

How Many Business KPIs Do You Need?

Try this formula for the right number of KPIs or performance measures that you truly need, so you can stop drowning in too many KPIs or thirsting for more.

What is a *Key Performance Indicator*?



Key performance indicators (KPIs) are the elements of your strategic plan that express what you want to achieve and by when.

They are the quantifiable, outcome-based statements you'll use to measure if you're on track to meet your goals or objectives.

Introduction

Before we start, we need to make our question a bit clearer. How many KPIs for what, exactly?

Is there an ideal number of KPIs for an organisation? Or a department? Or a team? Or an individual? (And is it really the number of KPIs that's the problem?)

Brent is from one of our most avid PuMP clients, and he knows the reality of this question:

"I am currently exploring the optimum number of measures that any one department or agency should have. It's a bit of a silly question, like how long is a piece of string? But I am wondering if there is an optimal number that any one executive team could handle (or that the brain could handle) - such as 5-10? Do you have any research or insights about using an optimal number of measures to extract maximum benefit?"

For an entire organisation, it is a bit like asking 'how long is a piece of string?' In PuMP, though, the bottom line is that every KPI or performance measure needs an owner. And the [owner](#) needs to be a person, not a committee or team. **The most common guidelines for how many priorities any one person can handle, with excellence, is about three. So any one person ideally should not own more than three KPIs. This is the principle we build from.**

But, since any goal can require one to three KPIs to tell its full story, a team with three to five priority goals may end up with a dozen or more KPIs they collectively will monitor. This includes executive teams, through to operational teams.

If any one person owns more than three KPIs, or a team monitors more than about 15, it could mean they have too many goals, or their goals are not specific enough. Therefore, it's not a trivial exercise to cull down to the ideal number of measures. It takes a bit more thinking.

To help you arrive at the ideal set of KPIs for any one person to own, these three steps will help you do that required thinking...

STEP 1: Stocktake Your Current KPIs Against Your Goals

KPIs shouldn't float around [unattached and unaligned to goals](#). They are evidence of progress toward goals. Get a list of your goals, and list of your KPIs or measures, and link them to each other. A tool like this [KPI excellence checklist](#) can help you stocktake your current measures.

If every KPI or measure links to everything, you've gone too far. Focus on linking KPIs or performance measures to the goals they are the most [direct and strongest evidence](#) of. If any KPIs or measures aren't strong evidence of anything, park them. Or toss them out.

STEP 2: Choose Your Three Priority Goals

If your team only has three to five goals, that's great. If the team has more than five goals, that's not great. If you expect to achieve any of them with excellence (and why would you aim to achieve a goal without excellence?) you must be more [ruthless](#): pare it down to a maximum of five goals. And know which three are the first priorities.

Why? The FranklinCovey Institute talk about **“WIGS” - wildly important goals**, in an overview of their **4 Disciplines of Execution**. You can move onto the other priorities, and measure more about different things, after you achieve your current three WIGS.

STEP 3: For Each Priority Goal, Have No More Than Three KPIS

Sometimes a goal only needs one measure or KPI. Excellent – that will keep it simple. But you can sometimes need two or three KPIs or measures for any one goal. Like when you need more than one stakeholder's perspective on the goal. Or when you cannot get the data for the one perfect measure for a goal but can get the data for two or three less perfect measures (we call it [balancing relevance and feasibility](#)). Even still, we want to choose no more than three KPIs or measures per goal.

By the way, if you find that none of your existing KPIs align directly to one of your top three goals, be very deliberate about designing a new way to measure it. Don't brainstorm or curate KPIs from libraries and lists. [Design your own KPI](#) that measures your unique goal as directly and feasibly as possible.

Finally, with your list of kept KPIs, agree on who will own each one. Make sure no one person ends up owning more than three KPIs. Even though collectively as a team you'll monitor all of them, each KPI owner will take the lead in interpreting and analysing the KPIs in their charge. And if you don't have enough people to ensure each KPI has an owner, you still have too many for your team's size. Be ruthless, again, and prioritise.


And ta da! That's how many KPIs you need right now.

This article was first published at <http://measureupblog.com> by Stacey Barr. Stacey is an Australian based in Brisbane and a specialist in organisational performance measurement and creator of PuMP, one of the world's only deliberate performance measurement methodologies. PuMP is known for being practical, logical, and engaging, because it was designed to overcome people's biggest struggles with KPIs and measures. If you like, learn about the bad habits that cause these struggles, and how to stop them, by taking Stacey's free online course **“The 10 Secrets to KPI Success”** at <https://www.staceybarr.com/the10secretstokpisuccess/>.

Additional Resources

- For a summary of the FranklinCovey **“4 Disciplines of Execution”** please click [HERE](#) or at <https://resources.franklincovey.com/home/the-4-disciplines-of-execution>
- For a whitepaper on **“Ten Best Methods for Improving Accountability”** produced by the Growth Faculty, please click [HERE](#)

The 5 Elements of *Good* KPIs

 **A Measure**


A Measure: Every KPI must have a measure. The best ones have more specific or expressive measures.



 **A Target**

A Target: Every KPI needs to have a target that matches your measure and the time period of your goal.



 **A Source**


A Data Source: Every KPI needs to have a clear data source for measurement.



 **Frequency**

Reporting Frequency: All measures have different needs, but we recommend reporting monthly.



 **An Owner**

An Owner: While this isn't a mandatory aspect of your KPI statement, be clear about who is responsible for reporting progress.

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