System X

In Service Support Plan

Support Programme - Annex B

A1 ESTABLISHMENT OF KEY PERFORMANCE INDICATORS

A1.1 Introduction

The Key Performance Indicators (KPIs) established for the SYSTEM X support programme have been chosen because they are of benefit to the business of delivering the Prime Contractor support solution and not purely as a method of defining payment criterion. They have been chosen as they establish Measures of Performance for the service being provided.

KPIs are used to measure an organization's performance or relationship with a chosen stakeholder and to determine the degree of change from where the relationship stands today to where it will need to be in the future. A KPI is usually an established target, associated with a date and a path for improvement.

Industry experience suggests that far too frequently KPIs are set that fail to acknowledge those elements of service delivery that are of real importance to the organisation. This can often result in the potential benefits of measurement of the performance indicators being outweighed by the cost of undertaking the measurement. KPIs must be measurable, of value to the organisation and linked to an incentive system which will facilitate service delivery improvements.

Importantly the KPIs identified in this document are driven very much from data and processes that are in operation at present and produce useable data with which to work. Production capability, test and repair time, help desk, customer complaints are all examples of indicators that can and are measured as an integral part of business and are included within the range of measurements that will be established for SYSTEM X.

A1.2 The Top-Down Approach.

Defining the right KPIs is one of the first steps that is taken. Focus on the **KEY** indicators that affect the business of service delivery by using the right approach - a top down approach.

The top down approach works because instead of allowing existing systems or processes to decide what should be reported – the programme requirements decide what your reporting needs are first.

In establishing the KPIs for the SYSTEM X programme the Prime Contractor has focused on the reporting requirements first and will establish consistent data capture and reporting mechanisms that meet the reporting need.

top down vs bottom up
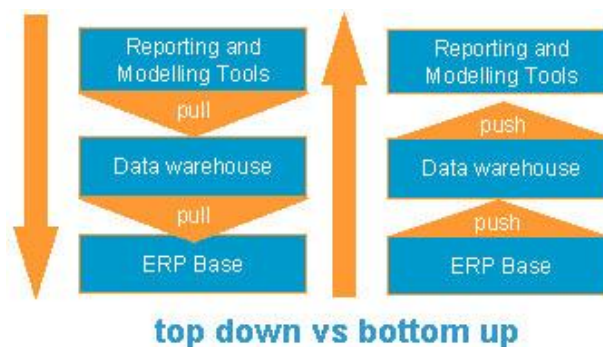
Experience suggests that many organisations have applied the bottom up approach, allowing in-place technology and procedures/processes to drive the reporting tool. This results in poorly defined key performance indicators, and limited reporting capability.

A1.2.1 Data Capture and Measurement

There is nothing new about measuring performance through the use of KPIs however their relevance is sometimes limited by the timeliness of the information and the resource required to generate them. The faster the information becomes available the greater the benefit as necessary actions can be taken at the earliest opportunity. Prime Contractor realises that decisions must be made promptly and that operations and management must be agile and responsive to avoid unnecessary delays and cope with the unexpected. These delivery-of-service imperatives can be realised through the implementation of a true information management system, which delivers KPIs through user friendly, visual presentation and easy to use analysis tools. For fielded equipment and for tracking through the key entry and exit points of the supply chain the Management, Planning and Logistics Date System (MPLDS) collects and collates the necessary logistics, system and performance data. This is instantly available to appropriate users with access to the SYSTEM X network and provides real time, system wide performance data. This data collection is the first step in the measurement process and will provide information that includes:

- number of arisings
- equipment utilisation
- maintenance actions
- system repair times
- transit times
- turn around time

The above are simple, identifiable, measurable parameters that are captured by the MPLDS as an integral part of its operation. There is therefore no additional specific resource required to capture this data and all of the above examples can be compared against agreed benchmarks and targets. ATA – the asset management tool integrated into the MPLDS - includes well over 100 standard reports that can be used "as-is" or tailored to present measurement data in support of KPIs. These reports will form the basis of the reporting that will be made available to all appropriate support solution participants.

There is a distinction to be made between the "shared" (external) KPIs that contribute to the Prime Contractor commercial offer - and are visible to both the Customer/User and Prime Contractor - and those indicators that will be used internally by the company to measure its own performance and that of its sub-contractors and suppliers. These internal KPIs are the mechanism for business improvement that will reflect in improved service delivery as a part of the support programme process and are simply extensions to the current measurement process conducted across the various business disciplines.

This document deals with the external KPIs that will be the measurable indicators determining the level of performance of the SYSTEM X support system service delivery.

A1.2.2 Selection Pitfalls

There is a need to carefully consider all aspects and examine all eventualities when selecting and specifying KPIs. The following paragraphs identify the top level issues that influence the selection of KPIs and are included to demonstrate the thought process that has been established and employed in the selection and definition process.

Inefficiency in measurement is the taboo of KPIs. Deciding what to measure can create one of the primary reasons for failure of KPI regimes. Regardless of how well documented they are, a long list of indicators results in different people referring to different indicators and coming to different conclusions and the courses of action that the indicators dictate.

The fundamental aspect of a KPI is that it must convey the information simply, clearly, in an unambiguous manner and in context. It is the context aspect that brings power to the KPI.

Long lists of indicators lead to poor use. Certain indicators may remain unused and unnoticed despite the fact that they may represent vital decision-making information.

Most importantly, indicators may not be linked to programme and/or commercial goals and objectives—or at best they are loosely linked. One of the key points regarding metrics is that they drive behaviours, particularly if people know they are being reviewed regularly. In an uncontrolled application of KPIs, they may drive behaviours that are detrimental to organisational objectives. Or in a worst-case scenario, they may unintentionally cause dangerous situations.

As an example, at a mining company in Latin America there was a management initiative to increase production levels. Part of this initiative was to measure team performance and financially reward teams with higher outputs. Initially this provided surges in production levels until a point was reached where it levelled off. After this production began to fall and in some cases dramatically.

On further inspection it was found that sometimes the off-going shift was sabotaging the equipment to make it difficult for the oncoming shift to reach targets. It also was determined that the original surge in production was due in part to an unacceptably high level of risk taking among the workforce to achieve higher production levels.

This well-intentioned initiative was actually driving detrimental behaviour. It reduced production and created an environment of high risk for the work force.

There were other side effects of this particular application of metrics. The company had a stated goal of high levels of safety and teamwork as two of its key objectives. Along with the dangerous and unproductive behaviours that the KPI encouraged, it also caused the company to drift significantly from two of its prime objectives.

This may be an extreme example but it does identify the importance of selecting indicators carefully, understanding the consequence of the selection made and the relationships that exist between them, either directly or indirectly. This reflects across the responsibility areas of the Customer/User and Prime Contractor and amplifies the need for joint visibility and common purpose. It also focuses attention on the mechanism and drivers for any incentive process, ensuring that the approach is not self defeating.

Having established KPIs it is important that they are not used as an excuse or reason to act in a reactive manner. They are indicators and should be used to identify trends at the earliest possible stage and enable planning and execution of any change in a timely and cost effective manner.

If there is too little focus on the element of embedding KPIs into the business process then potential benefits can and will be eliminated. A communication and training programme that ensures that all participants actually understand what they are

measuring, why they are measuring it, or what the supporting processes are (including how to access them regularly) is an integral part of performance management.

In worst-case scenarios, KPIs begin to be generated by people who are able to manipulate databases, spreadsheets, or the company reporting systems. This is a particular area of danger as the integrity of the information and the resulting decisions are no longer guaranteed. The other point is that people are wasting their time creating reports instead of analysing them.