

# MAPPING THE PATH TO SUCCESS - KPI'S AND YOUR PERFORMANCE

We have two questions for every business leader out there seeking to evaluate their business' performance

1. How does your company measure its success? Sales volume? Profits? Customer satisfaction? Employee morale? Corporate social responsibility?
2. By that measure, how successful is your company?

The first question is usually an easy one. The chances are, you regard the success of your company as being linked to more than one of the metrics outlined above, as well as other factors not on that list. "Success" is a composite, multi-faceted concept for every business, which does not lend itself easily to one-word definitions.

But what about the second question? If you struggled to come up with a response that is more specific than "Pretty successful", or "Doing well", then you're in a situation similar to many other SMEs out there. You have a clear vision of what success *means* for your company – but the path towards that goal, and the methods by which you measure your business' progress along that path, are less graspable. That's where Key Performance Indicators or KPIs come in.

## Under-Utilisation of KPIs by SMEs

A recent IBCS survey<sup>1</sup> found that 47% of all businesses surveyed were not monitoring any KPIs, but with large businesses (employing over 200 employees), the same figure dropped to a mere 2.1%. The implications are clear - KPIs are consistently under-utilised by the average SME. Underutilisation of KPIs obscures strategic vision, undermines stakeholder accountability and impedes informed decision-making. That's the bad news. The good news is you can do something about it, starting today.

## What are KPIs?

A KPI, is a quantifiable measure used by a company to evaluate its progress towards or achievement of fixed operational, strategic and commercial goals. For instance, a manufacturing enterprise might use KPIs such as customer attrition and growth in foreign customer segments to measure its marketing performance, or KPIs such as the length of stock-outs and the average customer waiting time per delivery to assess its supply-chain management.



## Why KPIs Matter

**1. Progress You Can Count, is Progress You Can Count On:** Corporate managers need to know that their performance initiatives are working – because if they aren't, it's time to switch things up. But if there's one thing Altus has learnt from decades of Performance Improvement projects, self-reporting or observational anecdotes provide scant basis.....[continued next page](#)

*continued from page 1...* on which to evaluate the success or failure of any given initiative. The ICBS Surveys found that 70.25% of *all* under-performance among companies surveyed went unidentified. Simply put, if you don't know what's broken, you can't fix it! KPIs give you concrete metrics against which to measure your company's progress and identify underperformance, inefficiencies and value leakage with greater precision and efficiency.

**2. Opportunities for Corporate Soul-Searching:** What if your business misses the mark with certain KPIs? Well, it's not time to wave a white flag just yet. You've been handed a valuable opportunity to innovate – so seize it. The ICBS Surveys noted that 66.1% of business active in innovation monitored KPIs, as opposed to 37.9% of innovation-inactive businesses. The correlation between performance monitoring and a culture of innovation is obvious. When delivering our Performance Improvement solutions, we've observed that suboptimal performance feedback gives you the *organisational and commercial impetus* to keep innovating, while optimal performance feedback gives you and your staff the confidence that innovation pays dividends. If you want your enterprise to take the industry lead in innovation, KPI-monitoring is a win-win scenario.

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**3. Engagement and Accountability:** KPIs are objective, quantifiable measurements of an enterprise's success. By removing subjectivity from the goal-setting, decision-making and performance review process, KPI-monitoring improves stakeholder accountability by setting clear mutual expectations and committing to defined goals. Stakeholder clarity over the direction and prospects of the business is essential for stakeholder buy-in.

**4. Pieces of the Big-Picture Puzzle:** Finally, even KPIs at the most granular level or concerned with day-to-day management of the business have a key role to play in the bigger scheme of things. At the level of corporate strategy, decisions must be supported by data as well as instinct; driven by facts rather than conjecture. KPI-monitoring generates that data and verifies those facts. The ICBS Surveys revealed that a shocking 55.2% of businesses place no reliance on predictive analysis. How can you make decisions about the future of your company, if you have no idea what that future will be? No SME has ever scaled great heights by the blind leading the blind – clarity of vision is what illuminates the path to success.

At Altus, we give equal emphasis to knowing where you *are* – in relation to your competitors, your industry and your customers – and knowing where you're going, with a comprehensive and precise corporate strategy. To put the power of that knowledge in your hands, we're offering you the **free use of our cloud-based KPI dashboard** so you can start building a roadmap for your company's future.

Our emphasis on data-driven decision-making and innovation means KPIs are at the heart of all our client solutions, from our Performance Improvement services to our Corporate Strategy advice. If you need advice on formulating, implementing and monitoring KPIs, or analysing performance feedback, speak to an Altus consultant today!

<sup>1</sup> The inaugural 2015-16 Management Capabilities Module, collected by the ABS as a part of the Integrated Business Characteristics Strategy (IBCS) suite of surveys on the "Management and Organisational Capabilities of Australian Business" (the "ICBS Surveys").

## HEAR WHAT OUR CLIENTS SAY

### COMMERCIAL MANAGEMENT & STRATEGIC PLANNING NON-PROFIT ASSOCIATION

*"We are very grateful to David for his financial expertise in the design and implementation of an improved financial reporting system and for his support in our strategic planning. We have hugely benefitted from David's experience as in the past we had been unsuccessful accessing these essential services for our growing not-for-profit organisation."*