

Key Performance Indicators (KPIs) Are Valuable Tools for Small Business Owners

If you're a small business owner, then you know that gauging the performance of your business is one of the most difficult tasks you face. The indicators and measures that you work with on a day-to-day level are not necessarily reflected in the criteria and metrics that are provided on paper, and it's hard to know what to trust and which information is best to use. It is essential that business owners have a reliable, understandable way to tell whether things are going well or need improvement, and that's why using and understanding your Key Performance Indicators (KPIs) is so vitally important.

The value of Key Performance Indicators cannot be overstated. They are objective, black and white measures of all of your business processes and performance, and provide you with a clear and straightforward way of seeing what is working and what needs more work. Many business owners find the idea of implementing the use of Key Performance Indicators a bit intimidating – they don't understand exactly what they mean or how to use them – but with a small investment of time, you will quickly find them extremely accessible and useful. Key Performance Indicators will likely become your go-to method of “taking your business' temperature” and determining whether it is healthy or not.

Though at first glance your Key Performance Indicators may seem like a lot of numbers without meaning, once you have learned what each one means and how it relates to your business' performance you will find that reviewing them will give you a much greater sense of control over your short-term and long-term outlook. Every single number that your business generates has some value, and once you begin using them and understanding you will quickly be able to determine which are most important for your individual purposes. You will be able to use Key Performance Indicators not only to compare current performance to past performance or goals, but also to look at how you fare when compared to others within your industry. You will quickly be able to see what may have been previously hidden, such as that a specific area of your business is doing particularly well, or that another area is lagging. Looking at Key Performance Indicators can provide you with a clear path to improvement.

Every business relies upon different Key Performance Indicators, so it is important for you to familiarize yourself with each in order to determine which have the most value for you. The KPIs that are most frequently used by small businesses include:

- Length of Average Employee Tenure
- Value of Average Customer Purchase Order
- Cash Conversion Cycle
- Lifetime Value of Individual Customers
- Return on Investment
- Gross Profit Margin
- Net Profit

- Net Profit Margin
- Debt-to-Equity Ratio
- Operating Expense Ratio
- Price Earnings Ratio
- Operating Profit Margin
- Average Order Fulfillment Time
- Working Capital Ratio
- Time to Market
- Return on Assets
- Return on Capital Employed
- Return on Equity
- EBITDA
- Revenue Growth Rate
- Individual Sales Rep Revenue
- Total Shareholder Return