BrightGauge

HOW KPIs CAN IMPROVE YOUR BUSINESS

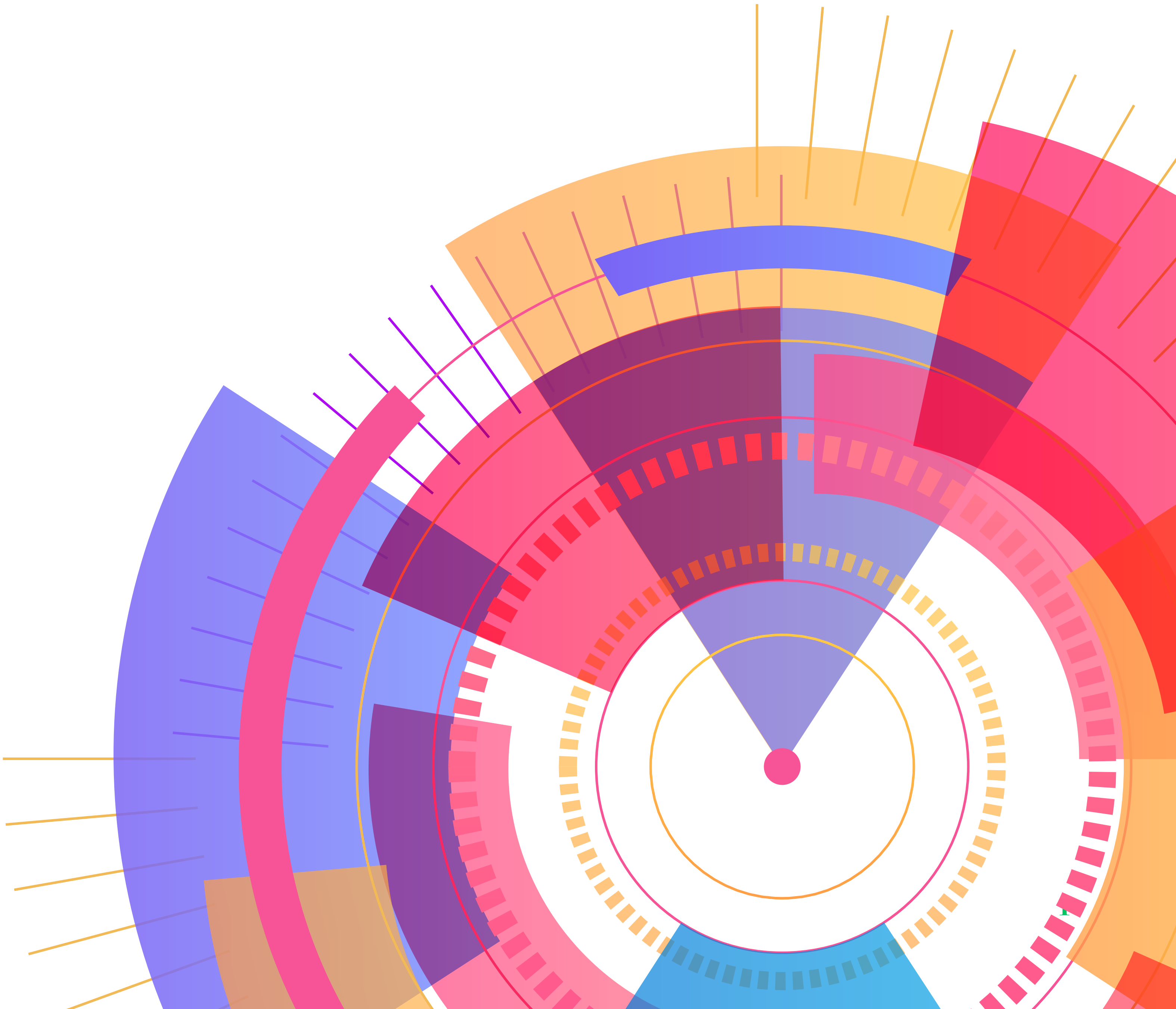

TABLE OF CONTENTS

Why KPIs Matter

Identifying, measuring, analyzing, and evaluating your processes and procedures is an important part of an organization's growth and development strategy. If you're not reflecting on your business priorities and goals, how do you know where to go?
Business schools teach the notion that you can't manage what you don't measure, so identifying relevant metrics is a critical first step of a growth plan.

It all begins with Key Performance Indicators (KPIs), which are useful for businesses that want to track and monitor their progress and identify opportunities for improvement (so, essentially, every business everywhere).

Setting KPIs allows businesses to stay focused on a well-defined mission and specific goals. While every business has different priorities, they are all generally looking to evaluate their performance in the following areas:

- Finance
- Customers
- Sales
- Marketing
- Operations
- Internal Team

The most efficient way to evaluate these areas is through KPIs that are quantifiable, clearly defined, transparent, and measurable. Your data doesn't mean anything if you can't measure it and use your findings to fine-tune your processes.

In the pages ahead, we'll introduce a process for choosing and defining the right KPIs, plus we'll give examples of common KPIs for each area of your business.

The goal is to clarify the importance of KPIs and to establish a framework for growing and scaling a business.

Establishing KPIs: The IDEAS Process

With so much information and business advice readily available to us, it can get a little overwhelming deciding on the right KPIs for your organization. At the end of the day, every business is different, so it's important to define success on your own terms.

We developed the IDEAS framework to help make sense of the KPI process.

- **Identify the problem**
  - What is the problem that you want to solve? Or what do you want to prevent from happening? By starting here, you can tie metrics directly to your desired outcomes.

- **Determine what solves the problem**
  - Now that you've identified your issues, what are the indicators that might mean progress towards a solution? For example, if you're looking to improve CSAT scores, maybe Average Time to Response is a metric that'll help you make progress.

- **Establish your KPIs**
  - Knowing your issues and what can help you solve them is how you'll determine the KPIs that are right for your business. At this point, consider where you'll find the data you need (i.e. what tools can help you track your data?).

- **Analyze the results**
  - Now that your data is in, it's time for a gap analysis. How do your actual results compare against benchmarks you've set? Where can you fill in the gaps? Perhaps you need a change in processes or to invest in additional training for your team members.
- **Start from the beginning**
  - The process of setting and tracking KPIs is ongoing. On a regular basis, you should assess your results, see what you can learn, and then start the process over.

With a clear plan for defining and implementing KPIs, you place yourself in a position to succeed. Over time, you will be able to adjust and refine your metrics to get the results you need and accurately reflect your business priorities.

It's important to make sure you are measuring metrics from each of your areas of operations, as every team plays a significant role in your overall success. Let's take a look at common KPIs across departments.

Finance Metrics

Your financial data points are tremendously important and probably easiest to measure - they are all about the numbers, after all. Customers, investors, prospects, and your management team will use this information to assess your stability, viability, and growth potential.

Finance KPIs quantify current financial health and can forecast future trends. By comparing your finance KPIs with others in your industry or even against your own past performance, you can benchmark your progress and start collecting trend data, which can help you make better business decisions.

Example metrics:

- **Debt to Asset Ratio.** This essentially shows your business's financial leverage, or your ability to pay off any debt. Getting a handle on this number will allow you to make more informed decisions about where and when to spend your capital.

- **Revenue Over Equity (ROE) or Return On Investment (ROI).** These numbers give you insight into how much you are spending per customer or project in relation to how much you are earning per project or customer. By measuring ROE or ROI, you can see if your spending aligns with your business's growth and cultural priorities.

- **Gross Profit Margin.** Measuring this will help you assess whether your company is financially healthy. It tells you your revenue per client or project before taking expenses into account.

- **Net Profit Margin.** This is another important measure of financial health, but it takes into account your revenue after expenses.

- **Cash Flow.** The most basic of all financial KPIs, it simply measures your company's liquidity. How much cash do you have on hand to pay basic expenses like salaries, benefits, rent, accounts payable, and reimbursable expenses?

Keeping track of your financial KPIs helps you monitor how well (or not) your business is growing. By understanding where your money is coming from and where it's going, you can make more informed decisions about allocating resources and pursuing new opportunities.

Customer Metrics

Customer service can be difficult to measure but it does provide you with valuable and important information about your clients' level of satisfaction and your team's efficiency in handling issues.

KPIs related to your customers reveal where you're shining and where you can stand to improve. You'll not only learn about your customer's satisfaction, but you'll also be able to measure their value to your business, identify the costs of retaining versus recruiting customers, and what drives customer turnover.

Example metrics:

- **Customer Satisfaction (CSAT).** Probably the most basic and common metric all businesses measure. It can be as easy as asking, "How satisfied are you with your experience?" and having customers rate you on a numerical scale. Coupling that with written feedback gives in depth info that can point you in the right direction needed to increase satisfaction levels.

- **Net Promoter Score.** This metric helps you analyze your CSAT a bit further. The NPS measures the number of customers who would recommend your business against the number of customers who wouldn't. The higher your NPS, the more loyal your customers may be.

- **Number of New Tickets.** Measuring your number of new service tickets on a daily, monthly, or quarterly basis can give you insight into your overall customer communications and your growth process.

- **Time to Resolve Tickets.** Looking at the average amount of time it takes a ticket to reach satisfactory resolution can impact your bottom line and show you where there are gaps in staff workload and resources.

- **Number of Touch Points.** Being able to manage your customer's expectations is key to a high satisfaction rating. Seeing how many "touches" it takes to resolve an issue tells you a lot about your efficiency of operations and also helps you weed out any "high touch clients".

Using KPIs to measure your customer service operations helps you identify your team's strengths and weaknesses, and provides an opportunity to evaluate your processes and delivery systems and implement profitable change.

Sales Metrics

The performance of your sales team is directly related to your company's growth and earning potential. KPIs associated with sales can paint a sophisticated picture of industry trends, lead generation, and overall effectiveness of your sales team.

By keeping an eye on new opportunities, incoming revenue, and churned customers, you can make better predictions about the future of your business.

Example metrics:

- **Monthly Recurring Revenue (MRR).** Hands down, one of the most important and telling metrics you can track. This will show you how well you're selling and will help you identify trends over time when tracked on a monthly and yearly basis.

- **Sales Opportunities.** What's going on in your pipeline? It's wise to always know. Tracking your number of opportunities helps you predict your MRR and also ensures that you are spending your resources on high value prospects.

- **Quote to Close.** How many of your quotes are converted into actual sales? Knowing how many of your prospects become customers helps you manage your revenue streams and also shows the length of time it takes to close a sale, which can help you refine your business strategies.

- **Age of Opportunity.** Typically, the longer a prospect sits in your sales pipeline, the less likely it is to close. Analyzing the length of time it takes your sales team to close gives a deeper look into your sales process and lets you know at what stage prospects may need an extra nudge.

- **Response Time.** Tracking how and when your sales team follows up with a lead can help you frame your conversion successes and failures and can indicate if you need to offer more staff training or retool your sales process a little.

Sales data offers investors and customers a picture of stability. Understanding why and how your sales team is (or isn't) working is an important part of creating and sustaining a growing business model.

Marketing Metrics

Your marketing team works closely with your sales team to source qualified leads and grow your business. So, tracking metrics that help you understand how, when, and where your customers and prospects are consuming your messages allows you to more effectively allocate resources.

Marketing KPIs also help you determine your most successful marketing tactics, so you can refocus your priorities and invest resources in the areas that will most likely drive the best results.

Example metrics:

- **Market Growth Rate.** Measures the rate and extent of your industry's growth potential.

- **Market Share.** An indication of your company's piece of the industry pie. Are you a leader, a follower, or just lagging behind?

- **Brand Equity.** A measure of how easily potential customers recognize your name.

- **Cost Per Lead.** This looks at exactly how much it costs - in dollars and resources - to recruit a lead and close the deal. Understanding this number will help you allocate your resources to get the highest ROI.

- **Conversion Rate.** In basic terms, this is your ratio of your total sales versus your number of leads (aka, how efficiently you're converting prospects). Knowing this number will help you determine if a marketing channel or sales cadence is worth continuing or needs to be improved upon.

If a blog and/or social media is included in your marketing strategy (and it probably is), there are several metrics worth tracking to see how viable these channels are for you

- **Bounce Rate.** The number of viewers who visit your site but fail to go to other pages.

- **Page Views.** The number of people visiting specific pages can give you good insight into the kind of content that resonates with your prospects.

- **Audience Growth Rate.** The number of people you are reaching over time.

- **Average Engagement Rate.** Tracks how effective different messages and platforms are at reaching your audience (considers likes, comments, shares, etc).

- **Potential Reach.** This is the number of people and their followers who will potentially see your content.

If you’re not investing time in tracking your marketing metrics, you’re missing the opportunity to refine how you speak to your potential audience, in a way that will resonate with them and turn them into loyal customers.

Operations Metrics

Your operational KPIs have serious implications due to the fact that the way you run your business directly correlates with your success. Constantly analyzing and evaluating your strategic goals, daily processes, and corporate culture helps you keep a finger on the daily pulse of your business and helps you establish a baseline for long-term trends.

It's important to choose metrics that are strategic, relatable, controllable, and measurable. This way, you can make smarter and stronger business decisions that lead to positive outcomes.

Example metrics:

- **Effective Hourly Rate.** This KPI illuminates the actual cost of doing business per customer, project, or ticket. Knowing this rate can shed light on how properly you're allocating resources and how profitable this piece of business can be for you. It looks at your total cost of contract versus total hours worked on the contract.

- **Service Level Agreements (SLA).** It's critical to understand how well you and your team are performing in terms of delivering on the terms of your contracts. If you're constantly breaching your SLA, you may need to reassess your terms or your resources.

- **Time to First Response.** How long does it take your service desk to pick up a ticket? Customers like to know that their concerns are a priority and that a solution is in the works.

- **Time to Resolution.** Looks at how long it takes to resolve a ticket, which can help you understand how efficient and proficient your techs are.

- **Kill Rate.** Highly popular with service desk managers, this looks at your ratio of tickets closed versus tickets opened. Ideally, your techs are closing more tickets than are being opened and are staying ahead of the backlog.

- **Time Resolved Without Service Desk.** If you've got a knowledge base or self-help option on your website, it's a good idea to track how long it takes customers to solve their issues. Doing so will help you fine-tune your content to be as helpful as possible.

Measuring operational efficiency simply shows you how your business is running and helps you develop and implement long-term growth strategies. When choosing KPIs for this area, opt to use quantifiable data instead of a massive data dump, in order to get the most value out of your metrics.

Employee Metrics

What good are your various departments without the right employees on hand? How do you know if you've got the right team in place? Metrics that are specific to your task force will help you understand if your hiring and onboarding strategies are on point, or if you need to invest in more training.

Utilizing metrics for employee evaluations helps you see the bigger picture and helps make sure you've got the best people appointed to your organization.

Example metrics:

- **Revenue Per Employee**. How much revenue are your key players bringing in? Are their contributions too small in comparison to their salaries? This metric helps you gauge how efficient your employees are. But remember, it's important to consider all factors that tie into revenue, such as each person's position within the company**.**

- **Employee Churn Rate.** Is your turnover rate high in comparison to others in your industry? Looking at this data can help you make better hiring decisions and highlight areas where you can improve your company's culture.

- **Employee Satisfaction.**How happy are your employees? Are there problem areas you need to dig into? This is a good way to see how compensation, benefits, company culture, and more affect your team members' outlook.

- **Employee Engagement.** How much effort are your employees willing to put towards their job and responsibilities? Could offering more training or workshops make a difference? Regular surveys and evaluations can help you understand this.

Your corporate culture and its influence on your team members actually has an enormous impact on every aspect of your business. From customer satisfaction to increased productivity, your employees are the key to meeting and exceeding all your goals.

Let Your Data Do The Talking

Managing a business without evaluating your data is like flying blindly. You'll be lucky to get anywhere.

However, be cautious of analysis paralysis. You can't manage what you don't measure, but it's important to measure the right functions and analyze the best data.

If you identify KPIs that align with your corporate cultures and values, reflect your long-term growth initiatives, and speak to your priorities, you'll be collecting data that leads to better business decisions.

Once you have the data, constantly analyze, evaluate, implement, and improve. Focus on the areas that are most important to you and your bottom line, and keep in mind that your business is a constant work in progress.

And remember, BrightGauge is here to take the struggle out of data management.

How BrightGauge can help

BrightGauge, a Continuum company, was started in 2011 to fill a missing need in the small-to-medium IT Services industry: a better way to manage data and provide the value of work to clients. BrightGauge Software allows you to display all of your important business metrics in one place through the use of gauges, dashboards, and client reports. Used by more than 1,800 companies worldwide, BrightGauge integrates with popular business solutions on the market, like ConnectWise, Continuum, Webroot, QuickBooks, Datto, IT Glue, Zendesk, Harvest, Smileback, and so many more. Learn more at www.BrightGauge.com and join the conversation @BrightGauge.

More resources

We hope you found this to be a valuable and informative read. Check out other content like this:

- 70+ Metrics for MSPs
- Customer Satisfaction Surveys That Work
- The End-All Guide to Client Reporting
- Webinar: Setting Goals for Your Team

We've got a bunch more resources to help industry leaders like you make important business decisions. Read our blog posts here, or listen to our podcasts, watch our webinars, and download more whitepapers by visiting the Resources section of our site.

This document has been modified from its original version.