KPIs BEST PRACTICES

FOR MEASUREMENT

The Trap

Knowing you can't manage what you can't measure, clients press to create key performance indicators (KPIs) without much forethought.

To develop a set of meaningful KPIs, management teams must align with business strategy, create a system of measurement and define the audience. KPIs can be used as a tool to improve decision making and change behavior.

System of Measurement

Optimize

01 Define Business Strategy

02 Identify Drivers

03 Define the Audience

04 Consider Systems Capabilities

05 Define Methodology

06 Inventory Potential KPIs

07 Develop Scorecards

08 Test

09 Train

10 Adopt

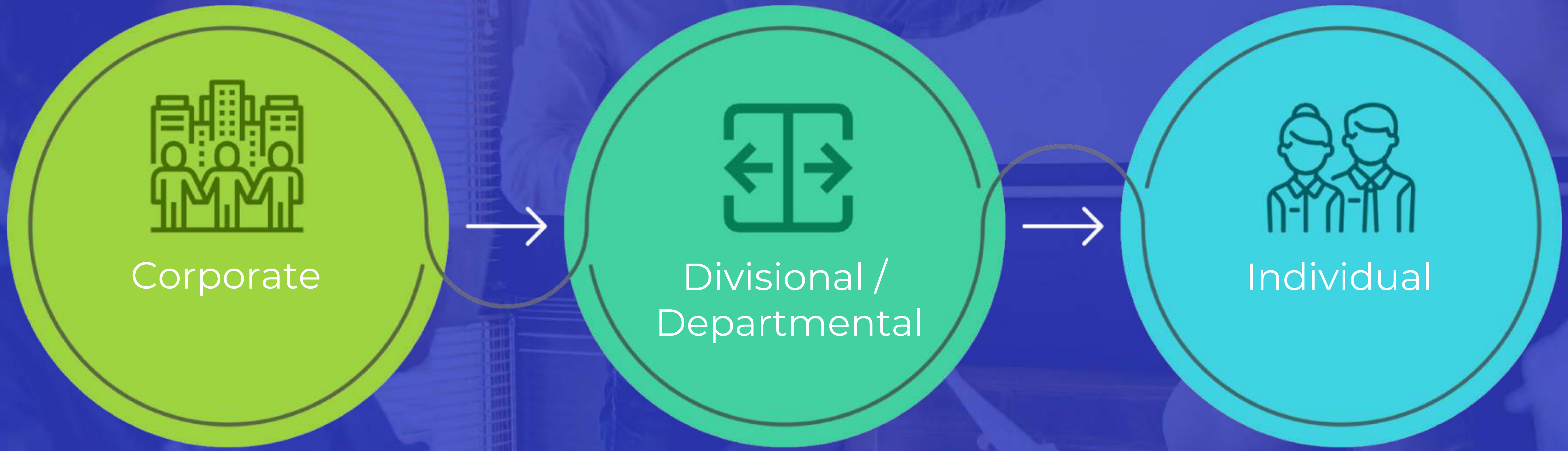
Measures should align with the broader strategic purpose, value proposition and points of difference. These things may change over time.

Will the consumers of KPIs be at the corporate or operational level?

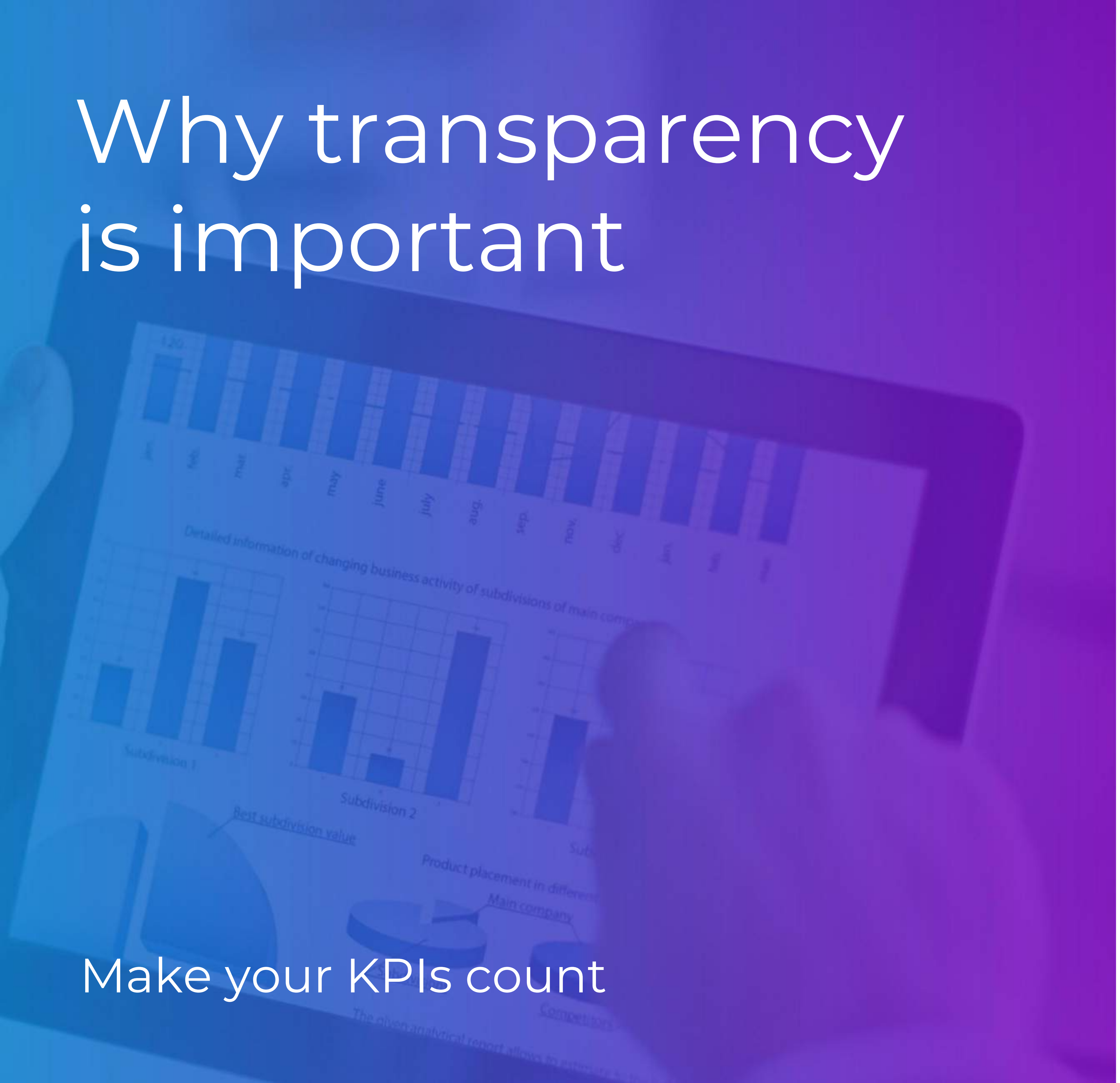
Design may be constrained by ability of systems to provide reliable, automated reporting. Are you building scorecards or dashboards?

Before going live, companies should test their measures for accuracy and usefulness. Train managers on what they mean.

Who is the audience?



Goals and corresponding measures should cascade down throughout the organization. Measures that are appropriate for the leadership team may not be relevant to a line manager. Measures may also be reported in a different cadence.



Why transparency is important

Make your KPIs count

Optimize

KPIs:

- Inform decision making
- Drive behavior
- Provide staff with alignment strategy
- Inspire confidence and unify a team to a common objective

Best Practices

Optimize

KPIS SHOULD

1

Balance leading and lagging.

2

Be reported frequently (weekly is better than monthly). Lower level metrics need to be reported more frequently.

3

Be in public view. This doesn’t mean you have to share financials with low level employees; level off metrics as appropriate.

4

Be a push and not a pull. Do not rely on managers to run reports to see numbers that are critical to your success.

Client Example

Optimize

Driver
Achieve industry leading margin 40%

Strategic objective
Improve profitability to drive investment and acquisitions

Corporate revenue mix
Weekly

Departmental - Sales
% transactions within pricing standards

Salesperson
Weekly margin % over prior year

Source

Power BI

CRM

CRM

CUSTOMER PERSPECTIVE

Optimize

CUSTOMER SERVICE
Response time
Cycle time to respond to customer request
Number of customers/customer service agent
Number of customers/employees
Number of calls/per day
Total cost per customer service interaction
Customer complaints
Time to resolve customer complaints
First call resolution rate
Percent of complaints resolved to customer's satisfaction
Net promoter score (or client satisfaction score)
Cost of customer service as a % of revenue
Average customer retention
% of repeat customers
New customer retention rate
Number of customers lost
Customer service email count
Customer service phone call count
Customer service chat count
Concern classification
# of customer surveys completed

SALES
Hourly, daily, weekly, monthly, quarterly, and annual sales
Revenue from new product categories
Incremental sales
Revenue per sales representative
Revenue per employee
Revenue +/- existing clients
Growth from new products
Growth from new customers
Average order size
Product performance (of key products)
Product affinity (which products are purchased together)
Inventory levels
CRM compliance
Marketing impressions

SALES CONTINUED
# of marketing events (newsletters, white papers, webinars, testimonials)
Return on marketing investment
Share of wallet
Penetration of key items
Market share
Market share +/- prior year
or % of new accounts
% of customers 80% of volume
% of accounts - target segment
Average transaction
Up sales
Acquisition cost per client
Selling costs as a % of revenue
Cost of goods sold
Cost per new prospect/lead

CUSTOMER PERSPECTIVE

Optimize

SALES CONTINUED

Average number of appointments
Appointments booked
Proposals written
Opportunities created
Opportunities won (# or %)
Opportunities lost (# or %)
Conversion from prospect to client
Trial account conversion
Conversion rate % sales calls to appointment
Conversion rate % appointments
Conversion rate % proposals written
Value of new business
Trailing 12-month revenue
Trailing 12-month opportunities

SALES CONTINUED

Pipeline revenue (future $ based on current pipeline)
% of sales reps meeting targets
% of sales reps on commission
Revenue by channel
Revenue by contact method
Revenue generated by affiliates/alternative channels
% of revenue existing accounts
Gross margin
Gross margin %
Gross margin vs. LY
Calls to opportunities
% of client-facing employees
% of bonus paid vs. potential
Market share
Average sales cycle time
Price optimization
Competitive pricing

WEBSITE

Web traffic
Click-through rate (web)
Search impressions
Site traffic
Unique visitors vs. returning visitors
Time on site
Page views per visit
Stickiness (pages/time viewed)
Traffic source
Day part monitoring (when site visitors come)
Newsletter subscribers (opt-in)
Texting subscribers
RSS feed subscribers
Call to action downloads
Chat sessions initiated
Facebook, Twitter, online followers or fans
Pay-per-click traffic volume
Blog traffic
Number and quality of product reviews
Brand or display advertising click-through rates
SEO keyword ranking
Search results

FINANCIAL PERSPECTIVE

Optimize

Gross profit
Profit growth
Cost reduction
Inventory turnover
Return on equity
Accounts receivable $
Accounts receivable days
Accounts receivable past 60/90 days
Accounts receivable write-offs
Working capital
Percentage of invoices overdue when paid

Percentage of payments made late
Return on capital employed
Cash flow
Invoice match rate
Billing errors
Date of closing
Date of reporting
Debt
Credit line balance
Internal service level (accounting)

INTERNAL PROCESS

Optimize

Cycle time
Utilization
Rejection rate
In-stock rate
On time delivery
Inventory turnover
Fill rate
Accuracy rate (perfect order rate)
Rejects
Rework
Backorder percent
Out of stocks
Inventory as a % of revenue
Total production cost per unit
Carrying costs of inventory
Capacity
Manufacturing schedule adherence

% of deliveries made on time
% of deliveries received on time
# of deliveries with incorrect quantities
Reduction in purchasing cost against quoted cost
Cost of goods sold
Work-in-process value
Defects
Scrap
Fill rate
IT costs as a percent of revenue
Uptime
Number of new open tickets
Response time initial requests
Number of resolved tickets
Mean time between failure (IT)
Mean time to repair (IT)
Internal service level op

LEARNING AND GROWTH

Optimize

Labor costs
Retention
Turnover rate
Training hours
Average length of staff retention
# of applications to vacancies advertised
Hours of training and development provided
Successors named
Corporate social responsibility
Internal satisfaction rating
HR tools implemented
Reviews completed
Recruiting cost per employee
% of new hires 24 months service
% of managers receiving leadership training

Training hours per employee
eLearning utilization
Lost time accidents
% of employees at competency level
Average overtime hours
Cost rate of total benefits
Average income per employee hour
Training cost per employee
Accidents
Ex-mod (experience modification) rate
R&D as a % of sales
Number of employees
Number of hires
New innovations generated
R&D expense as a % of revenue

Sources: Suite 101, Search Business Analytics, Wikipedia, Klipfolio and Shopify, Tutor2U