9 WAYS TO FAIL WITH KPIS

Supporting Agile Adoption (Bjarte Bogsnes, Claudia Melo, Esther Derby, Kati Vilkki, Michael Sahota)

Organizations often use Key Performance Indicators (KPI's) and metrics in dysfunctional ways, which result into gaming, reduced performance, undesired behaviors and focusing on unimportant things. The most common traps we have seen organization and managers falling into are listed below:

TRAP	COUNTER MEASURE / WHAT TO DO INSTEAD
1) ***Losing sight of purpose:*** The real purpose of the KPI is forgotten. Improving the KPI becomes the purpose and the perspective becomes too mechanical and narrow.	***Purpose:*** Always connect and communicate the purpose together with the KPI, because it encourages people not only to understand, but also question the goals behind the KPI. ***Actions:*** Identify what actions that are being taken to reach the goal / meet the purpose.
2) ***KPI becomes a target:*** KPI's and metrics are seen as only thing that matters.	***Challenge KPI:*** Systematically challenge the measurement, both the KPI and the value. When targets are associated with KPI, the more absolute the targets are, the more you need to challenge the measurement. For example: ▪ What is measurement not picking up? ▪ Is this KPI really taking us forward the goal/purpose?
3) ***Measuring the wrong thing:*** organizations measure only what is easy for them to measure. If something can't be measured (e.g. productivity in SW development), other metrics are used to replace it (e.g. lines of code)	***Do not measure things that do not matter:*** Einstein said: "Not everything that can be counted counts; not everything that counts can be counted." Measuring the wrong thing can be more harmful than not measuring anything, especially if there is a target attached to the KPI. If you can't measure what you really want to measure, drop the KPI. Focus on the purpose, actions, and observations ▪ What does success look like? ▪ How do we know if we have succeeded?
4) ***Lagging Indicators:*** organizations use only/ mostly lagging indicators; we are only measuring the past, not present and we can't take corrective action based on them.	***Leading Indicators:*** Use leading indicators that are early indicators of what will move us towards our goal. (e.g. measure queue length for goal of reducing cycle time). Ask "what actions can we take based on this KPI? Who will act?"?
5) ***Targets for all KPI's:*** When there is always a target connected to a KPI it is likely we have returned to management by numbers and are allowing KPI's to divert us from actual goals.	***Tracking Trends:*** Use KPIs as data to improve the system, and look at trends rather than just one point or an absolute number. "If you have a stable system, then there is no use to specify a goal. You will get whatever the system will deliver. A goal beyond the capability of the system will not be reached. If you have not a stable system, then there is again no point in setting a goal. There is no way to know what the system will produce: it has no capability." - W. Edwards Deming
6) ***Same KPI for all levels.*** Cascading targets and KPI's	***Translate KPI***: Translate the targets and KPI's so people define their own KPI's for improvement. ▪ What do we need to focus on to contribute the bigger goal? ▪ How do we know we have succeeded / contributed?"
7) ***Same KPIs for all phases of product life cycle.*** Using the same KPIs to manage products in early market and mainstream	***Life-cycle sensitive KPI's***: Understand what KPIs are most relevant at each phase of product life-cycle.
8) ***Aggregating*** metrics to bigger organizational unit. E.g. calculating averages over teams.	***Look at Details:*** Ask "who needs to take action to fix this" and measure at that level; do not aggregate upwards. Use KPI's as indicators to GO & SEE and look deeper.
9) ***Relying on KPIs to drive people's motivation.*** E.g. Establishing KPIs with aggressive targets hoping to create a challenge for people.	***KPIs to support intrinsic motivation.*** Engaged people are driven by intrinsic motivation: doing something purposeful, having autonomy and striving for mastery. KPIs can provide direction and feedback, but not motivation . However, allow people to define success criteria for themselves.

Further reading:

Daniel H. Pink (2009). Drive: The Surprising Truth About What Motivates Us. Riverhead Hardcover.

Pat Kua (2013): An Appropriate Use of Metrics.

Robert D. Austin (1996). Measuring and Managing Performance in Organizations. Dorset House Publishing.