A STARTING GUIDE ON CREATING KPIs AND MEASURING SUCCESS FOR PES

GETTING STARTED WITH KEY PERFORMANCE INDICATORS

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GETTING STARTED WITH KEY PERFORMANCE INDICATORS

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Contents

1. INTRODUCTION

Managing and measuring performance is becoming increasingly important for Public Employment Services. This is fuelled in part by an increasing focus on accountability, transparency, and more data-driven management approaches. On the other hand, increased digitalisation and connectivity of IT systems are increasing the possibilities to generate real-time insights about the organisation that can be used to better manage and steer the organisation in the right direction.

However, creating a more data-driven PES depends on the ability of the PES to measure those aspects of their organisation that are most critical for their organisation. The ability of the PES to use data in order to improve its performance depends on the degree to which the PES has those indicators in place that generate the most valuable insights. Those indicators are called *Key Performance Indicators.*

The purpose of this starting guide is to help PES gain a basic understanding of what Key Performance Indicators (KPIs) are and why they are important. It will also help PES who want to start working with KPIs, providing practical guidance for PES that want to adopt a more data-driven way of working and that want to learn about and implement Key Performance Indicators. Throughout this starting guide we build upon the experiences from PES across the EU, and use as many practical examples from PES, the broader public sector and the private sector.

PES Network Resources: Future of PES and work

An important piece of context for this toolkit is formed by the growing insights around the changing world of work. Not only will labour markets undergo significant changes in the foreseeable future, but technological and societal changes will also impact how PES are functioning. More about these developments can be found in the following PES network publications:

1 Thematic Paper 'Creating digital strategies': https://ec.europa.eu/social/BlobServlet?docId=20126&langId=en

2 PES Network Working Paper 'The future of work: implications and responses by the PES network': https://ec.europa.eu/social/BlobServlet?docId=20520&langId=en

This starting guide is part of a series of guides on topics related to digitalisation and the development of a digital strategy with PES.

PES Network Resources: Performance Management and Performance Measurement

Key Performance Indicators (KPIs) can help the organisation gain insights in the performance of the PES. KPIs are part of the organisation's *performance measurement.* This is not to be confused with the broader topic of *performance management*, which refers to the activities of the PES which ensure that performance related goals are being met.

In 2016/2017 the PES Network published two documents on the topic of Performance Management:

1 Analytical paper on Performance Management: https://ec.europa.eu/social/BlobServlet?docId=18866&langId=en

2 Practitioner's Toolkit Performance Management in PES: https://ec.europa.eu/social/BlobServlet?docId=16572&langId=en

Performance Management

Performance Measurement

1.1 Content

This guide consists of two main chapters:

- In chapter 2 we are more conceptual and explain the 'what' and 'why' of KPIs.
- In chapter 3, we focus on the 'how' and provide a guide to getting started with KPIs in 6 steps.

1.2 Who is this guide aimed at?

This guide is aimed at three types of audiences:

1. Senior Management within PES that want to learn more about KPIs and adopt a more data driven approach towards performance management (specifically chapter 2 and chapter 3, step 1)

2. Middle level management (e.g. operations, project and programme management) and policy makers that need to develop KPIs in their unit or need to align KPIs with policies and/or directives (all chapters).

3. Other PES employees that want to learn about KPIs and develop their own goals and/ or understand how their work ties into higher level goals (specifically chapter 2).

2. KPIs: KEY CONCEPTS

For an overview of all key concepts and their definitions, see the glossary in the appendix.

2.1 What are KPIs?

In this section we explain what KPIs are and how they relate to other relevant concepts.

We define Key Performance Indicators as *those performance indicators of the progress towards meeting the highest level organisation goals and the Critical Success Factors contributing to these goals.*

Put more simply, in the context of Public Employment Services: KPIs are those indicators that are most crucial when understanding whether the PES is achieving its goals.

It is useful to first understand the concept of a more general *performance indicator*. We define this as *measures, qualitative or quantitative, of one or more aspects of the performance of the PES.* The difference between performance indicators and KPIs lies
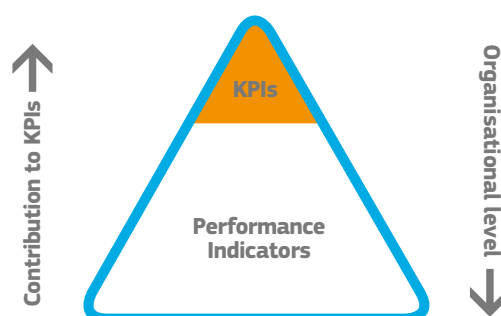
in their strategic value. KPIs are the highest level indicators in the organisation. For example; PES often use number of job placements as a KPI, whereas customer satisfaction with their online service interaction could be considered a performance indicator. The figure illustrates the relationship between level in the organisation and the type of indicator.

KPIs are inherently tied to the goals of the organisation. Ideally, KPIs measure the organisation's progress towards its (short term) goals, as well as higher level goals as expressed in the mission, vision and strategy (or strategies) (or MVS for short). Examples of these are the following:

Type of goal	Example
Ambitions and goals described in mission and/or vision statements.	In its vision the PES could outline a transition from offline to online service interaction and the fraction of customer contacts via the online indicators could be a key performance indicators for this transition.
Objectives described in policy plans and/or governmental directives for the PES	One of the tasks assigned by the government to many PES is administration of unemployment benefits. The degree to which benefits are processed on time and without errors is a KPI measuring the success of this directive.
Goals described in strategy documents and plans that outline plans for the near future	A PES strategy could aim towards the introduction of a competency based matching system. The quality of job matches (and the increase over time in quality after introduction of the system) is a KPI of the success of the strategic goal.

Often KPIs are connected to those factors that determine the success of organisational goals. For example, the number of errors or mistakes in processes contributes to the quality of the process. In other words, certain *Critical Success Factors* (CSFs) contribute to the goals of the organisation and KPIs can provide an indication of the success of these CSFs.

Very often, KPIs are a culmination of various underlying indicators and ideally, KPIs cascade down in the organisation from the highest to the lowest level so that the overall success of the PES results from the contributions of all its employees. This means that ideally goals and KPIs are being translated into sub-goals & performance indicators and so forth.

KPI Concepts: Key Performance Indicators vs Critical Success Factors

KPIs are often confused with Critical Success Factors (CSFs) and while they are related, they are not the same concept. Critical Success Factors are those aspects that are considered the key elements that are needed for an organisation to achieve certain goals. For a PES, achieving high quality job placement could depend on the quality of its matching capabilities. Therefore 'high quality matching' is a critical success factor in placing job-seekers into jobs.

A KPI is a measure of performance and this could be a measure of a CSF, for example the percentage of successful job matches could be a KPI measuring the impact of a CSF.

In a sense, CSFs are part of a PES attempts to *manage* performance, whereas KPIs are part of the PES activities in *measuring performance*.
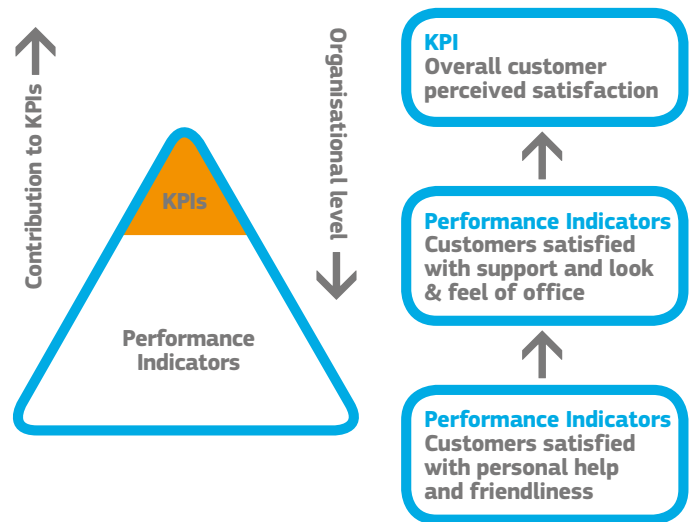
KPIs in Practice: PES performance measures

Nunn et al. (2009)[1] have created an overview of typical measures used by PES to measure their performance. These are divided in different groups and the 'final outcome measures' are often associated with KPIs, but the table illustrates more measures are relevant. The table below could serve as a source of inspiration for PES interested in KPIs.

Input measures	Output measures	Process quality measures	Intermediate outcome measures	Final outcome measures
• Staff hours in different roles • Spending on staff • Spending on programmes • Office numbers • Spending on compliance and processing	• Vacancy registration • Interviews completed • Referrals to training or other support • Penetration measures • Individual plan completion • Placement into work trials • Sanctions	• Assessment of interviews or plans • Customer satisfaction surveys • Employer satisfaction surveys	• General off-flow measures • Penetration measures • Benefit duration measures • Vacancy outcome measures • Hybrid measures	• Employment rate • Unemployment rate • Inactivity • Productivity • Long-term wages • Employment history of beneficiaries

1   http://eprints.leedsbeckett.ac.uk/856/

However, KPIs are not static and do not live in isolation. While being derived from organisational goals, KPIs should feed back into these goals. The insights generated by KPIs could confirm whether the organisation is reaching its goals and whether the PES should adjust its objectives. In other words, KPIs should be part of a *learning cycle*. The following framework shows the relationships between all these concepts as well as the dependencies between the elements:

Key lessons

- KPIs are those indicators that are most crucial when understanding whether the PES is achieving its goals.
- KPIs are derived from higher level goals in the organisation (such as those defined in mission, vision and strategy/strategies) or the CSFs contributing to these goals.

- KPIs ideally cascade down into the organisation (into performance indicators and underlying indicators, etc.), thus creating a logical system of performance measurement in the organisation.
- KPIs work best as a continuous instrument to measure performance of the PES, ongoing measurement allows PES to assess changes over times, plan and evaluate interventions and/or revise goals.

2.2 Why use KPIs?

Now that we know what KPIs are, the logical next question becomes, why should PES deploy KPIs? In this section, we answer that question.

Performance management and measurement are not new concepts and most PES will measure (parts) of their performance. For example, the OECD in 2005[2] already concluded that most European PES followed some kind of 'Management by Objectives' (MBO) approach in which certain 'objectives' are set for the PES to meet (also see Glossary). In a sense, KPIs could be created to measure the progress towards these objectives.

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2   https://www.oecd.org/employment/emp/36780883.pdf
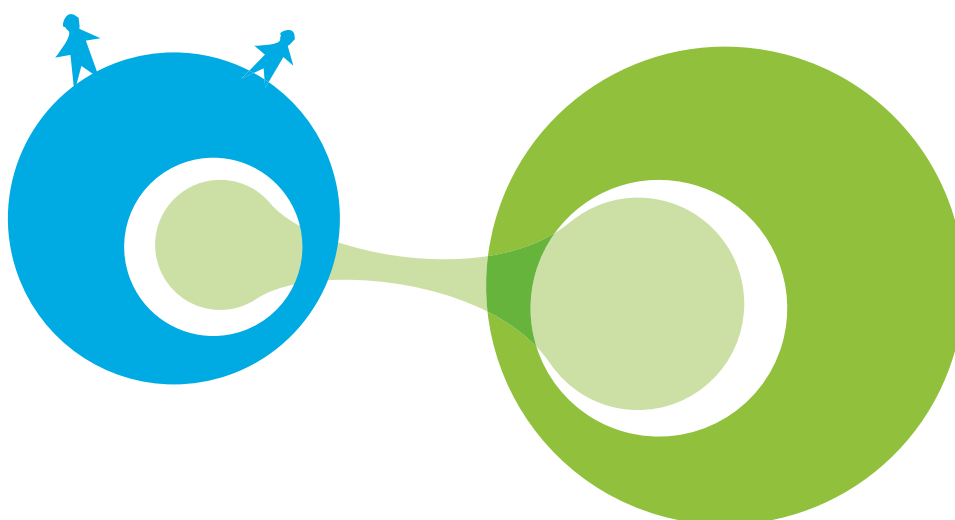
KPIs in Practice: KPIs in Slovenia

The Slovenian PES (ESS) is conducting a pilot study to develop KPIs that measure the performance of the PES in Slovenia. Similar to the Estonian PES (see example below), ESS is developing a composite KPI (see below), the 'success index' that consists of four KPI dimensions, each in turn based on a number of underlying indicators.

ESS has a number of motivations to conduct the pilot and develop a series of KPIs. There are internal motivators (such as the internal ESS 2020 Strategy), but also (quasi) external reasons, such as the national government's agenda (e.g. Digital Slovenia 2020) and the Benchlearning Initiative aimed at comparing between locations and governments. Within the ESS2020 a number of objectives have been defined:

- Key facilitator on the labour market
- Managed transparently and financially sustainable
- User oriented
- With efficient digital services
- With professional and motivated employees

To achieve these goals, the ESS recognised the importance of performance measurement, thus creating the business case to conduct the pilot.
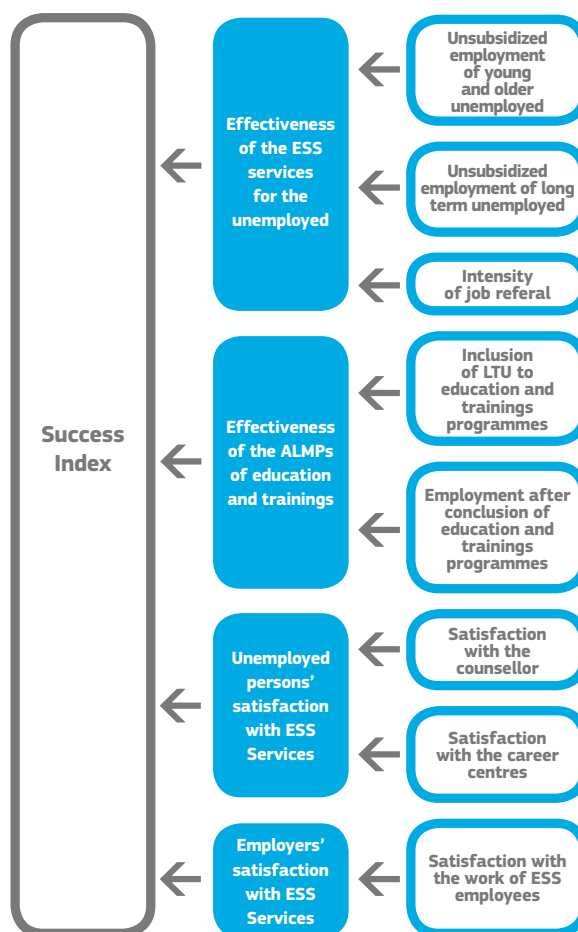
The most important outcome typically measured by PES is placements (placements into PES job vacancies, as reported by local employment offices without external verification or checks on the duration of the job), and outcome levels are compared to targets which are determined by ad hoc methods. This more traditional focus on 'output' measures has been replaced gradually by approaches that take a more balanced approach towards setting goals and measuring success. One of the more well known is the Balanced Score Card[3].

Governments themselves have started to move away from simple output or financial measures as indicators of performance. Some of the aspects that are currently considered to be important are:

- **Citizen** (customer) **centricity** and the notion that governments exist to serve citizens (in stead of the other way around)
- **Accountability** and being able to justify how public funds are being utilised

- **Transparency** and openness as mechanisms to increase trust and citizen–government relationships.
- **Innovation** and improvement of processes and services
- **Agility** and the need to be more flexible and adaptable in a more volatile environment.

These factors have stimulated a greater emphasis on measuring performance (but in a broader sense). In addition the increasing availability of data as a by-product from automation and digitisation allowing more easy and real-time performance management. This, and the rise of professions focusing specifically on the extraction and use of system data (often under the *big data* label), such as data engineers and data scientists have led to not only more possibilities to create relevant insights, but also to the increased attention in doing so.

As a result of a) changing performance requirements and b) better possibilities to generate insights, there is a stronger business case to develop and implement more continuous and broader performance measurement systems. There are real possibilities

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3 See https://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard

now to use KPIs to create a better performing PES. When implemented properly, KPIs can help manage effectiveness, efficiency and customer satisfaction at the PES.

Key lessons

- The traditional focus of performance measurement has been on outcomes and financial aspects and it is now recognised that a broader perspective is needed.
- In addition to these classic measures, the attention is now on factors such as customer needs and behaviours, accountability and transparency, innovation, and flexibility and agility.
- Key Performance Indicators that focus on a broad and balanced perspective of the organisation can offer great insights about its functioning and be a helpful tool for performance management.

2.3 Cascading KPIs

KPIs measure the highest level goals of the organisation and help create high level insights. It is important to realise that KPIs always build on the actions of the entire organisation: change in a KPI is usually due to the efforts and changes pursued by many in the organisation at all different levels. For example, a change in customer satisfaction can result from higher management allocating resources, middle management in providing training and motivation to case workers and case-workers themselves working hard to satisfy their clients.

In the same way that higher level goals are often divided in sub goals and sub sub goals, we can also break down indicators in lower level indicators. This creates a hierarchy or cascade of goals and indicators.

One methodology that does that is the Objectives and Key Results (OKR)[4] methodology popular with companies such as Intel and Google and an increasing number of organisations around the world. OKR is 'A management methodology that helps to ensure the company focuses efforts on the same important issues throughout the organization'. An Objective is the goal; WHAT needs to be achieved. They should be 'significant, concrete, action oriented and (ideally) inspirational.' A KEY RESULT benchmarks and monitors the HOW we get to that objective. Effective Key Results are specific and time-bound, aggressive, yet realistic. Most of all, they are measurable and verifiable.

What separates this approach from others is that all employees set their own goals and create their own indicators (or Key Result) within the overarching objectives. This allows all employees a certain degree of freedom and autonomy over their work, as well as creating a cascade that logically fits together.

Nowadays, several online tools and Apps can help set OKRs on the individual level.

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4   Learn more about OKRs: John Doerr (2017). Measure what matters. Penguin Random House. ISBN: 978-0-241-34848-2
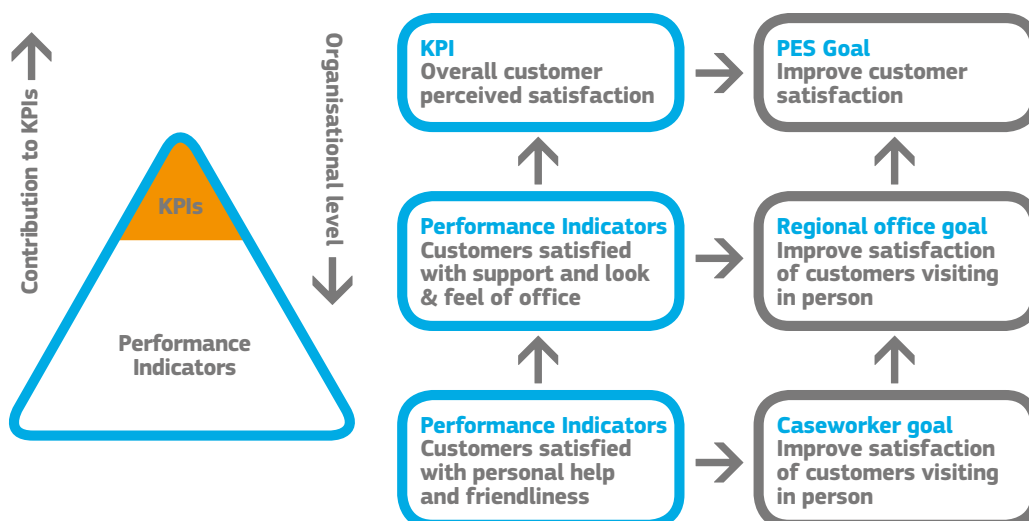
KPIs in Practice:
Goal & KPI Cascade in Estonia

In collaboration with the University of Tartu, the Estonian PES (EUIF) started a project to identify and evaluate a set of KPIs based on the organisational strategic goals.

In their project, they have created a cascade of goals (ultimately resulting in an overall composite KPI: EUIF utility).

At the heart of the cascade lie the four broad strategic goals of EUIF:

1. Reduce unemployment

2. Support the employed

3. Increase labour supply

4. Cost-effectiveness

Based on these goals, the EUIF created a series of KPIs (in blue), based on several underlying indicators (in green). The weight of each indicator is based on expert evaluations by the board members of EUIF (done in April 2018), these are subject to change as the work is still ongoing.

More information about performance management within EUIF can be found in the best practice fiche: https://ec.europa.eu/social/BlobServlet?docId=20526&langId=en.

Key lessons

- While KPIs are the highest level indicators in the organisation, they build upon objectives on every level of the organisation.
- A cascade of objectives and indicators can help create a congruent system of performance measurement.

EUIF utility

1.Reduce unemployment 0.43
- Matching jobs and the unemployed 0.22
  - EUIF vacancies relative to all vacancies 0.50
  - EUIF vacancies filled with registered unemployed 0.50
- Support transition to employment 0.25
  - Ratio of off-flows to unemployed 0.20
  - Re-employment rate within 6 months in four non-overlapping groups 0.22 0.25 0.15 0.18
- Reduce regional disparities 0.13
  - Difference in unemployment rates 1.0
- Skill enhancement of the unemployed 0.23
  - Participation rates in training and work practice 0.43
  - Transition to work after 6 months among participants 0.57
- Reduce unemployment duration 0.17
  - Median duration of unemployment 1.0

2.Support the employed 0.22
- Enhance skills of high-risk workers 0.53
  - Proportion of employed 6 months after training 1.0
- Support employment of the re-employed 0.47
  - Proportion of employed 6 months after re-employment 1.0

3.Increase labour supply 0.15
- Activate the inactive 1.0
  - Proportion of inactive people registered in PES 1.0

4.Cost-effectiveness 0.20
- Cost-effectiveness of ALMP 1.0
  - Cost of ALMP per registered unemployed 1.0

3. GETTING STARTED WITH KPIs

In this last chapter, we provide practical guidance on how the organisation can implement a successful KPI system. While this is a short overview and does not cover the finer details of a subject as broad and important as KPIs, it provides a good starting point and helps cover the main points.

When getting started with KPI, we propose a six step process based on the framework to the right:
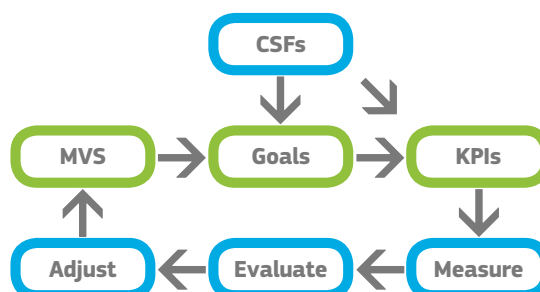
1. Translating MVS into specific goals
2. Defining KPIs
3. Implementation
4. Evaluating outcomes and making adjustments
5. Continuous measuring and learning

3.1 Step 1: Translating MVS into specific goals

The most logical starting point to start developing KPIs is to look at the highest level goals in the organisation. These, often, can be found in:

- Mission and vision statements describing what the organisation does and wants to achieve (see for example the mission statement from the Dutch PES to the right).
- Policy plans and/or governmental directives that outline specific objectives for the PES
- Highest level strategies and/or strategic plans that describe organisational goals for the near future.

Once all relevant goals have been collected, these should be compared, ordered and connected. Often there is a hierarchy in the organisation's goal, for example complying to legal standards is a *must have* while exceeding customer expectations usually is a *nice to have.* Furthermore, while organising goals, keep in mind the CSFs influencing these goals. A good way to organise this process is to:

- Write all goal related statements on separate post-it notes
- Cluster all statements that focus on specific topics
- Order statements on specific topics by importance

About us

UWV (Employee Insurance Agency) is an autonomous administrative authority (ZBO) and is commissioned by the Ministry of Social Affairs and Employment (SZW) to implement employee insurances and provide labour market and data services.

The Dutch employee insurances are provided for via laws such as the WW (Unemployment Insurance Act), the WIA (Work and Income according to Labour Capacity Act, which contains the IVA (Full Invalidity Benefit Regulations), WGA (Return to Work (Partially Disabled) Regulations), the Wajong (Disablement Assistance Act for Handicapped Young Persons), the WAO (Invalidity Insurance Act), the WAZ (Self-employed Persons Disablement Benefits Act), the Wazo (Work and Care Act) and the Sickness Benefits Act.

－ Core task and ambitions

UWV has core tasks in four areas:

- employment – helping the client remain employed or find employment, in close cooperation with the municipalities;
- social medical affairs – evaluating illness and labour incapacity according to clear criteria;
- benefits – ensuring that benefits are provided quickly and correctly if work is not possible, or not immediately possible;
- data management – ensuring that the client needs to provide the government with data on employment and benefits only once.

－ Vision and mission

People are at their best when they can participate in society by working. Society functions best when as many people as possible participate in it by working. It is our mission to work with our partners to make a difference for people by promoting work. If work is impossible, we ensure that income is available quickly.

Mission and vision of the Dutch PES (UWV)
https://www.uwv.nl/overuwv/english/about-us-executive-board-organization/detail/about-us/vision-and-mission

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                    ┌─────────────────────┐
                    │      PES Goal       │
                    │  Highest level goal 1│
                    └─────────────────────┘
                         ↑           ↑
┌──────────────┐  ┌─────────────┐  ┌─────────────┐
│ Continuous   │  │  PES Goal   │  │  PES Goal   │
│ Owner: X     │  │ Middle level│  │ Middle level│
│ Affects x, y, z│ │   goal 1   │  │   goal 2    │
└──────────────┘  └─────────────┘  └─────────────┘
                   ↑          ↑          ↑
          ┌──────────┐ ┌──────────┐ ┌──────────┐
          │ PES Goal │ │ PES Goal │ │ PES Goal │
          │ Lower lvl│ │ Lower lvl│ │ Lower lvl│
          │ goal 1a  │ │ goal 1a  │ │ goal 2a  │
          └──────────┘ └──────────┘ └──────────┘
                                         │
                                   ┌──────────────┐
                                   │Temporal (2021)│
                                   │Owners: Y & Z  │
                                   │Affects a, d, e, f│
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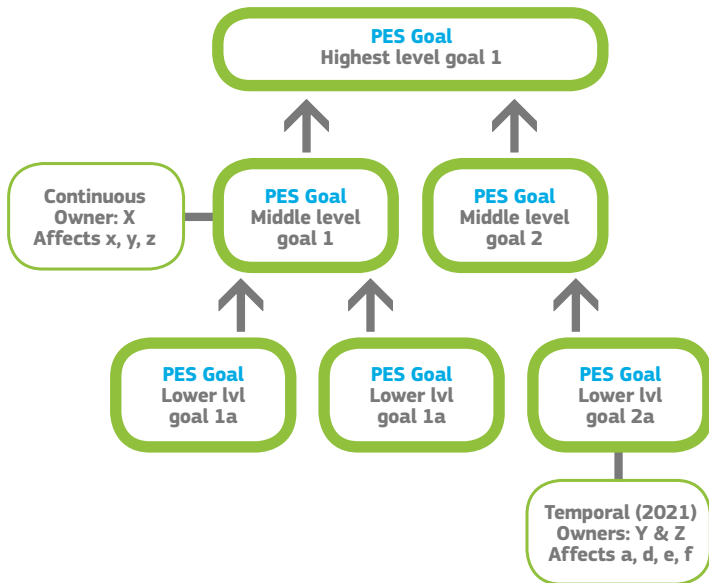
- Try and categorise the goal(s), for example in terms of ownership (who is in charge of the goal), stakeholders (who does the KPI need to be communicated to?) and properties (e.g. is it continuous or temporal?).

Once completed, the PES should have an overview of the cascaded goals in the organisation. That should have a hierarchical as well as a causal component.

Common challenges and solutions

- **Ambiguity in statements**
  Often mission and vision statements (and to a lesser degree strategic plans) have lofty, but ambiguously worded goals (for example; 'providing customer oriented world class services'. These statements are difficult to translate into goals that can be reached and that can be translated into measurable KPIs (e.g. what are 'world class services'?).
  In those situations, two options exist; the first is to revise the statement to make it more concrete (the preferred option), the second option is to keep the statement and 'translate' the vision into a derived series of goals that follow the spirit of the statement. For example 'world class services' could be translated into 'high quality services'.

- **Conflicting goals**
  A second problem is that of conflicting statements. For example, promising customers that they will be served via a channel of their choosing could conflict with a strategic goal aimed at persuading all clients to use one single channel. Furthermore, indicators deemed relevant by one part of the organisation might be less important than others, sometimes leading to conflict. For example: increasing levels of customer satisfaction deemed important by customer service departments, may be at odds with operational goals to reduce budgets. Even more so, PES often find themselves wedged between political (driven by governments and governmental agencies overseeing their operations) and societal (the public and media) agendas that often have conflicting goals. *This could be resolved by either rephrasing one of the conflicting goals and/or embedding one goal in the other (in this case, for example: one channel first, but for customers that can't or don't want to use it, there are choice alternatives). At the very least conflicting statements should be put on the agenda to discuss at high levels in the organisation and resolve the conflict. Higher level management needs to broker and align the interests of the different stakeholders in order to create congruency between the different goals.*

- **Managing the cascade**
  While it may seem tempting to create an overview of all goals in the entire organisation, this is probably an impossible task and will only lead to frustration in the organisation.
  It is advisable to only stick to the highest level goals and cascade those down to a reasonable level (for example 1 or two levels down). The aim of using KPIs is not to measure everything in the organisation but to gather the most important high level insights.

- **Focus on KPIs can distract from underlying goals**
  KPIs are a means (insights in performance) to an end (higher level strategic goals), focusing too heavily on the KPIs can distract from higher level goals and even lead to the 'means turning into an end'. Especially if compensation or other rewards are tied to KPIs, conflicts of interest and considerable bias can result from the process.
  The solution to this problem is to create ongoing awareness about the purpose of the KPIs and when reporting KPIs re-iterate the goals to which the KPIs are tied.

Useful tips & tricks

- **Organisation and focus**
  In order to keep goals focused, you could try and categorise them the same way KPIs can be organised (see previous chapter).
  For example; is the goal continuous or does It have an end date (temporal)? This helps in creating the ranked list of goals and eases the KPI process.

- **Cascade and group activities**
  It might be useful to do goal derivation in a cascading style; start at the highest level management and, as a group activity, set the goals of the organisation. Once this has been completed, ask the tier below top management to set their goals, given the higher level goals what goals can they achieve? Repeat this at every organisational level. This creates a congruent cascaded set of goals, creates buy-in and ownership (since everybody sets their own goals) and creates realistic expectations about what can be achieved. The OKR method mentioned above can be useful as a guide.

3.2 Step 2: Defining KPIs

Once the organisation has a cascade of goals, it is time to translate these into a set of performance indicators and subsequently the highest level KPIs. A longer description about characteristics of KPIs was presented in the previous chapter and can help create clarity about types and content of KPIs. When deciding which KPIs will offer the most valuable insights, the following questions can help to stay focused:

- What goal are they derived from?
- Are they simple to understand for all stakeholders involved?
- Are they relevant, in the short term as well over time?
- Are they succinctly defined and easy to measure?
- Do they accurately reflect the organisational processes and practices?
- Do they involve factors or quantities that the PES can control?
- Do they focus on improvement?
- Do they provide feedback that can lead to action?

Two frameworks are often used to help setting of objectives: R.A.C.E.R. and S.M.A.R.T. While they focus on different aspects of the indicators, they are similar in that they force a level of consistency in the indicators and serve as a check-list against which the indicators can be held. In addition, the PES could look at ISO norms 9000/9001[5].

R.A.C.E.R.

- **Relevant** – closely linked to the objectives to be reached
- **Accepted** – by staff, stakeholders, and other users
- **Credible** – accessible to non-experts, unambiguous and easy to interpret
- **Easy** – feasible to monitor and collect data at reasonable cost
- **Robust** – not easily manipulated

S.M.A.R.T.

- **Specific** – The indicator targets a specific area for improvement
- **Measurable** – It is possible to measure the indicator using data
- **Assignable** – Somebody can take ownership over th indicator (and use outcomes to manage)
- **Realistic** – The indicator measures relevant and realistic concepts
- **Time-related** – It is specified when KPIs will be measured and when results can be expected

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5   See https://www.iso.org/iso-9001-quality-management.html
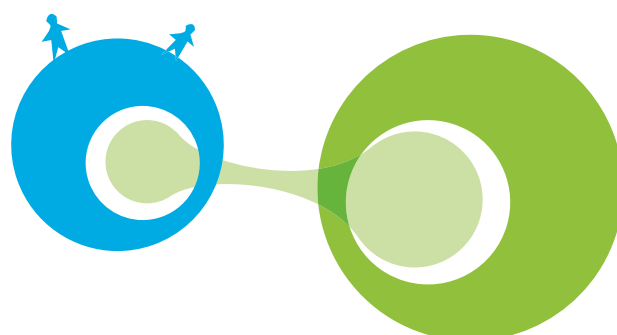
KPI Concept: ISO 9000 / 9001 quality management principles (QMP)[6]

The ISO 900x standard is one of the most important standards in terms of quality management and thus can be an important inspirational source when developing KPIs. The standard recognises 7 key QMPs that can be used to create KPIs.

1. **Customer focus**
   The primary focus of quality management is to meet customer requirements and to strive to exceed customer expectations.

2. **Leadership**
   Leaders at all levels establish unity of purpose and direction and create conditions in which people are engaged in achieving the organization's quality objectives.

3. **Engagement of people**
   Competent, empowered and engaged people at all levels throughout the organization are essential to enhance its capability to create and deliver value.

4. **Process approach**
   Consistent and predictable results are achieved more effectively and efficiently when activities are understood and managed as interrelated processes that function as a coherent system.

5. **Improvement**
   Successful organizations have an ongoing focus on improvement.

6. **Evidence-based decision making**
   Decisions based on the analysis and evaluation of data and information are more likely to produce desired results.

7. **Relationship management**
   For sustained success, an organization manages its relationships with interested parties, such as suppliers.

As a general rule of thumb, Lea and Parker[7] suggest that measures of performance should be:

- Transparent (is it clear what they measure?)
- Simple to understand (is it easy to explain what the KPI is?)
- Have visual impact (are changes in the KPI easily noticeable and recognisable?)
- Focus on improvement rather than variance (are changes in KPI values due to changes in the underlying concept rather than simple random variations in the data?)
- Visible to all (communicated across all stakeholders?)

In order to create clear measurable objectives, the PES could make an overview of:

- Which KPI(s) are tied to which goals
- How the KPI can be measured (e.g. can it be measured with one number, or is it a composite?)
- If it is a composite, what do the underlying variables that lead to the construct look like? (also see below)
- The answers to the R.A.C.E.R. and/or S.M.A.R.T. questions.

Common challenges and problems

- **Creating Composites**
  Creating composite KPIs is a challenge. It involves considering which measures should be combined into one score i.e. which sub-objectives measure the objective. Furthermore, there is the question of how the different measures combine into one KPI, especially if those underlying scores are measured using different techniques and scales.

Should this be the case, the PES examples and literature referred to in this guide could provide further help in creating composite KPIs.

Useful tips & tricks

- **Be concrete and specific**
  It is often easier to be ambiguous and create wider and more generally-worded goals and KPIs. However, for KPIs to be effective, they need to be concrete and specific. Keep on simplifying and sharpening the KPI until it is as concrete (and simple to understand) as possible.
- **Use a checklist and checkteam**
  What could help is the creation of a checklist of the desired characteristics of the KPIs and have a 'checkteam' independently check every KPIs. This reduces bias, creates uniformity and ultimately leads to better KPIs.

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6   Learn more: https://www.iso.org/iso-9001-quality-management.html
7   Lea, R. and Parker, B., 'The JIT spiral of continuous improvement', IMDS, Vol. 4, 1989, pp. 10-13.

KPIs in Practice: KPIs in the Netherlands

The Dutch PES (UWV) has a series of KPIs, combined with goals (targets). These are divided in different areas of work (for example for 'unemployment benefits (insurance) claimants' and 'incapacity insurance claimants')

These KPIs form an important element of the planning and control cycles UWV has implemented (see below).

Key performance indicators for UWV WERKbedrijf in 2017

INDICATOR, INCLUDING TARGET GROUP AND TIME FRAME WHERE APPLICABLE	TARGET(S) SET FOR 2017
1. Key performance indicators 'unemployment insurance claimants'	
Percentage of UI claimants with a 'work profiler score of 0-50%' having a (face to face) 'work orientation interview' within agreed timeframe	>80% External KPI
Percentage of UI claimants with a 'work profiler score of 0-50%' having a (face to face) 'work orientation interview'	>95% Internal KPI
Percentage of UI claimants with a 'work profiler score of 50-100% or no work profiler score' having a (face to face) 'monitoring interview' after 6 months of unemployment	>75-95% Internal KPI
Number of UI claimants exiting towards employment	>217.987 Internal KPI
Number of UI claimants receiving a suitable job offer shortly after passing 12 months of unemployment	>5.000 External target
Survey tools for measuring client satisfaction about treatment received applied to distinct client groups	Rating score (on a scale of 10) of at least 6.5 Internal KPI
2. Key performance indicators 'Incapacity Insurance benefit claimants'	
Number of Incapacity Insurance benefit claimants (Wajong) successfully placed in a vacancy	>7.500 External KPI
Number of Incapacity Insurance benefit claimants (WIA/WGA) exiting towards employment	>2.467 Internal KPI
Number of Incapacity Insurance benefit claimants (IaW) with a 'client profile'	Performance monitor Internal KPI
Percentage of inflow to Incapacity Insurance benefits receiving a re-integration plan within agreed timeframe	>70% Internal KPI

3.3 Step 3: Creating a measurement plan & infrastructure

The third step is to create the measurement plan as well infrastructure to facilitate data collection. The PES needs to assess how data can be collected, how often this needs to happen and how to do this on an ongoing basis, and how KPIs are being presented. The key activities in this step are the following:

1. **Determine data collection possibilities**
   The organisation needs to analyse how data can be collected to measure against the KPI. For example, certain metrics (such as job placements) could possibly be collected from IT systems, whereas other metrics (for example case-worker satisfaction with their jobs) might need the development of

a questionnaire. In general, the following guide could be of help

- Is data to measure this KPI available in systems?
- If so, investigate the data infrastructure (e.g. how the data is being stored and how the data can be retrieved from the system).
- If data is not available in systems, the PES needs to investigate other options, such as: a) can we develop surveys or other ways of quantitative response based method, b) are there ways to develop automated ways to collect this data (e.g. by creating a new data infrastructure), c) are there proxys that can be used if there is no easy way to collect data or is it possible to do a more qualitative assessment.

Different types of dashboards used in Denmark for Citizens, Case-workers and Employers.

2. Determine collection frequencies and contingencies

The second activity is to determine data collection frequencies and any contingencies surrounding this. Ideally, when creating the KPIs, the PES already determines how often and when data needs to be collected. However, practical obstacles often have a big impact on measurement, such as: a) planning surrounding survey data collection, b) abilities to extract system data and/or development of the infrastructure to do so.

3. Set up the infrastructure

Once the PES has determined what data needs to be collected and how to do this, the organisation can set-up the infrastructure to do so. This entails a) development of the data storage platform, b) analytics applications to create the metrics, c) dashboards or other applications to display the KPIs, and d) create access for those that need to.[8]

PES Network resources:
Data and Analytics

The use of data within PES and descriptions of various types of data analytics have been the focal point in previous publications of the PES network:

1 Analytical paper: Modernising PES through supportive data and IT strategies:
https://ec.europa.eu/social/BlobServlet?docId=16602&langId=en

2 Practitioner's Toolkit: Being smart with data, using innovative solutions:
https://ec.europa.eu/social/BlobServlet?docId=17367&langId=en

In the toolkit, a longer description of data extraction methods, types of data collection and analysis and ways to present data using dashboards can be found.

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8   More information on this topic can be found in the toolkit on data and analytics from 2016: https://ec.europa.eu/social/BlobServlet?docId=17367&langId=en

Common challenges and problems

- **Data mismatches and collection issues**
It is very likely, especially when extracting system data or combining different data sources, that problems will arise (for example different formats or collection periods). This could create conflicts when merging data and/or creating composite metrics.
These can be mitigated by creating a comprehensive plan in which the characteristics and capabilities of all sources are assessed beforehand. Furthermore, using specialist resources and personnel early on in the process can help in preventing issues from arising.

- **Creating insights from KPIs**
The success of KPIs depends on the degree to which they can be measured and reported accurately. If there is no reporting system in place in which measurements can be shown, it will be very challenging to create a successful KPI system.
When designing KPIs, the PES should also consider how they are measured and reported back to the relevant stakeholders. Measuring and reporting are integral parts of the KPI process (also see next chapter).

- **Information overload**
KPIs create insights, but when many KPIs are used, especially composite KPIs with many underlying measures, the risk of information overload increases. Information overload happens when too much information is presented, inhibiting the brain to process all information correctly.

The solution to information overload is two-fold. The first is to make sure KPIs are truly the 'Key' indicators; select only those indicators that mean the most to the organisation. The second is to present the outcomes in such a way that only the most important information is displayed at first glance. Use drilling down or collapsible presentation structures tonavigate to underlying items.

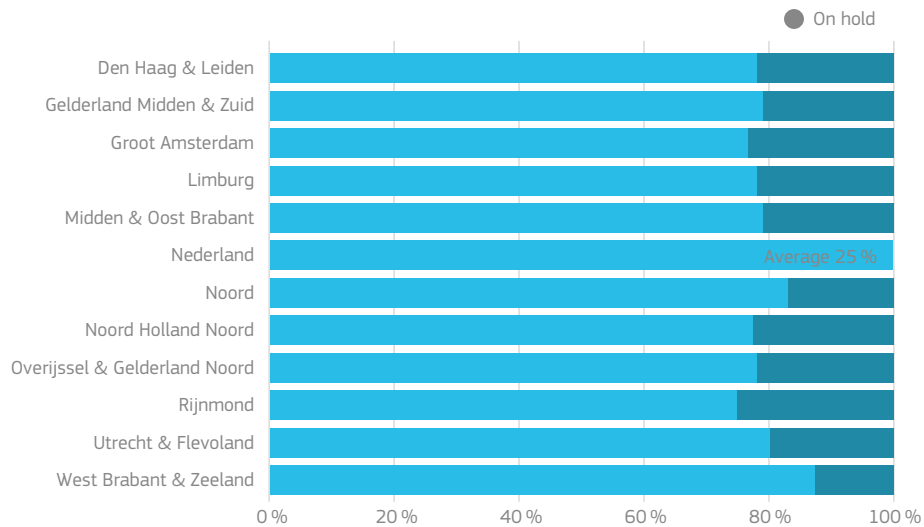### KPIs in Practice: Dashboards in the Netherlands

The Dutch PES (UWV) is using various tools to show important KPI information, as well as internal benchmarking. To that end, they have several tools available:

1 Excel benchlearning tool (in Microsoft Excel)

2 Report portal (within the My Information Portal (MIP), see below)

3 PowerBI analysis[*]

These tools are in production and are being successfully used throughout the organisation to manage workloads and plan for the future.

Caseload analysis – operational control information

Caseload: unemployment insurance claimants August 2018: 234.062

● On hold

Den Haag & Leiden	
Gelderland Midden & Zuid	
Groot Amsterdam	
Limburg	
Midden & Oost Brabant	
Nederland	Average 25 %
Noord	
Noord Holland Noord	
Overijssel & Gelderland Noord	
Rijnmond	
Utrecht & Flevoland	
West Brabant & Zeeland	

0 %   20 %   40 %   60 %   80 %   100 %

KPI: % Work orientation interview within agree timeframe

Date: August 2018 – Average: 82.4 %

■ Rank 1, 2 of 3
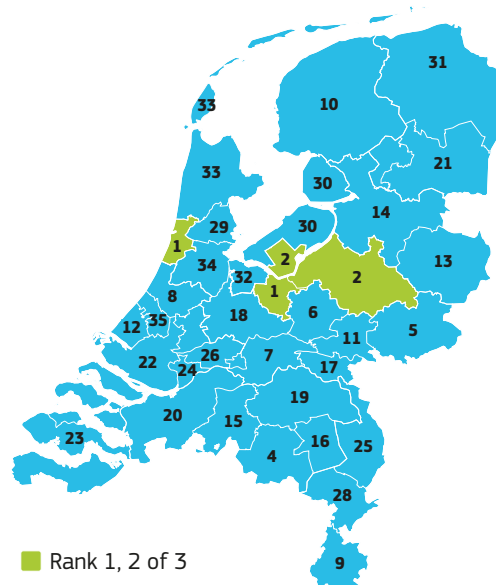
My Information Portal:

My Information Portal (MIP) tells management what UWV WERKbedrijf can do in terms of all main objec-tives, performance indicators and products WERKbedrijf supplies. MIP provides accessible information on source to at least branch level.

* See https://powerbi.microsoft.com/en-us/

- **Balancing simplicity and insights**
Creating composite KPIs is a good way to aggregate information into fewer 'scores'. This allows for increased simplicity in seeing how well the organisation is performing. The downside of 'one number to rule them all' is that you lose track of the causes and levers that impact the score. PES need to find the balance between simplicity and providing actionable insights.
A solution to this problem is to find creative ways to display relevant information. This could be done by showing composite scores as well as those components that are causing the biggest changes. A focus on change could help display the most important focal areas.

Useful tips & tricks

- **Design for different users**
Different levels in the organisation and different stakeholders need access to different types of information. When developing the dashboard, or other tools, it is smart to design these in a flexible (modular) manner so that different types of information can be displayed to different users.

- **Invest in UI (User Interface) and UX (User Experience)**
The importance of a good visual presentation of the KPIs should not be underestimated. It is strongly advisable that, if the PES develops a dashboard or other visual tool, to allocate resources for interface design and co-development of the UI/UX with the designated users.[9]

3.4 Step 4: Implementation

Proper implementation requires more than sending logins or information sheets periodically to the designated users. The organisation could benefit from drafting an implementation plan in which the topics below are addressed:

- **Communication and knowledge transfer**
All stakeholders need instructive information about the KPI platform, how to use it and what the pieces of information mean.
It should not be underestimated how important proper communication and knowledge

transfer are to avoid ambiguous situations. The best way to do this is to provide individual instructions to those stakeholders that have KPIs tied to actual goals. If the KPIs are of a more informational nature, then group based and/or online training (e.g. using webinars) could be an option.

- **Changing organisational culture**
If the organisation is not used to data-driven approaches, the implementation of KPIs could conflict with existing cultures and behaviours. For example, if the PES is not used to decision making based on (factual) information but relies on experience and/or consensus, the implementation could cause resistance.
The following could help in changing the organisation to become more data-driven[10]:
  - **Develop relevant analytics that can be put to use**
  There is a higher likelihood that the organisation will adopt the system when the KPIs are more practical, and the easier it is to derive actions from the way the data are displayed. This can be done through a close alignment of goals and KPIs.
  - **Embed KPIs and analytics into simple tools for the front-line**
  It is important that front-line staff get access to the information they need that can improve their work, especially if KPIs have been cascaded down the organisation and/or the organisation has adopted OKR (or similar) approaches. In addition, creating transparency can help mitigate resistance. For these reasons, developing (or acquiring) easy to use tools at all levels in the organisation can ease the change.
  - **Develop data related capabilities**
  Upgrading skills and literacy when it comes to the collection and analysis of KPI related data are crucial to successful adoption. This, for example means that stakeholders need to have an understanding of where the data comes from and how it is being analysed. Understanding the underlying process could enhance the credibility assigned to the KPIs and thus aid in its adoption.

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9 For an introduction video on the two topics, see here: https://www.youtube.com/watch?v=RtPnVtXw6HU

10 Also see full publication on which these are based https://hbr.org/2012/10/making-advanced-analytics-work-for-you

- **Work with innovators and take feedback seriously**
  When implementing new tools and approaches, the initial phases are the most important. The first people to adopt the approach, the 'innovators' and 'early adopters',[11] typically convince others in the organisation to adopt as well. Working closely with early adopter groups can help improve adoption success rates. Gather feedback from these groups and try and incorporate their suggestions to demonstrate feedback is being taken seriously.

Common challenges and problems

- **Information display and comprehension**
  Making sure the information displayed can be interpreted correctly in meaningful ways for all stakeholders involved.
  This can be made easier by:
  - Keeping it simple and not showing too much information at the same time
  - Always using scales and/or baseline information to make comparisons easily
  - Using symbols and colours to make digestion of information easier.

- **Resistance towards change**
  Resistance among users is one of the biggest challenges when implementing changes and the move to a more data-driven KPI approach is no different. Very often, resistance stems from lack of knowledge and fear, for example related to job security.

  This can be mitigated by creating the implementation plan mentioned above. Furthermore, the following could aid:
  - Be open and honest about the purpose of the approach and re-iterate the same message consistently.
  - Build positive communications stressing the benefits of the approach for the individual worker.

Useful tips & tricks

- **Staged roll-out**
  In order to identify and address problems early on, as well as incorporate feedback from early adopter groups, the PES could consider using a staged roll-out.

- **Dashboards on different levels and creating transparency**
  The needs of users vary and the same KPI could be used by different audiences in different ways. For example, a high level KPI may be informative for a case worker, while being an actionable insight for an executive level manager. Investigate user needs and design different presentation methods for different users (see also example from Denmark above).

- **Piloting and prototyping**
  The PES could consider first doing a smaller scale pilot before rolling out the KPI system organisation wide. Users from different levels in the organisations could be involved to test the approach and uncover flaws before organisation wide implementation.

3.5 Step 5: Evaluating outcomes and making adjustments

Once the KPI system has been implemented, the work is not yet done. After the first measurement(s) and presenting the results to the stakeholders, it is wise to focus on an initial evaluation. This evaluation ideally consists of two main activities:

- **Interpretation and evaluation of outcomes**
  Once data has been collected, the organisation can start comparing its actual performance to the goals created. Although there will not be enough information to see trends and developments over time, the first measurement could lead to a series of interventions (adjustments) in different areas. For example, when customer satisfaction is lower than desired and this is caused by long waiting times in the customer contact centre, the most likely intervention is to increase staffing. Systematically analysing all KPIs and underlying indicators (especially when composites are used) can determine where interventions are needed. If the data is

11 Also see https://www.ou.edu/deptcomm/dodjcc/groups/99A2/theories.htm

unclear about the causes of deviations, it is wise to investigate further. Once the biggest deviations have been established, a series of interventions can be created.

- **Evaluation of the process**
Especially after the first measurement(s) it is important to not just evaluate the data and KPIs themselves, but also the KPI *process*. This involves a reflection on a) the (construct[12]) validity of the KPIs, b) the data collection and analysis process, and c) the use and satisfaction of the users (including the degree to which they understand the data and find the results meaningful). It is, for example, possible that not every KPI is very clearly explained to the users and changes in the labelling and explanations are needed. The team tasked with implementation of the KPI project should allocate resources from the start of the process to reflect and evaluate the process itself and make adjustments where needed.

Common challenges and problems

- **Post-hoc changes**
Making changes after implementation can be a challenge and be met with resistance and/ or additional cost. This is especially the case when acquiring products from vendors, or making changes in systems to accommodate the KPI process.
This can be mitigated by a) allocating resources to deal with potential changes and b) clear communication about the possibility of later changes from the start of the project. Never present ideas and plans as <u>final</u> but always as tentative and prone to change.

- **Change fatigue**
Another challenge, especially when the organisation repeatedly changes the KPIs and/ or parts of the system used to measure and display results, is that of change fatigue. When confronted with too many changes and the accompanying communications, knowledge transfers, etc., the staff in the organisation might become wary of changes (and as a result more resistant). In a worst-case scenario, the KPI initiative could lose credibility.

This could be resolved by specifically positioning the first round(s) of measurement as a pilot or test phase and communicating clearly about the purpose and need for testing.

Useful tips & tricks

- **Plan evaluations**
The goal of any 'KPI Project' is to implement the system and many plans end at that stage, failing to recognise that evaluation is a key part of the process. Building this step into the process can save time and trouble later on!

- **KPIs are not a miracle cure**
Even though KPIs can create useful insights and create a better organisation, it is no miracle cure that will suddenly transform the organisation. To help manage expectations be clear from the start about what KPIs are and how they will help the organisation.

3.6 Step 6: Continuous measuring and learning

KPIs work best in ongoing cycles. Numerous reasons exist why a PES could benefit from doing this on an ongoing basis:

- It helps in realising long term goals, as PES can see changes in KPIs over time and thereby allocate resources towards the best opportunities for growth and improvement.

- It allows the organisation to benchmark itself over time and see how its performance is doing. This could help establish the impact of the environment (e.g. changes in the labour market) on the organisation and distinguish between *internal* (which it controls) and *external* (over which it has no or little control) influences on its performance. This creates more insights in the levers the organisation has to control its performance and thus aid in performance management.

- It helps the organisation to create learning cycles[13] in which it can see the effects of any changes it implements. This not only allows

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12 See https://www.socialresearchmethods.net/kb/constval.php

13 For more information and a critical reflection on the concept, see here: http://reviewing.co.uk/research/learning.cycles.htm

the organisation to experiment (and see impact of interventions), but also to iterate and change course quickly if certain things don't work as planned.

- It can help all layers of the organisation improve. Especially when cascades are implemented, even individual case-workers could benefit; they get more accurate insights in their performance. This could help unbias performance reviews, give them (data-based) incentives and drive their personal development.

The ability of the organisation to do this successfully largely hinges upon the following:

- **The ability to commit to the longer term.**
  While most organisations work towards longer term future goals, things like funding cycles are often shorter (and often annually). Leadership champions are advised to plan more than one year (e.g. 24 or 36 months) for this project to generate initial insights as well as longer term benefits. This time frame allows the practice to be fine-tuned and generate enough value to become a standard (operational) process and expense.

- **The readiness of the organisation to learn.**
  The willingness of organisations to accept data-driven outcomes and commit to action is often lower than expected. If the organisation does not take the first measurement(s) seriously, it will probably not see any changes when measuring again. This could result in doubt and criticism on the approach and lead to abandonment. The willingness to face the initial results, derive meaningful interventions and implement these, are crucial for the long-term success.

Common challenges and problems

- **Ongoing maintenance**
  Like every other system and process in the organisation, KPIs need maintenance. This means that the KPIs, as well as the underlying measurement infrastructure need to be evaluated and maintained on an ongoing, regular, basis. For example, it could be that advances in research methods allow substitution of one method of data collection for another.

The organisation should build a maintenance function into the system that is focused on updating the framework and infrastructure.

- **Partial abandonment**
  Different parts of organisations function differently and as with any innovation, degrees of adoption of KPIs across the PES might vary. The risk is that a split organisation could emerge where one part is learning and benefiting from KPIs, whereas the other part has stopped using it. This could influence the success as a whole since the highest level KPIs are likely to depend on the functioning of the entire organisation. *Monitor adoption and use of the approach on an ongoing basis to identify rejection and/or issues early on. Gather feedback and reasons for rejection and use the feedback to make changes and start the re-adoption process.*

Useful tips & tricks

- **Process, not project**
  Approach KPIs from the start as a new organisational process, rather than a 'project' or 'activity'. This helps to manage expectations from the start and makes it clear from the onset that KPIs are 'here to stay'.

- **Carrots, not sticks**
  Focus on positive reinforcement (carrots) rather than negative reinforcement (sticks) when interpreting and evaluating outcomes over time. People who receive praise for improvement are more likely to be productive and satisfied than those receiving negative feedback and criticism for areas that have worsened. A system focusing (mostly, not exclusively) on positive reinforcement is more likely to be adopted and sustained in the long run.

KPIs in Practice: planning and control cycles in the Netherlands

The Dutch PES (UWV) has created planning and control cycles at various levels in the organisation based on the PDCA[14] approach. Depending on the layer in the organisation, different inputs are used and results are discussed at varying times. For example, employees have 'daily stand-ups' (a concept originating from the Agile/Scrum movement)[15] in which daily achievements and goals are discussed. The board of directors meets quarterly to discuss the results from the monthly performance reports and budget numbers.

STAKEHOLDERS	MOST IMPORTANT REPORT	IMPORTANT DISCUSSION SESSION
Ministery	Quarter reports	'Budget letter' Policy meetings
Board of directors UWV Finance department	Monthly performance report Budget information	Quarter monitoring – meetings
MT division WB	Monthly performance report	Weakly DT
District management Regional management	Monthly district performance Balanced scorecard	DMO RMO
Employees	Variable reports: MIP	Daily stand up

UWV has created a series of KPIs (see above) that form an integral component of the discussion sessions held with each type of stakeholder.

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14 See https://www.investopedia.com/terms/p/pdca-cycle.asp and the glossary
15 https://www.agilealliance.org/glossary/daily-meeting

4. GLOSSARY

TERM	ABBREVIATION	DEFINITION
Performance Management	–	All activities of the PES which ensure that performance related goals are being met.
Performance Measurement	–	All activities of the PES aimed at collecting performance related data.
Key Performance Indicators	KPI	Those performance indicators of the progress or degree of fulfilment of the most important organization goals and the Critical Success Factors contributing to these goals.
Critical Success Factors	CSF	Those aspects that are considered the key elements that are needed for an organisation to achieve certain goals.
Performance Indicator	PI	Measures, qualitative or quantitative, of one or more aspects of the performance of the PES.
Learning Cycle	–	Continuous cycle in which goals are translated into KPIs, and measurement and evaluation of data are being used to continuously learn about progress and make interventions.
Plan Do Check Act	PDCA	Deming or PDCA cycle is a management principle in which the organisation creates continuous cycles in which Plans, Activities (Do), Measurements (Check), and Evaluations/ Adjustments (Act) feed into each other.
Management by Objectives	MBO	Management approach in which goals for the organisation and individual workers are defined, usually these are production related.

Publications Office