

STATE OF PERFORMANCE IMPROVEMENT AND KEY PERFORMANCE INDICATOR PRACTICE REPORT 2015



INTRODUCTION

The KPI Institute is a research institute specialised in business performance. It operates research programs in 12 practice domains ranging from strategy and KPIs to employee performance and from customer service to innovation performance. Insights are disseminated through a variety of publications, subscriptions services and through a knowledge platform available to registered members. Support in deploying these insights in practice is offered globally through training and advisory services.

The KPI Institute is considered today the global authority on Key Performance Indicators (KPIs) research and education. It developed the first KPI Management Framework and operates www.smartKPIs.com, the result of the research program dedicated to documenting and cataloguing how KPIs are used in practice, an online portal containing the largest collection of documented KPI examples.

The State of Performance Improvement and Key Performance Indicator Practice Report consists of 28 questions clustered into 4 sections, considering key aspects in performance measurement and improvement:

- ▶ **KPI Lifecycle**
analyzes the subsequent stages of the performance management cycle: KPI selection, KPI Documentation, Target setting, KPI Data gathering, KPI Reporting and Decision making.
- ▶ **Performance Improvement System**
provides insights into the structure of performance improvement systems within various companies.
- ▶ **Governance**
assesses communication and accountability in managing performance.
- ▶ **Context**
looks into the overall context associated with KPIs and performance improvement initiatives.

RESEARCH METHODOLOGY

The survey was conducted at international level, and it involved the members of the KPI Institute Community, which currently exceeds 75,000 professionals.

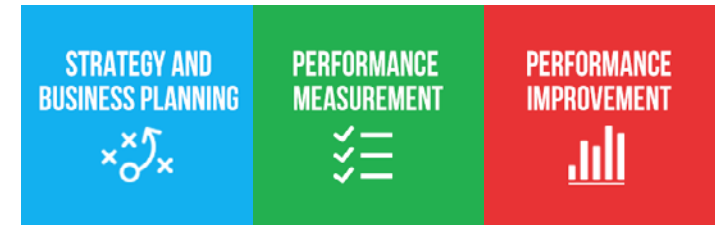
- ▶ Respondents: 391;
- ▶ Survey items: 28 topic related items + 8 demographics;
- ▶ Survey type: quantitative (administered online);
- ▶ Scaling type: LIKERT Scale measuring either positive or negative response for each statement;
- ▶ Data processing: 387 validated responses out of 391;
- ▶ Data collection: August 2015.

PRACTICE REPORT OVERVIEW

The latest trends in performance improvement indicate the establishment of Performance Management Systems in organizations worldwide. The hereby survey identifies Performance Management Systems operating mainly at operational and strategic level. The use of KPIs to improve performance as a good practice is confirmed by the positive impact of performance management on business development.

Survey respondents stated KPI selection and building a performance oriented culture as challenging aspects of performance management and performance improvement. Participants in the study highlighted the organizational culture as a factor that can either facilitate or hinder the successful implementation of a performance management system.

Although predictive analytics and data modelling are popular topics in the era of big data, only a small number of professionals claimed to extensively use predictive analytics in their day to day operations. Advanced data interpretation methods and data analysis tools seem to be rather seldom used by most professionals engaged in the survey.



KEY FINDINGS


 SECTION 1 - KPI SELECTION

Fig. 1: All KPIs are documented using a standardized documentation form

30% of respondents seem to be less familiar with standardized KPI documentation forms.



Fig. 2: KPI targets are established based on a consistent research approach informed by internal and external sources of the evaluated entity

33% of professionals seem to understand the importance of researching both internal and external sources of information, as they extensively rely on this practice in identifying the right targets.

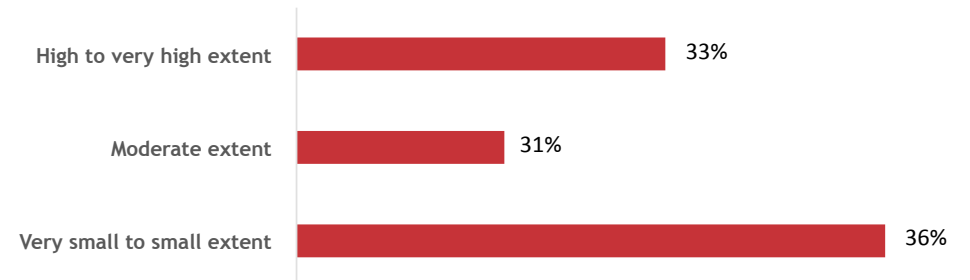
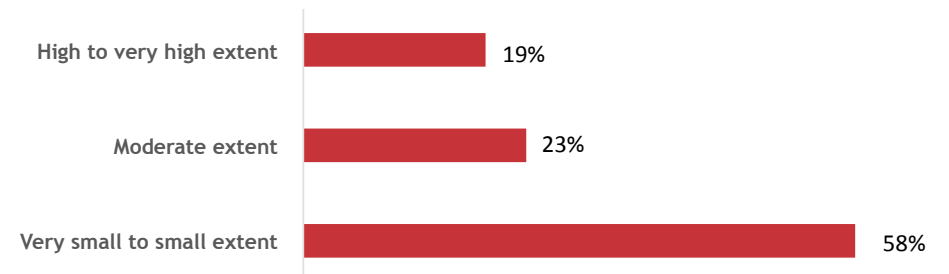


Fig. 3: The KPI collection process is automated by using a dedicated BI software solution

Only 19% of the survey's responses highlighted an extensive usage of automated tools to gather performance results.



KEY FINDINGS

 SECTION 2 - PERFORMANCE IMPROVEMENT SYSTEM

Fig. 4: Perception of the following business performance domains based on importance, maturity (how well they are done), and prioritization for further improvement:

59% of professionals have a high interest for Performance Measurement.

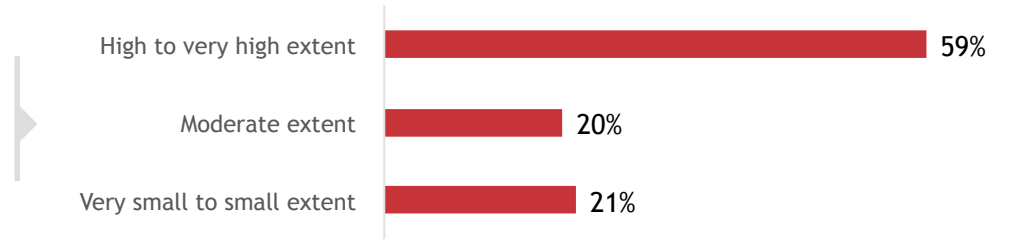


Fig. 5: Employee performance and bonus systems

47% of professionals positioned employee performance as very important for their organization. This identifies the need to explore the field of individual evaluations and bonuses systems in order to create the most effective working environment.

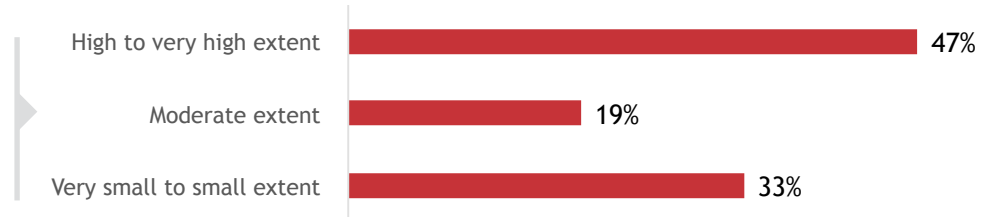
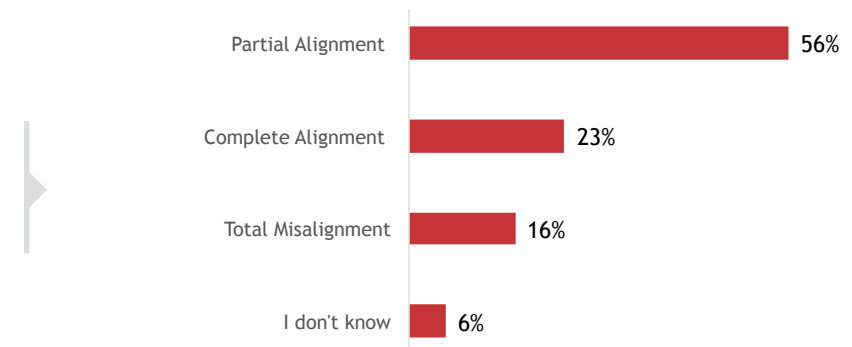


Fig. 6: Alignment between organizational strategy and employee performance plan

Partial alignment between organizational strategy and employee performance is admitted by 56% of professionals participating in the survey.



KEY FINDINGS


 SECTION 3 - GOVERNANCE

Fig. 7: Does your organization use an Office of Strategy/ Performance management?

55% of respondents state they have a Strategy and Performance Management Office dedicated to governing the Performance Management System within the organization.



Fig. 8: Performance reporting meetings and the analysis of the organizational results within the executive management team take place

46% of respondents claim to hold performance review meetings on a regular basis. Most commonly, performance reporting and review meetings are held on a monthly basis.

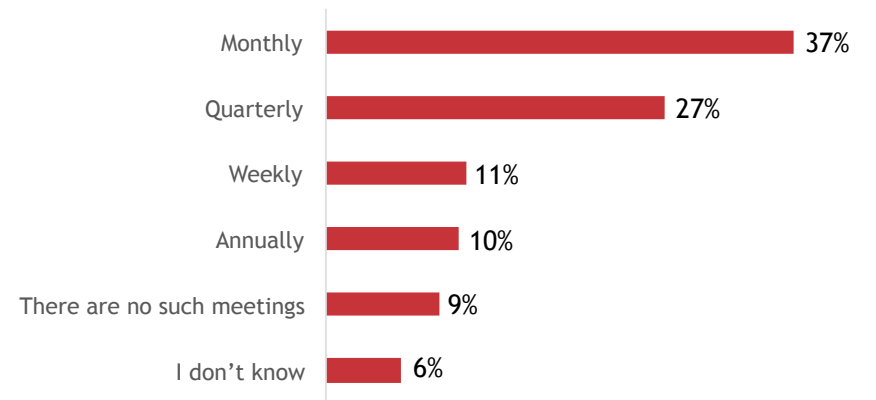
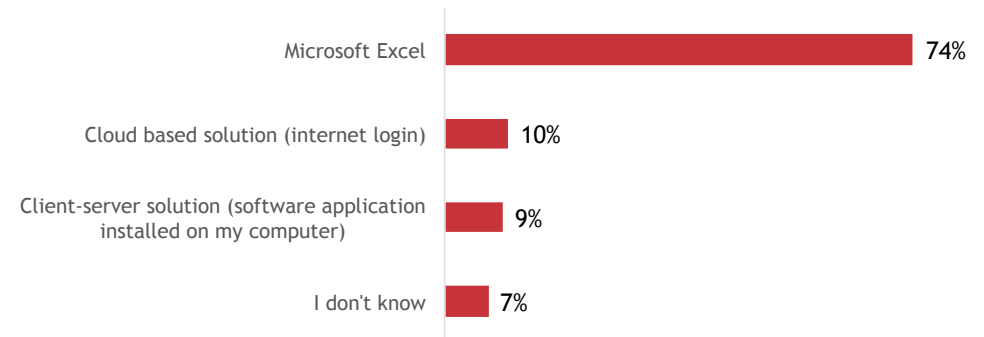


Fig. 9: What software product(s) do you use for monitoring KPIs?

74% of professionals admitted to using Microsoft Excel for data gathering and reporting.



KEY FINDINGS

 SECTION 4 - CONTEXT

Fig. 10: What is the most challenging aspect of working with KPIs in your organization?

32% of respondents find KPI selection the most challenging aspect of working with KPIs within the organization. 19% of professionals seem to have difficulties in establishing KPI targets.

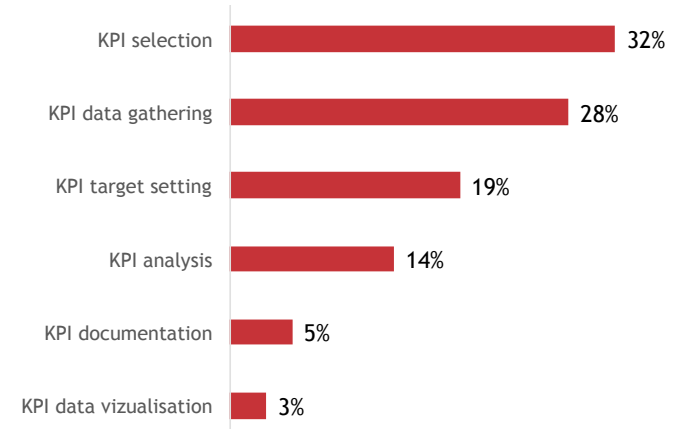


Fig. 11: What is the most challenging aspect of performance improvement in your organization?

32% of respondents are struggling to develop a performance culture. Almost a quarter of professionals (22%) stated that they have difficulties in implementing performance improvement initiatives.

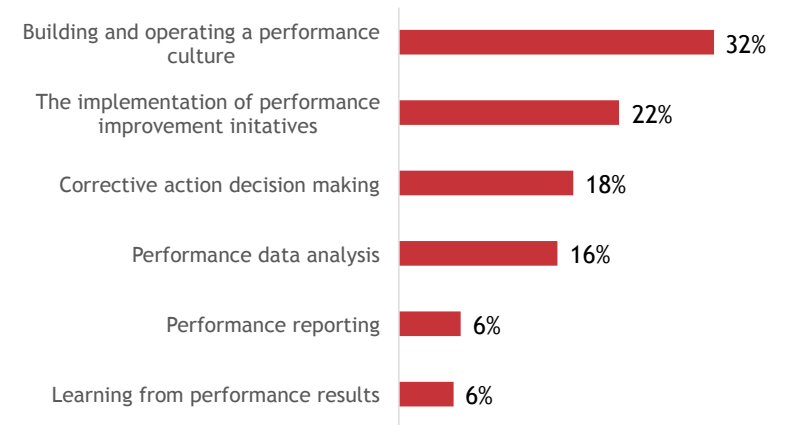
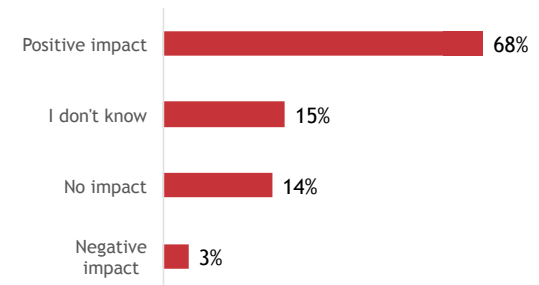


Fig. 12: Overall, what is the impact of using KPIs/performance improvement system in your organization?

68% of respondents stated that using KPIs has a positive impact on their organization.



CONCLUSION

Although professionals increasingly use performance management tools, they are still struggling with getting the genuine value add from their systems, whether it is a Balanced Scorecard approach or a hybrid performance management framework. As revealed by the results of the survey, several best practices in performance improvement were identified:

- ▶ Standardized KPI documentation form usage;
- ▶ Audits to check data reliability;
- ▶ Decision making based on extensive KPI results analysis;
- ▶ Initiatives that are documented in a standardized template;
- ▶ Performance management integration.

Performance improvement should not be regarded as a one-time endeavor, but as a constant adjustment process to the business environment. Implementing a performance improvement plan requires determination, consistent effort and patience.

Strategy and business planning, performance measurement, KPIs, and performance improvement, were indicated by the results of the survey, as highly important domains for organizational development. As a consequence, international organizations extensively rely on an individual entity, namely a Strategy or Performance Management Office, to govern both the performance measurement and the performance improvement architecture.



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