**ISB** | Executive Education

Transforming KPIs into Assets with AI

By merging AI with KPIs, organisations can gain deeper insights, uncover new metrics, and proactively shape strategies beyond traditional progress tracking, revolutionising success measurement.
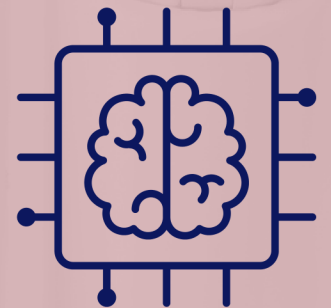
Legacy KPIs v/s Smart KPIs

A KPI is a measurable metric used by organisations to assess success and pinpoint areas for improvement.
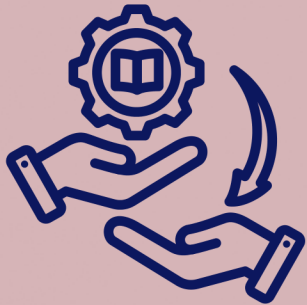
Legacy KPIs

- Basic tools and data-gathering techniques
- Focus on what KPIs measure, not how they're measured, static in nature
- Set by executives
- Retrospective

KPIs with AI

- AI transforms KPIs into analytical systems
- Analytical systems track, predict, and generate insights
- Set collaboratively by humans and AI
- Forward looking

Case Study: Google's Approach

Organisations leverage algorithms to question assumptions about performance, profitability, and growth, by using AI-driven issue identification.

04

Outcome

Applied algorithm's recommendations, resulting in a rapid **30-point performance boost**

03

Revelation

Identified previously overlooked metrics such as percentage of impressions in which ads are viewed fully (AVOC), and brand's available headroom

02

Smart KPI Application

Utilised supervised machine learning to oversee KPIs and other measurable data points

01

Challenge

Google's marketing investments into one of their primary digital channels saw no benefit or growth

Improving KPIs and its Impact

7/10 managers agree, improving KPIs, not just performance, is key for business success.

Sample: 3,000 managers

(+) Companies using AI for KPIs are **more likely** to see improvements.

(−) Majority understand the importance of enhanced KPIs but **use inadequate tools.**

90% of respondents using AI for KPIs report **enhanced metrics.**

2/3rd affirm managers rely on judgment when adjusting KPIs, often with **limited success.**

(→) Human judgment remains the dominant approach for KPI enhancement.

A focus on performance without proportional attention to its measurement creates an inherent imbalance that can hinder effective competition.

Strategic Metrics: ICE Framework

Improve Existing KPIs with AI

wayfair

AI analysis challenges the conventional understanding of lost sales

- 50-60% apparent lost sales due to customer choosing alternatives
- "Substitution effect" recognition led to pricing, product, and KPI adjustments
- Developed "profit-awareness framework" for transformed interactions and recommendations

Create New KPIs

OBERMEYER

AI-generated KPI for Sudden Cardiac Death

- Trained algorithm to predict sudden cardiac death post-ECG, generates risk score as a key performance indicator
- Encourages doctor-patient collaboration for risk reduction interventions

Establish New Relationships

DBS

Independent KPIs to a horizontal model

- Shift from separate KPIs for each function to a unified customer journey
- Outcomes categorised into customer and employee experience, profitability, and risk for cross-functional collaboration
- AI finds new KPI relationships, revealing business opportunities

Smart KPIs: An Enterprise Compass

Prioritising KPIs with AI

MAERSK

Maersk aims to redefine throughput metrics for its global network

KPI debate: Speed vs schedule reliability for loading and unloading

Developed AI-driven digital twins to represent each approach

Result: Reliable schedules reduce costs and increase on-time arrivals

Saved millions at just one terminal

Ensembling KPIs With AI

AI-enabled discovery of KPI interdependencies leads bundling related KPIs

Breaks down silos, fostering collaboration among stakeholders and improving organisational alignment

Shared, Visible, and Trusted KPIs

SANOFI

Sanofi's AI-driven tool, Plai, consolidates and democratises data

Challenge of consolidating data for integrated business plan (IBP) after 300 acquisitions over 50 years

Plai offers an easy-to-access, easy-to-use, AI-powered interface

The open visibility of data enhances dialogue and productivity

Types of Smart KPIs

01

Descriptive KPIs

Insights on what happened or what is happening. Emphasis on performance gaps and their causes

02

Predictive KPIs

Anticipate future performance enables preemptive actions

03

Prescriptive KPIs

Recommends actions and measures
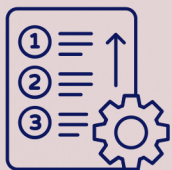
Leadership Takeaways

Involve boards in KPI governance for strategic alignment

Democratise access to transparent performance data

Govern KPIs like assets for continuous enhancement

Identify and clarify shared KPIs based on organisational priorities

Establish cross-functional KPI steering committee for ongoing improvement, leveraging AI for assessment and prioritisation

Smart KPIs: A Game-Changer for Business Success

" Effective governance ensures that KPIs evolve, align with strategic aspirations, and gain trust. Smart KPIs, crafted with AI, enhance strategic alignment, transform KPI improvement, and deliver superior business benefits. It's not just improvement; it helps redefine strategic measurement and KPIs, reshaping organisational performance. "

- Vandith Pamuru, Assistant Professor, Information Systems, ISB