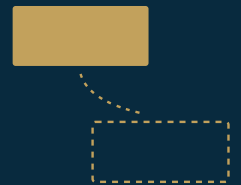


KANBRICK

KANBRICK BUSINESS SYSTEM BRIEF

KPIs

# From Strategy to Scorecard



## INTRODUCTION

# Why KPIs Matter

In many ways, **KPIs act as the cornerstone of the Kanbrick Business System**. They weave together strategic logic, financial outcomes, and team alignment by:

- 1 **Translating strategy into clear outcomes:** separating true signal from day-to-day noise.
- 2 **Linking financial targets to action plans:** tying budget goals to underlying operating levers and to the initiatives that achieve them.
- 3 **Creating a shared scoreboard:** so every team and individual knows what matters and who owns it.

They also shape culture. Because KPIs focus on **outcomes rather than tasks**, they change how people think about their jobs. When every team can see, on one page, whether they're winning or slipping, three cultural shifts take hold:

**Accountability replaces ambiguity.**

When a metric turns red, there's no confusion about who owns the next move; the name is right beside the number. A red metric is simply a shared signal: *"Something's off; let's dig in and fix it."* Clear ownership drives action, while transparency lets everyone see progress in real time.

**Empowerment replaces compliance.**

Clear targets tell people what must improve but not how. That freedom invites frontline experimentation (new process tweaks, technology pilots, customer-feedback loops) because anyone can see immediately whether a change moves the needle.

**Learning replaces luck.**

Consistent measurement builds an institutional memory. Teams notice patterns ("Every time uptime tops 96%, warranty calls drop"), capture the lesson, and raise the bar. Over time, the organization behaves less like a collection of heroic fire-fighters and more like a disciplined learning machine.

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In short, KPIs don't just report the culture; they create it: one transparent metric, one clear target, and one owned outcome at a time.

## KPIs, reporting, analytics, and milestones

There is often confusion around KPIs, relative to other key data like reporting or analytics. Each plays a distinct role in managing a business. Here's how we like to think of them:

### Reporting

Any regularly tracked data, providing awareness of business performance  
e.g. Monthly sales report

### Analytics

Ad-hoc deep dives to answer specific questions or solve targeted problems  
e.g. Customer churn analysis

### KPIs

Select subset of critical financial & non-financial metrics closely tied to strategy, assigned clear accountability  
e.g. Customer retention %

### Milestones

One deliverable, one owner, one date, for change-the-business work a running metric cannot yet capture. Use a KPI for run-the-business work that has a standard.  
e.g. New ERP live by June 30

While reporting and analytics provide valuable context, KPIs stand out due to their strategic importance. They reflect your most critical business drivers, align clearly to individual and team accountability, and explicitly link day-to-day activities to broader strategic and financial objectives.

## THE PROBLEM

# Five common pitfalls

In our work with midsize businesses, we find many teams struggle to get full value from KPIs, often running into five common pitfalls:

| Pitfall                                     | Description                                                                                                                                                                      | Example                                                                                                               |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 1 <b>Over-reliance on financial metrics</b> | Teams monitor the scoreboard (revenue, margin) closely, spending less time on the on-field plays (customer retention, regional sales productivity, NPS) that actually move them. | Revenue gets a weekly review, while customer retention % or NPS don't make the agenda or aren't tracked at all.       |
| 2 <b>Reporting overload</b>                 | Excessive data and reporting drowns out important signals, reducing clarity around what really matters.                                                                          | A 20-page quarterly "Voice of Customer" deck with 32 survey questions buries the one metric that should drive action. |
| 3 <b>Missing or misaligned KPIs</b>         | KPIs don't mirror the strategy, or key priorities have none at all.                                                                                                              | "We're customer-first," yet only complaint tickets are tracked; no metric captures proactive satisfaction.            |
| 4 <b>Lack of KPI targets</b>                | Numbers exist, but no one knows what "good" looks like, so nothing moves.                                                                                                        | Customer Satisfaction is reported at 78, but there's no goal, trendline, or plan to reach 85.                         |
| 5 <b>Lack of clear KPI accountability</b>   | KPIs aren't clearly assigned to individuals or linked to incentives, causing accountability to slip.                                                                             | Customer satisfaction is "everyone's job," so no single leader drives improvements or ties it to incentives.          |

## THE APPROACH

## So, how do you avoid these pitfalls and actually make KPIs work?

At Kanbrick, we take a step-by-step process to KPIs across three distinct steps:

**1****Pick the right KPIs**

Choose metrics that directly drive your strategic and financial goals.

Pages 5-17

**2****Set concrete targets**

Make KPIs actionable by connecting them directly to your financial plan.

Pages 18-19

**3****Assign clear ownership**

Create accountability and empower teams to proactively solve problems.

Pages 19-20



**Kanbrick Community.** KBS learning in action at a Kanbrick Community event.

## 1

## STEP 1 · PICK THE RIGHT KPIS

# The Art of Selecting the Right KPIs

*Selecting the right KPIs is more art than science.*

In his excellent book *The Outsiders*, Will Thorndike highlights how exceptional CEOs often obsess over one or two specific, non-obvious metrics they believed would fundamentally drive their company's long-term success. For example, John Malone of TCI focused on cash flow and subscriber growth rather than reported earnings, understanding intuitively that expanding the customer base was the essential driver behind broader strategic and financial outcomes. This intense clarity allowed Malone to confidently align decisions and resources, knowing that improving this single metric would ensure the overall strategy succeeded.

Great KPIs look upstream. They pull attention away from end-of-month scoreboards and onto the handful of levers (customer retention, labor hours per unit, turnaround time) that teams can actually move. The list should hit a Goldilocks sweet spot: wide enough to cover every critical driver, but tight enough that every employee can point to their number. Most importantly, **each KPI must echo your unique strategy**, so daily actions snap cleanly to long-term wins.

## Kanbrick's "Goldilocks" rules for selecting KPIs

### 1 Less is more

Start with ~15-20 company KPIs to maintain clarity and focus, with no more than five per functional leader.

### 2 Outcomes over activities

Track the result you want (e.g., "on-time installs") instead of the inputs (e.g., "number of site visits"). Outcome metrics encourage teams to think creatively and innovate rather than simply finish tasks.

### 3 Balance leading and lagging indicators

Pair metrics confirming results (lagging) with metrics signaling future performance (leading) to proactively influence outcomes.

### 4 Quantitative and qualitative<sup>1</sup>

Hard numbers explain what happened; sentiment explains *why*. Use lightweight tools (pulse surveys, structured call notes, quick NPS polls) to gather qualitative data you can refresh regularly.

<sup>1</sup> Jeff Bezos from an interview with Lex Fridman: "I have a saying which is: When the data and the anecdotes disagree, the anecdotes are usually right. It's usually not that the data is being miscollected. It's usually that you're not measuring the right thing. If you have a bunch of customers complaining about something, and at the same time your metrics look like they shouldn't be complaining, you should doubt the metrics."

## STEP 1 · THE FIVE CATEGORIES

# To make KPI selection easier on ourselves, we organize them into five categories:

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- |   |                                                                              |         |
|---|------------------------------------------------------------------------------|---------|
| 1 | <b>Growth</b><br><i>Revenue sources and demand</i>                           | PAGE 7  |
| 2 | <b>Efficiency</b><br><i>Costs and capital productivity</i>                   | PAGE 10 |
| 3 | <b>Customer Value</b><br><i>Customer expectations and experience</i>         | PAGE 12 |
| 4 | <b>Team &amp; Culture</b><br><i>Employee experience and retention</i>        | PAGE 14 |
| 5 | <b>Risk Management</b><br><i>Regulatory, financial, and operational risk</i> | PAGE 16 |
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Below, you'll find a straightforward playbook for each category, complete with examples, so you can zero in on what matters most and keep every team accountable to the same strategic priorities.

# 1

CATEGORY 1 OF 5

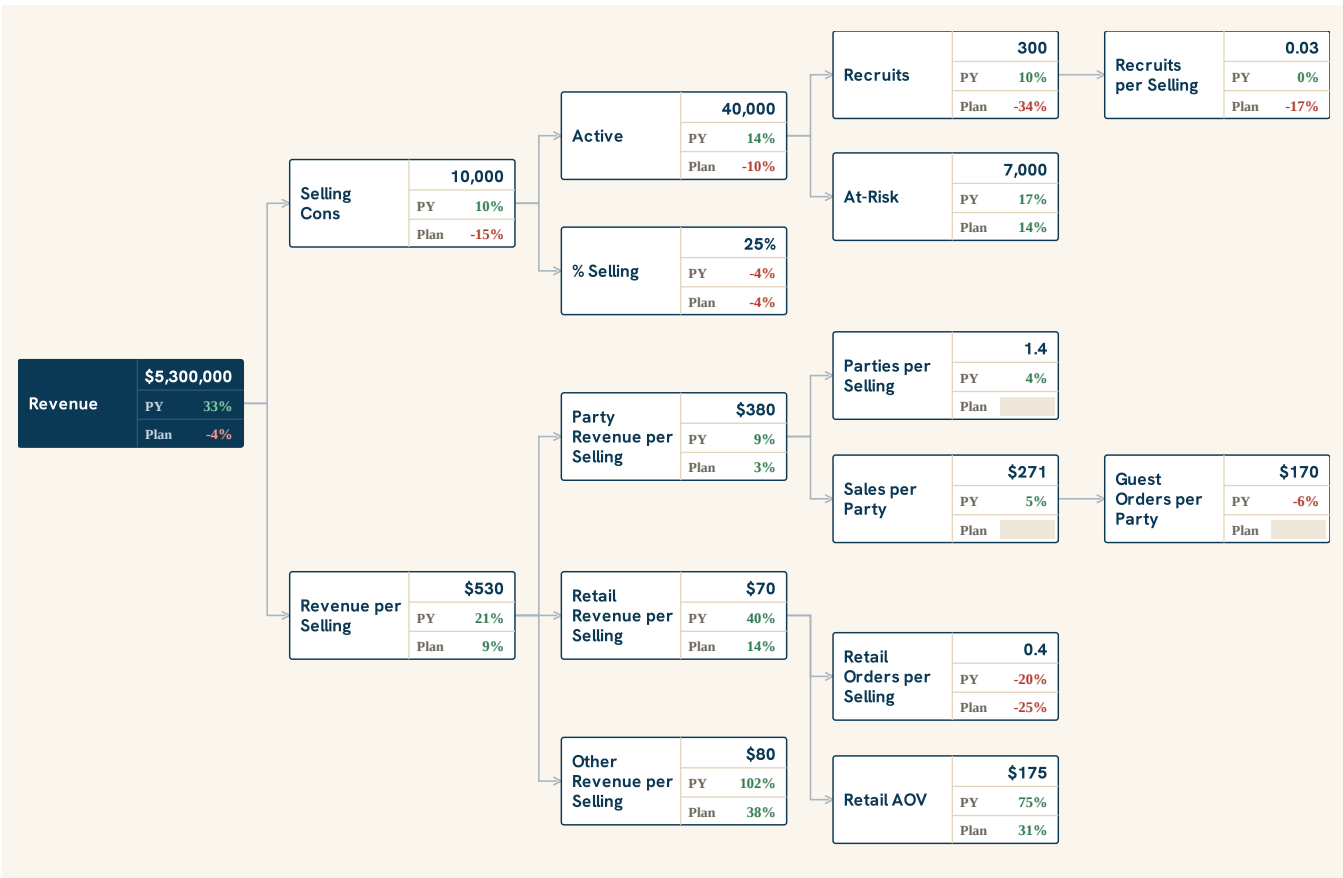
## Growth KPIs

*Choosing the right revenue drivers is often the hardest part of building a scorecard.*

Growth Efficiency Customer Value Team & Culture Risk Management

There are countless ways to segment and analyze topline performance by customer segments, channels, products, pricing, and more. To cut through this complexity, we use a tool called a **driver tree**: a one-page map that breaks total revenue into a few first-principle components. The tree shows, at a glance, which branches actually move the top line and which are just interesting trivia.

EXHIBIT 1 A revenue driver tree



Each box shows the current value and its change against prior year (PY) and plan. Green is ahead; red is behind. Shaded cells have no plan.

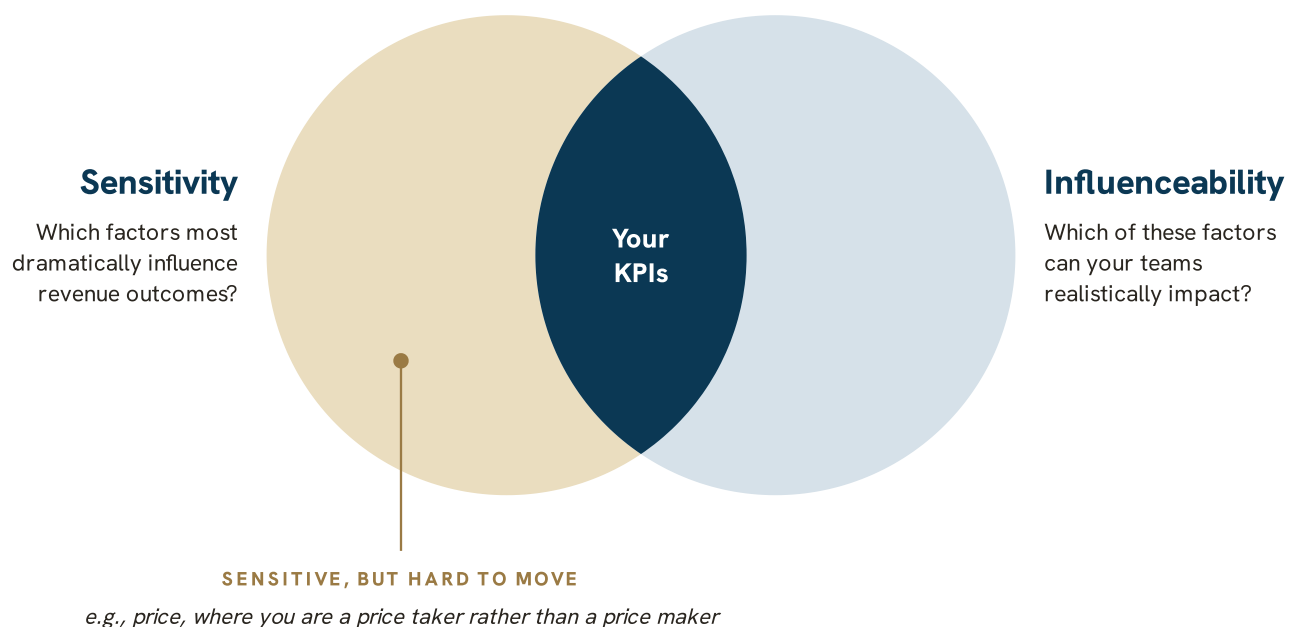
For example, consider the attached driver tree visual. At a glance, the chart clearly shows why revenue missed expectations: it wasn't due to productivity (revenue per selling consultant was up), but instead resulted from a shortfall in active selling consultants. Digging deeper reveals this shortfall stems from two distinct issues: too few consultants overall ("Active") and fewer active sellers ("% Selling").

The driver tree helps teams quickly pinpoint actionable areas of focus. Recruiting can add new consultants, training teams can increase seller activation, and marketing can enhance productivity. By matching these clear components to specific teams and roles, driver trees transform vague performance issues into actionable problems, so problems get solved faster.

## With the driver tree in hand, picking KPIs gets easier.

Prioritize components based on two criteria: **sensitivity** (which factors most dramatically influence revenue outcomes?) and **influenceability** (which of these factors can your teams realistically impact?).

### EXHIBIT 2 Sensitivity and influenceability



A driver earns a place on the scorecard only when it passes both tests. Some of the most sensitive drivers fail the second one. Price is the common example: in many markets, midsize businesses are price takers rather than price makers, so price moves revenue a great deal but your teams can do little to move it. Track it, but build KPIs around the drivers your teams can act on.

Prioritizing KPIs that meet both tests, and pass the Goldilocks Rules check, ensures your metrics are strategically aligned and directly actionable.

Below is a structured table outlining common growth-driver categories that can be used to build various driver trees and example KPIs tailored for both B2B and B2C organizations:

| Category                                           | What it explains                                                             | Example B2B KPIs                                                                                                                                               | Example B2C KPIs                                                                                                             |
|----------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>Market / Customer Mix</b>                       | Which customer or market segments are driving (or dragging) revenue growth.  | <ul style="list-style-type: none"> <li>Revenue by customer industry, size, or other segments</li> <li>Share-of-wallet in top accounts</li> </ul>               | <ul style="list-style-type: none"> <li>Revenue by demographic or region</li> <li>Market-share % in target segment</li> </ul> |
| <b>Channel &amp; Product Mix</b>                   | Where revenue comes from (channels) and which products/services are selling. | <ul style="list-style-type: none"> <li>Revenue by channel (direct, dealer, etc.)</li> <li>Product-line / SKU mix</li> <li>Revenue from new products</li> </ul> | <ul style="list-style-type: none"> <li>Revenue by channel (e-com, retail, affiliate)</li> <li>Category / SKU mix</li> </ul>  |
| <b>Price &amp; Volume Mix</b>                      | The core revenue equation: are we winning on price, on volume, or both?      | <ul style="list-style-type: none"> <li>Price per unit (controlled for mix)</li> <li>Units shipped / volume YoY</li> </ul>                                      | <ul style="list-style-type: none"> <li>Average order value</li> <li>Units sold / transactions</li> </ul>                     |
| <b>Price Realization</b>                           | Whether we're actually capturing the value we aim for on each sale or deal.  | <ul style="list-style-type: none"> <li>Price realization vs. list</li> <li>Average discount %</li> <li>Deal margin</li> </ul>                                  | <ul style="list-style-type: none"> <li>Realized selling price vs. list</li> <li>Promo mix vs. margin impact</li> </ul>       |
| <b>Top-of-Funnel Demand</b>                        | Raw inbound interest that fuels future sales.                                | <ul style="list-style-type: none"> <li>Marketing-qualified leads</li> <li>Demo / quote requests</li> </ul>                                                     | <ul style="list-style-type: none"> <li>Unique site visits / app installs</li> <li>Email sign-ups</li> </ul>                  |
| <b>New Customer Acquisition</b>                    | How effectively we convert prospects into first-time buyers.                 | <ul style="list-style-type: none"> <li>New-logo wins</li> <li>Lead-to-win rate</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>First-time buyer count</li> <li>Add-to-cart → purchase conversion %</li> </ul>        |
| <b>Existing Customer Retention &amp; Expansion</b> | How well we keep, and grow, the customers we already have.                   | <ul style="list-style-type: none"> <li>Net Revenue Retention (NRR)</li> <li>Expansion ARR</li> <li>Churn rate</li> </ul>                                       | <ul style="list-style-type: none"> <li>Repeat-purchase rate</li> <li>Subscription renewal % / lifetime value</li> </ul>      |

Pick only the KPIs that match your driver-tree “hot spots”, assign clear owners, and track them alongside financial outcomes. Done right, growth KPIs shift the conversation from “What happened?” to “Which lever do we pull next?”

## 2

CATEGORY 2 OF 5

## Efficiency KPIs

*Efficiency KPIs shift the mindset from managing costs to getting the most out of your spend.*

Growth **Efficiency** Customer Value Team & Culture Risk Management

Costs are often managed solely through the budgeting process, tracking how spend compares to the planned amounts.

**Efficiency KPIs go a step further:** they clarify the relationship between your spending and the value delivered, helping teams pinpoint exactly how to deliver the same or greater value at lower cost over time. This shifts accountability from simply “staying on budget” to actively improving efficiency.

Identifying the right efficiency KPIs starts by understanding the underlying drivers behind each major spend category (notice every efficiency KPI has a “per”). Costs shouldn’t always be measured purely against revenue. For example, many HR expenses should scale with headcount, not top-line growth. Clearly linking each cost bucket to its correct operational driver ensures you’re tracking the true efficiency of your operations.

### To build your efficiency KPI scorecard, follow this straightforward approach:

#### 1 Identify major spend buckets and their key drivers

Organize your spending by operational area (e.g., production labor, logistics, sales and marketing, G&A, capital) and identify the primary drivers of each cost.

#### 3 Choose efficiency metrics your teams can directly influence

Within each prioritized area, select KPIs clearly linked to spend and value, such as labor cost per unit, customer acquisition cost, or G&A spend per employee.

This structure shifts teams from watching the budget to actively improving efficiency, and that is what funds profitable growth.

#### 2 Prioritize strategic cost areas

Select cost buckets that either represent a significant portion of your total spend or those that deliver lower relative value and therefore need tight management as you grow.

#### 4 Balance cost KPIs with capital-efficiency metrics

Track working capital (e.g., inventory turns, DSO) and return-on-capital (e.g., ROIC) alongside operating costs, ensuring profitability translates into real cash and strategic flexibility.

| Sub-area                             | Why it matters                                                   | Representative KPIs                                                                                                                                                                              |
|--------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>COGS EFFICIENCY</b>               |                                                                  |                                                                                                                                                                                                  |
| <b>Labor &amp; Production</b>        | Labor hours, uptime, and defect costs hit gross margin first.    | <ul style="list-style-type: none"> <li>• Labor productivity (e.g., units per paid hour vs. standard)</li> <li>• Overall equipment effectiveness (OEE) %</li> <li>• % Right-first time</li> </ul> |
| <b>Materials &amp; Procurement</b>   | Sourcing price, yield, and waste drive both margin & cash.       | <ul style="list-style-type: none"> <li>• Material cost % of revenue</li> <li>• Purchase-price variance</li> <li>• Scrap %</li> <li>• Supplier OTIF</li> </ul>                                    |
| <b>Logistics &amp; Distribution</b>  | Moving, storing, delivering product can quietly erode profit.    | <ul style="list-style-type: none"> <li>• Freight \$/unit</li> <li>• Outbound cost % of sales</li> <li>• Perfect-order / OTIF rate</li> </ul>                                                     |
| <b>COMMERCIAL EFFICIENCY</b>         |                                                                  |                                                                                                                                                                                                  |
| <b>Sales Productivity</b>            | Output per sales resource: how leanly demand turns into dollars. | <ul style="list-style-type: none"> <li>• Revenue per sales FTE</li> <li>• Win rate %</li> <li>• Sales cost % revenue</li> </ul>                                                                  |
| <b>Marketing Efficiency</b>          | Dollars required to fill the funnel.                             | <ul style="list-style-type: none"> <li>• Customer acquisition cost (CAC)</li> <li>• Cost-per-lead (CPL)</li> <li>• Marketing cost % of revenue</li> </ul>                                        |
| <b>Customer Service Cost</b>         | Post-sale spend to retain customers and protect LTV.             | <ul style="list-style-type: none"> <li>• Cost per ticket</li> <li>• First-contact resolution %</li> <li>• Support cost % of revenue</li> </ul>                                                   |
| <b>G&amp;A EFFICIENCY</b>            |                                                                  |                                                                                                                                                                                                  |
| <b>IT &amp; Systems</b>              | Tech spend should scale slower than revenue.                     | <ul style="list-style-type: none"> <li>• IT spend % of revenue</li> <li>• SaaS \$/user</li> <li>• Unplanned downtime hours</li> </ul>                                                            |
| <b>Corporate Overhead</b>            | "Keep-the-lights-on" costs must stay lean as you grow.           | <ul style="list-style-type: none"> <li>• G&amp;A spend % of revenue</li> <li>• Finance cost per invoice</li> <li>• HR cost per FTE</li> </ul>                                                    |
| <b>CAPITAL EFFICIENCY</b>            |                                                                  |                                                                                                                                                                                                  |
| <b>Working Capital</b>               | Faster cash cycle frees funds for growth.                        | <ul style="list-style-type: none"> <li>• Inventory turns / DOH</li> <li>• DSO</li> <li>• DPO</li> <li>• Cash-conversion cycle</li> </ul>                                                         |
| <b>Capex &amp; Return on Capital</b> | Long-term investments must earn their keep.                      | <ul style="list-style-type: none"> <li>• ROIC</li> <li>• Capex % of revenue</li> <li>• Payback period / equipment yield %</li> <li>• EBITDA – maintenance capex %</li> </ul>                     |

Using this structured, driver-based approach will help your organization move beyond cost management alone, driving clear accountability for improving efficiency: delivering more value at lower cost over time.

## 3

CATEGORY 3 OF 5

# Customer Value KPIs

*Financial metrics alone can leave blind spots about how customers experience your business.*

Growth Efficiency Customer Value Team & Culture Risk Management

Customer Value KPIs provide clarity, highlighting whether your operational performance aligns directly with the promises you make to customers, whether that's exceptional quality, fast service, strong reliability, or unbeatable price-for-value.

By selecting KPIs that measure these aspects directly from your customers' viewpoint, you ensure you're delivering on your strategic value proposition, safeguarding long-term loyalty and trust even as you achieve short-term financial outcomes.

## To choose the right customer-focused KPIs, follow these practical guidelines:

### 1 Start with your core customer promise.

Clearly define what success means to your customers, such as quality, convenience, speed, reliability, or price-value.

### 2 Select metrics that capture this promise from the customer's perspective.

For instance:

- Businesses emphasizing **quality** might measure Perfect Order rates or product return percentages.
- Those competing on **speed or convenience** could track delivery accuracy, turnaround times, or first-response speeds.
- If you're competing primarily on **price and overall value**, you'll measure perceived value-for-money relative to competitors.

### 3 Develop your voice of customer (VOC) reporting.

Many midsize businesses lack consistent customer insights. Practical ways to address this include:

- Simple automated surveys following key interactions (measuring CSAT or NPS)
- Regular quarterly pulse checks or interviews with important customer groups
- Using scalable tools like AI-driven sentiment analysis on customer calls or support tickets to uncover real-time customer perceptions

The table below provides practical KPIs to measure the major dimensions of customer value:

| Category                                       | Why it matters                                                                          | Representative KPIs                                                                                                                                             |
|------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Satisfaction &amp; Advocacy</b>             | Indicates customer happiness, retention, and willingness to recommend.                  | <ul style="list-style-type: none"> <li>• NPS</li> <li>• CSAT</li> <li>• Post-interaction surveys</li> </ul>                                                     |
| <b>Brand Trust &amp; Perception</b>            | Reflects reputation influencing consideration and customer loyalty.                     | <ul style="list-style-type: none"> <li>• Brand-awareness index</li> <li>• Social sentiment</li> </ul>                                                           |
| <b>Quality &amp; Accuracy</b>                  | Ensures consistent fulfillment of customer expectations.                                | <ul style="list-style-type: none"> <li>• Perfect Order %</li> <li>• Return/defect rate</li> <li>• Warranty claims</li> </ul>                                    |
| <b>Availability &amp; Reliability</b>          | Confirms your product or service is consistently available and dependable.              | <ul style="list-style-type: none"> <li>• In-stock %</li> <li>• Service uptime %</li> <li>• Mean time between failures (MTBF)</li> </ul>                         |
| <b>Convenience &amp; Speed</b>                 | How easily and quickly customers get the value you promise.                             | <ul style="list-style-type: none"> <li>• On-time delivery %</li> <li>• Turnaround time</li> <li>• First-response time</li> </ul>                                |
| <b>Issue Resolution &amp; Recovery</b>         | Effectiveness in solving issues and converting detractors to promoters.                 | <ul style="list-style-type: none"> <li>• Time-to-resolution</li> <li>• Escalation rate</li> <li>• Post-issue NPS</li> </ul>                                     |
| <b>Value-for-Money / Price Competitiveness</b> | Ensures customers consistently feel they're getting good value compared to competitors. | <ul style="list-style-type: none"> <li>• Price index vs. competitors</li> <li>• Value-for-money survey score</li> <li>• Discount frequency vs. peers</li> </ul> |

Selecting and regularly monitoring these KPIs alongside your financial and operational metrics ensures your teams stay focused on delivering your strategic promises to customers, securing long-term satisfaction and sustainable competitive advantage.

## 4

CATEGORY 4 OF 5

## Team & Culture KPIs

*Team & Culture KPIs translate the idea that “businesses are built by people, not spreadsheets” into measurable actions.*

Growth Efficiency Customer Value **Team & Culture** Risk Management

These metrics ensure you’re cultivating a motivated, capable, and engaged team: not only critical for achieving short-term financial targets, but also for driving innovation, productivity, and long-term sustainable growth.

Beyond business outcomes, we believe great businesses are built by people who love what they do and can become their best selves at work. Our goal is to create an environment where everyone finds purpose, grows into their personal and professional full potential, and thrives along the way. Managing to that outcome requires the same rigor in measurement as any other.

### To choose the right Team & Culture KPIs:

#### Identify critical employee segments.

Understand which employee groups (such as top talent, frontline staff, or specialized roles) most impact your strategic outcomes.

#### Balance general and targeted insights.

General employee surveys (Employee CSAT or pulse surveys) measure overall morale, while targeted metrics (like high-performer retention rates) provide deeper insights into strategically important groups.

#### Gather practical and regular data.

Use scalable methods such as quarterly pulse surveys, exit interviews, applicant tracking system data, and structured performance reviews.

The table below provides practical KPIs to measure the major dimensions of team and culture:

| Category                                   | Why it matters                                                                                                      | Representative KPIs                                                                                                                                              |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Engagement &amp; Satisfaction</b>       | Morale and effort drive productivity, innovation, and retention.                                                    | <ul style="list-style-type: none"> <li>Employee CSAT</li> <li>eNPS</li> <li>Pulse-survey engagement score</li> </ul>                                             |
| <b>Retention &amp; Turnover</b>            | High churn erodes culture, knowledge, and customer continuity.                                                      | <ul style="list-style-type: none"> <li>Voluntary turnover %</li> <li>Top talent retention %</li> <li>First-year attrition %</li> </ul>                           |
| <b>Talent Acquisition &amp; Onboarding</b> | Speed and quality of hiring determine how quickly you close capability gaps.                                        | <ul style="list-style-type: none"> <li>Time-to-hire</li> <li>Offer-acceptance rate</li> <li>New-hire 90-day retention</li> </ul>                                 |
| <b>Development &amp; Performance</b>       | Growth opportunities and clear expectations keep talent engaged and prepared.                                       | <ul style="list-style-type: none"> <li>% with active development plans</li> <li>Training hours per FTE</li> <li>Internal-promotion ratio</li> </ul>              |
| <b>Safety &amp; Well-Being</b>             | Protecting employees ensures accountability and reduces downtime.                                                   | <ul style="list-style-type: none"> <li>Recordable-incident rate (TRIR)</li> <li>Lost-time injury frequency (LTIFR)</li> <li>Near-miss reports per FTE</li> </ul> |
| <b>Business System (KBS) Maturity</b>      | At Kanbrick, we believe building stronger management practices is fundamental to building long-term business value. | <ul style="list-style-type: none"> <li>KBS Maturity self-assessment score<sup>2</sup></li> </ul>                                                                 |

Consistently tracking and acting on these KPIs anchors your strategic goals in a healthy, engaged, and high-performing team, building a robust foundation for sustainable growth.

<sup>2</sup> For more detail on how we measure KBS Maturity, you can reach out to [build@kanbrick.com](mailto:build@kanbrick.com)

# 5

CATEGORY 5 OF 5

## Risk Management KPIs

*Growth means very little if a single misstep can halt operations, trigger fines, or erode trust overnight.*

Growth Efficiency Customer Value Team & Culture Risk Management

Risk-management KPIs give your leadership team an early-warning dashboard, flagging exposures before they become costly problems and reinforcing a culture of integrity and accountability.

### Choosing the right risk KPIs

#### 1 Identify high-impact risk areas.

Map the landscape (regulatory requirements, financial controls, cybersecurity, health & safety) and rank them by potential business impact.

#### 2 Track simple, leading indicators.

Focus on process measures that flag risk early (e.g., overdue filings, missed control tests, unpatched systems).

#### 3 Keep the list short and cadence consistent.

A handful of metrics, reviewed quarterly, keeps risk visible without overwhelming the scorecard.

| Category                          | What to watch                                                      | Simple KPIs to track                                                                                                                                                 |
|-----------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regulatory & Statutory Compliance | Meet filing deadlines and pass external audits.                    | <ul style="list-style-type: none"> <li>On-time filings %</li> <li>External-audit findings (count / severity)</li> </ul>                                              |
| Financial Controls & Integrity    | Keep the books clean and cash secure.                              | <ul style="list-style-type: none"> <li>Key-control test pass %</li> <li>100% accurate &amp; on-time month-end %</li> </ul>                                           |
| IT & Cybersecurity                | Prevent breaches, protect data, and keep critical systems running. | <ul style="list-style-type: none"> <li>Critical-patch compliance %</li> <li>Reportable security incidents (count)</li> <li>Critical-system downtime (hrs)</li> </ul> |

Pick the few KPIs most relevant to your industry and risk profile, review them alongside financial and operating metrics, and you'll catch small issues before they become headlines.

## STEP 1 IN SUMMARY

## What “done” looks like

Selecting KPIs is less about finding a perfect formula and more about disciplined focus. Choose a handful of measures that map directly to your strategy and the levers that truly move performance.

At Kanbrick, we know we’re done when we can fit those metrics onto a concise scorecard that sits beside the financials, is easy to share, and is reviewed regularly by the leadership team. The goal isn’t more reporting; it’s cutting through noise and giving everyone a clear line of sight to what matters most. With the right KPIs in place, your team can spend less time guessing and more time driving the outcomes that fuel long-term success.

### EXHIBIT 3 A one-page monthly scorecard (illustrative)

| KPI                         | Owner | Feb actual | vs. plan | vs. PY   | YTD vs. plan | Status    | Next step (required when off track)                                 |
|-----------------------------|-------|------------|----------|----------|--------------|-----------|---------------------------------------------------------------------|
| <b>GROWTH</b>               |       |            |          |          |              |           |                                                                     |
| Bookings                    | MR    | \$2.71M    | -5.2%    | -4.9%    | -9.3%        | Off track | YTD 9% short of plan: pipeline review with each region by 3/15 (MR) |
| Net revenue                 | MR    | \$2.67M    | +3.9%    | +21.9%   | -0.6%        | At risk   |                                                                     |
| New customer revenue        | AL    | \$185K     | +23.3%   | +54.2%   | +13.3%       | On track  |                                                                     |
| Net revenue retention (TTM) | AL    | 103%       | -2 pts   | +1 pt    | -2 pts       | At risk   |                                                                     |
| <b>CUSTOMER VALUE</b>       |       |            |          |          |              |           |                                                                     |
| On-time delivery %          | JP    | 94.1%      | -0.9 pts | +1.2 pts | -0.4 pts     | At risk   |                                                                     |
| Customer NPS (quarterly)    | AL    | 52         | +4       | +7       | +4           | On track  |                                                                     |
| <b>EFFICIENCY</b>           |       |            |          |          |              |           |                                                                     |
| Labor cost per unit ↓       | JP    | \$41.20    | +2.1%    | +0.8%    | +1.6%        | Off track | Overtime in Plant 2: staffing plan reset by 3/10 (JP)               |
| DSO (days) ↓                | CF    | 47         | +2       | -3       | +1           | At risk   |                                                                     |
| <b>TEAM &amp; CULTURE</b>   |       |            |          |          |              |           |                                                                     |
| Voluntary turnover (TTM) ↓  | HR    | 11.2%      | -0.8 pts | -2.1 pts | -            | On track  |                                                                     |
| Top-talent retention        | HR    | 96%        | +1 pt    | +2 pts   | -            | On track  |                                                                     |

Example Co.; owners, numbers, and comments are made up to show the format. One row per KPI, one set of initials per number, and a written next step for every red. Headline financials (revenue, gross margin, EBITDA, cash) sit beside this page in the monthly package. ↓ marks KPIs where lower is better.

## 2

## STEP 2 · SET CONCRETE TARGETS

# KPI Target-Setting

*Good KPI targets turn numbers into clear expectations.*

As a CEO, you already spend significant effort setting precise financial targets like revenue or profit. It's equally critical, and often even more impactful, to apply the same rigor and discipline when defining operational KPI targets. The process of thoughtfully setting these targets clarifies expectations, strengthens accountability, and turns your KPIs into tools that drive real improvement.

However, setting KPI targets can feel harder than setting traditional financial goals. Unlike financial metrics, operational and customer-related KPIs often lack clear historical benchmarks or direct ties to financial forecasts, making targets seem subjective or difficult to define clearly. That's normal and common among midsize businesses.

## We simplify this complexity by sorting KPIs into three clear buckets:

### EXHIBIT 4 Which bucket is it in, and how do you set the target?

|                                                    |                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Is it explicitly connected to your financial plan? | → <b>1 Directly Financial</b><br>KPIs explicitly connected to your financial plan, such as revenue per customer or EBITDA margin. These flow naturally from your budget.                                             | → <b>HOW TO SET THE TARGET</b><br>Directly lift targets from your annual budget or quarterly forecasts, ensuring full alignment and clarity.                                                                                                                                                                                                                                                                                                           |
| If not, is it closely tied to a financial result?  | → <b>2 Operational Drivers</b><br>KPIs closely tied (but not explicitly financial), like labor utilization, production yield, or inventory turnover. Improving these metrics directly influences financial results.  | → <b>HOW TO SET THE TARGET</b><br>Perform a quick "what you need to believe" analysis: identify exactly how much operational improvement you need to hit your financial goals, and set targets accordingly.                                                                                                                                                                                                                                            |
| If neither:                                        | → <b>3 Everything Else</b><br>Important metrics without clear historical or financial benchmarks, including customer satisfaction, employee engagement, or safety metrics. These are crucial but harder to pin down. | → <b>HOW TO SET THE TARGET</b><br>Use a combination of: <ul style="list-style-type: none"> <li>• Historical trends to find realistic incremental improvements.</li> <li>• Industry and internal benchmarks (aim halfway to top-quartile performance annually).</li> <li>• Steady improvement curves (often 1-2% per quarter from disciplined lean work), reflecting consistent incremental gains from learning and efficiency improvements.</li> </ul> |

## Practical tips for getting started

### Start now, refine later.

Don't hold out for perfect data; initial targets drive improvement faster than waiting for perfection.

### Publish KPIs & targets alongside your budget.

Ensures teams see a single, unified set of annual objectives.

### Review and iterate.

Data and insights improve over time, making your targets increasingly precise and relevant.

Setting clear KPI targets, even if imperfect at first, is essential. The discipline of defining targets is what truly shifts behavior and performance across your business.

# 3

## STEP 3 · ASSIGN CLEAR OWNERSHIP

# Cascading KPI Ownership

*Metrics matter when every number has a name.*

Clear ownership is what shifts KPIs from being numbers on a dashboard to actionable responsibilities. As a CEO, embedding KPI ownership across your organization is one of the most critical steps toward real accountability and improved results. But this isn't a one-time exercise; it's a journey, with clear milestones along the way.

## Here's how we typically see KPI ownership unfold at midsize businesses:

### EXHIBIT 5 How ownership cascades over three years

#### Year 1

##### Executive Team

Assign top-level KPIs explicitly to individual execs, not just the CEO. Clearly list their initials beside each metric on the company scorecard.

#### Year 2

##### Next-Level Leaders

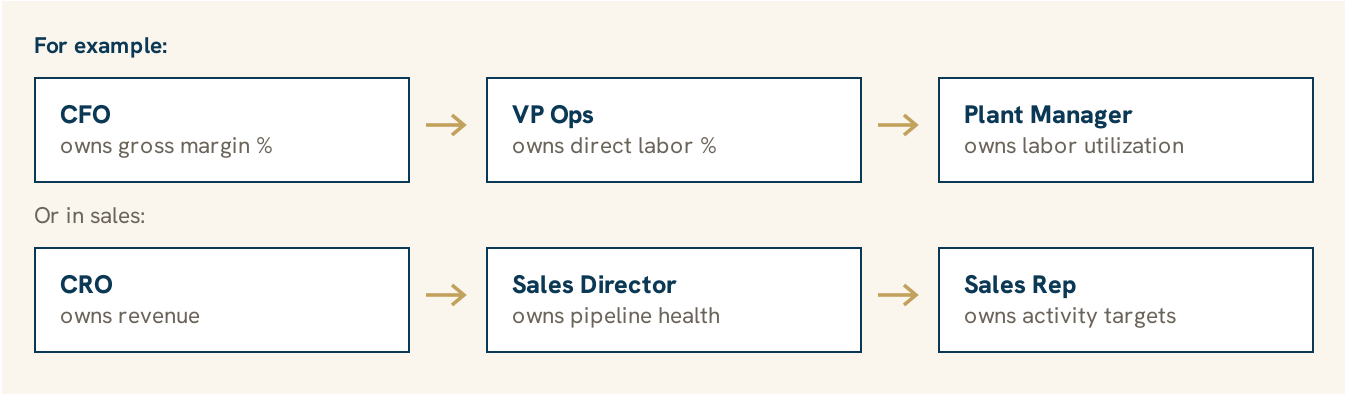
Executives cascade their KPIs to direct reports, connecting overall goals to each team's daily responsibilities.

#### Year 3+

##### Frontline Teams

KPI ownership becomes ingrained, guiding daily conversations and problem-solving at every level. Metrics become part of regular meetings and improvement huddles.

EXHIBIT 6 Two examples of a cascade



## Quick tips for effective ownership:

### Make ownership highly visible.

Publish KPIs regularly with clear names attached to every number. Transparency builds real accountability.

### Embrace a “Red is Good” mindset.

Missed KPIs are first and foremost opportunities for rapid improvement. While we strive to achieve and hit stretch performance targets, the goal is problem-solving, not blame. If anything, an all-green scorecard suggests room for improvement in our goal-setting process.

### Link KPIs into your core people processes:

- **Performance reviews:** Connect KPIs to individual goals and performance management processes.
- **Incentives:** Connect KPIs to bonuses, team recognition, or departmental awards.
- **Hiring:** Integrate critical KPIs directly into hiring scorecard, interview criteria, and role descriptions.

Clear ownership transforms how your teams think and act, empowering them to tackle challenges proactively, innovate solutions, and consistently deliver meaningful results.

## CONCLUSION

# Wrapping It All Up

**KPIs are simply a way to keep score of what matters most, when you:**

**1**

**Choose the handful that truly move your strategy**

(Growth, Efficiency, Customer Value, Team & Culture, Risk Management)

**2**

**Set clear, believable targets**

that stretch but don't break your teams

**3**

**Assign one name to every number**

and keep those numbers visible week-in, week-out

**...you give your organization a common language for winning.**

Remember, this is a living system, not a one-time project. Your scorecard should evolve as the business evolves: retire metrics that have served their purpose, add new ones as priorities shift, and raise the bar as performance improves. Celebrate the greens, learn from the reds, and keep the conversation focused on actions, not just analysis.

**The next step is simple: schedule your first leadership review with a draft scorecard in hand. Ask three questions:**

- ☐ Does every metric on this page matter?
- ☐ Is every target clear and credible?
- ☐ Does every metric have an owner who feels responsible?

If the answers are “yes,” you’re on your way.

**If not, refine and try again: momentum beats perfection.**

Get the scorecard into circulation, make it the opening page of every exec meeting, and watch how quickly clarity, accountability, and performance follow.

**Build the habit, keep it simple, and let the numbers spark the right conversations.**

That’s how KPIs turn from charts on a slide into a real competitive advantage.

To learn about Kanbrick or connect with us, reach out to us [here](#).

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