



# INSIGHTS

## Scorecards and Dashboards— More Than Just Technology

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### Executive Overview

Scorecard and Dashboard applications have gained a lot of momentum as tools that can facilitate the delivery of information in a timely manner. However, the applications must deliver the right information to the right people, and that takes more than technology. Before implementing a scorecard or dashboard application, executives should consider what information or metrics they require. Scorecards and dashboards, when used correctly, can provide focus to an organization, measure success, and drive business value.

Having the right information at the right time can be more than helpful—it can be critical. But it must be the right information, and it must be used the right way. Mechanisms like dashboards and scorecards can provide information to management quickly and in a format that is easy to understand. However, there must be due diligence in defining what will be presented through these tools, and what management processes need to be prepared to use dashboards and scoreboards to make the right decisions. Delivering poor or incorrect information through these tools can destroy morale, decrease profits, and drive an organization in the wrong direction.

Over the last decade, many software companies have introduced performance reporting tools or management

information tools designed to provide “real-time” performance information to those who need it. Often called “scorecards” or “dashboards,” these tools seek to provide information in a meaningful and comprehensive way. Many of these tools include predefined metrics, and most provide drill-down capabilities to provide a “30,000 foot view” down to specific daily task performance. While these features can be valuable, they can also be terribly deceiving and detrimental when used inappropriately. The keys to successful performance reporting and management information are measuring the right things the right way, and ensuring that information is used correctly. Without these core characteristics, a scorecard or dashboard program, no matter how convenient, can be a dangerous waste of time and money.

### Performance Reporting Tools

The strength of most performance reporting tools is their ability to reach out to disparate applications, pull in the needed data, manipulate it as instructed, and distribute it in nearly real-time. Even though some software companies have spent quite a bit of time and money collecting “best-in-class” metrics, even to the extent of building or working with consortiums or collections of major players in certain industries, no metric is one-size-fits-all.

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The flexibility and configurability of these applications makes configuring the system to your metrics fairly painless. The trick is in getting the metric definitions for your company right. This requires a clear understanding of your business processes and objectives, and in-depth knowledge of how your company's systems support the processes.

## Adopting Metrics

Even more important than getting the definitions right is adoption—to the point of institutionalization. Management must understand what the metrics mean and know how to affect change in the metrics that aren't hitting their targets. They must understand how to appropriately use the metrics to inspire new ways of conducting business in order to achieve new levels of performance.

For too long, metrics have been used as tools for punishing underperformers, causing measurement to be seen as a negative, or as a means of elimination. Metrics must be used as a motivator in a positive light in order to be successful. Employees and management alike should eagerly seek information on poor performance in order to address it, as opposed to hiding it in order to avoid negative repercussions.

Employees must believe the metrics are a true measure of performance. Metrics must be defined correctly, and these definitions must be clearly communicated. Involving employees in the process of defining metrics is a sure way to build ownership and confidence in the metrics.

Because the data behind the metrics is supplied by systems throughout the organization, every employee must have confidence in the systems. Any negative feelings about these systems will eventually find their way to the metrics they support. To counter this it is important to understand the flaws or shortcomings in the systems, and have prepared responses to how these shortcomings are dealt with to ensure that metrics are being calculated and reported correctly. Inevitably you'll find that your systems will not be capable of supporting all of the metrics. When this happens, these gaps must be acknowledged: either the metric definition must change, or the systems must change before the metric can be correctly reported against.

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The bottom line is that doubt and fear must be removed and everyone must use the information provided by metrics for the same cause—to improve company performance.

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## The Right Approach

Before choosing the technology, you must correctly define the metrics and design the processes that will use the information. The tasks associated with defining metrics will begin to build excitement. In addition, creating demand through new processes will highlight and communicate importance company-wide.

### Defining Metrics

Start with small chunks of the company—customer-facing areas are always important, and inevitably your customers will have suggestions for how to measure your company's performance and will identify what's really important. Understand exactly what is meant by the terms "on-time," or "fill rate." Terms like these can have as many meanings as the people using them. Get the details and make sure everyone has a common understanding.

**Build metrics in waves. Define 10 to 15 metrics, implement them and use them. Then continue with the next wave.**

Build metrics in waves. Define 10–15 metrics, implement them and use them. Then continue with the next wave. Take your time—what you define today will be used to manage the company and make major decisions over time.

Bulletproof the first wave of metrics before thinking about technology. As soon as you start looking at technology you'll be inclined to use the metrics the software provides. Start from what is absolutely right and work backwards. If technology won't support it, modify the definition or the technology, but make sure they are in exact alignment. Keep detailed documentation all along the way so questions can be easily answered.

Implement a technology that's appropriate for your company. Factors to consider include:

- Breadth of use
- Technical capabilities of the users
- Ongoing support costs
- Estimated rate of adoption

Build a demand before implementing a technology. If the information is highly sought by upper management, getting the funding to implement the right technology the first time will be much easier. This could mean manually capturing and calculating the metrics initially. However, once management gets used to employing the information, they will be hooked and more inclined to find the cash for automation.

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### Using Metrics

Management must be involved in defining metrics, even if it's just in an approval capacity. Management will be the ones using these metrics so they must be correct and important; this is a critical factor in creating demand.

Reinvent management processes to include metrics used. Most managers already have key metrics they review (this almost always includes budget metrics). Use the methods that made those metrics important to make the new metrics just as important. Adjusting compensation models is a great way to accomplish this.

Make sure you can answer all questions surrounding definitions and calculations. Managers must be confident that these measurements are accurate and valuable. If you don't have an answer, admit it and go find it. Then make sure to get back to them with the answer. This process both builds confidence in the project, and helps move the organization from a "hide your ignorance" mentality to one of openness and teamwork—exactly what the metrics are intended to do in the first place.

Build the management processes to be a regular occurrence. Make sure reviews happen as scheduled, no matter how well the company is performing. Management by exception is a very valid approach to general management, but it doesn't work during the implementation of metrics. Repetition is key to institutionalization. Once everyone is used to the metrics and desires the information, management by exception can be practiced, but not before.

**Make sure you can answer all questions surrounding definitions and calculations.**

Include usage metrics in your first or second wave. There's nothing like measuring usage to increase usage. Just be careful about pushing too hard, too soon.

Spend more than money on technology, spend the time to get the metrics right.

### Conclusion

Scorecards and dashboards are performance reporting tools designed to provide real-time performance information to decisions makers. However, these tools are only as valuable as the metrics used to define them. Take the necessary time to accurately define metrics, involve employees to build excitement, and clearly communicate objectives. Doing so will create excitement and focus throughout the organization, and provide a mechanism to measure success and drive business results.

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