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UNIVERSITI PUTRA MALAYSIA
BERSILU BERSAKTI

**7 Sept 2022 Bilik Seminar
Fakulti Kejuruteraan UPM
Slot 3: Writing KPI's**



**Ibrahim Hj Hussain
Bright Future Training**

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- Performance Management Workshop:
Writing KPIs



Objectives

1. Quick overview of PMS
2. Aligning individual performance measures to business strategies
3. Identifying your KRAs and KPIs





1. Quick Overview of *PMS process*



Performance Management helps to
answer
3 critical questions
for you

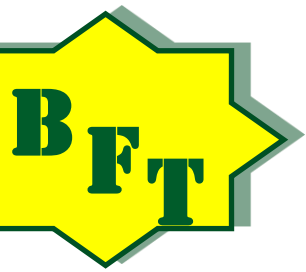
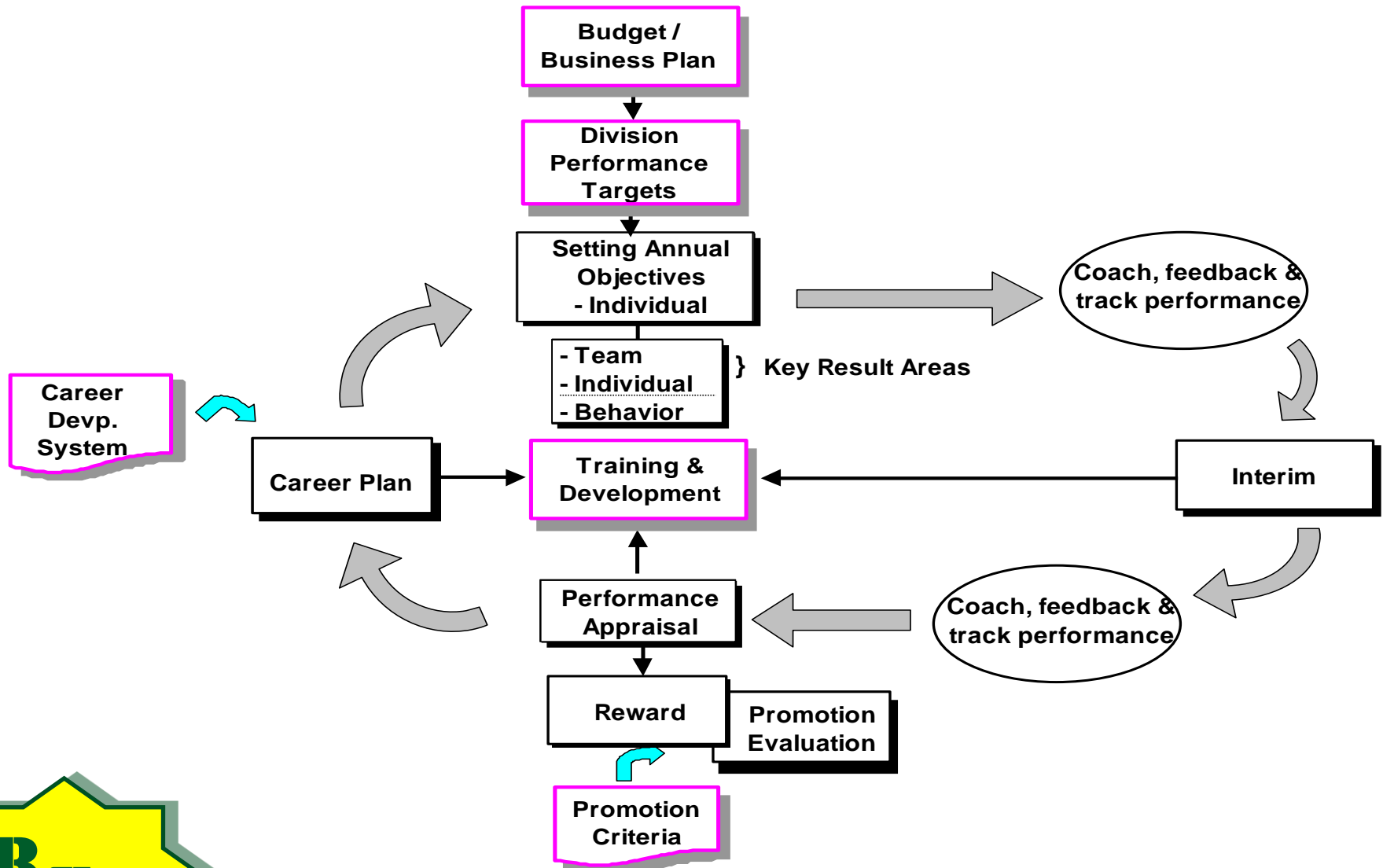
***1. What is expected of
me?***

2. How am I doing?

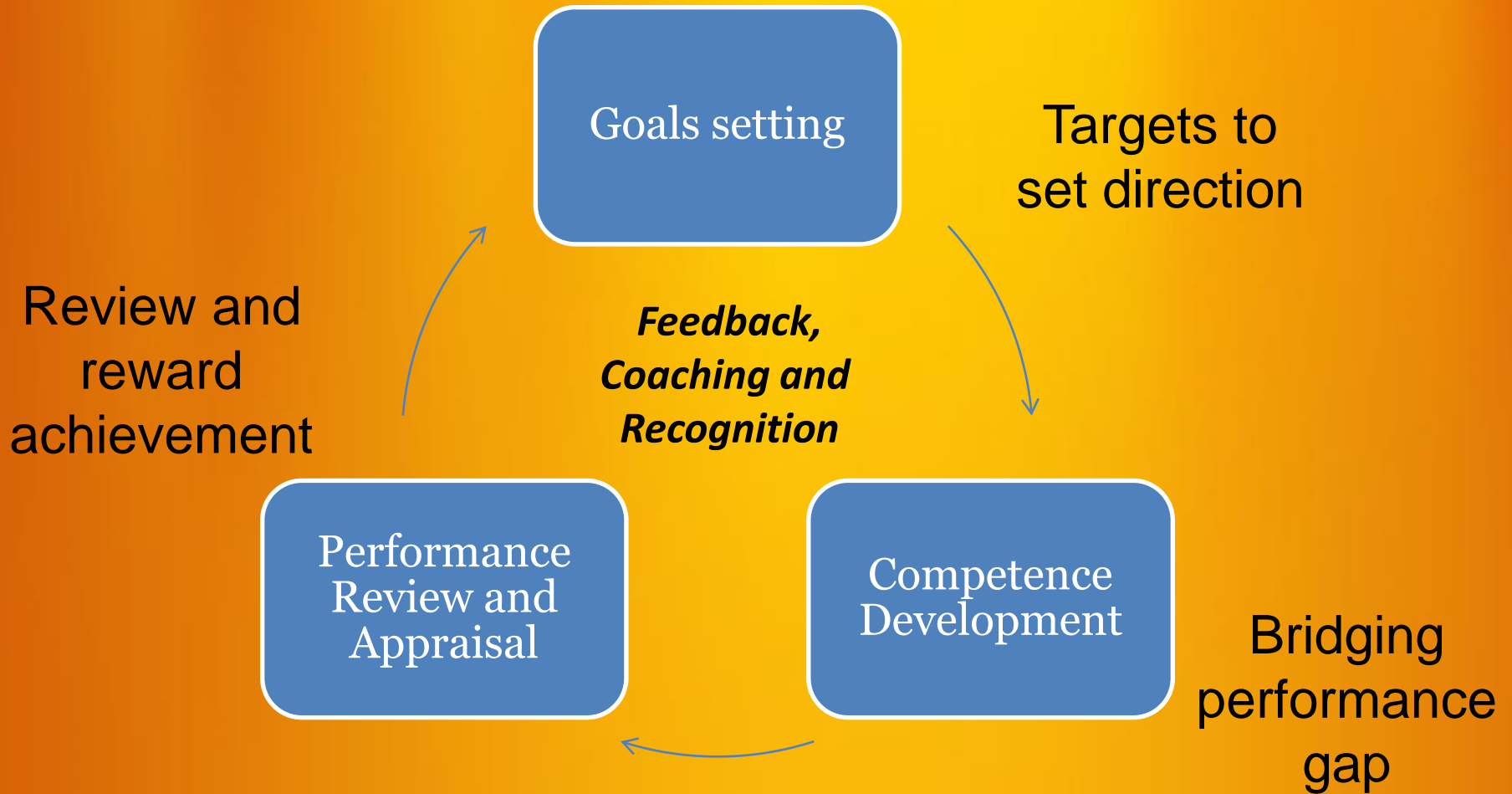
3. Where am I going?



Integrated Performance Management System



Goal of Performance Tracking

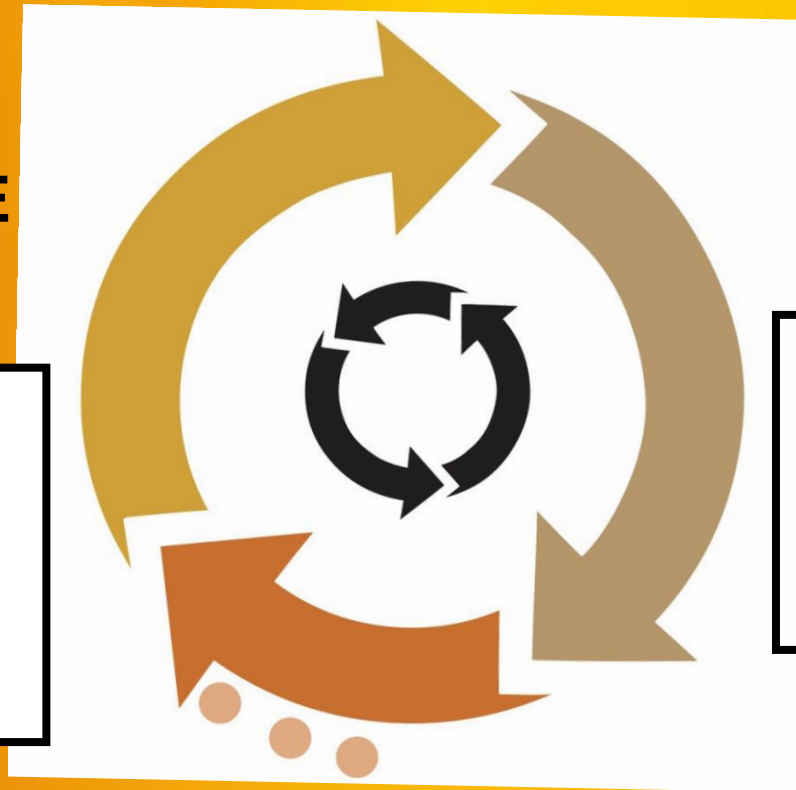


An Overview of the PMS cycle

- Performance Management consists of 3 stages:

Phase 3 PERFORMANCE REVIEW

- Performance Appraisal
- Development Plans



Phase 1 PERFORMANCE PLANNING

- Performance Expectations (KRAs & KPIs)
- Competencies/ behaviors

Phase 2 PERFORMANCE MONITORING

- Monitoring
- Feedback
- Interim Reviews



Importance of Goal Setting

SMART targets
are critical starting point
to fair assessments



Promotion of candidates

Potential

Performance



Potential and Performance

High potential

- higher resp. in 1-2 yrs
- fast learner, flexible, creative
- takes personal initiative to learn

Average potential

- higher resp. in 2-4 yrs
- fairly good in learning new things & ideas
- keen to learn & take on new things

Low potential

- unlikely for higher resp. in 2-4 yrs
- not creative, inflexible, lacks initiative to learn

High Pot Low Perf Misaligned	High Pot Avg Perf Potential	High Pot High Perf Top talent
Avg Pot Low Perf Unproven	Avg Pot Avg Perf Core	Avg Pot High Perf Flexible
Low Pot Low Perf Challenged	Low Pot Avg Perf Solid	Low Pot High Perf Expert

Low Performance
-below job expectations

Avg Performance
-meets job expectations

High Performance
-exceeds job expectation



Promotion Criteria

Potential shall be evaluated according to the following categories of competencies;

I	II	III	IV	V
Leadership	Managing People	Communication	Problem Solving	Orientation <i>Business/Technical</i>
<ul style="list-style-type: none"> • Vision • Helicopter perspective • Capacity to motivate • Change orientation • Initiative • Independence 	<ul style="list-style-type: none"> • Planning • Organizing • Delegating • Coordinating • Supervising 	<ul style="list-style-type: none"> • Interpersonal skills • Presentation skills • Business writing • Verbal skills 	<ul style="list-style-type: none"> • Complexity • Analysis • Realism • Imagination 	<ul style="list-style-type: none"> • Business Orientation vs Technical Orientation

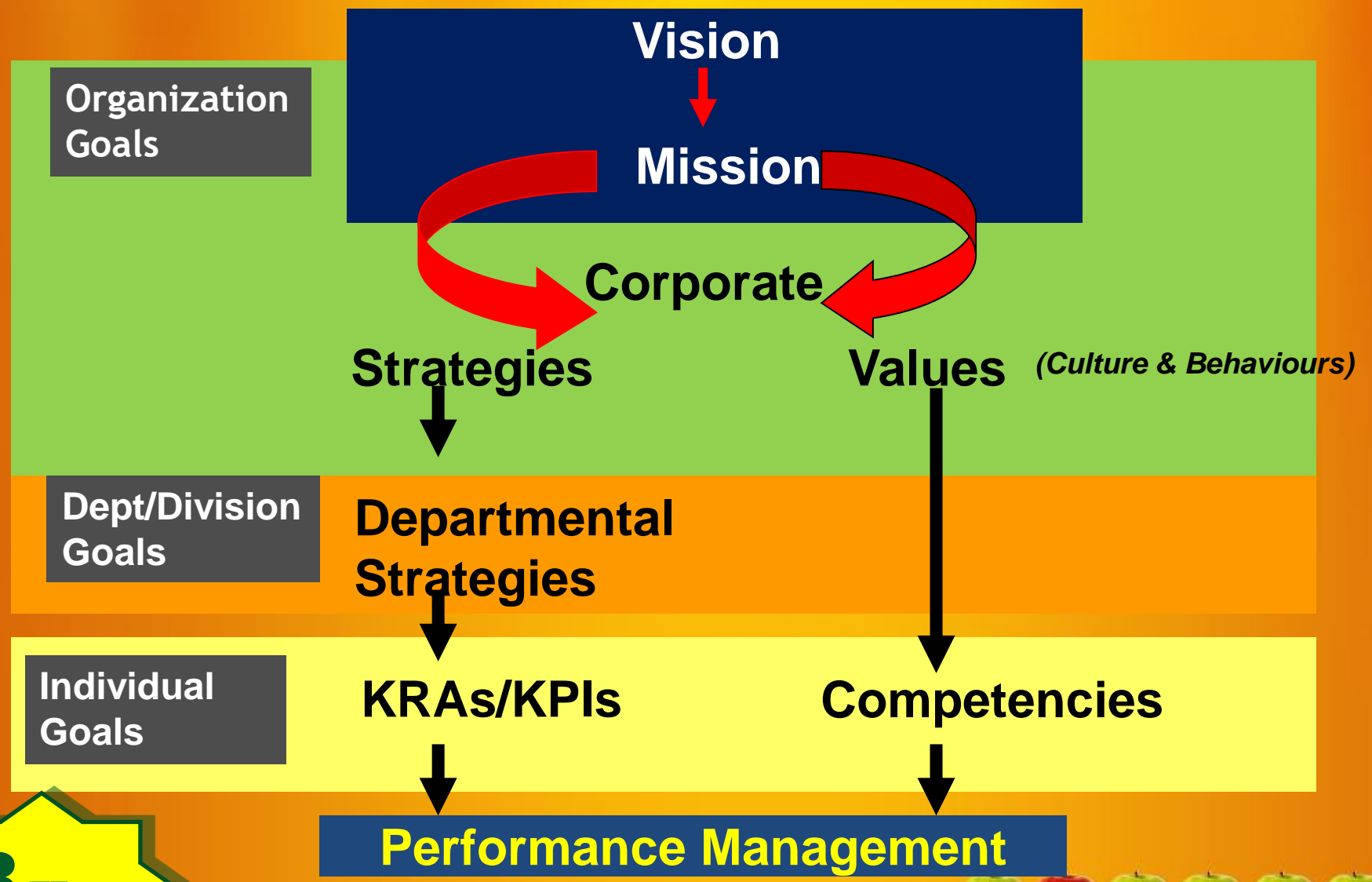




2. *Alignment* of
Individual
Performance
Measures **to**
Business Strategies?



Individual Goals-Business Plan Link



General to Specific



Goals / Objectives Setting

Business Goals

The Starting Point



KRAs



KPIs



Measurement Criteria

- Customer Satisfaction
- Quality
- Productivity
- Budgets/Finances
- Technical Knowledge
- Safety/HSE
- Environment

Individual Goals-Business Plan Link

Proper cascading is critical as clear expectations encourage efficient work that is focused on results





3. Identifying your *KRAs* and *KPIs*?



Examples

KRA

Financial

Operational

Customer Service

Learning and Growth

KPI

Billings
Sales
Profits
Cost/ budget

Project completion.
QSHE.
Quality of product.

Customer satisfaction.
Effective client liaison

Personal growth plan.
Developing team members.
Coaching & mentoring

**Measurement/
Target**

Billings:
RM 10mil per quarter

Project completion:
30% completion by end 1Q according to std.

Satisfaction ratings

Coaching & mentoring.
Providing coaching to specific indiv

Merge

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How does PMS *create value* to organizations?

Key Result Areas (KRAs) – Definition, Criteria and Guidelines



What are Key Result Areas (KRAs)?




- Describe the important outcomes of a job 
- Serves as the basis for KPIs
- Can be organization-driven or job-driven
- Sources of KRAs are obtainable from company's business plans and job descriptions/roles

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KRA Criteria



**Described
in 4 words
or less**

**Between 4 to 7
KRAs. Minimum 3
KRAs**

**Remain Fairly
stable**

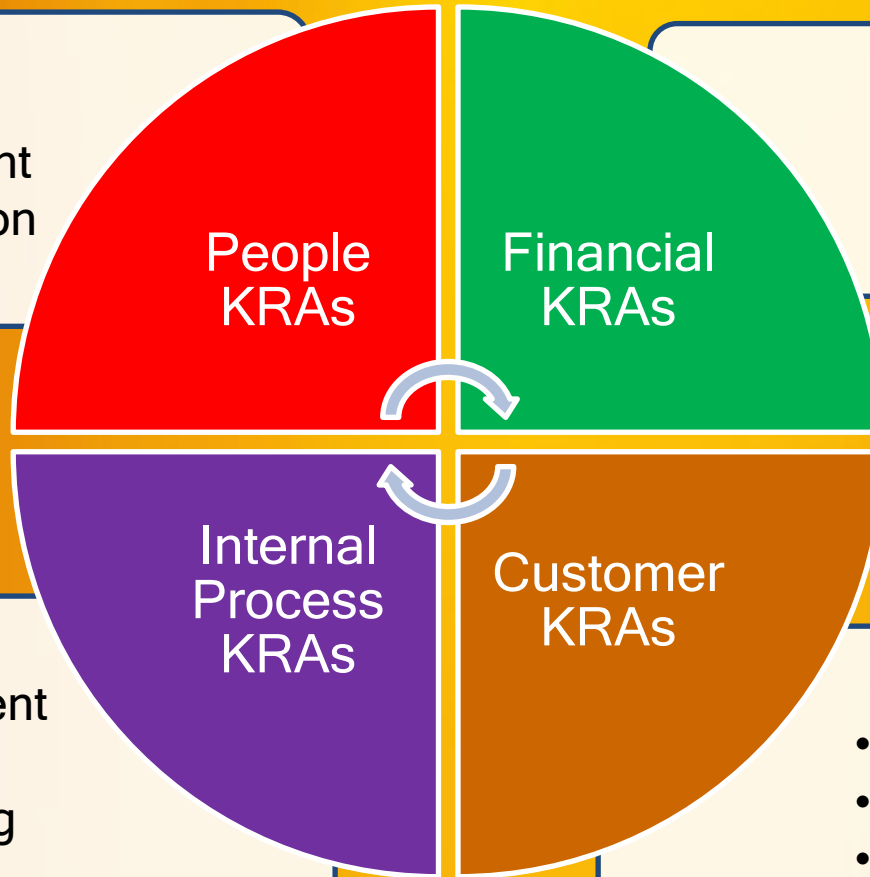
**Use Nouns to describe
your KRA. Avoid using
words like "Collect",
"Reduce", "Enhance"
and etc**

**Similar jobs have
similar KRAs**



Best Practice

- Learning and Development
- Talent Management
- Employee Retention



- Profitability/ROI
- Growth
- Cost Control

- Quality Management
- Service Efficiency
- Processing/Waiting Time

- Customer Satisfaction
- Customer Retention
- Market Share



KRAs in our Job Output



Our KRA Clusters



Exercise : Identify Your KRAs

- Identify 2 - 3 KRAs
- Discuss with those in similar functions/roles

Remember :

- Focus on the **important** areas of your job
- KRAs **align** to your departmental and organizational goals
- KRAs need to reflect at least **90%** of your job





How does PMS *create value* to organizations?

Key Performance Indicators (KPIs) – Definition, Criteria and Guidelines



What are KPIs?

- KPIs are the specific targets/results to be achieved within each KRA.
- KPIs are usually changed/revised in every performance cycle or adjusted during the cycle



KPI criteria...

Some rules in assigning KPIs...

S-specific: targeted at specific outcomes

M-easurable: quantifiable/observable measures

A-greed upon: same understanding on both sides

R-ealistic: Achievable and Important to the business

T-ime-bound: with clear target date

“What gets measured gets done”



Areas of Measurement

Quantity

How many ? How Much?
(E.g. Projects completed, reports completed, calls taken, claims submitted)

Quality

How well the results is produced/performed?
(E.g. Complaints, compliments, clients' ratings)

Money

Any targets that can be captured with money?
(E.g. Dollars spent, revenue, profits, expenses)

Timeliness

How you measure results in terms of deadlines, due dates or cycle times? By when?
(E.g. Schedules, deadlines, specific time frame)

Note : At least ONE area of measurement must be included in each KPI.

KPI Exercise

No.	KPIs		
1.	100% compliance to ISO requirements	➔	Quality
2.	RM1 billion sales by end 2010	➔	Money, timeliness
3.	Schedule 10 interviews within 1 month of a job posting	➔	Quantity, timeliness
4.	All orders to be processed within 3 working days	➔	Quantity, timeliness
5.	Stay within 5% (+/-) of budget for all projects	➔	Money, Quantity
6.	Increase sales by 15%	➔	Quality
7.	Conduct at least 3 performance discussions (Jan, June, Nov) for all direct subordinates	➔	Quality, timeliness, quantity
8.	Less than 2 repeated customer complaints per quarter	➔	Quality, timeliness



Types of KPIs

Activity KPIs

- Complete 2 survey reports
- Conduct 4 audits/year
- Check 3 equipments/month

Result KPIs

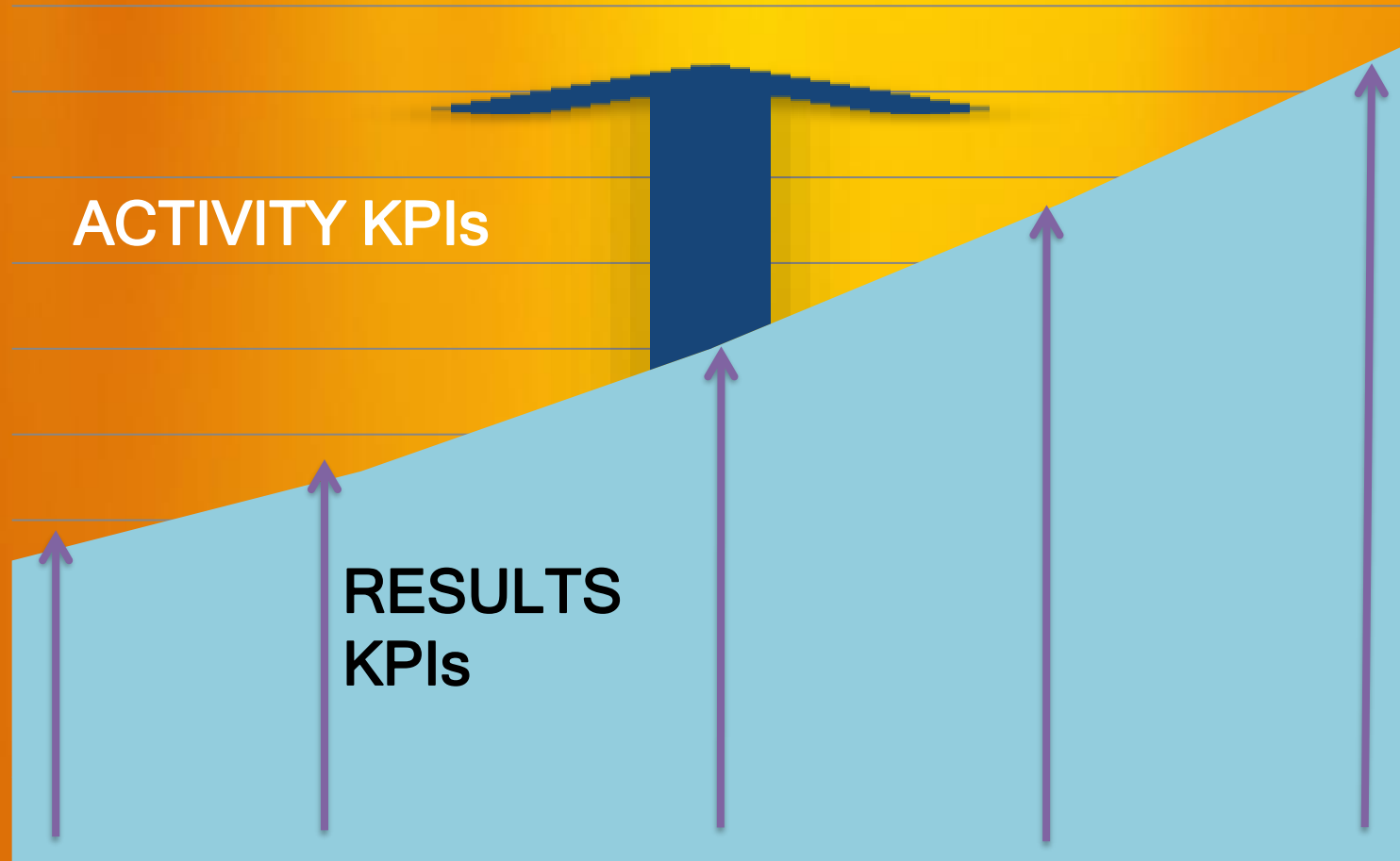
- +/- 3% of Budget
- Achieve Customer Satisfaction Index of 95%
- 70% sales after 90 days launched of Semi-Ds



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Activity vs. Result KPIs Matrix



Executive

Manager

Dept Head

GM

Director



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Critical success factor : GROWTH

- Strategic corporate goals
- Division/Departmental goals/Objectives

Head of Department

▪ CSF :Growth

▪ KPIs :

- 1) To coordinate and arrange for staff training twice a year
- 2) To visit all project sites at least twice a year to audit on HR related matters

ACTIVITY-BASED

Head of Department

▪ **CSF : Growth**

▪ KRA :Talent Development

▪ KPIs:

- 1) 50% of identified talent in the 'Readiness' category for succession by Oct 2011.

KRA : HR Audit Compliance

KPIs :

- 1) Within 5%(+/-) compliance to all HR policies and guidelines in all project sites.

RESULT-BASED



Critical success factor : COLLECTION

- Strategic corporate goals
- Division/Departmental goals/Objectives

Head of Department

- CSF : Collection
- KPIs
 - 1) To ensure subordinates carryout site measurement and gather survey-data of the monthly work-progress

ACTIVITY-BASED

Head of Department

- **CSF : Collection**
- KRA : Collection
- KPIs:
 - 1) 100% accuracy in all site measurements completed before month end

RESULT-BASED

Critical success factor : PROFITABILITY

- Strategic corporate goals
- Division/Departmental goals/Objectives

Construction Manager

- CSF : Profitability
- KPIs :

1) Cost Control Monitoring - site

ACTIVITY-BASED

Construction Manager

- **CSF: Profitability**
- KRA : Cost Control
- KPIs :

1) Within 3% (+/-) against budget for year 2010

RESULT-BASED

Critical success factor : GROWTH

- Strategic corporate goals
- Division/Departmental goals/Objectives

Sr Exec, Business Development

- CSF : Growth
- KPIs :

- 1) To prepare preliminary reports for every contact made and submit for management review

ACTIVITY-BASED

Sr Exec, Business Development

- **CSF: Growth**
- KRA : Reports Management
- KPIs :

- 1) All preliminary reports to be submitted to the management by the end of the month

RESULT-BASED



Example of KRAs and KPIs



Exercise : Writing your KPIs

- ✓ Write **1 -3 KPIs** for each KRA
- ✓ Discuss with those in similar functions/roles

Remember :

- ✓ **SMART** KPIs
- ✓ **Activity** vs **Results** KPIs



Measurement Criteria

- Determine level of achievement against scoring
- As a Norm:
 - Meeting realistic target = 70% of total allotted score
 - Meeting base target = 60%
 - Meeting stretched target = 90 -100%



Putting it All together: A Sample

KRA	KPI	Measurement criteria	Sub-Weightage	KRA weightage
Financial				25%
1. Cost Control	Quarterly review and analysis of project budget to ensure compliance to budget. To highlight any variance of >5% with recommendation for action	within 5 working days after end of qtr - 100%	10%	
		within 7 working days after end of qtr - 70%		
		within 10 working days after end of qtr - 60%		



PRACTICE SESSION

- Rewrite your KRA/KPI
- Comment and clarify



Alignment of Goals

Set Goals Using the Following Information

Vision

Business
Unit/Div's
Goals

Your Boss'
Goals

Your Boss'
Suggestions
for your
goals

Linkages to
Colleagues

Establish Your Goals

- Performance
- Development
- Supervisory / Managerial

KEY to Good KPIs

- Measurable/observable relatively easily
- Objective basis
- Agreed upon by both parties
- Challenging yet realistic
- If possible at least 2 aspects of areas of measurement
- Result based rather than activity based



Thank you...013-3365715
ibrahimbft@gmail.com

