The KPI Institute

Celebrating 10 Years of PERFORMANCE

Certified Performance Improvement Professional

Glossary of Terms

C-PI | 11 pages

Glossary of Terms

A

Analytics
A technique used to discover meaningful patterns in data. It enhances data analysis and supports better decision making.

Audit
An independent examination of data, in order to form a responsible opinion about the efficiency and effectiveness of the company's activities or processes. It offers recommendations for correcting existing errors and improving current systems, processes or procedures.

Automation fit
Suitability for automated data gathering, by importing data in a reporting tool.

B

Balanced Scorecard
A performance management system that provides wider visibility than traditional models, as it not focused only around financial performance indicators, but also around other important elements for the organization's growth. A Balanced Scorecard is based on four perspectives - Financial, Customer, Internal Processes, and Learning and Growth. It supports the alignment of business activities to the vision and strategy of the organization, it improves internal and external communications and it monitors organizational performance.

Balancing
A technique that involves pairing a metric or KPI with a second one that complements it. Balancing can be done across multiple dimensions—quality with quantity, effectiveness and efficiency, subjectivity with objectivity. This can protect against negative behavior, such as gaming, tunnel behavior or sandbagging.

Benchmarking
The comparison of one organization's practices, processes and performance with the ones of similar organizations across the industry, in order to identify standards, set targets and measure progress.

Best practice
A method that proved to achieve superior results than the ones obtained with other means. Being that effective, it is generally used as a benchmark.

Brainstorming
A technique used to stimulate ideas in a group. It can be done to identify possible causes of problems or solutions, potential decisions or projects, improvement ideas. For example, it can also be used to determine stakeholders' needs or a list of possible KPIs to monitor.

Business Intelligence Tools
Software solutions that enable mangers to operate efficiently with large amounts of complex data.

Business Process Management System (BPM System)
The tools, techniques and processes needed to manage a business in order to achieve clarity on the strategic direction, alignment of resources and increased discipline in daily operations. It is a systematic approach to understand, improve and manage the business. It contains four basic steps: modeling, analysis, design and management.

C

Cascading
The process of developing aligned scorecards throughout the organization. Each level (strategic, departmental, individual) will develop scorecards based on the objectives and indicators they can influence from the Scorecard of the group to whom they report.

Change Management
The process of continually renewing an organization's direction, structure and capabilities, to serve the ever-changing needs of external and internal customers. It ensures that standard methods and procedures are used, such that change can be dealt with quickly, with the lowest possible impact on service quality.

Customer Perspective
One of the four perspectives used with the Balanced Scorecard that should bring visibility into who are the target customers and what is the value proposition in serving them.

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D

Dashboard
In performance management, a dashboard is used for monitoring data on a daily basis. It is characterized by visual representations of data that enable fast and easy understanding of the performance status.

Data capture period
Period for which the results of the performance indicator have been measured.

Data custodian
The person responsible for providing data in regards to measuring and monitoring KPIs.

Data governance
Is the process by which companies govern appropriate access to their critical data, by measuring and mitigating operational and security risks associated with access to data.

Data quality
The amount of confidence that the recorded performance of a particular KPI is based on accurate and auditable collation, calculation and reporting processes.

Data reporting
The process of listing key information related to an organization's performance, in order to identify the status of the monitored performance indicators.

Data visualization
Refers to the visual representation of data, in order to better understand information and present it in a clear and effective manner.

Desired State of Evolution
A performance management tool used to integrate all strategic statements of an organization. Having the structure of a pyramid, the Desired State of Evolution closes the gap between mission and vision, by integrating in the middle of the pyramid the progress at which the company aims, the "destination statement".

Documenting KPIs
The process of structuring the most relevant information regarding a KPI, to ensure a standardized approach in working with KPIs and facilitating their measurement and analysis of results.

E

Effectiveness
The extent to which objectives are achieved and targeted problems solved, without taking into consideration the costs inquired.

Efficiency
The comparison of what is actually produced (outputs) with the resources consumed, such as money, time, labor (inputs). Efficiency takes place when the same volume of outputs can be produced with less inputs.

Employee self-assessment
A technique that allows employees to make an evaluation of their professional performance based on the performance criteria established in their individual performance plans.

Enterprise resource planning (ERP)
An integrated system used to manage internal and external resources. It includes tangible assets, financial resources, human resources, and materials. A cross-functional enterprise system driven by an integrated suite of software modules that supports the basic internal business processes of a company.

Environmental scan
A better understanding of the environment in which the company operates is essential for planning a successful strategy.

F

Financial Perspective
One of the four perspectives used by the Balanced Scorecard, that informs an organization whether strategy implementation is leading to improved bottom line results (financial KPIs).

Framework
The basic structure of something; a set of ideas or facts that provide support for something.

G

Gamification
A technique that involves the application of gaming-like elements into non-gaming situations in order to stimulate motivation or to influence behavior.

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G

Gaming
Influencing or adjusting results through unapproved means to ensure target achievement.

Goal
An overarching statement of attainment / achievement that is proposed to be accomplished with an implication of sustained effort and energy. Typically they are more generic and integrative of objectives.

H

Healthogram
A tool designed to measure the "health" of each entity at organizational level. It can be employed in revealing the root causes of under-performance, being able to track important aspects related to an organizational entity's capabilities that are often excluded from scorecards and dashboards as they do not reflect the organizational strategy.

I

Identity
It compiles the mission and corporate values of the organization, in order to communicate its business philosophy.

Individual performance evaluation
The process of assessing employee's competencies, behaviors, their efficiency in fulfilling tasks and the achievement of their professional objectives.

Individual Performance Management
Refers to an integrated and planned system for continuously measuring, assessing and improving the performance of each employees.

Individual Performance Plan
An instrument used to establish performance expectations and to support the performance evaluation of each employee. It helps at having a systematic approach to the professional development of employees.

Initiative
A corrective action / activity / project / program initiated to support the organization's strategy and to contribute to the achievement of its objectives. Initiatives vary in complexity and size, ranging from small scale, short term changes, to projects implemented with strict governance and to large scale transformational / change programs.

Initiative description form
An instrument used to provide detailed information about an initiative. The most common fields are the Initiative's name, Description, Related objective, Priority, Status, Budget, Activities and Initiative coordinator.

Internal Process Perspective
One of the four perspectives used with the Balanced Scorecard that focusses on the key processes the organization must excel at, in order to provide added value for customers, and ultimately, shareholders.

Ishikawa diagram
A techniques that seeks to understand the possible causes. Causes are grouped into major categories for a manufacturing industry: Manufacturing, Methods, Man Power, Materials, Measurements and Mother Nature (Environment). In the case of marketing, the categories are: Product/ Service, Price Promotion, People, Processes, Physical Evidence and Productivity.

K

KPI architecture toolkit
A collection of all the tools used for managing the organization's performance management system. It provides the instruments needed to put in place and coordinate a sound and comprehensive performance management and measurement system. It can include: Performance Management System Architecture, Desired State of Evolution, Strategy Map, Scorecard, Dashboard, Portfolio of Initiatives, Performance Management Process, KPIs for Dashboard and Scorecard Reports.

Key Performance Indicator (KPI)
A measurable expression for the achievement of a desired level of results in and area relevant to the evaluated entity's activity.

KPI documentation form
A template that structures relevant information regarding a KPI. The most important fields of a documentation form are the KPI name, Definition, Calculation formula and Target.

KPI Lifecycle
Reflects the three stages in KPIs' implementation process: establishment, use and evolution.

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KPI Report form
Tool that helps analyzing the evolution of each KPI can help identifying trends and estimating future evolutions.

Key Risk Indicator (KRI)
Metric used by organizations to provide an early signal of increasing risk exposures in various areas of the enterprise.

L

Leadership
The process of social influence, which maximizes efforts, towards the achievement of a goal. It refers to the ability and responsibility of leading a group of people.

Learning and Growth Perspective
One of the four perspectives used by the Balanced Scorecard that monitors human capital, information capital and the organizational climate.

M

Management
The art of coordinating an organization's resources (money, time, people, materials, technology) in order to achieve defined objectives. It has 4 basic functions: to plan, to organize, to influence and to control.

Management by Objectives (MBO)
Refers to aligning goals and subordinate objectives throughout the organization, including ongoing tracking and feedback in process to reach objectives. MBO's are often perceived as a form of planning.

Measure
A number or a quantity that records a directly observable value or performance. All measures are composed of a number and a unit of measures. The number provides magnitude (how much) for the measure, while the unit gives the number a meaning (what).

Method
A number or a quantity that records a directly observable value or performance. All measures are composed of a number and a unit of measures. The number provides magnitude (how much) for the measure, while the unit gives the number a meaning (what).

Metric
A generic term referring to everything that can be measured around us, such as: # Air temperature, # River depth or # Employee's average height. When metrics reflect the achievement of a desired state they become KPIs.

Milestone
Key events or deliverables that must be achieved at a specific date from the project's lifecycle. They are set to help project planning and ensure project validation.

Mission Statement
Defines the essence of a company: why it exists, what it does, what it stands for, what products or services offers to customers. An effective mission statement should be concise, inspiring, easily understood and communicated and long-term oriented.

N

Needs identification
The process of understanding what issues must be addressed to properly satisfy stakeholders' expectations.

Non-financial reward
The component of an organizational reward system that includes everything in a working environment that enhances an employee's sense of self-respect and esteem by others, such as training opportunities, thank you notes, merits recognition.

O

Objective
A precise statement of what an organization wants to achieve. It is a component of the strategic intent, describing at a high level the company's priorities and outcomes that will lead to an improved performance.

Objective coverage matrix
Is an instrument that connects each initiative with at least one objective. It can be used to ensure that all initiatives proposed will impact the strategic objectives established. It also provides a clear image of the interactions between the projects and how the implementation of several initiatives will lead to the achievement of a certain objective.

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O

Operational Performance Management
It focuses on performance measurement and management at departmental levels. It ensures all business units, departments or divisions are aligned to the organizational strategy.

P

Performance Culture
A system that promotes a diverse, innovative and high-performing workforce, by implementing and maintaining effective performance management systems, programs to support the professional development of employees and continuous learning.

Performance Improvement
Collection of approaches for analyzing performance results, identifying options for action and establishing corrective initiatives with the aim of achieving better results.

Performance Management
Overarching discipline that deals with ensuring desired results are achieved, through a set of ongoing activities ranging from planning, implementation and measurement to review and corrective action taking.

Performance Management Architecture
A conceptual construct illustrating the performance management tools and the relationship between them as part of a performance management system. It shows the interaction between the system's components and outlines each component's role.

Performance Management Process
An interactive and ongoing process consisting of the following stages at all organizational levels: performance planning, strategy execution, performance measurement, review and communication, learning and improvement.

Performance Management System
Refers to information-based routines and procedures formally expressed, that managers use to maintain or alter patterns in organizational activities. The system is an aggregation of tools, techniques, processes and rules relevant for decision making and managerial action.

Performance Management System Map
A visual representation of all the components of the performance management system and how they interact.

Performance Measurement
Human endeavor in identifying relevant metrics, gathering data, processing and presenting it with the aim of reflecting the degree of achievement of desired results.

Performance Measurement Maturity Model
Refers to a five level maturity framework: ah-hoc, beginner, intermediate, advanced and proficient. The assessment includes 5 dimensions: KPIs identification and selection, KPIs documentation and alignment, KPIs collection and interpretation, KPIs reporting and visualization, KPIs feedback and re-alignment. It is used to assess the maturity of companies' performance measurement capability.

Performance Measurement System
A subset of the performance management system dedicated to data provision.

Performance reviews
A technique that enables all attending stakeholders to create an educated overview of the results achieved during a specified period of time. The main purpose is to clarify the causes of poor performance and establish improvement initiatives.

PESTEL analysis
An external analysis technique used when conducting research in the beginning stages of a new project or when shaping the strategy with the purpose of identifying key external forces that might affect an organization. The analysis covers the following factors: political, economic, social, technological, environmental and legal.

Portfolio of Initiatives
A collection of all the initiatives tracked, either active or inactive. This instrument is useful for prioritizing projects and monitoring their status.

Predictive Analytics
A technique used to elaborate forecasts based on past events analysis, as previous trends are likely to occur in the future.

Process
Sequence of interdependent and linked procedures which, at every stage, consume one or more resources (time, energy, machines, money) to convert inputs (data, material, parts) into outputs. These outputs then serve as inputs for the next stage until a known goal or end result is reached.

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Process improvement
A series of actions taken to identify, analyze and optimize the existing processes, in order to achieve better results and increased efficiency.

Program
A structured group of projects aiming to achieve the complementary outcomes.

Project Management
The application of knowledge, skills, tools and techniques to plan, implement and evaluate activities in order to meet or exceed expectations from a project.

Project Portfolio Management
A management process designed to help organizations acquire and view information about all their projects, then sort and prioritize each project according to certain criteria, such as strategic value, impact on resources and cost among others.

R

RACI matrix
A matrix used to clarify roles and responsibilities of each individual involved in completing a task, a process or implementing a project. Key responsibility roles include:
Responsibility — Role is responsible for actually doing or completing the item;
Accountable — Role is accountable for ensuring that the item is completed. Usually only one person;
Consulted — Role whose subject matter expertise is required in order to complete the item;
Informed — Role that needs to be kept informed of the status of item completion.

Recalibrate
To adjust in order to fit a specific context or situation.

Risk
The probability of an event to occur and affect the business.

Risk log
A tool that helps assess the possible risks that may appear and the way to mitigate them. When designing the strategy, risk has to be taken into consideration. Acknowledging possible threats and their impact enables the company to prevent certain problems or to reduce their effect when they happen.

Risk Management
The process of identifying, assessing and prioritizing the risks the organization encounters, followed by a coordinated and economical application of resources to minimize them.

Risk matrix
An instrument used in the process of risk assessment. The matrix has two axes: the risk's impact and likelihood to happen. The combination of a consequence and likelihood range gives an estimate of risk, called the risk rank.

Root Cause Analysis
It is a technique used for problem solving by identifying the root causes of a problem. A root cause is a cause that once removed it prevents the final undesirable event from recurring.

S

Scorecard
A performance management tool used to measure the performance of companies against established targets. It consists of a collection of KPIs correlated with the company's objectives.

Service Level Agreement
A contract between a service provider and a client in which the provider gives guarantees for delivery of some service. It has two parts: a technical section defining service expectation and a contractual or legal issues.

Single-double loop learning
It is a model that describes two ways in which we can learn from our experiences. Single-loop learning refers to connecting a strategy for action with a result. Through single-loop learning, we will observe the results of our actions, automatically take in feedback, and try a different approach if the results were not satisfactory. Doing this several times and constantly changing our strategy to get the desired results may not work in certain cases. In such a situation it may be necessary to start questioning our goals, values and beliefs. The process of learning by questioning fundamental assumptions / variables, not only the methods used to achieve desired results is the double loop learning.

Six Sigma
A business management approach designed to improve quality by identifying and removing causes of defects, mainly through removing variation and improving processes.

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SMART Objectives
Refers to a set of criteria considered best practice in describing a business objective. An objective that meets all the criteria below is considered a SMART objective: Specific, Measurable, Assignable, Realistic, Time-bound.

Standard reporting frequency
A regular frequency of data reporting for a performance indicator.

Stakeholders
Persons, groups or organizations that have an interest or concern in a company. Stakeholders can influence or be influenced by the company's actions, policies and objectives. Examples of key stakeholders are creditors, employees, directors, government (and its agencies), owners (shareholders), suppliers, unions and the community which the business draws its resources from.

Strategic Performance Management
Represents the highest level to assess organizational performance and success, being mainly focused on strategy outcomes.

Strategic resource allocation
The process of aligning budgets with strategy, using the Balanced Scorecard to take resource allocation decisions. Using this method, budgets are based on the initiatives necessary to achieve Balanced Scorecard targets.

Strategy
A general direction set for the company to achieve a desired state in the future. It includes the activities an organization takes in order to attain its goals, and so, to gain a competitive advantage over the other companies in the market.

Strategy map
A visual representation of the organization's strategy. It is a powerful communication tool that enables employees understand the strategy and translate it into actions they can take to help the organization succeed.

SWOT analysis
A technique that involves the study of both internal and external environment of the organization and the factors that affect it by analyzing strengths, weaknesses, opportunities and threats.

System architecture
The theoretical model which defines structure, behavior and more views of a system. A system architecture can encompass system components, the outwardly visible properties of the components and the relationships between them. It can supply a plan from which products can be acquired, and systems developed, which will work together to put into action the overall system.

System integration
Refers to melding existing systems and new technologies to form more capable systems, intended to take on additional tasks, obtain improved performance and/or enhance existing systems.

Systems thinking
The process of understanding how things influence one another. It refers rather to seeing overall structures, patterns and cycles in systems, and the connections between them, than specific events in the system.

T

Target
Reflects the desired level to be achieved for a metric, providing meaning to measurement results and feedback regarding performance.

Taxonomy
A classification of structures, ordered in a system, which indicates natural relationships; distribution into arranged groups or categories.

Technique
A way of carrying out a particular task. A systematic procedure of executing an activity.

Threshold
Outlines the limits for something. In performance measurement it indicates the limits for positive and negative results, as well as tolerance intervals of KPI results.

Tool
An instrument used to carry out a particular function. Tools facilitate the execution of tasks.

Total Quality Management (TQM)
Represents a management concept aiming to reduce the errors produced during the manufacturing, production or service process, to increase customer satisfaction and to assure optimization within the supply chain management. TQM can be easily associated with the development, deployment, and maintenance of organizational systems that are required for various business processes.

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T

Traffic Light Colors
Refers to using color signals to visualize the difference between the current situation and the desired results. Red means that actual results are below targets, yellow is used to express an acceptable deviation from target, while green is used when the desired results were met.

Trend
A pattern of continuous change in a condition, process or output, or an average or general tendency of a series of data points moving in a fixed direction over time, which is represented by a line or curve on a graph.

Triangulation
A technique that refers to basing your decisions on three aspects, or evaluating an element from three different perspectives. In the context of selecting the strategic objectives, triangulation refers to having in mind the SWOT analysis, the current initiatives and the company's value drivers.

Tunnel behavior
Looking after the achievement of own targets, without considering the implications of my actions for other areas in the organization.

U

Unethical behavior
Disregarding environmental, safety or other ethical considerations in the process of meeting targets.

V

Value driver
A key element, process or capability within the business that if one directs resource at (capital, people or strategic initiatives) is likely to lead to an increase added value ("caeteris paribus").

Value Flow Analysis
A technique to analyze the value generation of a system at all stages: Input, Process, Output and Outcome. This techniques can also be used in selecting KPIs for a specific objective, by establishing at each stage relevant KPIs and then choose the most important ones.

Value proposition
Describes how an organization differentiates itself on the market, and what promises to offer to its clients.

Value statement
Important and lasting belief or ideal shared by the members of an organization about what is good / bad and desirable / undesirable.

Vision statement
The expression of the ultimate aspirations of the company. The vision should articulate the future image of the company and remind to stakeholders what the organization is trying t0 achieve.

W

5 "Whys?"
A question asking technique based on asking the question "Why?" five times. It is used to identify the cause and effect relationships that are cardinal to the problem and lead to the root of the issue.

Weighting
A technique that assigns weights to data, proportionally to its importance, to ensure the relevancy of the measurement's results.





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