Key Performance Indicators (KPIs) and Management Reporting

The purpose of KPIs and Management Reporting

An effective performance measurement system helps to drive an organization towards the achievement of its strategic goals and is the basis for management decision making. Key areas of focus (Strategic Success Factors) are defined to identify areas where a company must be ahead of its competitors to achieve competitive advantage and Key Performance Indicators measure the achievement of strategy implementation.

A strategy should be cascaded down an organisation to measure its achievement at both enterprise-wide and business unit levels and to define a decision-making framework and to motivate management and employees.

Common shortcomings of traditional performance measurement

Among the most frequently encountered issues in corporate performance measurement are:

- Finance-dominated approach, focused on budget variance analysis
- Lack of support for business decision making
- Lagging – result measures. Historical view of the business
- Lack of clarity and consistency in management reporting procedures, responsibilities, data sources, number and contents of reports
- Inaccurate and untimely management reporting
- Excessive manual efforts in the reporting process that create an administrative burden.
- Performance measurement not linked to strategic goals
- Insufficient control over corporate strategy execution.

What are the benefits of effective Management Reporting and KPIs and how can you realize them?

PwC can help you to address the issues by analyzing and redesigning performance measurement in line with company strategy and management needs, giving the following results:

- Ability to provide corporate management and shareholders with timely and accurate information on corporate strategy execution
- Enablement of company performance management, driving to higher overall business performance
- Ability to foresee potential outcomes and to influence events in a timely manner
- Clear understanding of corporate goals throughout the entire organization
- Greater motivation of managers and employees.
Key Performance Indicators (KPIs) and Management Reporting

An overview of our Project Approach

Stage 1 – Corporate Level

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop corporate KPIs concept</td>
<td>Design corporate KPIs parameters</td>
<td>Automate corporate KPIs calculation</td>
</tr>
</tbody>
</table>

Tasks
- Analyse corporate strategy;
- Create corporate strategy map;
- Identify corporate Critical Success Factors;
- Develop corporate KPIs.

To have a comprehensive picture of business performance it is important to employ diversified measures:
- Financial / non-financial
- Leading / lagging
- Strategic / operating
- Internal / external.

Stage 2 – Operational Level

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design operational KPIs concept</td>
<td>Design operational KPIs parameters</td>
<td>Automate operational KPIs calculation</td>
<td>Tie motivation system to KPIs</td>
</tr>
</tbody>
</table>

Tasks
- Analyse operational strategy;
- Identify operational Critical Success Factors;
- Decompose corporate KPIs;
- Create operational KPIs list.

Tasks
- Design formulas for operational KPIs;
- Define data collection and processing rules;
- Identify target values for operational KPIs.

Tasks
- Integrate operational KPIs into management reporting structure;
- Determine system requirements;
- Implement changes / new system.

Tasks
- Develop KPIs-based motivation programs;
- Communicate changes to personnel;
- Execute trial run of KPIs-based motivation system.

Who to contact?

PwC’s Management Reporting and KPIs solutions are created by an established team with experience in performance management and management reporting solutions delivery that has comprehensive experience of working in Ukraine.

Tel: +8 (044) 490 6777
Fax: +8 (044) 486 4558

Anna Ovdienko
Director
anna.ovdienko@ua.pwc.com

Felix Yaroslavskiy
Assistant Manager
felix.yaroslavskiy@ua.pwc.com