

MFACC6200

***Performance
Measurement
and Incentive
Systems***

PMS TOOLS & TECHNIQUES

KPI
BIG DATA

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PMS Tools

- KPI
 - Definitions
 - SMARTER approach
 - Book Store case scenario
 - KPI for different areas

PMS TOOLS & TECHNIQUES

Key Performance Indicators (KPIs)

Performance Appraisals

Mission and Vision statements

Management Dashboards

Lean Management or Six Sigma

Benchmarking

The Balanced Scorecard (BSC)

Reward and Recognition Schemes

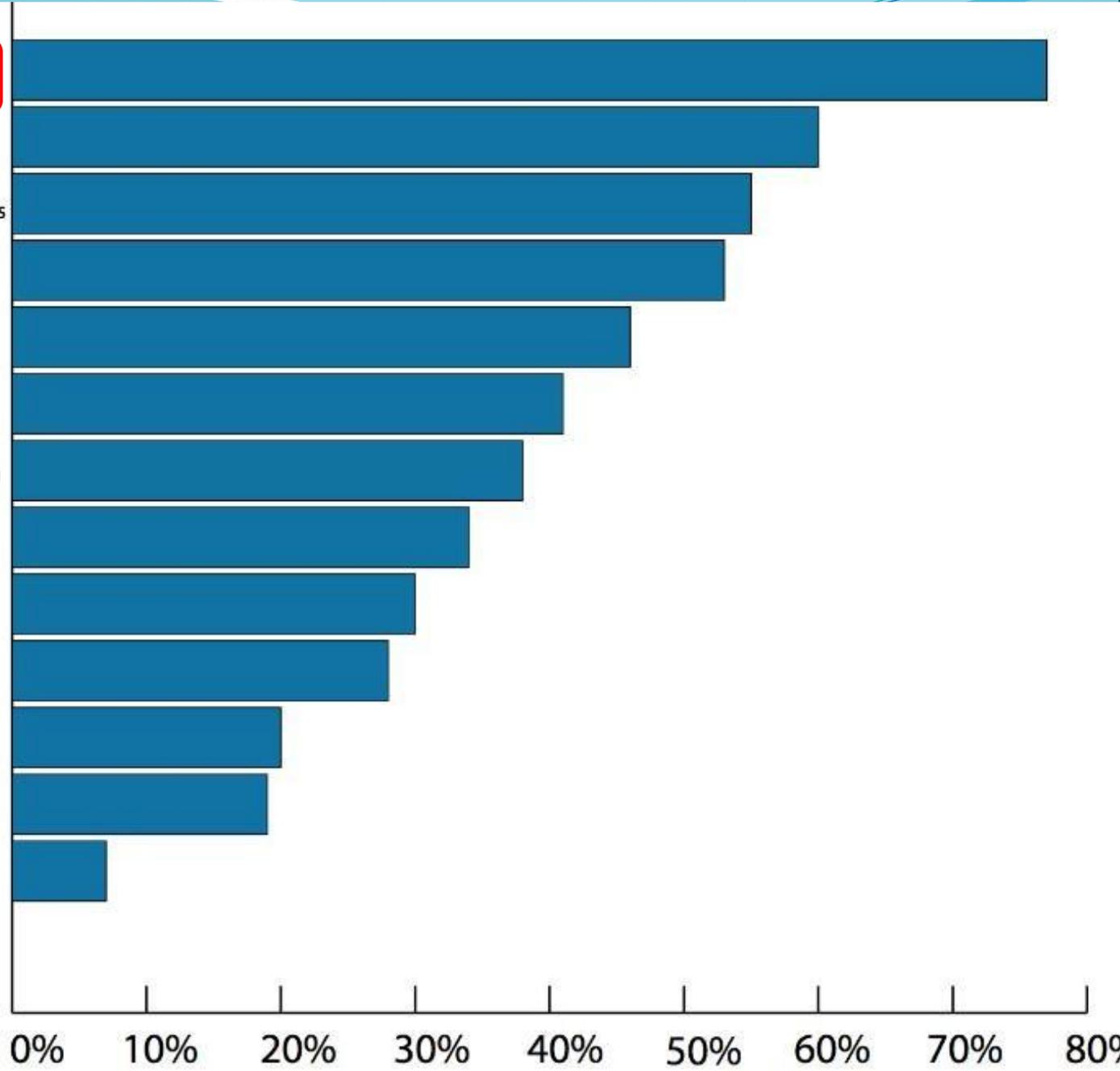
Business Intelligence (BI) or Analytics

Rolling Forecasts

Enterprise Risk Management

Strategy Maps

Big Data Analytics



Key Performance Indicator – KPI Definition

- A **Key Performance Indicator** is a measurable value that demonstrates how effectively a company is achieving key business objectives.
- KPI should help us understand how well a company, business unit or individual is performing compared to their strategic goals and objectives.



KPI - So...ask the right question

- what GOAL will the KPI help my organization achieve?
- what problem will it resolve ?
- what decisions will the KPI help drive ?

How to develop KPIs?

SMARTER approach.

Is your objective **Specific**?

S

Can you **Measure** progress towards that goal?

M

Is the goal realistically **Attainable**?

A

How **Relevant** is the goal to your organization?

R

What is the **Time-frame** for achieving this goal?

T

How and when will you **Evaluate** short-term progress?

E

How and when will you **Re-evaluate** longer-term progress

R

How to create a KPI?

Book store case scenario

- **What:** To increase book sales by 15% this year.
- **Why:** Achieving this target will allow you to hire another agent.
- **Measure:** Progress will be measured as an increase in number of books sold and resulting revenue.
- **How:** Drive traffic through a blog focused on topics related to our publishing niche.
- **Who:** The Content Marketing Manager will be responsible for this KPI.
- **Outcome:** Book sales will have increased by 15% this year.
- **When:** KPI progress will be reviewed on a monthly basis.

VIDEO - KPI's: 6 Tips to Pick the Best KPI's for your Strategy! - Jeroen De Flander

- <https://www.youtube.com/watch?v=7HdKablip2M>

VIDEO - KPI's: 6 Tips to Pick the Best KPI's for your Strategy! - [Jeroen De Flander](#)

- Identify GOALS - Aligned to the Strategy of your Organization. So you can measure those goals towards success.
- Limit the volume - Dashboard so full is confused and overwhelmed. Limit the amount you focus on
- Recurring KPI - You want to be able to compare, to track progress, be able to measure on a regular basis.
- Consistency - through the organization
- Leading and Lagging – balance keep me moving or
- Efficiency - easy approach to collect your information

<https://www.youtube.com/watch?v=7HdKablip2M>

KPI's: 6 Tips to Pick the Best KPI's for your Strategy!



KPI Best Practices – 6 A's

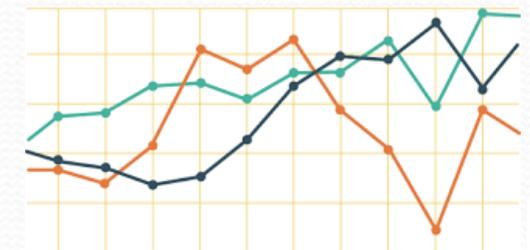
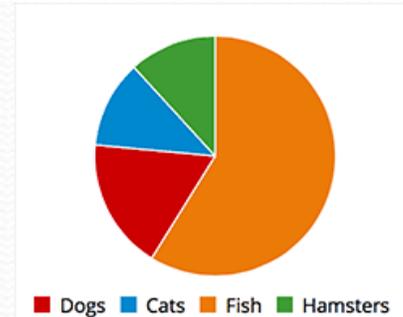
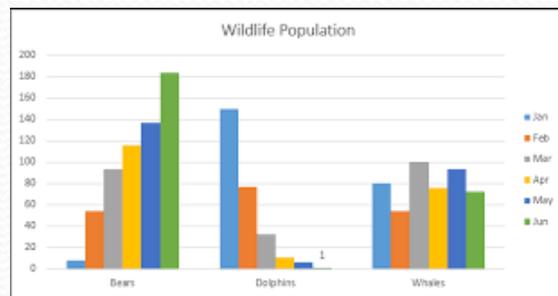
- **Aligned** - Make sure they align with the strategic goals and objectives of your organization
- **Attainable** - The indicators you choose to measure should have data that can be easily obtained
- **Acute** - They should keep everyone on the same page and moving in the same direction
- **Accurate** - The data flowing into the performance indicators should be reliable and accurate
- **Actionable** - Does each one give you insight into the business that is actionable?
- **Alive** - Your business is always growing and changing. Your KPIs should evolve as well!

VIDEO How to develop a KPI

How to Develop Key Performance Indicators

<https://www.youtube.com/watch?v=2tuWjtc2Ifk>

	Raw #s	Progress	Change
Measure	# of new customers	% complete	% increase of sales
Target	1000	100 %	22 %
Source	CRM	Project plan	P & L
Frequency	Monthly	Quarterly	Monthly



KPI Dashboard

- KPI dashboard displays key performance indicators to provide the executive with an easily discernable view of their business performance.
- By collecting, grouping, organising, and visualising the company's important metrics, it provides a quick overview of the company's performance, well-being, and expected growth.
- By using KPI dashboards, organisations can access their success indicators in real time and make informed decisions that help them achieve long-term goals.

How to create a KPI Dashboard?

- Business dashboards can be created with specific software that automatically collects and updates data in real time.
- Excel graphs are not a solution if you want a well-performing and actionable KPI dashboard.
- An informative business dashboard is described by well-chosen metrics.
- Before you start creating a KPI tracking dashboard, it is necessary to have a clear vision of your goals and requirements.

Before creating your dashboard you need to determine

- **What is the purpose of your dashboard?**

What are the goals that you want to achieve and which problems are you trying to notice with the help of KPIs on the dashboard? In this phase, figure out what performance indicators will be added to your dashboard.

- **Who's your audience?**

Who is going to use the dashboard and how frequently will they check it? What data is important to those people and what type of visualizations do they prefer?

Before creating your dashboard you need to determine ...cont

- **Are your KPIs actionable?**

Only monitor key performance indicators that can be acted upon. You should link each KPI with a clear goal and processes that impact the metric. Avoid adding vanity metrics that aren't relevant to achieving your business goals.

- **What types of charts to use?**

There are multiple chart types that look great on a KPI dashboard, each perfect for a different type of metrics: pie charts, tables, bar charts, line charts. Define the metrics you want to visualize and find the best chart type to report on the data.

KPI Dashboard - Examples Accounting - QuickBooks

- <https://app.klipfolio.com/published/d36677879da4015cb446b3a045969369/quickbooks-dashboard--public-demo>
- Income and Expenses
- Accounts Receivable and Accounts Payable Balance
- Sales by Product
- Vendor Expenses
- Revenue
- Expenses
- Top Customers by Income

Income and Expenses

Jan 1, 2016 to April 15, 2016
Jan 1, 2015 to April 15, 2015 (prev)

Current YTD



QuickBooks Sales by Product

Feb 1, 2015 to Jan 22, 2016

Current YTD

Product	Amount	% Sold
Rocks	\$2,475	28.45%
Trimming	\$2,250	25.86%
Maintenance & Repair	\$2,231	25.65%
Pest Control	\$1,448	16.64%
Installation	\$250	2.87%
Gardening	\$45	0.51%
Total	\$8,699	

Expenses

Feb 1, 2015 to Jan 22, 2016
Feb 1, 2014 to Jan 22, 2015

Current YTD



QuickBooks Income and Expenses (Last Month)



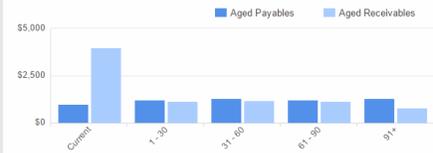
QuickBooks Income and Expenses (Last 12 Months)



AP and AR Balance

Feb 1, 2015 to Jan 22, 2016

Current YTD



QuickBooks Vendor Expenses

Feb 1, 2015 to Jan 22, 2016

Current YTD

Expenses	Amount	% Expenses
Chase the dragon	\$44,243	50.17%
Tara's burger joint	\$26,670	30.25%
Cool cafe shop	\$12,124	13.75%
Yoshi dresses	\$2,901	3.29%
Linus Sushis	\$2,241	2.54%
Total	\$88,179	

QuickBooks Revenue

Feb 1, 2015 to Jan 22, 2016

Feb 1, 2014 to Jan 22, 2015 (prev)

Current YTD



QuickBooks Customers By Income

Feb 1, 2015 to Jan 22, 2016

Current YTD

Customers	Income
Kennedy Hortons	\$71,050
Timothy Tea	\$20,000
Ulla's Blood Bank	\$15,850
Ulysses Juice corner	\$6,155
Zeus cool joint	\$5,284
Cecilia Bikas	\$4,624
Xavier clothes	\$3,791
Giselle harwood store	\$3,758
Total	\$137,085

QuickBooks Customer Balance Summary

Jan 1, 2016 to Jan 22, 2016

Current

Customer	Amount Due	Due Date	Days Overdue
Kennedy Hortons	\$71,050	Jun 30, 2015	> 90 Days
Timothy Tea	\$20,000	Jul 31, 2015	> 90 Days
Ulla's Blood Bank	\$15,850	Sep 9, 2015	> 90 Days
Ulysses Juice corner	\$6,155	Sep 21, 2015	> 90 Days
Zeus cool joint	\$5,284	Nov 30, 2015	30 - 60 Days
Cecilia Bikas	\$4,624	Dec 31, 2015	< 30 Days
Xavier clothes	\$3,791	Jan 9, 2016	< 30 Days
Giselle harwood store	\$3,758	Jan 31, 2016	Current
Lilith Beauty parlour	\$3,420	Feb 29, 2016	Current
Galvin Pizzas	\$3,154	Apr 15, 2016	Current
Total	\$137,085		

How to write a key performance indicators

- Write a clear objective for each one
- Share them with all stakeholders
- Review them on a weekly or monthly basis
- Make sure they are actionable
- Evolve them to fit the changing needs of the business
- Check to see that they are attainable (but add a stretch goal)
- Update your objectives as needed

VIDEO –

John Doerr - Why the secret to success is setting the right goals

- https://www.ted.com/talks/john_doerr_why_the_secret_to_success_is_setting_the_right_goals?language=en#t-342274

KPI - Financial Performance

- 1. Net Profit
- 2. Net Profit Margin
- 3. Gross Profit Margin
- 4. Operating Profit Margin
- 5. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)
- 6. Revenue Growth Rate
- 7. Total Shareholder Return (TSR)
- 8. Economic Value Added (EVA)
- 9. Return on Investment (ROI)
- 10. Return on Capital Employed (ROCE)
- 11. Return on Assets (ROA)
- 12. Return on Equity (ROE)
- 13. Debt-to-Equity (D/E) Ratio
- 14. Cash Conversion Cycle (CCC)
- 15. Working Capital Ratio
- 16. Operating Expense Ratio (OER)
- 17. CAPEX to Sales Ratio
- 18. Price Earnings Ratio (P/E Ratio)

KPI to Understand your customer

- 19. Net Promoter Score (NPS)
- 20. Customer Retention Rate
- 21. Customer Satisfaction Index
- 22. Customer Profitability Score
- 23. Customer Lifetime Value
- 24. Customer Turnover Rate
- 25. Customer Engagement
- 26. Customer Complaints

KPI - To gauge your market and marketing efforts

- 27. Market Growth Rate
- 28. Market Share
- 29. Brand Equity
- 30. Cost per Lead
- 31. Conversion Rate
- 32. Search Engine Rankings (by keyword) and click-through rate
- 33. Page Views and Bounce Rate
- 34. Customer Online Engagement Level
- 35. Online Share of Voice (OSOV)
- 36. Social Networking Footprint
- 37. Klout Score **Klout** is a website and mobile app that uses social media analytics to rank its users according to online social influence via the “**Klout Score**”, which is a numerical value between 1 and 100

KPI -To measure your operational performance

- 38. Six Sigma Level
- 39. Capacity Utilisation Rate (CUR)
- 40. Process Waste Level
- 41. Order Fulfilment Cycle Time
- 42. Delivery In Full, On Time (DIFOT) Rate
- 43. Inventory Shrinkage Rate (ISR)
- 44. Project Schedule Variance (PSV)
- 45. Project Cost Variance (PCV)
- 46. Earned Value (EV) Metric
- 47. Innovation Pipeline Strength (IPS)
- 48. Return on Innovation Investment (ROI₂)
- 49. Time to Market
- 50. First Pass Yield (FPY)
- 51. Rework Level
- 52. Quality Index
- 53. Overall Equipment Effectiveness (OEE)
- 54. Process or Machine Downtime Level
- 55. First Contact Resolution (FCR)

KPI - To understand your employees and their performance:

- 56. Human Capital Value Added (HCVA)
- 57. Revenue Per Employee
- 58. Employee Satisfaction Index
- 59. Employee Engagement Level
- 60. Staff Advocacy Score
- 61. Employee Churn Rate
- 62. Average Employee Tenure
- 63. Absenteeism Bradford Factor
- 64. 360-Degree Feedback Score
- 65. Salary Competitiveness Ratio (SCR)
- 66. Time to Hire
- 67. Training Return on Investment

KPI - To measure your environmental and social sustainability performance

- 68. Carbon Footprint
- 69. Water Footprint
- 70. Energy Consumption
- 71. Saving Levels Due to Conservation and Improvement Efforts
- 72. Supply Chain Miles
- 73. Waste Reduction Rate
- 74. Waste Recycling Rate
- 75. Product Recycling Rate

KPI - Sales

- Monthly Sales Growth
- Average Profit Margin
- Monthly Sales Bookings
- Sales Opportunities
- Sales Target
- Quote To Close Ratio
- Average Purchase Value
- Monthly Calls (or emails) Per Sales Rep
- Sales Per Rep
- Product Performance
- Sales by Contact Method
- Average New Deal Size/Length
- Lead-to-Sale %
- Average Cost Per Lead
- Retention and Churn Rates
- Customer Lifetime Value
- Average Conversion Time
- New and Expansion MRR
- Number of Monthly Onboarding and Demo Calls

Source: <https://www.klipfolio.com/resources/kpi-examples/sales>

KPI - Call centers

- Measure your ability to deliver on commitments made in your service level agreements (SLAs). Agent Schedule Agreement Measure how effectively call centers agents are using their scheduled time.
- Active waiting calls
- Peak your traffic Monitor time of day during which your company received the most calls
- Call back Messaging
- Measure the number of callers that leave a message giving information to call back.
- Actual contact load Measure the actual amount of contacts versus the expected number of contacts.

KPI - Social Media



- Twitter engagement Metrics Understand which tweets are most effective in your campaigns.
- Twitter Followers Metrics Understand the effectiveness of your company's twitter page.
- Facebook Page Like Metrics Understanding the Effectiveness of your company's Facebook page.
- Facebook people taking about This Metric Understanding how people are engaging with your page
- Facebook engagement Metrics Which Posts are the Most Important
- Key Social Metrics How effective is your website at building an audience?
- Instagram Followers
- Facebook likes
- Followers Growth KIP

KPI - Social Media

- Social Events Monitor events on your social stream to nurture engagement and grow your audience.
- Social Traffic and Conversions The effectiveness of social media campaigns at generating website traffic and goal conversions.
- Social Sentiment Brand perception and Brand Equity
- Social Visits and Leads The effectiveness of social campaigns at driving visitors and leads to your website.
- New Followers How many social media followers are your campaigns attracting?
- Social Interactions Measure the engagement levels of your social media campaigns

KPI - Social Media

- Facebook ads Campaigns Performance - Make sure your message is reaching the right audience by measuring your Facebook Ads campaign performance for the date range of your choice. Make sure your message is reaching the right audience by measuring your Facebook Ads campaign performance for the date range of your choice.
- YouTube channel subscribers
- Social Shares Measure the amount of times your content has been shared on social media platforms.
- Social Followers Measure the total number of users that are following your account on social media platforms.



KPI - Retail Metrics

- Customer Satisfaction
- Customer Retention Measure the ability of your organization to retain customers over the long term.
- Point of Purchase
- Cost of Goods Sold
- Incremental Sales
- Average Purchase Value
- Sales per square foot Measure how much sales revenue you are able to generate for each foot of retail space provided.

KPI - Healthcare Metrics

- Time to Healthcare Services - Understand how long it takes incoming patients to receive healthcare service.
- Labs turn around time
- ER waiting times
- Average Length of Stay
- Number of Patients in ER
- Current ER Occupancy

Assignment – Situational case

- Develop your company KPI s

VIDEO Harish Manwani: Profit's Not Always the Point

- <https://www.b2bnn.com/2014/11/5-ted-talks-inspire-business-leader/>

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Introduction to KPI - Examples

<https://www.klipfolio.com/resources/kpi-examples>

VIDEOS

KPI's: 6 Tips to Pick the Best KPI's for your Strategy! - [Jeroen De Flander](#)

<https://www.youtube.com/watch?v=7HdKablip2M>

What is strategy?

<https://www.youtube.com/watch?v=0cMdPH6jZCM>

How to develop KPI

<https://www.youtube.com/watch?v=2tuWjtc2Ifk>

John Doerr why the secret to success is setting the right goals

https://www.ted.com/talks/john_doerr_why_the_secret_to_success_is_setting_the_right_goals?language=en#t-342274

Profit is not always the point - Harish Manwani (January 2014)

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KPI Dashboards

<https://www.klipfolio.com/resources/dashboard-examples/executive/kpi-dashboard>

EXAMPLES

<https://www.klipfolio.com/resources/dashboard-examples/executive/quickbooks-accounting-dashboard>