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BUSINESS GUIDE

# Making Metrics Matter

CFOs know the value of KPIs. Here's how to help other departments succeed.

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# Making Metrics Matter

## CFOs know the value of KPIs. Here's how to help other departments succeed.

### Introduction

As overarching goals go, "become a more data-driven organization" is neither new nor novel. More than 60% of both finance and non-finance executives in a survey conducted by NetSuite in 2019 included "using data more effectively" among their top four annual goals for the finance team. Producing better reporting on KPIs was the second-ranked priority for finance executives, who were 29% more likely to list this versus their non-finance counterparts.

Now, four years and one pandemic later, companies have inarguably made great strides in prioritizing data and digital strategy. But we don't see equivalent progress toward the organization embracing data.

In a 2022 survey, only 25% of executives strongly agreed that their decisions are data-driven. Nearly 70% of non-finance leaders said that they could not easily get the data they need to make decisions.

### Data and Technology Use Assessment: 'Strongly Agree' Responses

| | Finance execs | Non-finance execs |
|---|---|---|
| Executives can easily get the data they need to make decisions. | 32% | 19% |
| Our major decisions are largely data-driven/supported. | 25% | 25% |
| We make excellent use of the data collected in our organization. | 24% | 25% |
| Our company uses technology better than our competitors. | 25% | 24% |
| Our company uses data better than our competitors. | 33% | 15% |
| We adopt new technology as soon as we see a clear advantage. | 23% | 14% |

22% of managers strongly agree that their company's leadership backs up its plans with data so they can understand the drivers and reasoning for those plans.

Data: Oracle NetSuite June 2022 survey of 500 respondents

Year-over-year, the overall sentiment continues: Finance is good at providing KPIs. But non-finance peers need narratives, not just data points and results that may or may not be relevant to their departments' goals.

In this guide, we'll present a better way to build a data-driven organization. Specifically, we'll discuss how companies can use objectives and key results (OKRs) to create a data-centric culture, track progress, and encourage a quantified approach across departments.

# Table of Contents

CHAPTER 1

# The Pressing Importance of Bringing Data to the Whole Organization

Before delving into OKRs and their role in building a data-driven organization, it's important to answer the question: Why is embracing data across departments so important right now?

In speaking with executives, the sentiment seems to be, "Quantitatively tracking our performance is always important—but it's even more important today."

Several common areas came into focus when speaking to leaders about why their numbers matter more now:

- Financial health: Slow growth, higher costs, volatility in financial markets as well as continuing economic jitters mean businesses are keeping a sharp eye on metrics relating to financial health. Executives cited supply costs, revenue growth, cash flow, and profit margin as some of the numbers they're currently placing an increased emphasis on.
- Customer satisfaction and cost: Hedging against a possible recession causing decreased new sales, companies are prioritizing customer satisfaction metrics, like net promoter score (NPS), order size and frequency, customer lifetime value (CLV), churn rate, and customer satisfaction score, to proactively address issues that could affect retention.

  Additionally, metrics like customer acquisition cost (CAC) are being scrutinized to analyze the effectiveness of marketing and advertising efforts and determine whether the business needs to concentrate on retaining and upselling current customers versus recruiting new ones.
- Efficiency and productivity: The increasing cost of doing business coupled with a slowing economy means companies are paying closer attention to how they can complete tasks with the least amount of time and effort. Metrics related to operational efficiency, such as employee productivity, resource utilization, and process optimization, are taking center stage as companies seek to do more with less.

Overall, say executives, cash flow is king. Companies must adjust purchasing and marketing spend when customer orders are smaller or less frequent. Materials and labor are getting more expensive, as is borrowing. All these factors amplify the consequences of mistakes—and make line-of-business leaders hungry for data guidance.

Enter OKRs, a data-based framework designed to allow businesses to easily define measurable goals and then track progress in a structured manner.

CHAPTER 2

# Tech Companies Take the Lead

Created by former Intel CEO Andy Grove, OKRs were considered a pivotal component in Intel's successful transition from a memory company to a microprocessor giant—beating Motorola in the process and establishing dominance in the CPU industry. Former Intel Executive John Doerr brought OKRs to Google in early 2000, and use of the framework spread from there across the tech landscape.

OKRs are now used in a wide range of prominent companies to organize and align their business efforts. An OKR consists of an objective and three to five associated key results. While the number will vary, the general consensus is that an organization should have no more than five companywide objectives.

From there, teams create their own sub OKRs to contribute to the overarching ones. In his book, *High Output Management*, Grove noted that OKRs should strive to answer two questions:

1. Where do I want to go? (The objective)
2. How will I pace myself to see if I am getting there? (The key results)

| KPIs | OKRs |
|---|---|
| Measures, usually expressed as formulas, that track metrics to gauge performance. | More qualitative and methodology-based versus a formula. |
| Points to reach and bells to ring. They are often not connected to how the overall business is improving. | Tie daily efforts directly to specific objectives set by leadership. |
| Often positioned as a measure to score or rate individual employees. | Designed to engage and direct employees without fear of repercussions. They fit with a "fail fast" culture. |
| Tend to be inward-facing. | Drive toward aspirational changes and improvements that will be visible to the customer or impact the customer experience. |
| Report on goals/business health. | Reachable, but more ambitious, goals that often require teams to be creative. |
| Useful for measuring progress on programs already in place. | Are almost always project-based. They describe something new the company or team wants to do. |
| Have standard formulas and can benchmark a company against peers, answering whether it is best-of-breed or behind the pack on each metric. | Help close the gap with or increase the lead over rivals. |

CHAPTER 3

# The Role of OKRs in a Data-Driven Organization

In a report by NewVantage Partners, 93% of respondents identified people and process issues as the primary obstacles to their efforts to become more data-driven. When asked about the biggest challenge in adopting data initiatives, about 40% identified lack of organizational alignment, and 24% cited cultural resistance as the top issues.

OKRs combat the first challenge by cascading a focused, numbers-driven, and measurable approach to accomplishing projects across the entire organization. All departments align to achieve a few select and targeted initiatives.

Planning begins with setting companywide goals, or what you want to achieve as an organization. Targets should be ambitious yet achievable. While objectives should be high level, they should not be vague, subjective, or fail to specifically define a desired outcome.

For example, “Grow the company” does not designate a goal, endpoint, or measure of success. “Hire 250 new employees’’ is an actionable objective that teams across the company can work towards.

Each companywide objective is then assigned around three key results. These measurable milestones should be quantitative. Define how you will achieve each objective and describe outcomes, not activities.

Once companywide OKRs are set, they are disseminated to team leads, who begin planning their own departments’ supporting OKRs. The same rules apply—OKRs should be specific, quantitative, and aligned to the company’s overall goals. Departmental OKRs are then broken down into trackable KPIs for the team to prioritize.

There is a fine balance in setting OKRs: Too low of a goal and it will fail to be motivational or present great results. Too lofty and it will set employees up for morale-busting failure. If you’ve heard the term “stretch goals,” that is, goals just beyond the threshold of what seems possible, that’s what to shoot for. That way, success is defined as reaching, say, 70% of objectives, while fully reaching them constitutes remarkable performance.

CHAPTER 4

# Illustrating OKR Adoption

Let's use an example with a fictional software company, Applicativo, that decides to embrace OKRs.

Its first organizational objective: Increase revenue by 20%.

Key results from objective #1:

1. Grow our user base by 10%
2. Launch new product feature by September 1
3. Reduce churn rate from 15% to 5%

Now, the last key result in particular greatly impacts the customer service team, so let's take a look at how they might craft their team OKRs to align resources to the goal.

Customer service objective #1: Increase net promoter score (NPS) by 10 points.

Key results:

1. Increase tickets resolved per employee per day from 40 to 60
2. Decrease average wait time for customers on support chat from 3 to 1 minute
3. Create five new help documents per quarter for frequently asked questions
4. Interview 15 recently churned customers per quarter to understand why they left

Sales team OKRs may look different but they are still aligned to the same companywide objective and key results, particularly the first key result.

Sales objective #1: Hit quarterly revenue of $2,500,000

Key results:

1. Follow up with 1,700 sales-qualified leads per month versus 1,200
2. Increase the lead conversion rate from 12% to 20%
3. Upsell product to 30% of existing customers

Each team will then work, ideally with a finance team partner, to identify the most relevant KPIs and metrics to track progress against these objectives. For instance, in customer service, relevant KPIs to track will likely include NPS, customer churn rate, resolution rate, and support first reply average. For sales, they will need up-to-date numbers on total revenue for the quarter, number of qualified leads, lead conversion rate, and upsell rate.

CHAPTER 5

# 5 Strategies for Successful OKR Goal Setting

As other departments incorporate more numbers into their goal setting, finance will be key in getting them the information they need. Here are five ways finance can drive an OKR culture of success across the organization:

### 1. Collaborate with department leads

As the group with the most access to and understanding of data, finance should help set both companywide and team-based OKRs. CFOs know what metrics they can access, so they know whether a goal is trackable or not based on the company's current capabilities.

It's tempting for finance to dictate what to track, because CFOs understand that the more relevant a KPI dashboard is, the more likely it will be used. Instead, finance leads should work to understand their peers' pressures, priorities, and goals and work with department leads to identify understandable and relevant KPIs that will feed into their OKRs.

### 2. Support data literacy efforts

In a survey by Forrester and Tableau, 79% of surveyed department leaders said employees were equipped with needed skills to access and interpret data—a statement that only 40% of employees agreed with. Especially as data ownership expands outside the finance function, it's important to train employees who may be inexperienced in the area.

In fact, finance leaders are well-suited to improve data literacy across the organization. They should encourage questions about data, like its source and what it means. CFOs should also champion data education opportunities. Data literacy programs can be instituted however they best serve your people. You might choose to bring in consultants to lead courses in your office. Alternatively, you might subscribe to online instructional modules that employees can complete at their own pace.

Additionally, if you have the right resources in place, you can develop an in-house employee training program customized for your specific organization. For the ultimate example of in-house data training, look no further than Marks & Spencer, a British retailer that created its own data science and AI academy.

### 3. Embrace visual aids

CFOs have long been encouraged to become better "storytellers" by communicating important messages about company performance, strategy, and prospects not in the often-technical language of finance, but in terms everyone in the organization can understand.

In our interviews with non-finance executives, one of the most prevalent pieces of advice that arose for their finance colleagues was to use visuals around data. Dashboards, charts, graphs, and other illustrative aids can go far in providing context and an overall narrative around data.

Specifically, dashboards dedicated to each OKR are valuable tools. These dashboards keep teams focused on their OKRs because they are constantly visible. They also provide a clear indicator of whether progress is being made—or not.

### 4. Hold regular check-ins

Let's face it: Timely, accurate, relevant data is hard to get, understand, and use. It is also common to "set-and-forget" goals and initiatives—you start the fiscal year ready to eat better, exercise more, and embrace a data-driven culture. Within a month or two, good intentions are out the window. Finance teams can help by setting up regular, ideally weekly, check-ins to go over KPIs for other departments. Plan to explain the context of the data points regarding departmental and company-level OKRs.

Remember: It's about building a narrative, not just throwing numbers at a wall.

When looking to foster a data-driven culture through OKRs, one step that will go a long way is investing in a solution that allows the finance department to produce user-friendly reports and other presentations that can be tailored to specific audiences. That way, finance teams aren't spending copious amounts of time each week trying to get other departments the information they need in an understandable format.

### 5. Democratize data access

In a report by Mixpanel, the top barrier to working with data, according to respondents at small and midsize businesses, was simply a lack of access. While weekly check-ins and reports go a long way, even more beneficial over the long term is providing the right tools to access and analyze numbers. Driving a truly data-centric culture forward requires that teams across the organization have as much visibility into needed information as possible.

In interviews with Bladnoch Distillery, a single-malt whiskey distillery in Scotland, executives highlighted the success resulting from giving employees at all levels access to needed KPIs through NetSuite. They noted that it was less exactly what data they used than how it was pervasive across the organization, used by people at all levels and in all roles, that gave them a competitive edge.

In addition to helping them ward off COVID-19 related issues, the team at Bladnoch credited visibility into metrics for driving employee engagement, collaboration, and adaptability.

# The Bottom Line

Peter Drucker once famously said, "What gets measured gets managed." With data more accessible and easier to track than ever, businesses have the opportunity to quantitatively measure their progress against their goals. And, with OKRs guiding the way, there is structure to that data collection and analysis to prevent information overload.

With a software solution like NetSuite, companies can easily access their data to create and track progress against goals. A full suite of cloud-based ERP applications, including financials, inventory management, and HR, provides the real-time visibility needed for company and department-level OKRs.

Not only can departments access their own data through customizable dashboards, but finance can easily tailor reporting to help illustrate progress against OKRs.

And, with the NetSuite SuitePeople Performance Management System, metrics-based goals can be cascaded down to the individual level, ensuring that every employee is connected to their work and how it plays into the company's overall success.

### Learn More

- **What Is a KPI?**
  Your OKRs will determine which KPIs you will track. Brush up on your understanding of KPIs so you'll be ready to implement a strong OKR framework.
- **Critical KPIs Every Entrepreneur Needs to Track**
  Eighty percent of new businesses survive the first 12 months, and only half make it to the five-year mark. For entrepreneurs, a few universal KPIs illuminate the path to longevity.
- **Why Productivity Matters and How to Measure It**
  Employee productivity plays a key role in executing OKRs—and in your company's profitability. Get a playbook for measuring productivity and using that data to make your workforce more productive.

Businesses used to be forced to rely on intuition for goal setting and tracking. But in today's increasingly uncertain—yet highly competitive—environment, that no longer works. Luckily, with the right tools and a dose of focus from OKRs, every organization can drive forward with data-driven certainty.

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