AAFCPAs

The Sophisticated CFO's Guide to Choosing Key Performance Indicators That Matter & Dashboarding

Carla McCall
Co-Managing Partner
AAFCPAs

Robyn Leet
Business Advisory
Service Manager
AAFCPAs

KPI Objective

Sharing ideas about how to think differently about what you are measuring and how to effect change for positive results.

What are Key Performance Indicators?

- **Lagging**
  - Typically “output” oriented, easy to measure but hard to improve or influence

- Think AAFCPAs’ key financial ratios
  - Current Ratio
  - Debt Service Coverage ratio
  - Days Cash on hand
  - Days in AR
  - Inventory Turnover ratio

What are Key Performance Indicators?

- **Leading**
  - Typically input oriented, hard to measure and easy to influence.

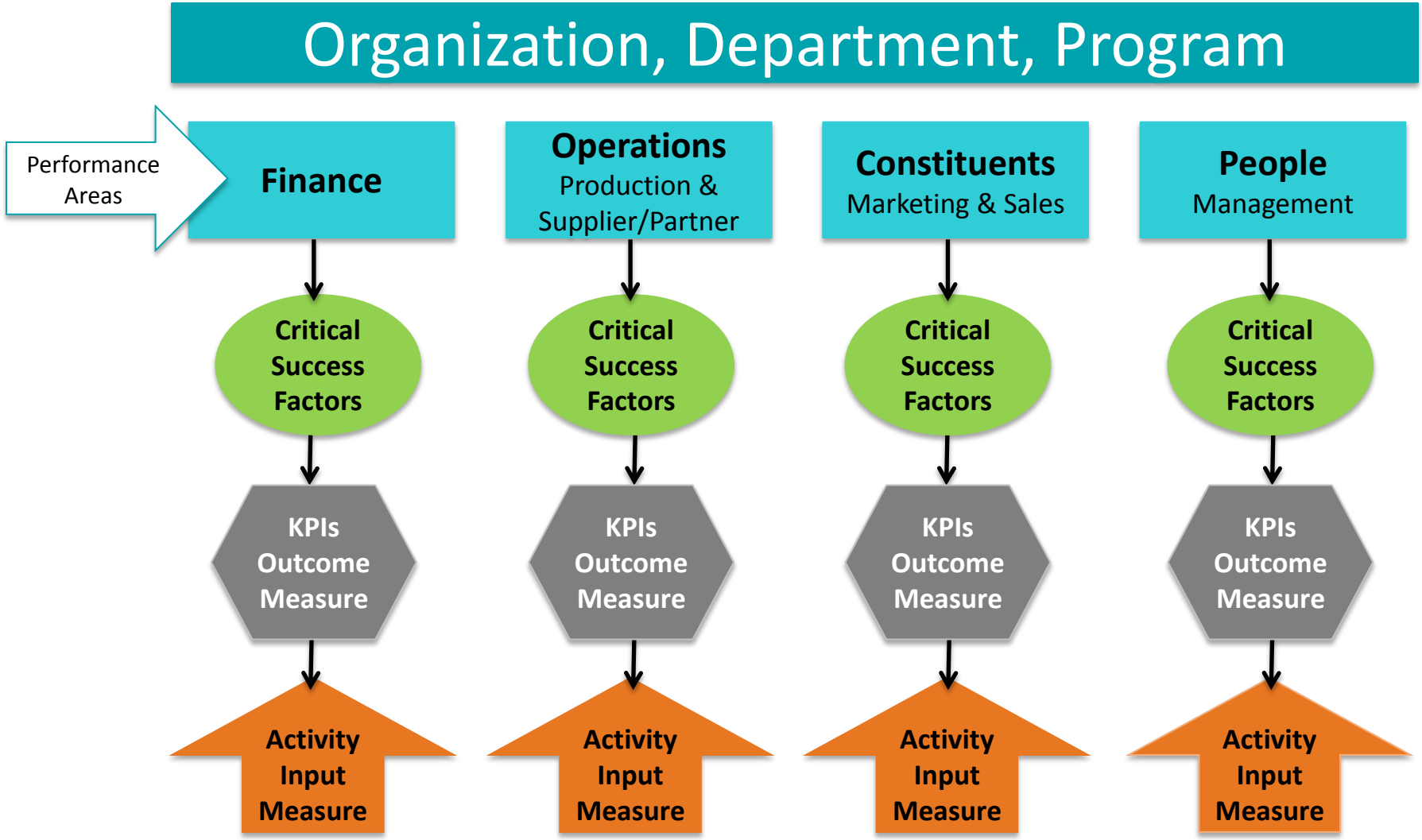
- **Performance Measurement**

Leading Indicators - Discussion

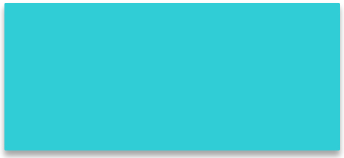
Leading indicators are often related to activities undertaken by employees.

By thinking this way you can provide better information to make critical decisions with and provide real-time feedback to your team about its performance.

Performance Measurement Hierarchy



Let's Review the Measurement Map Components



Performance Areas: Performance Areas are logical areas of focus based on how the business is organized and operates. Often they refer to **specific activity centers within the business core values, and/or key areas of concern.**

Critical Success Factors: CSFs are the **specific goals relating to each performance area.** These goals are designed to **overcome weaknesses, exploit opportunities and/or stimulate performance**. These goals are strategic in nature and fit within the broader vision, mission, and core values of the business.

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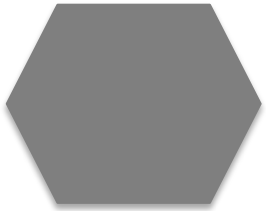
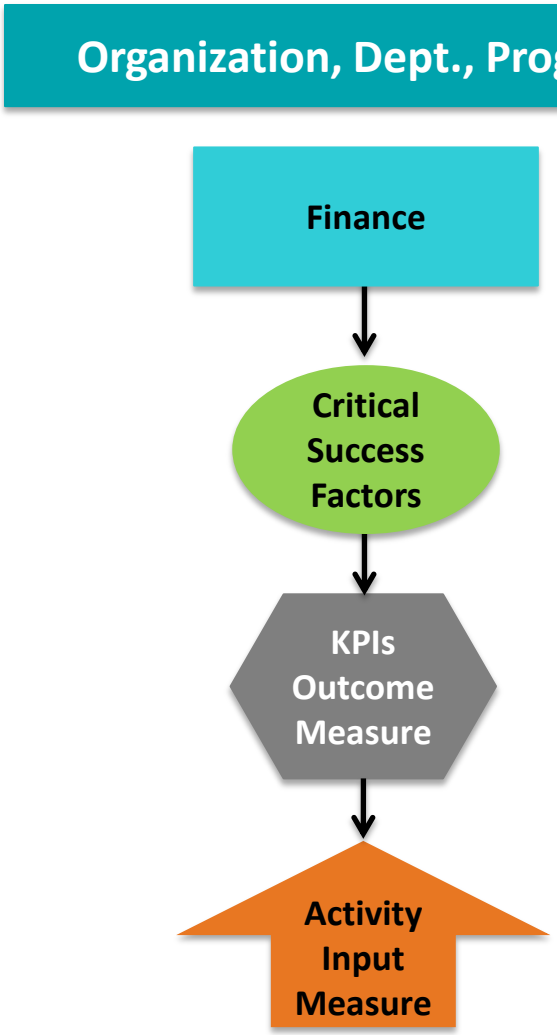


Key Performance Indicators: KPIs provide feedback to the team and managers about how they are performing in reference to the CSFs established in their given performance area. KPIs **measure outcomes** and are often expressed in rations or indexes made up from multiple activity measures. For KPIs to be meaningful they need to be referenced within the context of baseline and target numbers **and serve as a predictor of future outcomes.**

Activity Input Measures: Activity Measures relate to **specific procedures and processes within a given performance area**. The key to quality measures at this level is dependent on both the **consistency of behavior** and measuring process employed. A good test of the value of a measure is whether or not **the activity/procedure is (or can be) documented, performance standards established, and whether or not there are (or can be) systems in place for gathering the data.**

Financial Example



Critical Success Factor:
Cash Flow

Key Performance Indicators:
Receivable Days (Goal: Reduce A/R from 65 to 47 days)

Activity Measurers:
Time it takes to get billing out (Goal: 24 hours)
Errors in billing statements (Goal: 98% accuracy)
Making collection call at 45 days past due (Goal: 100%)

Breaking Down the Activity Input Measures

- A/R – inputs should be measurable
  - Time spent on training team on billing properly
  - Total bills for the month
  - Time it takes to get bills out
  - Accuracy in billing statements
  - Number of accounts >45 days
  - Number of calls made at 45 days
- KPI
  - Days in AR

Think Football!

- How the team performs as a whole
- How special team performs
- How each individual performs

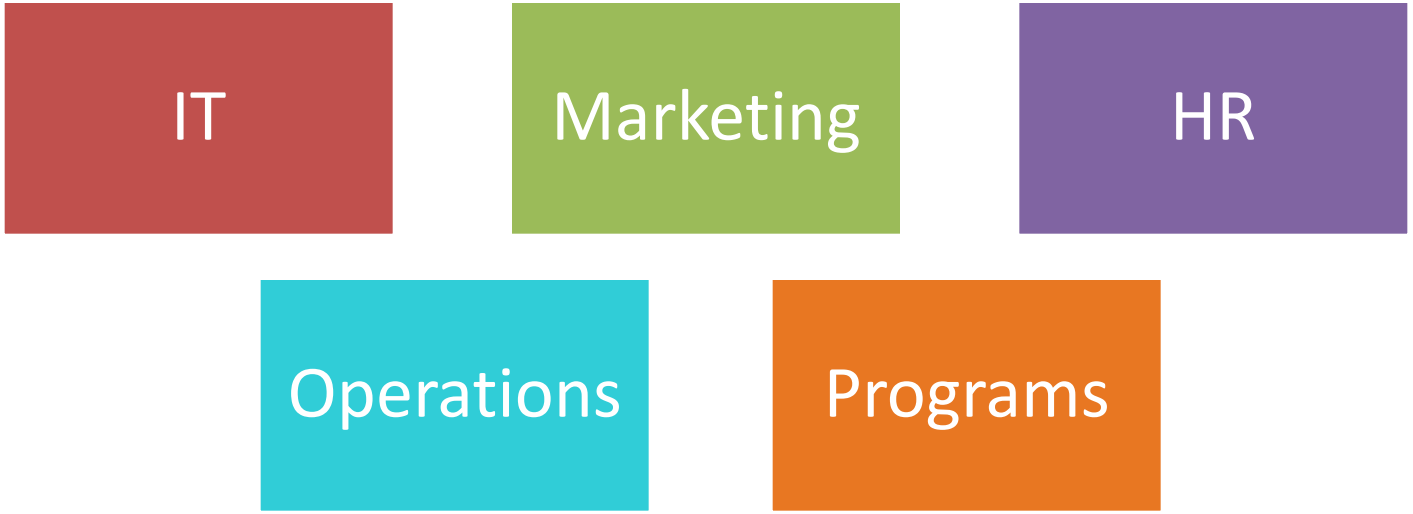
Small incremental changes in key areas (activities) can have a profound effect on the bottom line.

Think Football!

It's always wise to begin a new process in the area that will produce the best results first. We call this "early yardage". By focusing on achieving a critical result in one area first, you'll gain greater credibility and buy-in for some of the more difficult phases of implementation.

KPI's Organization Wide

Broaden reach beyond just finance



Human Resources

- Critical Success Factor – Increase staff retention
- KPI – Reduce staff turnover by 20%
- Activity input measures
  - Timely employee performance evaluations
  - Complete employee engagement survey
  - Implement coaching model
  - Provide training
  - Implement incentive program

Other Activity Measures?

- **Operational**
  - length of visit
  - Average visits per day per provider
  - Comparing length of visits to appointment times (what are you booking for length of visits?)
  - Making reminder calls/emails to reduce no-shows
- **Marketing/Development**
  - Number of posts to Twitter, LinkedIn, Instagram
  - Website hits
  - Website donations
  - Timing of mailings
- **Community impact is important to show to donors**
  - After-school programs – tracking parent involvement – does it affect child retention?

Dashboard Objective

Design dashboards for your organization with an ever-changing critical eye to what is important in maximizing each user.

What is a DASHBOARD?

- Display of information from a database
- Customized view of information to focus the user's attention
- Tool to improve functional efficiency in daily activities

Dashboard Functions: Basic Types

- **Analytics:** Use KPI metrics to analyze trends and strategize organization activities.

- **Information:** Like running a bunch of reports at once! Get quick and customized information helpful for daily functions.

- **Operations:** Keep organization moving with workflow queues, quick links and tasks to perform responsibilities more timely and efficiently.

Dashboard Users

- **Management:** High level data to review trends, manage KPIs and set goals
    - Finance Manager concerned with cash flow, donation trends and FTEs vs. billed time variance

- **Employees:** Transactional level data to perform daily activities and review relevant reporting, trends and goals
    - AR Clerk concerned with donation notices to send, donations to receive and deposit, up-coming donations

- **All:** Program level customized to the programs applicable to the user
    - All users could be concerned with a different combination of programs

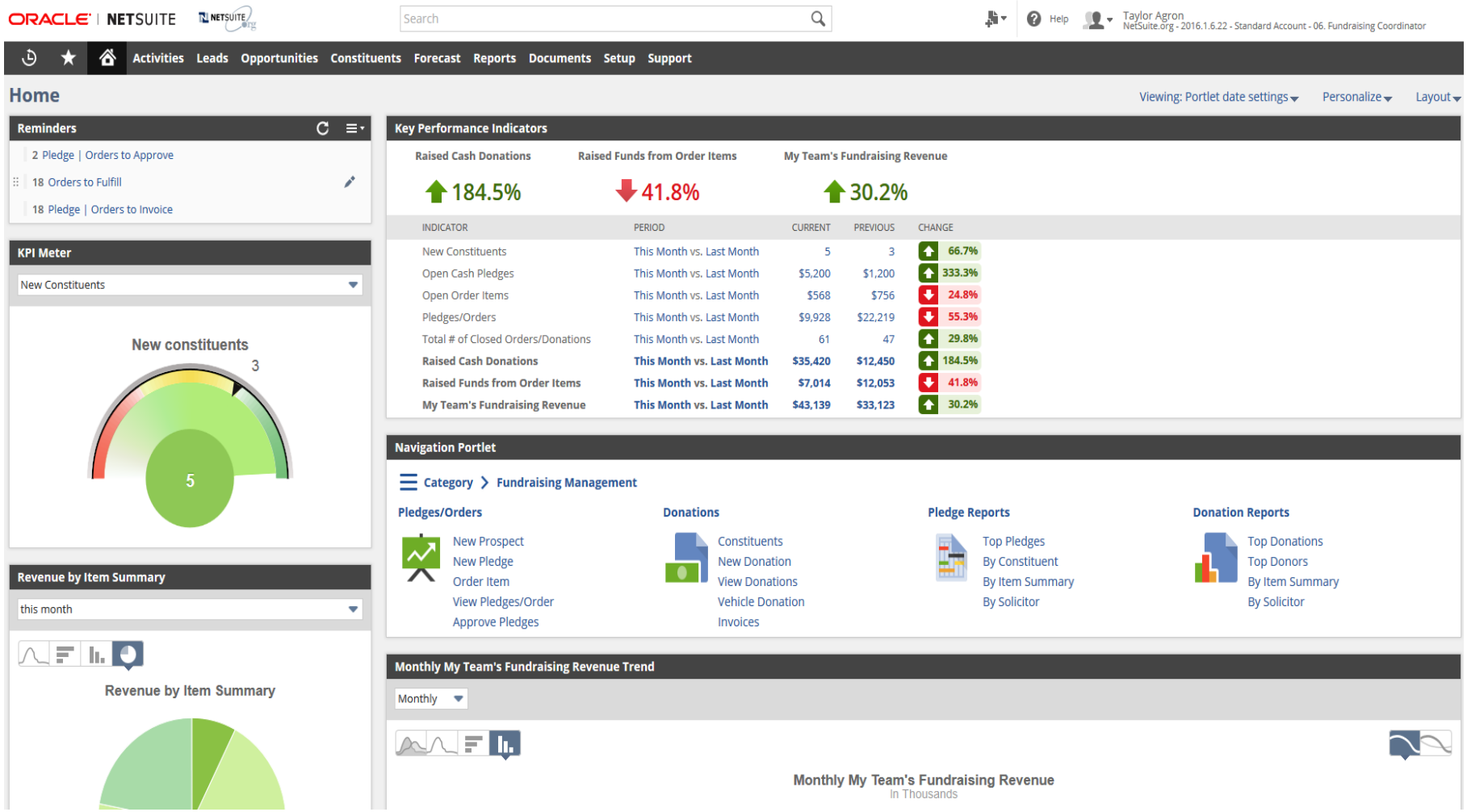
Dashboard Components

- **KPIs:** Both lagging and leading indicators to report on or drive performance.
- **Quick Links:** Save time on performing repetitive actions by not having to search through menus with multiple clicks.
- **Reports or custom search results:** Instead of running reports multiple times, put results on your dashboard. Custom searches help to identify outliers or items that may need attention.
- **3rd party information:**. Some systems connect with external systems (like ADP) to incorporate data into analytics, saving time and information digestion.
- **Reminders:** Helpful operational hints to keep things moving.
  - Tasks can be assigned to an employee or can be self-assigned
  - Alerts based on searched parameters to notify when an outlier has surfaced or something needs attention
  - Workflow queues for approvals needed in a workflow map

Keys To A Successful Dashboard

- **Limit the number of items in order to focus attention.**
  - Like a cluttered desktop, a cluttered dashboard just confuses the eye
- **Keep information at a high level.**
  - What do you use on a repetitive daily basis
  - You can always drill down. This is not your entire database!
- **Mix up graphical and statistical representations.**
  - Which concepts are best represented as a graph?
  - Don’t overwhelm your eyes with colorful pictures, but mix it up to help digest the information
- **Dashboards are dynamic!**
  - Once goals have been achieved on a particular focus, change the information inputs to focus on another area.

Example of a Dashboard From NetSuite



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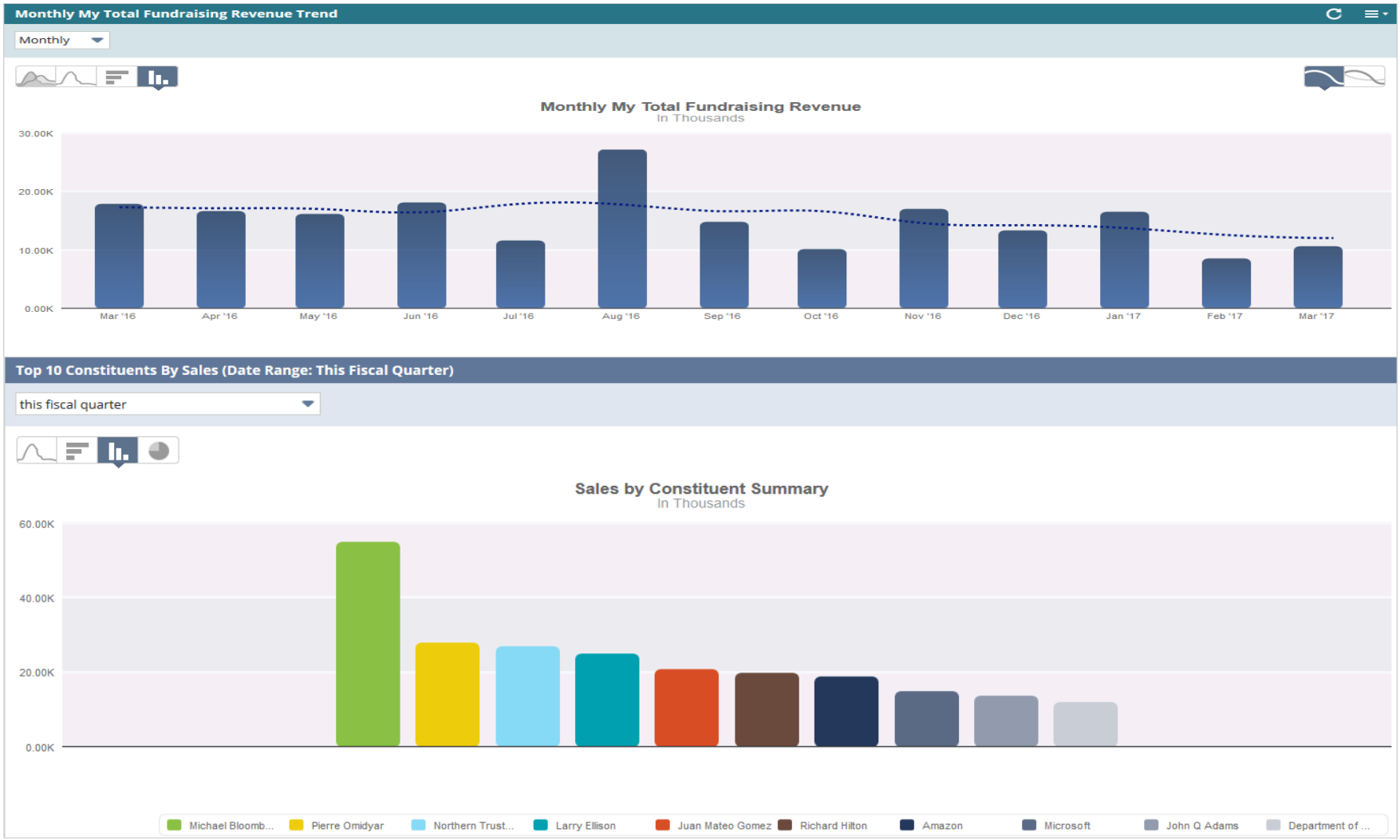
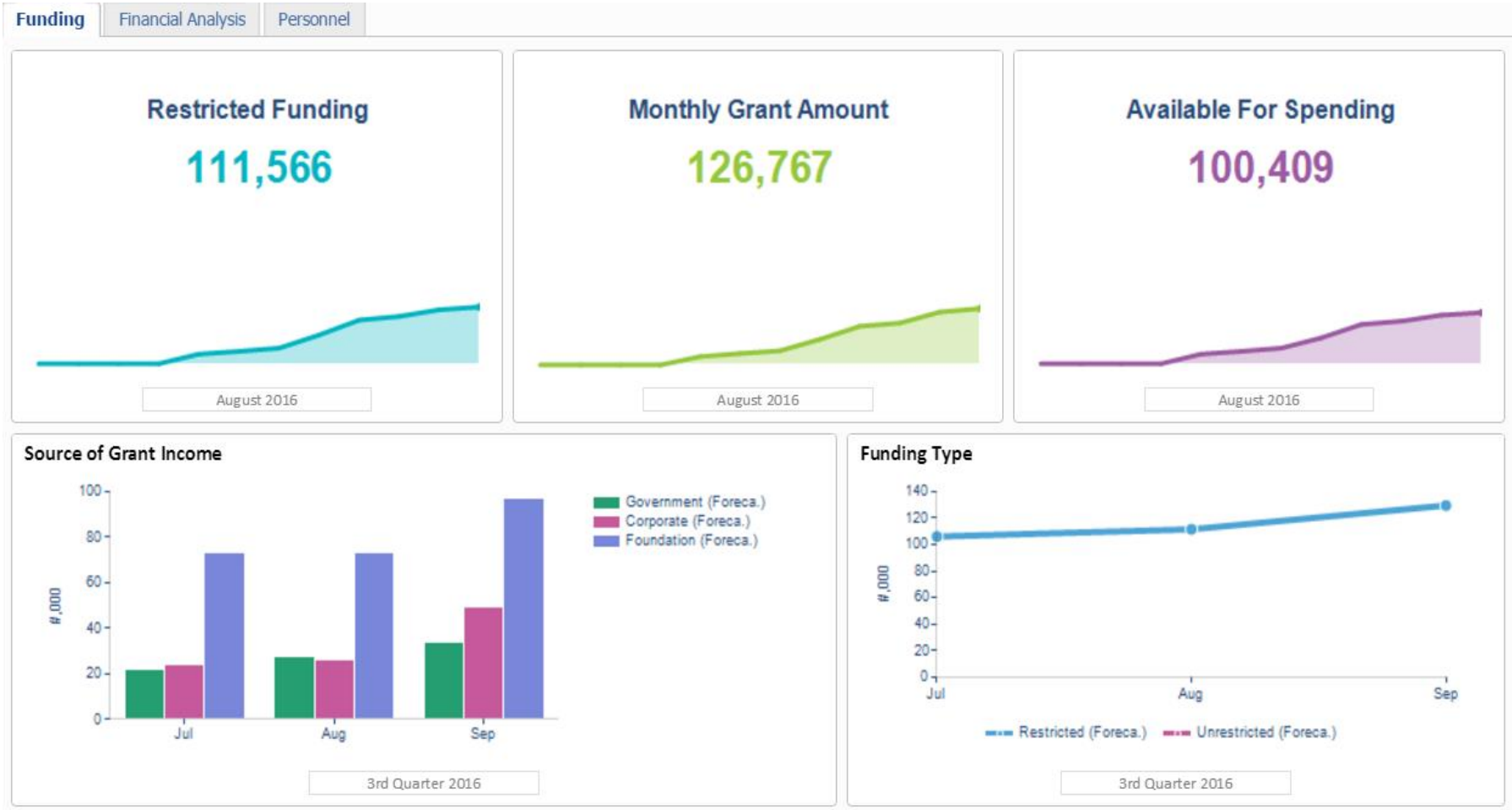


Example Of A Dashboard From Adaptive Insights



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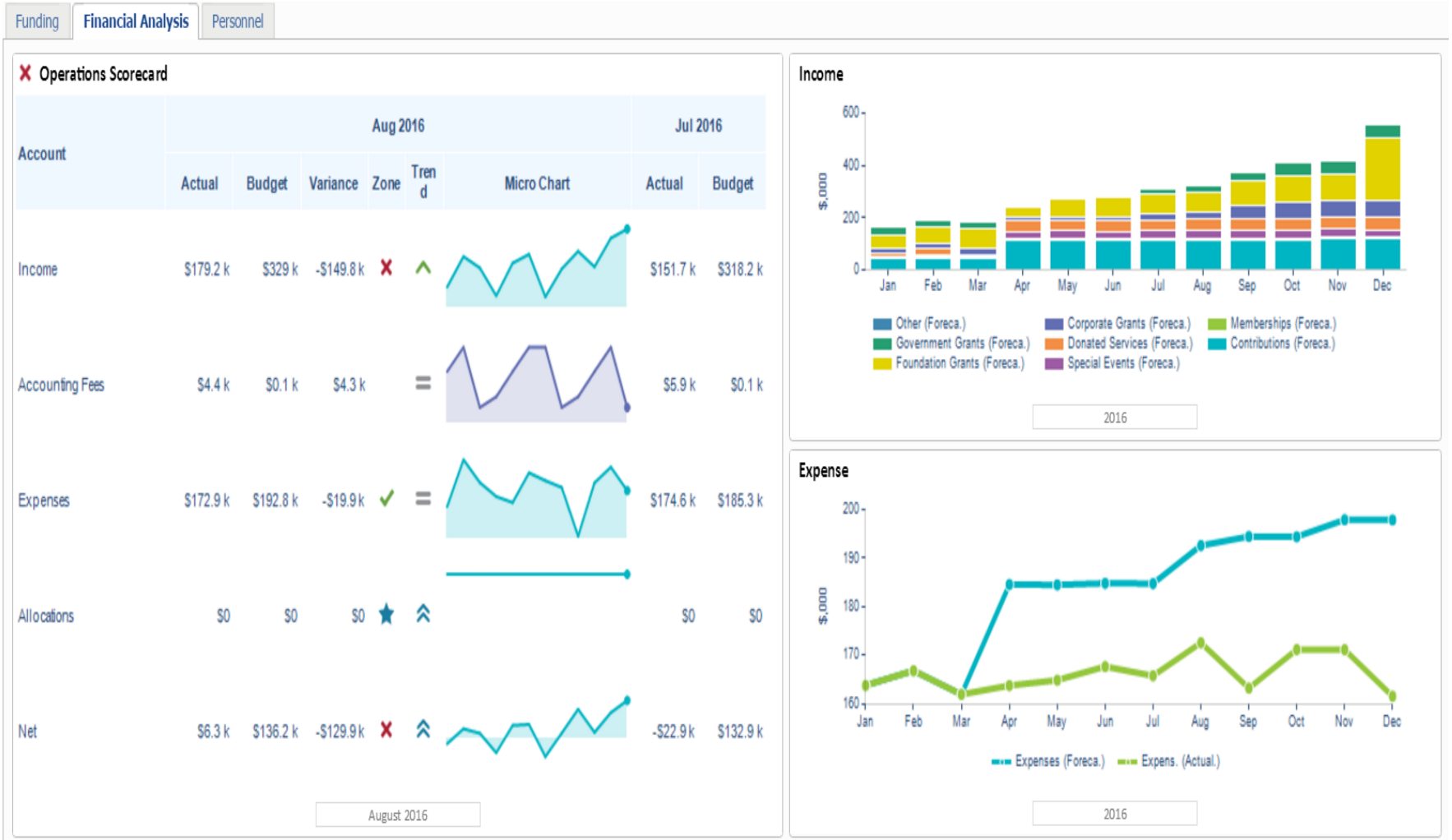
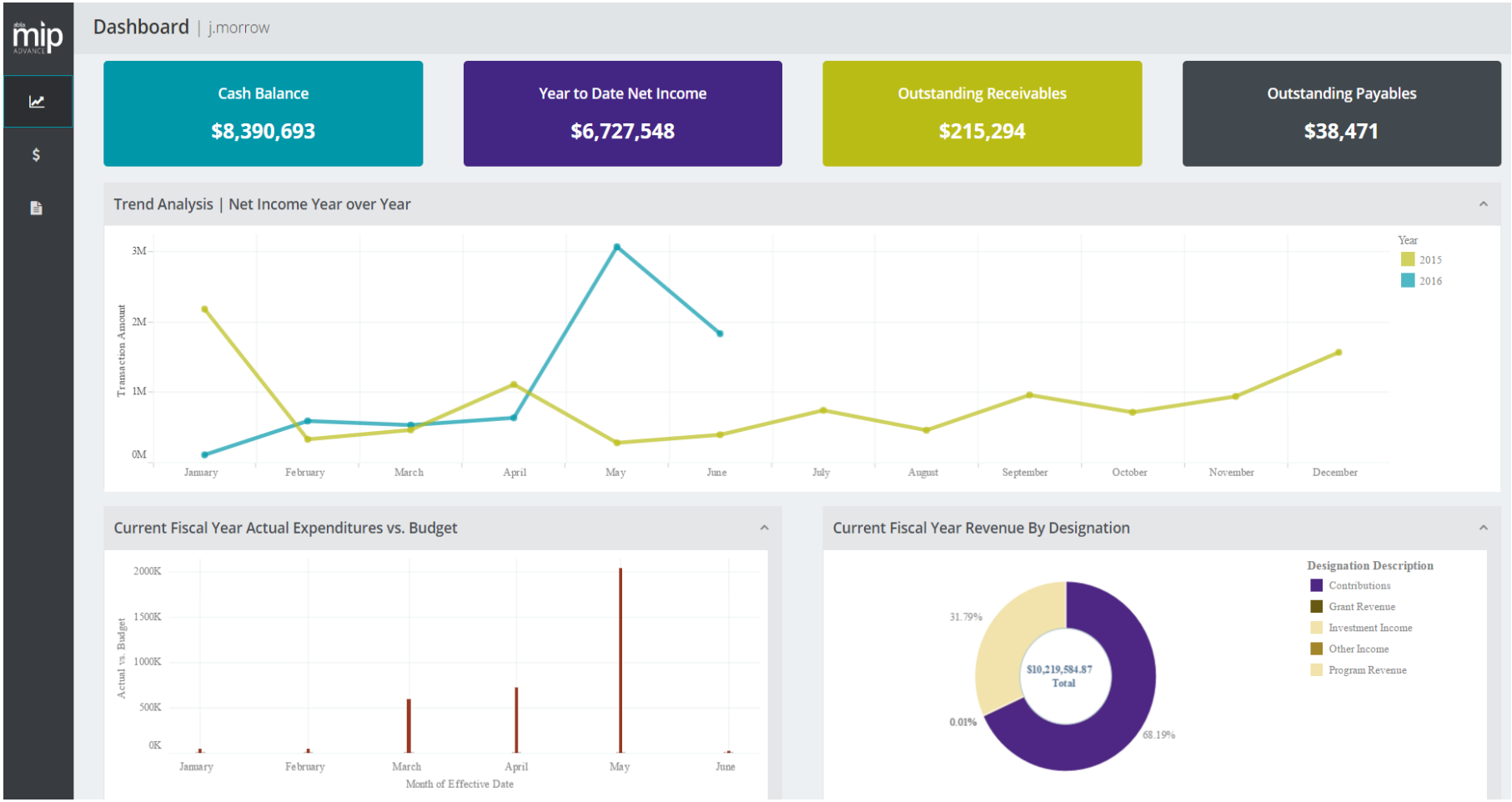


Example of a Dashboard from Abila



Operational: Non-Profit

- **Critical Success Factor:** Move shelter guests to housing

- **KPI:** Reduce length of stay in shelter

- **Activity:**
  - Set up a triage system for new guests
  - Mediation
  - Diversion,
  - Job training
  - Housing alternatives
  - Rapid Re-housing
  - Other organization alternatives

Approach

- Analyzed 12 years of shelter count (census)
- Chronically homeless increasing even though many efforts to place in housing
- Analyzed guests by ST, MT and LT length
- Analyzed cost for each category. LT most expensive
- Bathtub effect
  - Used to focus on guests that used shelter the most
  - 24% guests used 67% of beds
  - 5K coming into shelter annually
  - Housing cannot keep up with demand
- Created new programs to treat top of the funnel

Program Strategies Aligned with Length of Homelessness Benchmark - 2015

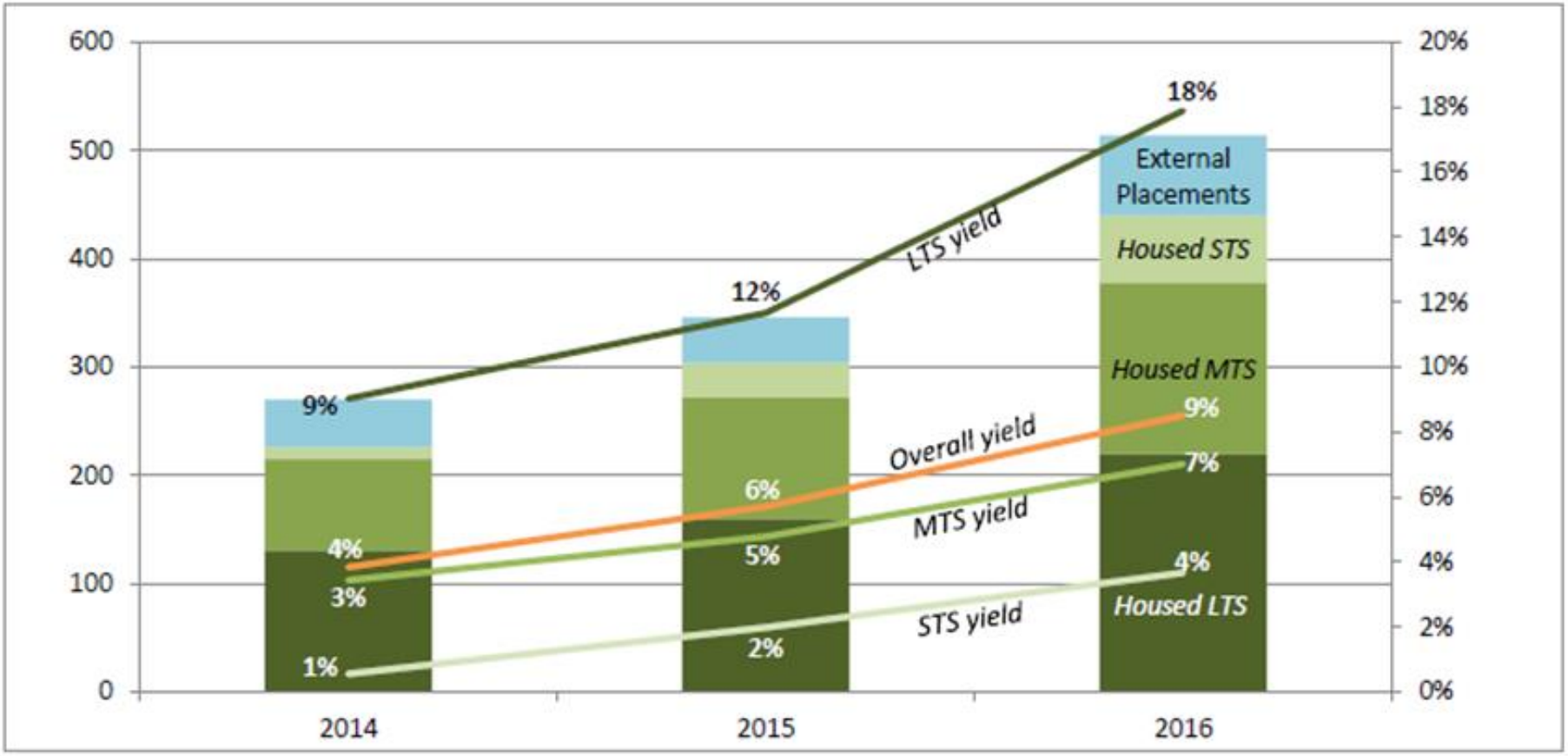
	Length of Homelessness	% of Guests		% of Bed Nights		Approaches
Short Term	3 days or less	9%	29%	0.4%	2%	Triage, Self Resolvers, Mediation, Diversion, Self Help Center
	4 to 30 days	20%		2%		
Medium Term	31 to 90 days	16%	47%	4%	31%	Self Help Center, Rapid Rehousing, Job training, Permanent Housing, Housing Alternatives
	91 to 180 days	13%		8%		
	181 to 365 days	18%		18%		
Long Term	1 – 2 years	16%	24%	37%	67%	Housing Placement, Permanent Supportive Housing, (PSH), PSH Alternatives
	More than 2 years	8%		30%		

Results: Decrease in Length of Homelessness

	All Shelters, history of homeless based on a three year (chronic homeless) observation period				
	Length of Homelessness	% of Guests 2015		% of Guests 2017	
Short Term	3 days or less	9%	29%	15%	42%
	4 to 30 days	20%		27%	
Medium Term	31 to 90 days	16%	47%	18%	45%
	91 to 180 days	13%		14%	
	181 to 365 days	18%		13%	
Long Term	1 – 2 years	16%	24%	9%	13%
	More than 2 years	8%		4%	

- Short Term = least expensive
- Long Term = most expensive

Results: Increase Housing Placement Yields



Non Profit Dashboard Example For KPI

1. Users have input to help monitor the activity goals:
   a. Custom report to track guests through triage system. What information is gathered and what is the outcome?
   b. Numerical job training statistics. Who attends and how does this affect the attendees future?
   c. Graphical statistics on who uses the self-help center and how often. How does this affect the user's future?

2. Management has KPI meter to see affects of activities:
   a. Percentage of guests
   b. Percentage of bed nights

Dashboard Challenges

- **Review what your organization uses for dashboards today**
  - Were they ever designed with the user in mind?
  - Are they promoting efficiency with every user?
  - Are they aligned with your organization's current goals?

- **If not, think about your team from management to specialty team to individual**
  - What are their roles?
  - What programs are they involved in?
  - What level of information do they need?
  - What KPIs or goal measurements would they need?
  - What reminder would help them on a daily basis?

If you have any questions or need help with what your system offers or designing your dashboards, let us know!

Sharing What We Are Doing

What KPI's are you tracking that have helped in decision making or had a positive impact on the organization?

KPI Helpful Hints

- Don’t track too much at once
- Hit the biggest impact items first
- Lay it out in a visual format
- If it doesn’t work try something else (learn from failures)
- Celebrate successes of the team
- And most importantly…

KPI Helpful Hints

…HAVE FUN!

CELEBRATE THE GOOD WORK YOU DO EVERY DAY FOR OUR COMMUNITIES

Questions & Comments

Carla McCall
Co-Managing Partner
AAFCPAs

774.512.4049
cmcall@aafcpa.com

Robyn Leet
Business Advisory
Service Manager
AAFCPAs

774.512.4010
rleet@aafcpa.com