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Key Performance Indicators in Business

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**Bachelor THISES
(PROJECT)**

Key Performance Indicators in Business

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University for Business and Technology

Prishtina 2008



**Bachelor THISES
(PROJECT)**

Key Performance Indicators in Business

Prepared for the degree “Bachelor of Business Administration”
Under the supervision

Of

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Submitted to

University for business and Technology – UBT

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Prishtinë, 2009



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1. Introduction

Key Performance Indicators (KPI), help an organization to define and to measure progress toward those goals which goals made an organization to perform better in all management fields. It also can be financial or non – financial measure which is used to evaluate and help organization in many ways to understand that how successful it is and how to planning in long – term periods in manner to achieve the business goals.

Key Performance Indicators are defined as a ¹“performance measure that reflects directly in critical success factors of organization. It is necessary to measure toward achievements of business goals”.

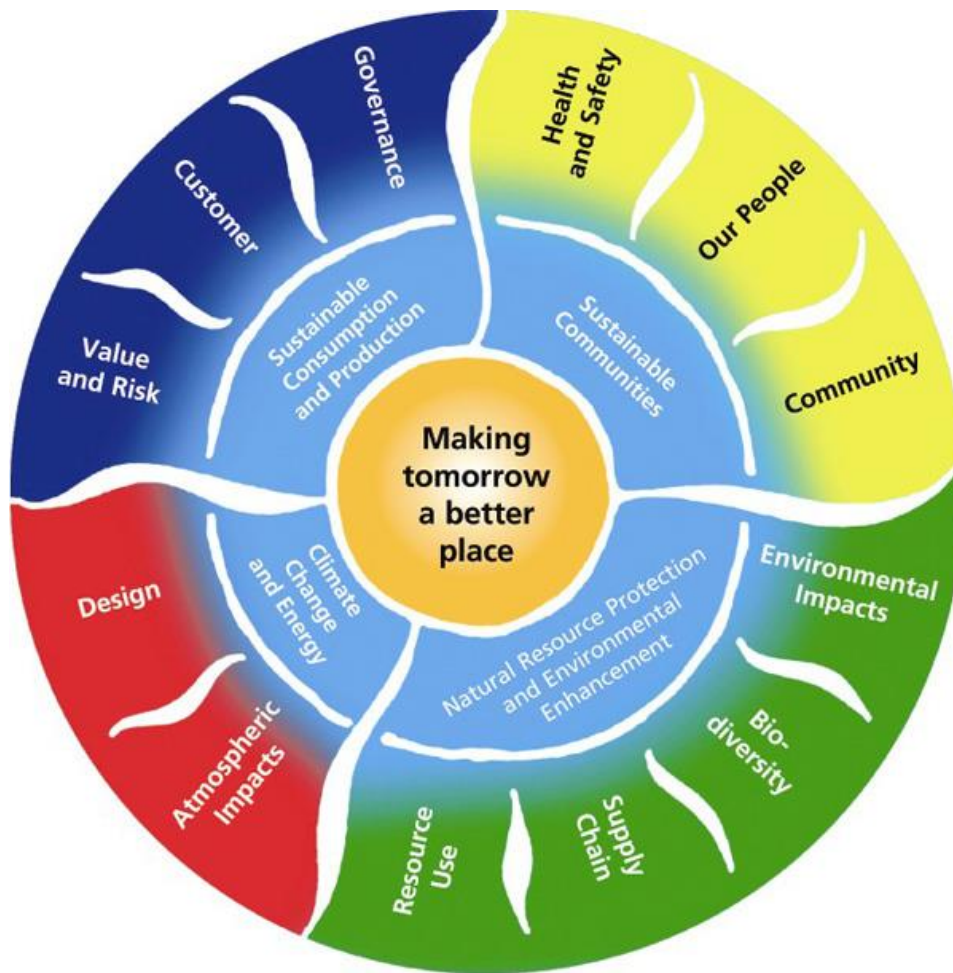
Key Performance Indicators has some steps that are very necessary and also very important to attend which can clearly tell us what key points are or key steps that we are required to take in order to achieve the business goals. Comparing with that, Key Performance Indicators mast:

- Be measurable
- Reflected organizational goals
- Be long – term considerations (do not change frequently)
- Be based on SMART goals (Specific, Measurable, Achievable, Result, Time)

All that I mentioned before tells us that how important is to attend strictly those steps which offers to us the most secure way in which we can find e strong support in order to achieve our business goals.

¹<http://www.polfest.org/corporate/procurement/docs/06.03.28annex2.examplekpis.pdf>

2. What is KPI?



As I mentioned before the Key Performance Indicators, or Key Success Indicators, help an organization to define and also to measure the progress toward goals or organization objectives. Without Key Performance Indicators it is very difficult to accomplish or to be successful in business because we are not able to know any obstacles that could shown to us during our successful

way, which way is very important for us and which way is very needful for us to attain.

We also have to have in consideration that the Key Performance Indicators change depends on the company goals. We could have more than ten Key Performance Indicators but we could not have more than one strategy of work. Moreover, our Key Performance Indicators must adapt to our operating system and strategy in order to achieve the company goals.

The company always needs a high qualified people and also it is in its interest to hold them because all companies needs a morally convincing vision in manner to record a progress toward their goals.

Successful company does not have more than five Key Performance Indicators, because just with this number the company is able to select the right one which fits with strategy of company.

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Moreover, the KPI (Key Performance Indicator), measures on what you believe that will make e huge difference to your business in long – term period, and for that needs some indicators as follow:

- **Quantifiable Indicator**
- **Performance Measurement**
- **Smart**
- **Billability**

3. Usage of KPI in certain departments

It’s understandable that Key Performance Indicators is part of all company projects. We could find it in every part of company goals, in any departments, and in every process of work. Furthermore, to achieve that kind of progress we have to implement KPI in proper way and all the time.

Key Performance Indicators are not the same for all departments because as I mentioned before,

the KPI must be adopted and used in proper way in order that it have to fit with department and company goals. This chain is difficult to be controlled all the time but all managers have to be very responsible and have to observe as much as they can in manner to avoid all problems in this field.



Human Resource Department is a very important department because all company depends on it. What can we call in Human Resource Department as a KPI? All things that

this department does could be KPI for e.g. Recruitment, Evaluation Process, Employee Development, and so on and so forth.

We can call **Recruitment** as a KPI because its cover many issues which direct the company toward their aim. Moreover, in recruitment as a HR Manager you have to take care and to know as well the average cost to recruit per job position, because people needs training for specific job and as a manager of HR you have to consider those phases as a cost for company, otherwise you have to classified the most trained people in manner to spend money as little as you can. As a manager of HR it is very important to know the average time of recruiting because the time is very important factor and as we know as long as it takes (training), you spend too much money and also you have to consider the time when the training ends because you have to coordinate works with another department and also we have to coordinate the time when the recruiters have to start in order to be in time with all trainings.

Sales Department has an essential role in publishing companies. It is very important because this department make people or community to understand how the things work inside company. This is the department which has the fundamental effect on the sales.

Some Key Performance Indicators sales could be costumer care, costumer evaluation, complaints of costumers, market share, costumer loyalty, shops and supermarkets, sales and supermarkets, sales contacts by telephone and so on and so forth.

The key to e successful business is to stay loyal to your employees first and also with your customers. Some successful businesses see that 80% of their business comes from 20% of their customers. Too many companies neglect this loyal customer base in pursuit of new customers even though they know that the cost to attract new customers is higher than to maintain relationships with

existing ones also with losing the older ones they could take a bed reputation in community.

The main goal of this Pyramid of Customer is that you have to build a profitable and long lasting business relationship when you are able to devote more time to customer in order to



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understand what can you really do for them and how will you treat them as a customer. This is a good step in manner to make a loyal customer and to convince your customers that your are loyal to them and depend on this part you also will build a strong relationship between you (as a company) and the customer in the other side.

There are also ten ways to keep your customer loyal to you:

- Communicate
- Customer Service
- Employee Loyalty
- Employee Training
- Customer Incentives
- Product Awareness
- Reliability
- Be Flexible
- People over Technology
- Know Their Names

Marketing Department is the department when the company deals with customers. Via this department, company is able to know what the customer really wants and supply them with that product.

As we know from previous lectures marketing depends or better support in four P^s which are:

Product

Price

Place

Promotion



But we always have to consider the “People” as a part of these four P^s because without people everything is useless.

Key Performance Indicators for Marketing could be public relations, promotion, advertisement, E-marketing etc.

Public Relations are keys of managing the flow of information between customers and company and organization. Public Relations are building to create a good relations with employees, investors, customers, voters or the general public and also to maintain the relations with existing customers and public.

Advertising is closely linked with promotion because with advertising we can promote a product or service to the people because advertising is very pervasive in contemporary society. To maximize sales or to increase our company profitability companies will pay a premium for wide exposure through the mass media. Advertising is very important for companies which want to show their product or services to their customers and what can they offer for the community. The most common places for advertising and also the good advertising are: billboards, movies, schools, public transportation, clothing etc.

<http://www.allbusiness.com/sales/customer-service/1961-1.html>

<http://www.businesstechnologyradio.com/Portals/274/images/customer-loyalty-small.jpg>

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4. KPI Indicators

4.1. Quantifiable indicator

As I mentioned before KPI must be measurable because if it is impossible we also can not determine our business strategy, and we can not know that are we competitive in market or not, or worse we can not know if we are successful or not. It is not always important that as a company you must satisfy the customer or make customer successful because in Key Performance Indicator is not a good idea to measure the success of your customer. To be more effective you have to be more convenient in market in order to create a strong confidence to your customers or as much convenient as you can but also you have to create the way to measure also the convenience.

I mentioned before that Key Performance Indicators are important because they are some measures for long – term period in which all company depends on this forecasting. Furthermore, it is too important for all company that KPI to stay stable from year to year.

4.2. Performance Measurement

Key Performance Indicators as well as known as a tool that measure the customer satisfaction it is also known and is used to measure organization performance, through activities that resulted from training. Key Performance Indicators are mostly linked to strategy across techniques such as the “Balanced Scorecard” but they are simpler because sometimes simplicity increases efficacy.

As I mentioned before, Key Performance Indicators changes based on strategy of company. Like KPI, also the Performance Measurement changes depend on strategy of company because it helps company to increase their influence in customers market, just on time delivery and so on and so forth.

4.3. SMART

S – Specified

M – Measurable

A – Achievable

R – Relevant

T – Time

Acronym element	Description	Diagnostic Questions
Specific	<p>Specific mean that the objective have to be very specific that all persons have to know in the specific way their role, also means that those objective have to be actual, completed, focused and very clear.</p> <p>Objectives need to be simple in order to know clearly what will happen in the near future.</p> <p>To set specific objectives you have to answer on those questions as follows:</p> <ul style="list-style-type: none"> • WHAT will the company do? • WHY is this for the company to do? • WHO is going to do what? • WHEN those objective have to be completed? • HOW am I going to do this (depends in your limitations, actually in your deadline)? 	
Measurable	<p>Measurement is the most important point because you can see the reality, how the company is going toward the future and you will see the how its</p>	<ul style="list-style-type: none"> • How can we measure? • Does those measures are real? • What if the measures are not

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	<p>increases the motivation, if its measure properly.</p> <p>Measurement is closely connected with management because if you can not measure it, also you can not manage it.</p>	<p>done in the proper way?</p>
Achievable	<p>It is very important to keep yourself motivated until the end. You can do that just if your objectives or your goals are achievable.</p> <p>Differently from your aspiration, vision and mission of your company have the objectives have to be very specific and very realistic in manner to be achieved.</p>	<ul style="list-style-type: none"> • What is important about goals? • Can be those goals achievable? • It is successful and possible?
Realistic	<p>Realistic means that you have to reach your objective but it also means that this is not an easy way. All those things need skills, money, equipment, etc. in order to fulfill the company objectives.</p>	<ul style="list-style-type: none"> • It is those objective real? • In order to achieve those goals, what are your priorities?
Time	<p>Time – bound means that you have to set a deadline for your objectives in order to fulfill them and also those objectives must to be achievable and realistic.</p> <p>In this phase is very important to set a deadline and to achieve them because in contrary the motivation will reduce and the profit of company will decrease.</p>	<ul style="list-style-type: none"> • Set deadline • Set objective • Are those objectives achievable?

<http://www.reference.be/strategy-and-advice/kpi-measurement.html>

4.4. Billability

¹Billability (utilization rate) is the percentage of time of the period during which employees are working in the revenue – producing capacity. Firstly, you have to organize the timesheet system and after that you have to follow and also to determine that the work is considered to be billable to customer or not. Previously, you have to have this information about billable for all periods, and after that is the formula that determines for groups and person (B/T or B divided by T) where:

²B = billable hours for the employee/group in the period

³T = all hours worked for the employee/group in the period

As higher as is the utilization rate as better as company is going because all companies tried to keep this utilization rate above 70 % or something like that but in some cases those thing did not go very well and automatically you have to know that you go to far with your business or more precisely for example with your tracing time.

Court Finch PM World Today is a free monthly eJournal. Free subscriptions available at: <http://www.pmworldtoday.net> Page 4

²*Court Finch PM World Today is a free monthly eJournal. Free subscriptions available at: <http://www.pmworldtoday.net> Page 4*

³*Court Finch PM World Today is a free monthly eJournal. Free subscriptions available at: <http://www.pmworldtoday.net> Page 4*

5. Conclusion

In this entire project we could understand that is very important to know those indicators that pushed you to be successful in business.

The Key Performance Indicator is the very good way to know how our business will change if we know some steps and follow them properly. It tells us how to put the priorities in our business and also how the priorities are connected to the company objectives. Moreover, in some steps that I mentioned before (SMART), we clearly know what we have to do in specific situations.

Identification of Key Performance Indicators it's simply the way toward success but we have to keep it in mind that all those indicators have to be measurable in order to achieve those goals or objectives and to do that we have to know how can we measure something which point is clearly mentioned before.

Finally, Key Performance Indicators the company to reach its goals in very secure way. Its secure us from any failure or any obstacles that we can face during our way toward success. Furthermore, we have to make sure that all those steps that I mentioned before are fulfilled because the fulfillment of those steps means success for company.

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