KBRs and KPIs

What are Key business requirements ?

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 standards that you can't do without.

Benefits of Key business requirements

Identifying key requirements for your business processes and solutions has numerous benefits. They ensure that everyone is on the same page and working towards an informed solution that addresses the core needs of the issue or objective.

1. 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 and quality standards.

2. 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.

3. 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.

4. 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.

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3 Best practises when thinking about Key business requirements

Setting key requirements for your business or a particular project needs planning and research. Developing these standards properly is very important, so think twice and tread with caution.

1. Conduct a full performance audit

The first major step in identifying and establishing key requirements is to conduct a complete performance audit. Interview people from each department and those performing each basic role in the process. Use this information to create a detailed workflow chart that includes all relevant business capabilities and the systems that support these capabilities.

2. Involve customers or consumers

Since key requirements often depend on what customers need or expect, you should definitely include them as well. Set up focus groups of users, or potential users, and ask them lots of questions. Include trial runs and experiences with the product or a theoretical model when appropriate.

3. Include contingency plans

As you set the key requirements that determine success or failure, include specific plans for how y

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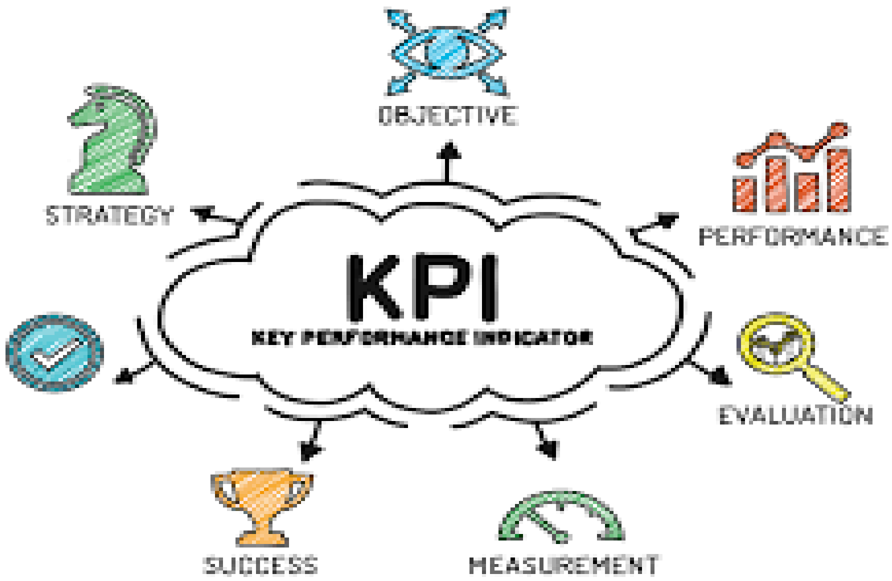
What Are Key Performance Indicators (KPIs)?

Key performance indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance. KPIs specifically help determine a company's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.



Why Are KPIs Important?

KPIs are an important way to ensure your teams are supporting the overall goals of the organization. Here are some of the biggest reasons why you need key performance indicators.

- **Keep your teams aligned:** Whether measuring project success or employee performance, KPIs keep teams moving in the same direction.
- **Provide a health check:** Key performance indicators give you a realistic look at the health of your organization, from risk factors to financial indicators.
- **Make adjustments:** KPIs help you clearly see your successes and failures so you can do more of what's working, and less of what's not.
- **Hold your teams accountable:** Make sure everyone provides value with key performance indicators that help employees track their progress and help managers move things along.

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Types of KPIs

Key performance indicators come in many flavors. While some are used to measure monthly progress against a goal, others have a longer-term focus. The one thing all KPIs have in common is that they're tied to strategic goals. Here's an overview of some of the most common types of KPIs.

- **Strategic:** These big-picture key performance indicators monitor organizational goals. Executives typically look to one or two strategic KPIs to find out how the organization is doing at any given time. Examples include return on investment, revenue and market share.

- **Operational:** These KPIs typically measure performance in a shorter time frame, and are focused on organizational processes and efficiencies. Some examples include sales by region, average monthly transportation costs and cost per acquisition (CPA).

- **Functional Unit:** Many key performance indicators are tied to specific functions, such finance or IT. While IT might track time to resolution or average uptime, finance KPIs track gross profit margin or return on assets. These functional KPIs can also be classified as strategic or operational.

- **Leading vs Lagging:** Regardless of the type of key performance indicator you define, you should know the difference between leading indicators and lagging indicators. While leading KPIs can help predict outcomes, lagging KPIs track what has already happened. Organizations use a mix of both to ensure they're tracking what's most important.

What Are the 5 Key Performance Indicators?

KPIs vary from business to business, and some KPIs will be more suitable for some companies compared to others. In general, five of the most commonly used KPIs include:

1. Revenue growth
2. Revenue per client
3. Profit margin
4. Client retention rate
5. Customer satisfaction

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Example of KPIs?

One of the most basic examples of a KPI is Revenue Per Client (RPC). For example, if you generate $100,000 in revenue annually and you have 100 clients, then your RPC is $1,000. A company can use this KPI to track its RPC over time. For example, a company may notice its RPC has doubled in the past three months. A company may choose to change their company's business approach if it wants minimize the amount of revenue per client or wants to continue minimizing the number of clients it revenue is earned from.

Developing KPI Reports

With companies seemingly collecting more data every day, it can become overwhelming sorting through the information and determining what KPIs are most useful and impactful for decision-making. When beginning the process of pulling together KPI dashboards or reports, consider the following steps.

Step 1: Discuss goals and intention with business partners. KPIs are only as useful as the users make them to be. Before pulling together any KPI reports, understand what you or your business partner are attempting to achieve.

Step 2: Draft SMART KPI requirements. KPIs should have restrictions and be tied to specific, measurable, attainable, realistic, time-bound metrics. Vague, difficult to acertain, or unrealistic KPIs serve little-to-no value; instead, focus on what information you have that is available and meeting the SMART acronym requirements.

Step 3: Be adaptable. As you pull together KPI reports, be prepared for new business problems to appear and further attention to be given to other areas. As business and customer needs change, KPIs should also adapt with certain numbers, metrics, and goals changing in line with operational evolutions.

Step 4: Avoid overwhelming users. It may be tempting to overload report users with as many KPIs as you can fit on a report. At a certain point, KPIs start to become difficult to comprehend, and it may become more difficult to determine which metrics are actually more important to focus on.

Advantages of KPIs

A company may wish to analyze KPIs for several reasons. KPIs help inform management of specific problems; it's data-driven approach provides quantifiable information useful in strigae planning and ensuring operational excellence.

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KPIs help hold employees accountable. Instead of relying on feelings or emotions, KPIs are statistically supported and can not discriminate across employees. When used appropriately, KPIs may help encourage employees as salespeople may realize their numbers are being closely monitored.

KPIs are also the bridge that connects actual business operations and goals. A company may set targets but without the ability to track progress towards those goals, there is little to no purpose in those plans. Instead, KPIs allows for companies to set objectives, then monitor progress towards those objectives.

Limitations of KPIs

There are some downsides to consider when working with KPIs. There may be a long time frame required for KPIs to provide meaningful data. For example, a company may need to collect annual data from employees for years to better understand trends in satisfaction rates over long periods of time.

KPIs require constant monitoring and close follow-up to be useful. A KPI report that is prepared but never analyzed services no purpose. In addition, KPIs that are not continually monitored for accuracy and reasonableness do not encourage beneficial decision-making.

KPIs open up the possibility for managers to "game" KPIs. Instead of focusing on actually improving processes or results, managers may feel incentivized to focus to only improving KPIs. In addition, quality may decrease if managers are hyper-focused on productivity KPIs, and employees may feel pushed too hard to meet specific KPI measurements that may simply not be reasonable.

Pros

- Helps hold employees accountable for their actions (or lack of)
- May motivate employees who feel positively challenged to meet targets
- Allows a company to set goals and measure progress towards those objectives

Cons

- Results in potential time commitment to consistently gather data over long periods of time
- Require ongoing monitoring for accuracy and reasonableness in data
- May encourage managers to focus on only KPIs instead of broader strategy
- May discourage employees if KPI targets are unreasonable
- Informs management of how a company is performing in countless ways