## What are key business requirements?

In the context of lean and effective management practices, the term “business requirements” describes any measurable criteria or defined parameters of a project, process or solution. A key business requirement (KBR) is an established goals, objective or limit that determines success or failure. They are the minimums and maximums, the baseline expectations or [quality control](https://www.isixsigma.com/dictionary/quality-control/) standards that you can’t do without.

## benefits of key business requirements

### **Establish integrated success framework**

The first major benefit is developing a single, unified and cohesive framework shared by everyone involved in the project or product development. This minimizes confusion and ambiguity by providing a central source of expectations, [problem reporting](https://www.isixsigma.com/new-to-six-sigma/getting-started/how-to-write-an-effective-problem-statement/) and quality standards.

1. **Set fixed goals**

Removing ambiguity from the project parameters is a big deal. Fuzzy goal lines can cripple motivation, cause confusion and lead to uncertain outcomes. Specific, quantifiable limits, standards and limits are useful in any situation, whether you are designing software or setting profit goals for a new branch office.

1. **Maximize your strengths**

Another reason to identify and develop key business requirements is to hone your strengths. This process reveals the features or facets that drive value. You’ll know what parts are the powerhouse moving you forward, which means you can focus on improving and building that value.

1. **Minimize your weaknesses**

On the flip side of that coin, it also helps you identify critical vulnerabilities. If parts of your product or process are dangerously close to breaching or failing a key requirement, it’s a sign you need to shore it up. Design your processes to meet key requirements comfortably and reliably to stay out of the mud.

## What Is a KPI?

A KPI measures a company’s performance against its primary business objectives. High-level KPIs focus on a company’s overall performance, while lower-level KPIs focus on departmental processes, products and productivity. A company doesn’t need to monitor too many KPIs — no more than 10 is a general rule. After all, measuring everything clouds the picture of what matters most to the organization.

Diagram, timeline

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## How to Choose the KPIs That Matter for Your Business

What makes a key performance indicator truly “key” for your business? It depends on your goals. Best practices also say less is more. Important questions to consider when selecting KPIs include:

1. **What are the goals of your business?** KPIs should align with business goals, so knowing what you want to achieve is the starting point. A general rule is no more than 3-5 company goals in a 12-month period. KPIs monitor how well the organization is tracking toward its goals during a defined period of time.
2. **How can you make that goal measurable?** For KPIs to track progress, goals must be specific and quantifiable. For example, “lower customer acquisition cost by 15%” is a measurable goal but “lower customer acquisition cost” is far less so. KPIs for this goal might include conversion rate and lead generation cost by channel.
3. **What vanity metrics can you avoid?** Vanity metrics appear to cast your product or business in a successful light, but they aren’t actionable. Examples include a high number of downloads for a free app, registered website accounts or social media followers. Vanity metrics can also be misleading. For instance, a high number of app downloads could be due to a recent marketing promotion, not usage or popularity. Most of these users may also not become paying customers.
4. **What top metrics truly matter?** The answer varies by organization, industry, department, region and other factors. The most effective KPIs are quantifiable, actionable and align with a company’s goals and growth stage. Common [metrics that matter to most businesses](https://www.netsuite.com/portal/business-benchmark-brainyard/industries/articles/entrepreneur/kpi.shtml) include revenue growth, profit margin, cash flow, employee turnover and customer acquisition cost.
5. **What are your leading and lagging indicators?** KPIs fall into two categories: leading and lagging. Leading indicators predict what may happen in the future. For example, an increase in deal size or employee headcount may portend revenue growth. Leading indicators offer businesses the opportunity to prepare themselves and, if required, adjust their strategies.  
     
   Lagging indicators reflect past results, measuring the aftermath of actions. Monthly recurring revenue and [employee turnover](https://www.netsuite.com/portal/resource/articles/human-resources/employee-experience-metrics.shtml) are examples. Lagging indicators can uncover trends, help companies evaluate their progress and influence future decisions.
6. **What trends can you leverage?** Over time, KPIs help illuminate trends that indicate how well a company is meeting its goals and whether it needs to make adjustments . For instance, if sales of a particular product increased over the past three quarters, a company may decide to target buyers with an upsell campaign.