How To Choose the Right KPIs for Your Business

What is a KPI?

- A key performance indicator (KPI) is a metric that is used to track and measure your progress toward a certain objective. Business KPIs, which differ by department, can be used to compare a company's long-term performance to its own goals and industry benchmarks.
- A measurable indicator of an organization's, employee's, or other entity's effectiveness in reaching performance goals.
- To assess a company's overall long-term success, a set of quantitative measurements is used.
- A method of assessing an organization's effectiveness and progress toward its objectives.

What is a KPI Reporting?

- A KPI report is a visual dashboard that you can use to track your metrics and see how your team is doing in comparison to the goals. Depending on the facts you want to exhibit and the needs of your team, you can display your report using charts, graphics, and tables.

1. Allowing you to keep track of your most important metrics while filtering out the rest
2. Providing decision-makers and collaborators with easy access to data
3. Providing you with a brief and easy-to-understand snapshot of your team's performance
4. Getting everyone on the same page about the aims

OKR vs. KPI

Because both phrases refer to goals that are tracked and measured, the terms Objectives and Key Results (OKR) and KPIs are frequently interchanged. But it's the intentions that set it apart.

KPIs are used to determine whether or not your company is meeting its objectives. They're also known as health metrics because they show how well a company is performing in meeting a pre-determined goal.
OKRs, on the other hand, are broad business objectives with key results that indicate whether or not those objectives have been met. They are bold and ambitious objectives that reflect the company's long-term strategy.

For example, let's imagine a technology company wants to be one of the top 10 providers in their market by 2021. The following are possible outcomes:

- Acquire 1,000 new customers by Q3.
- Generate 3,000 leads every month.
- GIncrease annual membership sales by 30%.

While KPIs are great for growing, OKRs are meant for rapid growth, which is more ambitious and forces teams to expand their abilities.

It's also worth noting that, while KPIs can be the key results in your OKR, this isn't always the case.

As an example, in the example above, your marketing team might have a KPI of 3,000 leads. The "Top 10" aim, on the other hand, is unlikely to be listed as a KPI by any department because it speaks to a bigger vision and has a more flexible schedule.

How To Measure KPIs

Determine which metrics to track first. This will be very dependent on your objectives and team.

After you've narrowed it down, you'll need to determine your goals. They're frequently calculated using a number of parameters, such as past performance and industry standards.

The following questions must be addressed: who, when, and why. Who is in charge of this KPI? Determine someone on your team is in charge of this KPI so that they may be the point of contact for any performance issues. They will also be in charge of keeping track of progress.

When it comes to the "when," you'll need to know the schedule for achieving these goals. Many companies schedule them on a monthly or quarterly basis, however, depending on your team, it could be shorter or longer.

Finally, the most crucial thing to remember when monitoring your KPIs is why. Having your objectives clearly defined can help encourage your team and ensure that everyone is on the same page.

Types of Key Performance Indicators

KPIs can be set on a team basis. Sales' KPIs will be completely different from HR's KPIs. Beyond those differences, there are also variations in the types of indicators you can measure.

Here are a few of the most common types of KPIs:

- **A QUANTITATIVE KPI** relies on numbers to gauge progress. E.g., "Sales team to generate 100 sales-qualified leads every month."

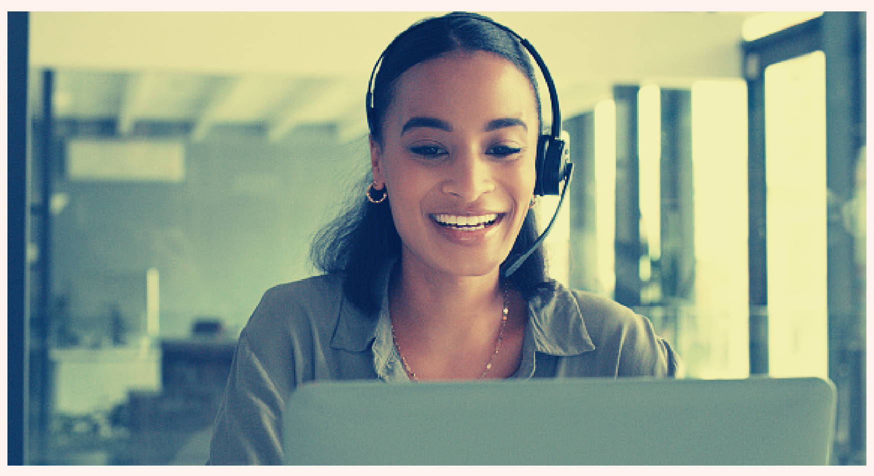
- **A QUALITATIVE KPI** looks at an opinion- or feeling-based data. E.g., "Brand sentiment."

- **A LEADING KPI** can predict future performance. E.g., "Website traffic." More traffic can mean more conversions, more leads, and more revenue.

- **A LAGGING KPI** describes a past result. E.g., "Turnover rate."

- **AN INPUT KPI** measures the assets, time, and resources needed to complete a certain action or project. E.g., "Employee count, budget."

- **A PROCESS KPI** assesses efficiency and productivity within the business. E.g., "Average sales call time."



Types of Key Performance Indicators EXAMPLES

SAAS KPIS

- Monthly recurring revenue (MRR)
- Churn
- Cost per acquisition (CPA)
- Average revenue per retainer
- Lifetime value (LTV)

PROFESSIONAL SERVICE KPIS

- Bookings
- Utilization
- Backlog
- Revenue leakage (link)
- Effective billable rate

Online Media / Publishing KPIs

- Unique visitors
- Page views
- Share ratio
- Social referral growth
- Time on site

Retail KPIs

- Capital expenditure
- Customer satisfaction
- Sales per square foot
- Average customer spend (ACS)
- Stock turnover

How To Determine KPIs

1. Choose KPIs directly related to your business goals.

KPIs are measurable metrics or data points that are used to assess how well your firm is performing in relation to a set of objectives. A KPI could be tied to your goal of growing sales, increasing the return on investment of your marketing activities, or enhancing customer service, for example.
What are your company's objectives? Have you found any big areas that need to be improved or optimized? What are your management team's most important goals?
By answering these questions, you'll be one step closer to determining the correct KPIs for your company.

2. Focus on a few key metrics, rather than a slew of data.

Less is more when it comes to identifying KPIs for your company. Instead than choosing dozens of indicators to track and report on, concentrate on a few critical ones.
You may become overwhelmed with data and lose concentration if you track too many KPIs.
As you might expect, every company, industry, and business strategy is unique, making a precise estimate for the number of KPIs you should have impossible to determine.
However, aiming for two to four KPIs per goal is a decent number to aim for. There are plenty to get a solid feel of where you stand, but not too many that aren't important.

3. Consider your company's stage of growth.

Certain indicators will be more significant than others depending on the stage of your organization — startup vs. enterprise.

Data linked to business model validation is often prioritized by early-stage companies, but measures such as cost per acquisition and customer lifetime value are prioritized by more established enterprises.

Here are some examples of possible key performance indicators for businesses at various phases of development:

How To Determine KPIs

PRE-PRODUCT MARKET FIT	PRODUCT MARKET FIT	EXPANSION
• Qualitative feedback • Customer interviews • Awareness • Stickiness	• Monthly recurring revenue (MRR) • Renewals • Churn • Customer satisfaction	• Cost per acquisition (CPA) • Average order size (AOS) • Lifetime value (LTV) • Number of customers acquired

4. Identify both lagging and leading performance indicators.

Knowing how you did versus how you are doing is the distinction between lagging and leading indicators. Leading or trailing indicators aren't always superior to lagging ones.

The production of something that has already happened is measured by lagging indicators. Lagging indicators include total sales last month, the number of new clients, and the number of hours of professional services supplied. Because they are completely focused on outputs, these metrics are ideal for merely measuring results.

Leading indicators, on the other hand, assess your chances of accomplishing a target in the future. These function as foreshadowing devices for what's to come. Leading indicators include conversion rates, sales opportunity age, and sales rep activity, to name a few.

KPIs are an important way to ensure your teams are supporting the overall goals of the organization.

Key performance indicators come in many flavors. While some are used to measure monthly progress against a goal, others have a longer-term focus. The one thing all KPIs have in common is that they're tied to strategic goals.