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Title: Has an increased emphasis on metrics driven managers to become too fixated on KPIs?

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Abstract

A fundamental part of accounting is measurement. This relates to both external financial reports and internal management reporting. In particular over the past 25 years there has been extensive development of management reporting frameworks coupled with technological progress with respect to the relative ease of reporting performance metrics across multiple dimensions. A view that underpins much management thinking in this regard is that you cannot manage what you do not measure. Today within many organisations there is a strong focus on balanced scorecards, strategic performance measurement systems, multi-dimensional performance measurement frameworks and the like. These methods are used to produce an array of performance metrics to enable managers to more effectively monitor the organisation and manage performance. There is an extensive focus on key performance indicators (KPIs) covering both financial and non-financial measures. Such contemporary performance management methods, with their strong grounding in so-called key metrics, are often viewed as a panacea to the effective management of organisational performance and the achievement of strategic goals. Various KPIs are often linked to senior management compensation in the form of 'performance bonuses' or 'incentive pay'. The question addressed in this keynote speech is whether the focus on metrics and KPIs has gone too far? A key argument supporting this position is that metrics and KPIs are being used too often as a substitute for, rather than an aid to, effective management. Some managers and organisations seem to have become metrics-obsessed and focus narrowly only on the achievement of certain key performance targets. Measurement is undoubtedly a core part of and critical to planning, decision making and control. However, even modern measurement frameworks cannot paint the total picture of organisational performance and provide managers with a full and comprehensive understanding of what is happening inside both the organisation and the broader environment in which it operates. Core management capabilities such as interpretation of measures, understanding context, behaving ethically and 'management by walking about' are seemingly often being overlooked or neglected. Furthermore, an obsession with metrics and their linkage to performance pay can lead to dysfunctional behaviours, including less compliance with risk management with no real improvement in productivity or performance. In summary therefore, placing excessive emphasis on metrics and KPIs may be misguided and perhaps it is time for KPI fixated managers to realise that not everything that matters, with respect to organisational performance and strategic success, can be measured.