

Building a “Power” Dashboard

Leaders Need it to Predict, Organizations Need it to Execute

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Many top executives view dashboards with an attitude that lies somewhere between yawning tolerance and benign neglect. Dashboards, the thinking goes, occasionally highlight an illuminating development, but on the whole they churn out data senior leadership does not find compelling or actionable – because real leaders lead by feel more than facts. Besides, dashboard output is notorious for being dry and of limited value. Granted, the information may provide guidance to other levels of the organization. But as for being essential to run the business? Hardly.

The Business Problem: Three Ways Weak Dashboards Harm Performance. These executives have a point. The top and best decision-makers at various levels in a company can and do have great insights without dashboards, and they can steer their ships through any minefield without dashboard help. But for too many decision-makers, a weak dashboard can lead to unwittingly bad decisions about customers, markets, operational initiatives and innovations. Just as serious, even for the seasoned executive a faulty dashboard can fail to provide early warning of major changes afoot. As a result, overall business performance never improves anywhere close to its potential. Here’s why:

1. **It’s Tough to Make Good Decisions When the Whole is the Sum of the Wrong Parts.** Dashboards typically are top-down creations. Senior management decrees what’s important, and business units and functions scramble to measure and support the announced aims. The business goals cascade down and throughout the organization, and measures from different functions and units aggregate up to form the dashboard view of how the business operates. In theory this should result in a well aligned, smooth-running enterprise, from top to bottom. In practice it means that (1) all sorts of critical initiatives throughout the organization never get properly measured and evaluated, and (2) information and business intelligence is siloed from the get-go, leading to fragmented rather than integrated insight around the market-focused outcomes that should drive business operations. The whole is the sum of the wrong “data feeds” and parts. For all but the most talented leaders, it’s impossible to make the right decisions, or tee up the right decisions to begin with, when this is the case.

Take the aim of “improving customer experience.” Customer experience extends across many functions – marketing, sales, service, operations, etc. Decisions based on a dashboard fed by functional data – reflecting, for example, the number of customer inquiries or complaints handled by each function, or how or how fast each function responds to an inquiry or complaint – will only lead to serving customers in a way that optimizes internal silo performance, not in a way customers prefer to be

served. Better to establish a hard-and-fast goal such as “improve customer experience to increase retention by X% and reduce churn by Y%” that is shared enterprise-wide. Then, work and track the goal not by function, but by cross-functional segments meaningful to end-to-end customer experience – such as the pre-sales process, or the order-to-bill process, or the renewal process. Within those segments, there will be many “bottom-up” or segment-specific measures used to track progress and predict success, above and beyond the top-down goal. In pre-sales an example might be “% of time salespeople quote standard terms.” In order-to-bill it might be “% of customers statused at each order stage.”

The point is this: to ensure that measures cascade and aggregate in a meaningful way, organizations need to re-set the “top down” and “functional view” defaults with their dashboards. They need to find a way to look at themselves as sums of the proper pieces – end-to-end processes, emerging business segments, business models, as a start – and then measure those pieces the right way.

2. **Inside-Out Measures Keep the “Vast Middle” Adrift.** Just what is involved in “measuring the right way”? First, some subset of measures used by all pieces of the business *should be* top-down – they should be shared throughout the organization and reflect the most important organizational aims as defined by top management. Within each segment, however, most measures should be bottom-up; they should reflect the unique aims, priorities and goals of the business segment rather than the organization as a whole. And most critically in both cases, the measures should concentrate on what adds value to customers – the “outside in” perspective.

Unfortunately, most organizations use dashboards that are over-weighted with top-down measure and crippled by tradition-bound, inside-out biases. A primary example can be found in quality management processes. Many executives still rely on dashboards that replicate the quality management systems functioning in the bowels of the organization. These dashboards track only a portion of the business challenge, the part, frankly, that most organizations resolved in the 90s. They are over-weighted with *metrics* rather than *business drivers* needed to compel the right performance. While top management may be able to “gut” out the right decisions regardless, the inside-out focus prevents middle and lower management tiers from forming the market insight needed to achieve the fast-paced, integrated execution needed in today’s dynamic, ultra-competitive business world. The vast middle stays on or above target relative to quality metrics, but adrift relative to business performance. To reverse course, an organization needs a Power Dashboard that measures the right pieces the right way.

3. **“Stability” Prevents Early Warning of the Dangers Ahead.** In theory, executive dashboards should be stable and rarely change. In truth, dashboards are far too static for today’s dynamic businesses. They measure and drive too much of what mattered yesterday and not enough of what matters today or more importantly, tomorrow. This can be a fatal flaw affecting all levels of leadership, since the surprises that kill a

business usually come from non-traditional sources – sometimes from unseen competitors, but more often from unanticipated or undetected changes in customer needs. To build in early-warning indicators for these dangers, dashboards need to undergo a systematic rejuvenation process in which they are reviewed, updated and managed to reflect the best and most predictive business drivers and data feeds available. Organizations need to recognize that when it comes to dashboards, the “build it once and forget it” mentality is a prescription for being blindsided.

The Bottom Line: Cascaded dashboards insufficiently grounded in market-based business insights are hazardous to business performance. It’s not because top executives cannot lead without them, but because the vast middle of the organization cannot synchronize its execution around – and leaders can’t predict – what will matter on the road ahead. What’s missing, and what’s needed, is a clear roadmap for creating and rejuvenating a Power Dashboard – one that segments a business properly, measures those segments the right way, and creates a framework for people throughout the organization to make the best decisions possible in the face of emerging opportunities, risks and threats.

Does Your Organization Need a Power Dashboard? Executives brave enough to think that the dangers of a weak dashboard don’t apply to them can take a simple test to see if their confidence is well founded. This diagnostic*, developed from both internal and external experience in guiding organizations through the dashboard minefield, can help CEOs and executives determine the extent to which dashboards in their organizations will benefit from review and rejuvenation. Since multiple dashboards are in use in many organizations, complete the questions thinking about the one dashboard with which you are most familiar.

	Strongly Disagree				Strongly Agree
1. The dashboard primarily tracks the aims and objectives of top management.	1	2	3	4	5
2. The dashboard seeks to optimize performance of a cross-functional business process or business model.	1	2	3	4	5
3. The dashboard primarily measures how well we perform in meeting internal quality and performance goals.	1	2	3	4	5
4. Dashboard indicators predicted the three most crucial market challenges faced in the last 12 months.	1	2	3	4	5
5. Our best decisions are made without consulting the dashboard.	1	2	3	4	5

* This is an abbreviated version of the full diagnostic and interpretative analysis offered by Market Strategy Group in consulting engagements.

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| 6. The dashboard primarily tracks aims and objectives unique to the business segment that uses it. | 1 | 2 | 3 | 4 | 5 |
| 7. The dashboard indicators we track have not changed over the last 12 months. | 1 | 2 | 3 | 4 | 5 |
| 8. The dashboard primarily measures how well we perform on goals relating to customers, markets and competitors. | 1 | 2 | 3 | 4 | 5 |
| 9. Our dashboard mainly tells us what has happened, not what will happen. | 1 | 2 | 3 | 4 | 5 |
| 10. We regularly review inputs and outputs of our dashboard system for impact and relevance. | 1 | 2 | 3 | 4 | 5 |
| 11. The dashboard seeks to optimize performance of a specific function. | 1 | 2 | 3 | 4 | 5 |
| 12. High-impact decisions and actions that “moved the needle” were initiated in part because of dashboard indicators. | 1 | 2 | 3 | 4 | 5 |

Scoring:

Tally two scores – one from the odd-numbered statements above, one from the even-numbered. Then check the results below. If there’s a discrepancy, favor the less flattering interpretation.

Odd-Numbered Scores	Even-Numbered Scores	Interpretation
25-30	6-12	Dashboard is weak on all dimensions; the whole is not of the right parts, measures are inside-out, and directional view is to the past, not the future. Hazardous to organizational health; immediate corrective action required.
19-24	13-18	Dashboard strengths are outweighed by weaknesses. Corrective action required.
13-18	19-24	Dashboard delivering neutral to positive level of guidance; vigilance required, room to improve to Power Dashboard.
6-12	25-30	Power Dashboard in place; no change necessary.

How to Build a Power Dashboard: Four Lessons to Apply. Executives who need to build a Power Dashboard needn’t wait for in-depth consultation and analysis to begin taking corrective action. Here are four lessons that can be applied immediately to begin the revamping process.

Lesson 1: Consider Emerging Segments When Summing a Whole of the Proper Parts.

In the late 1980s, a large telecom company noticed a slight decline in market share for T-1 lines, a bread-and-butter business product. At that time, T-1 lines still carried more significantly more voice traffic than data traffic – perhaps 85% voice to 15% data, but even a few years earlier the ratio was more like 95/05. The company reasoned that lower-priced competitors were siphoning off customers, and compensated by lowering its rates across the board to retain share. In fact, the company had encountered the beginning of a seismic market shift, namely the data revolution, which would lead customers to use T-1s increasingly for data, not voice, forevermore. Customers were defecting not because of voice rates but because other companies were stronger data players. To use a metaphor, the company thought it had a slight cold when in fact it had a terminal illness.

How did the company make such a monumental misjudgment? In part, because the executive dashboard it relied on was *the sum of the wrong parts*. Functional data from sales, marketing, and finance all focused on traditional product-focused indicators relating to revenue, share and so on. The aggregate picture formed by these indicators was a distortion of reality (bolstered by a good dose of wishful thinking). An accurate, actionable view required indicators that were emerging segment focused, or focused on customer use of the product instead of the product itself. Missing and failing to act on this key business insight incapacitated the company's ability to be ahead of the curve. It caused a burgeoning segment to be given short shift and a series of wrong decisions to be made (in this case, at all levels of the organization, not just the vast middle), forcing the company to play catch up for years.

Lesson 2: Measure from the Outside In – What Customers Value, Not What Drives Them Away.

It sounds ludicrous to think that leaders would optimize a business around what drives customers away, but that's exactly what many organizations do when they fail to build dashboard indicators from what customers truly value. Consider two railroad companies. Railroad A is fixated on getting boxcars to its manufacturing customers as fast as it can. It promises to get boxcars to plants in 3 days – faster than any competitor – and builds marketing strategies and operational processes around this goal. The vast middle manages and chugs along accordingly. However, because this is an aggressive target, Railroad A can only meet it about 70% of the time. The rest of the time cars arrive in 4, 5 or even 6 days. Railroad B, on the other hand, commits to delivery in 4 days, 100% of the time. It wins share from Railroad A, because it knows what customers value most is consistency. A short cycle time is important, but a consistent cycle time is critical for customers to plan production and manage supply chains profitably. Until Railroad A figures this out and adjusts its positioning and processes, it is doomed

to keep losing share and increasing costs – and multiple layers of management will keep making one bad decision after another.

Tying back to the earlier discussion, Railroad A hasn't grounded its dashboard in business drivers so much as metrics – metrics that are far *too inside out*. It's missing the broader customer, market and competitive perspective. In trying to follow these misguided marching orders, the entire organization executes in such a way as to push customers straight into competitor hands.

Lesson 3: Measure Appropriately for the Stage and Business Model, Especially for New Initiatives.

Measuring the right pieces the right way isn't always as obvious as it might seem. One company almost learned this lesson the hard way when, in an effort to stimulate growth, it devised a new offer that bundled professional services with an existing product line. Costs associated with the new customer-solutions-focused offer were high – the investment in the customer relationship did not become profitable until typically 18 months after signup. As a result of these high acquisition costs, by year 3 the initiative showed continuing losses despite rapid growth. Steady-state indicators made the business look like a money loser, an expensive mistake – customer intimacy run amok. Management was about to pull the plug when one executive persuaded the team to extend profit measures over a longer timeframe than usual. The new approach revealed that the business was poised to turn the corner – the high acquisition costs of new customers who were signing on in droves were drowning out the profits generated by the smaller embedded base. Within a few more months, “older” new customers would themselves be part of the embedded base, and profits would overtake costs.

As it turned out, the new business ended up becoming profitable in year 4, and became a profit engine and unmitigated success for 10 years thereafter. But it almost never happened. Not because of any great failing of leadership, but because the mid-level executives directing the initiative were relying on the wrong indicators. They were focused on profitability by product, rather than profitability by length of customer relationship. They were fortunate to correct the mistake before it was too late.

Lesson 4: Measure Bets on Option Value.

Businesses need to periodically re-visit their dashboard indicators and adjust them to accommodate a few good high-growth bets. Research and experience across multiple industries suggests that few companies make this allowance. Those companies that do typically keep an eye peeled on emerging technology and/or emerging trends, and devise some way to track their business's potential for capitalizing on the “next new thing.” An example can be found in consumer products companies that carefully monitor the potential to be gained from RFID tags that may ultimately provide the kind of insights into customer behavior that lead to breakthrough results. Generally speaking, organizations need to be sure

that at least one dashboard indicator tracks the business impact of emerging technology, or potential (non-traditional) competition. Too often, this key variable is missing from the dashboard equation.

If there's a meta-learning to be gleaned from the above examples, it's that organizations can avoid a lot of pain by proactively reviewing and rejuvenating their dashboard systems. There must be a regular, rigorous effort to keep the business lens and frame of reference broad enough and forward-looking enough to accommodate innovation and to anticipate changes in the market landscape. When it comes to dashboards, complacency invites mediocrity – or worse.

Starting the Dashboard Rejuvenation – First Steps: You've accepted that a Power Dashboard makes sense for your organization. What's next? One thing you *don't* want to do is become paralyzed either by the immensity of the task or the minutiae that can swiftly engulf the entire undertaking. Our experience suggests three key first steps as a way to avoid these pitfalls:

1. **Assess: Do You Have a Power Dashboard?** The simple diagnostic earlier in this article is a beginning, but an in-depth review by a team that unifies internal and external views, top to bottom, middle out, is key.

Tip: The goal is not to assess the accuracy of what is being reported so much as whether it is powerful enough to drive integrated execution to meet today's business performance challenges – as well as unseen challenges ahead. Executives can lead without a viable dashboard. The question is whether their organizations can execute, and whether they can anticipate change, without one.

2. **Create a Rapid Prototype for a Power Dashboard.** The prototyping can be completed relatively quickly – say, eight weeks – and the journey often proves to be a valuable learning experience.

Tip: Given where most organizations are, agonizing over details to get everything precisely right immediately isn't worth it. Getting a Power Dashboard up and running quickly is worth it, because it's much easier to perfect the dashboard when you have real numbers and dashboard indicators to work with. With a few iterations, typically 3-4 quarters, the new dashboard will be an instrument company leaders and the vast middle alike can rely on to achieve success.

3. **Build a Process to Track What Really Matters Today and Tomorrow.** The truth is that dashboards should change with the times and they don't. Worse still, this inertia ripples through the organization, driving mediocre performance. Create a semi-annual process to review and if necessary revise the indicators captured on the Executive Dashboard and its cascaded derivatives. This process should look back at key events in the market, the competitive space and the business's internal operations to identify critical events that in hindsight clearly drove performance and needed significant attention well in advance. Did the dashboard's indicators clearly identify

these events and provide enough time to act? If not, changes are in order, and updates should be made.

Tip: Dashboards should be dynamic but that doesn't mean starting from scratch twice a year. Use reality and a disciplined process to make necessary changes, but don't throw the baby out with the bathwater...

A final caution: if you wait to pay serious attention to your dashboard until your leadership team starts noticing bad decisions from below, it may be too late. You owe it to your organization to take the first steps now. Besides, who knows? With a Power Dashboard in place, it may be that the yawns and hand-waving at the top might deserve to be replaced with.... well, perhaps not shouts of enthusiasm, but whatever sound should accompany a smart business move.