

# STRATEGY NEWS

## Spring 2008

### Key Performance Indicators – Embedding Performance Cultures

With the increasing focus on value for money and accountability, Key Performance Indicators (KPIs) can provide a valuable tool for embedding performance cultures in organisations.

This article addresses the following:

- What are Key Performance Indicators (KPIs)?
- The value KPIs deliver to an organisation
- 10 Steps to developing and implementing effective KPIs

#### ABOUT PROSPECTUS

Founded in 1991, Prospectus is Ireland's leading independent strategy consultancy. We work with clients in third and fourth level education, healthcare and social services, philanthropy, not-for-profit and religious congregations in order to build strong, successful organisations by developing sustainable strategies and putting them to work. Our services include:

- Strategy
- Governance
- Organisation Development
- Sectoral Insights and Reviews
- Business Planning
- Healthcare Planning

Prospectus is an IMCA (Institute of Management Consultants and Advisors) registered company and a founding member of the Eurogroup Consulting Alliance, a pan-European alliance of independent management consulting firms headquartered in Paris and represented in most countries in Europe.

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## PROSPECTUS NEWS

#### RECENT & CURRENT CLIENT ENGAGEMENTS:

##### HEALTH AND SOCIAL SERVICES

###### *Academic Health Centre*

Prospectus worked with two major Dublin teaching hospitals, and Ireland's largest medical school to develop and implement Ireland's first Academic Health Centre, a single entity combining medical education, research and patient care.

###### *Co-located Hospitals*

Prospectus acted as lead advisors to Beaumont Hospital during the co-location initiative, ensuring the interests of the public hospital were protected and the commercial opportunity was maximised. Additionally Prospectus advised Connolly Hospital and Cork University Hospital in relation to the co-location programme.

##### HIGHER EDUCATION & RESEARCH

###### *Institutes of Technology Management Capacity*

Prospectus recently carried out a major review of the management capacity within the Institute of Technology sector. The review consisted of an examination of internal and external challenges and an analysis of the gap between existing management capacity and their ability to respond to future challenges.

###### *Digital Enterprise Research Institute*

Prospectus assisted in the development of a strategic plan that will communicate the Digital Enterprise Research Institute's current position and map out a clear strategic direction for the next five years. The plan will address the future sustainability of the Institute and address the requirements of the Science Foundation Ireland interim review.

##### PHILANTHROPY, NOT-FOR-PROFIT & RELIGIOUS CONGREGATIONS

###### *Centre for Effective Services*

Prospectus is in the final stages of planning the establishment of a Centre for Effective Services which will support the implementation of effective, coordinated practices and policies in services for children, throughout the island of Ireland. The Centre will be established on an all-Ireland basis and will be co-funded by Atlantic Philanthropies and the Irish government.

###### *Oblates Mission Re-definition*

Prospectus assisted the Missionary Oblates of Mary Immaculate Anglo-Irish Province to develop a strategy for Refounding the Province. The process involved an extensive consultation process with Oblates and their lay partners.

# KPIs - the key to embedding performance cultures...

Key Performance Indicators (or KPIs) have populated management textbooks for many years. However, few organisations have managed to effectively implement these tools to deliver real organisational benefit. For many, there is an ill-defined link between the Board/Management-level organisational KPIs and the actions and attitudes required to achieve these at operational level. In this newsletter, we outline effective ways of developing and implementing KPIs to help embed strong performance cultures within organisations.

## WHAT ARE KEY PERFORMANCE INDICATORS?

Key Performance Indicators (KPIs) are metrics that organisations use to determine progress towards a goal.

## THE VALUE KPIs DELIVER TO AN ORGANISATION

### Create the link between strategy and performance

KPIs bring an organisation's strategy to life for those at operational level by creating a tangible link from organisational level strategic objectives, through departmental and operational level targets, to individual performance goals.

## 10 STEPS TO DEVELOPING AND IMPLEMENTING EFFECTIVE KPIs

### 1 Begin with the end in mind – get everyone on board

KPIs should provide information to Management and the Board on how the organisation is progressing towards the achievement of its strategy. All management and board members should be educated in the use of KPIs and be visible sponsors.

### 2 Develop a core set of organisational KPIs

The Board and Senior Management should review the stated objectives of the organisation's strategy and develop a set of KPIs that will clearly measure the achievement of each of these. Sectoral targets and best practice should be incorporated.

### 3 Promote the development of a performance culture – communicate, communicate, communicate!

In order to embed a high performance culture, staff need to be informed of the target KPIs, the rationale for developing them and their role in delivering them.

### 4 Cascade KPIs throughout the organisation keeping the links clear

Senior Management should work with Departmental/Divisional Heads to develop KPIs for their areas that will ensure the achievement of organisational targets. Departmental/divisional KPIs should then be further cascaded to operational level targets. Engaging with staff to develop these will help to generate realistic and achievable targets and build buy-in.

There should be a clear link between operational, departmental/divisional and organisational KPIs - the achievement of each set clearly contributing to the organisations KPIs.

### 5 KPIs are only as effective as the information feeding into them

Structured reporting and supporting processes should be developed and implemented throughout the organisation to enable relevant data to be reported from operational level upward, on a systematic basis.

### Embed accountability and demonstrate value for money

With increasing demands to deliver value for money and improve the effectiveness of services, managers are now more than ever required to be better informed and continually accountable for their use of resources. For example in the health sector, under the HSE 100+ Programme a new A&E consultant position was provided where certain targets were met, including having 100% of admissions waiting less than 24hrs.

### Enable comparisons

KPIs enable organisations to benchmark themselves against their own previous performance and that of their peers. For example, the Times Higher Education Supplement enables universities internationally to compare areas such as student faculty ratios and citations per faculty.

### Drive performance and continuous improvement

By regularly measuring organisational performance against a set of targets, improvements and set-backs can be analysed, learned from and shared, in this way helping to embed a culture of continuous organisational learning.

### 6 Align staff performance with KPIs

KPIs can be a powerful way of aligning staff performance to the strategic vision of the organisation, providing a clear goal in terms of performance. Responsibility for the delivery of a KPI can be tracked right through to individual level. For example, targets may be identified on Role Profile forms as part of the Performance Management and Development System (PMDS) in public sector organisations.

### 7 Continuously monitor progress and take responsive action

Some KPIs may be 'stretch' targets that require significant effort and potentially special projects to achieve. Staff should be clear however, that it is only through continuously improving practices across the entire organisation that KPIs can be achieved and this is everybody's responsibility.

Performance against KPIs should be continuously reviewed. Any significant changes in performance should be analysed - progress should be built upon and set-backs should be addressed and learned from.

### 8 Communicate progress to staff

Regular status communications should be issued to staff and progress should be celebrated and acknowledged. This will help to ensure that momentum is maintained and everyone remains focused on the same target.

### 9 Regularly report to the Board

Organisation performance against KPIs should be reported to the Board at least twice a year. The link to the organisation's strategy means that this process will provide critical information on progress in delivering on the strategy. It can also indicate high and under-performing areas of the organisation.

### 10 Ensure KPIs remain relevant

KPIs are only valuable in so far as they are relevant to the goals of the organisation. They should be regularly reviewed and updated as a living tool, similar to the strategy itself.

## KEY MARKETING EVENTS, 2007

### Lead or Follow? The global challenge for Irish Higher Education (November 2007)

Prospectus independently conducted and recently published the results of a national survey of the Irish Higher Education sector. The Prospectus survey is the first of its kind in Ireland and reveals many valuable insights into a sector currently undergoing significant change.

### Institute of Management Consultants and Advisors, 20th Anniversary & 11th World Congress (September 2007)

David W. Duffy, currently serving as President of the IMCA, oversaw the successful event that took place in Dublin.

### National Healthcare Summit- 'Building a Better Health Service' (June 2007)

Prospectus exhibited at this conference, the fourth of its kind in Ireland with Vincent Barton chairing a plenary session.

### The Chairperson's Guide – Practical Guidelines for Leaders

(April 2007) Prospectus published the latest guide in a series of Prospectus Thought Leadership publications on corporate governance.

### Unleashing the Potential of the Not-for-Profit sector (January 2007)

Prospectus hosted a seminar on the philanthropic and not-for-profit sectors in Ireland, exploring issues relating to strategy, corporate governance, and the relationships between philanthropic foundations, government and grantee organisations.

## PEOPLE NEWS

### Management Team Restructuring

As part of Prospectus' business strategy, a new management team has been established to lead the management consultancy. Founder David W. Duffy has become Executive Chairman. Vincent Barton has succeeded David as Managing Director, supported by Directors Katie Burke and Diarmaid Ó Corrbuí. Deirdre O'Mara and Justine McCarthy have joined the management team as Directors of Consulting, while Tarnya Bell has been appointed as Chief Operating Officer.

We have also consolidated our market focus into three key sectors – Health & Social Services; Higher Education & Research; Philanthropy, Not-for-Profit & Religious Congregations. This unique positioning in the Irish marketplace allows us to build on our existing strong client base and to offer truly specialised services to clients in these sectors.

**Recruitment and Promotions** Anthony Breen, Emer Butler, Niamh Gordon and Michelle Groarke joined Prospectus this year as Consultants. Brian Griffin joined us from the HSE as a Senior Consultant. Jenny Horan and Andrew Lynch have recently been promoted to the position of Senior Consultant.