Finance
- ✓ SI: Sales value, activity and results
 - Total value of sales *Eliminated*
 - Average order value by customer *Eliminated*
- ✓ S5: Sales - Pricing
- ✓ S6: Advertising and PPC
- ✓ Q1: Service quality
- ✓ O5: Efficiency
- ✓ O6: Procurement
- ✓ R3: Service R&D
 - Number of new improved service ideas tested *Eliminated*
- ✓ T1: Business premises
- ✓ T2: Stock
- ✓ C2: Perishable goods
- ✓ M1: Public reviews
 - Online review site scores - average *Eliminated*
- ✓ M2: Footfall
- ✓ M3: Web marketing
 - Total number of shares by social platform *Eliminated*
- ✓ C1: Live customers waiting
- ✓ H1: Health and safety
- ✓ Sector specific

Step 4: Shortlisting

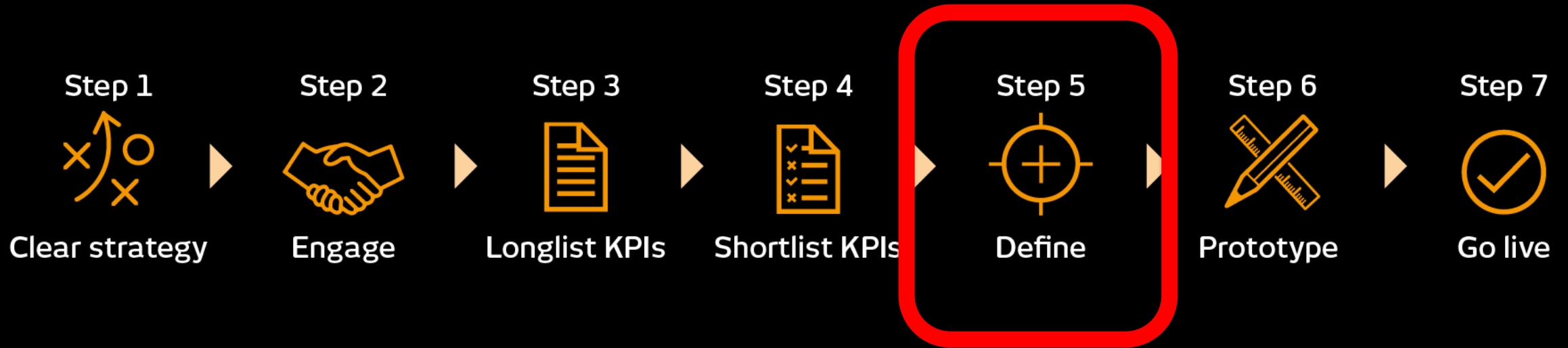


- Structured
- Gives us justification for **not** measuring
- Natural roadmap for KPI development

Step 5: Define



Step 5: Define















ROKS™ KPI Canvas

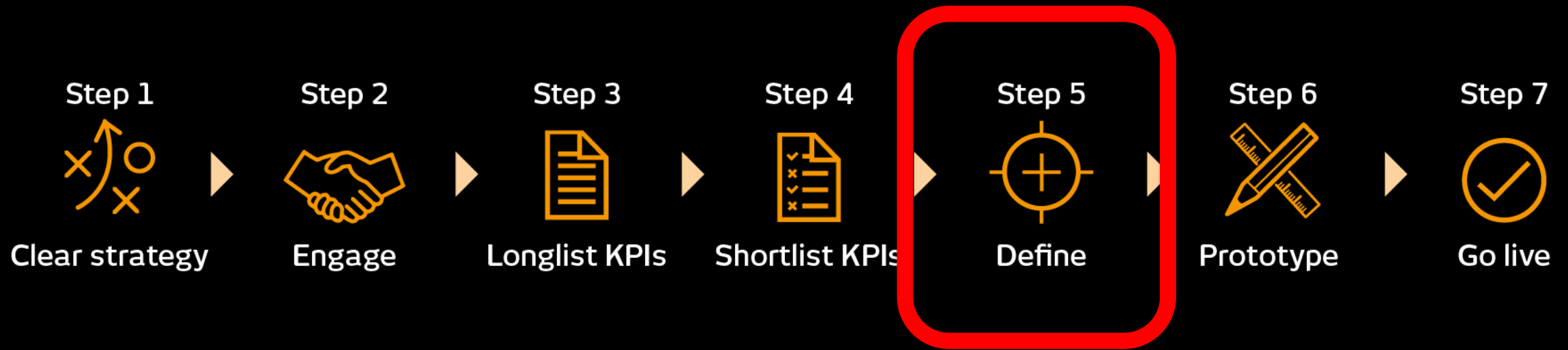
madetomeasureKPIs.com



Designed by:	Designed for:	Date	Version
<p> KPI Name</p>	<p> Definition or Formula If there's any calculation, how is the measure worked out? What is and is not included in the values used?</p>	<p> Targets What score do we want to achieve? (If we know at this stage)</p>	
<p> Purpose Why we should measure this?</p>		<p> Target Outcomes What will achieving the target deliver?</p>	
<p> Customers Who will use this KPI?</p>	<p> Production Resources What resources are needed to produce the KPI and reports?</p>	<p> Production Cost What is the cost of implementing and producing this KPI?</p>	
<p> Data Sources Where will the KPI data come from?</p>	<p> Problems and Errors What are the known issues with KPI production & accuracy?</p>		



Step 5: Define and Document *KPIs*



- Nail down precise definitions
- Manage definitions carefully
- Create user guides and cheat sheets

Step 6: Prototyping





Is it possible to create a universal, simple method for designing KPIs for *any* organisation?

Welcome to Made to Measure KPIs

madetomeasurekpis.com

MADE TO MEASURE KPIs
WITH BERNIE SMITH

Start here | KPI Shop | KPI Definitions | KPI Advice | KPI Tools and Training | Contact Bernie

CHOOSE THE RIGHT KPIs ACHIEVE YOUR GOALS

You are on the right site if you need to...

- Set up new measures, KPIs or metrics
- Improve your business or organisation through measurement
- Create clear, easy to understand, reports or dashboards

Creating good measures isn't easy but it doesn't have to be complicated. I share a lot of my material for free, but if you want the whole story in a convenient format then I suggest you have a look at my books, [KPI Checklists](#), [Getting Started with KPIs](#) and [Brilliant Excel Dashboards](#).

Don't forget, there's a human behind this web site, so don't be shy about getting in touch.

Bernie

BARCLAYS | LLOYDS BANK | UBS | CREDIT SUISSE | TESCO Bank | AIRBUS | HSBC | RBS | AirTanker

READER FAVORITES FROM THE BLOG

- BUSINESS KPIs 101**
NEED KPIs FOR YOUR BUSINESS? THIS IS HOW!
BRILLIANT RESOURCES TO GET YOU GOING WITH KEY PERFORMANCE INDICATORS
- FREE EXCEL DASHBOARD TEMPLATES**
EXCEL DASHBOARD TEMPLATES TO SAVE YOU TIME AND MAKE YOU LOOK LIKE A STAR
- HOW TO BUILD A KPI TREE**
TURN YOUR STRATEGY INTO MEANINGFUL KPIs VISUALLY

W... KPIs | ULTIMATE | LIVE KPI ADVICE

Taking this further

<https://madetomeasurekpis.com>



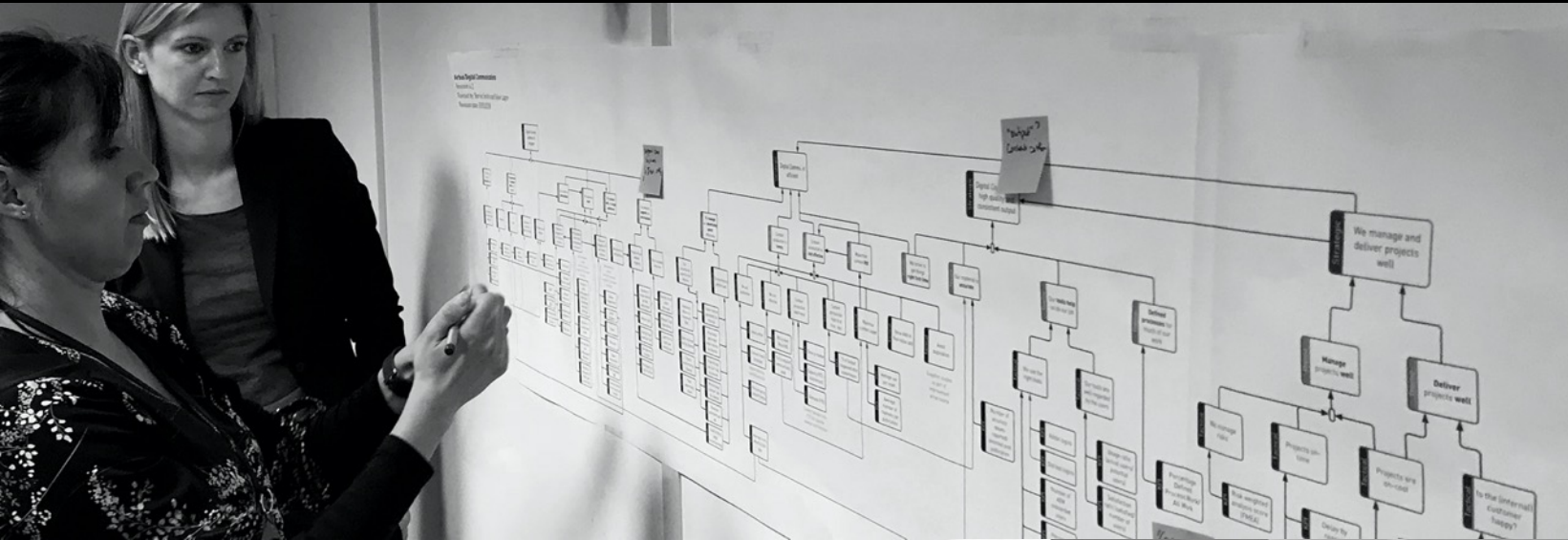
More about the
ROKS approach...





Questions...

Hands-on help



bernie@madetomeasureKPIs.com



Thank you!

bernie@madetomeasureKPIs.com