

Dashboard Measures

We have all heard the cliché “you get what you measure”. But do you really understand how to measure the right things? One of the best known strategic measurement systems is the Balanced Scorecard. It encourages a business to develop measures in four key categories that are linked to strategic objectives.

The system can work but, like any other, it is only as good as the measures selected, the communication system around the measures and the personal accountability of those required to produce the measured outcomes.

So where do you start? You start with your overall strategy. Ask yourself, “What actions are most critical to perform if I am to accomplish my strategy?” If you are Nike, how often you are able to introduce a hot new shoe style is key. So an important measure might be percent of revenue from new shoe styles.

If you are a manufacturer with a fairly stable line of product, you may need to ensure growth by driving volume with new customers –so you choose to measure percent of revenue from new customers. Measures are not limited to revenue drivers. You will likely have strategic measures for expense control, too. An across-the-board expense reduction, while possibly necessary, is not usually strategic. Rather, you may want to look at certain aspects of production that can be an enabler of your strategy.

For example, improving inventory by converting to a just-in-time inventory approach may be a strategic benefit to your customer and an improvement to your business practice that yields important bottom-line benefits. That is a strategic measure.

Generally, the best way to select key measures is to examine the strategic plan, ask what must be accomplished if this is going to happen, and develop measures that capture progress on those critical activities. It is not uncommon to see measures that correspond to making a new product, completing an acquisition, improving efficiencies, transitioning skill sets, implementing new technologies, or penetrating new markets.

Limit the number of strategic measures to no more than a dozen. These measures are intended to be “owned” by the company. They have to keep the company focused on what really matters. There is room for a lot of other measures at the departmental level that have to do with sales and operations. But not all of these measures are strategic measures that have the ability to change your business.

Develop a well-rounded list of measures. Although tempting, don’t make them all sales measures. Balance them across **outcome measures**, **internal measures** (like production,

new products, management development) and **external measures** (like customer satisfaction, market share, or other market factors).

We will focus on developing dashboard measures. These “dashboard measures” are established to bring focus and alignment to the organization. Each of these measures is important to achieving the overall strategy. The concept of dashboard measures is similar to the dashboard used to drive a car. They collectively give feedback to those in the driver’s seat on key variables which define success. If the variables are not performing as planned, adjustments should be made to activities or expectations. To be effective, these measures need to be tracked by the management team on a regular basis, and the results used to make adjustments to the plan accordingly.

Your dashboard only encompasses a handful of the most important measures which truly define your strategy and are important at the enterprise level. You can and should track many other things, like budgets and safety records, but unless these outcomes help define your strategic vision, then they are not part of your dashboard.

Once you select a measure, be sure you assign a target performance number. If you have a five-year plan, you might assign a five-year number but also break it down to annual numbers to give a specific target to be achieved in the near term as well as a sense of rate of change.

Manage these numbers actively. Review these numbers as often as practical given the type of measures you select. Quarterly is recommended. Report on them at the management level, understand the current status, and develop action plans for improvement if needed.

Share results with all constituencies. It is important that everyone responsible throughout the organization for contributing to performance is aware of results.

Given the strategic nature of the measures, they are rarely accomplished by one person or one department. So share the results as broadly as possible. It reinforces your strategy, it underscores that you mean it, and it gives people a sense of direction and accountability.

Dashboard Measures Example

<i>Type of Measure</i>	<i>Example Measures</i>	<i>1st Year Target</i>	<i>3rd or 5th Year Target</i>
Outcome	<ul style="list-style-type: none"> • <i>Gross Revenue dollars</i> • <i>Net income</i> • <i>Revenue from each business component</i> • <i>% of units that are best sellers</i> 		
Internal	<ul style="list-style-type: none"> • <i>Promotions from within</i> • <i>Reduction in product development time of 20%</i> 		
External	<ul style="list-style-type: none"> • <i>Net revenue increase/customer</i> • <i>Customer loyalty</i> • <i>Revenue from strategic alliances</i> • <i>Effectiveness of outsourcing partner</i> • <i>Customer diversification</i> 		
<i>Type of Measure</i>	<i>Measures</i>	<i>1st Year Target</i>	<i>3rd or 5th Year Target</i>
Outcome	<ol style="list-style-type: none"> 1. 2. 3. 		
Internal	<ol style="list-style-type: none"> 1. 2. 3. 		
External	<ol style="list-style-type: none"> 1. 2. 3. 		