



3 Steps to a Stronger KPI Strategy



KPI or TMI: Are you drowning in meaningless metrics?

Every business leader today understands how important it is to have strategic KPI metrics that measure against objectives and goals. And over the years, industry-standard frameworks like the SMARTER criteria and the balanced scorecard strategy have helped leaders and teams guide KPI development. Today, the vast majority of enterprises rely on KPIs to track progress and guide decisions.

But now that businesses have access to massive quantities of data, there's a new problem: KPI overload. It's easier than ever to fall into the trap of measurement for measurement's sake. Managers everywhere are learning the hard way that just because they can measure something doesn't mean that they should. The bottom line is, tracking and reporting KPIs takes work – and if your KPIs aren't leading to better results, they're not serving your business.



What else should you watch out for?

KPI overload isn't the only challenge in building the right KPI strategy. Businesses today are struggling with two other key components. First, there's confusion about lagging versus leading indicators, and which to use where. And second, even when businesses know how crucial data is to their competitive edge, many aren't investing enough time or energy in data literacy. Not surprisingly, it's tough to have a KPI-driven culture when your people don't fully understand their KPIs.

KPI Pitfalls

- ✗ Confusing lagging and leading indicators – and choosing the wrong ones
- ✗ Leaving employees in the dark – so they can't get behind their KPIs
- ✗ Adding more and more KPIs until they're no longer meaningful

KPI Success Strategies

- ✓ Selecting the right indicators for the right KPI metrics
- ✓ Creating a KPI-driven culture by committing to data literacy
- ✓ Establishing a process of KPI iteration – evaluating and refining in an ongoing way

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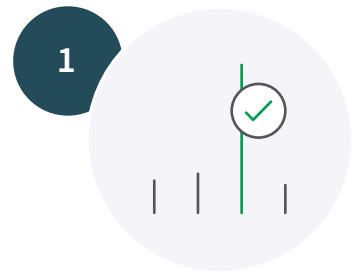
KPIs, when properly understood and used effectively, provide a powerful tool in achieving more informed decisions. Without them, organizations are simply sailing blind.”

— BERNARD MARR
“What is a KPI?”



The 3 secrets of smarter KPIs.

How can you engage everyone in your business with the metrics that drive the outcomes you want? By taking the following three steps to smarter, stronger, higher-performing KPIs:



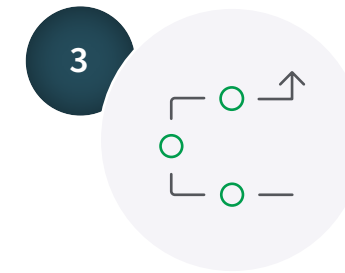
Choose the right KPIs.

Understand lagging versus leading indicators.



Create a KPI-driven culture.

Boost data literacy across all your teams.



Establish a process of KPI iteration.

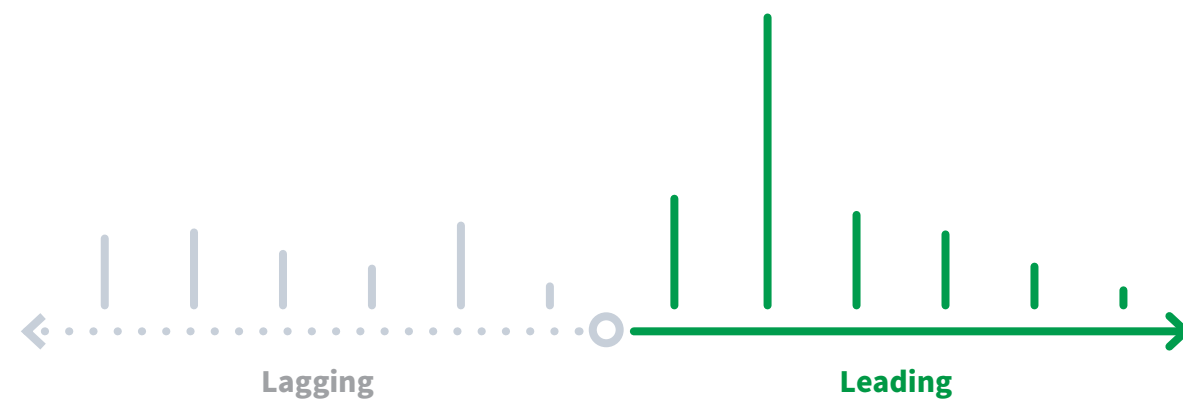
Evolve and refine your KPIs on a schedule.

1. Choose the right KPIs.

Understand lagging versus leading indicators.

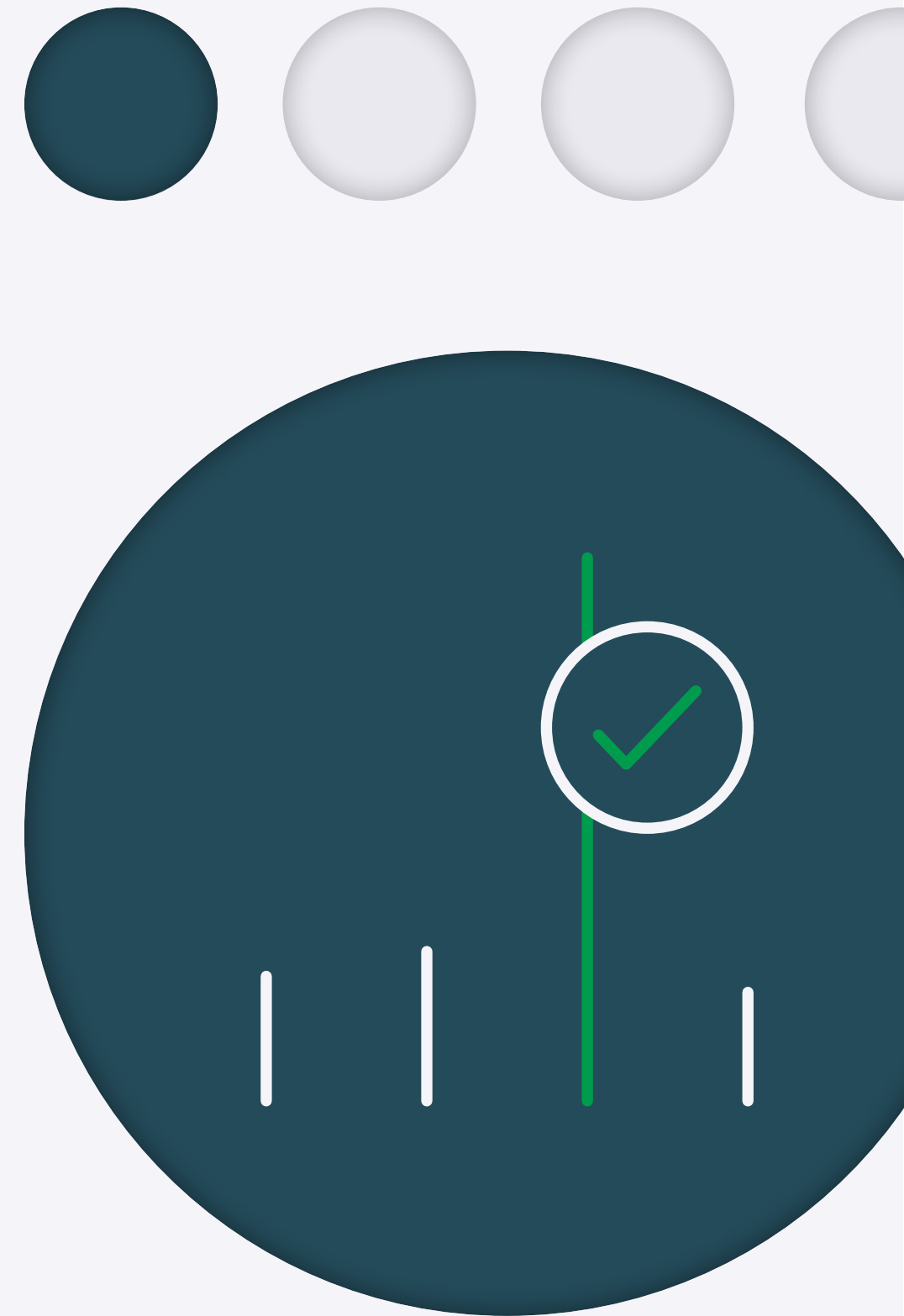
Not all metrics are created equal. Before you revise your KPI strategy, make sure you understand the difference between lagging and leading indicators, where to use each, and why you should monitor both.

THE QUICKEST WAY TO DISTINGUISH BETWEEN LAGGING AND LEADING INDICATORS



The first shows how you did.

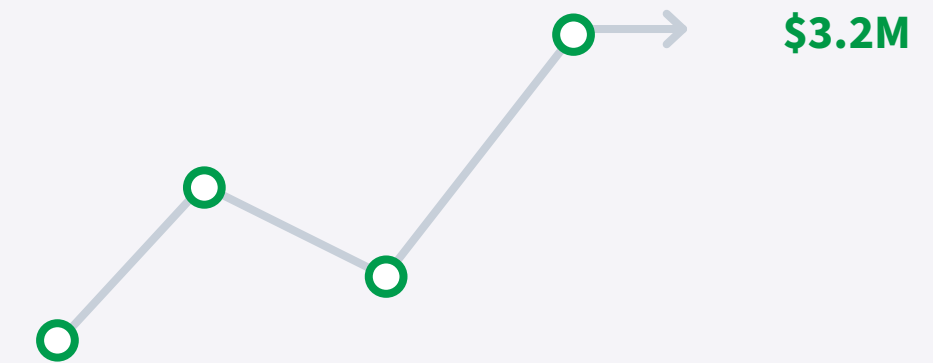
The second shows how you're doing.



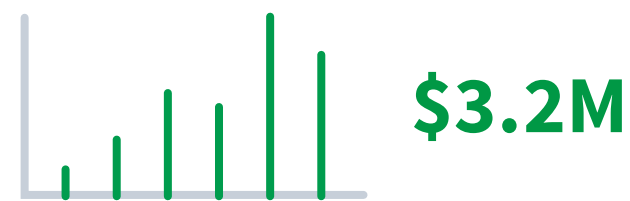
1. Choose the right KPIs.

Lagging indicators capture an output.

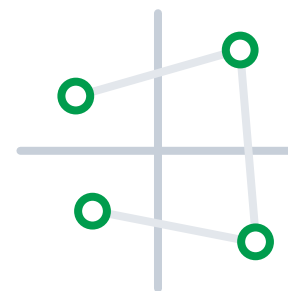
Lagging indicators show results over a period of time – for example, total sales in the last quarter. They're easy to measure and provide quick answers about whether you've met your goals. C-level executives often use lagging indicators as a baseline for setting ambitious goals; for example, they might look at sales in their most recent quarter and decide to try to double sales in the next. The ultimate lagging indicator is annual revenue or profits.



COMMON LAGGING INDICATORS



TOTAL SALES SINCE THE START OF A PROMOTION



CHANGE IN DONATIONS BETWEEN QUARTERS

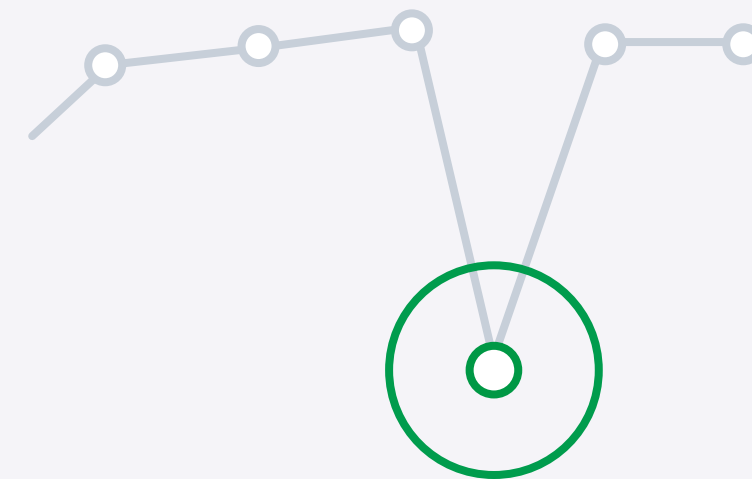
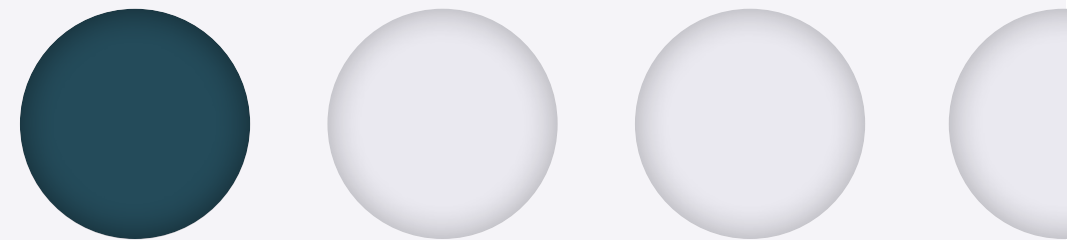


NEW SUBSCRIBERS IN THE LAST 30 DAYS

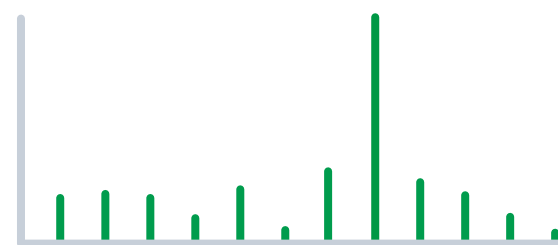
1. Choose the right KPIs.

Leading indicators capture an input.

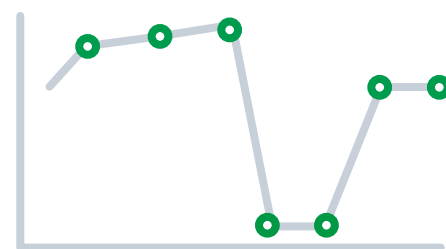
Leading indicators capture data that has an effect on an outcome, which makes them useful for predicting or anticipating an output. For example, if a SaaS company sees a sharp reduction in app downloads (a leading indicator), they might predict a drop in quarterly sales (a lagging indicator). And if they're using app downloads as a KPI, they can instantly spot that trend and alert the right team to look beneath it. Leading indicators tend to be more operational in nature, which makes them harder to measure but easier to influence.



COMMON LEADING INDICATORS



A SPIKE IN WEBSITE TRAFFIC



A CHANGE IN APP DOWNLOADS

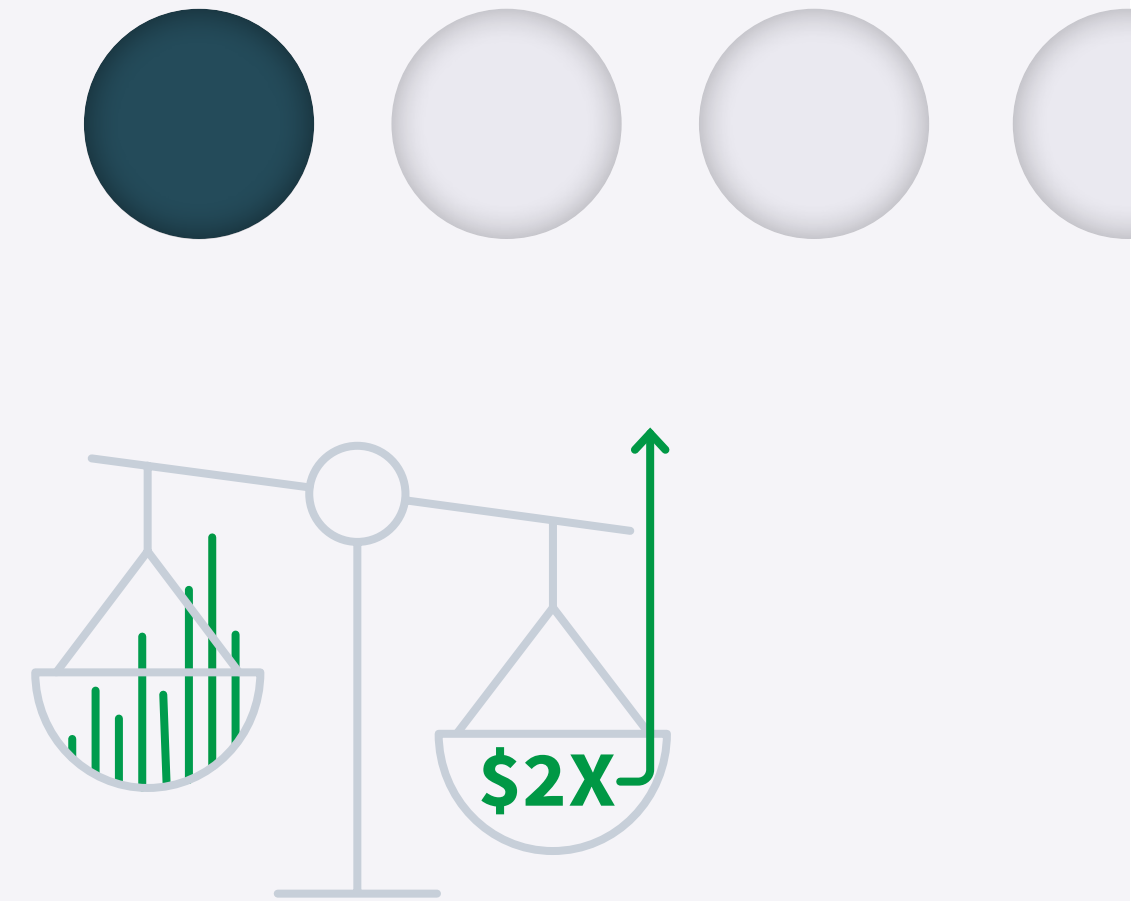


AN INCREASE IN HELPDESK REQUESTS

1. Choose the right KPIs.

Choosing the right indicators for KPI metrics.

Lagging and leading indicators don't exist in a vacuum. In fact, the relationship between them is critical. Lagging indicators tell you how you've done, but they don't tell you what you should change to do better. Leading indicators measure the things that affect your outcomes; when you track and monitor them, you can take action to make improvements.



LADDERING UP: USE YOUR LEADING INDICATORS TO IMPACT YOUR LAGGING ONES

Role	Senior-level executives	Business units
Strategic Goal	CAPTURE HIGH-LEVEL INSIGHTS Most executives are focused on tracking progress toward the big picture – and using the numbers to drive calls-to-action.	SHAPE STRATEGY AND DEVELOP TACTICS Business units, project leads, and teams should focus on leading KPIs – the things they can change to deliver results.
Lagging or Leading?	LAGGING: <ul style="list-style-type: none">Choose metrics that capture progress toward the company goals.Make sure they're appropriate for your industry and stage of growth.	LEADING: <ul style="list-style-type: none">Identify which indicators make the biggest impact on your lagging indicators.Test your assumptions with data; track impact over a period of time.

1. Choose the right KPIs.

Making the right choices: Reverse-engineer KPIs from your goals.

Whenever you have a strong correlation between a select number of leading KPIs and a larger number of lagging KPIs, you can see which leading KPIs will have the biggest impact on your lagging KPIs. That's smart KPI strategy. But not every lagging or leading indicator should be a KPI. So how can you make the right choices? Start with what you're trying to achieve and reverse-engineer from there.

PRO TIP LEAD WITH DATA

A typical process for setting KPIs – whether lagging or leading – is to decide what matters and then measure it. But as you can see from the SaaS example on page 7, the data itself can tell you what's important.

When you pay attention to leading indicators and dig deeper to understand what's causing trends, you're well on your way to establishing smarter KPIs. That's why it's so important to have an analytics solution that doesn't restrict your ability to explore leading indicators – and instead gives you total freedom to navigate in and around your data.

EXAMPLES: REVERSE-ENGINEERING KPIS

Role	Senior-level executives	Business units
Specific Goal	Double sales in the coming year.	Quadruple the number of net-new leads in the sales pipeline.
Sample KPI	Year-over-year sales.	The number of net-new leads in the sales pipeline.

2. Create a KPI-driven culture.

Boost data literacy across all your teams.

Choosing more strategic KPIs is an essential first step. But before you roll out any new KPIs, it's important to do a reality check about how they'll be received. Ask yourself: Will everyone in your organization understand what your KPIs mean? Can each team member take the appropriate action to improve performance?

Chances are, the answer is no – and that's normal. In fact, only 24% of business decision-makers are confident in their ability to read, work with, analyze, and argue with data.* That's why boosting data literacy has risen to the top of the priority list for so many enterprise leaders. The clearer people are on what the numbers mean, the more empowered – and inspired – they'll be to focus on work that makes the biggest impact.

PRO TIP

EXECUTIVE BUY-IN IS KEY

The best way to reinforce the importance of a KPI is to have executives refer to KPIs in stand-ups, meetings, and performance reviews.

*The U.S. Data Literacy Survey, conducted by Censuswide on behalf of Qlik, August 2017–February 2018.



2. Create a KPI-driven culture.



The KPI iteration process.

How can you boost data literacy to support your KPI strategy?



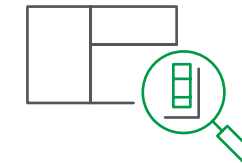
1. STRUCTURE PROGRAMS TO INCLUDE TRAINING

When people understand how their work affects bigger organizational priorities, it gives their jobs meaning. It also helps them feel involved and important, instead of being asked to do yet another task that adds to their workload.



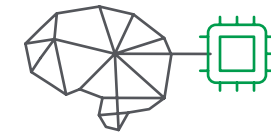
2. ASSIGN OWNERSHIP TO THE RIGHT PEOPLE

Different stakeholders have different lenses into your KPIs. Each person on your team should own the KPIs that most closely align with their knowledge, skills, and ability to influence outcomes. And once you determine the relationships between your leading KPIs and various hierarchies of your lagging KPIs, you can create groups of KPIs appropriate for each organizational level.



3. DEEPEN VISIBILITY TO AVOID KPI SPRAWL

Your BI solution should allow stakeholders to drill down into any dashboard for a closer look at the numbers behind the numbers. That way, they can find the information they need without creating more KPIs. For example, if one of your products is underperforming, managers will want to dig beneath the aggregated results to learn what's going on with sales, service, costs, and operations.



4. GET A BOOST FROM TECHNOLOGY

BI platforms have made tremendous leaps in recent years, leveraging innovations like natural-language queries, Augmented Intelligence, and machine learning (ML) to become much more intuitive for users at any level – and helping users surface insights they otherwise wouldn't have seen. If you're in the market for a BI solution, search for one that's engineered to increase data literacy for everyone on your team.



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Today, using the right statistics is necessary to compete. More to the point, identifying and exploiting them before rivals do will be the key to seizing advantage.”

— MICHAEL J. MAUBOUSSIN

“The True Measures of Success,” *Harvard Business Review*, October 2012

3. Establish a process of KPI iteration.

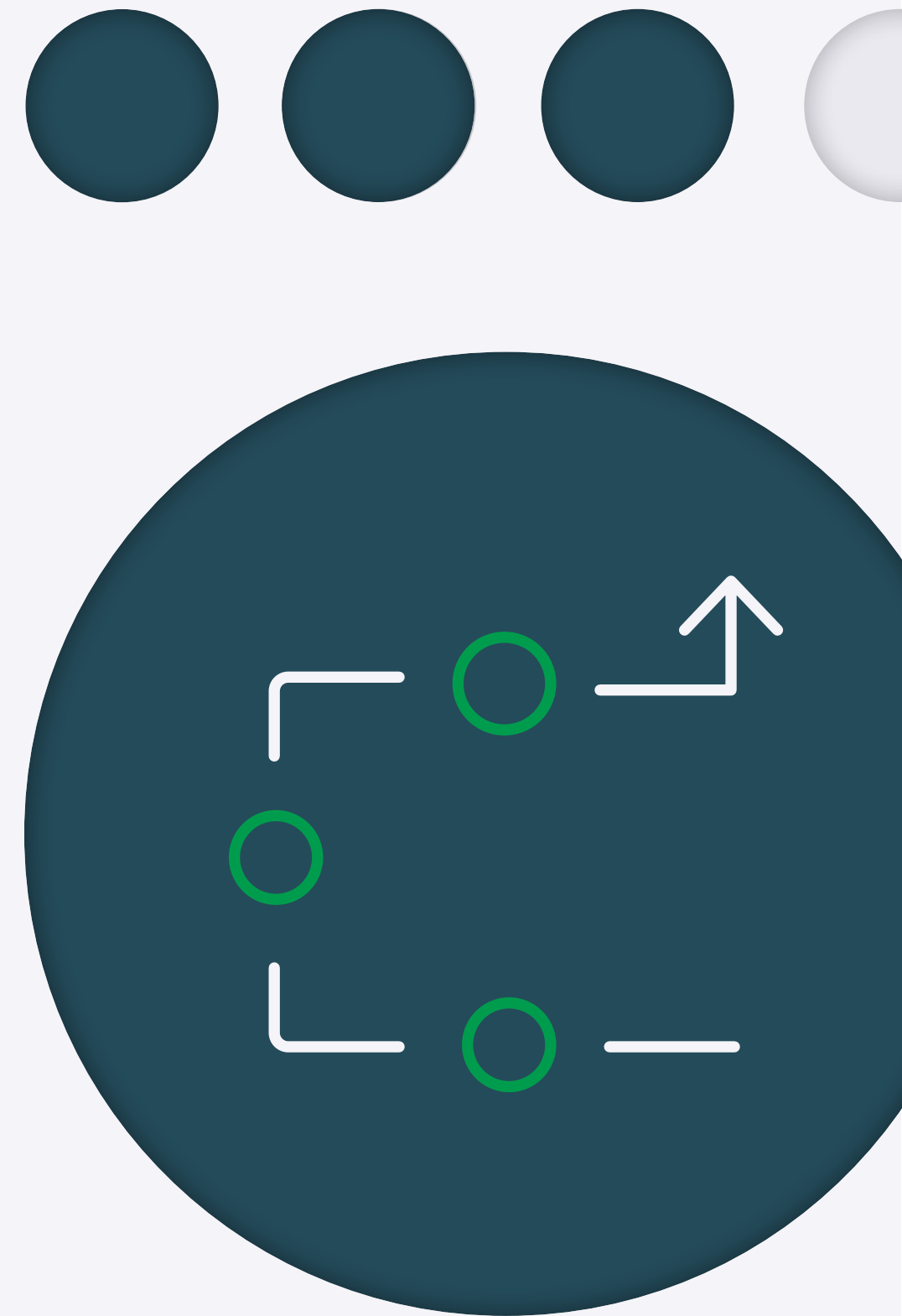
Evolve and refine your KPIs on a schedule.

KPIs, like everything else in business, are subject to change. Over time, your customers will behave differently. Your business goals will evolve in response to the market. You may discover that a KPI isn't helping you progress toward a goal or that it's driving the wrong actions. That's why it's important to establish a formal process of iteration to monitor what's working and what's not.

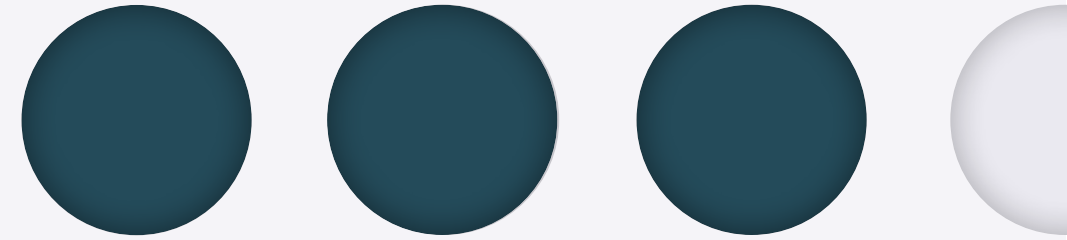
PRO TIP

WHEN IS IT TIME TO CHANGE A KPI?

There are plenty of reasons to revise or replace a KPI – including success. For instance, you may be a sales manager whose top KPI is total sales per rep. What happens when your reps rise to the occasion, and everyone begins to consistently perform above the target? You might need to set higher targets or increase territory sizes. Or you might want to shift your KPI to an efficiency metric, such as customer lifetime value.

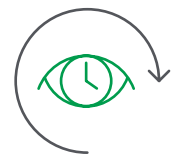


3. Establish a process of KPI iteration.



The KPI iteration process.

Follow these steps to keep your KPIs on track as your market, industry, customers, and business evolve:



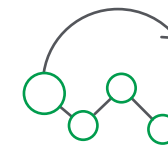
1. SCHEDULE REVIEWS ON A RECURRING CYCLE

Gather stakeholders to review KPI data on a schedule that follows the natural cadence of your business. For example, telecom companies bill monthly, so once-a-month KPI meetings make sense. Software companies usually release products and financials quarterly, so quarterly meetings may be more appropriate for them.



2. ASK THE RIGHT QUESTIONS

- Do you see any trends or significant changes from last quarter?
- Are any of your KPIs underperforming?
- Are your leading KPIs appropriately informing your lagging KPIs?
- Do the right people own the right KPIs?
- Have any objectives changed?



3. UPDATE YOUR KPIS AND PUBLICIZE ALL REVISIONS

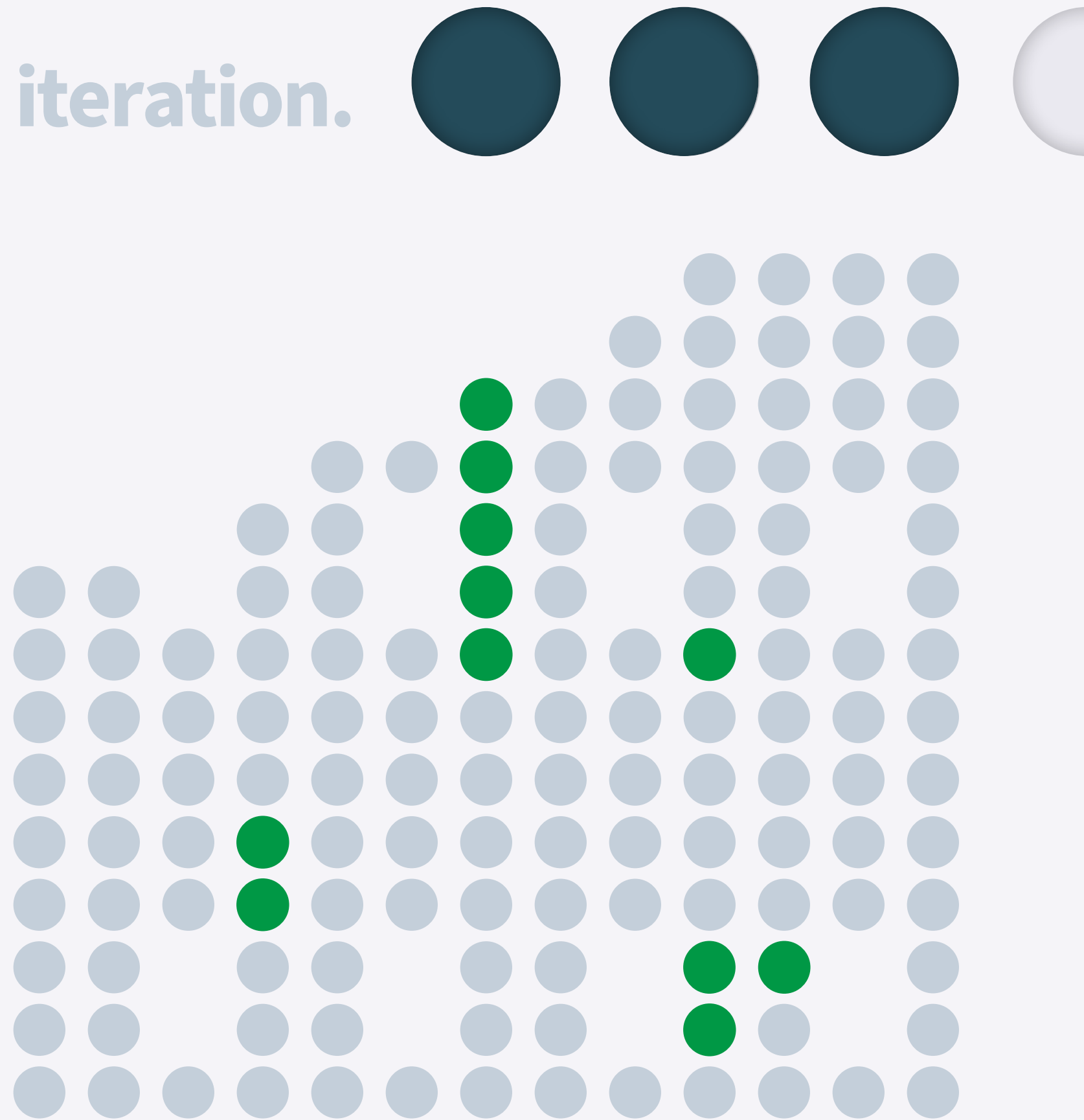
- With the information gathered above, revise or reinvent KPIs as appropriate.
- Establish clear next steps to link KPI insights to action.
- Inform all stakeholders of all updates.

3. Establish a process of KPI iteration.

Using KPIs to lead in your market – and your industry.

It's no secret that in the digital era, businesses must use data for every possible advantage. KPIs are a vital tool in your data toolbox, helping you focus your approach to using data to lead.

The right KPI strategy involves not only choosing the most appropriate metrics but tracking your progress toward them, managing your team so that acting on the right KPIs at the right time becomes a part of your company's culture, and consistently reinventing your KPIs so that they're always serving your business. When you follow the processes outlined above, you'll end up with fewer but more effective KPIs to monitor – which means you can focus on what really counts.

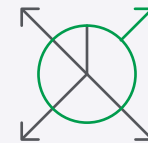


You don't have to go it alone.

Having the right analytics solution makes a difference. Qlik® is built to empower enterprises to much more quickly, easily, and continually establish successful KPIs – including helping you build a KPI-driven culture by supporting data literacy. Our platform gives everyone in your organization, no matter what their skill level, the ability to:



ACCESS INSIGHTS IN NEAR-REAL TIME AND COURSE-CORRECT OR CONTINUOUSLY IMPROVE



EXPLORE ALL YOUR DATA IN ANY DIRECTION, INCLUDING PIVOTING TO OTHER AREAS



DEEPEN INSIGHTS AND BOOST DATA LITERACY WITH THE HELP OF AUGMENTED INTELLIGENCE

Curious about all the ways you could leverage the Qlik platform to support a stronger, smarter, higher-performing KPI strategy? We're ready to help.

Start with a look at how current customers are succeeding with Qlik >

About Qlik

Qlik is the global leader in data integration, data quality, and analytics solutions. Its comprehensive cloud platform unifies data across cloud and hybrid environments, automates information pipelines and data-driven workflows, and augments insights with AI. Qlik enables users to make data more available and actionable for better, faster business outcomes. With more than 40,000 active customers in over 100 countries, Qlik is committed to providing powerful data solutions to meet the evolving needs of organizations worldwide.

