

**Baranov**  
ASSOCIATES

**Knowing** the KPIs  
in your **business**



# Knowing the KPIs in your business



## What are KPIs?

KPIs sound daunting, more jargon to learn! They don't actually need to be scary at all and are actually really helpful!

## KPIs are **Key Performance Indicators**.

The KPIs in your business are the figures that allow you to check how your business is doing, without going down the route of having to understand a full set of accounts or going into minute detail. They are just numbers, so don't be put off by the use of 'KPIs'.

Every business has a range of KPIs, or numbers, that are the most important for tracking the success, or otherwise, of the business. For example, a hotel would probably have Room Occupancy as one of its KPIs; if it's really low, the hotel is likely to struggle financially, while the business is likely to be doing better if its room occupancy is very high.

## Why do I need KPIs?

You don't necessarily; you can run a business without tracking your KPIs, and you can run it long term, but by identifying and tracking the key numbers in your business (and they will differ between different businesses) you will be empowered and informed, both key attributes to the owner of a successful business.

## What do they give me?

They give you an understanding of just where the business is heading, whether it's getting better, worse or just standing still. The numbers that are important to your business will help you understand many aspects; the following are just a handful of examples:

1. How quickly the money comes in
2. How much of that money is going to stay in the business and not be spent
3. Whether you're making more money on each sale
4. When you need to expand
5. If you need to make some hard decisions and cut back

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6. Knowing how close you are to your goals
7. Find and manage underlying issues
8. Discover problems before it's too late
9. If you have employees you can use these numbers to let them know what's important in your business
10. How well expenditure such as your marketing spend is working

## Where do I start?

The important thing is to identify the KPIs that are the most important in your business.

Some numbers will be useful for all businesses, some will be specific to yours business or your industry. The most important ones are those that affect your profits and cash the most, but don't forget that providing the right service means you're more likely to make a sale in the first place!

Picking the right KPIs can seem daunting at first but the process can be made easier by getting help from either someone with a broad experience of businesses and business numbers, or someone with experience in your specific industry.

## Customer Interactions

Focus initially on the areas that you think are the most important for your customer to make sure they buy from you or to buy a second time. Getting a customer to buy from you again is easier than getting a new customer. Think about the whole customer journey, from first contact to purchase. You should end up with two or three really important areas that you should measure.

## Profitability

Once you have the customer side covered you then need to concentrate on finding the KPIs that make the most difference to the profitability of the business. Once again there will be two or three of these that are the really important numbers for you to monitor.

## Cash

Next, move on to thinking about the cash in your business.

What numbers, if changed for the better, could bring more cash into the business?

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The actual goal here is to retain more cash that stays in the business. It's no use getting more cash in if even more goes straight back out again!

You may need to do some customer research to get the numbers you really want. Survey software can help here but you need to be really careful about how you ask the question to avoid getting an answer that's skewed because of the way you've phrased the question.

You will now have somewhere between 5 and 8 different KPIs that you want to measure.

If you have less than this you might well have a very simple business, but it's probably worth getting someone else with the right skills to just check them to make sure you've not missed anything.

If you have more than 10 you're probably going to want to pare them down so that you can really focus on improving the areas that will make the most difference. You can always add more later!

## I know what KPIs I need, how do I measure them?

This is where the process starts getting a bit more difficult, but don't give up, it's definitely worth it!

The way to measure these numbers is going to depend on the KPIs that you've picked, and whether you currently have a way of capturing them.

There are useful pieces of software that can help you gather this information, but they won't necessarily give you the actual numbers you want. You may need to have to do some separate recording or manipulating of the initial numbers you find elsewhere, for example in Excel. You may choose to spend some money on specific software to help you out, but this can get quite expensive for the smaller business.

You're probably going to get the best and most useful KPIs from the following areas of your business; you'll need to ensure you've got a process to extract the information from each;

1. **CRM system** - This should be able to tell you whether a potential customer has done something specific and should be able to report each customer's journey from initial contact to sale, and beyond!
2. **Website** - Google analytics is a good place to start to tell you visitor numbers and behaviour but over time you'll want more specific information, potentially tying into your CRM system.

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3. **Accounting system** – The financial information from this lets you know how well the business is actually doing and where it could be going by looking at the trend of your numbers. Prompt management accounts will be hugely beneficial.
4. **Forecasting system** – Ideally tying into your accounting system, this would take information from the accountancy system and project forward to show you the outcomes over the future, allowing you to check your progress towards your goals and target. There are a range of suitable software options available that can update your forecast as your accounting system is updated, or you can construct a spreadsheet based alternative.
5. **Bespoke systems** – These will depend on your type of business, for example if your business is a hosted offering, what's the uptime for the site for that day, week, month? If you're a manufacturer, how many widgets did you build last week?

## I think I might need some help; where can I get that from?

Your bookkeeper or accountant should be able to help you in several ways:

1. If you don't know what KPIs you need to measure or you have too many, have a chat with either of them to help you decide what should be measured. If they can't help you they probably don't understand your business well enough or don't have enough experience to help you. Now may be the time to consider moving your business.
2. They'll be able to help you get the systems in place to measure the KPIs you need.
3. They'll also be able to help you build the reporting systems to collect and track the numbers over time, and show you how to do any calculations.

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4. If they have regular contact with you, you should get their insight on those KPIs. Remember these people should have a lot of experience helping businesses just like you. If they haven't, they might not be the best help you can get.
5. If something is going wrong in the business, they can help you turn that around with their business experience, and if they are collating any of the KPIs on your behalf may spot the issue before you do!
6. They can help design the report in a format that really works for you. Do you like to see the actual numbers, do you prefer to see graphs, or do you understand things better when they are narrated, or would a combination be better for you? There is no right or wrong, but what works best for YOU.

If you know a specialist in your industry, or have a business mentor, they can help you decide which KPIs to watch and in some areas, how to collect them. They may also be able to give you useful insights because of that industry knowledge.

## How often do I need to check the KPIs?

This will depend on the business you have, where you want that business to go and what systems you already have in place.

Ideally the frequency will be between a week and a month. Any more often than a week and you'll get overloaded with numbers, any longer than monthly and you may well miss something vital for your business.

A useful way is to have two or three headline KPIs that are reported weekly, with the remainder on a monthly basis.

These "snapshots" will help you understand your business so much better in the long run.

## How quickly should the numbers come out after the end of the period?

As quickly as possible!

There's no use having weekly KPIs that come out a month later. Get the weekly numbers out either at the end of that week or on the first working day of the following week; this will allow you to react much more quickly to changing circumstances.

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The monthly KPIs should come out within a week of the end of the month and certainly no later than two weeks after that. If the reports are coming out later than this, they actually aren't worth as much to you because so long has passed from the factors that gave rise to those figures.

## I've got my KPIs, now what?

You need to understand what they mean, and you need to compare the new ones with those that you had over time to spot any trends. Ask yourself the following questions:

1. Am I heading in the right direction?
2. Is there a problem here that I didn't know about?
3. If we follow this trend what plans do I need to have in place to make sure it continues in the right direction?
4. When do I need to think about expansion?
5. Are the team doing the right things at the right times?

These are just examples; there are many more possible outcomes!

## In Summary

If you don't know the KPIs in your business, it can still be viable, and can still grow, but you won't be in control of it, and will only be able to be reactive.

Knowing your KPIs will give you the power to make prompt, accurate decisions. Business changes so quickly you have to react at the same rate, or faster, to take advantage of opportunities and to stop the negatives.

Use people like your accountant to help you understand what you need to measure and what it all means to your business. Only by understanding the numbers within your business can you move forward with the minimum stress and maximum return!

Baranov Associates have a broad, solid experience of this process, gained over many years and by helping business of all sizes in many industries. Please get in touch if you would like to discuss how we can help you get a good understanding of your numbers, regain control of your business and start to make rapid progress towards achieving your goals, whatever they may include.

# Baranov

ASSOCIATES

Business growth accountants

[hello@baranovassociates.co.uk](mailto:hello@baranovassociates.co.uk) | [www.baranovassociates.co.uk](http://www.baranovassociates.co.uk)

Disclaimer: This list is meant to prompt careful review of your existing arrangements only and is not designed to be a replacement for professional advice tailored to your precise needs and circumstances.

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