business bitesize

Healthy Heartfelt KPIs

Support tools and resources

Why risk the health of your business by measuring the wrong things?

Making a loss prompts a strong emotional reaction. And a strong enough emotional reaction results in corrective action, as it should.

So a key measure in your business – a loss – gets you to do something to improve your business results – reduce costs or improve sales.

But shouldn't you be taking timely action to prevent the losses in the first place?

STOP: thinking your existing KPIs are good enough. It suggests you're stuck in the old way of managing your performance.

START: measuring what matters most to your customers. Then take regular action to improve these new- style KPIs.

Contents: Healthy Heartfelt KPIs

Here's how you create a Business One Page Plan of healthy ***Key Predictive Indicators*** for your business:

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1. Get clear on the goals for your business

Continental Airlines goal was to climb away from being the worst ranked airline in 1994 and avoid bankruptcy. Survival was their first goal, then their goals changed as they made progress but they used clear SMART goals.

Here's the definition of **SMART** goals for your business:

> *"Lost luggage will reduce from 1 in 57 passengers to 1 in 100 passengers by next November."*

- **Specific** – there's no ambiguity or uncertainty about what is being measured, it's specific, detailed, crystal-clear. Reducing lost luggage is specific. Make your SMART goals specific too.
- **Measurable** – as well as being specific it can be measured. 1 in 100 can be measured. Make your SMART goals measurable.
- **Achievable** – the people responsible for the measure believe it can be achieved. From 1 in 57 to 1 in 10,000 passengers next month would probably be seen as unachievable. Make your SMART goals achievable.
- **Relevant** – there's little point having goals that aren't relevant to the success of your business. Lost luggage reduction is relevant to an airline. Make your SMART goals relevant to you, your business and your people.
- **Timely** – there's no ambiguity or uncertainty about what is being measured, it's specific, detailed, crystal-clear. Give your SMART goals a deadline, make them timely.

2. Work out, with your people, your customer-facing (KPI) predictors

- What's your equivalent of *Less Lost Luggage?*
- What's your equivalent of *On Time Arrival?*
- What's your customer care KPI for your business?

When, with your team, you discuss what matters to your customers, you'll be able to work out SMART customer-focused Key Predictive Indicators for your business.

You know you've chosen these customer-facing KPIs well if, should these KPIs get worse, you know your customers and your business are at risk.

And if these KPIs improve you know you'll be impressing your customers and promoting future success in your business.

You'll find your customer-facing KPIs fall into three categories:

a. **Quality** – number of returns – number of repairs – length of service (tyre mileage). What could you measure similar to these?

b. **Speed Of Delivery** (or speed of response, or both) – on-time deliveries – minutes til return of calls – job turnaround time. What could you measure similar to these?

c. **Customer Care** (customer service) – customer feedback score – customer complaints – testimonials received – customer recommendations received – 5-star reviews on Amazon or TripAdvisor or similar. What could you measure similar to these?

What else could you measure that reflects your customer views?

3. Work out your sales and marketing predictors

The growth of your business means you must generate enquiries from new prospective customers (marketing). What are your best marketing KPIs?

You must also convert these enquiries to paying customers (sales). Which KPIs show you how well your business is at selling?

Your business and your industry sector will have unique types of sales and marketing KPIs specifically relevant to you.

For example: The marketing and sales KPIs for a steel tube foundry will be different from a hairdresser business.

Two extremes we know but you must work out the best marketing and sales KPIs for your unique business. (NB It is also healthy to look at other sectors for inspiration for the best KPIs).

If you want any help with working out your best KPI's please let us know.

Here's some ideas to get you thinking:

Business Type	Marketing KPIs	Sales KPIs
Retailer	Number of daily visitors to the store – time in store – floors visited – coupons submitted – website visitors – sample requests – brochure requests…	Number of items bought – value of items bought – time between purchases – warranties bought – time with sales staff –brochure follow ups – sample follow ups…
Furniture Manufacturer	Website visitors – information pack requests – exhibition stand visitors – no. of referral requests – no. of referrals given – no. of brochure point of sale displays – newsletters sent out – press coverage column centimetres – joint venture displayse with fabric companies…	Enquiries received – items on display per store – no. of stores with display items – sales agent visits to stores – exhibition stand visitor follow-up calls…
Plumber	Business cards posted per week – no. of requests for quotes – website visitors – referral requests – no. of meetings/calls with builders and other contractors –	Number of emergency call outs – no. of planned jobs – quotes submitted – quotes won – no. of referrals given to other contractors…

Plumbers cnt'd…	no. of case studies captured and shown on web site – website downloads of 'better bathroom' report…	
Advertising Agency	Newsletters sent out – press coverage column centimetres – awards won – no. of case studies produced – no. of networking meetings attended – no. of seminars presented…	Number of requests to pitch – no. of pitches converted – email open rates - click-through rates - telephone follow up calls…
Precision Engineer	Number of networking events – press coverage column centimetres – no. of case studies produced – press coverage column centimeters – no. of exhibition stand visitors…	Number of meetings with buyers – no. of meetings with designers – no. of requests to quote – no. of exhibition visitor follow up calls and meetings – no. of test samples created/submitted…
Recruitment Consultant	Number of candidate calls made – no. of employer calls made – no. of candidate interviews made – no. of employer meetings held…	Number of job opportunities identified – no of 1st interviews – no. of 2nd interviews – no. of offers made – no. of offers accepted – no. of live jobs – no. of paid-for 'search' opportunities live…

3. Work out your cost and cash predictors (KPIs)

Let's deal with cost KPIs first.

You are likely to have one, two or three costs that dominate the money you spend to run your business. It could be salaries or staff turnover. It could be fuel or other raw materials. It could be capital investment costs. What are yours?

Business Type	Most likely key cost predictors
Retailer	Profit per square foot by department; stock turnover by department; employee costs as percentage of revenues (by department).
Furniture Manufacturer	Raw materials; employee costs; equipment finance costs;
Plumber	Travel costs per job; equipment costs; employee costs; insurance; training.
Advertising Agency	Employee costs as percentage of revenues; event costs; staff turnover cost.
Precision Engineer	Capital equipment finance costs; employee costs; design lead time costs.
Recruitment Consultant	Employee costs as percentage of revenues; event costs; staff turnover costs.

Like the famous saying advises:

"Turnover is vanity, profit is sanity and cash is reality"

And because cash is king in every business you'll want to know every day, every week or every month how well your cash collection is working. What KPIs show you this?

What cash KPI's, when they improve, will improve the flow of cash into your business?

Cash Predictor Examples:

- Total debtors – the value of money owed to you
- Total debtors over 30 days; over 60 days; over 90 days
- Total income on Direct Debit or Standing Order or Credit Card
- Cash transactions
- Amounts paid in 7 days or less

Your industry will have an 'expected' way of doing business and getting paid. It can often be worth challenging these norms and seeking alternatives. For example; Microsoft Office used to be bought by customers in one transaction up front – now with Microsoft 365 they have an annual renewable licence fee (in advance).

4. Add in your key financials

You know these already but it makes sense to show these on your business one page plan too. It's good to have confirmation on the hard facts about the three numbers that tell you how well you did historically –

- Turnover
- Cash in bank
- Profitability

Tracking these numbers monthly can also help drive you to take action on your other KPIs.

5. Track your KPIs every month (at least) and take action to improve them

Predictive Measurement is not enough. Take action to improve your numbers!

Tracking and reviewing your KPIs is only half the job! Like the miner with a collapsed canary, unless the miner takes action he won't live to mine another day.

Action is the key to your future success.

Your Business One Page Plan using your chosen Key Predictive Indicators will show you the way.