Key Performance Indicators – what can they tell us?

Nick Smith of EAM Consulting looks at using Key Performance Indicators for both individuals and the T&C arrangements as a whole.

Whichever KPI you use it is important to understand their limitations when using them to monitor performance.

In the previous edition of T-C News (October 2015) we looked at how the Kirkpatrick Four Levels can be used to build a Chain of Impact as part of the business case for a T&C initiative. Of the Four Levels the one that it is the most challenging to determine measures for is Level 3 – Behaviour. That is measures of what people are routinely applying/implementing/doing. Measuring routine behaviour is not easy. For this reason we tend to fall back on Key Performance Indicators (KPI) which are typically measures of the results (Kirkpatrick Level 4) achieved from which we can infer things about the behaviours that generated the results. Alternatively, we measure the competence (Kirkpatrick Level 2) to perform the task and assume that because it can be done it will be done. Very few, if any, of the KPI used in T&C schemes are direct measures of what people are routinely doing.

Let's look at a KPI by way of an example. Rather than selecting a 'compliance' one as these tend to look at adverse results such as complaints let's look at the proportion of initial meetings with prospects that result in the prospect becoming a customer. There are many things that can influence this KPI as well as the adviser's skill in conducting the initial meeting. If the adviser is performing well against this KPI it could be because they are very good at conducting initial meetings but it might also be because a client is recommending them strongly to others so the adviser has less to do in the initial meeting. Equally, if the adviser's performance against this KPI is poor then it may be because they are poor at conducting initial meetings but it could equally be because they are meeting the wrong people or a local employer has just announced that there will be redundancies. The point is that the KPI does not measure the adviser's performance in the initial meetings, it looks at the results of those meetings. As such, other factors can undermine good performance or mask poor performance. The KPI should not, therefore, be taken at face value but rather some investigation should be undertaken into the possible impact of other factors.

The investigation might include an observation of an initial meeting with a prospect to see how the adviser performs. It is tempting to regard this as a direct measure of the adviser's behaviour but this is not the case. As the adviser will know that that they are being observed and also how they are supposed to conduct such meetings then what will be observed is what the adviser can do rather than what they routinely do when they are on their own. That is, it will confirm the adviser's competence (Kirkpatrick Level 2) at conducting such meetings rather than their settled behaviour (Kirkpatrick Level 3). If their competence is confirmed it may still be necessary to find out if they routinely apply this in all initial meetings. This could be done by interviewing the adviser and a selection of people with whom the adviser has conducted initial meetings. These measures are set out in the table below.

Possible measures for conducting initial meetings

Kirkpatrick Level	Objective	Possible measurement approaches
4	X% of prospects become customers following an initial meeting with the adviser.	Proportion of prospects that become customers.
3	The adviser conducts initial meetings with all prospects using the appropriate structure, tools and techniques.	Feedback from prospects (both those who became customers and those who did not). Feedback from the adviser.
2	The adviser is able to conduct the initial meeting using the appropriate structure, tools and techniques.	Observation of initial meetings with prospects. Observation of role-play of initial meetings with prospect.
1	The adviser regards the structure, tools and techniques for conducting initial meetings as relevant and important and they intend to use them.	Adviser feedback in supervisory reviews (1 to 1 meeting).

Because most KPI are measuring the results that come from behaviours then the data is not available until after the behaviour that we are trying to monitor. In some cases this can be quite a long time afterwards. For example if we have a KPI for the proportion of regular premium policies written during a one year period that are still in force at the policy's first anniversary then the policies that are included in the data for the KPI are between 13 and 25 months old. Any change in the adviser's performance that affects this KPI will not, therefore, start to move the KPI until 12 months after the change. Hence, if an adviser has undergone training to address an identified issue that affects persistency then it is likely that the KPI may continue to move in the wrong direction for some time after the training because the policies that are in the data set predate the training. A more immediate measure needs to be found to check that the training has been effective. Hence, it is important to know how a KPI is calculated in order to know what it can tell you, if anything, and what to expect it to do in various circumstances.

So far we have looked at KPI for the individual but what about our T&C arrangements? Clearly one relatively simple way to get some KPI for the effectiveness of the T&C arrangements is to aggregate those produced for the individuals. I have often seen this done for teams to create KPI for the team leader/manager but rarely for the T&C arrangements as a whole. Any aggregated figures should include positive measures such as fee income as well as the compliance measures. KPI can also be created to look at such things as:

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- ❏ Activity – are supervisors carrying out the various T&C activities at the expected frequencies? If less, do the KPI for their team justify a more relaxed approach? If more, what is the underlying cause?
- ❏ Remedial interventions – are these at an acceptable level? If higher, are the various refresher activities too infrequent or not covering the right areas? If lower, are performance issues being overlooked?
- ❏ Time to competence – are new joiners attaining competence in the anticipated time? If sooner, are shortcuts being taken? If longer, is there a problem with the training and support being provided?

The right KPI for the T&C arrangements can help demonstrate how T&C is playing its part in building the long term profitability of the business by giving people the support that they need, when they need it, to be successful.

Whichever KPI you use it is important to know how it is generated (at least in principle) so that you know what it is telling you and to remember the clue in the name. KPI are not absolute measures of performance they are an indicator of areas that may warrant further investigation.

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