

# Leading indicators

## What's so KEY about your KPIs and 5 must-dos

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KPIs are in wide scale used to measure performance and progress for organizations in general and shared services specifically. As lagging indicators, KPIs are after the fact measures of average performance of a process. KPIs lack the context to provide insight into what factors cause or influence the outcome or, indeed, where the average masks a high distribution of results.

This study was conducted with over 70 shared services executives from North America, Asia and Europe. The results shows that, while KPIs are the dominant tool for performance measurement, a large percentage of organizations are struggling to translate this into performance **management**.

The key problem seems to be a disconnect between what KPIs measure and how to interpret them to improve performance. To identify actions for improvement, leading indicators are required. These leading indicators comprehend 'what might go wrong' in individual process execution and are the basis of root cause analysis and process improvement activity.

We wanted to find out what was the biggest challenge in driving performance with KPIs in their organization.



**61%** said their biggest KPI challenge was choosing the right KPIs and **17%** struggled with identifying what actions are needed to improve performance

Looking at how effectively the KPIs are working for the recipients, we asked: how good are the KPIs in your organization for what they are intended to achieve?



Only **52%** of shared services executives found their KPIs fit for purpose and **48%** found them either mediocre or bad.

KPIs drive different agendas, so we wanted to find out what was the strongest characteristic of the respondents' current KPIs.



**35%** said the strongest element of their current KPIs is that they are quantifiable and comparable.

The business world can sometimes be guilty of measuring something when it's too late to fix it. Measures used in this way are termed 'lagging indicators'. We wanted to find out what kind of indicators our respondents are using in their organization?



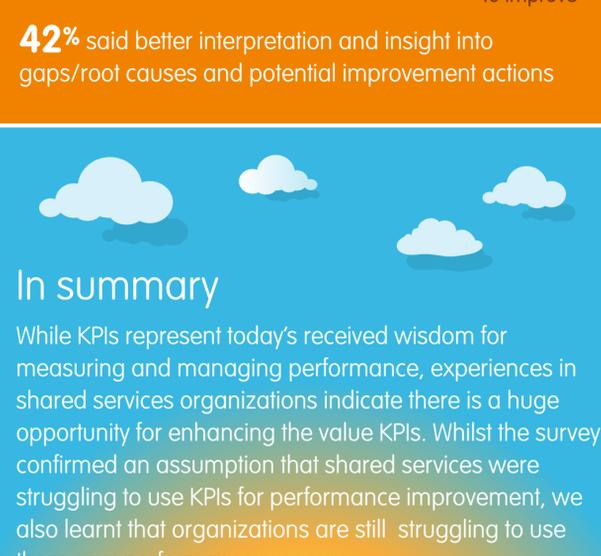
Only **8%** of respondents used a complementary set of leading and lagging indicators designed to both measure and drive performance improvement

There are certain changes that can be made to ensure KPIs work better for you. We wanted to find out what was the biggest improvement our respondents could implement in making indicators work for them.



**61%** wanted improved data analytics and the ability to expose actions for improvement

This takes us on to ask the question: what would most significantly enhance the respondents' performance management regime today?



**42%** said better interpretation and insight into gaps/root causes and potential improvement actions

### In summary

While KPIs represent today's received wisdom for measuring and managing performance, experiences in shared services organizations indicate there is a huge opportunity for enhancing the value KPIs. Whilst the survey confirmed an assumption that shared services were struggling to use KPIs for performance improvement, we also learnt that organizations are still struggling to use them as a performance measure.

**The study results, combined with our expertise, indicate that key priorities for shared services organizations must be**

- 1 Review existing KPIs and focus on key outcomes
- 2 Identify corresponding leading indicators based on exceptions that drive performance improvement actions
- 3 Ensure data analytics expose leading indicator progress
- 4 Ensure the process for analysis, insight and decision on leading indicators is agreed and transparent ([watch this video](#) for more information)
- 5 Focus on the customer and required behaviors to support change

### For more information

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