

Create **KPIs** that Produce Better Business **Results**



Achieve sustainable, long-term success

Great key performance indicators (KPIs) are simple—but hard to implement, as many leaders struggle to create the right KPIs and use them effectively. Using powerful KPIs leads to better decision-making and supports continuous improvement in your organization. You are in good company if you've taken a few runs at it and feel like it didn't work.

In this guide, we'll explore how having the right written KPIs and a systematic, monthly approach to tracking and responding can help you be more prosperous and get the results you want. Read on for specific common pitfalls as well as best practices.

What is a KPI?

KPIs are objective tools we use to guide us to achieve the results that matter the most. They help evaluate the success or shortfalls in an organization relating to its important initiatives, objectives, or programs.

We use the word “key” in front of “performance indicators” to suggest that a small number of performance indicators are key; thus, we watch this small number of indicators very closely. We recommend that the number of key indicators should be nine or fewer for any leader.

Leading vs. Lagging KPIs

Essentially, there are two main types of KPIs: *leading*, or supporting; and *lagging*, or results. For example, a leading KPI would be the number of sales presentations over time, whereas a lagging KPI would be sales revenue over time.

The Real Secret Behind KPIs

Surprisingly, a KPIs’ true purpose is not so much to hit a specific target, but to spur the right actions day in and day out. Don’t get held back by not having perfect data. Data that approximates reality is often all that is needed to encourage behaviors that lead to better results. Setting up the right KPIs is the first part of the job. However, managing the team’s activities to strive toward achieving their targets is the most powerful part of the process.

Examples of common KPIs include:

- Revenue
- Profit Margin
- Clients Served
- Closing Ratios
- Inventory Turnover
- Average Sale
- Social Media Shares
- Patient Waiting Times
- Customer Satisfaction
- Return on Investment
- Cost Per Unit



Why Common Approaches to Using KPIs Fall Short

KPIs can effectively guide a management's actions, waste their time, or cause them to do the wrong things. Let's take a moment to explore what often goes wrong.

Too many or too few KPIs

The use of too many KPIs can become overwhelming—just because you can measure something doesn't mean it's worth paying attention to. However, too few KPIs may indicate a general lack of controls in the organization.

Unclear interpretation of KPIs

KPIs without written assumptions behind them are typically based on perceptions vs. facts. A KPI that can't be justified as to its intent and importance in a simple paragraph may be easily misunderstood.

KPI tracking challenges

KPIs managed on spreadsheets are often difficult to read and suffer from version-control issues. Formula mistakes are commonplace. Setting up a visually oriented dashboard is a time-consuming process beyond the skills of most computer users.

Overcomplication of KPIs

KPIs can pose challenges if they are too complex. An overly complicated KPI tends to take longer to calculate each month, and the meaning of it going up or down isn't clear.



Excessive focus on financial data

Companies often focus on financial data, which is narrow and lagging. Take the case of a national financial services company. Initially, their main KPI was “Money Under Management.” On the 10th of each month, they would review results from the previous 30 days. However, once the numbers came in and fell short of expectations, nothing was left to do except vow to do better next month.

This approach was problematic, as the primary KPI was a lagging one. Once introduced to the concept of leading/supportive KPIs, such as leads generated, appointments set, and closing ratios, their results significantly improved.

Reliance on automation

Overly automating KPIs can reduce their effectiveness. Additionally, expensive and complex IT systems rarely get completed on time, and when they do—the data dump is often too overwhelming to be helpful.

Lack of making KPIs “official”

It is common for KPIs to be talked about but not written and graphed. We often say, “It’s not real if it’s not written.”

Lopsided KPIs

Taken as a whole, a set of KPIs doesn’t lead to long-term, sustainable success. For example, too much focus on profits without a counterbalancing emphasis on quality can damage a brand. Another example would be too much emphasis on efficiency without emphasizing safety and quality—posing a considerable liability risk.



Roadmap to Building Powerful KPIs

Many business owners have never been coached on how to do this well—this is often true even for experienced executives who have worked their way up the organization chart. However, developing a workable set of KPIs is possible for every business. Here are some suggestions that may help you.

- Control the number of KPIs assigned to each team member—maximum of nine, minimum of three.
- Use a color-coded dashboard system for tracking progress towards meeting critical KPIs.
- Include enough leading indicators that you know will predict a positive result.
- Make sure one person is responsible for the success of each KPI.
- Write a business plan and develop meaningful KPIs that drive the strategy statements in that plan.
- Adjust KPIs over time to keep the management team focused on what is most important at the time.
- Cascade KPIs throughout your organization by including lower-level leaders.
- Don't go it alone—use a coach or consultant who has experience and expertise in this area.
- Stay on track by holding structured monthly plan review meetings to assess progress toward your objectives.
- Design KPIs to be clear and graphable.

A good set of KPIs should be based on a balanced scorecard approach, meaning you will have KPIs in each of these four categories:



Financial

Profits, sales revenue, and working capital



Efficiency

Utilization, waste, and revenues per headcount



Customers

Customer satisfaction, market share, and ideal customer acquisition



Capabilities

Training, hiring key talent and strength of core-competencies

Don't Start With a Blank Page

Use Templates and Tools to Make it Easier

We use a simple, easy-to-use virtual system that utilizes One Page Plans for every manager or leader. It has built-in KPI Scorecards and Progress Reports that help track progress against KPIs, graphically and in charts with short comment sections and quick hyperlinks to supporting information.

Let Us Do the Heavy Lifting

If you don't know what your problems are, we can identify them. If you know what your problems are but don't know how to solve them, we can train you. If you know how to solve your problems but can't spare the resources, we can support you. Our approach is designed to assist you with your toughest challenges so you can grow your business.



The One Page[®]
Planning and
Performance
System

Let's get started!

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📅 Schedule a Short Meeting

