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Using The Power Of KPIs To Reach Your Goals And Improve Productivity

To increase productivity, break down your desired business goals into clearly defined key performance indicators (KPIs). KPIs satisfy the first obligation of management: to communicate to your team 1) what you want to accomplish, 2) how to accomplish it, and 3) the measurable performance expectations. Put simply, KPIs are your metrics, tactical tools that enable your management to achieve your established goals.

Keep the following in mind to leverage your KPIs and drive success in your organization:

Get Management Involved in Defining and Using KPIs

To maximize the benefits of KPIs, encourage your managers to own them, to use them regularly, and to analyze results carefully so that they can take effective action to reward or correct performance.

Executive management must be fully committed to support each metric and its desired result. That requires management's active involvement in creating KPIs, communicating what the KPIs are, analyzing results, and participating in corrective action. Without the buy-in and support of top management, your metrics program will have little impact and will likely become just another irrelevant initiative. In short, if you don't support your KPIs 100%, they won't matter to your team.

You successful implementation of a metric-based management system depends on proper and consistent reporting, discussion, and follow-up. During your review meetings, document your actions and takeaways, assign owners, and agree to due dates. And be sure to follow up on every assignment at your next meeting. This creates a cycle of continued improvement.

Limit the Number of KPIs to Streamline Your Strategy

Using KPIs intelligently means using a limited number of metrics that are critical to the business, and driving awareness of those metrics consistently with the team. Focusing on too many KPIs results in data overload; you risk losing the team's focus and their ability to improve performance. Managers need to limit the team's field of vision to focus on only those metrics that pertain most directly to the achievement of the company's goals.

Metrics can be as simple as a number. Or they could measure progress against a target, or the change in performance of a specific measure over time. Whatever your metric measures, you must define its attributes (what characteristics will define it), how you're going to calculate it, and the specific factors or behaviors that lead to the achievement of your intended metric goal. This is critical, because you cannot manage numbers or results. You can only manage what it takes to achieve the results you measure.

How Creating Well-Defined KPIs Improves Productivity

Case Study 1:

A disciplined approach to a metric-based management system sets the criteria for how work gets done in your business. These are your processes and operations. It's not uncommon to start with a metric definition that changes over time as your understanding of your processes or operations evolve. With clarity comes understanding and the ability to improve the process and results.

If you have well-defined, practical, and actionable metrics, you also have a training tool that better defines processes and operations to the team. Clarity empowers everyone to understand, impact performance, and drive results.

For example, at one of my clients, my team developed a dashboard that reported and ranked results for salespeople, rolled up to stores, and then to the district level, and finally to the regional level. Results were reported daily, week-to-date, month-to-date, quarter-to-date, and year-to-date, and compared current performance to the same period during the prior year. We had basic metrics like sales, sales comp, margin, and number of customers. But to understand if the salespeople were following the established sales process in the stores, we also developed and tracked complex metrics, such as the sale of selected products in certain combinations.

The client's goal was to solve problems for customers by offering customers a "total solution." If they were successful, not only did they have a happy customer, but they maximized the opportunity, both in sales and profits for the company. This meant hiring the right people to work in their stores and to train them on their process of approaching and engaging their customers.

Training was a critical aspect of the sales associates' and the company's success. We developed a limited set of key selling and service metrics that were part of our dashboard that measured performance, and subsequently indicated to management whether the team's selling activity complied with the standards found in their training. If not, our KPIs allowed the team to dig in, determine why goals weren't being met, and take corrective action.

Further, the existence of the metric itself educated store management and the salespeople about behaviors in the sales process that impacted the desired results. Hence, the metric drove clarity, education, training, understanding and behavior to not only provide the customer with the best experience, but to maximize the opportunity and the business results as well.

Additionally, salespeople, store teams, districts, and regions started to compete against each other to be number one in specific metrics. We encouraged this by color coding each metric as it compared to the rest of the team. For example, stores with a metric result that ranked within the top 25% would be colored green; top 50% to 75% of stores, white; bottom 25% to 50%, yellow; bottom 25% of stores, red. Everybody wanted to be green. Nobody wanted to be red.

But whether green or red or anywhere in between, the metrics stimulated conversation: What was working right, how could the rest of the stores benefit, what was not working, and how could management fix it? Results and conversation, good or bad, both led to better understanding, urgency to leverage or correct issues, better service for the customers, increased earnings for the associates, and improved results for the business.

By understanding the process, tracking performance, educating the team and rewarding performance, the client, drove strong same store growth and led the industry in units and dollar sales of certain core products, beating out retail chains with over 1,000 stores.

Case Study 2:

At another client, after questioning their delivery and on-time performance serving their customers, we developed a "Perfect Order" metric that improved the team's understanding of how well the client's supply chain, merchandising, and delivery systems performed. Understanding how these systems and processes worked allowed the team to improve, streamline, and close "black holes," dramatically improving their delivery performance to their customers.

Not only did we greatly improve the on-time performance to customers and achieve better results, but management by metrics brought associates from all functions and departments together as a team, working together to improve performance. In this case, the focus on metrics strengthened team-building.

One more added bonus. Once you've refined how you calculate and report your metrics, you can use them not only to drive performance or achievement of established company goals, but as an aligned component of your associate compensation plan. Whether part of a bonus plan or included in regular incentive pay, it's an effective and non-judgmental way to encourage behavior and reward performance.

Conclusion: KPIs Can Help Your Business Meet Goals and Grow

Through the use of KPIs and metrics, you give your team a simple, clean, numerical measure to transform the achievement of goals into increased earnings for both themselves and the business. This produces a team of happy, productive associates – who understand what is expected of them every day and that though their efforts they can impact company performance and achieve personal growth.

If your company needs help setting goals or establishing a KPI-based measurement/incentive program, I'd love to talk with you. Please send an email or call me directly —

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