Understanding Project KPIs

Agenda

- Safety
- Introduction
- What are KPIs

Introduction:
The Importance of Conveying Information

- Project Management requires the accurate monitoring of several key data points and types throughout the lifecycle of a particular project or program.
  - These data points need to be observed and presented in a fashion that makes their interpretation easy to discern.
  - In addition to the project manager, the team members, stakeholders and project sponsor all need to be able to get a sense of project progress in a simple and straightforward fashion; inundating them with complex jargon or difficult to read data sets will lead to confusion.
  - As such, the best strategy to utilize is to identify and leverage a few pertinent Key Performance Indicators (KPIs) that will properly convey information in a simple yet effective manner to anyone wishing to interpret current project status and progress.

Introduction:
The Need for KPIs

- KPIs provide a window not only into the current status of the project or its past performance, but also serve as a means to detect future problems.
  - This ability to spot a potential problem manifesting (e.g. schedule slippage) will allow the project manager and team to address the situation ahead of time and take steps to mitigate it accordingly.
  - Different KPIs can yield different insights into the project as a whole, allowing for several views for the project manager and team.

What are KPIs?: Primary Definition

- To put it simply, a Key Performance Indicator is essentially a type of performance measurement
- In essence, it is a way to evaluate the success of a particular endeavor or activity Real World Examples.
  - Example 1: A simple analogy for a KPI would be something like a batting average in baseball; higher averages denote better hitting success rates and allow teams to gauge performance of their players
  - Example 2: Another example would be a stock portfolios rate of return, which could be demonstrated several ways including increase in monetary wealth of the account as well as rates of return for key investments and how they performed against each other

What are KPIs?: Anatomy of a KPI

- KEY = A major contributor to the success or failure of the project; a KPI is therefore ONLY a key when it can either make or break the project
- PERFORMANCE = In essence, a metric that can be measured, quantified, adjusted, and controlled; note that the metric MUST be controllable to improve performance
- INDICATOR = An easy to read and interpret representation of present and future performance

What are KPIs?:
KPI Types

- Quantitative Indicators: A measure that can be presented numerically
- Qualitative Indicators: Cannot be measured numerically
- Leading Indicators: Forward looking measures that help predict future outcomes
- Lagging Indicators: Provide a post hoc mechanism
- Input Indicators: Measure the usage of resources used during project execution
- Process Indicators: Used to measure overall efficiency
- Output Indicators: Used to demonstrate the outcome or results of the process activities
- Practical Indicators: Interfaces to existing company processes
- Directional Indicators: Demonstrating whether organization or project is improving or not
- Actionable Indicators: Those which are in control of the organization
- Financial Indicators: Monetary measures

What are KPIs?: KPI Project Management Examples

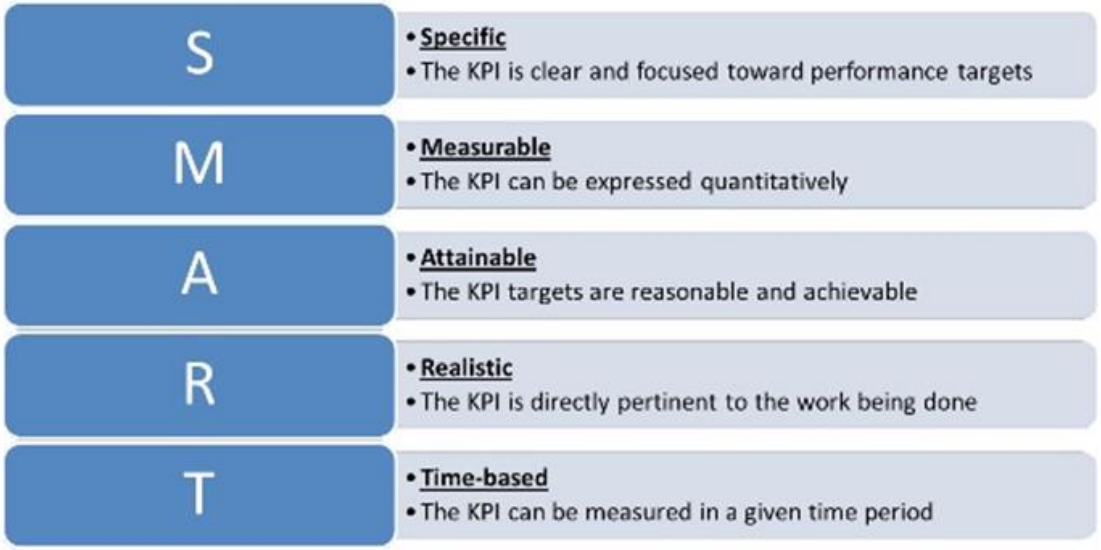
- There are numerous KPI types that exist within the project management space; a few key examples would be the following:
  - Estimate to project completion
  - Number of unresolved issues
  - Current resource allocation
  - Labor costs spent (per month)
  - Current development backlog
  - Project schedule (Agile or Waterfall)
  - Issues found in code review
  - Issues found by QA
  - Issues found by customers

What are KPIs?: KPI Selection Process

- A key aspect of picking the right KPIs is to ensure you are choosing the specific ones that are actually most pertinent to establishing project success
  - Creating a KPIs ‘library’ is quite straightforward; however, ensuring you only select the relevant KPIs is a little more challenging
  - Too many KPIs will lead to confusion and could start sending false positives to the project stakeholders, sponsor and team members; additionally, overloading the usage of KPIs will eventually lead to the situation of ‘noise’, whereby so many factors are monitored that it becomes a blur

What are KPIs?
KPI Selection Process

- S.M.A.R.T. – A simple method on KPI selection is to leverage the 'SMART' technique, which can be summarized as follows:



What are KPIs?: KPI Problems and Issues

- There can be several reasons why a KPI may end up being either insufficient or downright detrimental when being used in a project.
- Listed below are several of the key ways that may cause failure of the KPI to yield what it was meant to provide:
  - The KPI is not related or relevant to the work being performed
  - The rate of change in the KPI is too slow to produce a result that is actionable
  - Turnaround time for actions needed to correct low performing KPIs takes too long
  - The responses necessary or the processes needed to deal with KPIs indicating a problem either do not exist or are woefully inadequate
  - The KPIs are only loosely monitored by front line managers as opposed to being shared with the team as a whole
  - Too many KPIs put in place leading to confusion and ‘noise’