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Advancing the craft of technology leadership

3 KPI Challenges and How to Overcome Them

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Introduction

Anecdotes. Conversations. Intuition. These factors do not form the basis of smart, revenue-driving business decisions. What does? In a single word: data.

Your company—like so many others—already recognizes the importance of becoming a data-driven organization. But it's not enough to have data; you need to use it. For most companies, becoming a data-driven organization requires transformation. But the problem is getting from here to there.

This CITO Research paper explores the role key performance indicators (KPIs) play in data-driven organizations and how they can affect all aspects of the business. By creating the right KPIs and managing to them from the executive level down, organizations see how to improve performance and execute their strategy effectively. In a data-driven organization, everyone has visibility, and office politics often take a backseat to well-founded decision making.

A KPI is an indicator of whether your company is executing its strategy

These are just some of the benefits your organization can gain from establishing KPIs. This paper shows you how effectively using KPIs can help your business revamp into a data-driven organization.

The Larger Business Context (Putting the K in KPI)

Most companies have a vision. They have a strategy for achieving that vision. And they have goals that map to the strategy. As the foundation of any data-driven organization, KPIs must be developed—with strong executive buy-in—in the context of the company's vision, strategy and goals. The executive-backed KPIs should cascade across the organization to drive change that keeps everyone moving in the

same direction. KPIs might be very tactical at the lowest levels, but a clear line must run through all of them, leading to the same goals and objectives based on corporate strategy.

Five Traits of an Effective Data-driven Enterprise¹

- 1 Use data as a means of growth
- 2 Spot opportunities and risks quickly
- 3 Hypothesis is valued over assumption
- 4 Decisions are based on data analytics
- 5 Content experimentation and exploration

¹<https://dataflog.com/read/5-traits-effective-data-driven-enterprise/1165>



Common KPI Challenges

While developing KPIs is important to any business, companies may encounter difficulties when establishing them. Here are three challenges you may face, with suggestions for overcoming them.

1 Problems with data

KPIs typically require pulling data together from numerous sources. Often, data exists in silos across the organization and data must be retrieved from multiple systems.

Creating KPIs may require IT's involvement—often resulting in longer lead times and higher costs. IT must integrate systems, review definitions and verify data quality. If data requires cleaning for an experimental KPI, the cleaning function may need to be automated, increasing lead times and contributing to data governance costs. Then there is time required to socialize and evaluate test KPIs after they are created.

Given the nature of creating KPIs, costs can quickly accumulate. The process involves a lot of back and forth with executives. Every time a KPI is tested, executives tend to request a tweak or a “deep dive” to see if more information is available, or to test a hypothesis.

Face the challenge: Implement a platform for creating KPIs that is designed to reflect the real world: it must easily integrate multiple data sources and offer drill-down traceability to systems of record to answer the inevitable questions about where a number came from.

2 Problems with consistency

Consistency is important when using KPIs. Everyone across the organization must measure the same items in the same way; otherwise, the dialogue centers on the validity of the data rather than what it means.

Unfortunately, there are many opportunities for inconsistencies. Different divisions may use the same term with multiple meanings or define indicators differently. They may use various formulas to calculate an indicator, and nonstandard reports can lend themselves to other interpretations. Systems may create inconsistencies if they represent data in different ways or do not capture it consistently.

Face the challenge: Use KPIs in a larger program of transformation that defines them consistently across the organization. Embed process discipline, agreeing in advance on desired results and how you'll measure those results. Decide how frequently managers will meet to coach employees on achieving their goals.



3 Problems with tools

A number of tools on the market are designed to help with KPI creation. You've probably heard of IBM® Cognos®, SAP® BusinessObjects™, MicroStrategy® Analytics and Teradata®. These tools require considerable IT support, and you're likely to find that they include a lot of functionality that you might not use.

An alternative—used by many because of its low cost—is creating KPIs in Excel. However, you'll quickly find yourself in “Excel hell.” Spreadsheets are disconnected, lack of interactivity prevents users from asking questions and version control is onerous. Spreadsheets are also error prone; in fact, **about 90% of spreadsheets contain errors**.² Additionally, they offer little security; sensitive data can be exposed, users can make unauthorized changes and there is no audit trail.

Face the challenge: Instead of spending money for functionality you won't use or sending everyone to “Excel hell,” consider implementing a platform that offers a KPI layer, which gives you the ability to:

- bring in multiple data sources
- link to systems of record for traceability—meaning no more questions about where data came from
- associate data and see what is connected

Consider using a platform that allows you to annotate KPIs so that users understand how your company operates and appropriate actions to take.

KPIs in Action

KPIs are most useful when implemented in a program that transforms people, processes and technology. Here is an example of a program outline:

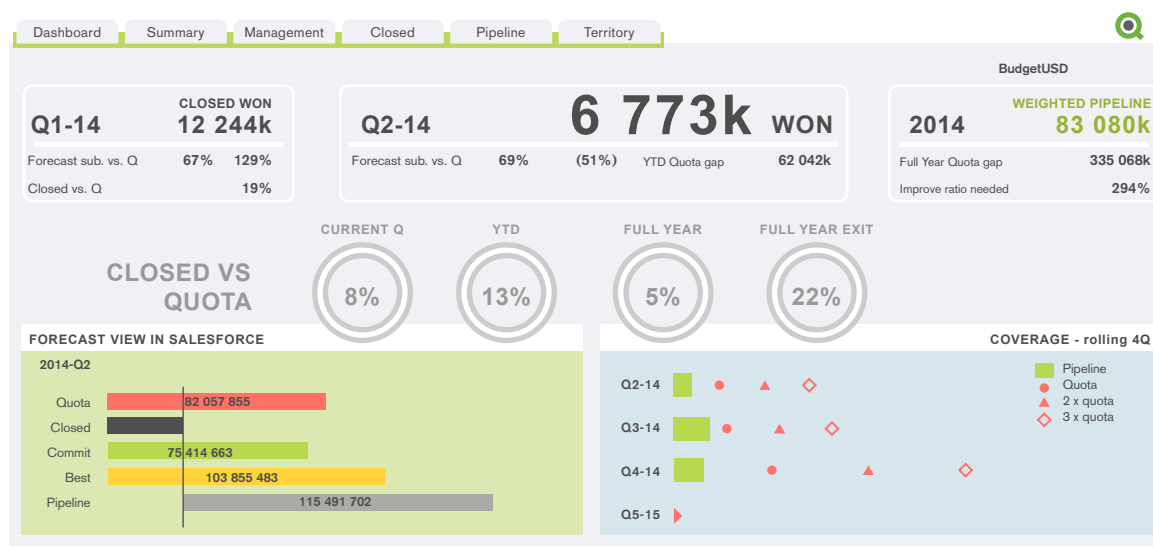
- Based on your vision, strategy and goals, select an area to make improvements
- Analyze the operational process to see what behaviors and changes should be incentivized
- Create KPI dashboards for all levels of people involved in that process. Dashboards should bring in data from all relevant systems and drill down to systems of record for traceability

²See for example, <http://www.businessinsider.com/excel-partly-to-blame-for-trading-loss-2013-2> and <http://blogs.marketwatch.com/thetell/2013/04/16/the-spreadsheet-error-in-reinhart-and-rogooffs-famous-paper-on-debt-sustainability/>.



- Implement disciplines such as a regular meeting around KPI dashboards so managers can coach employees regarding how they are performing against their goals
- Take insights from this data-driven initiative and expand it in another area of the business

This is what happened when Qlik® created a program of transformation along with an internal application, the Qlik Sales Management System (QSMS). The management program allowed Qlik to build key disciplines into sales, training sales managers on those disciplines. Each sales rep has a biweekly pipeline meeting with a sales manager. Sales managers coach reps on moving deals from stage to stage and help focus their efforts on pipeline building. The program increased customer-facing time for the sales organization and helped Qlik deploy resources more effectively.



Qlik Sales Management Dashboard

Toward a Data-driven Organization

Becoming a data-driven organization is not automatic. People need training to think and work this way. While it won't happen overnight, it is well worth the effort. At the end of your transformation into a data-driven organization, you'll find that you've created a new way of working with far-reaching impact. With the clarity brought by KPIs, everyone knows how they are being measured, which brings greater job satisfaction.

Data also fosters collaboration. The newfound visibility will bring new energy to projects, and people will be excited to work as a team. Instead of making decisions based on opinions or intuition, decisions will be based on actual data. This alone can change your company's culture by reducing office politics. Meetings become more efficient and objective as attendees



take a hard look at what is and isn't happening and why. Ultimately, data offers the ability to see the whole picture, providing insights that support continual growth and improvement.



Conclusion

Your company's success depends on its ability to become a data-driven organization that ties analytics to decision making. This means bringing together data from many sources and creating KPIs that help you drive toward what's most important from a vision, strategy and goals perspective. You must find leading indicators, drive change, turn strategy into execution—and vision into reality.

At CITO Research, we believe KPIs are indispensable in helping businesses become data-driven organizations that empower employees. Qlik is a thought leader and trusted partner in this space and can solve your company's KPI challenges by bringing together numerous data sources, associating them to reveal what's connected and offering new levels of collaboration and visibility. In short, Qlik offers enablement for data-driven organizations.

To begin exploring the insights within your data, download a free version of Qlik Sense® Desktop today ►

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