

## Member Communication Experience

# How Do I Create a KPI for My Business?

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### WHAT IS A KPI?

A KPI, or Key Performance Indicator, is a measurable value that shows how well your company — or a specific function — is progressing toward a goal. In practice, KPIs serve as your scoreboard, helping you understand if your business is healthy, improving, or falling behind. They're not about tracking everything. They're about tracking the right things, with just enough structure to ensure action follows insight.

KPIs differ from general metrics in that they're tied to outcomes that matter — such as profitability, efficiency, customer satisfaction, or team productivity. If it doesn't inform a strategic decision, it's not a true KPI.

### WHY KPIS MATTER

As your business grows, complexity increases. You have more people, more moving parts, and less time to analyze every detail yourself. That's where KPIs come in. They help you narrow your focus to the most important performance signals — allowing you to lead proactively instead of reactively.

Well-structured KPIs help you:

- » Reinforce accountability without micromanagement
- » Spot red flags before they become crises
- » Measure progress objectively
- » Clarify team priorities

Without KPIs, your leadership team risks flying blind — or making decisions based on feel instead of facts.



### COMMON KPI EXAMPLES (BY BUSINESS AREA)

Let's explore how KPIs show up across core business functions. Rather than just listing dozens of metrics, focus on the why behind each one — and how they can guide stronger performance.

Finance KPIs are critical to understanding if your company is financially viable and positioned for sustainable growth. Metrics like net profit margin, cash flow from operations, and days sales outstanding (DSO) reveal whether your revenue is translating into retained earnings and whether you're managing working capital effectively.

In sales and marketing, KPIs should focus on efficiency and conversion — not just volume. Instead of measuring how many leads you get, track the cost per lead, lead-to-close conversion

rate, and customer acquisition cost (CAC) to understand how much it takes to win new business and how long it takes to convert.

Operational KPIs ensure your internal systems are working. A few worth tracking include on-time delivery rate, production efficiency, and project completion cycle time. These tell you whether your team is hitting timelines, minimizing waste, and operating with discipline.

For customer success, the goal is loyalty and satisfaction. KPIs like net promoter score (NPS), customer churn rate, and time to resolve support requests help you evaluate the quality of your relationships and how likely your clients are to stick around – and refer others.

And finally, people-focused KPIs track how well you attract, engage, and retain talent. Think beyond headcount. Measure time to hire, employee retention, and internal engagement or culture scores to understand whether your company is a place people want to grow.

### WHAT MAKES A KPI “WORK”?

Many businesses build dashboards that look impressive but fail to guide real action. What separates a high-impact KPI from a meaningless one is how it connects to strategy and decision-making. The best KPIs are:

- » Outcome-based, not activity-based
- » Regularly reviewed by accountable owners
- » Contextualized against targets or benchmarks
- » Capable of triggering action when performance shifts

Tracking KPIs without acting on them leads to data fatigue. To avoid that, build KPIs into your leadership cadence and use them to guide weekly, monthly, and quarterly decision-making.


### KPIs ARE YOUR BUSINESS LANGUAGE

When every team understands what they're being measured on – and why – they begin to self-correct. KPIs act like a shared language inside your company. Your leadership team starts to think the same way, prioritize the same problems, and recognize the same opportunities.

This alignment is what separates chaotic growth from scalable growth. It gives you the ability to lead through clarity – not constant intervention. And it helps your managers become

decision-makers, not task managers.

### FINAL WORD: YOU DON'T NEED MORE DATA — YOU NEED BETTER FOCUS

KPIs aren't about complexity. They're about clarity. A handful of carefully chosen KPIs can give you far more leverage than dozens of scattered metrics. When built around your goals and reviewed regularly, they become a powerful tool for strategy execution and accountability. 



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### About the Author

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Steve Coughran is the founder of [Coltivar](#) and a trusted partner to construction and service-based businesses that want to grow without the chaos. With deep experience in finance, strategy, and operations, Steve helps owners get clear on their numbers, fix what's holding them back, and build companies that are actually worth owning.

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### About the Article

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