CFO Key Performance Indicators (KPI) Survey

# Table of contents

- Foreword ................................................................. 3
- About the survey .................................................. 4
- Define KPIs ........................................................... 6
- Financial performance indicators ....................... 8
- Non-financial performance indicators ................ 10
- Brand and promote ............................................... 12
- Gather and prepare .............................................. 14
- Analyse and draw insight ..................................... 16
- Illustrate and communicate ................................. 18
- Iterate and review ................................................. 20
- Takeaways ............................................................... 22
- Contacts ................................................................. 24
Foreword

Origin
We created the CFO series in 2011 to provide an overview of the various changes, challenges and trends relating to the finance function in the Luxembourg marketplace. Each recurring survey is conducted every three years.

Rationale
A lack of information on the changes to the finance function’s main activities in Luxembourg prompted us to begin the series.

Purpose
Our aim is twofold: on the one hand, to provide a snapshot of the Luxembourg industry for the topics of interest, and on the other hand, to infer insights from a comparison between current trends and previous results so as to identify potential changes in priorities and mindset.

Context
Today, in 2017, we are renewing our survey on key performance indicators (KPIs), which are more in the spotlight than ever before due to the real need for guidance in the current market uncertainty and volatility, coupled with the abundance and diminishing cost of data.

Thank you
We would like to thank the participating companies for their time and support and encourage other Luxembourg companies to contribute to the next study.

Christian Scharff
Partner, I&S Consulting

Thomas Campione
Senior Manager, Finance
About the survey

Our sixth edition of the CFO survey series takes its aim at how key performance indicators (hereafter “KPIs”) are used in today’s finance function. In this instalment, as opposed to the previous entries in the series, we have decided to shift our focus from the Luxembourg marketplace as a whole to primarily operational companies, thereby reducing size and sector biases.

Our wide array of participants provides a truly diverse mix of industries and size in terms of turnover within operational companies, therefore constituting an accurate overview of the Luxembourg landscape.

The survey’s general purpose was to provide an insight into the way in which operational companies manage their KPIs with regard to our general approach:

1. Define KPIs
2. Gather and prepare
3. Analyse and draw insight
4. Iterate and review
5. Brand and promote
6. Illustrate and communicate
About the panel

Over 40 C-level executives took part in our survey, voicing the opinions of their Luxembourg-based companies on their processes, challenges and expectations regarding KPIs. All respondents took part through online forms between March and November 2016.

Industry mix

- 17% Service industry
- 14% Retail and consumer goods
- 9% Automotive
- 10% Transport and logistics
- 26% Manufacturing
- 24% Information, communication and technology

Respondent’s position/role

- 24% Head of controlling
- 21% Finance professional (controller, manager)
- 38% CEO, CFO
- 17% Head of accounting

Company turnover

- 34% Greater than EUR 250m
- 14% EUR 0 - 10m
- 26% EUR 10 - 50m
- 14% EUR 100 - 250m
- 12% EUR 50 - 100m

Type of company

- 55% Subsidiary
- 45% Parent
- 14% EUR 100 - 250m
- 14% EUR 0 - 10m
- 26% EUR 10 - 50m
Define KPIs
Strategy comes first

An adequate set of KPIs should act both as the company’s compass – complementary to the strategy, which would act as the roadmap – and as a diagnostic tool. It should provide a general idea of the position and direction the company aims to follow, while at the same time instantly directing management to the areas that require improvement. A well-defined set of key performance indicators is essential at managerial level to assess business performance in real time at a glance. An overly complex set of KPIs not only distorts the company’s performance and financial situation but also overburdens the finance team with excessive data gathering and preparation. If a KPI is ambiguous in any shape or form, do not consider it.

Measure what is important, don’t make important what you can measure.

Robert McNamara

Insight from the market

How many KPIs do you regularly consider?

<table>
<thead>
<tr>
<th>Number of KPIs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>14%</td>
</tr>
<tr>
<td>5-10</td>
<td>22%</td>
</tr>
<tr>
<td>10-15</td>
<td>33%</td>
</tr>
<tr>
<td>15-20</td>
<td>17%</td>
</tr>
<tr>
<td>More than 20</td>
<td>14%</td>
</tr>
</tbody>
</table>

28% of companies track more than 20 or fewer than 5 KPIs.

In your opinion, what do KPIs monitor?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General company performance</td>
<td>98%</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>33%</td>
</tr>
<tr>
<td>Long-term strategic goals</td>
<td>45%</td>
</tr>
<tr>
<td>Short-term objectives</td>
<td>64%</td>
</tr>
<tr>
<td>Managerial performance</td>
<td>52%</td>
</tr>
</tbody>
</table>

Less than half of respondents believe that their KPIs monitor the performance of long-term strategic goals.

How frequent is your set of KPIs re-evaluated or updated?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>3%</td>
</tr>
<tr>
<td>Yearly</td>
<td>45%</td>
</tr>
<tr>
<td>Semi-annually</td>
<td>14%</td>
</tr>
<tr>
<td>More often</td>
<td>38%</td>
</tr>
</tbody>
</table>

More than 1/3 of respondents re-evaluate their set of KPIs quarterly or more frequently.
When looking at the Luxembourg market as a whole, a rather large portion of respondents are following either too many or too few KPIs to most effectively monitor their business operations. Moreover, in Luxembourg, KPIs are extensively limited to general company performance, neglecting long-term initiatives or short-term objectives. In addition, KPIs do not directly monitor managerial performance, with only one in every two C-level executives in Luxembourg doing so. Surprisingly, more than one out of three participants review their set of KPIs more often than semi-annually. This begs the question as to whether this frequent and regular KPI reassessment is due to constantly changing business conditions, strong growth potential or inadequately defined KPIs.

When looking at the Luxembourg market as a whole, a rather large portion of respondents are following either too many or too few KPIs to most effectively monitor their business operations. Moreover, in Luxembourg, KPIs are extensively limited to general company performance, neglecting long-term initiatives or short-term objectives. In addition, KPIs do not directly monitor managerial performance, with only one in every two C-level executives in Luxembourg doing so. Surprisingly, more than one out of three participants review their set of KPIs more often than semi-annually. This begs the question as to whether this frequent and regular KPI reassessment is due to constantly changing business conditions, strong growth potential or inadequately defined KPIs.

PwC best practices

The key to an effective set of KPIs is to balance an actionable set of financial and non-financial measures. Within that, two notions are absolutely crucial for evaluating the usefulness of KPIs: they should (1) be intrinsically persistent (i.e. stay relevant over time), and (2) link cause and effect (predictive). Additionally, the set of KPIs should be forward-looking and stay consistent over time (the entire set should not be replaced every year). This enables the development of business performance to be analysed. At PwC, we invite companies to devise a strategy map tying KPIs to strategy through business objectives and value drivers. Ideally, such a set of value drivers unravels into 10 to 20 relevant indicators including all business aspects, and not limited only to financial information. Through such an approach, we ensure that the set of KPIs directly connects with business issues.

Translation of strategy into business objectives, value drivers and KPIs

Common pitfalls to avoid

- **Not connecting the KPIs to the company’s long-term strategy via value drivers**
- **Failing to identify value drivers and failing to grasp how value is created and destroyed**
- **Not tracing variances in company performance to KPI drivers or owners**
- **Relying on intuition or gut feeling to make decisions, and not having a data-driven approach**
- **Considering only financial KPIs or quantitative metrics because some business aspects are difficult to measure or track**
The cornerstones of every set of KPIs are the financial indicators – monitoring your business’s financial performance as effectively as possible and supporting the majority of the periodic financial-result reports and management presentations. Thankfully, financial ratios are the most straightforward metrics to track, primarily because of their quantitative nature. In general, we distinguish four main standard financial areas to monitor: profitability, activity, liquidity and solvency. These areas act as a diagnostic tool providing a snapshot of the business’s general health – from a periodic format to one that is real-time, depending on the company’s technological maturity.

**Profitability**
- Financial results e.g., EBITDA, EBIT, net results
- Margins e.g., gross profit, operating profit, net profit
- ROE, ROA or DuPont Model
- Return on capital employed (ROCE)

**Activity**
- Receivables, payables or inventory turnover
- Days sales outstanding in receivables, payables, or purchase in payables
- Operating cycle or cash cycle

**Liquidity**
- Net working capital
- Current ratio
- Quick ratio

**Solvency**
- Debt ratios e.g., D/E, D/A
- Earnings coverage e.g., times interest earned ratio (TIE)
- Degree of financial leverage

What makes a measurement of high value is a lot of uncertainty combined with a high cost of being wrong.

Douglas W. Hubbard
Analysis

An effective profitability analysis shouldn’t stop at the income statement: it should also be tied back into the underlying assets needed to support those profits and their development as profits rise or fall. As a rule of thumb, such metrics should be monitored on a quarterly basis – which only a quarter of our respondents do. Meanwhile, activity ratios are keenly followed, with around 85% of respondents tracking them more than once a month. On the liquidity and solvency side, respondents track financial leverage and earnings coverage less frequently than expected, possibly due to the very low cost of money nowadays. As we anticipate an increase in overall funding costs in the near term, we encourage companies to keep paying sufficient attention in this field.

PwC best practices

These four classic KPI categories provide managers in any industry with a strong overview of their business performance and exposure to related risks. Overlooking just one of these categories may create a significant blind spot with consequences throughout business operations. Instead, we encourage companies to identify a balanced mix of KPIs relevant to their unique business operations and industry-market conditions. In addition, rather than simply tracking these indicators, companies should strive to establish causal links and apply retrospective analysis. Companies often evaluate the profitability of projects beforehand, but only in a few instances do they compare these projections to the actual benefits realised. When debating how often to track a KPI, bear in mind that frequency also has an underlying cost. For example, tracking solvency on a weekly basis will not provide any relevant insight for the standard industry, but instead can overburden a finance team.

Analysis

Pitfalls to avoid

• Using generic financial KPIs that are not representative of the specifics of your business or industry (EBITDA is commonly used as it is generally a better estimate of operating cash flows; however, in some industries – such as those with significant finance-lease obligations – EBIT may be more appropriate)
• Overlooking the cost of collecting meaningful data for each of the desired measures
• Lacking an adequate management-information system to support the collection, analysis and reporting process
• Failing to reconcile the various data sources and not understanding what drives variances

Right mix

Balanced set of KPIs within the four categories: (profitability, activity, liquidity, solvency)

Real time

Data needs to be ready whenever it makes sense to review it; having real-time data is of significant added value

Cause and effect

Strive to establish cause-and-effect relationships between your KPIs and your business objectives

Retrospective analysis

Don’t limit yourself to forward analysis – project-realisation data completes and provides key information for future projects

1

2

3

4

1. Right mix
2. Real time
3. Cause and effect
4. Retrospective analysis

Data needs to be ready whenever it makes sense to review it; having real-time data is of significant added value

Strive to establish cause-and-effect relationships between your KPIs and your business objectives

Don’t limit yourself to forward analysis – project-realisation data completes and provides key information for future projects

Balanced set of KPIs within the four categories: (profitability, activity, liquidity, solvency)
Non-financial performance indicators
Finding the balance

Basing a set of KPIs solely on financial data would prevent a company from reaping the benefits of the clear insights that non-financial indicators provide. Namely, they add the aforementioned compass dimension, and this is for three reasons. First, they share a closer connection to the long-term corporate strategy (e.g. a focus on customer satisfaction or staff motivation). Second, non-financial indicators usually uncover realms of intangible value that are not necessarily recognised through general accounting rules, such as intellectual capital or customer relationships. Lastly, they can be an early signal of future financial performance and can track competitive advantages. For example, new product development/launches or expanding organisational capabilities may be important strategic goals, but may hinder short-term financial performance in the strict accounting sense.

“...You can’t manage what you don’t measure.”

W. Edwards Deming

Insight from the market

Personnel

<table>
<thead>
<tr>
<th>Measure</th>
<th>Never</th>
<th>Yearly</th>
<th>Quarterly</th>
<th>Monthly</th>
<th>Weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absenteeism</td>
<td>70%</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Staff morale</td>
<td>32%</td>
<td>22%</td>
<td>40%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Full-time equivalents (FTE)</td>
<td>5%</td>
<td>10%</td>
<td>46%</td>
<td>46%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Customer-centric

<table>
<thead>
<tr>
<th>Measure</th>
<th>Never</th>
<th>Yearly</th>
<th>Quarterly</th>
<th>Monthly</th>
<th>Weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loyalty</td>
<td>21%</td>
<td>29%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>15%</td>
<td>35%</td>
<td>21%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Staff morale</td>
<td>2%</td>
<td>40%</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Non-financial operations

<table>
<thead>
<tr>
<th>Measure</th>
<th>Never</th>
<th>Yearly</th>
<th>Quarterly</th>
<th>Monthly</th>
<th>Weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity material prices</td>
<td>33%</td>
<td>15%</td>
<td>31%</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Production volumes</td>
<td>31%</td>
<td>17%</td>
<td>39%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Production halts or stops</td>
<td>39%</td>
<td>25%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Accidents</td>
<td>33%</td>
<td>25%</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>

2/3 don’t track staff morale in the short term.

Half of respondents only track absenteeism quarterly or less often.
Overall, non-financial metrics are lagging in the Luxembourg market. In exceptional cases, companies only track the straightforward indicators. Most companies could benefit by identifying areas of non-financial performance that might advance their chosen strategy. Moreover, demonstrating a cause-and-effect link between improvements in those non-financial areas and in cash flows would open up new analysis and insights into business performance.

**PwC best practices**

There is no one-size-fits-all approach to start measuring non-financial aspects. You have to begin by understanding a company’s value drivers, the factors that create stakeholder value and its obstacles. Four principles should be applied: materiality, simplicity, transparency and accountability. First, determine variables to assess materiality for business, such as the degree to which an issue is aligned with business, the potential impact on operations and the extent of the issue’s influence. Then, draw up questionnaires (one for internal use and one for external use) and send them to the key business partners. Once established, these factors determine which events contribute to long-term success, and consequently how to translate corporate objectives into simple tenets that guide managers’ actions. Based on these actions, define a threshold and link it to metrics that are actionable for staff members and raise their awareness. The last step is to identify the targets and goals that should be devised for staff members, in order to make them accountable for those targets and give them ownership of the KPIs.

**Pitfalls to avoid**

- Using purely financial KPIs.
- Overlooking the sustainability of a business.
- Adopting a myopic business approach.
- Not granting ownership of KPIs to staff members.
However well designed a set of KPIs might be, they will have a limited impact if they are not embedded in the company’s culture. Benefits will be reduced if management fails to garner sufficient awareness of the company’s long-term strategy and obtain engagement from employees. Many companies share very few of their indicators internally, leading inadvertently to uninformed employees monitoring and tracking potentially unrelated KPIs. In order for a ship to move in one direction as effectively as possible, all rowers must know the direction of the compass.

**Brand and promote**

**Performance management awareness**

The price of light is less than the cost of darkness.

“...Brand and promote...”

Arthur C. Nielsen

**Insight from the market**

**Does top management regularly update and communicate the staff and workforce on the progress of the company’s KPIs towards its strategic objectives?**

2/5 of respondents seldom communicate their KPIs more than twice a year.

1/3 of respondents don’t believe that the link between their KPIs and their long-term strategy is clear.

**Are you aware of how the key performance indicators tie into your business’ long-term strategic goals?**

69% Somewhat aware

29% Unsure

2% Yes

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>31%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>29%</td>
</tr>
<tr>
<td>Rarely</td>
<td>7%</td>
</tr>
<tr>
<td>Semi-annually</td>
<td>21%</td>
</tr>
<tr>
<td>Yearly</td>
<td>12%</td>
</tr>
</tbody>
</table>
PwC best practices

At PwC we are in favour of establishing a “single version of the truth”, which symbolises a clear alignment for every department in terms of internal information, creating a foundation for robust decision-making. We put a strong emphasis on institutionalising communications throughout the corporation. Our belief is that KPIs should be supported and embraced, and not be the representation of an inconsistent array of data interpretations across departments. We encourage companies to spend as long as they need on these activities in order to truly empower all employees at all levels to create value for the firm and to be aware of how they can contribute.

Analysis

The survey indicates that companies in Luxembourg are at the lower end of the spectrum as far as communication on their strategy is concerned, while this could be the low-hanging fruit. Communicating more often wouldn’t necessarily amount to a high cost but could undoubtedly make a difference in terms of efficiency or collaborative effort. This lack of top-down communication is, in our opinion, the key factor explaining the respondents’ poor awareness of how KPIs are directly linked to long-term strategy.

Pitfalls to avoid

- Sharing information locally.
- Broadcasting an inconsistent overall message leading to inconsistent actions.
- Not linking the different departments’ KPI sets.
- Misaligning personal targets with strategic objectives.

Strategy map

- Financial
- Customer
- Internal processes
- Learning & growth

What did you do to improve performance on one or more of the drivers delivering our strategy?

- Use as an agenda for (yearly) planning
- Use as table of content for business plan
- Use as guide for prioritising investment proposals
- Check projects on their value add to the strategy
- Use for appraisal and rewarding of employees
- Use as starting point for reporting
- Use as guide for determining information need
- Communicate strategy to all

Use as table of content for business plan
Use as guide for prioritising investment proposals
Check projects on their value add to the strategy
Use for appraisal and rewarding of employees
Use as starting point for reporting
Use as guide for determining information need
Communicate strategy to all
In an ideal world, all the energy and focus would be directed towards analysis, rather than preparing and generating the set of KPIs. In other words, as little time as possible should be allocated to non-value-adding processes. However, producing coherent and reliable KPIs over time is key and pushing for time reductions might have a negative impact on data quality. The time dedicated to gathering and preparing data directly correlates to the company’s agility – its ability to promptly react to any unknown factor. If a company receives information late, it is often unable to rectify the situation in time, leading to snowballing negative consequences. When competition is fierce, being able to rapidly correct your strategy and shift your focus will grant you an undeniable competitive edge. Nowadays, technology gives us the opportunity to generate real-time and granular data, which in turn enables us to make informed business decisions.

### Insight from the market

**Approximately how long does it take your company to generate your KPIs?**

- 21% Fewer than 1 business day
- 60% 2 to 5 business days
- 14% 6 to 10 business days
- 5% More than 10 business days

2/3 take less than one business week to generate their KPIs.

**What type of system are you currently using to calculate your set of KPIs?**

- 10% Dedicated application for financial planning (i.e. advanced application)
- 19% On-premise financial application modules (e.g. module of an ERP)
- 71% Spreadsheets or manual processes

Most companies still rely on spreadsheets or manual processes.

**How far have you automated the preparation of your financial and non-financial KPIs?**

- 10% Fully automated
- 19% Not automated
- 71% Partially automated

Only 1/10 are fully automated.
Analysis

Overall, the majority of companies rely on spreadsheets or manual processes and take about one business week to generate their set of KPIs. The opportunity today lies in automation, which could potentially save a substantial amount of time that could be dedicated to value-adding processes. Could an in-depth review of source data combined with the right technology enable a smooth transition to automation and efficiency?

PwC best practices

Allocate time, resources and tools for value-adding activities. Every hour you save for your finance professionals can be directly reinvested in analysis. At PwC we put emphasis on insight, efficiency and governance. Do not overcomplicate the process: structure is essential. Each key metric or line item should be mapped to a data source with an agreed standard logic to facilitate and speed up the process. Each data source will represent a data flow and will populate the model based on defined rules, guidelines and quality metrics with which a data record needs to fit. A detailed data flow helps to identify/measure existing data. Make sure you have a clear understanding of what kind of data is requested; the format; and how data can be transferred between systems, so as to define the correct granularity expected by each stakeholder.

Reports are delivered in (a combination of) different formats

- Standard reports (print optimised)
- Dashboards
- Flexible self-service reports
- Ad hoc reporting/Pivot

Pitfalls to avoid

- Overuse of Excel sheets (frail basis for auditing, accountability and quality controls)
- Lacking transparency and ownership if multiple business partners/teams work together
- Rushing preparation
- Not implementing data-flow diagrams
- Overlooking redundancy across departments and inconsistent granularity
The quality of an analysis correlates directly and positively with the quality of its underlying data, its efficiency and the strength of the technology supporting its processes. Long story short, poor data quality and limited standardisation supported by weak or outdated tools will actually bring close to no insight and will drive costs up. There are prerequisites to powerful analysis, including a reliable historical, actual and forecasted data set, various and flexible analytical methods and techniques, adequate data granularity, and simple illustrative capabilities. Yet, identifying meaningful information can prove to be rather difficult in our era of a constant influx of data. It is not just the frequency, but also the overall volume that can easily become overwhelming. Who could blame anyone for losing sight of what is important in this sea of data? Nonetheless, the aim of analysis in general is to transform all of what was gathered and aggregated into actions to manage performance above benchmarks.

Analyse and draw insight
Discerning noise from information

A point of view can be a dangerous luxury when substituted for insight and understanding.

Marshall McLuhan

Insight from the market

Approximately how long does it take your company to analyse your KPIs

- Fewer than 1 business day: 26%
- 2 to 5 business days: 64%
- 6 to 10 business days: 10%

1 in 4 companies take less than one day to analyse their KPIs.

Are KPIs analysed and variations explained at each iteration?

- No: 5%
- Partly: 50%
- Yes: 45%

A minority still don’t analyse their KPIs before deployment.

Who is in charge of planning and analysis?

- Finance and other departments: 71%
- Finance only: 12%
- Management: 17%

Companies don’t appear to be working in silos any more.
Analysis

Companies grasp the importance of analysis more and more as their time dedicated to this process increases over the years. Over the last three years, the time dedicated to analysis has increased by 14% on average. However, we have seen that some companies still do not take the time to analyse KPIs before deployment, even though they remain marginal. Another key point is that finance is really transitioning towards business partnering, as we can see that analysis is now a multi-departmental task for the majority of respondents.

PwC best practices

Analysis should be tailored to suit a company’s needs. The number of KPIs chosen in the end may not matter as much as the collection and data input back into the analysis. A perfect analysis is one that conveys the message using the least information. “Less is more” has never been so relevant given the amount of data that needs to be dealt with nowadays. Knowing what to focus on – the signal rather than the noise – is a critical part of the process. Moreover, your analysis should be general or specific depending on the audience it is meant for. Keep it simple and transparent. Organise model content into logical groupings. Use structured and descriptive labelling and units. Use re-forecasting and relevant targets rather than static targets. Perform nimble scenario modelling to inform business decisions, including scenario and sensitivity analysis to evaluate external impacts on operational plans. Cross-check and back-test your findings to ensure that results are robust and not too time-related. Finally, categorise insights into different actionable levers for the respective team managers.

Report faster

Streamline all operational tasks

Increase Value

Provide time, resources and tools for value adding activities

Quick Wins

Process Improvement

Process + IT Re-engineering

Quality, Control, Value Added Tasks

Pitfalls to avoid

• Using over-cluttered dashboards and inadequate analysis techniques
• Providing analysis that is interesting rather than useful
• Getting lost in the levels of granularity
• Trying to make sense of the entire data set instead of a strategically selected segment
Illustrate and communicate
Form matters as well

Although often neglected, illustrating a data set or analysis effectively is as important as actually preparing and generating the data, if not more. This is relevant from dynamic dashboards to monthly financial-result presentations – an effective illustration of a finding can be worth a paragraph of explanations. The finding should stand out instantly and appear crystal clear: concision and clarity are key here. Shaping information adequately enhances and clarifies the message that is being conveyed through the figures. Seizing an audience not only saves time but also leaves little room for interpretation and reduces cross-departmental miscommunication.

“...the greatest value of a picture is when it forces us to notice what we never expected to see."

John Tukey

Insight from the market

Which information do you use to present your set of KPIs?

1/5 either don’t use historical data or don’t forecast.

What supports do you use to present KPIs within your company?

MS Office supports are dominant.

How are the KPIs used to present information?

1 in 4 use only figures and explanations to illustrate their KPIs.
**Analysis**

The fact that still one in ten respondents still communicate exclusively through figures is worrying, but the trend is moving towards a more comprehensive delivery format. Despite its long list of shortcomings and its lack of depth needed to impact on an audience and gain its attention, the MS Office Suite is used by the overwhelming majority of respondents. There is great room for improvement.

**PwC best practices**

Establish a dashboard that combines metrics in a highly visual manner to get the viewer’s attention at first sight. Business indicators must be available on a quasi-real-time basis. This entails the dashboard being straightforward and accessible anytime, anywhere. The intelligent use of technology is also another way to approach sustainability: having a ready-to-use web-based app can both reduce the amount of printed materials and paper waste and provide greater security, banishing the possibility of loss or theft of confidential information.

**Think before you graph**

The key to developing an effective visualisation is to know what message you want to convey before you begin.

**Pitfalls to avoid**

- **Broadcasting bland numerical values that don’t translate the strategy**
- **Displaying opaque financial figures that employees can’t understand**
- **Communicating on aspects that have little connection to the day-to-day business reality**
Iterate and review
Continuously challenge and improve your metrics

The process of regularly assessing, reviewing and recycling outdated KPIs within a given set not only guarantees updated metrics but also forces top management to constantly reconnect changing business objectives with fixed measurement metrics. Such an approach facilitates a strong understanding of the set of KPIs among key stakeholders and owners. Meanwhile, investments in value-adding technologies, such as data visualisation and dedicated financial-planning tools, will simplify the iteration and review process. With the advance in new technologies, we have entered the era of business-operations digitisation. The CFO and the overall finance function must follow suit and will see significant return on investment in doing so. Adaptation is becoming increasingly paramount to performance and this is unlikely to change any time soon.

Insight from the market

Do you think that the set of KPIs you are currently following is adequate?

Half of respondents are unsatisfied with their KPIs.

Which of these challenges are affecting you within your KPI process?

There is a lack of standardised processes across the industry.

Are you planning on making future investments to improve you KPI preparation, visualisation and analysis through:

2/3 of respondents are planning improvements in the near future.
PwC best practices

KPIs should be inherently evolutionary and closely linked to the company’s strategy at any point in time. The process of continuously improving and re-evaluating your KPIs ensures that the gap between your actual business needs and the indicators you track remains minimal. A real reflection should be initiated to make sure the data you gather helps you reassess whether you are tracking the right measures and attributing them the proper weight in your decision-making process. Companies need to reinvent themselves to stay ahead of the competition in an ever evolving business environment and more often than not, it will mean rethinking their strategy and making sure it is achieved.

Analysis

Overall, there is a significant lack of process standardisation across respondents, which accounts for the rather large amount of room for improvement in the adequacy rate of the set of KPIs that we observe and consequently drives a strong and growing will for improvement through the different methods mentioned above.

Pitfalls to avoid

- Having too little flexibility in the set of KPIs
- Lacking a feedback loop
- Not taking corrective action further than variance-analysis outputs
- Not providing a retrospective/empirical perspective on activities
Takeaways

In order to be among the leading companies in KPI management, be sure to follow these key principles:

Clearly identify which indicators drive your operations, strategy, and goals.

Integrate, brand and promote your indicators; don’t lock them away.

Implement strong data governance and standards to align business activities.

Integrate technology to increase automation, free up valuable time and reduce the error rate.

Optimise interaction between the finance and support functions to increase efficiency and the value of your operation.

Transform data into insight through the multifunctional integration of the finance function and powerful presentation.

Challenge your KPIs and continuously improve them to make sure they are up to date and reflect reality.
Your contacts

**Christian Scharff**  
Partner, I&S Consulting  
Tel: +352 49 48 48 2051  
christian.scharff@lu.pwc.com

**Thomas Campione, CFA**  
Senior Manager, Finance  
Tel: +352 49 48 48 5093  
thomas.campione@lu.pwc.com

**Julien Jacqué**  
Senior Advisor, Finance  
Tel: +352 49 48 48 4222  
 julien.jacque@lu.pwc.com