

## *Performance Dashboards for Business*

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Performance dashboards are a commonly used management tool to improve corporate performance. Put simply, a performance dashboard is a visual display of the most important information needed to achieve one or more company objectives; consolidated and arranged on a single screen so the information can be monitored at a glance. While this sounds good in theory, how can a business use dashboards to drive a more profitable operation? What specific items should be monitored? How do you create those cool charts?

### **What to Measure**

Dashboards can have many different uses. The specific stakeholders or end users of the data will determine what is included on the dashboard. For example, a corporate accounting department would have a vastly different dashboard than a manufacturing unit. While the accounting department would measure things like length of monthly closing, the accounts payable cycle or days sales outstanding, the manufacturing unit might measure operating efficiency, labor hours per pound of production and lost time to injuries.

In the same way that different groups within a large corporate setting will have vastly different dashboards, a small- or mid-sized business will likely have a much different dashboard than a large public corporation. And in fact, the dashboard of one business will be different than the dashboard of another. A dashboard is nothing more than a tool for improving performance. As such, it must be created to monitor the most important measures of your individual company performance. It is also important to remember that a business owner can only keep his or her eyes on a limited number of measures. Carefully deliberated critical keys to the success of your business should be the items that populate your dashboard.

Another important consideration is the use of comparative analysis to artificial measures like budgets and quotas. While a department or even an individual dashboard might contain comparative measures to quotas or budgets, a company-wide comparison to an artificial yardstick is usually not advisable. Remember, a corporate performance dashboard should identify and measure the keys to business success. Is comparison to a budget or quota really a key to your business success? If the yardstick has been put in place by your primary lender and is a determining factor in the renewal of your credit line, then maybe it is. If it's a self-imposed yardstick, you should be careful of using valuable real estate on your dashboard with such a measure.

Copying the dashboard of another company will be no more effective for you at managing your business than using their financial statements to run your company. Having said that, there are general categories that all business owners should consider when compiling a dashboard, including: 1) cash flow and profitability, 2) operational efficiency, and 3) sales and customer satisfaction.

**How to Measure It**

There are as many different graph, chart, table and display types as there are types of data for which to measure. The important thing to remember is it's the what, not the how. Or to mangle a famous presidential phrase, it's the data stupid! When constructing your dashboard, keep in mind that the data should come first, and the method by which to display the data should come second. Sometimes a simple chart of numbers and words without colors, bars or flashing lights is the best way to convey the message.

*Simplicity is the ultimate sophistication*  
- Leonardo da Vinci

For a dashboard measure to be truly useful, it should convey action. If your dashboard shows a measure to be out of line with the norms for normal or good performance, do you know what to do? If not, then that item is not very valuable. The object is to measure the keys to your business success and provide a feedback mechanism that allows you to make changes to your operation based on the data conveyance. In other words, can you look at the dashboard and immediately see that something is out of line and know where to go to do something about it?

**Cash Flow and Profitability**

“Profit is illusion, cash flow is fact.” This old adage clearly identifies the most important criteria in constructing a business dashboard. There are many ways to measure cash flow and in each business the important measures will be different. Within the cash flow and profitability section, here are some potential measurement ideas.

- Bank Cash Balance
- Operating Cash Flow
- Cash Conversion Cycle
- Days Sales Outstanding
- Days Cash on Hand
- Credit Line Balance & Availability
- Debt Coverage Ratio
- Gross Profit Margin
- Operating Profit Margin
- Net Profit Margin

**Operational Efficiency**

Operational efficiency measures typically are thought to apply only to a manufacturing or fabrication type operation. However, most businesses will have some set of activities that when measured, indicate how efficiently they run their business. Again, the specific measures that you choose will be dependent on your individual business, but here are some potential measurement ideas:

- Manufacturing Efficiency
- Raw Materials Usage
- Scrap Rates
- Labor Hours per Unit
- Utility Usage
- Lost Time Accidents
- Transportation Costs
- Inventory Turns

**Sales and Customer Satisfaction**

Another potentially important category of measurements is sales and customer satisfaction. For your business to succeed, you need sales. Are you getting enough? Does your sales pipeline have enough

backlog to keep your company running at a satisfactory level? Does your operational system generate quality products that your customers like? Do you have one particular customer service rep who constantly makes order entry errors? Identifying sales measurements is easy for most organizations. However, identifying key measures of customer satisfaction may be more difficult. Time spent discussing your operation and identifying how to measure satisfaction, or more importantly dissatisfaction, will pay dividends as you attempt to grow your business. Potential measurements for this area might be:

- Orders by Time of Day
- Customer Complaints by Product
- Order Errors by Shift
- Stockouts by Product Type
- Sales Volume over Time
- Order Backlog
- Sales by Region or Department
- Marketing Costs Payback

### **Conclusion**

Constructing your dashboard doesn't have to be complicated or require expensive commercial packages that generate fancy displays. Your dashboard can be a simple collection of a few charts and data tables that you construct on a daily, weekly or monthly basis. Large companies with extensive data processing capabilities may find a commercial package simplifies the process of data collection and display. On the other hand, they may find that it only complicates what is essentially a simple process. Don't let the display of data bog down your process of monitoring your business and addressing the key performance indicators. This process is about identifying key performance indicators and using the data they generate to improve your business for long-term financial success.

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