

# How to Create Impactful KPIs

## That actually move your Organization forward!

*The Office*, a mockumentary tv show about a fictional paper company in Scranton Pennsylvania, is about as unproductive a workplace as you could imagine. Despite their best efforts to earn commission, the sales team at Dunder Mifflin is distracted at every turn by their manager, Michael Scott, and the general chaos of a hilarious mix of office personalities.



Although the sales team managed to keep Dunder Mifflin afloat for many seasons in an increasingly paperless world, Michael Scott and his team might have managed to bring in a few more dollars if they'd had a better handle on their team productivity.

*(Though we admit it wouldn't have been nearly as funny!)*

Using Key Performance Indicators (KPIs), metrics that help track progress towards goals, could have been a great first step. Creating these initial metrics would take some thought, as KPIs that aren't specific enough to be actioned on or drive to the wrong outcomes can end up doing more harm than good.

### For example...

Suppose Michael created a KPI for tracking the number of leads contacted per salesperson and set an incentive for the winner. His intention was to widen their sales funnel with the hope of bringing in more sales.

What he didn't account for in his metric, however, was the quality of leads brought in. Spending time in conversations with people who weren't likely to buy paper would be a waste of time for the sales team and wouldn't have ended up increasing productivity or sales.

Tracking the number of qualified leads using specific criteria would have been a more effective metric.

## So, what should we consider?

When looking to create new KPIs or evaluate those that already exist, there are several things to consider. At Focus Further Solutions, we consider these key elements when selecting KPIs:



**SMART principles**



Able to drive the right **BEHAVIOUR** within the organisation



**COMPLEXITY** of both collecting and actioning



Clear **OWNERSHIP**



**OBJECTIVE** vs **SUBJECTIVE** metrics  
- a combination works best!



**SMART** is an acronym that stands for Specific, Measurable, Achievable, Relevant, and Timely. Ensuring your metrics are SMART will help you to clearly define what success looks like for your organisation, keeping everyone on track and focused on your goals.

## SPECIFIC

Lay out a clear description of what you're looking to achieve and create a precise target to aim for. Also consider whether the data needs to be broken down into smaller segments, such as by department or location.

## MEASURABLE

Without the ability to measure success, it's difficult to know whether your goal was reached or how close you came to the target. Instead of "sell more paper", try "increase the quantity of paper sold by 10%".

## ACHIEVABLE

Your goals should walk the line between being challenging for your team, but not so far from your current level that not meeting them will be discouraging.

## RELEVANT

Ensure your goals are aligned with a broader vision. Why will achieving success with this metric be important to the organisation?

## TIMELY

Set a timeframe for accomplishing your goal. Establishing parameters for your efforts will help keep your team engaged and moving forward.



Driving the right **BEHAVIOUR** keeps your team focused on an outcome instead of being caught up in a short-term activity.

Customer Satisfaction (CSAT) or Net Promoter Score (NPS) have been a common metric collected through surveying customers. The goal of this activity is to understand how customers feel about different aspects of their experience. To encourage positive results, many organizations attached financial incentives to improving survey scores. At times, incentives were tied ONLY to the customer score.

While being customer focused is admirable; attaching a financial reward to higher scores often results in 'gaming' the results rather than focusing on improving the customer experience.



**COMPLEXITY** is another element to consider when it comes to implementing KPIs. Simple metrics make what you're striving towards obvious without a lot of explanation, prevent time being wasted, and limit confusion. Complexity can arise in a variety of forms:

- *Implementation complexity* can stem from manual or time-consuming data that may require multiple collection points or the involvement of many people. Since strategic KPIs are often reported on a quarterly basis, metrics meeting these criteria may not merit the effort involved and should be collected less frequently.
- Additionally, complexity stemming from the interpretation of a metric can also hinder adoption and create more questions. Ensure early on that the calculation method is agreed upon and understood by all stakeholders.



When it's time to action on a metric, clear **OWNERSHIP** is essential. Without explicitly stating who needs to take the lead, initiatives can often fall flat. By assigning owners, you're not only creating accountability but also encouraging your team(s) to engage in activities that will bring everyone closer to their goals.

The team or individuals responsible for acting should be assigned and included early in the process. Their feedback and perspective can offer valuable insights when creating KPIs and encourage lasting collaboration. Metrics that are not meaningful to this group or reflective of their authority will likely be ignored.



Another important consideration when creating effective KPIs is ensuring there is a combination of **OBJECTIVE** and **SUBJECTIVE** measures.

**Objective measures** are quantifiable and free from opinion and bias. Examples include tactical metrics like customer acquisition, employee retention.

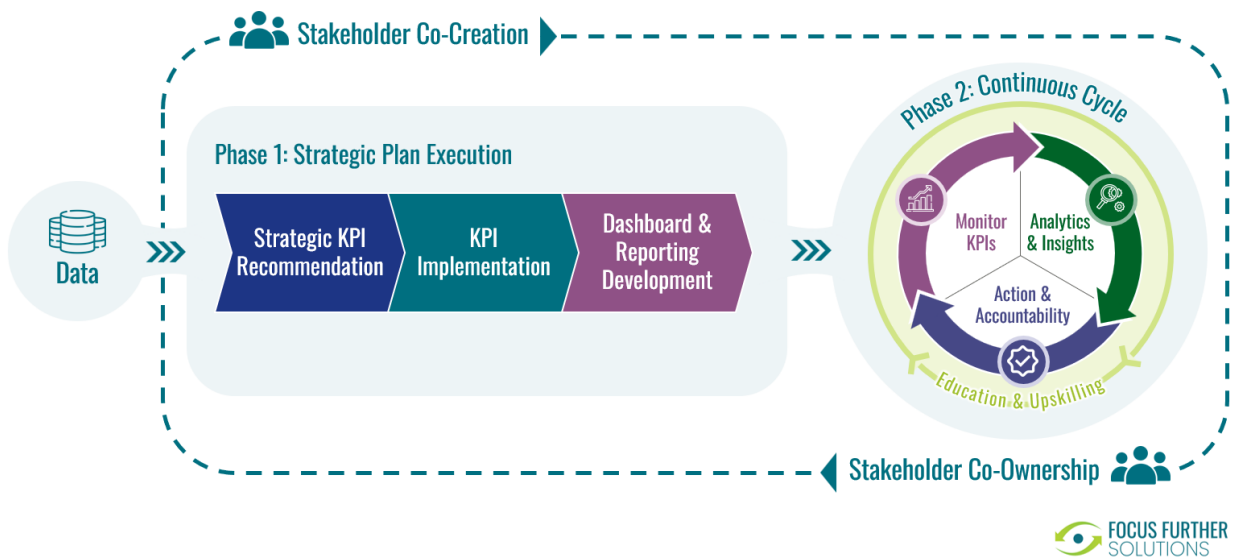
**Subjective measures** on the other hand help us measure individual experiences that would otherwise not be quantified in an objective way. Common examples include customer feedback or employee engagement scores.

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Even though new episodes of *The Office* are a thing of the past, the fundamental benefits of creating effective KPIs are as helpful now as they would have been then. To us, continuing to employ these considerations when creating KPIs is as inevitable as continuing to stream our favourite comfort TV.

Creating impactful KPIs is an essential part of building a data-informed strategy. This tangible approach brings your strategic plan or organizational goals to life and initiates a continuous loop of analytics and action.

## Data-Informed Strategy Approach



## READY TO LEARN MORE?

There's a learning curve to developing a data-informed culture. Focus Further Solutions can help guide you through the process of creating a data-informed strategy for your organization.



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