BTN Blueprint: How To Use Strategic KPIs To Align Travel Programs With Company Goals

October 25, 2010, 11:15 AMBy Torsten Kriedt, vice president of innovation and intelligence, Advito

As the effects of the Great Recession linger, travel managers are under the budgeting gun to ensure their program is bringing value to their organization. With the complexity of today's typical travel program, that's not an easy thing to do.

Just about every travel manager uses measurement in planning for and making decisions about various program components and initiatives. Just because a travel manager is using data, however, doesn't necessarily mean he or she is looking at the right information to help make the right business decisions.

That's where strategic key performance indicators come in. Strategic KPIs measure how well a travel program is meeting core strategic corporate goals such as cost containment, sustainability, process efficiency or revenue generation.

Measurements that are tactical in nature—such as missed savings opportunities or average daily hotel rates in the company's top 10 cities—are important from a pure travel management perspective but are not sufficient indicators of program effectiveness. While the importance of tactical KPIs should not be discounted, they're often loaded with jargon and too granular to tell the whole story. If we want the business to understand a managed travel program's value, we have to use metrics that speak to business unit leaders rather than expect them to learn "our" language.

To take a simple example, determining a discount against a published airfare achieved in a negotiation is a useful tactical KPI. However, if that discount would be taken off the most expensive fare category, then the price reduction would be a misleading indicator of a program's overall air spending.

We typically recommend a small set of eight to 12 strategic KPIs to gauge the overall health and effectiveness of a travel program, and determine the program's success in meeting or supporting the company's overall objectives. Strategic KPIs then will allow the travel manager to work smartly and quickly with senior management to make appropriate decisions to meet corporate needs.

Getting back to our example, the tactical discount KPI needs to contribute to a more complex, strategic savings key performance indicator in order to enable fuller understanding—and action.

There are six key steps to building an effective strategic key performance indicator program.

Step 1: Take It Seriously

As with any worthwhile corporate project, a strategic key performance indicator program cannot be built in an afternoon or copied and pasted from another company. It takes time and effort, a significant level of stakeholder participation and an appetite for sweating data at a more effective level. Companies lacking a well-defined travel policy and reliable data sources are likely to find this task beyond them. Those with a mature program, however, should find it relatively easy to create strategic KPIs.

Step 2: Map Out Your Corporate Strategic Goals

Create a list of your company's core strategic goals. Use the officially stated goals (e.g., as per your annual report) but also include emerging topics that might turn into strategic companywide initiatives soon. For instance, sustainability or corporate social responsibility might not yet be a formalized goal, but could be a hot topic at board meetings.

Step 3: Link Travel Program Goals To Strategic Goals

Moving ahead with the simple list above, we could envision the following connections:

Cost containment: e.g., a reduction in travel operating expenses. Travel program goals: savings/cost avoidance, demand management, procurement

Sustainability: e.g., reduction in CO_2 emissions. Travel program goals: sustainability, demand management

Duty of care: e.g., ensuring employee well-being. Travel program goals: ensuring traveler security, safety and well-being

Governance/compliance: e.g., Sarbanes-Oxley compliance. Travel program goal: travel policy compliance

Step 4: Define The Appropriate KPIs To Measure Your Progress

Once you understand how your travel program goals relate to your corporate goals, you can create strategic KPIs to measure how well you are performing in achieving each of them. Make an inventory of relevant metrics you already use as part of managing the program on a day-to-day basis and identify gaps.

While the strategic KPIs will be used for purposes such as executive scorecard reviews, the tactical KPIs build up more of the granular insight a travel manager needs for day-to-day control and quick performance dashboards.

Step 5: Identify Master Data Sources

Even the best-defined and most carefully considered KPIs are useless if they cannot be supported by quality data. Most corporations use a variety of data sources to manage travel spending—all with a different scope, level of detail and reliability.

While consolidated data is the “holy grail” for the purpose of tracking KPIs, it is initially just as important to identify which data point in the formula for each KPI should come from which data source. Be prepared to look in some unfamiliar areas for data sources. For example, one of Advito’s clients worked with its facilities management department to obtain data on videoconferencing for its demand-management KPIs.

Step 6: Track And Act On The Data

Use your data to establish a baseline; work with stakeholders to establish a target or target range against which progress will be measured. Recall that variance from a target range can be noteworthy: If your KPIs track within a consistent percentage range either across time or across different business units, then a sudden move outside that range can effectively raise a red flag.

Crucial to making data actionable is the effort to make it quickly and easily understandable, both purely visually and in the context of overall company expectations or precedents for data representation.

Meaningful Savings Measurements

Since cost control is a central strategic goal for many companies, it is very likely that some of their strategic travel KPIs relate to cost, but how can a travel manager measure savings meaningfully? For example:

- Is it useful to compare average ticket price this year against average ticket price last year, when the difference between the two may be caused by external rather than internal factors?
- Should savings be measured on the level of discount negotiated? Since it is easier to negotiate a large discount on an expensive fare class than a cheaper one, this measurement may not be helpful either.

Using indices to understand savings in a relevant real-world context can solve the problem. Travel managers should evaluate savings by means other than supplier negotiations. Examples include:

- Behavioral savings: equipping travelers with tools and motivation to “do the right thing” and be “better than policy”
- Demand management: such as using videoconferencing coupled with a change in meeting culture.

Travel does not exist in its own bubble. It’s a vital function that ensures a company seeks new markets and customers and develops new products. At the same time, the costs generated by travel affect profitability significantly. Therefore, it is important to find accurate ways of measuring those costs and monitor how successfully they are being contained.

It’s also worth mentioning that no company can measure its progress purely in financial terms. In addition to compliance, issues like sustainability and duty of care are also at the forefront of corporate boardroom agendas. Each of these issues affects travel, and there are strategic key performance indicators to measure all of them.

This report appeared in the Oct. 11, 2010, edition of Business Travel News.