

## Key Performance Indicators

Key Performance Indicators, or KPIs as they are otherwise known, are defined measures used by businesses to evaluate their performance and progress towards predefined goals.

They enable you to view elements of your business that are performing effectively and also highlight areas of the business that are underperforming. KPIs can provide you with:

- Instant notifications of changes to trend
- Valuable information to enable you to react to events that could significantly impact the business (when a proper monitoring system is in place)
- Valuable performance information on productivity levels against target, enabling management to make informed decisions
- Ability to bench mark your performance against industry averages

KPIs vary between different businesses and industries. It is important that you identify areas of performance that are key to your business succeeding. You should avoid measuring everything in your business as this can be time consuming and ineffective. Instead you should only measure areas that you control.

### What does KPI stand for?

#### **K is for KEY**

What is key varies significantly from business to business. For example, this could be the hourly rate charged against the operational hourly cost. This obviously would be key to the success or failure of a company.

#### **P is for PERFORMANCE**

This can be evidently measured and quantified. For example, sales performance would be a significant performance criterion with a measurable target.

#### **I is for INDICATOR**

This is largely related to future performance. For example, a company can hold a large amount of data relating to historical sales trends. An indicator would be used to evaluate a variance on future performance.

### Industry Specific KPIs

Let's look at some examples of industry specific KPIs:

#### **Services Industry KPIs**

- Turnover per €1 staff cost
- Percentage of employee chargeable time
- Retention rate

- New versus repeated business

**Retail Industry KPIs**

- Customer retention
- Average value of each sale
- Customers per day
- Top selling items
- Obsolete stock

**Construction Industry KPIs**

- Construction time & cost
- Defects and cost of rework
- Client satisfaction
- Profitability per unit

Should you wish to discuss any of the topics highlighted in this article please do not hesitate to contact DBASS on 01- 849 88 00 were a member of our Business Advisory team will be delighted to assist you.