

# Anatomy of a KPI. From raw number to clarity

The use of KPIs (Key Performance Indicators) is an integral part of business intelligence. The careful definition and use of a KPI, enable a business or department to monitor its progress against these goals.

Let's use a simple scenario to take a raw number and turn it into a KPI that is concise, clear and has meaning.

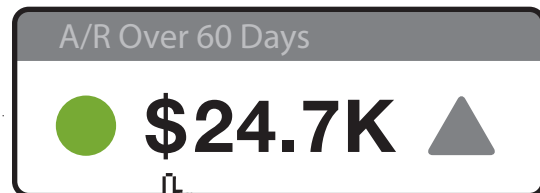
Consider the finance department within a company. One of the key objectives is to reduce the amount of accounts receivables over 60 days to increase cash flow and reduce risk. Furthermore, the objective is refined to "Reduce outstanding receivables over 60 days to less than \$30K" and they wish to compare the current metric to the historical average to indicate movement; trending up, down or unchanged.

- 1**      **24.672**      The raw number. Care is taken to create a value that is current, but calculated over an appropriate time range, so as not to be too volatile.
- 2**      **\$24.7K**      Add appropriate decimal places  
Add suffix and prefix decoration if applicable
- 3**      ● **\$24.7K**      Add acceptable range context  
Traffic lights for example (shape and colour differentiate)      ● ◆ ■
- 4**      ● **\$24.7K** ▲      Add trend context based on historical values and average or benchmark data      ▲ — ▼

We now have a KPI that is not simply a number; we've added meaning and insight without adding complexity.

Where the KPI is meant for at-a-glance awareness, tooltips and hover-over states can provide additional context to the metric as seen here.

This example highlights the key characteristics of a KPI: it is relevant and associated with a high-level goal for the company; it can be measured as a numeric value, one that provides context, from an operational system. It is tied to a group/departments activity; they are accountable to take action to keep the KPI within the identified thresholds.




This value represents Account Receivables that are in excess of 60 days, for all customers and regions.


● The corporate goal is to keep A/R over 60 days to less than \$30K

▲ The average for the past 60 days is \$23.2K

This data is accurate to 15 mins

## Alternative visualizations

**A**      **\$24.7K**       A gauge or bullet-chart can provide all of the contextual details. The colour bands display the acceptable range; the marker the historical value for trending purposes, and the bullet (line), the current value (which equates to \$24.7K)

**B**      **\$24.7K**       Likewise, where there is value visualizing the fluctuations, a sparkline can be used as well. Here we use a reference-band to identify the acceptable range.

There is significant research regarding which metrics matter to specific industries. However, it is important to understand that the performance indicators that are key for an individual organization cannot be dictated by an out-of-the-box solution. They vary depending on the industry, the functional area of the company, and the unique needs and focus of the organization. Contact us at Klipfolio or refer to our article for more on this subject; [KPIs](#), [Dashboards](#) and [Operational Metrics Doing More With Less](#).