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TECHNOLOGY AND INNOVATION NEWS
FROM THE NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

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How to Put KPIs to Work for Your Business

KPI is a three-letter acronym that is coming up in more conversations, but what does it really mean? A key performance indicator is a quantifiable measure that can be used to determine critical factors that drive your operating model. For the construction industry, KPIs are becoming more prevalent, and are used to measure the effectiveness of important functional areas within your business. It is no longer viable to give generalities about the health of a business. Numbers speak louder than words. The ability to measure success and productivity is driving more business owners to start tracking their own KPIs.

KPIs are not an exact science. The metrics that determine the health of a business are unique to its industry and, in most cases, the business itself. For example, a marketing firm might determine success on how many advertisements are sold in a year, while a hospital might measure success on ER wait times. KPIs also possess the unique feature of essentially being the CliffsNotes version of a novel. Instead of sifting through mounds of raw data, KPIs are designed to highlight the metrics that allow you to see if operations are increasing, decreasing or maintaining. Another way to visualize KPIs is with something called the "dashboard effect." This acts as a barometer of the business' success in a concise, one-page (screen) report.

In terms of the electrical contracting industry, business owners are housing mounds of data sometimes unbeknownst to them. While some businesses track their data (usually in a spreadsheet), they rarely analyze it. It is one thing to have a spreadsheet, but analyzing that data to determine if relationships or correlations exist brings meaning to the numbers. Data can tell a story, and KPIs can highlight

the best parts of the story. For example, an employer might be collecting data about their company, such as project timelines, worker attendance, labor hours and cost, etc. However, with the proper KPI application, the employer could see trends developing that can either be addressed if problematic or encouraged if successful. For example, an employer might track jobsite attendance, and the resulting dashboard of KPIs could look like this:
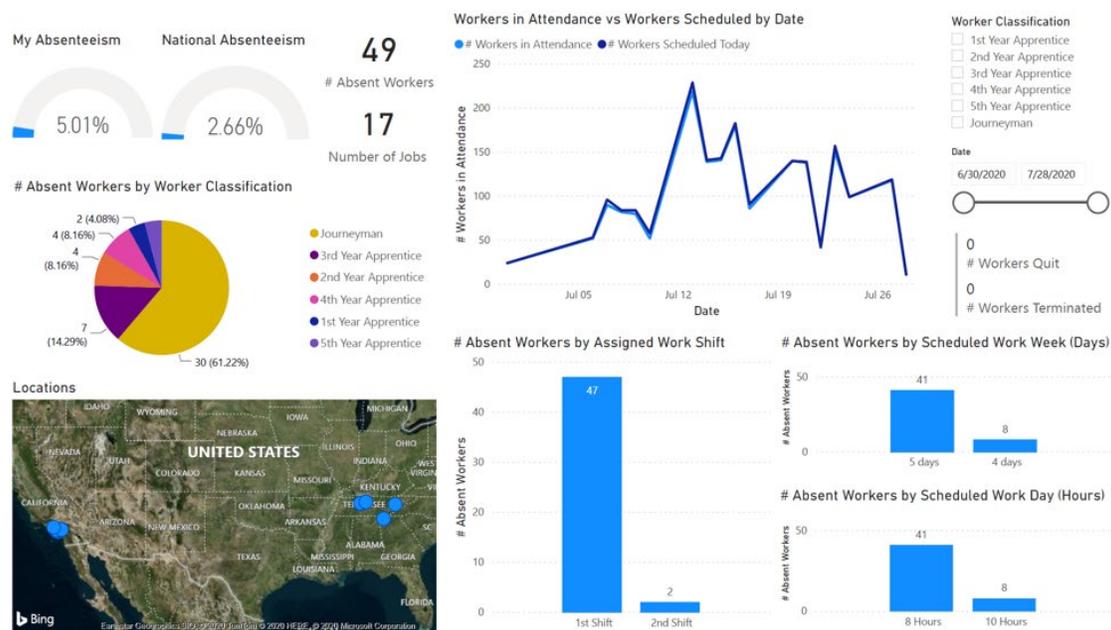
By applying KPIs to attendance, a business can not only see trends that may be developing in their own company, but they can also benchmark themselves against nationally available data. In this example, the company has experienced a 5.01% employee absenteeism rate. This rate can then be compared to the national rate, 2.66%. This company now knows they are experiencing higher absenteeism than other companies, and using this data, they can then take a deeper dive into the report to determine when/where they are experiencing the highest absent rates and seek remedies to bring itself in line with the benchmark.

KPIs can measure your success and put that success into perspective. With a spreadsheet, the company only has numbers. With the power of KPIs, the company has the whole story.

By Amanda Harbison
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