

## PERFORMANCE METRICS VS. PERFORMANCE PREDICTORS (LAGGING INDICATORS VS. LEADING INDICATORS)

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### Example: Difference Between Leading and Lagging Indicators

Your personal goal is weight control. Your weight (in kg) is a leading lagging indicator, which is easy to measure using a weighing scale weekly. The crux lies in knowing, during the week, if you are en route to reaching your goal. For weight control, there are two “leading” indicators:

- Calories input
- Calories burned

It is relatively easy to influence the two leading indicators, but these are difficult to measure. If you succeed in measuring these leading indicators, you will get to know whether you will gain or lose weight by the end of the week. Leading indicators predict your performance and are most often related to activities, instead of an outcome, such as losing weight.

**Disclaimer:** Although easy to influence, reaching the goal (weight loss) is a lot harder as many people around the world will be able to testify.

Let's try to understand this example from a business perspective. Most financial indicators, such as revenue, profit, and costs, are “lagging indicators.” These are the results of the activities of the company.

Let's imagine you are managing an IT outsourcing company, and your goal is to be compliant with the SLAs you agreed upon with your customers. For instance, the maximum allowed time to resolve high priority incidents is 48 hours. The output is easy to measure - solving the incidents in 48 hours. How do you influence the outcome? What are the activities you must undertake to achieve the desired outcome?

For instance, ensure staff starts working on incidents immediately and are assigned to the right people with the right skill set. Avoid overloading these people with other work. The “leading” indicators in this scenario can be:

- % of incidents did not work for 2 hours
- % of open incidents older than 1 day
- % of incidents dispatched more than 3 times
- An average backlog of incidents per agent

Go through the Web link <https://kpilibrary.com/topics/lagging-and-leading-indicators> for more information on lagging and leading indicators.