KPIs That Drive Smarter Business Decisions

Scoro

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"*If it cannot be measured, it cannot be managed*", observed Peter Drucker, widely regarded as the founder of modern management. With this sentiment in mind, business leaders throughout the twentieth century have demonstrated the importance of tracking the performance of specific activities to achieve their business objectives.

Over time, various performance management **models** have emerged, such as the DuPont method in the 1920s to measure ROI; the "tableau de bord" dashboard in the 1930s to organize performance measurement; and the Balanced Scorecard in the 1990s which built on previous models to include non-financial metrics. By the 1990s, entrepreneurs also began to coin the term 'Key Performance Indicator' as a more tangible method of measuring performance.

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However, without some form of KPI strategy in place, there is no effective method for business leaders to monitor activity or plan for the future.

Today, the term KPI is often bandied about without clear meaning, and in some cases, leaves teams unsure of how to measure performance, or even which goals they are supposed to be achieving in the first place. However, without some form of KPI strategy in place, there is no effective method for business leaders to monitor activity or plan for the future. So how can today's executives use KPIs to get the best of their teams and stay on course to reach their business goals?

In this paper, we'll outline the most effective ways of building a KPI report that is not only accessible, but comprehensible and actionable, to each business team across an organization. But first, it's important to understand how to define and set the most appropriate indicators of performance – or KPIs – to enable the most actionable analysis.

In simple terms, a KPI is a quantifiable value used to evaluate how effectively an organization is achieving its objectives. However, KPIs are not universal. Therefore, it's crucial to recognize that KPIs mean vastly different things to different organizations, but also, different lines of business across an organization.

Keeping KPIs connected to the line of business

Executive and financial KPIs

For the majority of businesses, the core objective is to become more profitable than its competitors, in which case, gross profit would constitute the main KPI. Similarly, within an organization, it follows that executive or financial reports will focus on chiefly financial KPIs, such as net profit margin, monthly recurring revenue or sales growth.

Other financial KPIs might include:

- Operating cash flow (total revenue generated minus operating expenses)
- Working capital / current ratio / quick ratio (metrics which calculate a company's ability to meet financial obligations over various periods of time)
- Burn rate (the rate at which the company spends money on a weekly, monthly, or annual basis)
- Accounts receivable
- Accounts payable
- Accounts payable turnover

Business team KPIs

Elsewhere in the business, KPIs could just as easily center around non-financial metrics. For instance, core KPIs for the **sales team** may include new prospects per month; closed deals per month; lead-to-sale conversion rate; cost per conversion; value of deal; customer lifetime value; account retention (attention rate vs attrition rate); or account expansion.

With today's connected customers forming impressions and making purchase decisions within seconds of becoming aware of a brand – customer experience is rapidly climbing to the top of the sales agenda. Therefore, Net Promoter Score (NPS), which measures the likelihood of customers recommending the business to others, has become a popular KPI in recent years. **Customers are segmented into promoters, who score 9-10; passives, who score 7-8; and detractors, who score 0-6**. NPS can be calculated by subtracting the percentage of detractors from the percentage of promoters, giving a score between -100 (i.e. every customer is a detractor) and 100 (i.e. every customer is a promoter).

Net Promoter Score (NPS)

9-10	7-8	0-6
Promoters	Passives	Detractors

Meanwhile for the **marketing team**, a primary indicator for success might focus on audience engagement with a particular campaign, measured by a number of very specific KPIs such as website traffic; social media engagement; campaign ROI; time on site; new leads per campaign; or repeat customer per campaign.

As a subset of the marketing team, **advertising** KPIs of a particular campaign may include ROAS (Return on Ad Spend); CTR (Click-Through Rate); CPA (Cost per Acquisition); Cost per Click (CPC); total number of impressions; CPM (cost per thousand impressions); or conversion rates.

Over in the **IT department**, appropriate KPIs may focus on uptime vs downtime of company infrastructure (i.e. the proportion of time computer systems are fully functioning and generating the required output); mean time to repair; or ticket churn over time (total tickets vs open tickets).

For **project managers** who are responsible for overseeing specific projects across the organization, KPIs could include planned budget; time spent on tasks; project/task ROI; individual team member contribution to project; or activities completed vs time remaining on project.

Whether financial or non-financial, it's important for business leaders to select KPIs for different levels of management, i.e. KPIs that align with specific business objectives, as well as individual team goals. Therefore, brainstorming goals with the board, but also with individual team leaders, is an advisable first step. Consulting a **KPI checklist** as part of the process can also help to evaluate which indicators may be relevant to a particular team.

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Reaping the rewards of a KPI report

As a recent HYPE Innovation article asserts: *"KPIs which don't support you in making decisions are just metrics"*, so it's important to only choose metrics that are actionable. Therefore, once KPIs have been proposed, it's important to consider the types of data teams need to glean from each metric, but also, how to run the analytics to enable them to act on the results. This is known as KPI reporting.

Put simply, KPI reporting does the heavy lifting, by accumulating KPI data and translating complex metrics into clear and concise business performance insight. Without a KPI report, teams would battle to effectively measure their KPIs, let alone interpret the results in a meaningful way.

> ***"KPIs which don't support you in making decisions are just metrics."***
> ***– HYPE Innovation article***

KPI reporting – the benefits

There are three main benefits of running a KPI report:

1. Providing key stakeholders with a timely overview of company performance, as well as individual team performance.

2. Highlighting potential problems before they occur, as well as any anomalies, or emerging trends (such as a deceleration in revenue growth or new customers) which may become a cause for concern if they continue along the same trajectory.

3. Delivering exactly the kind of granular, actionable insights executives and team leaders need to drive timely and meaningful decisions on future campaigns and strategy.

KPI reporting – the features

In today's digital world, effective KPI reporting is only possible through the implementation of automated software. Depending on the platform being implemented, the features of KPI reporting can be many-fold:

- Multiple real-time performance reports, visible via one interactive dashboard

- Fully customizable reports that are able to adapt to evolving KPIs

- Fully customizable dashboards that are able to switch between multiple company and individual KPI overviews at the click of a button
- Unlimited widgets and metrics to track every KPI as required across the organization
- Swift integration with existing software to track and monitor all relevant company data in one place
- Month-on-month and year-on-year comparisons to build an accurate picture of performance over time
- The ability for executives and team leaders to limit which data is accessible to which teams

We've established the benefits of automated KPI reporting, but before setting up a KPI dashboard, it's crucial to decide what action teams will take depending on the results of the analysis. As a recent article in **Harvard Business Review** deftly asserts, ***"Data without insights is meaningless, and insights without action are pointless"***. Once an action plan has been established, it's time to consider the logistics of building a KPI reporting strategy.

"Data without insights is meaningless, and insights without action are pointless." – Harvard Business Review

Implementing a robust KPI reporting strategy

Defining the overall goals, appropriate KPIs, and resulting action plan is half the battle to implementing an effective strategy. Armed with this information, the process of setting up a KPI report is relatively straightforward with the right tools in place.

Firstly, to form a basis for effective reporting, it's important to ensure all the **relevant data is available** throughout the organization to be fed into the KPI reporting system. This will involve briefing teams to ensure they have the data ready to share when it's needed. Choosing specific KPIs without the supporting data means results may be skewed, which will inevitably lead to misinformed decision-making.

Secondly, it's imperative to consider the **types of data integrations** (i.e. the technology) that will feed into the solution being implemented. With today's data expected to be accessible immediately and at all times, most KPI reporting software will update in real time. Therefore, it's best to steer the team away from a daily reliance on static applications such as Excel, as such data will then need to be pulled and aggregated into a format compatible with the reporting software, requiring additional engineering resource.

The more real-time data available from the outset, the more accurate and cost-effective the resulting KPI report will be.

Setting up your KPI dashboard

If the team is already using a project management tool to carry out daily tasks, the tech integration process is likely to be far smoother. Of course, if the need for KPI reporting software coincides with a company-wide need to overhaul the entire technology stack, opting for an end-to-end project management platform – which includes a KPI reporting function as standard – will negate the need to invest in further software in the future.

Executive dashboards

Many platforms on the market will enable executive leaders and their teams to view multiple KPI dashboards concurrently and in real time. But with a myriad of reporting functions available, it can be difficult to know where to start. For those who are unsure how many reports to create, it's best to begin with one **executive dashboard** focussing on company-level performance and profitability indicators mentioned at the beginning of the paper – before moving on to individual dashboards for specific business teams or internal processes.

An executive, or CEO dashboard, provides an instant snapshot of the company, a KPI report for which can be generated in seconds, making it an ideal resource for management meetings which may have required hours, if not days, of prior preparation and data wrangling. As an executive dashboard tends to contain sensitive information, it's important to limit access to relevant stakeholders. Again, this should normally be possible at the click of a button, depending on the software.

Sales and marketing dashboards

Apart from internal KPIs, the sales dashboard can also be used for benchmarking. Whereas KPIs focus on company-specific objectives, benchmarking is a process which involves setting goals aligned with external factors, such as competitors or industry standards, creating a reference point, or 'benchmark', for the sales team to work towards.

Once executive and sales dashboards have been created, setting up a **marketing dashboard** is a common next step as it provides the team with an overview of a broad range of metrics depending on the individual activities of the business. For example, key KPI focus areas could include paid advertising strategies, impact of social media, specific marketing campaigns (and how they compare with previous competitor campaigns – again, benchmarking can be used to measure the latter).

For many businesses, there is a great deal of collaboration between sales and marketing teams as they guide the customer through the sales cycle from initial brand awareness to closing the deal. Therefore, it's also important for sales and marketing leaders to collaborate when setting up their dashboards, in order for each team to identify which of their own KPIs have an impact on the other team, and vice versa.

Finally, once specific team dashboards have been created, each member of staff throughout the organization should be able to set up their own fully customized dashboard to suit their individual way of working – tapping into a variety of graphics (pie charts, tables, bar charts, line charts, etc) – to bring their KPI data to life and present it to other stakeholders across the organization.

Impact of KPIs on wider business operations

Another case for adopting end-to-end software for KPI reporting is the ability to integrate KPI data with datasets from other company processes as they become more widely automated, such as time-tracking. In a separate white paper, we demonstrate the importance of time-tracking to inform future strategy and drive ROI. But this is only possible once the appropriate KPIs have been established. By implementing software which can provide real-time KPI data from across the organization, coupled with company-wide time-tracking data (delivered via a fully customizable dashboard), individual teams can more effectively monitor and act upon mission-critical KPIs relevant to their line of business.

Other examples of linking KPI reporting to other in-built reporting systems could include the sales team leveraging CRM data to inform the sales KPI report, or the accounts team leveraging their invoicing system to inform the finance KPI report.

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Summary of best practices for effective KPI reporting

Choose your objectives before setting KPIs. Without clear goals, setting KPIs becomes an ineffective and convoluted process with no clear way forward. Liaise with other stakeholders to decide upon these goals.

Choose actionable KPIs. Remember the adage that KPIs that don't drive strategy are simply metrics without meaning. KPIs should be defined with clear actions in mind.

Choose KPIs for each level of management. In other words, for each dashboard, select the KPIs that are aligned with the goals of that specific team. This avoids cluttered, confusing dashboards and makes it more manageable for each team to effectively report on the KPIs that are most relevant to their line of business.

Ensure all KPIs are achievable. If they are not achievable, change them to suit the evolving environment, e.g. the organizational structure, or external influences such as competitors or the economy.

Ensure the right infrastructure is in place to pull and aggregate the KPI data from the correct sources, in the correct format, for more accurate KPI reporting. If the tech stack is incomplete or antiquated, opt for an end-to-end project management solution that is capable of managing all relevant company data in one place.

The concept of performance management is certainly not new, with business leaders throughout the centuries recognizing the importance of measuring activities and using this information to drive future strategy. From primitive beginnings, processes have gradually evolved to become increasingly more sophisticated, culminating in the automation of KPI reporting that we see today. As such, ambitious yet time-pressured executives now find themselves surrounded by a wealth of tools that empower them to track performance and drive decisions quicker and more effectively than ever before.

About Scoro

Scoro was founded in 2013 with the simple idea – there's always a smarter way to get work done. We know you're using dozens of different apps to get work done, and the shuffling and fragmentation are killing your team's productivity

Our dedicated team is focused on providing the most comprehensive solution for efficient business management. Finally, you can manage it all from a single place. Scoro has been listed in the Technology Fast 50 list by Deloitte, in the Inc. 5000 list, and has been selected as one of the top software companies in EMEA by G2. For more information, visit **www.scoro.com**.

Business Management Software

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