

INTUITIVE

RADIANCE  
— 2 0 2 3 —

# Defining Your Team's Metrics & KPIs After Digital Transformation

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Head of Global Shared Services,  
Intuitive Surgical

Experienced leader focused on building engaging, high-performing teams that push boundaries and deliver results.

# About Intuitive



Intuitive Surgical Inc. is a pioneer and global leader in robotic-assisted, minimally invasive surgery. Intuitive develops, manufactures, and markets the da Vinci surgical system

**\$6 Bn**

2022 Revenue

**69**

Countries with  
da Vinci systems

**12k**

Employees globally

**+1.8M**

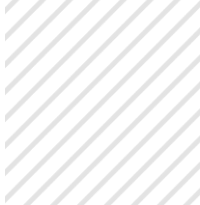
Procedures performed  
worldwide in 2022 using  
da Vinci systems



# Now, Let's Talk About KPIs in Finance

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# Poll Question



1

**How prepared are you to effectively measure success from AI-powered finance solutions?**

- a. Fully prepared
- b. Somewhat prepared
- c. Still thinking about it



A recent study by McKinsey shows that

**70%** of all digital transformation projects fail.

### The Problem:

Despite widespread finance digital transformation, many organizations today struggle to effectively measure and prove the value of these efforts.

**What Makes This Task So Challenging?**

# Before AI at Intuitive: **Challenges**



**Before**

1. **Total transactions** not captured
1. Constant **data integrity** challenges
1. Changing **metric calculations**
1. Low to **no visibility**
1. Different **metrics and calculations** in different regions
1. **No synergy** between regional teams for improvements
1. Process improvements and **RPA** **continually “broke”** and resulted in escalations

# After AI at Intuitive: Improvements

*Before*

*After*

- 1. **Total transactions** not captured
- 1. Constant **data integrity** challenges
- 1. Changing **metric calculations**
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- 1. Process improvements and **RPA continually "broke"** and resulted in escalations

- 1. **One data source** for all transactions
- 1. **Standardization** of calculations
- 1. **One global governance** and change management process
- 1. **Global visibility**
- 1. **Global functional** capability

Improvements are formalized,  
measured, and monitored



Digital Transformation

**DOES NOT END**

with the Launch

A successful digital finance transformation requires strategically chosen KPIs linked directly to transformation outcomes






## The Intuitive Way:

### How we defined our Metrics and KPIs post digital transformation

At Intuitive metrics are considered measurements of process operating effectiveness, and KPI's measure progress towards a certain target and/or goal.

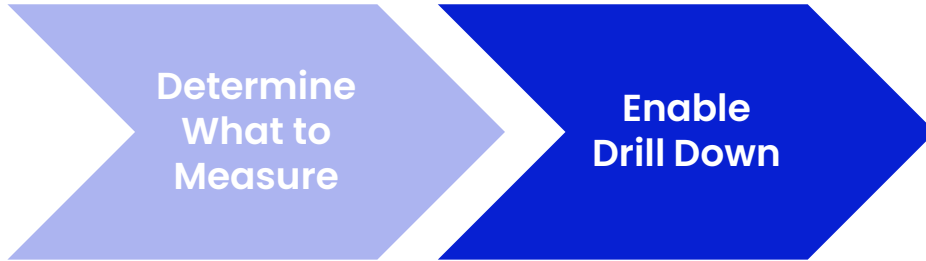
# Roadmap to Defining Metrics and KPIs



## Determine What to Measure

- Define what needs to be measured and why
- Identify and document the data source
- Establish the program ownership

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- Leverage hierarchies to enable efficient answers
- Monitor multiple frequencies (month, quarter, annual)

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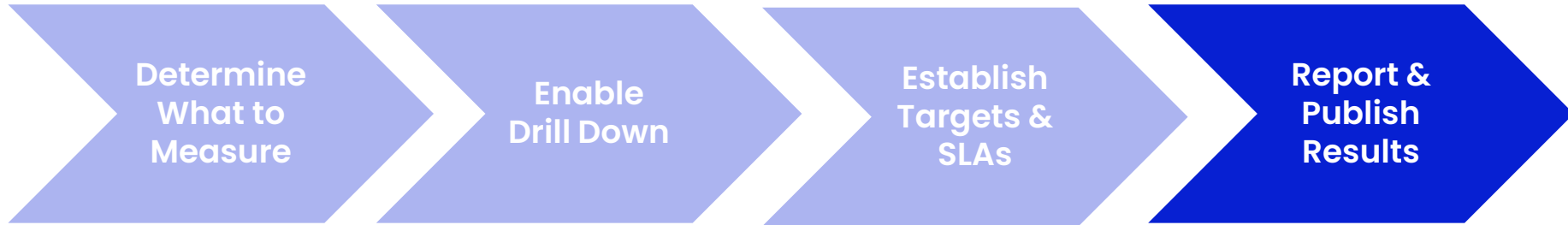


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- Determine realistic SLA commitments
- Identify benchmarks
- Calculate variances with defined action steps

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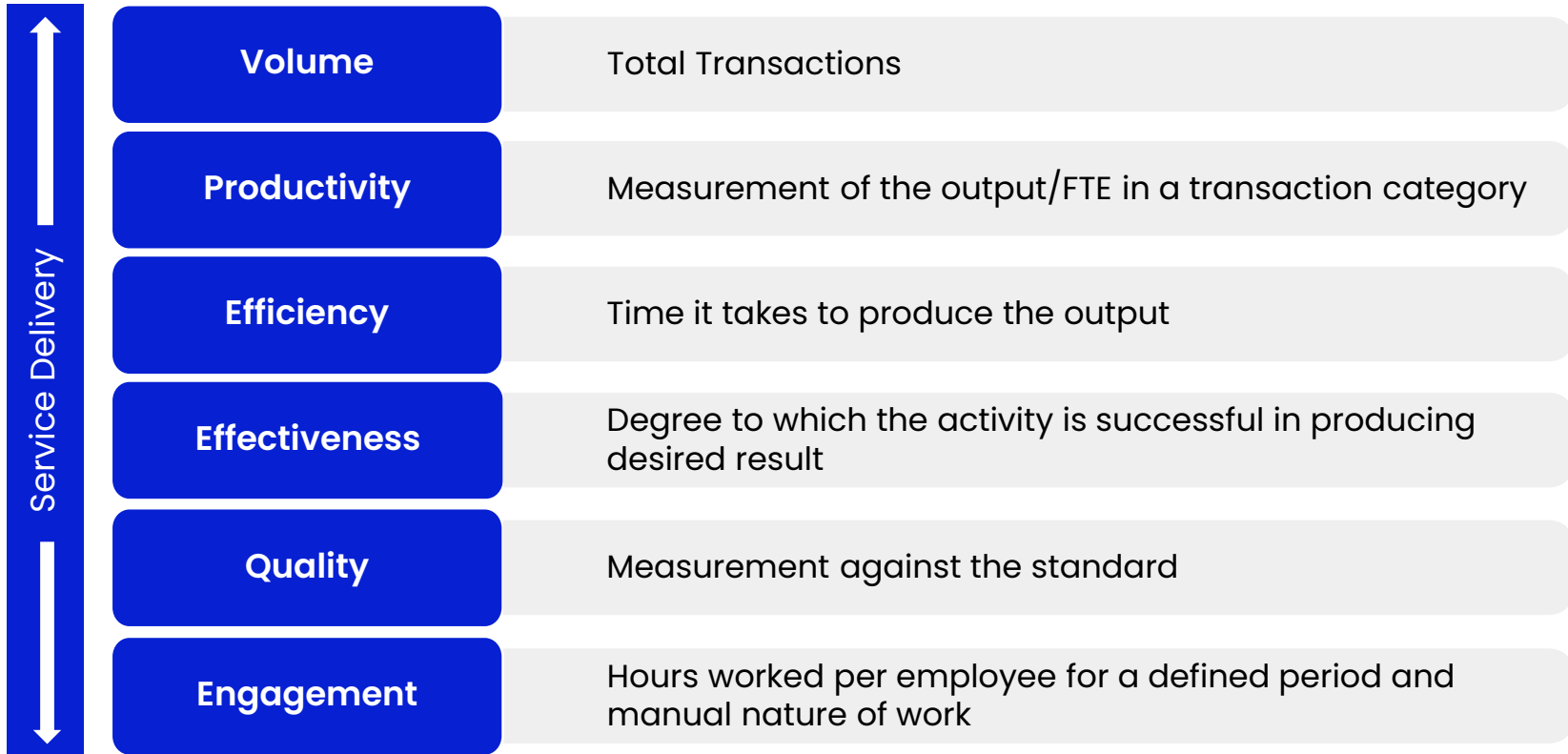
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- Leverage tools to automate and create dashboards
- Post results on boards internally
- Schedule review required review sessions

# Defining New KPIs, the Intuitive Way

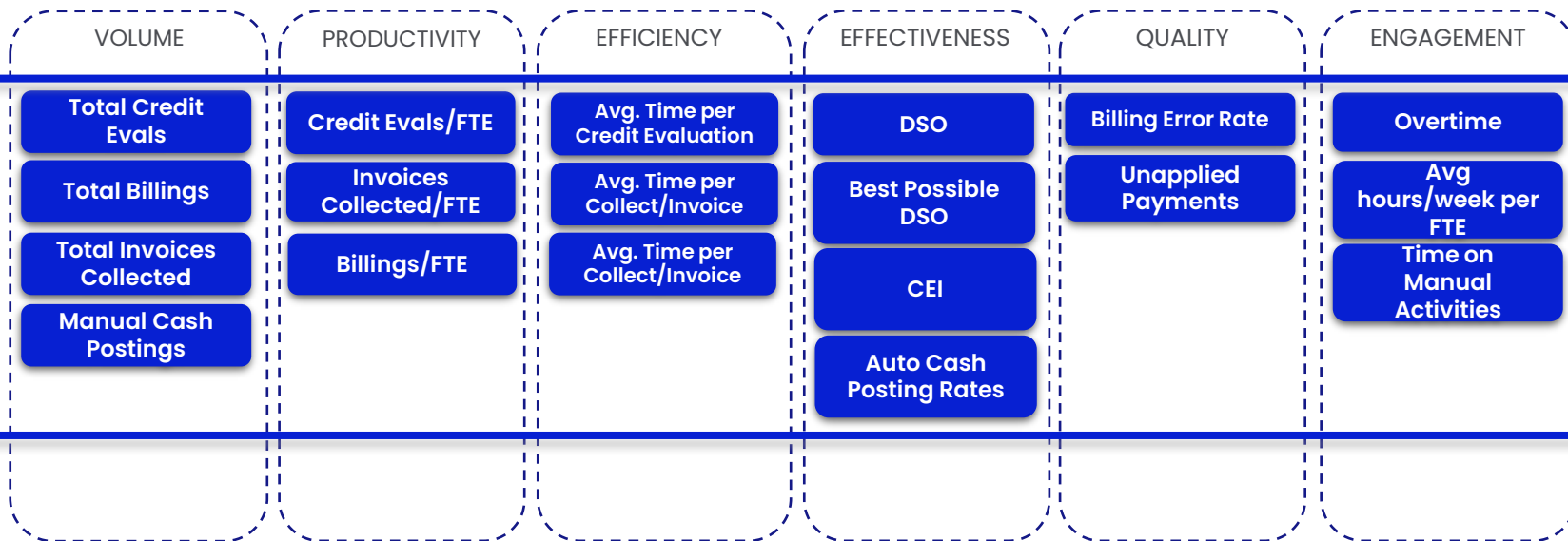
Determine  
What to  
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# Metrics/KPIs Across Functional Areas

Determine  
What to  
Measure

## Intuitive's Metrics & KPI Universe Framework



Example of how Intuitive categorizes 150+ metrics/KPIs to monitor performance and identify areas of focus

# Roadmap to Defining Metrics/KPIs

Determine  
What to  
Measure

## Establish Ownership

Title	Owner
Cash Posting Line Level	Cash Applications Supervisor
Best Possible DSO	Collections Supervisor

### The owner should:

Understand the measure

How to interpret variances

How to determine the root cause

What needs to improve/change



## Calculations Frequency & Format

Title	Calculation (if applicable)
Cash Posting Line Level	$\frac{\text{\#of lines auto posted in one day}}{\text{Total \# payment lines for the same day}}$
Cash Posting Line Level	$\frac{\text{\#of lines auto posted in one month}}{\text{Total \# payment lines for the same month}}$
Best Possible DSO	$\frac{\text{Ending Current Receivables}}{\text{Credit Sales} \times \text{\# of days}}$

Consistent calculations ensure the definition of the metric is standard and comparable for monitoring variance

Measurement Frequency	Measurement Format
Daily	%
Monthly	%
Monthly	#

Some measures are separated for comparison purposes, while others may be standard drill down

# Roadmap to Defining Metrics/KPIs

Targets

SLAs

Benchmarks

Variance Analysis

Title	Target (Cross Ref /SLA)	
Cash Posting Line Level	>90%	Metric and KPI targets / goals are cross referenced to the SLA
Cash Posting Line Level	>90%	
Best Possible DSO	N/A	Some measures may NOT have or need a target, and serve as a benchmark for other measures

# Metrics & KPI Maintenance

## How?

- How to maintain a metrics program?
- How do stakeholders understand the measurement?
- How do you respond to questions regarding the quality / integrity of the metric?

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## Metrics Dictionary Components

- *Unique Reference*
- *Title*
- *Description*
- *Leading or Lagging*
- *Measurement Category*
- *Formula/Calculation*
- *Process*
- *Sub-Process*
- *Source data*
- *Measurement Format*
- *Measurement Frequency*
- *Metric Owner*

# Metrics and KPI Dictionary

## Intuitive's Metrics Dictionary

Ref #	Title	Definition	Target (Cross Ref w/SLA)	Process	Sub-Process	Leading/Lagging	Measurement Category	Measurement Frequency	Measurement Format	Calculation (if applicable)	Source Data	Owner
AR1	Cash Posting Line Level	Cash hit rate for specific line items on a remittance - if the customer is identified by the system automatically (no manual intervention)	>90%	O2C	Cash Application	Leading	Effectiveness	Daily	%	#of lines auto posted in one day / Total # payment lines for the same day	HighRadius	Cash Applications Supervisor
AR2	Cash Posting Line Level	Cash hit rate for specific line items on a remittance - if the customer is identified by the system automatically (no manual intervention)	>90%	O2C	Cash Application	Lagging	Effectiveness	Monthly	%	#of lines auto posted in one month / Total # payment lines for the same month	HighRadius	Cash Applications Supervisor
AR3	Best Possible DSO	The best possible days sales outstanding (DSO) is the Theoretical DSO if no payments were paid late.	N/A	O2C	Collections	Lagging	Effectiveness	Monthly	#	Ending Current Receivables / Credit Sales x # of days	SAP	Collections Supervisor

### What is next to improve Intuitive's metrics program?

Tolerances for each metric

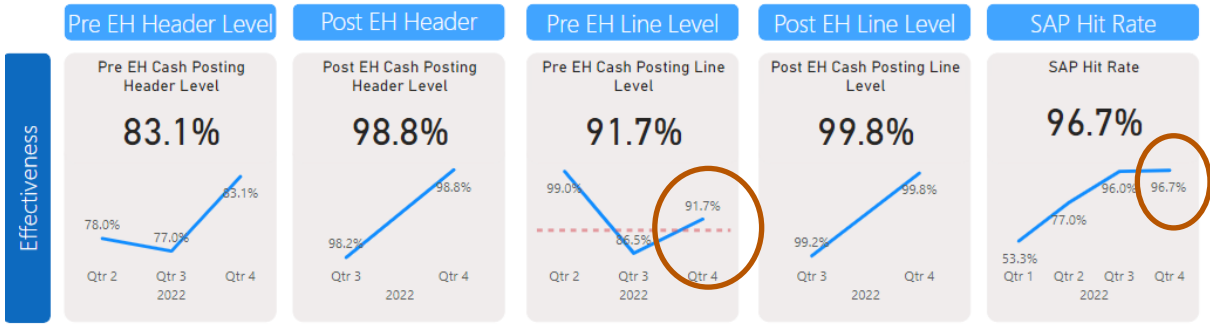
Steps for tolerance exceptions that include:

- > RCA with explanations
- > Process improvement ("back to green plan")

# Cash Application Metrics: Post System Implementation



Start to see engagement improve as automation increases, and the work becomes more engaging.



Metric categories enable the team to focus on specific improvement areas.

# Cash Application Metrics: Post System Implementation

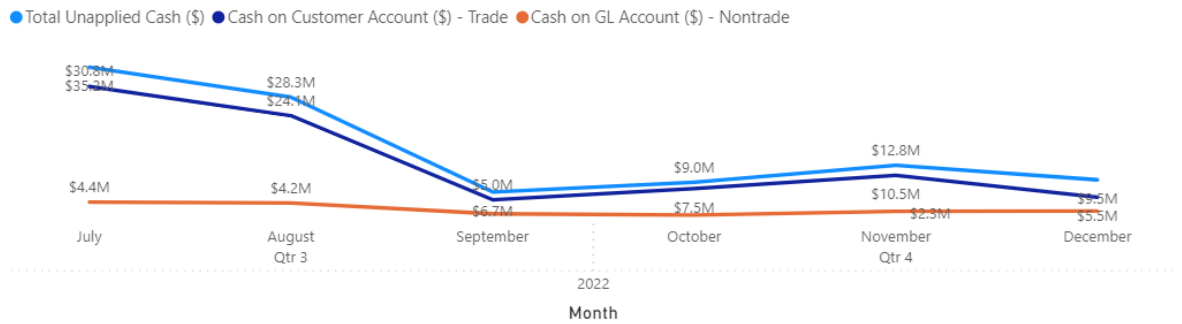
## AR Cash Applications - US

- AR Cash Apps Effectiveness 1
- AR Cash Apps Effectiveness 2
- AR Cash Apps Efficiency
- AR Cash Apps Engagement 1
- AR Cash Apps Engagement 2
- AR Cash Apps Volume
- AR Cash Apps Hours Summary

Effectiveness	Volume	Volume	Effectiveness	Effectiveness	Effectiveness
Payment on Account or Unapplied in SAP	Check Payments	Number of Manual Cash Postings	Pre EH Auto Post Rate (No Touch/Header)	Pre EH Cash Posting Header Level	Post EH Cash Posting Header Level
68	2,910	1,250	85.3%	85.3%	98.9%
Engagement	Engagement	Effectiveness	Effectiveness	Effectiveness	Engagement
Pre EH Cash Posting Line Level	Post EH Cash Posting Line Level	Total Unapplied Cash (\$)	Cash on Customer Account - Trade (\$)	Cash on GL Account Nontrade (\$)	Cash Applications Overtime
97.4%	99.8%	\$9.5M	\$5.5M	\$2.4M	5

Effectiveness

Total Unapplied Cash Breakdown



**Scorecard Slicer**  
Multiple selections

**Graph Slicer**  
Multiple selections



Let's understand...

# How to Create **Value for the CFO** with New Metrics/KPIs



# Driving Continuous Improvement through Metrics & KPIs



## Process

Mapping all current activities, Identifying core activities v. other activities



## Pain points

Recording team pain points and improvement opportunities



## Plan

Prioritizing resources, activities, and process improvements



## Execute

Implementing solutions & conducting continuous process evaluation

# Example: Transformation Projections

	Before Transformation	Projected Improvement	Post Transformation Projection	Projected Improvement
Effectiveness	40% Auto Post Rate	40% Auto Post Rate	80% Auto Post Rate	+100% Auto Post Rate
Efficiency	19 Avg Min. / Manual Pmt	15 Avg Min. / Manual Pmt	4 Avg Min. / Manual Pmt	+79% Avg Min. / Manual Pmt
Effectiveness	\$37m Unapplied Pmts	\$36.5m Unapplied Pmts	\$500k Unapplied Pmts	+98% Unapplied Pmts

Increased automation will enable labor reduction and additional capacity.

Additional capacity focused on reducing and maintaining unapplied cash and “non-trade” AR = increased Customer Service.

Decreased manual grinding work will increase employee engagement.

# Example: Transformation Actuals

	Before Transformation	Projected Metric Improvement	Actual Metric Improvement	Post Transformation Actual	Actual % Improvement	
Effectiveness	40% Auto Post Rate	40% Auto Post Rate	52% Auto Post Rate	92% Auto Post Rate	+100% Auto Post Rate	Capacity created to enable focus on driving additional automation and leveraging AI and ML for additional capacity.
Efficiency	19 Avg Min. / Manual Pmt	15 Avg Min. / Manual Pmt	17 Avg Min. / Manual Pmt	2 Avg Min. / Manual Pmt	+89% Avg Min. / Manual Pmt	
Effectiveness	\$37m Unapplied Pmts	\$36.5m Unapplied Pmts	\$31.5m Unapplied Pmts	\$5.5m Unapplied Pmts	+85% Unapplied Pmts	Activities are now engaging.

- Unapplied payment target improvement of 98% was not achieved as the team gained visibility to customers not providing adequate information.
- 2023 Goal  $\leq$ \$1m – S.M.A.R.T goal established.

# Example: CFO Updates

Implemented credit process simplifications including new bulk credit approval process that saved approximately 240 hours of processing time.

Increased leverage of Highradius Cash Apps enabled focus on US unapplied cash and increased automation.

Designed new controls for AMP pricing & billing in partnership with Process Optimization Team .

Completed onboarding of all new people leaders in AR.

Completed 1<sup>st</sup> full quarter on HighRadius Collections with significant decrease in 90+ day past due amounts. Achieved project success metric of 48% efficiency gain in avg. time per invoice collected.

**\$4.9m**

**Effectiveness**

Reduction in unapplied cash from \$37m

**\$1.07B**

**Volume / Effectiveness**

Record collections for Q3

**227**

**Volume**

Highest volume since 2016  
227 Credit Evals

**87% - US**  
**94% - EMEA**

**Effectiveness**

HighRadius cash auto posting rate  
+12% US  
+15% EMEA

# Metrics & KPI Summary

1

Know where to start

2

Approach your metrics as an art project, not a science project

3

Use the data to tell the story

4

Budget resources to make improvements and manage change

5

Capture the E2E process

6

Highlight quick wins to support the investment

7

Drive the function and the team with metrics

# Q&A