










KPI Metrics Assessment

PROFESSIONAL SERVICES



NetSuite KPI Assessment – SERVICES Industry Benchmarks

 Current  Potential

FUNCTIONAL AREA		KPI	BOTTOM TIER	MEDIAN	TOP TIER
	Selling & Order Management	Gross Margin	15%	26.7%	47.3%
	Resourcing	Billable Utilization	58%	76.4%	83.8%
	Project Management & Delivery	Annual Revenue per Billable Employee Employee	\$88,000	\$213,000	\$275,000
	Project Accounting	Days Sales Outstanding (DSO)	142 days	75 days	42 days
	Revenue Management	Days to Close the Books	> 10 days	5 days	hours
	Financial Management & Reporting	Finance Team Productivity	customer specific	customer specific	customer specific
	Technology & BI Platform	IT Team Efficiency	customer specific	customer specific	customer specific
	Human Resources	HR Team Efficiency	customer specific	customer specific	customer specific
	Budgeting & Forecasting	Days to Complete the Annual Budget Budget	> 40 days	40 days	27.5 days

The Metrics

KPI Definitions





Metrics

Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Gross Margin	Gross margin is a company's net sales revenue minus its cost of goods sold (COGS). In other words, it is the sales revenue a company retains after incurring the direct costs associated with producing the goods it sells, and the services it provides. The higher the gross margin, the more capital a company retains on each dollar of sales, which it can then use to pay other costs or satisfy debt obligations.	Gross Profit (\$\$) divided by Revenue (\$\$) e.g.: \$28M Gross Profit divided by \$50M Revenue = 56% Gross Margin
Billable Utilization	The percentage of time that the company's consultants are billing clients. The higher the better, at least until it gets to a point where it would negatively impact moral. Typical target = 80% Utilization. The baseline 100% utilization definition can vary by company; but often is 2000 (50 weeks x 40 hours). Baseline can vary to do how the company treats vacations and training time.	Number of billable hours for the entire consulting team divided by the "target hours" times the number of consultants e.g.: 45,600 total billable hours divided by 60,000 hrs (2000 hrs/yr x 30 fulltime consultants) = 76% Utilization (for a year)
Annual Revenue per Billable Associate	The average amount of Billable Revenue generated by a consultant.	Total Billable Revenue divided by number of billable associates. e.g.: \$6,120,000 Total Revenue divided by 30 associates = \$204,000 Revenue per Billable Associate

Metrics

Detailed KPI Definitions and Calculations



KPI	Description	Calculation
Days Sales Outstanding (DSO)	Days Sales Outstanding (DSO) or Days Receivables is a measure of the average number of days that it takes a company to collect payment after a sale has been made. DSO is often determined on a monthly, quarterly or annual basis, and can be calculated by dividing the amount of accounts receivable during a given period by the total value of credit sales during the same period, and multiplying the result by the number of days in the period measured.	Accounts Receivable Amount divided by Daily Sales. (Daily Sales = Annual Revenue divided by 365) e.g.: \$9M Accts Rec divided by \$137k Daily Sales (\$50M Revenue/365) = 65 Days
Days to Close the Books	How many days it takes for the Finance team to produce a Profit and Loss statement, Balance Sheet and other analyses so that managers can understand how the business performed for that period (typically monthly). Faster also means the Finance team is more efficient.	Number of days that it takes the finance team to close the books. Range can be 2-3 weeks to a few days. In NetSuite, managers can see Financial Statements at any time (i.e. "Continuous Close")
Finance Team Productivity	<p>The percentage of time spent on manual finance related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities.</p> <p>Productivity gains are measured in dollars by determining the cost of time spent on manual activities.</p> <p>Reducing the amount of time an employee spends on manual tasks allows employees to work on more strategic activities.</p>	<p>The percent of time currently spent on manual finance related activities minus the anticipated percent of time spent on manual finance related activities after acquiring NetSuite capabilities multiplied by number of finance employees and multiplied by Annual Fully Burdened Labor Rate.</p> <p>e.g.: 4 Finance FTEs paid \$60K/year spend 35% of their time performing manual finance related activities. With NetSuite, their anticipated percent of time performing manual finance related activities is reduced to 15%, resulting in a 20% reduction in time spent on manual finance related activities.</p> <p>4FTEs times times \$60K times 20% = \$48K</p>



Metrics

Detailed KPI Definitions and Calculations

KPI	Description	Calculation
IT Team Efficiency	<p>The percentage of time spent on manual IT related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities.</p> <p>Productivity gains are measured in dollars by determining the cost of time spent on manual activities.</p> <p>Reducing the amount of time an employee spends on manual tasks allows employees to work on more strategic activities.</p>	<p>The percent of time currently spent on manual IT related activities minus the anticipated percent of time spent on manual IT related activities after acquiring NetSuite capabilities multiplied by number of IT employees and multiplied by Annual Fully Burdened Labor Rate.</p> <p>e.g.: 4 IT FTEs paid \$60K/year spend 35% of their time performing manual IT related activities. With NetSuite, their anticipated percent of time performing manual IT related activities is reduced to 15%, resulting in a 20% reduction in time spent on manual IT related activities.</p> <p>$4\text{FTEs} \times \\$60\text{K} \times 20\% = \\48K</p>
HR Team Efficiency	<p>The percentage of time spent on manual HR related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities.</p> <p>Productivity gains are measured in dollars by determining the cost of time spent on manual activities.</p> <p>Reducing the amount of time an employee spends on manual tasks allows employees to work on more strategic activities.</p>	<p>The percent of time currently spent on manual HR related activities minus the anticipated percent of time spent on manual HR related activities after acquiring NetSuite capabilities multiplied by number of HR employees and multiplied by Annual Fully Burdened Labor Rate.</p> <p>e.g.: 4 HR FTEs paid \$60K/year spend 35% of their time performing manual HR related activities. With NetSuite, their anticipated percent of time performing manual HR related activities is reduced to 15%, resulting in a 20% reduction in time spent on manual HR related activities.</p> <p>$4\text{FTEs} \times \\$60\text{K} \times 20\% = \\48K</p>



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Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Days to Complete the Annual Budget	<p>How many days it takes for the Finance team to do their annual budgeting.</p> <p>The cycle time to complete an annual budget includes the number of calendar days — including weekends — from establishing budget objectives to delivering a ready-to-use budget.</p> <p>Faster also means the Finance / FP&A team is more efficient and data more available for budget building.</p>	<p>Number of days that it takes the Finance / Accounting and FP&A team to put together annual budget.</p> <p>Range can be 3-5 weeks to 1 week. With a FP&A tool, the team can speed up the annual budgeting and better yet see it in real-time throughout the year.</p>

Thank You