



Contact:

Craig Underhill, CPA, CSPM

(707) 963-4466

craig@bdcocpa.com

Key Performance Indicators

Key performance indicators (KPI) measure what a business must do well in order to succeed. Many areas affect how to operate a business profitably. However, each of these areas usually has one factor that is truly critical to its success.

Why are KPI's Important?

A fundamental truth exists: You can only manage what you can measure. By identifying and monitoring the activities in your business that have a direct impact on your profitability, you will be in a position to reach your goals in a much more controlled and targeted way. We often clutter our minds with a collection of facts and figures that are irrelevant to daily operations. To be effective, you need to measure those areas that will impact your business's goals. There is no need to manage data that will not impact your success. Government bureaucrats are notorious for developing systems that measure all facets of a program, but they rarely focus on what determines the success of the program.

How BDCo can Help

The following is an example of how the BDCo KPI system would work in your business. We first define a critical success factor. That is anything vital to the success of your business plan. An example would be customer retention. We would then determine the Key Performance Indicators (KPI), that is, those items that would determine the success or failure of your critical success factor. For customer retention, it might be the number of times you contact your customers to strengthen their bond to the business. Next we would establish a goal (i.e. increase contacts from once to twice per quarter), and then measure what you actually did. Another KPI would be customer turnover rate. For example, how many customers you lost during a given period.

A New Way to Manage Your Business

One of the greatest barriers to a business's growth lies with owners who cannot let go of day-to-day operations for fear that things won't get done right. Our firm has developed a program that puts "expert" feedback systems and indicators in place so owners can still know what's going on without having to be intimately involved with every detail of their operation. Much like monitoring the "dashboard" of a car, you will not have to lift the hood every five minutes to see if the car is performing properly. Our program also lays an ideal foundation for more advanced, technology-based management information systems that most growing companies adopt over time. Also, having a solid performance-based incentive program can help you attract and retain high quality employees. Together, these systems create a culture of measured accountability for team members and provide a mechanism for rewarding superior performance.