# Notas KPIs - HBR

Organizations operate in environments defined by their key stakeholders. Consider a Hilton hotel: its key stakeholders are customers, suppliers, employees, the holding company, and the community in which it operates. The Hilton will only do well if it has strong relationships with all these stakeholders.

That’s why I tell clients that “measuring performance is measuring relationships.”

The first step, clearly, is to identify the key stakeholders of your organization or strategic business unit. Understand that your relationship with each is a two-way street, then develop measures on both sides of those relationships. In the case of employees of the main roads department, you’d choose measures of what the group wants from them, such as productivity (employee turnover is often a proxy here) and innovation. In the case of customers of the Hilton hotel, you’d choose measures of what is desired from them, such as revenue and profit margin.

On the other side of relationship, look for the factors that make your organization competitive from the stakeholder’s perspective. For employees at the main roads department, factors such as physical working conditions, pay, safety, and organizational culture matter. Hilton customers might rate the group on customer service, price, and facility quality. Look for both subjective and objective measures in all cases.

Of course, this approach yields a great many measures, but you can winnow down to the most important from that long list, knowing that you have been far more strategic in identifying them and that no important KPI has been missed. At the main roads department, I organized the 42 managers participating into groups focused on each of the six stakeholders we had identified, and they came up with an initial list of around 30 measures per stakeholder, for a total of around 180. At that point, the baton was passed to the executive team (12 people) who selected just two or three per stakeholder group to end up with a balanced list of 17 KPIs.