**AlixPartners**

# FROM METRICS TO RESULTS

## How digital businesses get it done

We hear a lot these days about the amazing digital technologies available to business organizations. Many companies, however, still struggle to get their hands around the vast amounts of data that flow through their systems every working day. They are under intense pressure to learn to harness that data, translate it into meaningful insights, and use those insights to run their businesses.[1]

Contrast those laggards with companies that have learned to use key information from their business intelligence (BI) systems to deliver increased sales and profits. Relying on a single undisputed source of decision data, those digital high performers focus on a few critical metrics that give real-time feedback to decision makers. In effect, they are putting into practice a way of organizing and operating their business that we call "Metrics to Results."

A successful Metrics to Results operating method is organized through integrated business management cycles that feature clear inputs, outputs, and accountabilities. Inputs are derived from strategic aspirations and are adjusted for market conditions and expectations. These inputs help define target performance metrics. The outputs- key performance indicators (KPIs)- are shared and implemented across the organization. Teams execute against those KPIs with goals and performance measurements that are revisited daily in robust discussions conducted during routine operations reviews.
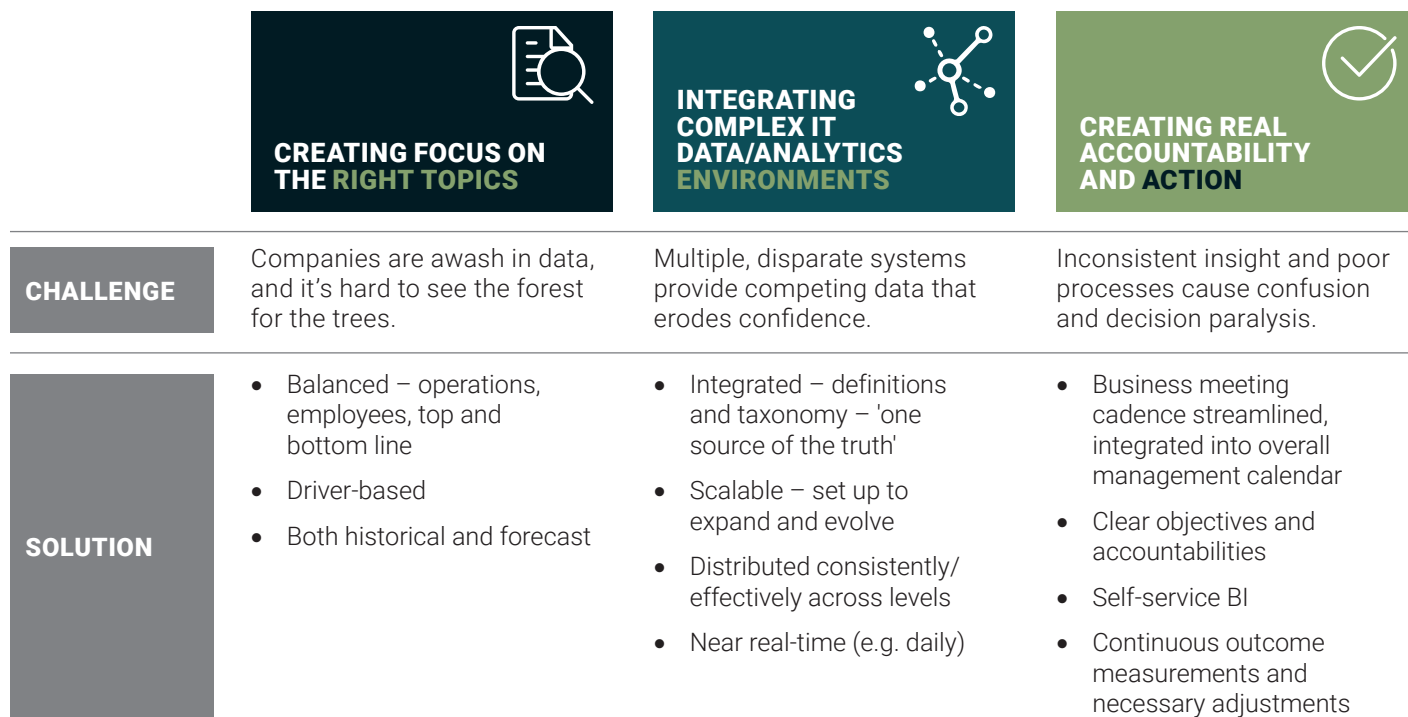
Companies that successfully manage their operations by focusing on key business drivers have in place end-to-end process metrics underpinned by data and analytics that guide their business management processes. A robust BI technology system is, of course, essential to this mode of operation, but it is not sufficient in itself. The other key ingredient is people skilled in extracting insights from the BI system and translating them into decisions and actions.[2]

1.  'What You Need to Know About Data and Digital Transformation', Insight Collection, published on HBR.org. April-May 2020
2.  Ibid.

Senior company leaders play a critical role in building this capability in their people by modeling the use of KPIs and analytics to make decisions. Then they equip their people with the information they need to make their own data-driven decisions and give them the autonomy to pursue the objectives defined by leadership. And they hold their people accountable for results.

Metrics to Results provides for setting the metrics for the desired outcome with guidance from management that aligns and motivates the organization to achieve the stated ambitions. It gives leaders a frame for focusing on what really drives improved results, and aligns the organization on understanding and pursuing targeted performance. Management's job is to focus on the right topics, collect and curate the information that powers improvements across the business, organize actions and assign accountability for them.

| | **CREATING FOCUS ON THE RIGHT TOPICS** | **INTEGRATING COMPLEX IT DATA/ANALYTICS ENVIRONMENTS** | **CREATING REAL ACCOUNTABILITY AND ACTION** |
|---|---|---|---|
| **CHALLENGE** | Companies are awash in data, and it's hard to see the forest for the trees. | Multiple, disparate systems provide competing data that erodes confidence. | Inconsistent insight and poor processes cause confusion and decision paralysis. |
| **SOLUTION** | • Balanced – operations, employees, top and bottom line<br>• Driver-based<br>• Both historical and forecast | • Integrated – definitions and taxonomy – 'one source of the truth'<br>• Scalable – set up to expand and evolve<br>• Distributed consistently/ effectively across levels<br>• Near real-time (e.g. daily) | • Business meeting cadence streamlined, integrated into overall management calendar<br>• Clear objectives and accountabilities<br>• Self-service BI<br>• Continuous outcome measurements and necessary adjustments |

# CREATING FOCUS ON THE RIGHT TOPICS

KPIs are most effective when they are balanced across investors, operations, customers, and employees. They vary from company to company, of course, but they fall into four consistent categories: financial measures, growth drivers, key operations metrics and people-focused measurements, as described below:

| FINANCIAL $ | GROWTH ↑↑↑ | OPERATIONS ⚙⚙ | PEOPLE 👥 |
|---|---|---|---|
| • Revenue | • Lead generation | • Product performance and development | • FTEs and headcount |
| • Expenses | • Pipeline | • Customer service | • Employee processes and productivity |
| • Earnings ratios | • Bookings | • Customer satisfaction | • Employee satisfaction |
| • EBITDA | • Retention | | |
| • Working capital | • Pricing | | |
| • Cash flow | • Sales productivity | | |
| | • Customer profiles | | |
| | • Pricing | | |

# COLLECTING THE RIGHT INFORMATION

To collect the right information, companies need to integrate what are often highly complex IT, data, and analytic environments to develop a single source of truth for the organization. Each metric has a single definition that enables everyone to speak a common language expressing a common point of view. Data typically resides in a single data lake that pools structured and unstructured data drawn from both internal and external sources. This is the data that populates an organization's KPI dashboards. A shared view of information enables the organization to interpret business performance through a common lens and understand its implications for action.

Companies can quickly evolve from that initial platform to more sophisticated and advanced ways of operating their business.
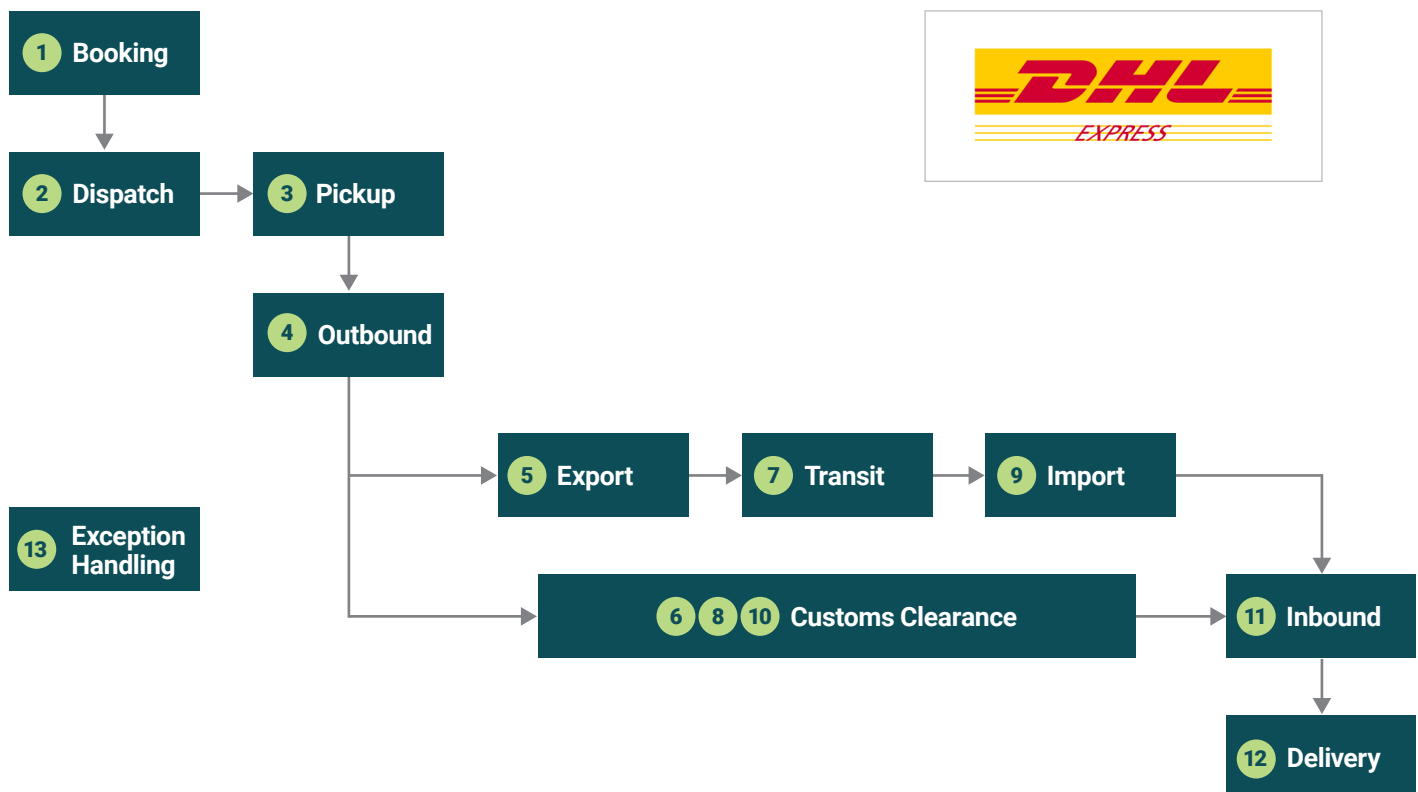
Operations advance as the organization's business and IT leaders work together to build the organizational capability to automatically convey the right information to the right people and give them tools to perform their functions better. As the KPI dashboards come to life, the business and technology experts work together to determine what needs to happen—and how to make it happen—based on different insights derived from real-time information.

# CREATING REAL ACCOUNTABILITY AND ACTION

Creating real accountability and action starts with the management discussion around how to prepare for data-driven decision-making, how to conduct it, and how to follow up. Leadership sets objectives, empowers operating teams to execute against them, measures the outcome (including the role played by external factors), and adjusts objectives as necessary. All business outcomes are measured by their effectiveness in realizing a corresponding business objective.[3]

DHL Express adheres to that template to ensure that it delivers on its commitment to customers around the globe that shipments will arrive on schedule. Management holds its teams accountable to KPIs throughout their end-to-end operating procedures. It is critical that each step occurs on time and accurately, from the moment that the customer books the shipment to the day that it is delivered. Employees are accountable for adhering to operating procedures and meeting performance metrics, which are standardized across processes, data and information systems.[4] Without such standardization, management would have no insight into performance metrics across operating functions.

1 Booking

2 Dispatch → 3 Pickup

4 Outbound

13 Exception Handling

5 Export → 7 Transit → 9 Import

6 8 10 Customs Clearance → 11 Inbound

12 Delivery

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3.   Microsoft Corporation; The Savvy Leader's Guide to Evaluating Modern BI and Analytics Platforms; May 2019

4.   MIT CISR; *Digitization: Building an Operational Backbone*; June 17, 2019

The authority for setting these key objectives rests with leadership, while the authority to execute is vested in cross-functional teams. Digitally enabled companies that empower and rely on employees to drive results have achieved significantly better financial performance results than their peers. One study[5] reported that digitally-enabled companies post:

## 25.6%
higher industry-adjusted net profit margins

## 10.4%
higher industry-adjusted revenue growth rates

## 24%
higher revenues from products and services introduced in the past three years

Companies that have democratized their data can provide empowered teams with access to all the data they need to make evidence-based decisions and the ability to understand the data's applications.[6] Self-service BI provides operations teams with the ability to quickly access the information they need to make decisions and execute. For example, they can drill down into performance drivers at the customer, product, and geographic levels and employ analytics to segment and prioritize sales leads, price at optimal levels, or eliminate unnecessary and excessive costs. Leadership then reviews the results of those activities during cross-functional leadership discussions centered on a shared view of a single set of facts. Those are the discussions that effectively establish real accountability for results and create an iterative mechanism for continuous operational improvement.

5.  MIT CISR; Decision Rights Guardrails to Empower Teams and Company Performance; August 2020
6.  Ibid.

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## ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.