Balanced Scorecard, Executive Dashboard and Managing Key Performance Metrics (KPI's)

In order for present day businesses to be successful efficient internal processes, good customer relations, long-term strategic investments in employees and technologies are needed. "In 1992, Robert S. Kaplan and David Norton introduced the **Balanced Scorecard**, a method intended to give managers a fast, comprehensive view of the performance of a business."[1]

The **Balanced Scorecard** is made up of four key elements.[2] These elements are defined as:

FINANCIALS
Financial indicators will vary from organization to organization but they are based on the expectancy of the organization's strategic objective.
Examples: Revenue, Growth, Reductions, Margins, Profitability, Cash Flow, ROI, Forecasts

CUSTOMERS
Identifies Customers, Markets, Value Proposition and Satisfaction
Examples: Market Share, Retention, New Customers, Satisfaction Indexes, Customers Profitability, Product/Service Attributes

INTERNAL PERSPECTIVES
Internal Perspectives is the critical processes necessary for delivery of superior performance in achieving financial measures.
Examples: Project Performance, Reflections/Reworks, Cycle Times, Success Rates

LEARNING AND GROWTH
Identity and Resources of the Organizational Framework
Examples: Staff Performance, Employee Satisfaction, Training

With the introduction of the balanced scorecard, dashboard software began emerging in the mid 1990's as a tool for displaying, trending, analyzing and executing actions to improve performance using the balanced scorecard concepts.

Every company no matter how big or small needs a dashboard to give them a source of direction, a gauge, that lets employees, customers, and even stockholders know where it's headed. The dashboard is steered by the company's mission statements, visions, strategic directions, and initiatives.

The framework for the dashboard is built when metrics and specific strategic goals are defined for these four areas. Once business processes have defined metrics they become the key performance indicators (KPI's) for measuring the organization's progress on the dashboard's display. Strategies and Initiatives are then linked to KPI's and information from data sources is fed into the appropriate indicators for review by management.

Other considerations will come into play once information is collected. Is the information correct and relevant to the metrics defined? How often will information be collected and updated? Is the information timely, allowing you to react and make accurate decisions? These are all factors that will need to be reviewed so that you may fine tune your indicators to give you the most up-to-date information to run a business successfully. If done correctly, the dashboard becomes a tool for managers to identify successful and non-successful trends and gaps in resources and processes.

Once data is correctly identified and displayed, individuals must be assigned to manage key indicators so that action can quickly take place where necessary. The goal is to make sure that individuals are not overloaded with information but that it is delivered in timely successions to ensure that they are meeting their objectives. These processes can be accomplished through email alerts, reporting mechanisms or set permission levels to view dashboard criteria.

It is important to make sure that strategy, goals, metrics and data collections are defined accurately or you could be measuring areas of your business that are unnecessary or not appropriate to what you are trying to accomplish. The goal of utilizing dashboards for display and analysis of KPI's is to show the health of each area of your business, improve efficiency and gain new insight into business processes that contribute to the success or failure of the organization.

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[1] http://www.wikipedia.com
[2] http://www.BalancedScorecard.org