

Setting Measurement Targets

(How to manage the key measures of success within your business)

If you need help implementing this or with any other aspect of structuring your business, please get in touch:

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Setting Objectives

Performance Objective

This should represent the overall goal you are aiming for, which should of course be aligned with your company's wider annual objectives

(eg. you may want to lose 2 stone in weight, thus getting down to 12st by the end of the year)

Key Performance Indicator (KPI)

This should represent progress on the main activities that are necessary to be performed in pursuit of the performance objective

(eg. In order to lose 2 stone in weight you will need to visit the gym and reduce your calorie intake)

Key Performance Result (KPR)

This is the outcome you should expect to see as a result of the activities that are being conducted on a regular basis

(eg. checking in on your weight each week as you stand on the scales)

Performance Measurement

Performance Objective

Weigh 12st by 31st Dec



The Goal!

Key Performance Indicator

gym visits/week



calories/week



The Activity

Key Performance Result

Weight at end of each month



The Result

Performance Objectives for Financial Year

This is an example of what KPIs could look like for some of the functions of a manufacturing business...

Performance Objective	KPI	KPR
Financial		
Increase Revenue to £ XYZ	Increase # estimates converted Increase client base	Revenue Growth YoY
Increase Net Profit to £ ABC	Job Costing by job # variations issued	Net Profit Growth YoY
Create Cash in Bank Reserve of £XYZ	Speed of invoicing / collection	Cash in Bank each week
Improve Procurement	Procurement program	# Credit Accounts with suppliers
Operations		
Improve On Time/In Full Delivery to 95%	Turnaround time of Design as % of project Production Program per job	Snagging Time Days complete before/after deadline
Reduce Wastage	100% issue of packs	# skips YoY
Improve Quality	Factory Quality Checks	# items reworked
Sales & Marketing		
Grow Existing Customers by XYZ%	Increase # of jobs done per customer Growth in Average £ Sale per job	Monthly Revenue & Profit Growth YoY
Increase Customer Base by X target Market Customers	# estimates made # active customers / prospects	# & quality of Customers converted
Build Online presence to generate X inbound enquiries per month	# & quality of blogs/free tools shared # & quality of Social media engagement (eg likes, shares, comments)	# online enquiries converted

See next page for other KPI / KPR suggestions...

KPI / KPR Selector

Marketing & Sales	Financial	Operations	People	Suppliers	Innovation
<ol style="list-style-type: none"> 1. Market share 2. Leads by source 3. # of prospects 4. Conversion ratio 5. Average £ sale 6. Profit per customer 7. #. of transactions per customer 8. Customer satisfaction 9. # of new customers 10. Brand awareness 11. # of customers 12. Referrals 13. Sales mix 14. Customer profitability 15. # of orders 16. Customer retention 17. Lifetime value of a customer 	<ol style="list-style-type: none"> 1. Revenue 2. Profit margin 3. Gross margin 4. Revenue / Expense ratio 5. Days sales outstanding 6. Return on investment 7. Cash in bank 8. Cost of goods sold 9. Inventory turns per year 10. Cash flow 11. Return on capital 12. Bank overdraft 13. Inventory 14. Aged accounts receivable 15. Aged accounts payable 16. Sales per square ft 17. EBITDA 18. Capital expenditure 19. Debt to equity ratio 20. R&D expenditure 21. Training expenditure 22. Marketing expenditure 23. Depreciation 24. Fixed assets 25. Current liabilities 26. Interest expenses 27. Bad debts 28. Discounts given/ taken 	<ol style="list-style-type: none"> 1. Cost per unit 2. # of employees 3. Capacity utilisation 4. Safety, eg. days lost or comp claims 5. Back orders 6. Costs 7. Re-work (#, %) 8. Response time 9. Quality data 10. Timeliness 11. #. of complaints 12. Value of customer Complaints 13. # orders failed before 14. delivery 15. # orders not delivered on time 16. Work in progress 17. Labour hours 18. Overtime 19. Cycle time 20. Downtime 21. Maintenance costs 22. Post sale <ul style="list-style-type: none"> • Warranty claims (#,%) • Repairs • Returns • Defects 	<ol style="list-style-type: none"> 1. # of employees 2. # of managers 3. Manager / employee ratio 4. Absenteeism 5. # new employees 6. Hours training per employee 7. £ training per employee 8. Cost per new hire 9. % employees fully trained 10. Employee turnover 11. Employee satisfaction 12. Quality of output 13. Drivers of performance 14. Drivers of capabilities <ul style="list-style-type: none"> • Learning • Skills mix 15. Core value <ul style="list-style-type: none"> • Customer focus • Innovation 16. Output per employee <ul style="list-style-type: none"> • Sales • Productivity 	<ol style="list-style-type: none"> 1. # of employees 2. # of managers 3. Manager / employee ratio 4. Absenteeism 5. # new employees 6. Hours training per employee 7. £ training per employee 8. Cost per new hire 9. % employees fully trained 10. Employee turnover 11. Employee satisfaction 12. Quality of output 13. Drivers of performance 14. Output per employee <ul style="list-style-type: none"> • Sales • Productivity 15. Drivers of capabilities <ul style="list-style-type: none"> • Learning • Skills mix 16. Core value <ul style="list-style-type: none"> • Customer focus • Innovation 	<ol style="list-style-type: none"> 1. Revenue from new products 2. Revenue from new market segments 3. Revenue from new geography 4. # of new customers 5. Time to market for new products 6. Time to market for new services

This is not an exhaustive list and should be used to stimulate further ideas on the key measures of success for each role

What do you measure?

Eg. Revenue

Period	Target	Actual	Variance	% + (-)	Last Year	Increase
Jan	54,000	55,414	1,414	2.6%	30,000	25,414
Feb	63,000	60,102	-2,898	-4.6%	60,000	102
Mar	45,000	63,001	18,001	40%	25,000	20,000
Apr	87,000	86,999	-1	0%	70,000	16,999
Ma	54,000	56,302	2,302	4.3%	41,000	15,302

Once you've chosen the KPIs and KBRs that will move you closer to your Performance Objective you'll need to create a 'dashboard' of measurement. Just like a car dashboard that tells you the key information to ensure the car is running smoothly, so too does a Business dashboard tell you how smoothly your company is running.

The best way to measure the performance of your business (and of each member of your team) is to track performance versus last year and versus the targets you've set for the week/month/quarter/year.

If you need help on pulling this together please get in touch. Always happy to help.