Metrics, KPI’s and KRI’s

What’s the difference? So what?

There is often confusion on the differences between metrics, KPI’s and KRI’s. While they all sound like synonyms of measurement, they each provide different levels of information. While a KPI is a metric, a metric isn’t always a KPI. While a KPI can measure performance, a KRI solely measures a risk exposure and potential future loss events. It is important to understand the distinction between each so they can be applied correctly and provide the maximum possible benefit!

With each of these tools: metrics, KPIs and KRIs, we can do analytics to explore trends, data patterns and interdependencies, all for supporting better decision making and the achievement of desired results.

**Metrics**

Metric refers to something we can measure; from the root word “metron” used in ancient Greece to reflect measurement.

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<th>Benchmark Metrics</th>
<th>Behavioral</th>
<th>Lead</th>
<th>Lag</th>
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<td><strong>Satisfaction</strong></td>
<td>Customer Satisfaction Survey</td>
<td>Survey to capture participant feedback on processes and initiatives</td>
<td>Department surveys on completed training</td>
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<td><strong>Utilization</strong></td>
<td># of requests/responses for service</td>
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<td>Presentations to leadership to monitor risks/opportunities</td>
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<td>Annual improvement survey</td>
<td>Internal process growth and effectiveness scores</td>
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**Examples:**
- air temperature
- water depth
- people’s height or weight
- accounts receivables
- students
- employees
**Key Characteristics of Metrics:**
A good performance metric should be:

- relatively simple to measure;
- correlate directly to your operational performance;
- comparable to competitors’ metrics;
- give hard data and yield results that measure clearly defined quantities within a range that allows for improvement.

**Key Performance Indicator (KPI)**
Key Performance Indicators are a measure of how well something is being done; KPI measures the performance of a specific activity at a predetermined level or amount within a specific amount of time. When metrics reflect the achievement of a desired state, they become Key Performance Indicators (KPIs).

**Examples:**

- The number of college graduates is a simple metric;
- The percentage of graduates with a job relative to all graduates within a measurement period becomes an important KPI to prove operational excellence.

KPI’s can also be derived from existing metrics:

- The dollar amount of annual liability claims is just a metric;
- Management is concerned with controlling the university’s total cost of risk (TCOR) – of which liability claims is a key component. Managing TwendiCOR to within .5% of annual operating revenues....but not such a good business acumen might be an important KPI.

**Key Characteristics of KPIs:**

- Most KPI’s are lagging in nature, meaning they measure what has already occurred rather than predict what will come.
- A KPI should answer the question “What shows we are a success?”

**Key Risk Indicator (KRI)**
Key Risk Indicators are an early warning to identify a potential event or exposure that may harm continuity of the activity, project or mission. When metrics provide an early warning regarding an increased risk exposure in certain area of operations, they become Key Risk Indicators (KRI).
Examples:

- Aged accounts receivable greater than a given number of days may affect bad debt reserve.
- Large numbers of vendors defaulting on accounts payable greater than a given number of days can be a KRI as it indicates how large the organization’s risk exposure is towards its vendors and clients. A large percentage of vendors with financial problems can affect the cash flow of the organization.
- An increasing number of police encounters involving use of force could indicate a risk exposure towards the public and/or police officers.
- Other KRI examples can include items such as the introduction of a new on-line degree by a competitor, a faculty labor strike or proposed changes in the regulatory environment.

Key Characteristics of KRIs:

- KRIs are always leading (or predictive) indicators; they can reveal trends in the level of risk that, if it continues, will exceed a designated threshold and the organization’s objectives.
- They are based on quantifiable information.
- They are tied to the organization’s objectives and they support management.
- KRIs provide opportunities for proactive strategic risk management.
- KRIs facilitate proactive management of emerging risks.
- KRIs can be benchmarked.

In summary, everything we measure is a metric. If it reflects performance it becomes a KPI. If it reflects risk it becomes a KRI.