

The Benefits Of Key Performance Indicators To Businesses

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Excellent customer service, employee satisfaction and enthusiasm, and office organization are all desirable characteristics of a company. They are also key performance indicators (KPIs), which are a necessary part of any business aiming for success. KPIs are used by organizations to measure, monitor and manage performance; they allow employers/employees to envision what needs to be done to improve their organization.

KPIs “represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization” (Parmenter 3). KPIs are an invaluable form of business intelligence. When determined by an organization, they can educate every member of the company with regards to developing a strong team approach to business.

Monitoring, managing and analyzing KPIs takes time and energy, so it is necessary that appropriate ones are chosen to address the specific needs of the company. The two main characteristics that help construct a relevant KPI include: (1) the need for it to be “measured frequently” (daily or constantly if possible) as well as (2) there must be an understanding of what has to be done to fix outcomes predicted by the KPI.

If a company relies on having a strong web presence to generate leads, an example of a relevant KPI would be the “bounce rate.” A bounce rate represents the percentage of initial visitors to a site who “bounce” away to a different site rather than continuing on to other pages within the same site. The conventional wisdom is that visitors who bounce do so for lack of compelling reasons to explore on. Typically, the target for bounce rate is 30 percent or lower and it needs to be updated on a daily basis. If the bounce rate is higher than 30 percent, then the web content should be modified to help lower the rate. This satisfies the characteristics of

a KPI and it is apparent how valuable it is to continually monitor the bounce rate.

As shown above, a KPI will “tell you an action that needs to take place” (Parmenter 6). If a KPI has been correctly assigned to a company, it will have a “flow-on effect” which will in turn benefit the company (Parmenter 7). The entire office can monitor and fix problems associated with the success rate of the company’s KPIs (Eckerson xiii).

In addition, KPIs can create a type of benchmarking within one’s business. A person can see the present quality of their business and with the use of KPIs, they can envision the business they want to become; they help companies become what they deem the epitome of success through the process of managing, monitoring and analysis.

Performance dashboards are generally used to facilitate the easy monitoring of an organization’s KPIs. The dashboard will check the rate at which the chosen KPI is succeeding (or failing). If the results of the KPI are not improving, the dashboard will visually alert staff that changes must be made. It will then be possible to analyze what could have caused the shortcoming and allow staff to quickly remedy the situation (Eckerson 5).

Performance dashboards facilitate getting “the right information to the right users at the right time to optimize decisions, enhance efficiency, and accelerate results” (Eckerson 9). As performance dashboards have the data needed to measure a KPI in one place, it is easy to see if the KPIs are succeeding in their purpose or not. Such dashboards allow employees at any level to monitor information which represents the outcome of a KPI. Dashboards are a topic onto itself and beyond the scope of this article.

Every business person should strive to create exceptional

KPIs, as they show the ways in which troubled companies can fix their problems and successful companies can proactively plan and manager continued success. Companies will obviously benefit when employees can readily understand what needs to be done through the presentation of easy-to-read dashboards allowing them to make the most effective follow-up decisions.

Sources:

Eckerson, Wayne W. Performance Dashboards: Measuring, Monitoring, and Managing Your Business. New Jersey: John Wiley & Sons, Inc., 2006.

Parmenter, David. Key Performance Indicators: Developing, Implementing, and Using Winning KPIs. New Jersey: John Wiley & Sons, Inc., 2007.

