

The 25 KPIs Every Manager Needs To Know

By Bernard Marr

Your Key Performance Indicators (KPIs) should be the essential metrics that allow you to track performance and navigate your way to success and growth. Unfortunately, many companies get their KPIs completely wrong – measuring either everything that walks and moves but nothing that matters, or simply copying the metrics others are using.

It is important that companies put in the groundwork before measuring anything. It is so important to start with your strategy and figure out the strategic performance questions you need to answer, this establishes what you need to know. Once you know your high-level information needs you can then look for the best KPIs that will help you answer your strategic questions.

However, it doesn't mean that every company needs to start from scratch when it comes to KPIs. I spend my work life helping companies around the world with their KPIs and have developed a list of metrics I consider global best practice examples. The Financial Times has recently asked me to put my 25 top ones into a new [book](#). This [book](#) is now complete and about to be published. It describes in detail the 25 metrics I consider the most important and informative.

The 25 KPIs will make a good starting point for the development of a performance management system, but before we look at the list I would like to express an important warning: Don't just pick all 25 – You probably don't need or indeed should have all 25 KPIs. Instead, by understanding these KPIs you will be able to pick the vital few meaningful indicators that are relevant for your business. Finally, the KPIs should then be used (and owned) by everyone in the business to inform decision-making (and not as mindless reporting references or as 'carrot & stick tools').

What's more, there will be other, more specialized measures that are required for your company or industry context. Take for example the network performance KPIs for a telecom operator or the quality indicators for healthcare providers. These will have to be included in your list of KPIs but will never be found in any generic list, at least not in their industry-specific format.

So here's a brief rundown of the 25 Need-to-Know KPIs, organised across four business perspectives: customer, finance, internal processes and employees.

Measuring and understanding your customers

1 Net promoter score (NPS) - How likely is it that a customer will recommend your business to a friend?

2 Customer profitability score - How much profit do individual customers bring your business, after deducting the costs of attracting and keeping them happy with advertising, customer services etc?

3 Customer retention rate - How many of your customers are going to come back for more? And how loyal are they to your brand, organization or service?

4 Conversion rate - How well do you translate enquiries, sales calls and web page views into paying customers?

5 Relative market share - How big your slice of the pie is, compared to your competitors in the same market.

Measuring and understanding your financial performance

6 Revenue growth rate - The rate at which you are increasing your company's income.

7 **Net profit** - Income minus expenses – the bottom line, but certainly not the only metric you need to worry about!

8 **Net profit margin** - The percentage of your revenue which is net profit.

9 **Gross profit margin** - The percentage of your revenue which is gross profit.

10 **Operating profit margin** - Operating income divided by revenue – another measure of a company's profitability.

11 **Return on investment (ROI)** - The revenue generated by investing money into an aspect of a company's operations, in relation the cost of that investment.

12 **Cash conversion cycle (CCC)** - How long does it take for money invested in the business (for stock etc) to come back to the company in the form of increased revenue.

Measuring and understanding your internal processes

13 **Capacity utilisation rate (CUR)** - Are you meeting your potential in terms of amount of work you can carry out, with the resources you have available?

14 **Project schedule variance (PSV)** - Are your projects reaching completion on time?

15 **Project cost variance (PCV)** - Are your projects coming in without going over budget?

16 **Earned value (EV) metric** - Value generated by your company's ongoing projects.

17 **Order fulfilment cycle time (OFCT)** - The time that it takes from a customer placing an order, to the product or service being delivered.

18 **Delivery in full, on time (DIFOT) rate** - Customer orders filled in full, and on time, compared to total number of customer orders.

19 **Quality index** - Is the quality of your goods or services as high as your customers are expecting?

20 **Process downtime level** - How much time is wasted due to downtime, technical breakdown or staff sickness.

Measuring and understanding your employees

21 **Staff advocacy score** - How likely are your staff to recommend you as a company to work for?

22 **Employee engagement level** - How does your employee's behaviour contribute to the business's overall goals?

23 **Absenteeism Bradford factor** - How much is unauthorized staff absence costing your business?

24 **Human capital value added (HCVA)** - The financial value added to the business by individual members of staff.

25 **360-degree feedback score** - How staff rate each other – as well as themselves.

About : Bernard Marr is a globally recognized expert in strategy, performance management, analytics, KPIs and big data. He helps companies manage, measure and improve performance.