

# Why Business Metrics Matter: Making the Case for KPIs

By Chris Rickman, FSMPS, CPSM

As marketing and business development professionals, it's critical that we understand how our firms operate and make money. We should have the knowledge and data to be the voice of reason, and to guide our firms to sound strategic business planning that filters into every aspect of our business.

These areas range from big-picture market focus to good go/no-go decision processes, from hiring staff to ensuring billable efforts, and from managing expenses to making sure they generate a return on investment. Understanding these key business concepts positions us as marketers who can transform our businesses.

Here are some additional insights on how key performance indicators (KPIs) can help take your firm to the next level in three key areas.

## Business Operations

Recognizing the limitations of your current systems to collect and track this data can be transformative. Recently, I was asked to help a structural engineering firm with their accounting system. In our discovery sessions, we determined the firm wasn't using the full capability of their system, nor was it set up to be effective as a business management tool.

We identified KPIs they could begin tracking and set up a dashboard for each project team. We then trained the project managers how to use the data to manage their labor, billing, and profitability throughout the project. The effort helped the firm leaders and project managers improve all their project metrics, and in turn improved the profitability and morale of the firm.

## Client Management

Firms are often reluctant to fire their clients. One firm struggled to comprehend why their perception of success wasn't reflected in their profitability. Once we identified the firm's KPIs, we applied them to each of the firm's

clients. We discovered the firm's top client provided 60% of the firm's revenue, but the profitability on that work was far below the target.

Using that type of insight, the firm's client service teams then brainstormed ways to change their approach to each client to improve overall profitability. Ideas ranged from selling additional services, evaluating staff performance, increasing the fee structure, implementing better client and project management processes, or simply phasing out business development efforts with that client as projects were completed.

## Risk Management

The events of 2020 illustrate the value in assessing various risks to your business and developing plans to mitigate them. During a strategic planning exercise, I worked with a firm to evaluate what the future might look like from a profitability perspective—good, bad, and ugly. We then determined what the firm would look like in each of those scenarios; how profitability would affect staffing, benefits, and growth; and what changes the firm would need to make to continue to stay in operation.

While looking at the future that way can be frightening, it also gives you confidence in a plan of action. By tracking the data closely, you can make incremental changes to improve the situation throughout the year rather than dealing with year-end surprises.

MARKENDIUM, the SMPS Body of Knowledge (BOK), Domain 6: Management offers further detail on business metrics you can use to guide your strategic planning from a whole-firm perspective. ■



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This sidebar accompanies "Why Business Metrics Matter: Making the Case for KPIs," by Chris Rickman, FSMPS, CPSM, which appeared in the April 2021 *Marketer*.