



**Six Steps to a Successful
Automated KPI Program**

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Six Steps to a Successful Automated KPI Program

Introduction

Automation plays a fundamental part in managing key performance indicators (KPIs) and metrics programs. This article discusses the appropriate metrics to consider and implement in your organization, and provides a case study with insights into how an organization has implemented, and benefited from, an automated KPI/metrics program.

Main Points

It's never too late to put a KPI/metrics program in place. However, as you will see from the case study highlighted in this article, you should not necessarily wait until significant issues have arisen before doing so.

- The benefits are tremendous, not just from an organizational improvement stand-point, but also in improved staff morale.
- It is very important to narrow down the KPI/metrics you wish to monitor and to ensure data can be gathered automatically.
- For each KPI/metric, there are six elements (discussed below) that you need to assess and document.
- Determine which automation method is best for your organization — don't stop at just KPI/metrics management; there are other elements pertaining to contract management that are relevant.
- Implementing a KPI/metrics program is not a one-time exercise — it needs to be constantly improved. It does take time to do this, but the rewards far outweigh the investment.

Some Examples of Metrics that Organizations Measure

Figure 1 provides some of the different types of metrics that organizations may choose to measure. First, it is very important to document the various KPI and metrics important to your organization. Second, you must determine what can be monitored (that is, what data is readily available to consume and analyze). Third, you must establish a timeline of when to include specific KPIs and metrics into the monitoring phase.

As best practice, it is advisable to start with less than 10 metrics. It is easy to get caught up in over-monitoring, which could render your metrics program a failure from the start. Monitoring metrics will take time; therefore, it is critical to ensure the metrics you are measuring can help your business to be more competitive and improve its performance.

Six Rules for Metrics

1. Who is the owner of that metric (that is, who is responsible to monitor it and, more importantly, to act on the data to ensure continuous improvement)?
2. How often will you monitor the metric (weekly, monthly)?
3. Where will you get the metric data (manual or via a system) and is the source reliable?
4. What is the target benchmark for the metric (that is, what would you consider to be a minimum threshold, good performance and exceptional results)?
5. What is the action plan for each threshold on a given metric (that is, if you get results that are below exceptional, what action will you take to improve the next term's result for that metric)?
6. Who is the target audience for the metric reporting (that is, who will consume the metric data)?

How Can Automation Help Manage These Programs?

The simple measurement of metrics can be a daunting task. Performance data is frequently locked up in disparate systems and must be normalized before analysis. Finally, most companies continue to rely on basic spreadsheet applications for KPI tracking, limiting the ability to analyze large sets of data. Therefore, it is imperative to automate this process as much as possible. When identifying metrics, individuals should exhaust all possibilities of capturing the metric data electronically before agreeing to gather the data manually. Manual collection is error-prone, and over time will likely lose sponsorship due to the effort required.

There are numerous ways of automating the capture and reporting of data for KPIs and metrics. Some common approaches are:

1. Deploying a commercial off-the-shelf KPI/metrics management system;
2. Deploying a commercial off-the-shelf contract lifecycle management solution that also captures and monitors KPI/metrics; and
3. Building a custom in-house solution that will manage the KPI/metrics program for your organization.

The first option may be ideal for many organizations if the sole purpose is to implement a tool that has exclusive functionality for KPI and metrics management. There are a number of commercial solutions available that will fulfill this purpose very well. If, however, organizations are looking for a single solution that has both KPI/metrics management and contract lifecycle management, then the third option may be more optimal.

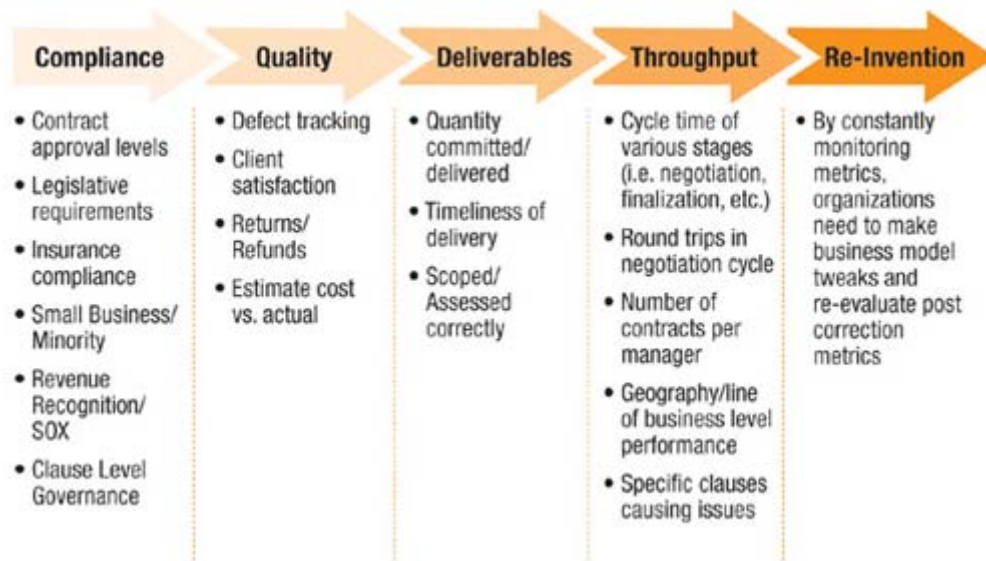
The second option is likely to be the best as it will not only look after the KPI/metrics management, but also fulfill the automation required in your overall contract lifecycle management. In some respects, KPI/metrics are related to contracts, be it supply or sales side, or even non-monetary (such as intellectual property and non-disclosure agreements), and, therefore, you may as well address both elements with one integrated solution.

The third option is the least favorable approach, as it will likely cost you more in the long run and will require significant IT investment and resources to maintain it. As a result, most companies typically default to developing a simplistic access-database system that often requires manual

data collection and normalization, and which limits analysis and often varies in deployment and use throughout the company.

Quite often you will find that the data required to support your KPI/metrics program will come from various sources, including ERP, CRM and asset management systems, and possibly even HR systems. Most of the commercial off-the-shelf systems have robust interfacing capabilities and can port the data in flexible formats to other line of business systems. Building and maintaining these integrations is time-consuming and can be expensive, however, it will likely be cheaper and more accurate than capturing the data manually. Automation can help you capture the metrics/KPI data, perform analysis against the minimum thresholds you have set, automatically issue alerts when warranted, as well as scheduled reports to the subscribers. In essence, most of the process can be automated so that the administrative burden in managing a KPI/metrics program is kept to a minimum.

Figure 1: Suggested metric measurement categories



Case Study—Canadian Government Agency

Government agencies are constantly being scrutinized by the public and quite often the opposition parties, who may look into the detailed government operations to spot and highlight issues for political gain. As such, government agencies need to have robust KPI/metrics programs that can ensure proactive management and continuous improvement.

The example below, a large agency within the Canadian government, illustrates this requirement. This agency had been written up unfavorably by the auditor general's office for poor contract management processes and, more specifically, for poor compliance and due diligence. There was an issue where funding was provided by the agency to a corporation. After diving deep into the roots of the corporation, it was found to be operated by a biker gang organization engaged in criminal activities. Needless to say, the opposition party had a field day with this information and it caused quite a stir with the public.

The immediate question for the agency was whether other criminal organizations were receiving funding. Searching for this information in a manual contracting world would have taken thousands of work hours. It was evident that what was needed was a KPI/metrics program in conjunction with an automated contract management and governance process. The agency purchased and deployed a contract management system that had a robust KPI/metrics management module.

One of the metrics was designed to perform an organizational ownership search to ensure that funding was only provided to appropriate organizations. The other metrics measured cycle time and efficiency, as these were areas highlighted in the auditor general's report. Two years after implementing this program, the auditor general's report provided numerous compliments to the agency on the improvements made. The agency is now rated as one of the best-performing for contract management and governance.

Lessons Learned

A well-defined KPI/metrics program can help an organization improve its compliance and governance objectives, as well as ensure good staff morale. Employees want to do the best they can and you must ensure they have the right tools and sponsorship. They also need to know how they are performing and where they can improve. When staff can get concrete evidence about how they are performing and can demonstrate improvements using factual metrics, naturally morale improves and they feel good about themselves. In this specific case, based on the metrics implemented, the organization went from being rated as poorly performing poor in contract management to being one of the best, and the employees' morale was boosted — it was like winning the Stanley Cup (in Canada, that's the holy grail in hockey).

All of these elements are addressed through a well-planned KPI/metrics program. It is important to leverage automation in administering this program to ensure accuracy and efficiency, and to reduce administrative burdens.

About the Author

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Upside Software is the '2007 Supply and Demand Chain Executive Top 100 Company and 2006 Deloitte Fast 50 Company'. Ashif was named the Entrepreneur Year by the Business Development Bank of Canada in 2007 and also the 2002 Ernst and Young Entrepreneur of the Year® recipient (Prairies Region — Young Entrepreneur), ranked as Canada's Top 40 under 40TM (2004), he is a member of the Financial Executives International and was recently awarded the Queen's Golden Jubilee Medal.



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