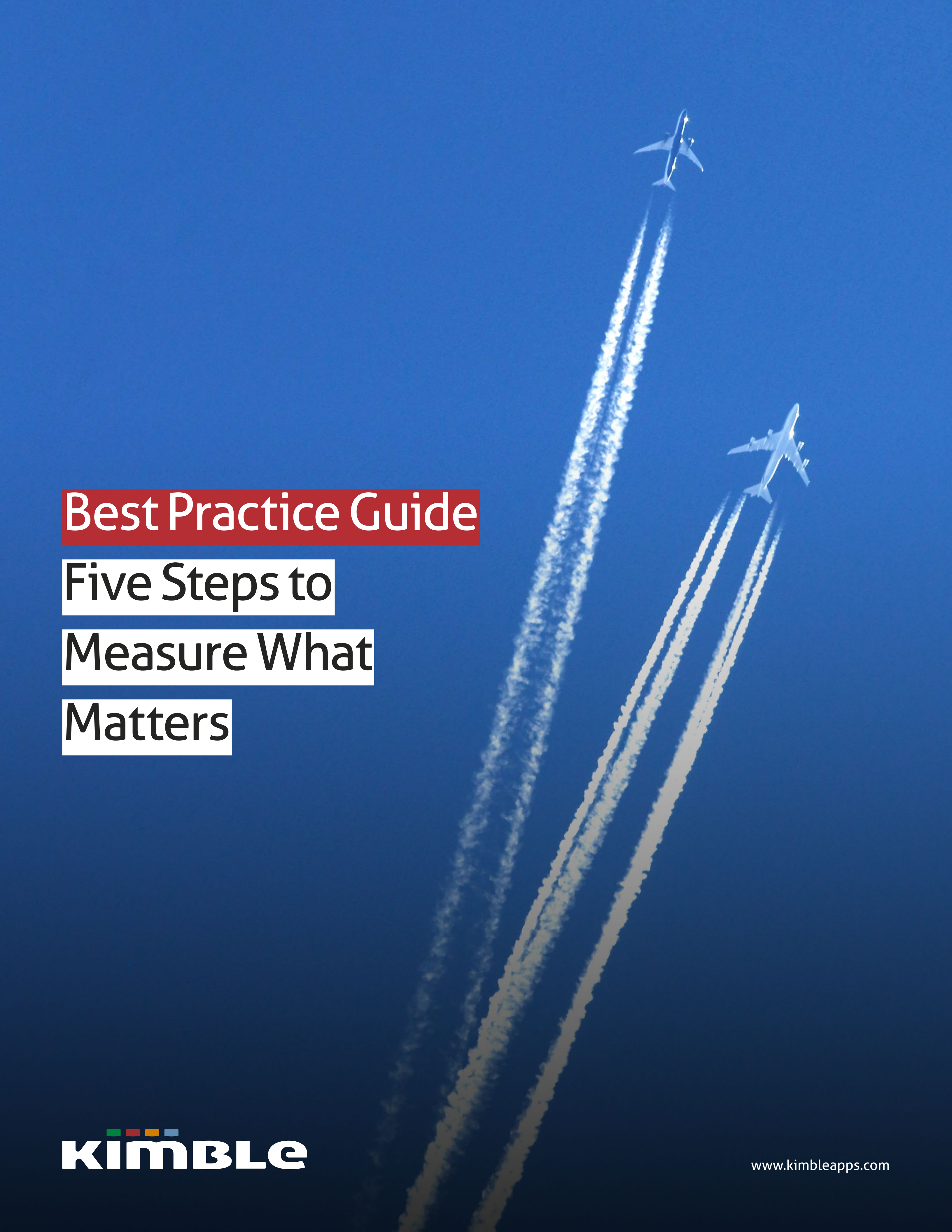

Best Practice Guide

Five Steps to Measure What Matters

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Measurement can be creative and dynamic. It can be used to support change and improve performance.

Measurement connects the day-to-day working of the organization to its long-term goals. It links the operational whirlwind to the vision.

For example, if we say that delivering value for existing and prospective customers is our priority, how should we measure if we are delivering on that? Reviewing the process of measurement in an organization starts with questions. What is our vision - where do we want to get to and how will we know when we have? Who decides what we measure and why? What does what we measure say about us as an organization? If this is our strategy, what should we measure? How do we make what is important to the organization measurable?

Measurement is the start of the process that creates data. If that data is to be useful, the measurements have to be well-thought-out. This is not about creating sticks to beat people with. Instead, it is a lever controlling the direction of the organization.

Measurement is about making considered choices that allow data to flow into action plans. When strategic goals are set, thought should be given to how they can be made into concrete targets. The monitoring of these goals provides sightlines into the working of the organization and focuses energy.

In this Best Practice Guide, we suggest five simple steps to measuring what matters.

1 Look at what is measured and why

Some organizations collect too much, or the wrong data. It becomes harder to gather and use information.

Measurement is often seen as a backward-looking exercise in gathering data for the accounting department. In fact it is a powerful lever for operating the business. It gives people across the business the information they need to make better decisions.

Raw data is more valuable where it has context. For example, the gross margin of a project is going to make more sense if it is put in the context of the margin at which this project was won rather than against the target margin for the business. There may have been a commercial decision to offer a low rate for a strategic piece of work, and this may have necessitated a low margin, but for the data to be useful, whoever looks at it needs to know what that commercial decision was and how the business is performing against it.

Consulting organizations sometimes have data-gathering practices that have beome detached from the operation of the business. This can lead to scenarios where, for example, staff members are told to fill in many fields in the CRM system which nobody uses. As soon as this separation between what the business is measuring and what the management team is doing with it is revealed, confidence is damaged. People stop caring about the data, they don't put it in anymore, they don't believe in it, and it doesn't become part of running the business.

Overhauling the data collection procedures, perhaps before or at the same time as introducing Professional Services Automation, is an opportunity to clear the decks and to improve the process.

Measurement is a powerful tool because it gives people the information they need to make better decisions about what's ahead.

2 Prioritize information that can affect the future

Prioritize information which helps create accurate forecasts

When data is pulled out of the system to close month-end sharply, the main focus can move to gathering information which impacts on the future.

The most important information is that which helps to navigate the road ahead. Drawing accurate forecasts from the information gathering process extends the time managers have to act on those predictions, allowing them to avert issues and build on successes.

Which are the critical measurements? Of all the measurements that the business collects, only a small percentage are likely to be true key performance indicators (KPIs). Another few percent will be key results indicators (KRIs), and the rest are just general performance measurements.

An indicator is key if it is looked at every day and if it feeds directly into the way the business is managed. The difference between the two is that a KPI is a forward-looking measure and a KRI is a backward-looking measure. Selecting the best KPIs is an important opportunity to focus on the future.

Collecting too much information about things we can't change is not the best use of time and energy. In a **white paper available on the Kimble website** analyst Paul Howard demonstrates how measurements of labor, costs, and revenue can be tied together to show "time to value'. If time to value is improving, he points out, customer satisfaction and profitability are likely to go up too.

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3 Use measurement to align strategy and operations

Agree metrics that link to the mission of creating value for customers

Sometimes the only 'hard' data that is available belongs to the accounting department - but measurement should be used to join up strategy and operations.

When the board agrees on a statement that expresses the vision for the future direction of the company, there is a danger that can stand alone as a collection of phrases.

Instead, the mission statement should be linked to the real world actions that will make it a reality. Expressing the goal in terms of customer satisfaction and customer value helps everyone to stay focused on these crucial areas.

What shall we measure to see what impact we are having on customers? How does our offer compare with what else is available on the market? What about the people who have not yet become customers? How can we measure the value we can provide to them? Agreeing metrics which reflect the mission of being more customer-centric is key to moving the business in that direction.

In the example on the previous page, of time to value, the clock starts ticking as soon as the client says "Yes" and the first task is to get the contract finalized as expeditiously as possible. Measuring this - and agreeing on initiatives to speed up a process that can sometimes take too long - is an example of a link between strategy and operations.

4 Use measurement positively and not negatively

Use measurement positively, not as a stick to beat people with

Allow managers of new business areas to set the metrics; use measurement to support the staff, not to browbeat them.

Measurement should not be about blaming people. If everyone is looking at the dashboard saying "I'm behind on my target," that's not useful for anybody. It is more constructive to use data to coach less experienced staff members so that they are able to perform closer to the results obtained by more experienced colleagues.

For instance, knowing the total number of hours which have been approved to a project means that the project manager can be alerted that cover is running out before he or she takes a step that will push it into the red. Providing the hint at the right time which allows a member of the staff to succeed in their role helps the individual, and it helps to lift the business performance at the same time.

When setting up new business units and departments, the managers of these can decide what the vision is, what success looks like, what the targets should be and how measurement should be used to meet them. This helps to prevent people trying to 'game' the system, trying to meet requirements they don't have ownership over. Real-time live data which is shared across the organization supports transparency and encourages a culture of accountability and empowerment.

5 Look for underlying trends - act on the information

Working to understand trends in the business gives greater insight

Rather than relying single points of data, it is more helpful to look at the patterns and tease out the trends to find out how the business is performing.

KPIs are important - but they are only single points of data, like dots on a graph. Monitoring the change in the numbers over time gives more insight into how the business is actually performing.

For instance, a company that sells pool clearing services has an uptick of revenue in the summer. But last year at this time they were selling more. Drilling down reveals a shift in the market - robot pool cleaners are becoming more popular. Spotting this trend early gives the business more time to deal with the competition and to come up with more compelling propositions.

There are key trends in any business - for example, utilization tends to matter less if the business relies heavily on contractors. Compiling a "trend playbook" based on knowledge of a particular business will help the whole team understand the levers. This puts managers in a stronger position to make strategic decisions for the business.

Conclusion

Measuring what matters is the first step to creating useful information. This can help to ensure the business continues to deliver value at competitive rates for both existing and prospective customers.

Using performance measurement proactively helps to build on success and avoid pitfalls. Identifying trends helps identify opportunities and challenges.

Using measurement strategically helps business leaders to steer the organization forward successfully.

Example: Intersys

"Kimble gives...much better visibility not only of the KPIs that we track but of the activities which are the leading indicators of strong performance." Ambrose Krumpe, CFO, Intersys

Leading data management, business intelligence and analytics specialist Intersys moved to Kimble PSA from NetSuite OpenAir in 2017.

They wanted to run the business using their CRM platform, Salesforce, and they also wanted to seamlessly integrate sales and delivery.

Implementing KImble PSA has helped to create a unified picture across the business. "We wanted the sales team, delivery management team, client success directors and solution architects to have a complete view of every engagement, from lead to invoicing, at their fingertips," CFO Ambrose Krumpe explained.

Kimble allows Intersys managers to produce reports which give insight into the metrics they want to use to run the business. This is helping to drive stronger performance in a number of areas.

Watch a video case study