



Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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## Building a Better Business Dashboard

When Jeff Gordon steps behind the wheel of his high performance race car, do you think he knows first-hand how much oil is in the engine or how much fuel is in the tank or even how many pounds of pressure the tires are under? Of course he doesn't. There isn't time between breaks for him to follow his crew and check to ensure they've done their jobs. Nor should he, he's hired the best, put the latest technology on the road, and knows from experience what to expect. He has the gut instinct that has delivered him many championships and a dashboard that offers instant feedback of what's happening "under the hood."

As an entrepreneur, your gut instinct can help you avoid pitfalls, but when it comes to operating your business and attaining maximum profitability, you most likely rely on a "dashboard" that provides information on how well your business "vehicle" is performing.

A car has a temperature gauge, a fuel indicator, even a rotation per minute (RPM) readout that measures how "hard" the engine is working. Your business dashboard is very similar. Daily customer calls, sales and other performance measures offer critical feedback at a glance. However, unlike a car, a business dashboard must be customized for your business model.

### Are you operating like a Model T or a Ferrari?

Many companies manage in a blind fog, relying on financial statements that are 30-90 days old to make important business decisions. In short, they are relying on a dashboard that belongs in a company that operated 20 years ago. These "Model T" dashboards from yesteryear offer little more than historical recordkeeping capabilities. Today, we call these performance measurements *lagging indicators* because they lag in time from when data is collected to when it is actually available for analysis. Imagine what Mario would say if he had to wait until *after* he had lost the race, to see that there was a problem with the car that could/should have been fixed in an earlier pit stop!

Just like with cars, business performance demands have increased too. Today, technology creates both the opportunity and competitive environment that demands that you operate with a *better* dashboard. The model needed today is more like a Ferrari – an optimum, high-performance machine that offers maximum output. An effective dashboard can free you of day-to-day operational duties so you can focus on managing, and possibly growing, your business. What's even more exciting is that there's now a *proven* way for you to know at a glance how well your business is performing and what areas need attention. This state-of-the-art tool utilizes *leading indicators*. These feedback mechanisms provide real-time information about all areas of your company's performance so you can "shift on the fly" and make needed strategic adjustments to your business strategy.

### What You Can Measure, You Can Manage

So how do you build a better dashboard? It boils down to looking at the areas within your business that can be measured and, as a result of proper measurement, managed more effectively. Measurement and Feedback systems are the tools for the 21st century entrepreneur. These tools build your company's customized dashboard. Businesses are typically organized into four to six *performance areas*, which include:

- **Finance:** All activities relating to the financial aspects of the business including accounts receivable, accounts payable, payroll, reporting, etc.
- **Operations:** All activities relating to the development, production and delivery of a product or service including manufacturing processes, inventory management, quality control, order processing, service delivery, shipping and receiving, etc.

## Building a Better Business Dashboard (cont.)

- **Customers:** All activities relating to the acquisition and retention of customers including marketing, sales, customer service, etc.
- **People:** All activities relating to hiring, training, managing, growing and developing people.

Once you identify your business's *performance areas*, you then establish critical success factors (CSF) related to each area. This is the foundation of your feedback system. CSFs are specific goals that are designed to overcome weaknesses, exploit opportunities and/or stimulate performance in a given area. The goals are strategic in nature and fit within your company's broader vision, mission and core values.

After you have pinpointed *performance areas* and developed goals (critical success factors) for these areas, then it's time to develop a way to measure how well your team is doing in each area. Your measurement tool is called a *Key Performance Indicator* (KPI). KPIs measure outcomes and often are expressed in ratios or indexes made up from multiple activity measures. KPIs provide feedback to the team and managers about how they are performing in reference to the CSFs established in their given performance area. In essence, your team will have a way to look at their own personal business dashboard. They can "add more fuel" if they see that they are lagging in an area. Or, they might see how they can make an adjustment that affects the whole process and improves overall productivity.

### Your Goals, Your Team's Goals.

You've heard the line, "Build it and they will come," right? Well, this is ultimately true about your business dashboard. You have a winning formula when you build a dashboard that your employees can understand how it hits your bottom line as well as *their* bottom line. A business dashboard will make it easy for them to see how their efforts affect the company's performance. Once your team knows what the company's overall goals are, they can then be told what is expected of them and what part they play in realizing those goals. By implementing a performance measurement system, you can abide by the adage, "What is inspected is respected." You will find that goals come to life when there is a measurement system in place. Ultimately, people perform best when the "rules of play" are explicit, and the scoring method is clear.

Your business dashboard allows you to effectively manage your company's performance and to share this performance with your employees so that your goals become *their* goals. Building a better dashboard is key to increased profitability and a smooth running operation.