

CRUCIAL KPIs FOR YOUR **GROWING** COMPANY

7 PRINCIPLES
&
35 METRICS
EVERY SMB
NEEDS

The Need for Speed

The key to accelerating the growth of your business is to make good decisions quickly. And the faster you make good decisions, the faster your business will grow. Having good data feeds good decisions, but data isn't meaningful unless you can compare it to key performance metrics or indicators of success. Although each situation is unique, there is a shared set of Key Performance Indicators (KPIs) that can help you increase the likelihood of reaching your goals.

This eBook defines core principles—along with 35 KPIs—for accelerating the growth of your business. Tracking and reporting key metrics in a visual way allows you and your team to make better decisions fast. By selecting a subset of these KPIs that are most relevant to your business, you can reinforce the things that are going well and get back on track in areas that are misaligned. This is the essence of effective leadership: knowing where you want to go and what needs to happen to get there.

1) Principle Number One:

Clarify Your Business Objectives and Business Strategy

Clarifying your business objectives and business strategy are the first two steps in defining meaningful KPIs. Business objectives state what you want to accomplish and by when. They must be time bound to set the gear ratios for every other metric and how they mesh together.

As A.G. Lafley, Chairman of the Board, President, and Chief Executive Officer of Procter & Gamble, and Roger Martin, former Dean of the Rotman School of Management at the University of Toronto, explain in their book "Playing to Win", a business strategy can be distilled down to five seemingly simple questions. As Lafley and Martin explain, making choices is at the heart of making strategy. You have to be willing to make choices if you want to win.

Here are Lafley and Martin's five questions as published in a Business Insider article by Max Nisen:

1. What is winning?

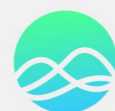
If you aren't trying to win, if you're just trying to participate, you are wasting the time of your people and the money of your investors. A company has to define its purpose strategically, decide what specific victories would lead to its ideal future.

2. Where am I going to play to win?

You can't win the whole world or please everybody. Trying to be all things to all people is a recipe for failure. You have to strategically narrow the field to the geographies, demographics, and channels where your company is most competitive, and can get the best possible results.

3. How am I going to win where I play?

This choice is intimately connected with the former. It's deciding



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how to create unique value, and how the company can deliver it over a long period to create a superior return.

4. What are my core competencies that are going to enable me to win?

In order to make the above decisions work, they have to be based on and supported by the things that a company's best at. For P&G, it was innovating quickly and understanding consumers.

5. What management systems and measures are going to help me execute?

Strategies have to be measured and executed by people.

Companies have to decide who they need, how to enable them, and how they can tell whether the strategy's succeeding. ⁱ

2) Principle Number Two:

Eliminate Vanity Metrics

David Lee Roth was the lead singer for Van Halen, the rock and roll band, in the 1970s. Van Halen was one of the first groups to tour smaller cities in outlying areas in the U.S. The basketball arenas and other venues in these locations weren't designed to support the band's heavy staging equipment. David Lee Roth stipulated in the group's contract rider that there should be a bowl of M&Ms backstage with one key exception: all of the brown M&Ms had to be removed.

Roth would sometimes throw a fit—going so far as to trash the room—if he found any brown M&Ms snuck through. The media interpreted these tirades as an act of vanity. In reality, these antics simply created an intimidating persona, putting venues on notice that Van Halen expected them to read and honor their contract rider. The M&M metric gauged whether facilities managers had read the contract and taken its quality structural specifications seriously.

As Eric Ries, the founder of The Lean Startup movement and book, stated in an Author@Google talk, if you're not scientific about learning and validating what really drives your business, it's easy to fall prey to vanity metrics that may sound threatening to competitors in a press release, but really have little to no effect on the growth of your business. "The metrics have got to tell you about the quality of your business."

3) Principle Number Three:

Use Both Leading Indicators and Lagging Indicators

One of the tendencies in defining Key Performance Indicators is to focus exclusively on desired results. While this is an important aspect of the goal setting process, it's only half of the equation. In addition to clarifying outcomes (also known as "lagging indicators"), it's critical to identify inputs or "leading indicators" as well. You need to measure and track



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both kinds of indicators if you want to improve your odds of success.

Leading indicators are *upstream* business inputs that directly affect downstream business outcomes. For example, if a software company wants to close 50 sales in the month of October (the outcome), its leaders need to figure out how many software demos and sales conversations (the inputs) it takes to close a deal, so they can translate those upstream numbers into incentives for their salespeople.

Extending this example further, the marketing team needs to figure out how many qualified leads they need to deliver to the sales team to generate the necessary number of demo appointments and conversations with decision makers to hit the sales target. In turn, the number of leads informs the investment needed for customer acquisition campaigns and content marketing programs. Once you've identified the leading Key Performance Indicators, you can design learning experiments to optimize the activities that have the most impact on them.

There's nothing worse than waiting to review results until after they're already in the rear view mirror and it's too late to do anything about them. By identifying the most impactful leading indicators or inputs early, and holding teams accountable for delivering results all along the way, you can significantly increase the probability of achieving your desired business outcomes.

4) Principle Number Four:

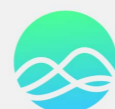
Create Interlocking KPIs

Well-designed interlocking KPIs can be a catalyst that forges healthy interdependencies across departments in your company and creates alignment behind your business strategy. For instance, instead of running away from criticisms of its labor and manufacturing practices in developing countries, Nike has embraced the need to become a more sustainable business across its entire value chain as strategic advantage. This strategic imperative has generated a whole new suite of Corporate Responsibility (CR) KPIs for Nike, like its Product Sustainability Indexes, which rate "the sustainability of footwear and apparel designs" and hold the company and its teams accountable to industry-leading standards.

The Nike Footwear Sustainability Index (FSI) rates footwear designs as follows:

- 40% NIKE Materials Sustainability Index Score
- 30% Manufacturing Waste Score
- 20% Manufacturing Solvent Use Score
- 10% Manufacturing Energy Use Score

The Nike Apparel Sustainability Index (ASI) rates apparel designs as follows:



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NIKE FSI

Footwear Sustainability Index

The NIKE FSI rates footwear designs as follows:

40%

NIKE Materials Sustainability Index Score

30%

Manufacturing Waste Score

20%

Manufacturing Solvent Use Score

10%

Manufacturing Energy Use Score



NIKE ASI

Apparel Sustainability Index

The NIKE ASI rates apparel designs as follows:

60%

NIKE Materials Sustainability Index Score

40%

Manufacturing Waste Use Score

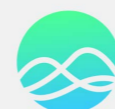
- 60% NIKE Materials Sustainability Index Score
- 40% NIKE Manufacturing Waste Score

Delivering on these KPIs requires that a variety of Nike teams become more innovative, interwoven and collaborative so that they consistently create, produce and retire products that have sustainable lifecycles. It's also driven NIKE to form unorthodox partnerships with NASA, the US Agency for International Development and the US Department of State. ⁱⁱ

5) Principle Number Five:

Visually Display Your KPIs for All Employees

In recent years, the value of visually displaying Key Performance Indicators in Business Intelligence dashboards has become self-evident. However, it's a mistake to limit access to your dashboards to executives only. Visual dashboards not only give leaders confidence in their ability to affect business outcomes, but also show teams the score, so they know what they need to do to win.



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The impact of performance-based metrics is multiplied significantly when companies display their KPIs for all employees to see. Granted, some company goals and KPIs are too proprietary or sensitive to share openly and you should choose [modern business intelligence \(BI\) software](#) that allows you to control permissions so that each team of employees can view the metrics that are appropriate for their role. With that being said, however, there's no reason why dashboards shouldn't continually be on display on at least a departmental level.

6) Principle Number Six:

Refresh Your KPI Data in Real Time

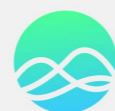
Until recently, Excel spreadsheets were the only viable option for creating and maintaining rudimentary business intelligence dashboards for small and medium businesses. While being a convenient and relatively inexpensive tool, Excel lacks the ability to automate the collection and display of data from multiple sources in real time. This may be adequate for certain businesses with KPIs that don't change more than once a month or even less frequently, but for the majority of businesses, a monthly refresh rate is not nearly frequent

enough to respond to today's dynamic business environment. You need to be able to make adjustments and make opportunistic moves on the fly. Painting an accurate and actionable picture of how your business is performing at any moment in time requires that your BI system have the ability to collect and refresh the data behind your Key Performance Indicators in real time.

7) Principle Number Seven:

Combine Internal Data with Data From Third-Party Sources

Another specification to look for in selecting a qualified Business Intelligence dashboard solution is its ability to collect and combine your internal data from Excel spreadsheets with data from third-party applications like QuickBooks, Salesforce, Dropbox, and Twitter. It should be simple to set up without needing a lot of help from your over-committed IT department, and it should integrate all of your data into one visual dashboard. Ideally, it should come with a library of pre-built KPI templates so you can simply drag and drop the data you want into your dashboard. It should be simple to see analytics for a range of factors from interpreting social media data to financial metrics.



35 KPIs for Entrepreneurs

Having reviewed these seven principles, you'll appreciate the importance of the following 35 Key Performance Indicators for entrepreneurs. All 35 metrics may not be relevant to your business (an inventory metric won't be relevant to services company), but you'll want to review all of these KPIs to determine the ones that can help you and your teams achieve your desired business outcomes. Please note that the Key Performance Indicators are grouped alphabetically by function, not by order of importance or priority.



Customer Engagement KPIs

1) Customer Acquisition Costs

The cost of customer acquisition (CAC) means the price you pay to acquire a new customer. In its simplest form, it can be worked out by:

Dividing the total costs associated with acquisition by total new customers, within a specific time period. ⁱⁱⁱ

2) Customer Attrition or Churn

How frequently do customers terminate the relationship by opting out, terminating payments or choosing a competitor.

Loss of customers per year as a percentage of total customers.

Calculation = Number of lost customers / Total customers * 100

Take all the customers you lose during a time frame, such as a month, and divide it by the total number of customers you had at the beginning of the month. You do not include any new sales from that month. ^{iv}

Example

Company ADG had 500 customers at the beginning of the month and only 450 customers at the end of the month. Their customer churn rate would be:

$$(500-450)/500 = 50/500 = 10\%$$

If your organization prefers, you can use that same method for a different time frame such as quarterly or annually. ^v

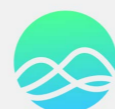
3) Customer Conversion Rate

The percentage of visitors who take a desired action. ^{vi}

4) Daily Average Use / Monthly Average Use

Daily Average Use (DAU) and Monthly Average Use (MAU) are metrics that indicate how frequently your customers use your app, product or service and how loyal they are to it in comparison to competitors' offerings in the same category (assuming they exist). You calculate DAU and MAU by dividing product usage by total number of customers by day or month. It's important to consider the nature and nurture characteristics of each application when evaluating whether they have good frequency and loyalty numbers.

As WIRED Magazine points out, "One way to think about this is that products have a nature/nurture element to their metrics. Some product categories, like chat or email, are naturally high-frequency. You use them a lot. Other products, like tax software, might give you value but you only use it once per year. A lot of ecommerce products are in-between, where you might buy gadgets every couple months but not every day. Just because people only use your product once a year doesn't mean you don't have product/market fit, as long as you're building a tax product and not chat." ^{vii}



Customer Engagement KPIs

5) Life Time Value of the Customer Relationship

Lifetime Value (LTV) of the Customer Relationship is a formula that helps a marketing manager arrive at the dollar value associated with the long-term relationship with any given customer, revealing just how much a customer relationship is worth over a period of time. ^{viii}

6) Net Promoter Score

The Net Promoter Score (NPS) is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.

NPS programs ask just one quantitative question: "How likely are you to recommend this business to a friend or colleague?"

Customers are surveyed on one single question. They are asked to rate on an 11-point scale the likelihood of recommending the company or brand to a friend or colleague.

"On a scale of 0 to 10, how likely are you to recommend this company's product or service to a friend or a colleague?"



Detractors

'Detractors' gave a score lower or equal to 6. The product or the service does not particularly thrill them. They, with all likelihood, won't purchase again from the company and could potentially damage the company's reputation through negative word of mouth.



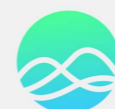
Passives

'Passives' gave a score of 7 or 8. They are somewhat satisfied but could easily switch to a competitor's offering if given the opportunity. They probably wouldn't spread any negative word-of-mouth, but are not enthusiastic enough about your products or services to actually promote them.



Promoters

'Promoters' answered 9 or 10. They love the company's products and services. They are the repeat buyers and the enthusiastic evangelists who recommends the company products and services to other potential buyers.



Customer Engagement KPIs

Based on their rating, customers are then classified in 3 categories: detractors, passives and promoters.

The NPS is determined by subtracting the percentage of customers who are detractors from the percentage who are promoters. What is generated is a score between -100 and 100. At one end of the spectrum, if when surveyed, all of the customers gave a score lower or equal to 6, this would lead to a NPS of -100. On the other end of the spectrum, if all of the customers were answering the question with a 9 or 10, then the total NPS would be 100. ^{ix}

7) Referral Rate

Your referral rate is the best test for your top-line growth and customer loyalty. Companies spend lots of time and money on complex tools to assess customer satisfaction. But they're measuring the wrong thing. The best predictor of top-line growth can usually be captured in a single survey question: Would you recommend this company to a friend? This finding is based on two years of research in which a variety of survey questions were tested by linking the responses with actual customer behavior (purchasing patterns and referrals) and ultimately with company growth. Surprisingly, the most effective question wasn't about customer satisfaction or even loyalty per se. In most of the industries studied, the percentage of customers enthusiastic enough about a company to refer it to a friend or colleague directly correlated with growth rates among competitors. ^x

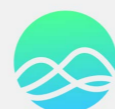
8) Social Engagement

It's more important to measure how many of your followers are engaging with your social media posts and content than how many followers or likes you have. You can do this by measuring your daily and monthly engagement rates, using the following types of behaviors:

- [RSS feed subscriptions](#)
- [Bookmarks, tags, ratings](#)
- [Viewing of high-value or medium-value content \(as valued from the organization's point-of-view\). 'Depth' of visit can be combined with this variable](#)
- [Inquiries](#)
- [Providing personal information](#)
- [Downloads](#)
- [Content resyndication](#)
- [Customer reviews](#)
- [Comments: the quality of comments is another indicator of the degree of engagement](#)
- [Ratio between posts and comments plus trackbacks ^{xi}](#)

9) Top 10% of Customers to % Total Revenue

How much of your revenue do the top 10 percent of your customers contribute to your business? In other words, do a few accounts make up the majority of your revenue?



Customer Engagement KPIs

10) Website Referral Sources (how are potential clients finding you)

With Web traffic, a “referral” is like a recommendation from one website to another. Google Analytics helps you view these referrals, which then add to your understanding of how customers find your website and what they do once they get there. Referral traffic can be a strong indicator of which external sources are most valuable in helping your business achieve its goals, proving once and for all, for example, whether your Facebook page really does add value. ^{xii}

11) Website Visitors

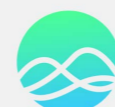
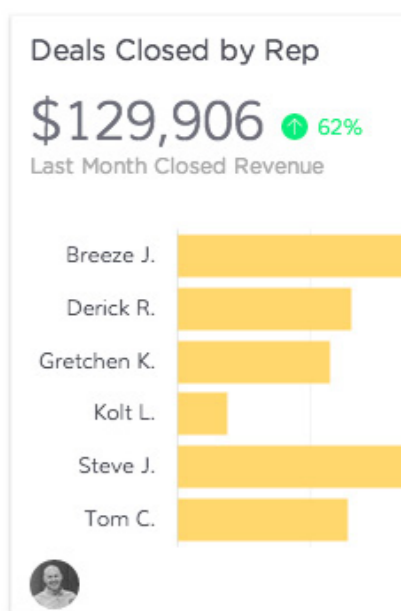
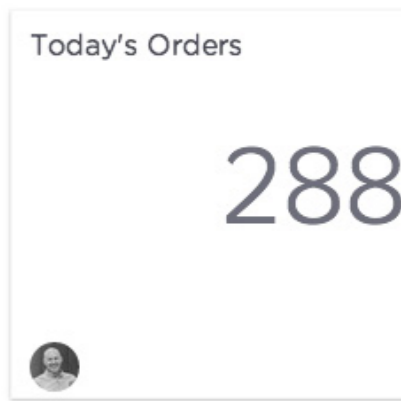
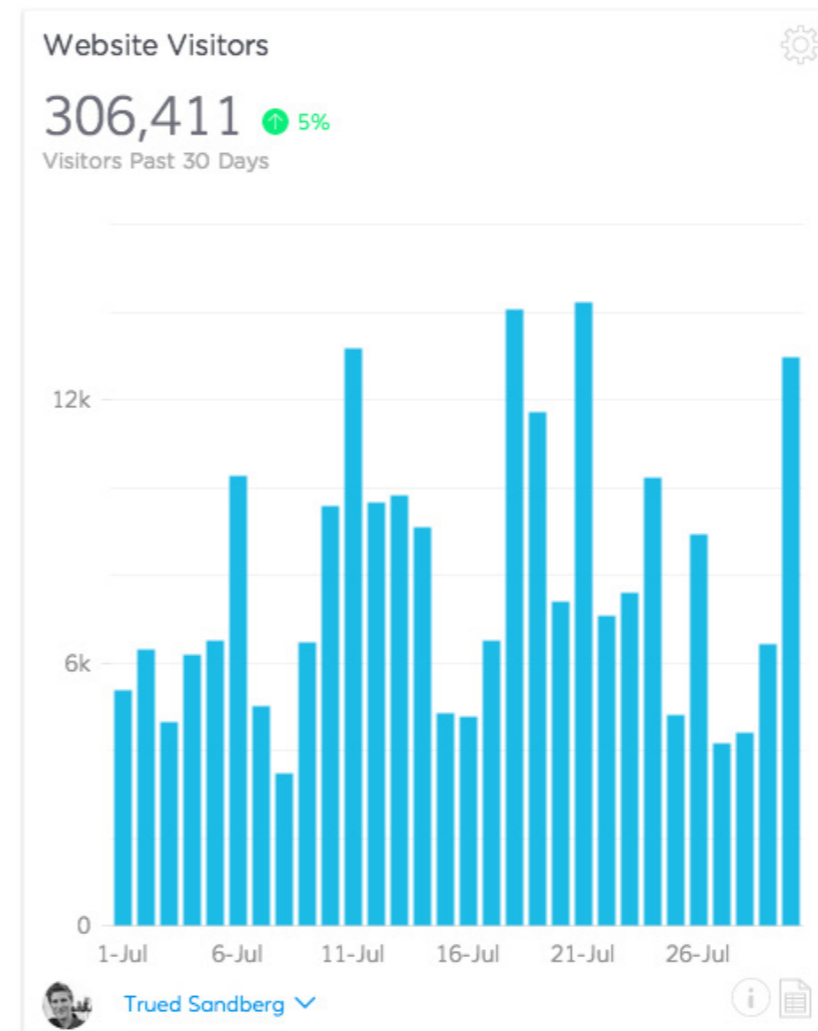
Unique website **visitors** refers to the number of distinct individuals requesting pages from the **website** during a given period, regardless of how often they visit. (“Visits” refers to the number of times a site is visited, no matter how many unique **visitors** make up those sessions.)

The purpose of tracking unique visitors is to help marketers understand website user behavior. Because a visitor can make multiple visits in a specified period, the number of visits will be greater than the number of visitors. A visitor is sometimes referred to as a unique visitor or a **unique user** to clearly convey the idea that each visitor is only counted once. ^{xiii}



Executive	Sales	Marketing	Financial	Overview	Team	+	
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Executive Created : 09/09/2014



Financial Performance KPIs

12) Cash Balance

The ideal amount of cash that a company wishes to hold in reserve at any given point in time is a company's Cash Balance. This figure hopes to strike a balance between the investment opportunity costs of holding too much cash and the balance sheet costs of holding too little. Companies with excess cash on hand may be missing out on investment opportunities, while companies that are cash poor can often be forced to make otherwise undesirable transactions to free up more operating capital. ^{xiv}

13) EBITDA

A company's earnings before interest, taxes, depreciation, and amortization (EBITDA) is an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability, i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow. ^{xv}

14) Expenses to Budget

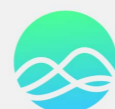
Whether you're launching your first business or have years of experience as an entrepreneur, the importance of having a budget cannot be overstated. Creating a budget for your business will provide a guideline for expected income and expenses and enable you to compare your anticipated

financial goals with the actual numbers. In essence, it will serve as a barometer for how your business is performing. It will also enable you to plan ahead and determine any changes that should be considered. To create a budget, you'll need to set up a page or spreadsheet as demonstrated below:

This Month			Year to Date		
Budget	Actual	Variance	Budget	Actual	Variance
\$3200	\$1900	(\$1,300)	\$31,000	\$46,000	\$15,500

Input unchanging expenses such as rent, loan payments, or pre-paid costs for "Fixed Expenses" and changing expenses such as utilities, supplies, etc. for "Variable Expenses." Determine budgeted expenses by averaging past expenses in each category. Insert the figures under the "Budgeted" subheading for expenses. If you are in the midst of starting your business and don't have previous averages to work with, consider researching the costs associated with your line of business and creating averages based on your research.

Next, insert your forecasted income from earnings and any other expected revenue sources under the "Budgeted" subheading for "Income." At the end of the month, insert your actual income and expenses in the "Actual" columns.



Financial Performance KPIs

Finally, calculate the difference between the budgeted figures and the actual numbers. Place the figures in the “Difference” column and determine if your budget was in line with your actual numbers. If not, it is important to identify why the actual numbers varied from the budgeted figures, regardless of whether you incurred more expenses or income than anticipated.

By determining the reason for the difference, you can either identify a potential problem and fix it or capitalize on a potential opportunity you had not initially recognized. After determining the reasons for any differences, revise the next month’s budget with your new-found information in mind. Remember, it’s important to remain agile and make changes to your budget as needed. ^{xvi}

15) Gross Profit Margin (Net Revenue)

Gross Profit Margin is a financial metric used to assess a firm’s financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings.

$$\text{Gross Profit Margin} = (\text{Revenue} - \text{COGS}) / (\text{Revenue})$$

Where: COGS = Cost of Goods Sold

Also known as “Gross Margin” ^{xvii}

16) Net Income to Budget

A company’s total earnings (or profit) is a company’s the Net Income to Budget. Net income is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on a company’s income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Net Income is often referred to as “the bottom line” since it is listed at the bottom of the income statement. In the U.K., net income is known as “profit attributable to shareholders.” ^{xviii}

17) Operating Profit Margin

A measurement of what proportion of a company’s revenue is left over after paying for variable costs of production such as wages, raw materials, etc. A healthy **operating margin** is required for a company to be able to pay for its fixed costs, such as interest on debt. ^{xix}

18) Return on Assets (ROA)

This ratio indicates how profitable a company is relative to its total assets. The [return on assets](#) (ROA) ratio illustrates how well management is employing the company’s total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base. The ROA ratio is calculated by comparing net income to average total assets, and is expressed as a percentage.



Financial Performance KPIs

Formula:

$$\text{Return on Assets} = (\text{Net Income}) / (\text{Average Total Assets})$$

Components:

$$\text{Return on Assets} = (\$732.50 / (\$5,695.50 + \$5,721.90) / 2) = 12.8\%$$

As of December 31, 2005, with amounts expressed in millions, Zimmer Holdings had net income of \$732.50 (income statement), and average total assets of \$5,708.70 (balance sheet). By dividing, the equation gives us an ROA of 12.8% for FY 2005.

Variations:

Some investment analysts use the operating-income figure instead of the net-income figure when calculating the ROA ratio. ^{xx}

19) Return on Capital Employed

Return on Capital Employed (ROCE) is a financial ratio that measures a company's ability to earn a return on all of the capital it employs.

ROCE is calculated as:

Earnings Before Interest and Tax (EBIT) / Capital Employed

EBIT is a company's revenue minus its cost of goods sold and operating expenses. Capital employed is total assets minus current liabilities.

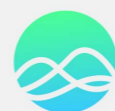
Typically, the higher the ROCE, the better, because a higher number means the company is using capital more efficiently, which helps create value for stockholders. Examining the ROCE of different companies is one way investors can compare companies and decide what to invest in. Examining the same company's ROCE from year to year is also useful for spotting performance trends; ideally, ROCE will be stable or growing. ^{xxi}

20) Revenue Growth Rate

Revenue growth gives a good picture of the rate at which companies have been able to expand their businesses. This figure represents the percentage growth in a company's revenue over either the trailing 12 months or the trailing year-to-date. ^{xxii}

21) Revenue Forecasts

Many entrepreneurs complain that building forecasts with any degree of accuracy takes a lot of time—time that could be spent selling rather than planning. But few investors will put money in your business if you're unable to provide a set of thoughtful forecasts. More important, proper financial forecasts will help you develop operational and staffing plans that will help make your business a success.



Financial Performance KPIs

Here's some detail on how to go about building financial forecasts when you're just getting your business off the ground and don't have the luxury of experience.

- a. **Start with expenses, not revenues.** When you're in the startup stage, it's much easier to forecast expenses than revenues. So start with estimates for the most common categories of expenses as follows:

Fixed Costs / Overhead

1. Rent
2. Utility bills
3. Phone bills/communication costs
4. Accounting/bookkeeping
5. Legal/insurance/licensing fees
6. Postage
7. Technology
8. Advertising & marketing
9. Salaries

Variable Costs

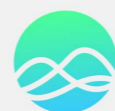
1. Cost of Goods Sold
2. Materials and supplies
3. Packaging

4. Direct Labor Costs
5. Customer service
6. Direct sales
7. Direct marketing
8. Here are some rules of thumb you should follow when forecasting expenses:

- Double your estimates for advertising and marketing costs since they always escalate beyond expectations.
- Triple your estimates for legal, insurance and licensing fees since they're very hard to predict without experience and almost always exceed expectations.
- Keep track of direct sales and customer service time as a direct labor expense even if you're doing these activities yourself during the startup stage because you'll want to forecast this expense when you have more clients.

- b. **Forecast revenues using both a conservative case and an aggressive case.** If you're like most entrepreneurs, you'll constantly fluctuate between conservative reality and an aggressive dream state, which keeps you motivated and helps you inspire others.

Rather than ignoring the audacious optimism and creating forecasts



Financial Performance KPIs

based purely on conservative thinking, ... build two sets of revenue projections (one aggressive, one conservative).

For example, your conservative revenue projections might have the following assumptions:

1. low price point
2. two marketing channels
3. no sales staff
4. one new product or service introduced each year for the first three years

Your aggressive case might have the following assumptions:

1. low price point for base product, higher price for premium product
2. three to four marketing channels managed by you and a marketing manager (Read my column on [paying employees](#) during the startup stage to learn how you can afford a marketing manager.)
3. two salespeople paid on commission
4. one new product or service introduced in the first year, five more products or services introduced for each segment of the market in years two and three

- c. **Check the key ratios to make sure your projections are sound.** After making aggressive revenue forecasts, it's easy to forget about expenses. Many entrepreneurs will optimistically focus on reaching revenue goals

and assume the expenses can be adjusted to accommodate reality if revenue doesn't materialize. The power of positive thinking might help you grow sales, but it's not enough to pay your bills!

The best way to reconcile revenue and expense projections is by a series of reality checks for key ratios. Here are a few ratios that should help guide your thinking:

Gross Margin. What's the ratio of total direct costs to total revenue during a given quarter or given year? This is one of the areas in which aggressive assumptions typically become too unrealistic. Beware of assumptions that make your gross margin increase from 10 to 50 percent. If customer service and direct sales expenses are high now, they'll likely be high in the future.

Operating Profit Margin. What's the ratio of total operating costs—direct costs and overhead, excluding financing costs—to total revenue during a given quarter or given year? You should expect positive movement with this ratio. As revenues grow, overhead costs should represent a small proportion of total costs and your operating profit margin should improve. The mistake that many entrepreneurs make is they forecast this break-even point too early and assume they won't need much financing to reach this point.



Financial Performance KPIs

Total Headcount Per Client. If you're a one-woman-army entrepreneur who plans to grow the business on your own, pay special attention to this ratio. Divide the number of employees at your company—just one if you're a jack-of-all-trades—by the total number of clients you have. Ask yourself if you'll want to be managing that many accounts in five years when the business has grown. If not, you'll need to revisit your assumptions about revenue or payroll expenses or both. ^{xxiii}

22) Capacity Utilization Rate

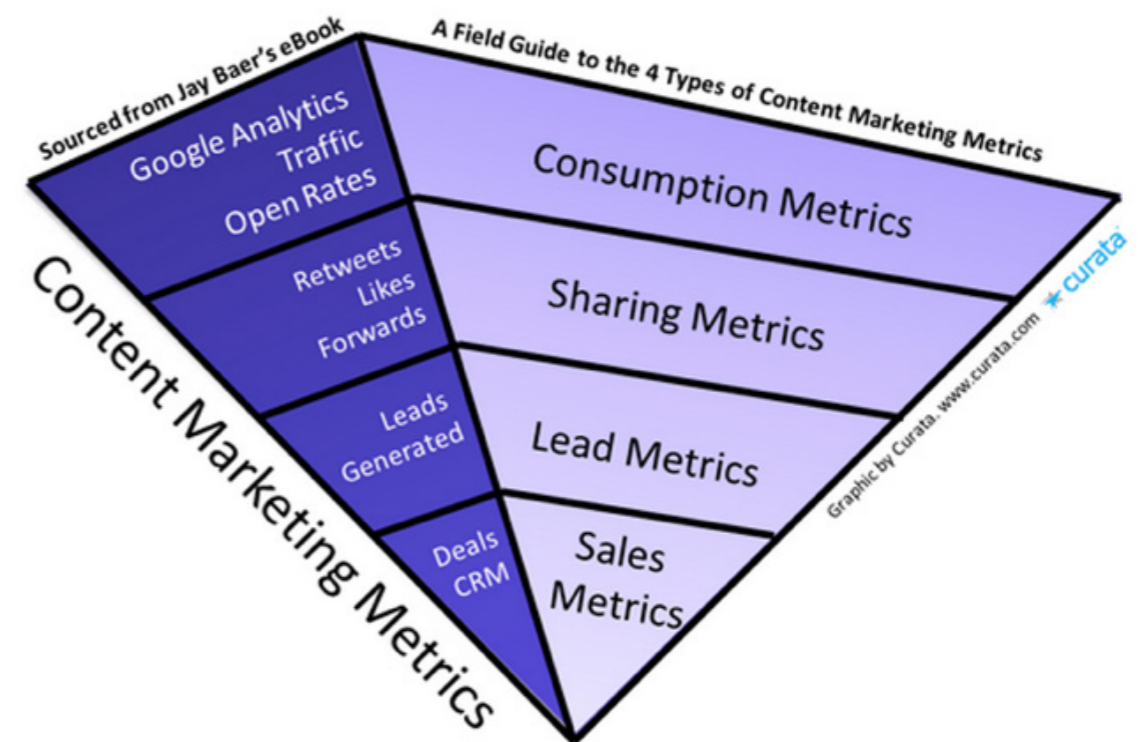
Capacity Utilization Rate (CUR) is a metric used to measure the rate at which potential output levels are being met or used. Displayed as a percentage, capacity utilization levels give insight into the overall slack that is in the economy or a firm at a given point in time. If a company is running at a 70% CUR, it has room to increase production up to a 100% utilization rate without incurring the expensive costs of building a new plant or facility. Also known as "Operating Rate". ^{xxiv}

$$= ((\text{Actual Output} - \text{Potential Output}) / (\text{Potential Output})) \times 100$$

Internal Results KPIs

23) Content Marketing Consumption

Measuring the effectiveness of content marketing is difficult. Curata built a four-part framework based on an approach that Jay Baer proposed in his [eBook](#) on this topic, and placed it into an inverted pyramid model as shown below:



If you take a look at the various types of content marketing metrics, you can answer many of your most pressing content marketing strategy questions:



Internal Results KPIs

Consumption Metrics:

- How many people are consuming your content?
- Which channels are they using?
- How frequently and how in-depth is their consumption?

Sharing Metrics:

- Which of your content pieces are being shared?
- Who is sharing them?
- How/where they are sharing?

Lead Metrics:

- How is content supporting demand generation in terms of lead generation and lead nurturing? (middle-of-the-funnel)

Sales Metrics:

- How is your content influencing bottom-of-the-funnel results?
- How is your content filling the pipeline?
- How is your content driving revenue?

In addition to Jay's four categories, we have identified **four additional types of metrics** (two customer-focused and two production-focused) that provide more detail and clarity about the ROI of content marketing:

Retention (Subscription) Metrics:

- How effective are you at holding your audience's attention beyond the initial point of contact?

Engagement Metrics:

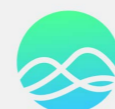
- How does the intersection of your consumption and sharing metrics translate into "engagement?"
- Does your content inspire users to take some kind of action?
- What kind of action are they taking?
- How frequently and consistently are they taking action?

Production Metrics (to assess team and/or individual performance):

- How is your team performing against editorial calendar deadlines and goals?
- How long does it take your team to turn a content idea into a published piece of content?
- How many pieces of content do you regularly publish in a given period of time?

Cost Metrics: (to determine return on investment - ROI)

- What are your overall content marketing costs?
- What are your costs per piece? Per creative resource?



Internal Results KPIs

Each of the above metrics can be measured across several content channels, such as websites, blogs or social media. The following framework maps the content marketing metrics (in the order they appear in the marketing and sales funnel) against content channels. Using this framework, you can get a better idea of how to measure content across all channels. ^{xxv}

24) Content Marketing Sharing

The number of people who shared one of your pieces content: an article, a blog post, a video. (See the Curata framework above.)

25) Employee Engagement Score (how likely are they to recommend internal jobs to friends and network)

Very few companies can achieve or sustain high customer loyalty without a cadre of loyal, engaged employees. Engaged employees are enthusiastic about their work and their company. Their enthusiasm is contagious. It rubs off on other employees, and on customers. Employee promoters power strong business performance because they provide better experiences for customers, approach the job with energy, which enhances productivity, and come up with creative and innovative ideas for product, process and service improvements.

Engaged employees:

- Are enthusiastic about their work
- Provide better customer experiences

- Influence other employees
- Provide feedback and ideas

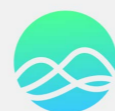
Leaders, therefore, have good reason to want to earn the enthusiastic loyalty of their employees. This means understanding employee engagement levels and how to improve them. The traditional once-a-year employee survey process, however, simply doesn't meet the needs of most companies.

As a result, NPS® practitioners have developed an approach to employee engagement based on the Net Promoter SystemSM itself. They systematically search out those forms of employee engagement that have the biggest potential impact on customer loyalty. They identify and strive to improve workplace characteristics that support high customer loyalty.

To reinforce the cultural support provided by the Net Promoter SystemSM, they align their approach to collecting and acting on employee feedback with their approach to collecting and acting on customer feedback. They explicitly tie together their customer system and their employee Net Promoter SystemSM. ^{xxvi}

26) Employee Net Promoter Score

The Employee Net Promoter Score (eNPS) approach, as employee NPS practitioners call it, differs somewhat from customer NPS. It is intended to determine how engaged employees are. Engaged employees are enthusiastic about their work, provide better customer experiences, influence other employees, and provide feedback and ideas.



Most adopters of employee Net Promoter scores, such as Rackspace and Apple, have settled on one central question to determine employee engagement:

“On a scale of zero to ten, how likely is it you would recommend this company as a place to work?” However, eNPS is an emerging science. In some cases, Bain & Company has found that a second question can yield an even more accurate gauge of the health of the employee relationship. The second question is typically a variant of this: “How likely would you be to recommend this company’s products or services to a friend or colleague?” (In some settings, this question may need to be modified to include only appropriate friends or colleagues—those who might be qualified to buy such a product or service.)

Because eNPS is meant to be part an ongoing operating system that can support coaching, action and continuous improvement, companies often adjust the frequency of the surveys to ensure a steadier stream of input than is provided by traditional annual employee surveys. Some companies survey all their employees every few months. Others survey employees on a staggered or rotating basis to get a continuous stream of new input without putting a heavy survey burden on individual employees. For example, they may send a survey to each employee ninety days after hiring, and again on every anniversary of the hiring date.

An employee Net Promoter System makes the people side of the business far more transparent. They support learning and experimentation. Companies can discover which departments represent liabilities and which offer potential best practices. They can see which team leaders are doing the best job and which ones need more coaching. Ultimately, companies can also understand which elements of employee sentiment and engagement most affect customer loyalty advocacy so they can identify ways to improve both.

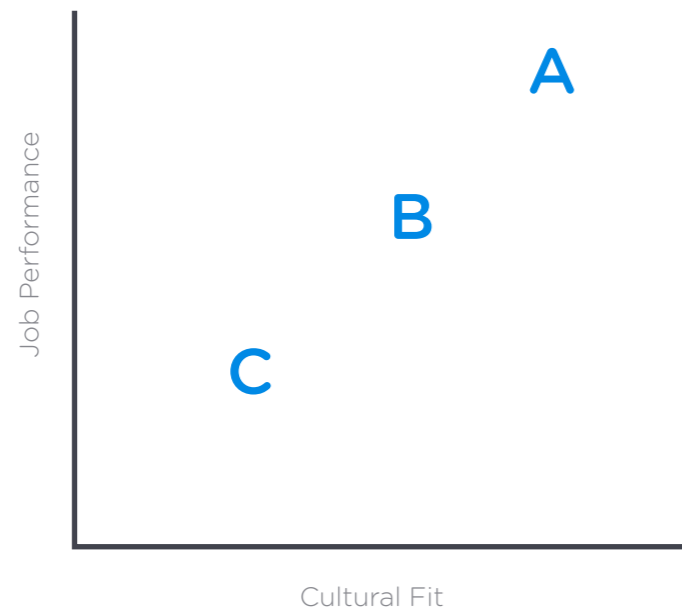
A note of caution: eNPS scores can be substantially lower than customer scores. Employees often hold their company to even higher standards than do customers. So before you initiate the employee survey process, be ready to process some tough feedback and respond with appropriate action. ^{xxvii}

27) Employee Performance Scorecard (Objectively

measure the performance of A, B, C players)

A simple, straightforward way to rank employee performance is to create an A, B, C scorecard that evaluates employees based on two key measures: performance and cultural fit. Suggested definitions for A-, B- and C-level performance are outlined below:





A Player: One who qualifies among the top 10 percent of talent available for a position. An A Player, then, is best of class.

A Player Potential: Someone who is predicted to achieve A Player status, usually within 6-12 months.

B Player: The next 25%, below the A Player top 10%, of available talent given the same criteria above. These employees are “okay” or “adequate,” but marginal performers who lack the potential to be high performers and are not as good as others available for the same pay. B Players are unable, despite training and coaching, to rise to A Player status.

C Player: The next 35%, below the A Player 10% and B Player 25%, of talent available for a job. C Players are your chronic underperformers. ^{xxviii}

28) Inventory Turnover Rate

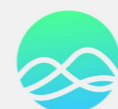
Inventory turnover is an efficiency ratio that shows how quickly a company uses up its supply of goods over a given time frame.

While inventory turnover is faster in some industries, such as grocery stores, than in others, such as department stores, comparatively low inventory turnover means that a company has poor sales or too much inventory.

29) Lead Response Rate

This is a key metric for tracking how much time it takes for a salesperson to contact a new lead. ^{xxix}

Allowing time to elapse before sales responds to leads is unfortunately all too common – not to mention costly. A survey conducted by Prof. James B. Oldroyd at MIT, in conjunction with InsideSales.com, showed that waiting even an hour to contact and qualify sales leads could drastically reduce your chances of success. On the other hand, the odds of making contact increased 100 fold if the lead was called within five minutes, versus 30. In addition, the chances of qualifying a lead were 21 times better if the lead was called within 5 minutes.



Internal Results KPIs

It's alarming to think about the sheer number of sales leads – and, ultimately, sales – that are lost due to less-than-timely follow-up.

A second survey, conducted by InsideSales.com in conjunction with Omniture, set out to examine and track the lead response and lead nurturing strategies of 700 companies. For each company, a request for information form was completed to begin the tracking process.

The survey's results were truly eye-opening. Here are its key findings:

- Only 4.6 percent of the businesses used a strategy involving both phone and email
- Less than 5 percent called within 24 hours
- 19 hours, 31 minutes was the average sales response time by email
- 36 hours, 57 minutes was the average sales response time by phone
- 45.2% of companies sales teams never responded at all

If nothing else, this survey clearly indicates that one of the most effective ways to increase lead quality is to significantly decrease sales response time. ^{xxx}

30) Marketing Qualified Leads

Marketing Qualified Leads (MQL) shows whether a prospect has demonstrated some level of interest or engagement that tells marketing this is a genuine lead. Sales and marketing must work together to develop this definition. Despite

the best intentions, marketing often creates a qualified lead definition, but sales never sees it—or agrees to it. Unless there is a clear definition and buy-in from both sides, the MQL stage won't do much for your organization. ^{xxxi}

31) Order Fulfillment Cycle Time

A continuous measurement defined as the amount of time from the customer authorization of a sales order to the customer receipt of product. ^{xxxii}

32) Project Schedule Variance

The amount of time and money planned to be spent on a project (or portion thereof) as compared to the corresponding work that was accomplished within a specific period of time. ^{xxxiii}

33) Revenue to Social Engagement

Social commerce is a subset of electronic commerce that involves social media and user contributions to assist in the online buying and selling of products and services. Today, the range of social commerce has been expanded to include social media tools and content used in the context of e-commerce, especially in the fashion industry. Examples of social commerce include customer ratings and reviews, user recommendations and referrals, social shopping tools (sharing the act of shopping online), forums and communities, social media optimization, social applications and social advertising. Technologies such as Augmented Reality have also been



Internal Results KPIs

integrated with social commerce, allowing shoppers to visualize apparel items on themselves and solicit feedback through social media tools.

Many B2C companies are using social media channels like Instagram, Facebook and Pinterest to sell their products and services. Revenue to Social Engagement is a ratio that divides the revenue your social commerce channels generate by the number of active and engaged social followers you have. ^{xxxiv}

34) Sales Activity

These metrics include activities like the total number of calls your salespeople attempted, the number of conversations they had with prospects, the number of emails they sent, and the number of the appointments their prospects kept.

35) Sales Qualified Leads (SQL)

A Sales Qualified Lead (SQL) has the following ANUM characteristics.

The popular InsideSales.com blog, The Sales Insider, cautions that you need to “make sure you are talking to the decision maker before you begin qualifying with ANUM.”

A = Authority / **N = Need** / **U = Urgency** / **M = Money**

A = Authority. When you are talking to the decision maker, make sure to make note of what their title and function is so you can align their needs

with your product. This will go a long way when you pitch to them! Hitting what matters to them shows you know what their pain points are.

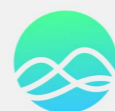
N = Need. Make sure to find lists of companies in the target industry you’re seeking and their size.

U = Urgency. Keep up with companies and their latest news releases. If a sales rep is sensitive to the urgencies of companies it can seriously help the sales process. If a company has announced they are expanding their inside sales team or have a new vice president of sales, this could be a cue to contact them.

M = Money. Know where the money is. If a company is growing, recently announced a round of funding, or are older, more established companies then they have the funds.

A lot of sales professionals might be familiar with a qualifying model known as BANT, which is broken down to: Budget, Authority, Need and Timing. InsideSales.com believes the principles of BANT are correct, but the order is now a little different. ANUM is meant to provide a new way of looking at qualifying leads, replacing the outdated BANT.

If you are able to find a [decision maker](#) and your product fits the four parts of ANUM, then you’ve got it! ANUM is one of the great ways to qualify Leads. ^{xxxv}



Conclusion

You will become a more confident leader as you make timely, informed decisions in service of growing your business. With that goal in mind, these 35 KPIs focus on actionable metrics that are within your control. (Of course, there will always be “informational KPIs” that are important to track, but are out of your control—like current fuel rates and the currency exchange rate.) Since

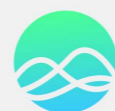
no two companies are the same, it is unlikely that you’ll use all 35 of these metrics. By carefully considering the unique needs of your company, you can select the metrics that will have the most impact on your growth objectives.

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