More Metrics Please! Understanding Key Performance Indicators



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Key Performance Indicators, or KPIs for those who can't resist a good acronym, are the corporate world's way of turning the messy, unpredictable nature of business into neat little numbers, graphs, or even emoticons!

KPIs as Your Guide

KPIs serve as navigational tools, allowing companies to:

- Measure progress toward strategic goals
- Identify areas needing improvement (perhaps adding salt to a wound)
- Make data-driven decisions (does anyone make gut-based decisions anymore?)
- Align team efforts with organizational objectives
- Benchmark performance against industry standards or competitors (don't' fall behind!)

Effective KPIs Should Be S.M.A.R.T.

- Specific and clearly defined (like the specials at your favorite lunch restaurant)
- Measurable and quantifiable (because if you can't measure it, does it even exist?)
- Actionable, providing insights for improvement ("there is no try")
- Relevant to business objectives
- Time-bound with regular reporting intervals

5 Common KPIs for Any Size Businesses

- Net Profit Margin – Net profit / total revenue
- Customer Acquisition Cost (CAC) – Total marketing and sales divided by number of new clients
- Employee Turnover Rate – Number of employees who left divided by the average number of employees for a period
- Inventory Turnover Ratio – Cost of goods sold divided by average inventory
- Revenue per Customer – Total revenue divided by the number of customers

KPIs work best when they are updated in real-time and accessible (versus antiquated and hard to find). KPIs are often displayed on a financial dashboard. There is no shortage of options when it comes to tools that provide KPIs and

dashboards. Find a solution that integrates with your accounting platform for the best results.

When implementing KPIs, remember to choose metrics that align closely with your specific business goals and industry. Regularly review and adjust your KPIs to ensure they continue to provide valuable insights as your business evolves. Remember, the goal is not to track every metric possible but to focus on those that most effectively guide your business toward its objectives.

By carefully selecting and monitoring these KPIs, businesses can gain valuable insights into their operations, make data-driven decisions, and drive sustainable growth.

Please contact us if you would like to learn more about KPIs. Dean Dorton has expertise across multiple industries that can help you identify the information that drives your business and develop KPIs to help you meet your goals.