<https://www.balancedscorecard.org/Resources/Performance-Measures-KPIs>

**What is a Key Performance Indicator (KPI)?**

KPI’s are performance measures that indicate progress toward a desirable outcome. Strategic KPIs monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency.

Good KPIs:

* Provide an objective way to see if strategy is working
* Offer a comparison that gauges the degree of performance change over time
* Focus employees' attention on what matters most to success
* Allow measurement of accomplishments, not just of the work that is performed
* Provide a common language for communication
* Help reduce intangible uncertainty
* Are valid, to ensure measurement of the right things
* Are verifiable, to ensure data collection accuracy

KPIs are invaluable tools for managing work towards a desired outcome. Most of us have heard some version of the standard performance measurement cliches:

* “What gets measured gets done"
* "If you don’t measure results, you can’t tell success from failure and thus you can’t claim or reward success or avoid unintentionally rewarding failure”
* "If you can’t recognize success, you can’t learn from it; if you can’t recognize failure, you can’t correct it"
* “If you can’t measure it, you can neither manage it nor improve it"

But while most executives and managers agree that the use of performance measures is a foundational element of good management, most struggle to:

* Easily find meaningful measures
* Get true buy-in to performance measurement
* Strongly align measures to strategy
* Use measures to drive improvement

These struggles are due to bad habits that, in the absence of a proper performance measurement methodology and expertise, have become common practice.

**How to Develop KPIs**

The methodologies taught in the PuMP and KPI Certification Programs were created to help organizations redesign their performance measurement process. These practical step-by-step methodologies and tools were designed to help organizations:

* Make their strategy measurable and easier to communicate and cascade
* Select and design performance measures that are far more meaningful than brainstorming or benchmarking ever can produce
* Get buy-in from staff and stakeholders to enthusiastically own performance measurement and improvement
* Bring their measures to life in a consistent way, using the right data and with the right ownership
* Design insightful and actionable reports and dashboards that focus discussion on improvement
* Clearly see the real signals from their measures about whether performance is improving or not
* Convincingly hit performance targets, and make measurement about transformation

**Steps in the process include:**  
Pre-KPI: Always begin by articulating your strategy properly. Use one of the many popular frameworks for strategy or goal setting (Balanced Scorecard, SMART, MBO, OKRs, WIGs, or other) to set objectives/goals and determine your strategy for achieving them.

KPI development steps:

* Describe the intended result(s)
* Understand alternative measures
* Select the right measurement(s) for each goal/objective
* Define composite indicators as needed
* Set targets and thresholds
* Define and document selected performance measures

Performance analysis steps:

* Select the most appropriate automation tool
* Collect and monitor performance
* Analyze and draw conclusions
* Improve performance

If you are struggling to develop meaningful performance measures, our PuMP® and KPI Professional certified consultants and trainers will guide you to uncovering the underlying business issues that are creating the demand for measures and then help you to analyze the drivers and results that provide a full picture of performance in order to inform management decision-making.

BSI consultants and trainers are experts at advanced KPI development and analysis.  If you would like to learn more about how BSI can help your organization develop strategic performance measures [contact us electronically](http://balancedscorecard.org/Contact/tabid/84/Default.aspx), or visit our [KPI Certification Program](http://balancedscorecard.org/Key-Performance-Indicator-Professional-Certification) or [PuMP Certification](http://balancedscorecard.org/CertificationTraining/CourseCatalog/PuMP/tabid/468/Default.aspx) pages.