

**The Smart Manager *Series* (#3)**

***KPIs & KEIs  
for Success***

**Key principles  
&  
Tools**

**Survival Kit**

**October 2018**



**Smart Pharma  
Consulting**

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## 1. Introduction

**KPIs & KEIs are both essential to optimize the business performance over time**

- The purpose of business indicators is to help improve performance through enhanced efficacy and efficiency
- “KPIs & KEIs for Success” highlights the value of measuring:
  - **Key Performance Indicators** (KPIs) related to objectives achievement
  - **Key Execution Indicators** (KEIs) related to activities to be carried out to reach these objectives
- In this document, we propose a method, tools and practical examples to facilitate the proper use of KPIs and KEIs in the context of the pharmaceutical industry

*“If you can’t measure it, you can’t manage it” – Peter Drucker*

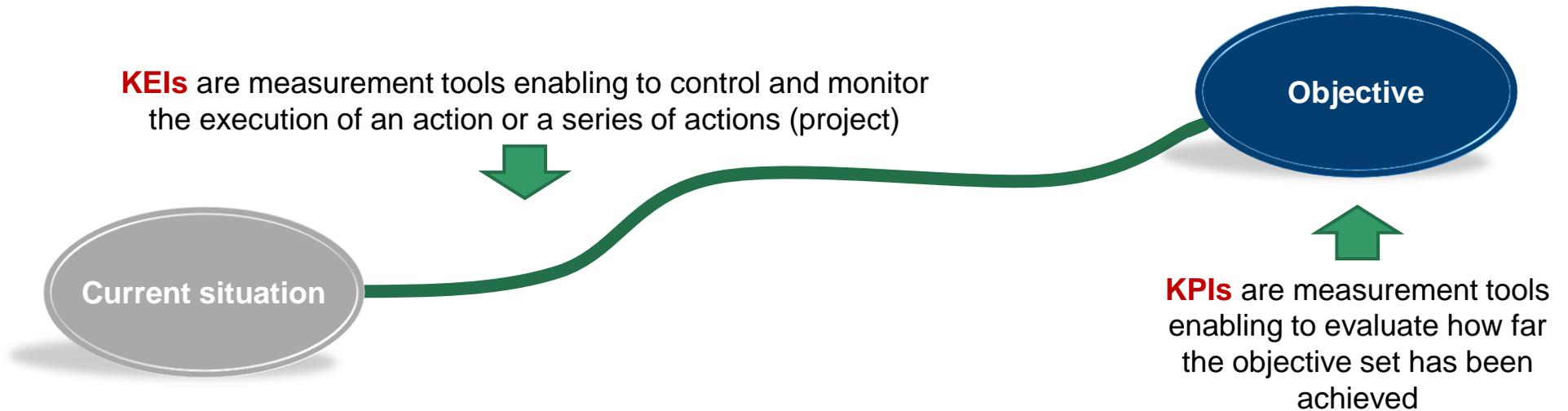
## 2. Definitions

**KPIs measure the degree of objective achievement and KEIs the excellence in execution**

### KPIs vs. KEIs

For purposes of clarity and efficacy, it is essential to differentiate:

- **Key Performance Indicators (KPIs)** which measure the outcome of an activity or a project
- **Key Execution Indicators (KEIs)** which measure the quality of execution of an activity or of a project



## 2. Definitions

**KPIs and KEIs are metrics whose measurement is of great importance for a given activity or project**

KPIs – Metrics – KEIs

### KPIs

- A KPI is a metric
- KPIs measure the level of achievement of a set objective either strategic, tactical or specific
- KPIs change when objectives are met or if management focus shifts

### Metrics

- Metrics represent anything that is measurable, but not necessarily important
- They are the detailed measures that feed KPIs and KEIs
- All metrics are not KPIs or KEIs, only the most important ones are

### KEIs

- A KEI is a metric which measures the quality of execution of an activity or a project expected to lead to a set objective
- An optimal execution will ensure the attainment of the objective in a more effective and efficient way

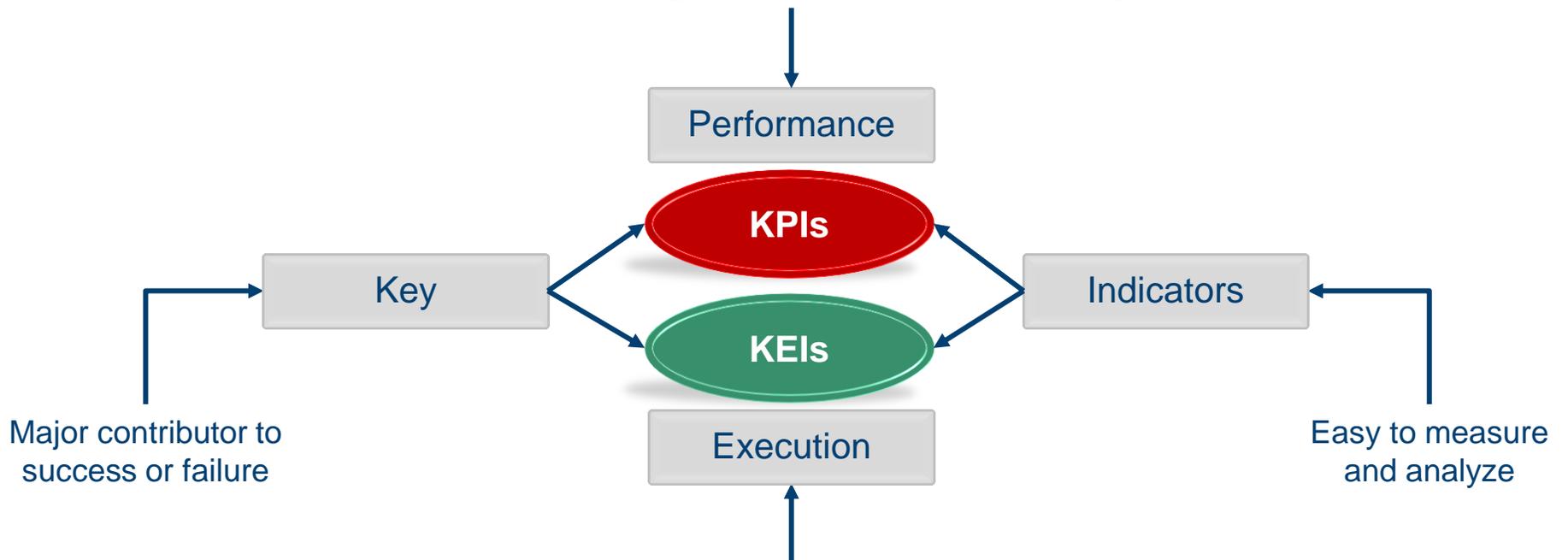
*“KEIs check that you are on the right track and KPIs check that you arrive at destination”*

**2. Definitions**

**KPIs & KEIs are complementary and should be limited to the most important activities**

Key Indicators vs. Indicators

Metric to evaluate the **degree of achievement of the objective set**



Metric to evaluate the **quality of execution** of the activities carried out to achieve the objective set

## 2. Definitions

KPIs and KEIs can be quantitative and/or qualitative

Examples of KPIs & KEIs



- Number of new customers
- Average # of prescriptions per customer
- Sales dynamics
- Return on investment

- % of targeted customers covered
- Number of interactions with customers
- Number of projects carried out
- Level of resources allocated to customers



- Brand Preference Mix Index<sup>1</sup>
- Corporate reputation improvement
- Perceived quality of products / portfolio
- Perceived value of services offered

- Quality of interactions with customers
- Level of market insights
- Proper management of projects, from the customer perspective

Sources: Smart Pharma Consulting

<sup>1</sup> Corporate reputation x products image x perceived service quality: see Smart Pharma Consulting website

## 2. Definitions

**Business departments use different KPIs to measure their success and KEIs to monitor the manner to achieve it**

Examples of Potential Indicators by Business Activity

*Illustrative*

### Customer-focused

- Number of customers
- Brand Preference Mix (BPM)
- Net Promoter Score (NPS)
- Reputational Index

*“KPIs should reflect the priorities of the business departments”*

**KPIs**

### Employee-focused

- Staff advocacy score
- 360-degree feedback score
- Absenteeism rate
- Employee engagement index

### Financed-focused

- Sales growth
- Net profit (€)
- Net profit margin (% of sales)
- Return on Investment (ROI)

**KEIs**

*“KEIs should help do the right things to meet objectives”*

### Organization-focused

- Time to market
- Compliance to deadlines
- Delivery in full, on time rate<sup>1</sup>
- Quality level (product / service)

## 2. Definitions

**KPIs and KEIs may be very different in nature**

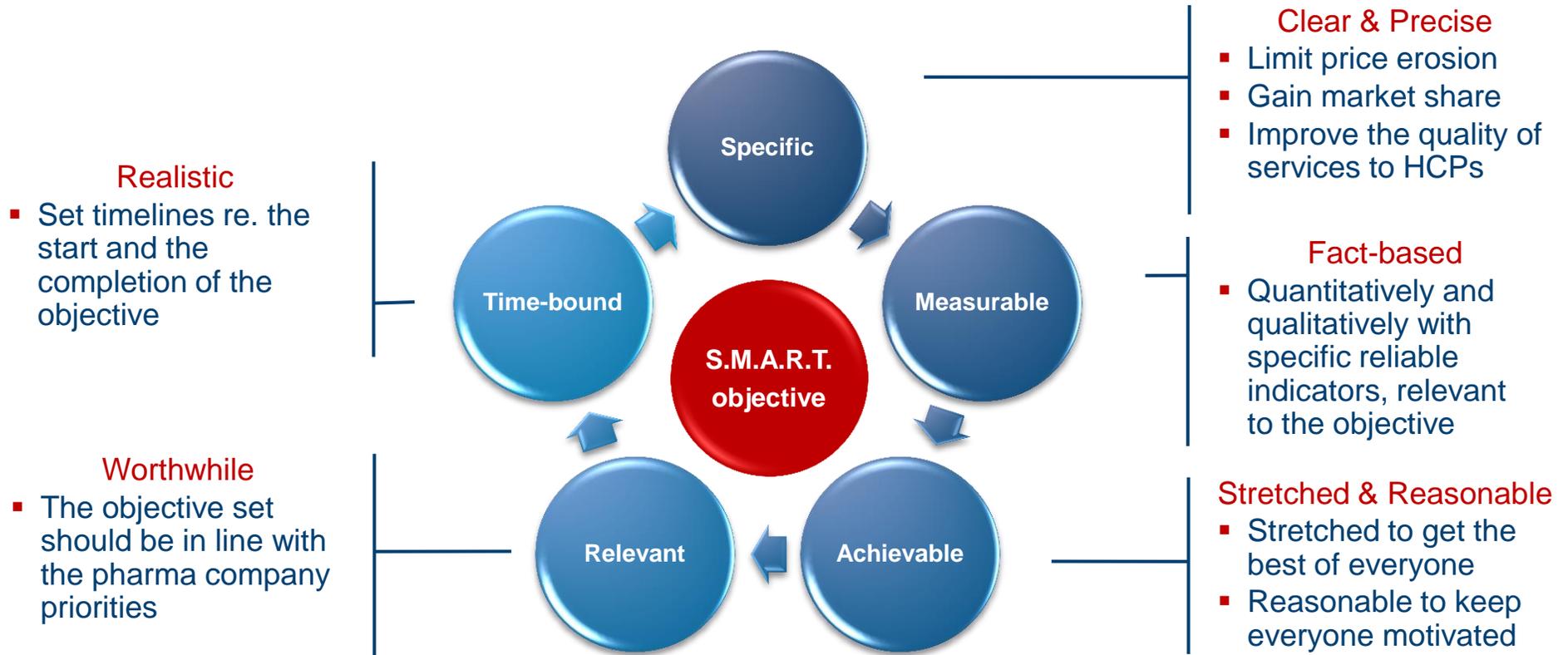
### Typology of KPIs & KEIs

Typology	Definitions	Examples of KPIs	Examples of KEIs
<b>Quantitative</b>	Measure by counting, averaging numbers, calculating rates, ratios, etc.	Units sold per month	Number of customers met
<b>Qualitative</b>	Express opinions, traits, characteristics	Customers satisfaction survey	Opinion of customers
<b>Process</b>	Measure the efficiency or productivity of a business process	Days of hospitalization to treat a patient with appendicitis	Compliance with project deadlines
<b>Input</b>	Measure assets and resources invested in or used to generate business results	Investments in a project to improve patient care	Actual vs. budgeted investment
<b>Output</b>	Measure the financial and non-financial results of business activities	Revenues – Numbers of new clients	Number of clients having a positive opinion of products
<b>Leading</b>	Measure activities that will have a significant impact on future performance	Pricing negotiated with payers	Quality of tendering planning
<b>Lagging</b>	Measure the output (success or failure) of past activities	ROI – profitability	Number of applications sent on time for tenders

## 2. Definitions

While defining KPIs and KEIs, target performance and execution objectives should be S.M.A.R.T

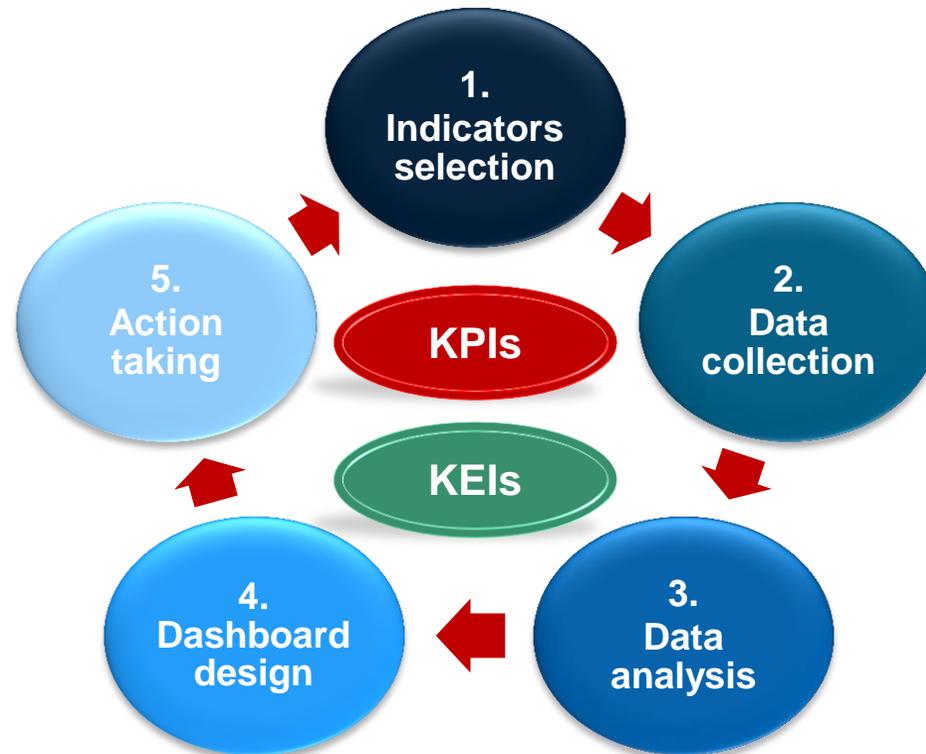
### Objective Setting



### 3. How to choose the right indicators?

The following wheel defines the key steps to make the best use of KPIs & KEIs

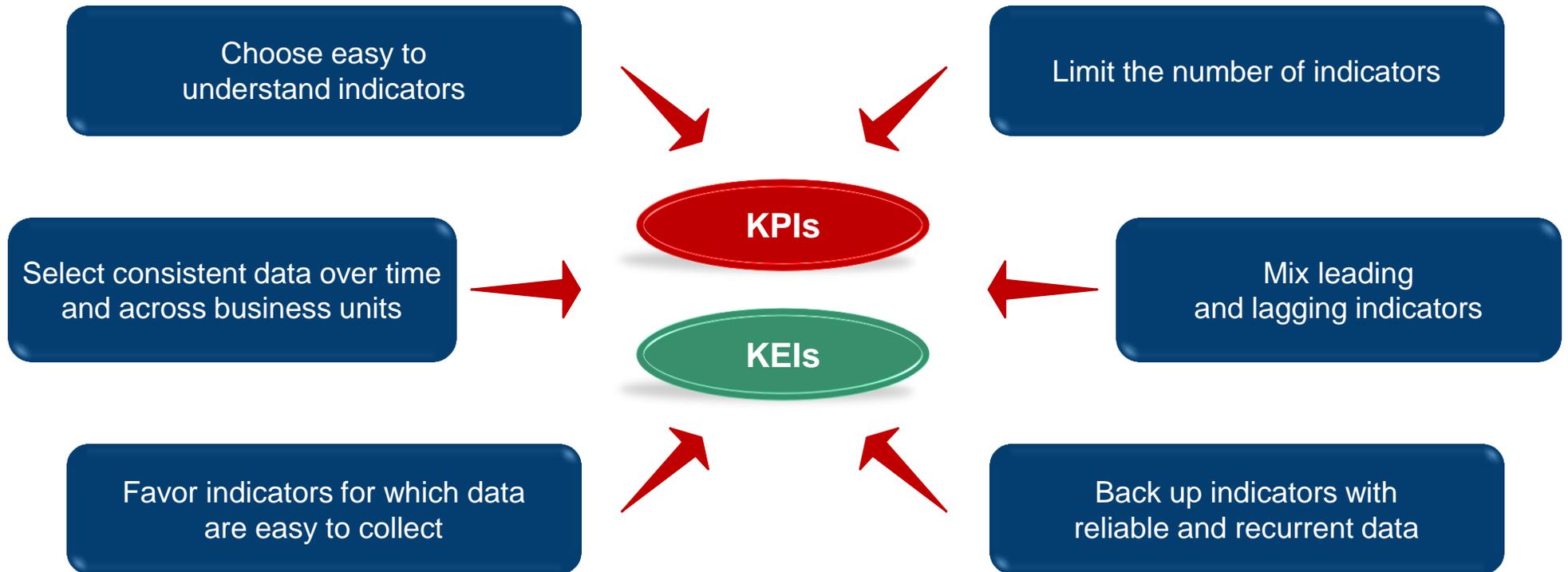
From Selection to Action: **Introduction**



**3. How to choose the right indicators?**

The following tips will help select the metrics that make the best KEIs & KPIs

From Selection to Action: 1- Indicators selection (1/3)



### 3. How to choose the right indicators?

Selection of KPIs & KEIs should be clearly put in the context of the objectives they are related to

From Selection to Action: 1- Indicators selection (2/3)

To select effective KPIs and KEIs, the following questions should be answered

#### Key questions

- What is the objective the KPIs & KEIs relate to?
- What is the performance issue to be addressed?
- What is the audience for the KPIs and KEIs?
- How will these indicators be used?

#### Examples

- ➔ ▪ *Improve customer preference to company products*
- ➔ ▪ *The degree of our customer preference*
- ➔ ▪ *Management committee / Market access team*
- ➔ ▪ *The KPIs & KEIs will be used to assess and report the impact of services on customer preference*

### 3. How to choose the right indicators?

Selected KEIs & KPIs must reflect progress on specific challenges to be addressed

From Selection to Action: 1- Indicators selection (3/3)

*Illustrative*

Indicators	Formula	Insight	When to apply
<b>Brand Preference Mix<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Average response on a 10-point scale re. corporate reputation, brand image and perceived quality of associated services</li> </ul>	<ul style="list-style-type: none"> <li>Provides a measure of customer level of preference</li> </ul>	<ul style="list-style-type: none"> <li>Once or twice a year depending on the activity</li> </ul>
<b>Net Promoter Score</b>	<ul style="list-style-type: none"> <li>Average response on a 10-point scale to the question “Would you recommend this service or product to a friend?”</li> </ul>	<ul style="list-style-type: none"> <li>Provides a measure of customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Once or twice a year depending on the activity</li> </ul>
<b>Trust &amp; Value</b>	<ul style="list-style-type: none"> <li>Multivariate formula measuring perception on a visual analog scale</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of what drives Trust &amp; Value with HCPs and how the company performs</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> </ul>
<b>Number of client hospitals</b>	<ul style="list-style-type: none"> <li>Number of hospital where products are listed vs. the total number of targeted hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of the performance vs. objective</li> <li>Measure of the impact of projects carried out with hospitals</li> </ul>	<ul style="list-style-type: none"> <li>On-going measurement</li> </ul>

Sources: Smart Pharma Consulting

<sup>1</sup> Corporate reputation x products image x perceived service quality: see Smart Pharma Consulting website

### 3. How to choose the right indicators?

Data collected should be reliable, actionable and reflect the priorities of the company

From Selection to Action: 2 - Data Collection (1/2)

To collect data (qualitative or quantitative), the following questions should be properly answered

#### Key questions

- What are the data to be collected?
- What are the sources of data to be collected?
- How will the data be collected?
- How will the performance level be determined?
- What are the targets and performance thresholds?
- How often should the data be collected and reported?

#### Examples

- ➔ ▪ *Opinion of customers re. corporate reputation, service quality and product attributes*
- ➔ ▪ *Survey of customers having benefited from a service in 2018*
- ➔ ▪ *Through face-to-face customers interviews by a market research agency*
- ➔ ▪ *With a 10-point visual analog scale*
- ➔ ▪ *Gain 2 points in 2018 vs. 2017*
- ➔ ▪ *Data collected twice a year and reported once a year*

**3. How to choose the right indicators?**

For each indicator, the measure, the target, the source and the frequency should be defined

From Selection to Action: 2 - Data Collection (2/2)

*Illustrative*



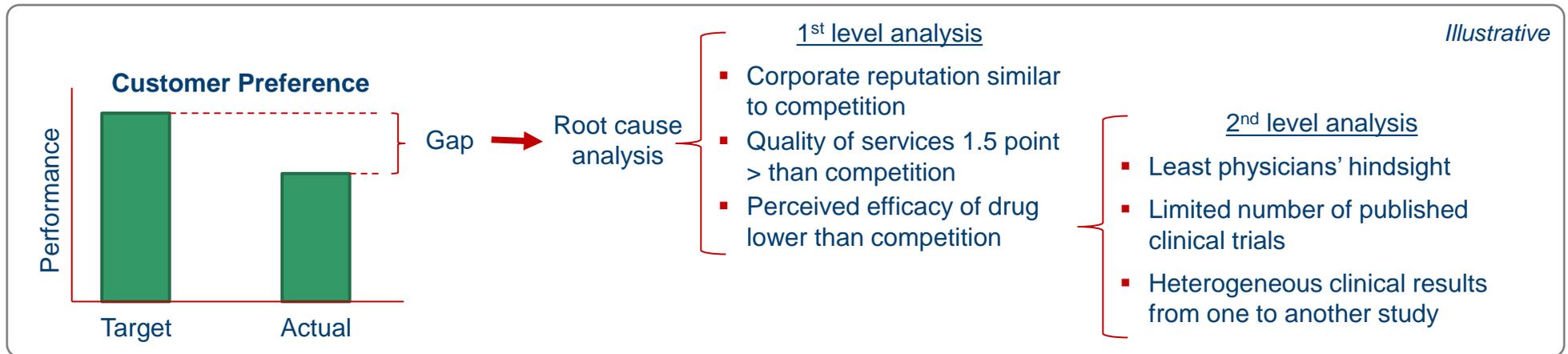
Sources: Smart Pharma Consulting

### 3. How to choose the right indicators?

Analysis of data related to KEIs & KPIs enables to extract business insights

From Selection to Action: 3 - Data analysis

- The proper analysis of KPIs & KEIs will require to link the collected data to the objective to be achieved or the industry benchmarks, respectively in terms of performance and quality of execution
- One of the generic approach consists to:
  - Compare actual to target performances
  - Measure and analyze the potential differences (either positive or negative): **gap analysis**
  - Look for the factors responsible for these gaps: **root cause analysis**<sup>1</sup>



Sources: Smart Pharma Consulting

<sup>1</sup> With the help of the Ishikawa diagram, also called fishbone or cause-and-effect diagrams

### 3. How to choose the right indicators?

Display types will depend on analyses, audience and messages

From Selection to Action: 4 - Dashboard Design (1/3)

- Quantitative and qualitative data should be carefully analyzed before choosing the type of graphics
- The choice of graphical display will depend on the analysis carried out, on the audience and on the message to be conveyed:
  - Type 1 : Composition => Share of business...
  - Type 2 : Ranking => Ranking of regions based on number of hospital where products are listed...
  - Type 3 : Evolution => Number of tenders won...
  - Type 4 : Distribution => Business distribution by region...
  - Type 5 : Correlation => Relation between projects carried out in hospitals and product listing...

### 3. How to choose the right indicators?

The selection of displays should be done in an easy to interpret manner

From Selection to Action: 4 - Dashboard Design (2/3)

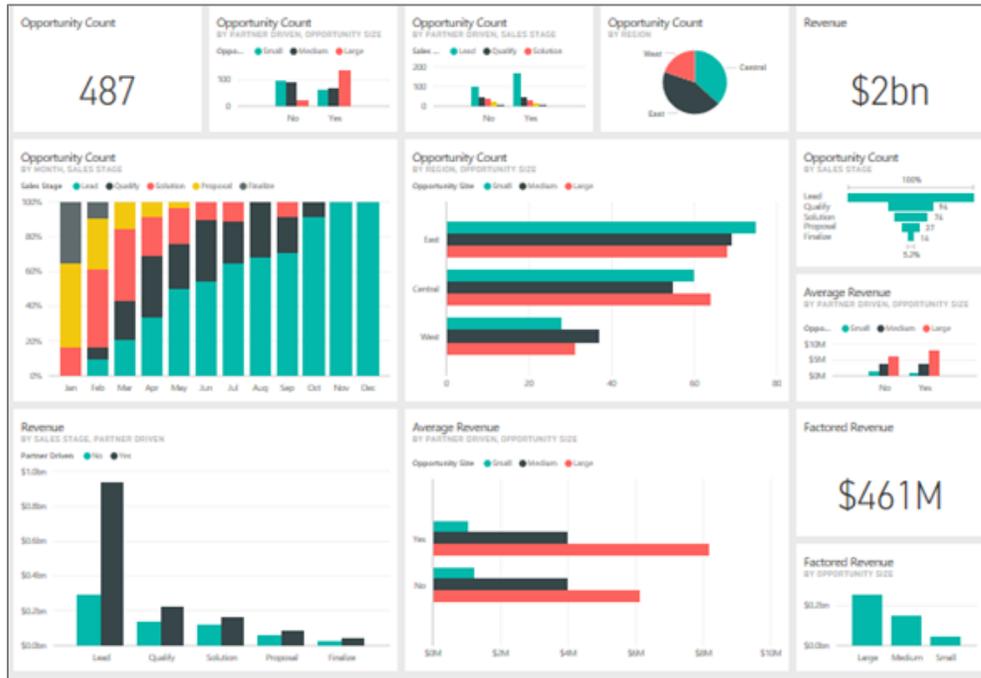
Type	Model 1	Model 2	Model 3	Model 4	Model 5
Composition					
Ranking					
Evolution					
Distribution					
Correlation					

### 3. How to choose the right indicators?

A dashboard is an efficient way of displaying multiple KPIs & KEIs in a singular view

#### From Selection to Action: 4 - Dashboard Design (3/3)

*Illustrative*



- Dashboards provide at-a-glance views of indicators
- They contain series of graphics, charts, gauges and other visual indicators that can be monitored and interpreted
- The visualizations on a dashboard may come from one underlying dataset or many, and from one underlying report or many
- Dashboards should comply with 3 elements:
  1. Display “need-to-have” data only, to avoid distraction and remain focused on what is essential to perform
  2. Be well-structured, in a logical manner
  3. Easy to read and to interpret

Sources: Smart Pharma Consulting

### 3. How to choose the right indicators?

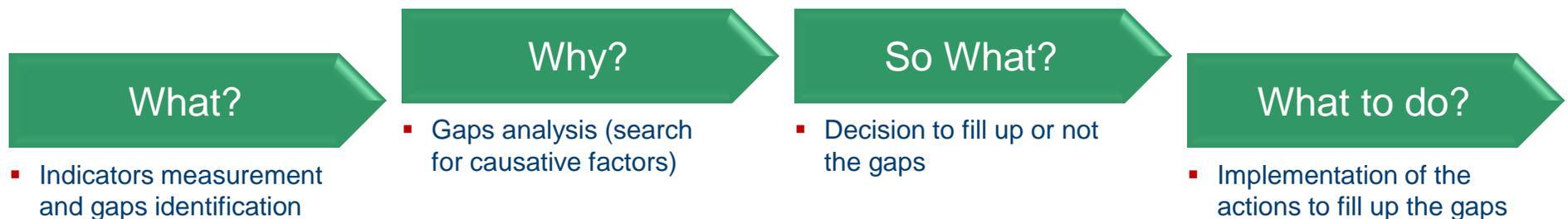
#### A dashboard is an enabler to make decisions



#### From Selection to Action: 5 - Action Taking

- If KPIs show that performance is progressing as per plan, actions should be taken to secure the momentum or outperform the preset objective
- If the performance is below expectation, and the causative factors have been determined with the help of KEIs, the management should take actions to fill up the gaps
- If judged as non-attainable, the performance target may be revised

#### From observation to action



*“KPIs change when objectives are met or if management focus shifts”*

### 3. How to choose the right indicators?

Selecting and using KPIs & KEIs is a difficult process requiring a deep thought

Problems & Issues related to KPIs & KEIs

KPIs & KEIs may not yield what they were meant to provide for various reasons:

- The indicator is not related or relevant to the work being performed
- The rate of change in the indicator is too slow to produce a result that is actionable
- Turnaround time for actions needed to correct low performing indicators takes too long
- The responses or the processes needed to deal with indicators indicating a problem either do not exist or are inadequate
- The indicators are only loosely monitored by front line managers as opposed to being shared with the team as a whole
- Too many KPIs & KEIs selected leading to confusion and “noise”



## 4. Key learnings

**KPIs & KEIs play the role of a compass to help companies achieve their objective, efficiently**

- Targeted KPIs are an effective tool for driving project objective realization
- KEIs will help keeping activities (projects) on track to deliver the expected value (performance)
- Although industry standards matter, companies may choose different KPIs & KEIs from their competitors; what matters is how relevant the indicators are to the business
- Companies should also review their objectives and strategies regularly and make necessary adjustments on their KPIs & KEIs
- KPIs are important to help focus on common objectives...
- ... and ensure they stay aligned within the company priorities
- A well-designed set of KPIs should provide a clear indication of current levels of performance and help make better decisions that bring the business closer to achieving its strategic objectives

## 5. Training program – Intra-company

### One-day program to define relevant KPIs & KEIs for a better efficacy and efficiency

#### Content & Organization

- The program will include basic definitions, recommendations, key tools, practical exercises and case studies relative to the pharmaceutical industry
- The program content will be customized according to the specific needs of the clients
- The program duration will be of one day, one day and a half or two days, according to the client needs and desire

#### Target Audience

- Any collaborators from pharmaceutical companies, whatever their level of responsibility and seniority
- Participant can be part of the medical, marketing, commercial, market research, strategic,... departments

#### Example of a One-Day Program

- |       |  |
|-------|--|
| 9:00  | Introduction to the program  |
| 9:10  | Review definitions and basic principles related to KPIs and KEIs, in general and in the context of the pharma business |
| 10:40 | <i>Break</i>   |
| 11:00 | Exercises: Indicators selection – data collection – data analysis – dashboard design – action taking                   |
| 12:30 | <i>Lunch</i>   |
| 13:30 | Case study #1: Practical implementation  |
| 15:00 | <i>Break</i>   |
| 15:20 | Case study #2: Practical implementation  |
| 16:50 | Conclusion and key takeaways   |
| 17:30 | End of the program   |

## The Smart Manager Series

- This series intends to provide practical recommendations to enhance the efficacy and efficiency of executives in order to help them become or remain *Smart Managers*

## Issue #3: KPIs & KEIs for Success

- The first issue of The Smart Manager Series, published in 2017, proposed practical recommendations to improve executives time management
- A second issue published in 2018, intended to share key principles and tools to ensure an effective and efficient management of projects
- This 3<sup>rd</sup> issue is dedicated to the selection of key performance (KPIs) and key execution (KEIs) indicators
- KPIs and KEIs are essential to ensure a continuous improvement of companies' performance by enhancing their level of efficacy and efficiency
- Indeed, KPIs and KEIs help identify performance and activity gaps and find solutions to fill them up

## Smart Pharma Consulting Editions



- Besides our consulting activities which take 85% of our time, we are strongly engaged in sharing our knowledge and thoughts through:
  - Our teaching and training activities
  - The publication of articles, booklets, books and expert reports
- As of today, more than 100 publications in free access can be downloaded from our website
- Since the beginning of 2017, we have published:
  - 2 business reports (The French Pharma Market 2016 – 2022 – The French Generics Market, incl. Biosimilars)
  - 11 position papers in the “Smart Manager Series” and in the “Best-in-Class Series”
- Our research activities in pharma business management and our consulting activities have shown to be highly synergistic
- We expect that this new publication will interest you and we remain at your disposal to carry out consulting projects or training seminars to help you improve your operations

Best regards

Jean-Michel Peny