



**Business Solutions 2010:
Building a
Performance Dashboard**



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Keeping score in your business is no longer as simple as reviewing financial statements. To be competitive, businesses must adopt a culture of performance measurement. Financial metrics, the focus of past metrics and measurement programs, are “lagging” indicators. In a performance culture the focus is on “leading indicators” – those metrics that have a direct impact on future outcomes. Some describe lead indicators as having “predictive power.”

A proven approach that companies use to determine lead indicators is called the Balanced Scorecard. It considers the cause and effect relationship between all aspects of the business: Financial, Customer, Operational and Human Capital.

In the performance area of Human Capital, lean economic times might cause a business to cut investments in training. While this may improve the overall financial performance in the short-term, this may not be a good leading indicator for future performance.

Tad Wittington, Director of Performance Measurement for Accenture, has emphasized the value of training and the investment in training as a leading indicator of future performance of Accenture. Waddington cites research that indicates in the early 19th century, Sweden and Japan had fewer resources but more education than their neighbors. Now, 150 years later, they have some of the highest GDPs per capita of any nation. At Accenture, an in-depth study revealed a return on training investment of a whopping 353%.

It’s no longer acceptable to solely accept financial metrics as the only measure of customer satisfaction or loyalty. It is likely that many of our larger competitors have systems in place to compile and analyze information that is predictive about their customers and their willingness to continue to purchase products or services.

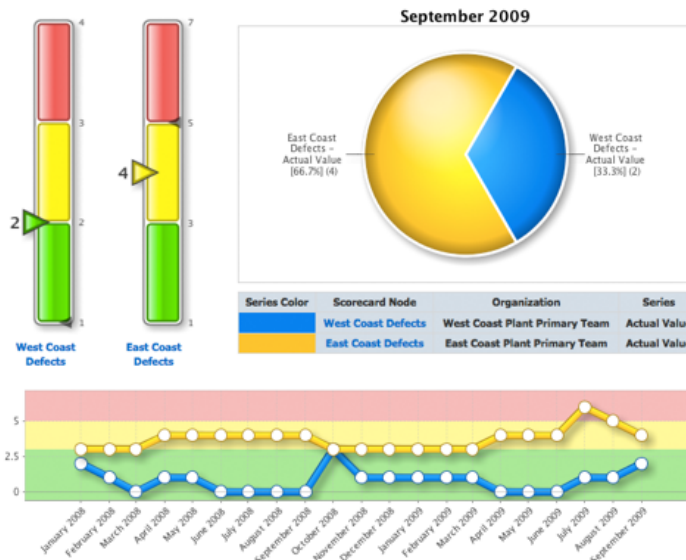
Companies must not only capture metrics that are key to the operational success, they must also capture metrics that are linked to strategic goals and objectives. This may include initiative tracking as well as tracking certain activities within the business that are directly linked to strategic goals. The performance dashboard or scorecard must also be balanced, capturing metrics from key perspectives such as customer metrics, operational metrics, human capital metrics, and financial metrics. This holistic view is critical to assessing performance and making strategic decisions.

Opportunity for a Performance Dashboard Knocks in Times of Economic Uncertainty

Warren Buffett encourages us that in times of economic uncertainty, we should be greedy. The popular response to an economic contraction is to focus on cutting costs to weather the tough times. The advertising budget is reduced. Office hours for part-time employees are closely monitored. Customer incentives and perks are scrutinized.

But this isn't a time to put our strategic objectives on hold. What strategies could you deploy to expand market share? Are your cost cutting measures also cutting customer benefits, causing your customers to be "at-risk"?

This is a time to strengthen our customer relationships, and possibly gain market share, thus weathering the storm by increasing revenues, rather than decreasing costs. In order to achieve this strategic objective, a company must focus on the key metrics and initiatives that can contribute to increasing market share. The executive team must be committed and focused. The organization must be focused and informed. This objective as well as other key objectives can be achieved through implementation of a performance dashboard. Rich Solomon, CEO of Solomon Colors, Inc., a manufacturer of concrete and decorative products implemented a dashboard in the 2nd quarter of 2009, recognizing that it was an opportunity to align business strategy and focus resources for 2010 and beyond. "We have been fortunate to have weathered the economic storm quite well," explained Mr. Solomon. "However, we knew that we needed (and wanted) to adapt a performance culture that would better align our organization for continued growth and greater profitability going forward."



Performance Dashboards Can Build the Value of Intangible Assets

A performance dashboard can also measure and monitor the value of your intangible assets. As an example, a typical financial statement reports personnel cost as an expense. No asset is recorded. However, a workforce that is trained and satisfied creates value in a business. Legacy financial reporting systems don't recognize this value, but a performance dashboard would.

A loyal employee workforce is a valuable asset. Loyal employees deliver exceptional customer service and are productive, increasing profit margins to the company. There are multiple studies that link

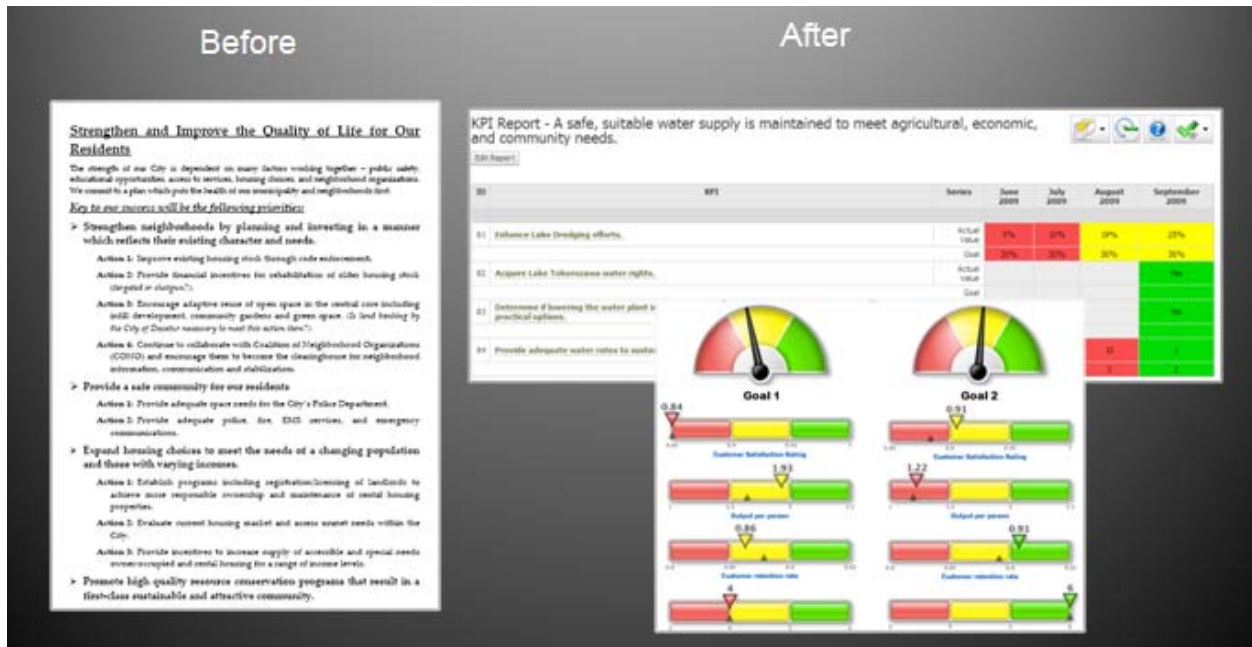
employee loyalty or satisfaction directly to customer satisfaction. Lee Iacocca said that, “In the end, all business operations can be reduced to three words, people, products, and profit. Unless you have a good team, you can’t do much with the other two.”

Joyce Grenis, Senior Vice President of HR Consulting for Sikich, “When your human resources are trained and aligned with organizational strategy, they become your most important competitive weapon.”

Similarly, no one would argue that a customer relationship is a key asset. But nowhere on the balance sheet does that relationship reside, unless these relationships were purchased. A performance dashboard would include metrics that monitor key factors that may affect this valuable asset. The strength of this customer relationship is a predictor of future success of any company.

A Performance Dashboard Must Have a Holistic View and Be Accessible

A performance dashboard should serve as an organization’s “single source of truth.” It must be designed to answer the question, “How are we doing?” Most organizations still communicate through written status reports. Performance Dashboards do a superior job of communicating the same information; and, they enable greater comprehension of performance data.



While many of today’s accounting software packages contain dashboard modules that assist in calculating metrics by focused on financial results, it again, reveals only historical information.

By capturing customer complaint information, a hotel located near a major airport learned that their occupancy rate was falling due to noise in the rooms. A closer look at these complaints revealed that

the HVAC system was the reason for noise pollution. Management was poised to invest in expensive insulated windows to reduce the noise from the airport and avoided this unnecessary expense. By capturing customer complaint data on their performance dashboard, this hotel was able to diagnose a business problem accurately and efficiently.

Predictive metrics can be useful in governmental units as well. In 2005, the Richmond, Virginia police department had a strategic objective to reduce its crime rate. In 2006, a new system was implemented that provided officers with the most current information available, including predictive data about crime hot spots that they could review prior to their shift starting. The information was critical. One of the key results from this system was a 21% reduction in major crimes from 2005 to 2006.

If Absenteeism is low this quarter, what would you expect outcomes to be next quarter?



ABSENTEEISM
(leading)



OUTCOMES
(lagging)

Sikich Performance Measurement Platform

Sikich assists organizations in identifying key metrics in critical business areas. These metrics are designed to measure operational performance, as well as progress toward strategic objectives. The metrics are both leading indicators of future performance, as well as lagging indicators of past performance. The company then implements a process to collect those key metrics, from existing systems or new processes.

The Sikich Performance Measurement Platform (PMP) serves as the data repository and reporting solution. As a web-based platform, data can be entered or retrieved 24/7. It can be customized to add or change metrics as the strategic goals of an organization change. It allows for various user privileges to control access to information at various levels of the organization.

Sikich PMP becomes a simple communication tool to answer the complicated question posed to leaders, “How are we doing?” By reporting the key metrics critical to the success of the organization, employees at all levels begin to focus on those metrics, thus improving the overall performance of the organization.



Contact the PMP team at Sikich today to start improving the performance of your business. Contact Tom Bayer or the PMP team at PMP.team@sikich.com or 217.793.3363.

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