Key Performance Indicators
The key to success?
A study of how KPIs are used at Intersport

Master thesis within: Business Administration
Author: Mikael Falck, Fredrik Karlsson
Tutor: Klas Gäre
Jönköping MAY 2011
Acknowledgments

After a semester of hard work with this thesis we are now ready to face new challenges. Writing this thesis has been a very fun and interesting experience. We have faced some difficulties but none that have stopped us to complete this work. This thesis would not be possible without help from the amazing people at Intersport.

We would like to announce special thanks to Martin Lindquist - controller at Intersport Sverige, Viktor Fransson – HR manager at Intersport Öst and Fredrik Hjorth – store manager at Intersport Jönköping who have been extremely helpful.

We would also like to thank Nils-Göran Olve who has been inspiring us, not only through his books but also with his stories and constructive criticism during seminars.

Last but not least we would like to thank our great tutor, Klas Gäre. He has been a continuous source of inspiration and always been very helpful.

Jönköping, May 2011

Mikael Falck & Fredrik Karlsson
Master Thesis in Business Administration

Title: Key Performance Indicators – The key to success?
Authors: Mikael Falck & Fredrik Karlsson
Tutor: Klas Gäre
Date: 2011-05-23
Key words: Key performance indicators, KPI, Intersport, operating control, motivation, retail stores

Abstract

Background: Key performance indicators (KPIs) are today commonly utilized throughout many organizations due to their wide area of potential use. Even though the KPIs are common operating tools there is little information of how they are used in organizations and perceived by employees. We have decided to investigate further of how Intersport operates with KPIs and if they are doing it in a sufficient way. Intersport consists of a total of 153 stores in Sweden where each and every store is managed locally with certain control from a central level at Intersport Sverige.

Purpose: The purpose of this thesis is to examine the elaboration and reception of Key performance Indicators used at Intersport Jönköping. Investigate how KPIs motivates the employees and evaluate their way of operating with KPIs. See if there is room for further improvements and also if our findings are applicable in other retail stores.

Method: To get in depth information and on many levels we decided to do both a qualitative- and quantitative-approach when collecting data. The qualitative data was perceived during interviews and dialogues with the controller, Mikael Lindquist, the HR-manager, Viktor Fransson and the store manager Fredrik Hjorth. The quantitative data were retrieved from a questionnaire that the employees got to answer. The empirical data collected was later analyzed with the help of relevant theories.

Conclusions: Intersport uses KPIs in order to increase sales, planning budgets and to get useful information that can be analyzed. It is up to each and every store to decide if and how they want to work with the KPIs. Intersport Jönköping is successful when operating with KPIs. The employees get motivated by working with them and feel that they can affect the outcome to at least a sufficient extent. There are not many negative things to say about how Intersport operates with KPIs but there is room for improvements. We believe that other retail stores might be inspired of how Intersport Jönköping operates with KPIs.
# Table of Contents

1 **Introduction** ................................................................................................................. 1  
1.1 Background ......................................................................................................................... 1  
1.1.1 Background Intersport ..................................................................................................... 2  
1.2 Problem discussion ............................................................................................................. 3  
1.3 Purpose ............................................................................................................................... 3  

2 **Method** .......................................................................................................................... 4  
2.1 Research approach ............................................................................................................ 4  
2.2 Course of action ................................................................................................................ 5  
2.3 Empirical data collection ................................................................................................. 6  
2.4 Primary and secondary data ............................................................................................ 6  
2.5 Credibility ........................................................................................................................ 7  
2.6 Source criticism ............................................................................................................... 8  

3 **Theoretical framework** .................................................................................................. 9  
3.1 Key Performance Indicators ............................................................................................ 9  
3.2 Using KPIs as goals and targets ....................................................................................... 10  
3.3 Operating control with KPIs ............................................................................................ 10  
3.3.1 Negatives of operating control with KPIs ...................................................................... 11  
3.4 Communication with KPIs ............................................................................................... 12  
3.4.1 The information model .................................................................................................. 12  
3.4.2 The communication model .......................................................................................... 13  
3.5 Motivation ........................................................................................................................ 13  
3.5.1 Maslow’s hierarchy of needs ......................................................................................... 14  
3.5.2 Herzberg’s motivation-hygiene theory ......................................................................... 14  
3.5.3 McGregor’s X & Y theories ............................................................................................ 15  
3.6 Incentive KPIs .................................................................................................................. 15  

4 **Empirical data** ............................................................................................................... 17  
4.1 Key Performance Indicators ............................................................................................ 17  
4.2 Using KPIs as goals and targets ....................................................................................... 20  
4.3 Operating control with KPIs ............................................................................................ 21  
4.3.1 Negatives of operating control with KPIs ...................................................................... 24  
4.4 Communicating with KPIs ............................................................................................... 24  
4.5 Motivation ........................................................................................................................ 26  
4.6 Incentive KPIs .................................................................................................................. 29  

5 **Analysis** ........................................................................................................................ 31  
5.1 Key Performance Indicators ............................................................................................ 31  
5.2 Using KPIs as goals and targets ....................................................................................... 33  
5.3 Operating control with KPIs ............................................................................................ 33  
5.3.1 Negatives of operating control with KPIs ...................................................................... 35  
5.4 Communicating with KPIs ............................................................................................... 35  
5.5 Motivation ........................................................................................................................ 36  
5.6 Incentive KPIs .................................................................................................................. 37  

6 **Conclusions and recommendations** ............................................................................. 39  
6.1 Conclusions ....................................................................................................................... 39  
6.2 Recommendations .......................................................................................................... 40
6.3 Suggestions for further research .............................................. 42

References ..................................................................................... 43

7 Appendices.................................................................................. 45
    7.1 Appendix 1 ........................................................................... 45
    7.2 Appendix 2 ........................................................................... 46
    7.3 Appendix 3 ........................................................................... 48
1 Introduction

In this chapter a background of Key performance indicators will be presented followed by an introduction of Intersport. A problem discussion which connects Intersport to the use of key performance indicators leads to the purpose of this thesis.

1.1 Background

Nilsson, Olve, Parment (2010) describes measurements as compact descriptions of chosen abilities in some sort of an object or an organization. Further on they talk about measurements on three levels;

- Measures related to commercial accounting
- Financial analytical measures
- Non-financial measures

Measures related to commercial accounting are integrated in each organizations accounting. Financial analytical measures refer to measurements that are not part of the commercial accounting, or are part of relations from outside the organization. Non-financial measures refers to measurements that are collected and designed in order to control or monitor; resources, effects, and goal effectiveness. Many of these measures on all three levels are performance indicators who tell us how the organization is performing in a certain activity in which it is engaged in. (Nilsson et al. 2010)

In this thesis we will focus on the performance indicators or more exactly on the Key Performance Indicators (KPIs) and their role at Intersport Jönköping.

Having a set of clear goals within an organization is a success factor in today’s society. All organization runs their business towards some sort of goal. In order to reach the goals the organization needs a strategy. Companies today develop KPIs that are in line with the strategy in order to control their organization. To partly control the organization with some sort of KPIs is today used in most businesses. (Ax, Johansson, & Kullvén, 2009)

The business environment has changed throughout the years and is more competitive than ever. To be a successful company in today’s modern society it is important to have different performance indicators that capture important competitive factors. Examples of competitive factors are; high quality, good service, fast deliveries and so on. (Kennerey & Neely, 2003) In retail store’s good service is a competitive factor. Having salespeople whom are motivated, service minded and with good knowledge is an important competitive factor. Good and motivated salespeople will contribute to more products being sold and thereby make the store perform better, together with other competitive factors such as good products and good pricing. (Gagne & Deci 2005)

It is of importance to come up with concrete, clear, affectable and simple KPIs in order to be successful when working with them. (Catasus, Gröjer, Högberg & Johren, 2008) There are many different kinds of KPIs and the reasons of using them vary greatly from one company to another. Each KPI tells its own story about the company. Catasus et al. (2008) describes a Key Performance Indicator as follows, it;
• Tells a story
• Represents a reduction or construction of reality
• Act as a base to spin a story around

Further on Catasus et al. (2008) argues that the employee is the most crucial resource for a successful business. Governance is a deliberate way to reach defined goals and not to rely on chance by making critical success factors visible in a simple way, by using KPIs.

As in many other specialty stores, sport stores have gone from having many small independent actors to have a few big chains. The small independent actors are either put out of business due to competition or they have joined the big chain. One of these chains is Intersport.

1.1.1 Background Intersport

Intersport international Corporation was founded in 1968 when ten independent European purchasing organizations got together to buy bigger quantities in order to get a better price. Today there are over 4900 stores spread out in 32 countries. The total turnover for all the stores are 9.2 billion Euros which makes Intersport the world’s largest Sport equipment retailer.

Sportsam Ekonomisk Förening was founded in 1962 by a couple of smaller sport equipment retailers in Stockholm due to a growing competition from the increasing number of department stores. In 1974 they joined the Intersport family and Intersport Sverige AB was founded. Today there are 153 Intersport stores in Sweden with a turnover of 4.1 billion Swedish krona (SEK). Intersport Sverige is owned by the merchants who operate stores in the chain.

Intersport’s business idea is to offer a full range selection of sport and leisure equipment with good quality at competitive prices, good service and knowledge. Intersport is the natural choice for the majority of the consumers at the sport stores local market. Intersport has a vision of being the obvious inspiration for the healthy and sporty lifestyle and also being the messenger of sport’s core values.

The merchant of an Intersport store take their own decisions on issues relating to store, staff and customer relations while cooperation on issues relating to assortment, IT, marketing, purchasing and product development are managed centrally via the Intersport Sverige. The headquarter of Intersport Sverige is located in Gothenburg and has an economic department in Taberg, outside of Jönköping. Intersport is not a franchise brand, it is a voluntary retail chain where each shop is owned and operated by private merchants who cooperate in the joint brand of Intersport. This mix of having both a centralized control together with a decentralized one is an advantage for Intersport. This advantage can be compared to other corporations who are just controlled on a central level and therefore cannot change when there are certain local demands.

Intersport Öst consists of seven Intersport stores located in five towns; Vimmerby, Eksjö, Jönköping, Linköping, Motala where Linköping and Jönköping has two stores each. Intersport Öst is owned and run by three men, Patrik, Marcus and Urban. We will focus on the two stores in Jönköping, City and the newly expanded store at A6 shopping center.

Intersport A6 was taken over by the owners in 1999 and had at that time a yearly turnover of 32 million SEK. At that time there were 13 permanent workers and eight additional. In
2010 A6 had a turnover of 84 million SEK. Today there are 33 permanent workers and over 40 additional. In March 2011 they almost doubled their store area by overtaking the former next door store’s premises. Thereby they became one of Europe’s largest sport stores with over 3800 square meters of floor space. In 2010 they were the second largest Intersport store in Sweden in terms of turnover. With these new facilities they aim to become number one.

1.2 Problem discussion

Today KPIs are commonly used throughout many organizations due to their wide area of potential use. They are tools for analyzing, planning, conceptualize information and they are part of every listed company’s annual report. They have become popular to use as tools for operating control where they are said to be efficient. (Johansson & Ramberg, 1997)

Even though the KPIs are common and efficient operating tools there is little information to be found of how they are used in organizations and perceived by employees. There are a lot of theories available of how you should use KPIs in order to be successful but very little information about how a company actually is operating with KPIs.

When companies are expanding it is important to make changes in the way of running and controlling the business. With a bigger organization there are more factors involved and it is necessary to take controlling, and management accounting actions together with the growth (Kostrzewski, 2009). Intersport Öst is a big organization which is expanding and has been growing steadily ever since they started in 1999. They have taken over new stores and expanded existing ones continuously throughout the years as the demand for sports goods has grown.

Intersport Jönköping and Öst started a couple of years ago to work with KPIs in order to motivate and inform the salespeople. Starting to work with KPIs was a small development as part of management accounting. Was this a step in the right direction? Can they do more and if so should they do more? Does this motivate people to perform better? Do the sales people feel they have an influence over the outcome? Many questions can be raised, but the big question is whether working with KPIs contributes to success or not?

KPIs are simplifications of the reality. Questions that might arise are if these simplifications really are good approximations?, do the indicators convey the information that they want to present and are these figures good estimation in order to motivate and guide the employees to the organization’s goals? (Catsus et al. 2008)

Since there is an absence of information available regarding of how companies use KPIs, we believe our collaboration with Intersport Jönköping will lead to useful information within the subject. We hope that our conclusions of how the KPIs are used and perceived can lead to some generalizations that will be applicable on other Intersport stores and perhaps even other retail stores.

1.3 Purpose

The purpose of this thesis is to examine the elaboration and reception of Key performance Indicators used at Intersport Jönköping. Investigate how KPIs motivates the employees and evaluate their way of operating with KPIs. See if there is room for further improvements and also if our findings are applicable in other retail stores.
2 Method

In the following chapter we will present our methodological approach, the methods and techniques that we have chosen to use in intelligence gathering. We will also present how this information will be used in the analysis.

2.1 Research approach

According to Halvorsen (1992) the method you choose should be reflected and corresponded to the particular subject you have chosen. The decision of method is crucial since it helps you to get in the best direction possible and to reaching your case study goal (Ringdahl, 1982). In order for the studies to be reliable the method is of great importance since this is how the information for the empirical data is gathered. If the information in a case study is not reliable then the study will not show a true value in its investigation and conclusion. (Patel & Davidsson, 2003)

In order for a research to show a true picture the gathering of information is important. After gathering the information, this data are supposed to be related to reality. When trying to do this correlation there are three concepts that need to be considered. You can relate theory to reality by the approach of induction, deduction, or abduction. (Patel & Davidsson, 2003)

With the approach of induction means that the researcher works unbiased and proceeds from their own observations. In the approach of induction the researcher bases its data from their own discoveries and makes their own theories instead of following others. Information is gathered from reality. (Patel & Davidsson, 2003)

Deduction on the other hand investigates the theory and then applies it on reality. This approach is characterized when the investigator wants to prove a fact based on general principles and existing theories. Through these theories hypothesis can be made which can be tested in the empiric of a study and from there interpretation of data. With deduction previous theories are considered and when a new result is brought forward these should be compared to already existing theories and studies. The starting point includes previous studies and with a combination of new studies and the result deduction is expected to be less subjective. Awareness of previous studies can also affect the researcher in a negative way since new observations might be lost or ignored because of earlier influences. (Patel & Davidsson, 2003)

Abduction is the last option a researcher can use as an approach and are a combination of induction and deduction. Information is both gathered from reality and from theory with abduction. If the option is used, the researcher can formulate a presumed pattern to explain an individual case. This could be described as induction but with further examine and test of hypotheses it also includes deduction and therefore it includes both, i.e. abduction. (Patel & Davidsson, 2003)

We choose to use abduction as our research approach since it suited our purpose the best. The reason for this was firstly because we needed the influence of existing theories to be able to analyze and evaluate the situation within the organization. Secondly we wanted to investigate unknown facts of how the elaboration and reception of KPIs works within Intersport which cannot be found in theory.
2.2 Course of action

We found that there were a wide range of KPI users and that it therefore exists much interests within the subject. There is a common belief that KPIs created positive outcomes and is a useful tool for many companies no matter what branch they are operating in. Overall information about the operating with KPIs is somewhat diffuse. Why certain KPIs were used, what they contributed, how they were produced were all questions that did not have a given answer in which we wanted to investigate.

We gathered information from internet, library databases, course literature, interviews, surveys and from earlier studies about KPIs. This means that we gathered information both from primary and secondary data. Through search of information and gathering of data conclusions and correlations could be found. The primary and secondary data later contributed to different relevant standpoints and views which are analyzed and included in the conclusion.

We realized that there are a lot of information about motivation and key performance indicators but less information of how these indicators effect all the way throughout an organization.

Initially we had contact with Stratsys, a consulting company, operating in Sweden located in Gothenburg. Due to uncertainties and lack of time from Stratsys part the work had to be ended. Fortunately we had a side project in mind that we preceded with instead. This side project was collaboration with Intersport and their use of KPIs, something we were interested in from the very beginning. Intersport was positive to collaborate and thought that they might get use of our research.

We made contact with Intersport on two different levels, Intersport Sverige and Intersport Jönköping. At Intersport Sverige we had contact with the controller Martin Lindquist, in Jönköping we had contact with people on all levels. We included these aspects in order to be able to analyze to whole process of elaborating and communicating KPIs and the potential of its motivational factors.

We started out by interviewing the HR-Manger Viktor Fransson at Intersport Jönköping to get an idea of how to proceed with the forthcoming interviews and also to allocate the crucial and most interesting aspects of this subject. After this first meeting we proceeded by contacting Martin Lindquist. We continuously have had contact with Viktor Fransson, Martin Lindquist and also the store manager Fredrik Hjorth through e-mails and personal meetings regarding issues and questions throughout the whole thesis.

We also created and handed out a questionnaire (see appendix 7.2) to the salespeople at Intersport Jönköping. Out of the 75 potential respondents we got 47 people answering (for further information see appendix 7.3) The questions in the survey were constructed to get clear and a straight answer to analyze where most of the questions consisted of a grading system from 1 to 5 where 1 is not at all and 5 is totally. The questions without this grading system instead consisted of questions were you were asked to rank the options from most to least.
2.3 Empirical data collection

When choosing research approach and course of action one usually should look upon the information you are investigating before deciding your approach. (Eriksson and Wiedersheim, 2001) The different approaches are usually decided between either a quantitative or qualitative information retrieval. The largest difference in general is that the qualitative approach focuses more on the study subject itself while the quantitative focuses deeper on previous studies and what the previous researches beliefs are more important. (Holme and Solvang, 1997)

The qualitative method is having a high flexibility and a low formality interview, often called an “open” interview. The qualitative research is going deeper on the subject that is being investigated compared to the quantitative. The higher flexibility makes the individuals opinion a central part and a high variety in answers are to be expected. Details are more common and a deeper analyzes and investigations are needed in order to see patterns and to make conclusions out of it. This method gives you an understanding of how individuals interprets and understands a situation and it helps a researcher to conceptualize an unknown area of information. In some cases additional questions are needed for clarifications and interpretation of the answers in a qualitative research. (Holme and Solvang, 1997)

The quantitative method is much more formalized and is having a more strict structure. In a quantitative method the researcher has a much more controllable situation in a questionnaire since the options of answers are restricted. The information can therefore be seen as more precise in comparison to the qualitative method which gives a much wider result with more depth. In a quantitative study the researcher has the role of an external observer and is not trying to affect the result with its own opinions. (Holme and Solvang, 1997) The quantitative approach is a suitable method when the goal and the purpose of the study are obvious. This is because of the simplicity when comparing the data being measured with the qualitative method who instead is rather time consuming when comparing results. (Repstad, 1993)

What is most important regarding choice of method is to use the method that is best suitable for your study. The different methods are differently effective depending what approach in your research is and what your desired outcomes are. Your finished report will be reflected and affected on what method you have been using throughout your study.

We used a combination of both quantitative and qualitative approach in our thesis. We did this because we had a wide approach to the subject and needed both qualitative and quantitative data in order assemble the necessary information to be able answer our questions stated in the problem discussion.

2.4 Primary and secondary data

Gathering of information to a research can be done in different ways. First of all you can assemble information by gathering primary data. Primary data are information collected by the researcher himself and have not been published earlier. Examples of primary data are, interviews, observations and surveys, as long as it has been done by the researcher. There are several advantages with having a study based on primary data. First you know the validity and reliability since you have done it yourself and secondly and most important, data is designed within for that very specific subject. (Holme and Solvang, 1997)
Secondary data are information assembled by others. This could be in the form of books, interviews and surveys, as long it is done by others. There are several benefits with having secondary data. It is not as time consuming in the sense of research since you can use others investigations. With secondary data you can make bigger comparisons of data and use different results from different researchers. The secondary approach is less time consuming and much more cost effective when collecting data than the primary approach is. (Holme and Solvang, 1997)

When gathering empirical data we exclusively used primary data due to lack of previous information within our chosen topic. In the analyze we used secondary data from theory as tools for analyzing the empirical findings.

2.5 Credibility

In order to have a research with high credibility a number of criteria needs to be fulfilled. According to Bryman (2002) you need to have high proportion of reliability, trustworthy, portability and to be able to control and confirm your data in order to call your study credible. To be able to have high reliability the investigator needs to ensure that the research has been following the rules and attitudes accordingly that are existing when writing a thesis. (Bryman, 2002).

Regarding the survey we did not ask any questions that could be perceived as offending. We made it clear that the questionnaire was totally anonymous when participating. We did this because we wanted the correspondents to give honest answers. This is particular important if an employee have critical thoughts to share about an organization. Being clear that the questionnaire was totally anonymous it reduced the risk of possible errors.

Regarding the interviews and the personal meetings they were all recorded to increase credibility and reduce the possibility of wrong interpretation and loss of information. We were both present at all interviews and after every interview we analyzed and listen to the recording to be able to point out the most important and relevant information for our research. This procedure made us able to conceptualize the information and after all data had been collected the information was shared with Intersport to control that no interpretation errors had been made. These procedures gave our research additional credibility.

Bryman (2002) saw counterparts and parallels between trustworthiness and portability. As long the information is trustworthy and have portability, high creditability are to be expected. Portability means that the information that is gathered can be implied in other scenarios besides the one you are using in you research. Basically this means that the data in our research can be compared by other companies and in other circumstances. Trustworthiness as the name suggests means that the information presented are trustworthy and dependable (Bryman, 2002).

By showing the working process and the conceptualization of the research in our method we believe that high credibility is attained i.e. and therefore high trustworthiness and portability are shown.

Being objective is another perspective that is crucial in order to have high credibility. This is important when discussing the last of the four parts of credibility, be able to confirm and steer the information produced. (Bryman, 2002)
Being able to be absolutely objective is regarding to us almost impossible. When studying and researching, more often, personal opinions are affecting your result. Being aware of this we hoped to able to minimize the subjectivity to reach as much objectivity as possible.

2.6 Source criticism

When collecting data for a study it is crucial to be critical to the sources and therefore to know who the distributor is and when this data has been distributed (Holme & Solvang, 1997). According to Wiedersheim-Paul and Eriksson (1991) there are three criteria’s that needs to be fulfilled in order to be able to say that source criticism has been present.

Tendency criticism is one of them and means that the distributor should have the purpose of contributing truthful information (Wiedersheim-Paul & Eriksson, 1991). This kind of criticism is important when assembling the empirical information since the risk of false information (Wiedersheim-Paul & Eriksson, 1991). We were informed about this dilemma and believed that the awareness of tendency criticism helped us to get more truthful information.

The second aspect that needed to be considered regarding source criticism was of the contemporary requirements. As the name suggests this means that the time from the source has been written to the time you are referring should not be distant. These time intervals are allowed differently depending on what aspect it regards. When speaking about theory, sources are allowed to be more obsolete than when it regards the empiric section (Wiedersheim-Paul & Eriksson, 1991). This lead to the sources in the theory chapter was allowed to be collected later back in time than other sources where contemporary requirements were needed.

Lastly the dependence of criticism needs to be considered. This means that there might be a problem of sources even though information is gathered from different authors and articles. This problem arises when the different authors have gathered information from the same source. (Wiedersheim-Paul & Eriksson, 1991) We tried, when this problem arised, to get the information from the originally source and from there find other information elsewhere that supported the originally source.

We believed that we fulfilled the proper amount of source criticism. It takes more time since you need to find and investigate the starting point of the source not just write from a source that has appropriate information. Time has paid off and increased credibility in our report which is essential to have correct result.
3 Theoretical framework

In this chapter we will present the theoretical concept underlying this thesis. The selected theory deals with; general information about KPIs, goals and targets, operating control with KPIs, motivation and incentives in relation to KPIs. The theory presented will be used when analyzing the empirical data.

3.1 Key Performance Indicators

To be able to attain goals a clear control is needed. (BAS Nyckeltal 2006) When you actively influence the behaviors in an organization you are talking of operating control where KPIs are of great importance (Nilsson et al, 2010).

When the economic process is being controlled and directed in a desirable direction by a company, then you are talking about what is commonly known as financial control. Financial control is being used to better understand the economic conditions that that company is facing and what is needed to be adjusted in the best way possible to attain its goals in different situations. Financial control can further support you with the information of economic relationship, cause and effect, since numbers are set together in correlation to each other. (BAS Nyckeltal 2006)

These relationships that are being put together are known as KPIs. Since you are the one choosing KPIs in the company you are creating your own truth (Catasús et al. 2008).

KPIs can be both financial and non-financial. Financial KPIs have been broadly used throughout the years by big organizations and tells us something about the financial situation within the firm, a classic example of a financial KPI is financial solidity which tell us how much of the assets that are financed by own equity. (Johansson & Ramberg, 1997). Another type of KPI that is of great use is the non-financial KPIs. Non-financial KPIs also referred to as soft KPIs, tell us something about a relation that is not connected to the financial situation, customer satisfaction for example, where an index can be created that tell us how satisfied the customers is another example of a soft KPI is how much time is being spent on each product under production. (PWC, 2007)

KPIs are a numerically values concluded to describe correlations in a company. The correlations could either be already attained activities and results or it could be future desirable goals that are supposed to clarify work and motivate employees of the organization. (Catasús et al. 2008)

What you call key performance indicators are basically numbers that you are interested in. KPIs have advantages to simplify complexity and correlations and make it easier to conceptualize and overview a situation. These indicators are of great help and importance as long as these simplifications are not always the motive for larger decisions. In order for the KPIs to not be too simplified, the fundamental information behind the process of indicators is often used to give more information as well as other indicators. (Catasús et al. 2008) and (Kennerey & Neely, 2003)

Even though KPIs can be used in any way a company whishes there is a distinction present between basic indicators and supplementary indicators. The difference are that basic indicators are common used and therefore easily compared with other companies and branches whilst the supplementary indicators exists of numerous of figures and are used in more specific situations in explicit branches. (BAS Nyckeltal 2006)
3.2 Using KPIs as goals and targets

Strategic decisions are most often based upon the future with long-term goals. Since this is the foundation of decision making a lot of time is being spend upon this matter. Decisions of how to develop goals, how to accomplish them and with what approach are all aspects of the goal setting process. On top of this you need to allocate resources that support your development. A goal can be more or less specified and can include different areas such as, profits, growth, market shares etc. By having well specified targets you can often allocate what is needed in order for this to be attained, rather than if you have not set any goals at all. (Lee at al. 2005)

Goal setting is not always a very straight forward and easy process. Goal setting is only relevant if the targets being set are adjusted to external factors. A major effort must lie on having up to date goals, otherwise you risks being irrelevant and large disappointment might be experienced if the targets are not being met. (Lee et al. 2005)

By working with goals you may have different approaches. Having a clear target stated can mean a great deal of freedom for the workers since they only need to accomplish the overall goal and the way to achieve this is free of choice. This is not an exclusive and the only natural way of preceding your goals. What is known and common believed about goals is the fact that it works as a clear guidance, what is expected throughout the organization and to make sure that the organization are heading in the right direction. (Bergstrand, 2010).

But most important of all a goal concretize a company’s mission, vision and business idea. The most common goal within a company is to create value for customers, employees and shareholders. (Bruzelius & Skärvad, 2011)

By having goals and clear targets usually means that you have either financial or non-financial goals. Having customer satisfaction and other non-financial targets are not rare but the most common are still financial goals. To reach these financial goals financial control and key performance indicators are as mentioned above, useful tools. In order to control your company in the desirable directions following financial aspects and key performance indicators the following considerations can be an example of control:

- Planning, follow up goals, see correlations between goals and actual activities & results
- Make sure that the decision making person are fully informed
- Communicate the desired outcomes throughout the organization
- Analyze the goals and correlations
- Analyze how the activities in the organization can be improved

(Ax et al, 2009)

3.3 Operating control with KPIs

Visions, action plans and budgets are all common tools to operate an organization towards its goals. Doing follow ups of budgets and certain projects to use as a benchmark of how well the company is working in order to achieve the strategy and vision is frequently used throughout businesses. Today, more and more companies have seen the benefits of using different types of KPI’s in their operating control to evaluate their business. (Helling, 2001)
The use of KPIs is a way of communicating the organization’s goals and strategies. A weakness with a budget and other financial KPIs is that they tend to not have a meaning for big parts of the organization; many see them as just numbers. Employees do not see the link between their actions and the company’s financial goals. By breaking down the budget into relevant and easy understood KPIs you will get everyone within the company to understand what actions are necessary to take in order to reach the goal. (Olve, Roy & Wetter, 2004)

Further on Olve et al. (2004) describes that if the organization is properly manned and staff is doing the right thing customers will be satisfied and thereby will be able to maintain and develop the organization’s business.

According to Ax et al. (2009) it is important that the following criterions are fulfilled in order to be successful when operating with KPIs;

- Use motivating goals which are achievable and inspiring
- Employees must understand what measures that are relevant for their own work
- Measurement parameters must be affectable by employees
- Employees must have knowledge of how to be able to affect the KPIs
- Monitoring and reporting must be done continuously

It is important for the controller, or the person in charge of the KPIs to understand what measurements the employees find relevant in order to grasp what they are doing and the effect their action has. It will also lead to better relations between people within the organization, due to a competition feeling with for example the HR and IT department. (Nilsson et al. 2010)

According to Nilsson et al. (2010) there are three distinct reasons for using measurements such as KPIs to operate the business. These three are; Worldview, Incentives and Attention. Worldview refers to how a new world is created within the organization and if you do not share the organization’s worldview you might as well leave the organization. The KPIs should be part of the worldview and highlight what is important. By incentives they mean that there should be some kind of reward connected to the KPIs to send out messages about what is prioritized and important to focus on. The Attention refers to the importance of letting KPIs get the attention they need and that the employees are aware of this. If you design a successful system of the three; worldview, incentives and attention you will have a competitive edge within your business area.

By controlling with KPIs there will be less emphasize on financial outcome, governance is done with measurements that everyone can recognize and engage in. The KPIs could be used to have something to strive for by connecting it to certain measurements. (Catasus et al. 2008).

3.3.1 Negative of operating control with KPIs

The use of KPIs as part of a control system has been criticized for being short term oriented and that they follow the accounting periods. Focus is on historical data and the KPIs might be too roughly estimated to give a fair picture of the reality. Financial KPIs does not usually explain an organization’s interaction with the surrounding world and it gives inadequate information of what creates future value for the organization. Further on it is quite challenging to break down the strategy into for the employees easily understood KPIs.
Together with a change in the business environment soft (non-financial) KPIs have gained value within an organization. Disadvantages with soft KPIs are that it is sometimes hard to measure and evaluate the outcome. (Ax et al. 2009)

If pushing people too much in order to reach certain goals and measuring how they perform can lead to job related stress, stress that has a negative impact on a person’s physical health. When working with setting goals and working with measurements such as KPIs it is important to find the right balance to motivate people and not make them feel too pressured to perform both on an individual level and a team level. (Rennesund & Saksvik, 2010)

To work and develop KPIs demands a lot of pedagogy and logic to get the employees acceptance and engagement. Having the right amount of KPIs to focus on is also important, having too many might just lead to information overflow. Finding the most relevant and important KPIs is a big challenge. (Catasus et al. 2008)

### 3.4 Communication with KPIs

There is a difference between measuring and reporting KPIs. Measuring is about creating numbers which tell us something about a situation in the organization. Reporting is about letting other people take part of the measurements done. The difference is fundamental because people affect and are affected by the KPIs therefore the numbers needs to be argued for and made in a certain way so they easily can be understood by the people getting the reports. (Catasus et al. 2008)

According to Hedman, Nilsson & Westelius, (2009) and Saunders & Jones (1992) Having a well-integrated enterprise system makes it possible to compile a lot of useful information at one place Having the information integrated in the same system, comparisons and analyses in real-time can be made in an easy way. Other strengths with an integrated enterprise system are:

- Faster processing
- Better control
- Increased quality of information
- Simplified data management
- Reduced operating costs

(Magnusson, Olsson, 2009)

According to Catasus et al (2008) there are two distinct models of reporting; the information model and the communication model. The Information model is production oriented meanwhile the Communication model is consumption oriented.

#### 3.4.1 The information model

The information model is based on three assumptions;

1. The sender does not need a dialogue to distinguish what information is relevant to report.
2. The way the information is sent is not relevant what is important is that the same information sent is the same being received.

3. The receiver needs to be open for new information and willing to integrate with it. The information sent should be seen as possible action alerts.

The purpose of the information model is that the information should come from a person with in-depth knowledge and end up to someone with less knowledge so that the knowledge gap will decrease. These types of reports are first of all supposed to lead to actions from the receiver rather than just reactions. (Catasus et al. 2008)

There is a risk of having an information overflow with this model, due to the numerous amounts of possible KPIs that can be constructed and reported. The receiver is also expected to understand the information sent to him and make rational decisions which can become complicated the more information the receiver gets from the sender even though the thought behind it is that the more information given the better and more rational decisions can be made. It is also important that the information has the same meaning for both the sender and the receiver. The receiver does not always have the same knowledge and time to fully understand the figures. (Catasus et al. 2008)

3.4.2 The communication model

The Communication model is based on three assumptions;

1. The sender seldom knows what he wants to inform even though he got in-depth knowledge. Instead it is the dialogue between the sender and receiver which is of importance and makes up what information that will be sent.

2. When and where something is communicated is crucial depending on whether it will have an impact or not. The media is the message.

3. The receiver understands the information based on previous knowledge about the question. This could lead to new information being criticized or ignored.

The communication model starts with the users need, competence and willingness to receive new information. To be able to be successful with the communication of KPIs the sender needs to be responsive and alert on how much the receiver can understand and also what message the sender wants to communicate. Both the sender and the receiver needs to be interested what the success factors are and together come up with relevant KPIs and then how these should be reported. (Catasus et al. 2008)

3.5 Motivation

Motive is defined as, what stimulates or makes an individual act in a certain way. A motive is often needs or wishes of different kinds. When a motive activates we are talking about motivation. Motivation is a thrust for action in a certain direction and a person is motivated when a need or a wish affect the persons way of acting. (Bruzelius & Skärvid 2011)
The motivation to work is a result of a complex interaction between the organization and the individual and the individual’s way of doing things. What motivates one worker to perform a good job do not always necessary motivates another worker. What motivates to work is different from person to person and that needs to be taken into consideration. (Schouh, 2009). There are many studies about what motivates people two of the most famous and discussed ones are Maslow’s hierarchy of needs and Herzberg’s motivation-hygiene theory.

3.5.1 Maslow’s hierarchy of needs

Maslow’s (1954) researches about human needs and how these affect individuals’ thoughts and actions have been the foundation of motivational theory for a long time. The theory says that all individuals at any given time have a number of competing needs. One of these needs is always stronger than the other once and that is what pushes the individual to act in a certain way to satisfy that need. When a need is fulfilled the individual move up in the hierarchy. He or she now takes actions to fulfill another need. If earlier satisfied needs are threatened, actions are needed and you thereby move down in the hierarchy once again to take care of the more fundamental needs.

3.5.2 Herzberg’s motivation-hygiene theory

Herzberg motivation-hygiene theory is another theory, related to the hierarchy of needs. Herzberg found out that people disliked other things about their work than what they liked about it. He made a distinction between these and categorized them into Hygiene factors and Motivators. Hygiene factors are what can make someone really hate their work meanwhile Motivators are what can make someone loving their job. Hygiene factors are the conditions of work that needs to be fulfilled in order to not feel uncomfortable with work such as; salary, safety, relations with co-workers and the work environment etc. Once the Hygiene factors are fulfilled the worker can focus on the Motivators of work, (that is if they exist). The Motivators are what really makes the individual enjoy and feel commitment to work. The Motivators are usually directly related to the actual tasks given, but also possibilities to promotion etc. (Herzberg, 1959)

Figure 3.5.2 shows Maslow’s hierarchy of needs and the relationship to Herzberg motivation-hygiene theory. The bottom three are factors for Hygiene, i.e. related to things that you dislike about your job. The top part of the hierarchy is the Motivators. These are what can make people really enjoy their work.
3.5.3 McGregor’s X & Y theories

Another theory inspired by Maslow’s hierarchy of need is McGregor’s (2006) Theory X & Theory Y. Where theory X is the lower part of the hierarchy and theory Y is the top of the hierarchy. The two theories are ways of controlling employees within an organization.

Theory X tells us that a manager’s way of treating the employees usually become a self-fulfilling prophecy. If the employee was said to be lazy, and preferred to just take orders and being directly controlled without opposing anything this is how it turns out to be as well. This way of managing is proven to be counter-effective in most modern practices.

As a counterpart to this, McGregor (2006) created Theory Y where management assumes employees to be ambitious and self-motivated. The idea is to let the employees within the organization to control themselves and fulfill their own needs to reach the companies goals without having someone controlling every move they take. Further McGregor believes Theory Y managers are more likely than Theory X managers to develop a better environment for trust within the organization. This will lead to a better atmosphere and a necessity for human resource development. Theory Y will foster better relationships between superiors and subordinates, which will create a comfortable climate where subordinates will be able to develop and use their abilities.

Today most companies use some sort of a mix between Theory X and Theory Y. There is seldom an obvious case of an organization that follows only either Theory X or Theory Y completely. Both theories as such seem to represent unrealistic extremes. Although Theory Y is today proven to be the most efficient management style, given that the people are motivated to work.

3.6 Incentive KPIs

Merchant and Van der Stede (2007) describe incentives or performance-based rewards as an important force to keep employees in line with the organizations objectives. Incentives are portrayed to provide three management control benefits; informational, motivational and personnel-related. Motivational benefits are reached when the incentives trigger employees to work hard, overcome difficulties and do a good job. Personnel-related incentives have many times an essential role of the total compensation package, offering a chance of earning above average if excellent performance is achieved. The personnel-related incentive mostly attracts employees who are entrepreneurial and confident in their abilities. The organization often uses these rewards to attract and retain employees, making sure that the offered reward is equal or even greater than the reward offered by competitors.

Nilsson et al. (2010) says when it comes to personally related rewards there are good opportunities to make win-win situations both for the organization and the employee by taking different peoples personal views of what is rewarding and give them what they want given that it is profitable. Usually it is monetary rewards that motivate most people, but there is no universal solution that will work for everyone.

KPI’s could serve the purpose of being the foundation of incentives and other rewards. If an organization operates with incentives the incentives should be based on measurements. Further on, if the measurement is used for rewarding, that measurement is interested and it becomes a KPI within the organization. (Catasus et al. 2008)
According to Catasus et al. (2008) there are three different stages where a reward could be given for a performance in the business process. These three stages come with three different measurements:

You do something | It leads to something | The result of your actions
---|---|---
(Action measure) | (Control measure) | (Result measures)

| X | X | X |

Deciding what KPIs to construct and use for incentive systems is tricky due to the many variables in the business process. It depends on how big impact each stage has and what is considered most valuable for the organization. It is important to reward what actually is a key success factor for the business as a whole, in some businesses this is obvious in others it might be harder to tell exactly what is. (Catasus et al. 2008) and (Gibbs, Merchant, Van Der Stede & Vargus, 2009)

To control a business through an incentive system has been criticized by researchers throughout the years. Kohn (1993) and Pfeffer (1998) says that some incentive system tend to reward short term actions instead of what is best for the company in the long run. It might also lead to competition between employees instead of teamwork within the organization. On the other hand if rewards are given for the right reasons, incentive system could intensify the success within a company and contribute to a we-feeling.
4 Empirical data

In this chapter we will present the collected empirical data. We will present the use of KPIs at Intersport using both a qualitative and quantitative approach. This chapter follows the same structure as the theoretical framework where the empirical data is categorized under the same headings in order to make it easy for the reader to follow. We use our own compiled charts and diagrams in order to present the data.

4.1 Key Performance Indicators

Before introducing the use of KPIs at Intersport they just used a daily sales goal which was based on previous year’s sales. This sales goal was hard to grasp and some people felt it was hard to affect. Intersport decided to break down the budget and the numbers into more understandable KPI. Intersport Jönköping today use the following three KPIs:

- Hitrate
- Product per customer
- Average purchase

Hitrate is calculated by dividing the number of visitors with the number of customers. This is done with the help of a visitor counter which indicates how many persons are entering the store, located in the entrance together with the number of receipt from the cash register. Hitrate should contribute to give all visitors the help they need in order to turn them into customers.

Product per customer is calculated by dividing the number of products sold with the number of customers. Information that can be gathered here is the potential for salespeople to influence to buy extra product as to complement the already chosen product.

Average purchase is calculated by dividing the number of sales with the number of customer. Information that can be of extra interest here is the potential for the salesperson to offer the customer a more expensive item, given that the more expensive item is an advantage and more suitable for the customer and not just better profits for Intersport.

These numbers are easier to grasp than only talking about today’s sales goal. and they also communicate what factors are important to be successful and to reach the goals that is; turn as many visitors into customers as possible, sell as many products to the customers as possible and sell for as much as possible to each customer.

Breaking down the budgets and total sales like this will lead to more tangible and eligible factors. Some KPIs are intangible in themselves and cannot be affected in their fullest sense by the salespeople. Examples of intangibles are; expectations, visiting customers and other external factors. Expectations are sensitive to personal opinions and unconfirmed values, external factors are based on factors such as weather, economical situations and customers which not always can be affected by the salesmen because of the customers own individual opinion. Even though these factors are known and acknowledged to be unfair estimation for the salesperson, it is still a very necessary approach to use. Intersport Sverige supports this opinion by explaining the contribution of both internal and external factors as can be used to make the right decisions. With this comparison a wider perspective is obtained and therefore a better picture of the reality can be realized from KPIs that includes both internal and external factors. The controller of Intersport Sverige believes
KPIs are success factors and are a necessity in Intersport’s way of working. Intersport is trying to go from focusing on past numbers and instead focus on future expectations and targets.

Intersport actively works with KPIs and base a lot of their decisions from the result of the indicators. The controller explains the predicament with analyzing and linking different outcomes with KPIs. The foundation of the idea of linking the outcomes with KPIs is to see what actions results in, for example, increased sales. What gives positive effects? Are there special actions that are effective in some sale-situations and ineffective in others? Other interesting questions are regarding what budget the store has?, cost per square meter?, which product that has the highest contribution margin? and so on. Intersport Sverige also use KPIs when analyzing costs. With the help of KPIs costs and sales are what is underlying to a lot of the decisions being made, both on the level of Intersport Sverige but also on a managerial level at Intersport Jönköping.

KPIs are believed to be necessary and it contributes to the success of an organization. Intersport believes KPIs are extra important within the retail branch, by explaining that numbers within a budget is often large, sometimes too large to comprehend. KPIs are the tools that make it possible to break down these large numbers into tangible goals. The belief at Intersport is that KPIs are the indicators which estimate their performance and is therefore a crucial tool.

The sell KPIs that are being communicated to the salespeople; hitrate, average purchase and product per customer are not the only KPIs that are being used at Intersport Sverige but they are the only ones that salespeople takes part of. The three sell KPIs can be used in different ways. As an example Intersport is not only using hitrate to see the result of the performance of the salespeople but it is also used to follow up effects from a clearance sale and advertisements. Knowing how and if the hitrate increases when an offer is announced through media or clearance sales have been present, is all interesting to analyze.

As can be seen in the diagram 4.1.1 the most important KPI for the success of Intersport according to the staff at Intersport Jönköping was Hitrate. The KPI of visitors were also seen important but worth mentioning was that visitors were also ranked by many the lowest.

**Diagram 4.1.1 - Which out of the following KPIs do you consider to be most important in terms of success? Rank from 1 to 4 where 1 is the most important and 4 is the least out of the four.**
When there are known facts of how internal and external factors affects numbers, then you have a better understanding of how you should control your company. Intersport points out that these factors can be known relatively well with the help of key performance indicators.

Intersport motivates the current usage of key performance indicators to give a good mix of long and short-term aspects. The hitrate does not only provide useful information for the present moment but today’s hit-rate be of interesting comparisons in the future also.

The number of visitors is factor that cannot be controlled by the employers of Intersport and therefore not the most important indicator to communicate amongst the employers. On the other hand this can also be a very interesting comparison in a five years time, what the numbers of visitors was then and what is it today are likely useful comparisons. Payoffs can basically be expected ahead of time. The controller describes average purchase and product per customer as something that can be affected by the staff and are therefore of great importance in present aspects.

From the managerial point of view the setting of daily reconciliations is sufficient but more monthly meetings where permanent staff is involved in the setting and development of new and current key performance indicator is perhaps needed. As can be seen in diagram 4.1.2 the majority of the staff believes that the KPIs get enough attention. Interesting is that 38% of the additional staff believed KPIs needed more attention, meanwhile only 15% of the permanent staff believed so.

**Diagram 4.1.2** – Do you believe the KPIs get enough attention in terms of communication and monitoring? Choose one from the three options; good as it is today, more often or more seldom.
When asking the employees what additional KPIs they would like to work with, customer satisfaction was the most requested one as can be seen in diagram 4.1.3. Other suggestions of additional KPIs to work with was time/customer, employee index, sales/department and sales/employee.

![Diagram 4.1.3- Would you like Intersport to work with any additional KPIs, if so, which?](image)

### 4.2 Using KPIs as goals and targets

There are general thoughts about goals and targets that the management at Intersport Jönköping believes to be possible to accomplish with the help of KPIs. Instead of having great emphasize on old information and results, focus are desired to be shift to future goals and targets.

Each of the three sell KPIs has a goal connected to them in order to have something to strive for. The goals differ from one store to another, depending on where it is located and other factors that have an impact of the performance. Intersport Jönköping have different goals for their two stores; A6 and City. A6 have increased their goals since the store reconstruction from having a hitrate target of 30% to 35% meanwhile the store in City have a hitrate of 20% as a goal. Both stores have two products per customer as a goal.

Intersport Jönköping have an excel-file that they use as a what if-tool. The file is composed with different formulas that shows what happens with the sales if the Hitrate is at X% with X numbers of visitors. The same file could take other factors into account such as average purchase, and product per customer. This tool comes in handy when doing forecasts and setting up budgets for the future. Intersport Sverige does not have a tool like that for all stores to use but integrating it onto the same platform would lead to advantages.

This tool is appropriate when budgets are made since budgets can easier be allocated with the use of KPIs. This model can answer questions regarding sales, how much be increased to reach our goals. It works very well when parallel information is needed, meaning: how much an increase in one KPI is necessary in order to reach another KPI goal. With the
help of KPIs Intersport can easily calculate realistic goals and also calculate whether these goals are attained or not. When results are received the information are analyzed to see how the outcome of the KPIs have contributed to the overall goal.

Information putted into ratios give a lot of useful information, especially for a company like Intersport who are actively using KPIs. This tool informs the user more specifically how goals are attained and questions if hitrate, product per customer or average purchase need to be increased in order to attain goals can be answered.

As can be seen in diagram 4.2.1 the staff believes the goals connected to the KPIs are of big importance for the overall success of Intersport. The result is shown in the following diagram where all salespersons are participant. There is no dramatic difference between genders or amongst permanent staff and additional staff.

![Diagram 4.2.1- Do you believe that using KPIs as goals or targets are crucial for the success of Intersport? Choose a number between 1-5 where 1 is not at all and 5 is totally](image)

**4.3 Operating control with KPIs**

Intersport Sverige’s way of working and operating with KPIs has two purposes; to create budgets and to continuously do follow ups of sales and costs. The KPIs are good tools for the stores to make them aware of how they are performing. Also to know what factors that affects and what factors that are affectable during the ongoing management of the store in order to take the right decisions. The KPIs are there to be analyzed depending on what the numbers show us.

From time to time Intersport Sverige have campaigns where they encourage stores to try new things, for example greeting every visitor in the store, in order to analyze how that affect sales and the KPIs. There is a synergy by comparing and benchmarking other stores within the chain, see what other stores do in order to be successful. There is a great difference between stores, both where they are located and how they are operated. The hitrate
varies from 8-40% amongst all the stores within the chain. Stores in urban areas where there are more people in movement usually have more visitors but a lower hitrate than stores located away from the pedestrian streets.

The KPIs are used in order to motivate the salespeople further and give them numbers that are easier to grasp and affect than only the total sales number. Intersport Jönköping operates with KPIs on a daily basis. They have the three sell KPIs as mentioned earlier, Hitrate, product per customer and average purchases which they talk about daily. During the morning meetings they inform about yesterday’s KPIs, discuss them and ask for inputs from the salespeople who worked the day before. During the morning meeting they also run through today’s forecasts and what each section of the store should focus on. For staff who starts later in the day and did not participate in the morning meeting there is an information board where you can find yesterday’s KPIs and what today’s goals are. You can also retrieve the information from Intersport’s intranet.

There are no punishments or consequences for the salespeople if the sell KPI goals or the today’s sales budget is not reached. The deviation from budget is instead a reason for analyses and further investigations.

Some decisions in Intersport’s type of business cannot be made by looking at just numbers, sometimes you have to follow your instincts and dare to go against numbers. For example when it comes to capacity planning on a certain product or campaign, there are so many influential factors such as season, trends, weather forecasts and so on which are more important than actual numbers and figures.

In line with what Catasus et al (2008) writes, Intersport’s controller believes it is important to not work with too many KPIs but instead focus on a few which has a close connection to what type of business you operate in. At this time though there is room for more KPIs but no further development is being done today. Employee satisfaction is measured at the central office in Gothenburg otherwise the soft, non-financial KPIs are rarely brought up within the organization although it is of interest.

As can be seen in diagram 4.3.1 most people at Intersport believe they can affect the KPIs to at least a sufficient extent. Women feel that they can affect the KPIs slightly more than men as can be seen below even though more men believe to have totally control over the outcome of the KPIs.
Diagram 4.3.1- Do you feel that you can affect the outcome of the KPIs? Choose a number between 1-5 where 1 is not at all and 5 is totally. (A comparison between Men and Women)

If you look at the three sell KPIs the employees believe as can be seen in diagram 4.3.2, they can affect the product per customer the most. The average purchase is the KPI they feel they could affect least out of the three but most feel they still can affect it.

Diagram 4.3.2- How much do you feel you can affect each one of the KPIs? Choose a number between 1-5 where 1 is not at all and 5 is totally.
4.3.1 Negatives of operating control with KPIs

There are not many negative aspects regarding KPIs at intersport. As long as it is not seen as the only way of operating there is not anything negative with the use of KPIs at Intersport. A proof of this is when the staff was asked whether they were stressed by the KPIs or not. As can be seen in diagram 4.3.3 the majority of the staff answered that the KPIs did not stress them at all or only to a very little extent. More men answered that KPI did not contribute to any stress factors. Regarding the stress factor additional staff was the ones who did feel the least stress compared to permanent staff.

![Diagram 4.3.3- Do you experience any stress or performance anxiety that can be related to the KPIs? Choose a number between 1-5 where 1 is not at all and 5 is totally. (A comparison between Men and Women)](image)

4.4 Communicating with KPIs

The sell KPIs are collected from the program Clickview which is an analytical tool accessible throughout the organization via the intranet. The information is collected and stored automatically during the night and is being processed and turned into KPIs which becomes available for each store in the morning the day after they were collected. Intersport does not work with an integrated platform and thus have different tools for planning, analyzing and in this case result.

Picture 4.4 comes from Intersport’s Intranet. Here the two biggest stores within the Intersport chain are compared, the one in Umeå and the one at A6, Jönköping. This is what information that is available at the intranet from top to bottom; Visitors, Number of customers, Hitrate, Product per customer, Average purchase and the total sales. You can choose to compare any stores within the chain and look at information many years ago.
The information available at the intranet can be seen as action alerts. The following questions are frequently raised when analyzing the KPIs:

- How come we had an X% hitrate yesterday?
- Why did we have an average product of X?
- What is the reason for having an average purchase of X?
- Why did we only have X visitors?
- Are actions needed to do something about the numbers?

Finding out the reasons for variation in the numbers and to see if a new strategy leads to a difference in the KPIs are examples of what they do with the information available.

The KPIs are as mentioned earlier communicated on a daily basis during the morning meeting and through an information board in the office area. A weekly e-mail is sent to everyone working in the store, both to permanent staff and to additional staff, where you can read a summary about the previous week’s sell KPIs and the sales compared to budget. The weekly email also contains other useful information about what is going on in the store. Further on there is a staff meeting once a month where the permanent staff together with the store management discuss amongst other things; what the previous month’s sale figures were and what actions or strategies that might be needed for the upcoming month in order to do better.
As can be seen in diagram 4.4.1 most employees in the store follow the sell KPI-reports and the daily budget report to a satisfactory level. There is only one employee who does not follow it at all. There is no significant difference between genders although when looking at the part time staff and the permanent staff, permanent staff seems to follow the reports more than part time staff.

![Diagram 4.4.1- How well do you follow the KPI reports? Choose a number between 1-5 where 1 is not at all and 5 is totally. (A comparison between Permanent- and Additional staff)](image)

### 4.5 Motivation

Intersport Jönköping is managed in a manner that is built on the staff taking their own responsible of getting things done. It can be done in different ways as long as it gets done, as long as the customer is prioritized. This is hopefully motivating for the employee but sometimes there are people who are not as compatible with this way of management. When it does not work as well as it should it could be due to a recruitment failure i.e. wrong person in the wrong position, bad introduction or coaching. Intersport strives to get a we-feeling in everything they do to strengthen the organization and get a better work atmosphere.

In table 4.5 you can see what motivates the staff to perform better at work.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colleagues</td>
<td>30%</td>
<td>28%</td>
<td>19%</td>
<td>13%</td>
<td>9%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Salary</td>
<td>26%</td>
<td>9%</td>
<td>23%</td>
<td>15%</td>
<td>2%</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>Tasks/Duties</td>
<td>15%</td>
<td>30%</td>
<td>13%</td>
<td>19%</td>
<td>13%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Work environment</td>
<td>0%</td>
<td>11%</td>
<td>17%</td>
<td>19%</td>
<td>32%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Encouragement</td>
<td>9%</td>
<td>11%</td>
<td>9%</td>
<td>26%</td>
<td>23%</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>Confirmation</td>
<td>11%</td>
<td>2%</td>
<td>6%</td>
<td>6%</td>
<td>17%</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Own goals</td>
<td>11%</td>
<td>2%</td>
<td>11%</td>
<td>9%</td>
<td>17%</td>
<td>21%</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Table 4.5- What motivates you the most at work? Rank from 1 to 7 where 1 is the most important and 7 is the least out of the seven.*
Colleagues are what motivates most people. More than 57% of all people asked thinks that colleagues is what motivates them the most or as the second most motivating factor followed by Salary and Tasks/Duties were Salary was picked as the least motivating factor by 17%. Confirmation and own goals where the two least motivating factors even though 11% are being motivated the most by the two respectively. The work environment and encouragement ended up in the middle where the encouragement had a slightly better average. There are no thrilling differences between genders or permanent and additional staff.

Intersport Jönköping use the KPIs as part of motivating the staff to perform better together with a mix of other things. It is hard to estimate what a good sales day has been or is if sales is the only figure you look at. By breaking down the sales into KPIs the employees will probably get a better picture of what the day has been like and what it is planned to be and thereby motivate them into perform better to achieve the goals.

During their staff meetings the staff together set up goals for future budgets and takes other joint decisions which hopefully will motivate the staff further. The HR manager at Intersport Jönköping believes that due to different personalities, the sell KPIs might not reach out in the same way to everyone. Some people might not be motivated at all by the KPI’s meanwhile others see them as a necessity to perform better. Even though they are not motivating everyone equally much they are a useful tool to boost up sales.

As can be seen in diagram 4.5.1 the staff at Intersport is in general motivated by the sell KPIs and other set goals. There is no significant difference between what men and women think but Permanent staff tends to be more motivated than the additional staff.

---

**Diagram 4.5.1** – To what extent in general terms does the KPIs motivate you? Choose a number between 1-5 where 1 is not at all and 5 is totally (A comparison between Permanent- and Additional staff)
When the staff was asked to rank what KPI that motivated them the most. As can be seen in diagram 4.5.2 more than 70% of the staff ranked Today's sale forecast as number 1 and was by far the most popular. The least motivating out of the four was Average Purchase.

Diagram 4.5.2- Which out of the following KPIs do you consider motivating you the most? Rank from 1 to 4 where 1 is the most important and 4 is the least out of the four.

To motivate people further various sales contests are arranged from time to time in the store. It could for example be the one who sees most blue eyes on visitors in the store, get a small prize. Such a contest would hopefully lead to a better contact between the sales person and the visitor and it would perhaps turn the visitor into a customer and thereby increase the hitrate. Contests like these are not done very often, but when they are, they are appreciated by the employees as can be seen in diagram 4.5.3

Diagram 4.5.3- Does sales contests motivate you to perform better? Choose a number between 1-5 where 1 is not at all and 5 is totally...
The majority is being motivated just a bit. If you look at the permanent staff below in diagram 4.5.4 you can see the average permanent working man gets motivated more by the sales contests than the average permanent working woman.

![Diagram 4.5.4](image)

**Diagram 4.5.4-** Does sales contests motivate you to perform better? Choose a number between 1-5 where 1 is not at all and 5 is totally (A comparison between permanent staff, men and women)

### 4.6 Incentive KPIs

In order to motivate employees further an Incentive system could be useful. Intersport does not work with a sophisticated incentive system. As it is now, the permanent staff will receive an additional fixed payment on top of their monthly wage if they beat the monthly sales target, it does not matter if they beat the budget by 5% or by 500% they still get the same fixed amount on top of their wage. The payment is team based and does include all permanent staff. There is no incentive system for the additional staff.

The current incentive system is not connected to the sell KPIs at all. It does not matter if you had the all-time highest hitrate, average purchase or product per customer one month, you still would not get any bonus if you did not beat the sales target. Although the KPIs are indirectly connected to the sales target there are other factors that are highly related to the sales target such as the visitor number which is hard to affect. The sales contests mentioned earlier are connected to some kind of a reward, not always a monetary reward but nonetheless something that motivates the employees.
As can be seen in diagram 4.6.1 most staff would appreciate if there was a permanent reward that were connected to the sell KPIs.

![Diagram 4.6.1](image1)

**Diagram 4.6.1** - Would you be more motivated if the KPIs were connected to an incentive system? Choose a number between 1-5 where 1 is not at all and 5 is totally (A comparison between permanent staff, men and women)

The spread is quite evenly mixed throughout but once again if looking at diagram 4.6.2, permanent staff, men would like to have an incentive system that was connected to the Sell KPIs.

![Diagram 4.6.2](image2)

**Diagram 4.6.2** - Would you be more motivated if the KPIs were connected to an incentive system? Choose a number between 1-5 where 1 is not at all and 5 is totally (A comparison between permanent staff, men and women)
5 Analysis

In this chapter, we link the empirical data with the previously presented theories. It is structured in the same way as the theoretical framework and the empirical section to help the reader to easier follow the read thread of the thesis. We will also present our personal reflections in the analysis.

5.1 Key Performance Indicators

KPIs are seen as a very important tool when operating control both in theory (BAS Nyckeltal 2006 & Nilsson et al 2010) and by Intersport Sverige in order to be successful. Did this opinion differ from the views of the staff at Intersport Jönköping? It is not only interesting to see how important KPIs are but also what indicators are seen as the most important ones.

In line with Catasus et al (2008) Hitrate, average purchase and product per customer are all three numerical values that describes correlations within an organization. All three of them are numbers that describes an interesting state within the company and are considered to be important KPIs.

Even though KPIs are seen as critical success factors and can be used to make certain decisions they are not without need of complements. The controller describes that within the retail branch a certain amount of abstract feelings are needed as well as exact KPI numbers to predict future events. If too many KPIs are used without integrating this can lead to a loss of reality and in such cases the abstract gut feeling is of extra importance. One has to have in mind that the KPIs are according to Catasus et al. (2008) together with Kennerey & Neely, (2003) a simplification of the reality and you get what measure since you are the one deciding what to compare.

According to the employees some sale KPIs are more important than others when discussing the success of Intersport. From the survey a clear distinctions could be made regarding this matter. As can be seen in diagram 4.1.1. 47% of the participants answered that hitrate is the most important sell KPI when it comes to contributing to Intersport’s success. Why hitrate? A reason for this is probably the fact that the salespersons have a high potential to affect the hitrate and is therefore a good estimate of the salesperson’s performance. On the other hand this makes it also interesting to see the KPIs that are presently harder to affect for the salespeople.

Other scenarios that are hard to affect is the number of visitors (counted with the store calculator located in the entrance). Of course there is a potential that an advertisement or sale would most likely increase the number of visitors, but if we see it in the eyes of salespersons it’s harder to affect. The reason why such aspects still are important and very useful is because without them, total sales will not likely result as planned if certain externalities are present.

From the questionnaire one can see in diagram 4.1.1. a very diverse answer regarding the importance of store visitors. Almost half of the participants answered that the number of visitors is important for the success of Intersport while the other half answered that it is the least important out of the four. We believe that the reason for this wide spread of opinions is because some staff probably reasoning that if no visitors are coming no customers and sales will be made. Those who believed it to be the least important out of the four probably motivated this with that non-financial aspect could be hard for the salespeople to
affect. This diverse result with rarely no general opinions from gender, position and permanent/additional staff at Intersport Jönköping means that no real conclusions can be drawn from this. Either the fact is that there is a very diverse opinion when it comes to the importance of visitors or the question was misunderstood.

Still looking at diagram 4.1.1 product per customer was ranked the least important out of the four in this question. Only one person believed that this indicator was the most important. Potential reason for this might be that product per customer does not contribute with any information about sales in money and therefore a possible explanation of its lacking importance.

As can be seen in diagram 4.1.2 the majority of the staff believed that the KPIs gets sufficient attention at Intersport. The majority of the people who believed the KPIs needed more attention were additional staff, which is not a surprise since they do not get exposed to the KPI as often as the permanent staff. The managers are pleased with the attention that the KPIs get, but they would like to have more frequent meetings where permanent staff gets involved to take decisions regarding the KPIs. Since most employees believe the KPIs get sufficient attention engaging them more often might harm their attitude towards KPIs and turn the KPIs to a burden.

The questions where the salespersons were asked if any additional KPIs were wanted, another interesting tendency were found. As can be seen in diagram 4.1.3 a majority wanted to have customer satisfaction as an additional KPI. This is in line with PWC (2007) which says that both financial and non-financial KPIs are considered to be useful. Even if the salespersons makes all they possibly can do it does not automatically leads to success for Intersport. According to us soft KPIs should be added if it can be done in an effective manner. Customer satisfaction is an example of non-financial KPI that needs to be evaluated. An exclusion of these non-financial indicators will most likely lead to a loss of useful information. Intersport has acknowledged the need of non-financial KPIs which, thanks to the possibility of local decision taking and with a unified opinion of employees, will make such a change most likely and more non-financial KPIs will probably be introduced.

Possible question when measuring customer satisfaction could be; what did the customer buy? Why did not the visitor buy anything? What was the expression of the general service? and so on. In this manner Intersport would be able to look back from time to time in order to see how satisfied the customers are.

Another KPI that could be of great value are employee satisfaction which shows comfort and general well-being at the working place. All these key performance indicators are goals of potential use that would make Intersport to be able to interpret the visitors and customers shopping experience of Intersport.

Additional KPIs were mentioned such as time per customer where one can measure how much time is spent on each customer, both in the cash register or when serving them on the shopping floor. Another three indicators that was believed to be important by the staff were employee satisfaction, sales per department and sales per employee.

Companies like Intersport, who actively are using KPIs will according to us, have without doubt great use of these indicators. Hitrate, product per customer and average purchase are used as basic indicators at Intersport and are in line with what Bas Nyckeltal (2006) describes. With the help of the suggestions of additional KPIs, Intersport will most likely take a step to become even more successful when operating with KPIs.
5.2 Using KPIs as goals and targets

When the importance of working with KPIs as goals is understood, greater possibilities to actively use KPIs as goals can be achieved. Intersports have successfully implemented the use of KPIs and make the employees to strive to accomplish these targets. Intersport use the KPIs as goals in line with what Lee at al. (2005) and Gagne & Deci (2005) suggests by having numbers to aim for and then to compare it with the outcome, which will motivate employees further.

This is a result of having up to date KPIs which are used continuously and throughout the organization which is in line with Lee at al. (2005)´s theories. The targets that are being set are carefully chosen so it is tough but not impossible to attain in order to get the most out of the salespeople.

The way Intersport Jönköping works with their what If – tool is a good way to see what happens to the big picture when there is a small change in the KPIs. The what if-tool comes in handy when planning and making budgets. Making the goals available on the intranet and design a similar tool as the one used at Intersport Jönköping would make it very easy to see deviations from budget. Each and every merchant would have the freedom to use these available goals which is an important aspect of setting good goals according to Bergstrand (2010).

Intersport has successfully accomplished to communicate the importance of KPIs to the employees. Looking at diagram 4.2.1 you can see there is a distinct majority who strongly believe that the usage of KPIs as goals is a success factor for Intersport. This means they have accomplished to set clear and understandable targets which the staff believes to be important as well, which is a prerequisite in order to be successful according to Lee et al. (2005).

The goals are communicated in clear fashion and therefore easily understood which is in line with Ax et al. (2009). The work with KPIs are ongoing and in line with Intersport´s business views. All the sub-goals i.e. to achieve the expected KPIs results, have lead the employees to strive for the same common goal and therefore the KPIs has contributed to the success of Intersport.

5.3 Operating control with KPIs

Comparing with what Ax et al (2009) says about what criterions needs to be fulfilled in order to be successful when operating with KPIs, Intersport´s way of using the sell KPIs are;

- Motivating for the sales staff although all of them might not be equally motivated by them (as can be seen in diagram 4.5.1)
- Understandable. Staff understands what parameters are relevant for their own work in order to be successful
- Affectable by the sales people, maybe not always each day depending on what KPI you are looking at but in the long run. For example with hitrate, you cannot turn a visitor into a customer if he or she is just there to look, but if you are helpful and nice to that visitor it hopefully turns the visitor into a customer in the future or at least a good reputation. As can be seen in diagram 4.3.1 most people feel they can affect the KPIs fairly much.
• Relatively easy to know how to be able to affect the KPIs although there is no universal method that can turn any visitor into a customer and it is hard to affect the KPIs on a day to day basis. Mechanical sales are sometimes what really affects the sell KPIs, and is therefore of great importance when it comes to store planning of where and how to expose products.

• Being monitored and followed up continuously on a day to day basis. Where they are being analyzed on a monthly and yearly basis. Although the KPIs cannot be monitored continuously throughout the day in real-time. The information becomes available the day after.

Nilsson et al (2010) talks about three distinct reasons for using measurements such as KPIs; Worldview, Incentives and Attention. Intersport has tried to create its own worldview and they are We at work and they try to work as a team in everything they do. The sales KPIs are used to highlight what is important in their worldview in order to get everyone to focus on the same things within the organization. Intersport does not have any Incentives directly related to the sell KPIs. As it is now, the KPIs gets attention but there could be more focus on them, from time to time, there are certain campaigns where they try to push forward the KPIs more and try to have activities in order to increase the sell KPIs. These campaigns are usually very positive and lead to better numbers. A better overall attention and focus would hopefully lead to better results.

In diagram 4.3.2 you can see that the staff feels they can affect product per customers the most, this is quite natural and if you have a good sales technique as a sales person there are always additional products that can be offered in each situation. If a person is buying a pair of running shoes, you can always offer them other things that will make the running experience even better, for example a pair of running socks or a water belt. Someone who has already bought one product is more likely to buy more than one who has not bought anything. The combination of products that goes together is endless and it is just the sales person´s imagination holding back. This is not only a way to get customers to buy more, but it is also customer service. It is a win-win situation for both the store and the customer.

The other two, hitrate and average purchase most people feel they can affect but not as distinct as the product per customer. The hitrate depends mostly on the visitor, turning a visitor into a customer is not very easy if the visitor has set his mind on just looking. Here is where marketing plays a big role, to attract customers through smart advertising and via good deals. Average purchase could be affected through offering more expensive alternatives. This is to some extent hard depending on customers’ budgets and needs. The salesperson is sometimes satisfied after selling a middle priced product and do not try to sell the more expensive product even though the customer would probably find that product even better.

Diagram 4.3.1 tells us that the average woman felt she could affect the KPIs slightly more than the average man. The reason for this is hard to tell but it could be due to the different roles at Intersport between men and women. Most women are working either in the cash register or in the textile department; here customers might be more eager to ask for help than in other parts of the store where they prefer to look. Even though the average woman feel she can affect the numbers more than the average man there are more men who believe they have total control over the outcome. This is a typical example of people being different.
5.3.1 Negatives of operating control with KPIs

Trying to find negative aspects with regards to KPIs at Intersport is not easy. Most information is to be found positive. Rennesund & Saksvik (2010) talks about being pushed to perform and reach certain goals could lead to stress at work. Diagram 4.3.3 tells us that the majority of the employees do not experience any stress or only very little in relation to the KPIs. The KPIs are as mentioned earlier not connected to any negative consequences which is a big stress reliever for the staff.

The criticism about KPIs that Catasus et al (2008) writes about KPIs are being short termed and roughly estimates of situations does partly apply to Intersport. The sell KPIs are roughly estimates, and they do not always give a fair picture of how it was in the store, but they send some kind of a signal that there has been a divergence and it should be analyzed further. We do not believe operating with the sell KPIs lead to a short term focus instead, together with good customer relations it will benefit the business in the long run.

There are also other factors that are out of the staffs’ control, external factors such as weather and the economic situation affects the sell KPIs sometimes even more than the actual sales force. A good salesperson cannot sell a product to a customer that does not have any money.

There is room for improvements with the operating control connected to the KPIs. A better Information Technology platform would lead to some improvements; right now there is no tool at Intersport Sverige that alerts a divergence. There is no budgeting tool integrated, the what-if excel file that Intersport Jönköping uses today should be integrated in the platform which would give a faster way of comparing the budget with the outcome all in the same platform on the intranet.

5.4 Communicating with KPIs

The communication with KPIs at Intersport is built on the Information model which Catasus et al (2008) writes about. The sender does not need a dialogue in order to distinguish what information is relevant; this is already known by the receiver. The receiver is in this case anyone who enters the intranet where you can find the KPIs or the people taking part of the information during the morning meetings.

There is not an information overflow due to the few KPIs used, as can be seen on picture 4.4 there are six performance indicators reported through the intranet. Hopefully these six will not lead to an information overflow. The information available will raise question and give information regarding a number of things, for example it is great to follow up an advertising campaign, see if it brought more customers to the store. Whether or not to involve more KPIs at the intranet is hard to say, each one available today tell us something about the situation in the store. As long as the information is relevant for the receiver it should be included. Integrating the information at the intranet with the budget, so you can compare the two would add even further value when analyzing the KPIs. There is a lack of not having an integrated enterprise system and, as Hedman et al. (2009) and Magnusson et al. (2009) says about having everything stored in one platform is an advantage and would lead to a faster process time. Further on having the information available in real-time data would open up new opportunities in controlling and analyzing with the KPIs throughout the day.
As diagram 4.4.1 tell us most staff at Intersport follows the reports of KPIs at a satisfactory level or higher, this does not come as a surprise since the KPIs are a big part of the everyday routines. The results are always spoken about during the morning meeting and the information is easy accessible for people coming in later that day. If you do not work you cannot take part of the KPIs other than through the weekly newsletter where there is only a summary of the past week sales figure. There is a distinct difference of how often and in depth the staff follows the KPI-reports. The permanent staff follows it more often and in depth than the additional staff, this is natural due to the fact that the permanent staff hears about it several times a week and takes part of information regarding the KPIs through the monthly meetings meanwhile the additional staff only get updated when they work or through the summary in the weekly newsletter.

5.5 Motivation

Intersport Jönköping’s way of managing is based on a lot of own responsibility, the staff makes sure that things that needs to be done gets taken care of. The employees are also encouraged to contribute when setting goals together with the management, this is in line with McGregor’s Y-theory and if you are a Y-person you would probably be motivated at Intersport. Of course there are do’s and don’ts within Intersport, but what should be prioritized is not always very specific and a lot is based on the individual employee’s own intuition.

The question what motivates you at work is an example of how different people get motivated by different things. This question is connected to Maslow’s hierarchy of needs and the Hygiene factors. Where salary, colleagues and work environment are typical Hygiene factors meanwhile, tasks/duties, encouragement, confirmation and own goals are Motivators according to Herzberg (1959). As can be seen in table 4.5 colleagues are what most people consider to be the most motivating followed by salary even though the two are examples of Hygiene factors the two motivates 55% of the staff the most meanwhile work environment is not considered to be the most motivating factor by anyone. The remaining 45% are motivated by the so called Motivators the most, where tasks/duties is the most motivating out of the four. 73% have one of the Motivators as the least motivating one out of the seven where own goals and confirmation are by far the two least motivating ones followed by the two Hygiene factors, salary and work environment.

In general terms the KPI’s motivates the staff rather much even though the result is not connected to any permanent incentive system as can be seen in diagram 4.5.1 62% gets motivated a lot or more by the KPI’s and the remaining people get motivated at least to some extent, no one does not get motivated at all by the KPIs. this is a strong signal that they are good for more than just analyzing and doing follow ups. They are also good for motivating the staff to perform at work. Once again it is not a surprise that permanent staff gets motivated more than the additional staff since the KPIs are part of their work and feel they can affect them more over time.

As can be seen in diagram 4.5.2, today’s sale forecast was not a surprise of being the most motivating one for most people since this is what working as a salesperson is all about; to sell for as much as possible. Product per customer is what motivates people as number two out of the four which is part of having a good sales technique, by being able to offer products that are related to what the customer is about to buy. Average purchase motivates the least out of the four even though some people see it as the most motivating one. Important
to have in mind with is that the question asked the person to rank from one to four where 1 was the most motivating one, it does not tell us how motivating one thing is, only if it is more or less motivating than the other. This is another question that shows us that people are different and get motivated by different things. Even though a clear majority gets motivated by today’s sales forecast the most, there are people who have ranked it as number four and get motivated more by the other three. The use of them all is therefore of great importance since it motivates different people different much.

The sales contests are as it is now just a fun way to try to motivate the sales people more by letting them try new things and to mix up the everyday routines. Most people get motivated by the sales contests to at least some extent as can be seen in diagram 4.5.3. They are a good way of trying something new and with a good imagination many different competitions can be made up in order to increase sales and affect the KPIs. Sales contests might not work in other kind of stores but since most people within sports have a strong competitive spirit they ought to work in sport stores.

### 5.6 Incentive KPIs

To keep the staff in line with the organization’s objectives and to motivate them further an incentive system could be effective. The way they work with incentives right now might not be an optimal solution but it is better than nothing. The team based incentive system that Intersport has is a small bonus that does not depend at all on individual performance, so whether it motivates the individual to perform better or not is hard to say. Having individual rewards though could lead to competition and rivalry between employees and the we-feeling could be infected. A reward system could also lead to customer dissatisfaction; the salesperson might not focus on the customer’s need but instead of what give him or her the highest reward. This is a problem that can be seen throughout many other retail chains.

Designing a well working reward system is a complex task and there are many pros and cons. Nilsson et al (2010) talks about the importance of creating a win-win situation for both the organization and the employee, if there is not a win-win situation there is no reason to have an incentive system. Even though most people would be motivated further if there was a permanent reward linked to the KPIs as can be seen in diagram 4.6.1, it might not be valid to have one if it not creates a win situation for the organization or the other way around.

Having an incentive system related to the existing sell KPIs could be an option but then only on a team reward level. It would be hard to measure each individual and see how many products per customer he or she sold for example. It could also lead to unfairness, depending on where and when in the store you would work, people working on weekends would get much better possibilities with more visitors in the store and so on. An extra bonus each month in addition to the existing sales bonus could be an option. If a hitrate of X% is reached this month, each employee will get X SEK in bonus. This will make up if there was a bad month in terms of sales but with a high hitrate, many of the visitors shopped at least. Other than that it would be hard to relate the KPIs to an incentive system. If you really want to work with an incentive system, you have to come up with a sophisticated way of doing it without harming the atmosphere within the company otherwise the company will be better off without it.
If there was an platform that showed KPIs in real-time more contests could be made related to the KPIs and for example if the store have a hitrate of X% before lunch all the employees will get for example a free lunch that day. This could be done on regular basis to motivate the staff further without having to big costs. It is the small rewards that pay off and makes people enjoy work more.
6 Conclusions and recommendations.

In this chapter we present the conclusions we drew from the theory and empirical data in our work. Reasoning will be held on the basis of the analysis. Further on we are presenting recommendations that we believe could help the organization to develop their work with Key performance indicators. We will sum up this thesis by giving suggestions for further research within this area.

6.1 Conclusions

Intersport Sverige was the ones pushing forward the use of KPIs through the intranet that connects all the 153 stores within the chain. It is up to each and every store whether and/or how they want to use them. The KPIs could be used in many ways; the main idea behind using them at Intersport is to increase sales, planning budgets and to get useful information that can be analyzed. Intersport Jönköping are amongst the stores within the chain who most actively work with KPIs. Intersport Jönköping today works with three different KPIs; Hitrate, Average purchase and Product per customer where hitrate is considered by the staff to be the most important success factor. These three indicators are sales orientated and are communicated to the salespeople within the store. Intersport Jönköping started to work with KPIs a couple of years ago and the effects of it have been good and most of the staff believes it is a crucial part of the store’s success but there is potential for further development.

The KPIs are communicated and updated on a daily basis through the morning meeting and an information board to the employees working that day the KPIs becomes available the day after the outcome. Further on the staff receive a newsletter every week with a summary of the past week’s sales figures in comparison to the budget. The employees, especially the permanent staff follow the KPI-reports to a very high degree and thereby keep themselves informed which is a necessity in order to be successful when using KPIs. The majority of the staff are satisfied with how much attention the KPIs get but there are some who would like to see more frequent reporting, particularly the additional staff.

Intersport Jönköping use the KPIs accordingly to what theory suggest being successful; they are both motivating and affectable. Having KPIs that the salespeople feel they can affect is of great importance for working with them as a motivational tool. If too many external factors controlled the KPIs none would pay attention to them. Employees at Intersport Jönköping believes they can affect all of the sell KPIs to a great extent where product per customer is the one they believe they can affect the most followed by hitrate and average purchase. Even though external factors have an impact on the KPIs such as weather, economic situations and so on, the employees believe they are the ones in control of the outcome.

A lot of things are done in order to motivate the staff further to perform better. Today they have an incentive system that only is connected with sales per month. They also arrange various sales contests from time to time which most of the staff finds motivating. The staff would appreciate a permanent incentive system connected to the KPIs in order to being motivated further. Designing a well working incentive system is complex and it is hard to create a win-win situation for a company that strives for having a we-feeling at work.
People in general get motivated by different things and not always equally much. People at Intersport are not an exception of this. Some might be motivated by sale contests other by colleagues or by salary some by encouragement others by the tasks within work, it is very individual. Most people at Intersport think colleagues motivate the most followed by salary and working tasks. Whether or not people are being motivated by different things the KPIs at Intersport are motivating. All employees get motivated to at least some degree by the KPIs where most of them are motivated to a great extent. Permanent staff is more motivated by working with them compared to additional staff. The original today’s sales forecast target is what motivates most people followed by product per customer and hitrate. Average purchase is the least motivating one out of the three. This result is in line with what people feel they can affect, they are motivated to a higher degree by things they feel that they can influence more. Intersport has succeeded with finding and promoting the right KPIs that in fact motivates more or less everyone.

Intersport Jönköping’s way of actively work with KPIs could be a guide for other Intersport stores who does not work as actively with the KPIs. It would probably be applicable for most stores within the chain due to the tools that Intersport Sverige offers. Other retail stores could see Intersport Jönköping’s way of working with KPIs as an inspiration and might have use of this in their own operating control. To generalize further we created a model (found in appendix 1, model 7.1) that shows the way of how to be successful when operating with KPIs. We believe this model is applicable not only for Intersport stores but also other retail stores who have the same freedom of operating.

There are not many negative things to say about the use of KPIs at Intersport. Most staff experience very little or no stress at all related to the indicators and seems to be pleased with how they are being exposed to them. In general terms the use of KPIs at Intersport Jönköping is successful. To operate with KPIs leads to advantages in terms of planning, analyzing and motivating the staff. Even though there is not much negative to say, there is still room for a lot of improvements to make the work with KPIs even better and more efficient both for the employee and the organization.

6.2 Recommendations

The following bullet points are what we consider things that could lead to a greater success in the work with KPIs at Intersport Jönköping

- Integrate all the IT tools onto the same platform and make it available in real-time. Integrate the KPIs with the Budget tool will give a very good overview of the current situation, analyzing would be easier and warning signals could be sent if the budget is not reached. Making the KPIs available in real-time would result in many new opportunities; analyzes could be made throughout the day, sales contests connected to the KPIs could be made during the day, and goals could be breached down further into sub-goals for example having a before noon goal and an afternoon goal.
• Elaborate further with KPIs, there are no typical soft KPIs used at the moment. A KPI that measure customer satisfaction is what most of the staff desire. Other KPIs that are of interest amongst the staff are employee satisfaction, sales per section, sales per employee and time spent per customer both on the sales floor and in the cash registers. Non-financial KPIs such as customer and employee satisfaction could be hard to measure in a precise manner but they would give a lot of useful information to analyze. Adding additional KPIs both non-financial and financial ones would result in a better view of the an organization’s activities.

• Make KPIs available from outside the store. Today the only way to get information about the KPIs is in the store or through the weekly newsletter, where only a summary of the past week’s numbers are presented. Additional staff who does not work that often or permanent staff that has been sick or on vacation for a longer period of time cannot take part of what is happening on a day to day basis with regards to KPIs. This could be done through making the intranet available online for the authorized staff.

• Develop an Incentive system connected to the KPIs. Right now the only rewards given are connected to the monthly sales budget. To motivate employees further with KPIs a reward could be connected to them. In order to avoid conflicts amongst the staff a team based award is preferable. Intersport talks about the KPIs as important success factors so they should therefore be rewarded accordingly.

• Take advantage of being a decentralized organization. The tools that Intersport Sverige offers is a great strength for each Intersport store, but the fact they can choose relatively free of how they want to operate could be made into a competitive advantaged compared to other stores that are controlled centrally. They have the freedom to experiment with a lot of different things that can be related to the KPIs for example as mentioned above with new incentive system, new measurements and coming up with new sales contests.

We believe these recommendations are not only applicable at Intersport Jönköping and Öst, but also throughout entire Intersport chain within Sweden. Due to the fact that Intersport is operated on a local level and it is up to each merchant of how he or she wants to manage the store, these recommendations will be useful. Further they will probably be applicable to stores that are operated in a similar manner with a lot of freedom within the retail branch.
6.3 Suggestions for further research

This thesis could be seen as a first evaluation of the operation with KPIs at Intersport. Almost every recommendation could be a suggestion for further studies where we believe the following subjects would be interesting to investigate further:

- Design an integrated IT system at Intersport
- Come up with new KPIs and new ways of working with them
- Design an incentive system connected to the KPIs
- Compare how a centralized company operates in comparison to a decentralized one
References


Appendices

7.1 Appendix 1

Success

1. Relevant
2. Affectable
3. Motivating
4. Encouragement (reward good results)

Operating Control with KPIs

Model 7.1 – We constructed this model when we were finished with our conclusion. This is a simplified model of how to be successful when operating with KPIs in a retail store. The different parts are inspired from both theory and of our findings at Intersport. The numbers at the side represent different stages in the process of operating with KPIs. 1. Is how the KPIs should be designed. 2. is how the KPIs should be used in terms planning and setting goals 3. Is how the KPIs it should be used when the KPIs have been measured. 4. is how to make the work with KPIs even more rewarding for the employees working with them. These 4 steps will hopefully lead to a successful operating with KPIs.
7.2 Appendix 2

Man__ Kvinna__

1. Anställningsförhållande?
  Fast__ Extra__

2. A6/City (kryssa i ett eller flera alternativ)
  A6__ City__

3. Position i butiken? (kryssa i ett eller flera alternativ)
  Kassa__ Sport__ Skor__ Textil__ Lager__

4. Hur länge har du jobbat på Intersport- a6/city?
  <1__ 1-3 år__ 4-6 år__ >6 år__

5. Hur noga följer du redovisningen av säljnyckeltalen & dagsbudgeten (exempelvis genom veckobrev, eller resultatavslan)
  1 2 3 4 5
  Följer inte alls Följer den slaviskt

6. Tror du att uppsättningen utav mål och säljnyckeltal (försäljningsmål, hitrate, snittköp, prod/kund) är en viktig del i butikens framgång?
  1 2 3 4 5
  Oviktigt Mycket viktigt

7. Hur starkt motiveras Du generellt av att jobba mot dagens uppsatta mål och säljnyckeltal?
  1 2 3 4 5
  Inget alls Väldigt starkt

8. Vilket säljnyckeltal/Mål motiverar dig mest? (rangordna där 1 är mest motiverande och 4 minst)
  Dagens försäljningsmål__ Hitrate__ Snittköp__ Prod/Kund__

9. Vilket säljnyckeltal/mål tycker du är viktigast för Butikens framgång? (rangordna där 1 är viktigast och 4 minst)
  Hitrate__ Snittköp__ Prod/Kund__ Butiksbesökare__

10. Känner Du att Du kan vara med och påverka resultatet av nyckeltalen? (ex. öka, hitrate/mål tycker du är viktigast och 4 minst)
  1 2 3 4 5
  Inte alls Ja, helt & hållet
11. Känner Du att Du kan vara med och påverka Hitraten? (antalet besökare som handlar)

Inte alls   Ja, helt & hållet

1  2  3  4  5

12. Känner Du att Du kan vara med och påverka Snittköpet? (vad genomsnittskunden handlar för)

Inte alls   Ja, helt & hållet

1  2  3  4  5

13. Känner Du att Du kan vara med och påverka Prod/Kund? (antalet produkter varje kund i genomsnitt handlar)

Inte alls   Ja, helt & hållet

1  2  3  4  5

14. Upplever du någon form av stress eller prestationsängest i samband med målen/säljnyckeltalen?

Inte alls   Ja, väldigt mycket stress.

1  2  3  4  5

15. Vad motiverar dig att prestera på jobbet? (rangordna där 1 är mest motiverande och 7 är minst motiverande)

Kollegor__   Lön__   Arbetsuppgifter__   Arbetsmiljön__   Uppmuntran__   Egen bekräftelse__   Målsättningar__

16. De säljtävlingar (tävlingar arrangerade av butik/leverantör) som varit har de motiverat dig till att presterå bättre?

Inte alls   Ja, väldigt mycket

1  2  3  4  5

17. Skulle du motiveras ytterligare ifall det fanns någon form av permanent belöning relaterad till säljnyckeltalen/målen?

Inte alls   Ja, väldigt mycket

1  2  3  4  5

18. Tycker du förmedlingen och uppföljningen av mål sker tillräckligt ofta? eller skulle du vilja uppdateras oftare med rapporter löpande under dagen du jobbar!??

Det är bra som det är__   Det behövs oftare__   Det behövs mer sällan__

19. Skulle du vilja ta del av något annat nyckeltal?

Svar:__________________________________________________________

Tack för din medverkan!
/Mikael & Fredrik
### 7.3 Appendix 3

The distribution of the staff who participated in the Survey.

<table>
<thead>
<tr>
<th>Undersökning</th>
<th>Totalt</th>
<th>Fasta</th>
<th>Extra</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alla</td>
<td>47</td>
<td>26</td>
<td>21</td>
</tr>
<tr>
<td>Män:</td>
<td>24</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Kvinnor:</td>
<td>23</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>A6</td>
<td>20</td>
<td>20</td>
<td>x</td>
</tr>
<tr>
<td>J-City</td>
<td>6</td>
<td>6</td>
<td>x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Totalt tillgängliga</th>
<th>Totalt</th>
<th>Fasta</th>
<th>Extra</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alla</td>
<td>75</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>Män:</td>
<td>39</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Kvinnor:</td>
<td>36</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>A6</td>
<td>26</td>
<td>26</td>
<td>x</td>
</tr>
<tr>
<td>J-City</td>
<td>7</td>
<td>7</td>
<td>x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tid som annställd</th>
<th>Totalt</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1 år</td>
<td>11</td>
</tr>
<tr>
<td>1-3 år</td>
<td>14</td>
</tr>
<tr>
<td>4-6 år</td>
<td>14</td>
</tr>
<tr>
<td>&gt;6 år</td>
<td>8</td>
</tr>
<tr>
<td>Totalt</td>
<td>47</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>a6 tillfrågade</th>
<th>Totalt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kassa</td>
<td>4</td>
</tr>
<tr>
<td>Textil</td>
<td>5</td>
</tr>
<tr>
<td>Skor</td>
<td>4</td>
</tr>
<tr>
<td>Sport</td>
<td>4</td>
</tr>
<tr>
<td>Lager</td>
<td>0</td>
</tr>
<tr>
<td>Övrigt</td>
<td>3</td>
</tr>
<tr>
<td>Totalt</td>
<td>20</td>
</tr>
</tbody>
</table>