



Key Performance Indicators

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In the last few years, there has been a lot of interest in Key Performance Indicators. Many contractors are already using them, trying to put them in place, or want to but do not know how to start. After learning more about KPIs, many contractors still have unanswered questions, like:

- What should I be tracking?
- Which KPIs would have the most significant impact on my company?
- How do I act on the information I get from a KPI?

It does not matter where a contractor is putting KPIs into practice; they must understand the basics.

A KPI is a composite indicator linked to a set of goals and gives information about how a business is doing concerning those goals. In business, a KPI is a measure that takes into account the business values, strategy, and plans for growth. It is a metric that includes goals so businesses can see how they are doing toward their objectives.

In simple terms, KPIs are:

- The critical (key) indicators of making progress toward a specific goal or goals.
- This tool sets goals (the level of performance you want to reach in a particular area) and keeps track of how well you are doing.

A lot of the time, managing KPIs means making changes to key indicators that will subsequently have lagging (after it is accomplished) benefits.

Leading key indicators are used to measure how things are going. They care about how quickly you grow and how likely it is that you will meet your goals. Contractors may have a hard time figuring out how to measure leading indicators because they need well-defined methods and technology to do so. For companies to improve their profitability or service quality, they must first improve their leading KPIs.

Lagging performance indicators are used to measure results. This means that they are the direct result or product of specific actions. It makes it easier to measure lagging KPIs, but it is more difficult to improve or change them. Because lagging KPIs look at the results or output of the company's work, they usually show up after an event or action has taken place. They are a moving target by definition.

Contractors may improve different parts of the company's performance, making the KPIs change. For example, when a contractor wants to be more productive, there might be a problem. How does the contractor affect the outcome when the work has already been done by the time the numbers are available? There is a solution: Take charge of the leading indicators to improve the lagging KPIs.

Key performance indicators might be hard to figure out. Each KPI should be connected to a particular goal through a performance measure. KPIs are often thought of as business metrics. KPIs and metrics often refer to the same thing, but they must be set up in relation to the contractor's

goals. Following these steps will help you choose a KPI for your business:

- What is your goal?
- Why is this final result significant?
- How will you measure your progress?
- What would you do to change things?
- Who is responsible for the success of your business?
- What will tell you that you have reached your goal?
- How often will you check on your growth toward the goal?

One way to figure out how practical a KPI is is to use SMART criteria: Specific, Measurable, Assignable, Realistic, Time-based. Another way to say it:

- Specific – What is the goal for improvement in this area?
- Measurable – Whether or not you can measure and monitor your results toward a goal is essential.
- Assignable – Who is in charge of the KPI?
- Realistic – Is the goal doable? Is it possible to make your goals bigger? What can be done with the available resources?
- Time-based – In this case, how long will it take to reach this goal?

If your KPI is not effectively and clearly communicated, it has no value. If you do not show your employees your KPIs, you could lose or irritate them if they don't know where your company is going and what your goals are. How can your workers, the people who are

supposed to carry out the company's strategy, do their job if they do not know what they are supposed to do?

Employees must be told right away that they need to talk about their company's performance indicators. Putting KPIs in the proper context is the only way to succeed with them. Explain what the company is going to measure, how the performance will be assessed, and how it will be reported. Otherwise, employees don't see KPIs as anything more than numbers on a screen.

A good idea is to describe in detail why certain KPIs were chosen and respond to questions as to why you chose a particular set of KPIs. KPIs have flaws, and everyone must be able to read and understand them. They must also be clear. When explaining the KPIs to employees, ask them for their thoughts. Contractors often use this time to figure out where the company's main goals aren't being communicated well. Employees sometimes come up with creative ways to improve the company's KPIs.

KPIs need to be checked on a periodic basis to ensure they stay healthy and improve. Measuring the company's performance against the KPIs and monitoring results to see how well the first KPI selection process worked is important. KPIs don't always work, and the goal isn't always a good one (the "R" in SMART). Some contractors don't keep track of the main business goal they were hired to achieve. This can be prevented by checking in with your KPIs every so often to see if they need to be changed.

Most of the most important performance management frameworks have the same basic features: setting goals, measuring performance, and managing all of the activities that go with them.

When a customer uses multiple contractor services from the same company, this is a strong sign that they are interested in the company, and the chances of them leaving would be much less likely. One way to keep track of this would be to look at how many customers come back and use recurring services. This is an instance of looking at why a metric is important.

Understanding KPIs are important to the business because it helps them focus on what is most important. It is important to remember that KPIs make you focus on the measurements that show how your organization will meet its goals.

KPIs force a business to figure out how well its strategy works and which plan to follow. Employees learn a lot from them about what management and the company care about the most, and they show them this.

KPIs are an important tool for a contractor to understand how well they are doing and what changes they need to make the most money. However, the value of some KPIs is minimal.

The most important thing about a KPI is how easy it can be translated into actionable operations. As the contractor's business grows in size, a KPI may be able to do its job. The company should not be afraid to update or replace a KPI and start working on new KPIs that are more in line with the company's main goals.

A good idea is to figure out the first KPIs and start using them immediately. The fact that you do not meet your KPIs at first shows that you are actively working toward progress. When you finish a project, do a post-mortem or set aside time to think about what went wrong to improve your future chances of meeting and exceeding your KPIs.

When setting KPIs, communication between managers is very important. When you talk to your team, you help them understand what they are doing and why they are doing it. They will be able to fully understand their overall value and see new or better ways to improve processes.

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