



The Magic of Measures (and KPIs)

Let's start with a quick clarification. Measures and KPIs are basically the same thing. We know it can be easy to get swayed by the attractiveness of phrases like 'key performance indicators' (aka KPIs), but the growth in popularity of this term hasn't aligned with a growth in efficient, or even useful, usage. Far too often businesses, particularly those starting out or those trying to modernise, adopt KPI-esk terminology without properly understanding what it means and how to use it. In this article we will be breaking down why measures (think KPIs) are so important and the correct ways in which to use them to drive your business forward.

What are measures?

Measures are a direct result of your processes, which in turn is a direct result of your strategy. As you might have gathered there is a pattern or 'synergy' (*we do love the odd buzz word too!*) to your business, and the reality remains that a seamless interlocking of your business structure will inevitably produce the best results. Once you have determined your [strategy](#) and therefore your [processes](#), you can then ascertain the measures by which you can track your progress and stay abreast of how much your operational output is facilitating or hindering your strategic goals. Measures exist to track your productivity, your operations, your allocation of duties and whether your processes are performing as they should. There are two main types of measures:

Lead measures: Lead measures are directly derived from your processes and are how you measure your activity. For instance, in the hotel industry lead measures would be the average time it takes to clean a room and the average time it takes to deliver room service. If you have measured those details, you know how many cleaning staff and room service staff to have on duty in relation to how many guests you have or are expecting. Lead measures will give you an understanding of what is going to happen, and an opportunity to adapt accordingly to change the outcome of your lag measures.

Lag measures: Lag measures are those that emerge following an outcome, they are the measures that result from what has already happened. They cannot be actioned as effectively because they result from things already done. Lag measures are usually related to financial performance tracking and customer satisfaction or feedback. For instance, using a hotel industry example, a lag measure is your monthly revenue or monthly guest feedback results. If things have gone wrong with your room cleaning or room service it will reflect in the lag measures when they are generated (i.e. revenue or poor customer satisfaction), which means you can only improve these processes after a poor outcome has already occurred.

Lead measures are far more useful to your business's productivity and the more regularly you check in with your lead measures, the fewer issues will arise with your lag measures. As an operational measure they will also give you advanced knowledge of your lag measures, i.e. if you have identified a breakdown in customer service in the beginning of the month, but were able to rectify the issue in your processes, you can expect your customer satisfaction lag measure to be lower for the beginning of the month but improve for the latter part.

How companies benefit from correct measures:

Learning new things

Effective measures will allow you to identify trends within your business that could result in positive changes. Perhaps your measures show you that your customer base likes to order most on a particular day or that a particular service is more popular than expected. This type of information can be extremely useful in adapting your strategy and processes to maximise your potential for success.

Proactive performance

By keeping up-to-date with your lead measures, you can ensure your processes are running as smoothly as possible. You can address issues more efficiently and be in a position to determine what caused them and therefore what fix is required. If your business relies on delivering orders to customers and your lead measures show increased cancellations, you are able to find out, extremely quickly, what part of the process is causing this. You can then determine how to rectify the issue, perhaps with more staff, order amount restrictions or even a marketing campaign to encourage ordering at certain times. The output of your action will then help you meet your financial targets and prevent negative lag measures.

Financial growth

You can also use your lead measures to up-sell elements of your business. If your operations are running in a certain way and your customer base appears to like a service or product, or even begins asking for additional items, you can track this quickly and potentially adapt your brand's remit to accommodate this additional or expanded revenue stream.

Competitive assessment

Measures will also help you benchmark your company against both your own performance and that of your competitors. You can use them to track your performance against another area of your business (is one performing better than the other) or another time period in your business (did we do better this time last year); then you can ask why and find out what happened. When it comes to competitors, comparing measures can help you see issues that you might not even have noticed. If you run a hotel and your occupancy rate is far lower than those of your closest competitors, you can see where changes might need to be made and ask what they might be doing better than you.

Decisive decisions

The information generated by your measures is a vital tool in how to manage your business, its performance and its growth. It is also an unemotional, rational way to absorb relevant data and take

action accordingly. Decisions that need to be made regarding the hiring or firing of employees, restructuring or retraining can be made based purely on facts and figures, not personalities.

A little side note.....

KPIs and your employees

One of the reasons we struggle with certain usages of 'KPIs' is in terms of your employees. A common perception is that any job role should have KPIs in order to determine an employee's performance and provide guidance on their responsibilities. Whilst every role should have clearly defined responsibilities and ways to measure their performance, KPIs are often used in a more restrictive and less integrated way, one that is ultimately detrimental to the employee, their productivity and your brand's performance. Key performance indicators are entirely interlinked within your organisation, so the allocation of them to one individual does not take into account how their role fits within your processes and can leave them feeling unsupported and facing an uphill battle.

For instance, you might run a restaurant and have a delivery driver with KPIs that include the required number of orders to be completed per day or even per hour. Obviously cancelled orders or slow deliveries result in poor customer service, which can affect your revenue. Therefore, you want to encourage your delivery driver to meet his targets, but those KPIs do not take into account the entire process. If the orders in the kitchen exceed what they can manage or an order is taken incorrectly, they will not be able to prepare the order on time or provide the right order for the customer; none of these are the fault of the driver, but they could count against his personal KPIs. Staff should not feel threatened or pressurized by unmanageable demanding KPIs. The best businesses cultivate a culture of improvement that employees want to engage with. Remember, KPIs themselves are not a job description. They are an indicator and should be used in conjunction with a job description. Your company or department KPIs are how you measure if you have the right number of people doing the right jobs.

Setting responsibilities and measuring your employee's performance are certainly things worth doing, but it cannot be done in a vacuum. 80% of your business issues will always lie within your processes and ways in which they might malfunction. By determining your processes correctly, you can make sure to generate the right measurements for each department, group and employee with measures that are useful, productive and keep your operations in line with your strategic objectives. This way your employees will feel more engaged with the team and the brand, and as if they, and their role, are properly understood and appreciated.

If you would like to get expert advice on aligning your company's strategy to business processes and performance that will continually drive improvements and profitability, get in touch with Identify Action at <https://identifyaction.com/> or via email on action@identifyaction.com.

Identify Action is a strong, talented team, whose members have been part of the UAE's explosive economic development since 1991. We are of different nationalities and backgrounds, and together have experience of a wide range of regional and multinational industries, at both shop floor and management level.