

KPIs That Drive Predictable Results



5 Tips for Consistently Getting the Results You Want



Is your company consistently getting the top and bottom-line results you desire? Can you accurately forecast your results and make adjustments to improve them over time? After years of consulting with hundreds of CEOs of middle-market companies, all with the same goals to grow revenue and increase profitability, we've learned that one of the most powerful tools to help you achieve those results is an excellent set of KPIs (Key Performance Indicators).

The idea of KPIs is not new. Over and over again, we see companies using them (or not using them) in ways that lead to poor decision-making, a false sense of control, wasted resources, and unexpected, poor results.

Using the right KPIs will help keep your team focused, aligned, and accountable. Here are five tips to help you evaluate your current KPIs, create the right ones, and use them to drive results in your business.

1. Apply a Balanced Approach to Your KPIs

There are four critical areas of business every company must consistently maintain and nurture to reach its full potential. These areas are Employees, Customers, Processes, and Revenue. It's easy to become so laser-focused on solving an urgent problem in one critical area that you begin to lose ground in another crucial area of the business.

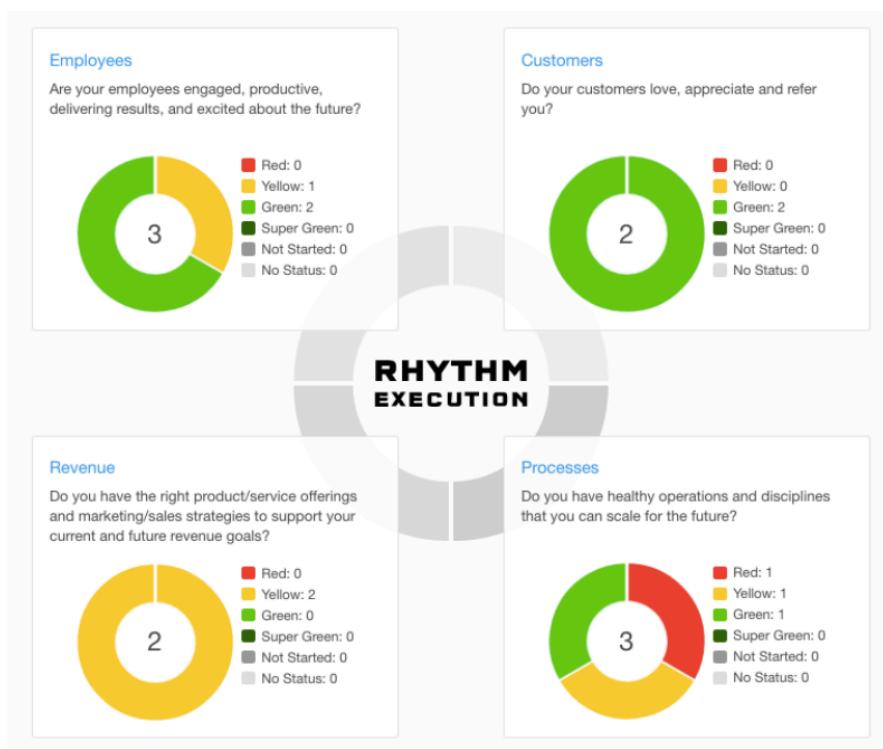
The right KPIs used the right way will help keep your team focused, aligned and accountable.

To avoid this pitfall, you need to identify the few KPIs in each area that give you a good insight into whether or not you're on track to achieve your targets. Here are four questions you can use to prompt your thinking:

1. Are your employees engaged, productive, delivering results, and excited about the future?
2. Do your customers love, appreciate, and refer you?
3. Do you have healthy operations and disciplines that you can scale for the future?
4. Do you have the right product/service offerings and marketing/sales strategies to support your current and future revenue goals?

No matter how your gut tells you to answer these questions, the next question you must ask is, "How do I know?" Focusing on how you can know the answers to these questions will help you determine the specific and measurable ongoing operational results you should continuously measure, monitor, and adjust. This will give you a good set of balanced KPIs to help you maintain a healthy company.

Once you've identified the right set of KPIs, you should create a visible dashboard to display the current status constantly. Updating the status and meeting with your team weekly will allow you to determine the right adjustments needed to correct or improve performance and maintain healthy operations.



2. Use Leading Indicators to Impact Results



As you consider which KPIs to include on your dashboard, you'll want to have both Result Indicators and Leading Indicators.

Result Indicators report what has been achieved over a period of time. These are backward-looking but important because they help you begin with the end in mind by setting targets in each of the four categories.

Leading Indicators, on the other hand, are predictive. This measures how you do on the activities and levers that will move your results positively or negatively. Identifying and tracking the right Leading Indicators will help guide your day-to-day operations, inform your decision making, and allow you to make adjustments mid-stream to impact your results positively.

3. Set Red-Yellow-Green to Clarify Expectations

Each KPI should be assigned an owner, clearly define what success looks like and be visible for all to see. If possible, the KPI needs to be tracked and discussed weekly to avoid being blindsided by the final result. This will allow you to recognize a potential problem, make adjustments and avoid disaster. It's a lot easier to prevent fires than to fight them.

Success Criteria

Stretch goal: \$30m



Target goal: \$20m



In between goal: \$15m



Minimum goal: \$10m



You should discuss, debate, and agree as a team on what success and failure look like. Set Red-Yellow-Green success criteria for each KPI.

- **Green** is your goal. You will create your plan to achieve your Green goal.
- **Red** is an unacceptable result. It is the definition of failure.
- **Yellow** is the warning zone between Green and Red. You still have time to make adjustments before it's too late.
- **SuperGreen** is the stretch goal and should signify a time to celebrate.



You also want to consider what actions you will take if your results start falling into Yellow or Red at some point. If you have KPIs that consistently fall into Yellow or Red and there's no action or sense of urgency from the team, then it's likely you are measuring something that isn't important, after all, or you have set the wrong success criteria. Remember, KPIs should drive action.

Start with just one or two priorities or problems you want to work on, and set up KPIs that measure your progress on the activities that influence the results.

4. Layer on Special KPIs to Drive Priorities and Fix Problems



Now that you have a balanced dashboard to monitor key operational activities and maintain overall company health, you're ready to layer on a few strategic KPIs that support specific priorities and drive your company toward achieving longer-term growth goals.

To determine the right KPIs to execute your quarterly plan or correct areas of the business that are off track, you have to start with the **right question**. The right question is “What business results are we trying to impact?” or “What problems are we trying to solve?”

Follow these steps to create new KPIs that really matter:

1. Select a business result, priority, or problem you want to improve.
2. Determine what activities in your business influence the outcome, and find a way to measure them.
3. Set Red-Yellow-Green success criteria for each.
4. Determine specific actions required to achieve the Green success criteria, and get to work.

Start with just one or two priorities or problems you want to work on, and set up KPIs that measure your progress on the activities that influence the results.

5. Audit Your KPIs Quarterly

Over time, as you add strategic KPIs and maintain company health KPIs, it's easy for your dashboards to become cluttered. These dashboards need to be simple and impactful. You want to be able to see in one glance if there's an area in the business that needs your attention. The way to do this is to ensure everything on your dashboard is relevant and drives action. Here are a few questions to help you determine what should be in and what should be out:

- Does everyone understand the purpose and importance of this KPI?
- Does this KPI prompt action if it is Red or Yellow?
- Is the Red-Yellow-Green success criteria realistic?
- Does this KPI spark the right discussions in your weekly meetings?
- Is the data that supports this KPI valid and clearly understood by all?

Having strong KPI dashboards is key to long-term, sustainable success. It helps align the team around the few things that matter most, clarify expectations, increase accountability and communicate progress. Taking the time to set them up properly, maintain them over time and establish habits along with the discipline to use them well is sure to produce better results.





Technology

ACHIEVED UNICORN STATUS IN 2017 and launched IPO in 2021.
 Continuous alignment while growing from 50 to 1,500 employees.
 Consistently grew revenue by 40% for 8 years in a row



Healthcare

140% REVENUE GROWTH three years in a row after implementing a new breakthrough customer initiative that ultimately inspired and changed their industry



Consumer

GREW LOCATIONS FROM FIVE TO 90+ primarily through acquisition, resulting in record revenue and profits

Rhythm. We're a part of our clients' DNA.
Many of our clients have been with us for over 10 years
and each has their own story of success to share.

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Healthcare

100% ALIGNMENT ACROSS 50 LOCATIONS resulting in 16% compound annual growth rate system-wide since 2003



Consumer

100% INCREASE IN REVENUE supported by successful implementation of direct to consumer initiative



Manufacturing

40% REVENUE GROWTH
 #1 emblem manufacturer in North and South America with over 800 employees and eight locations around the world