Help, I Can't Drive While I'm Looking at My Dashboard

What is the problem with putting Dashboards into practice?

By Kim Schaefer, CPA

We went to the auto show when it came to our area in January. Two things struck me as we wandered around looking at all of the new models and concept cars—technology is amazing and people don't want to do anything for themselves. It's the dumbing down of society. We are so into multi-tasking we search for any way possible to make the tasks that we perform easier to do. Every feature in these cars was geared toward convenience because we are all trying to do more in less time.

Everything on the car is now automatic: from the power windows to the liftgate on SUVs. And the dashboard provides you with a tremendous amount of information. We have GPS to tell you where you are going and infrared displays to warn of obstacles along the way. We have innumerable warning indicators. It's not enough to warn that we are low on fuel, the cars now tell you how many miles you can drive before you completely run out of gas (my personal favorite). They will also tell you your tires (including your spare) need air or that your gas cap has not been fastened tightly. Face it, cars are now virtually idiot proof.

IT folks like the concept of the dashboard. Lots of information, laid out in an intelligent manner, displayed automatically when you logon to the system. What could be better? The vast majority of the working population drives an automobile and they love the information their cars provide. Just like my car's dashboard tells me about the health of my car, my company's dashboard is supposed to tell me about the health of my company.

Okay, so what's the problem? Here's the scenario. I'm driving along in my car. My dashboard is flashing a warning at me. "Right rear tire pressure low—30 lbs." Big deal, it's not flat is it? It's not even dangerously low. Quit bugging me, I'm trying to drive and talk on the phone and eat my lunch on my way to my next appointment. Another message, "Spare tire pressure low." Now you 're really starting to annoy me. I don't even need the spare right now. But, you might need it some day. Okay, but not right now. And so the story goes with corporate dashboards.

The problem is the dashboard is reporting health information, but it's information that is not important to you right now. It's forcing you to take your eyes and mind off the road and where you're headed. In order to keep your car on the road, pointed in the right direction, and moving forward, you have to keep your eyes looking out the windshield, not looking at the dashboard. If you spend too much time looking at the dashboard and not enough time looking out the windshield at the road ahead, you are going to end up like the unfortunate soul in the picture above and eventually run off the road.

Unlike the fatal errors of WorldCom, Enron, and Tyco, many of the corporate disasters we read about today are accidental. Just look at the stock option errors at Apple Computer, McAfee, Inc. and CNET.

With regulatory compliance environments continuing to become more complex, finance officers are faced with an ever-widening domain.

So what happens with corporate dashboards when they're not aligned with strategy? They end up being cluttered with irrelevant data. Many times they have a functional bias based on finance when the finance officer is responsible for much more. And, since historical information is typically easy to retrieve, they're loaded with it, when what they should really focus on, is leading indicators.

The Reality Divide

Let's take a look at the chronology of dashboards for a moment—after all they have been around for a while. In 2003, twenty-five percent of CFOs said they had adopted dashboards and many of the major consulting organizations were predicting adoption at a rapid rate with a high of seventy-five to eighty percent by 2006.

What actually happened? Well, that depends on who you ask. An October, 2005 survey of CIOs conducted by Hurwitz & Associates reported that fifty percent had implemented dashboards in their organizations. However, in IBM's *2005 Global CFO Survey*, they defined dashboards in a more granular fashion breaking them down by information need as follows:

1. Executive-level scorecard of key indicators and results
2. Enterprise-wide BPM reporting/access, customized by organizational role
3. Enterprise Web-based Reporting and/or portals
4. Analytical tools for investigative and ad hoc analytics (e.g., hypothesis testing)
5. Data mining tools for predictive modeling
6. Enterprise resource planning functionality for BPM
7. Analytical tools that are embedded in the actual work flow (e.g., automated real time alerts)
8. Business activity monitoring with automated alerts embedded in operational dashboards
9. Enterprise-wide BPM reporting/access, linked to external partners (e.g., suppliers, customers)[1]

They found that while sixty percent of the CFOs reported having the first item covered, the results for the rest of the items declined significantly as they moved down the list. With a dismal fifteen percent reporting they had enterprise-wide access to BPM data, forty percent reported this was something they planned to adopt within three years.

Remember to Support Innovation

When asked, finance officers say they see one of their key roles as supporting innovation—second only to measuring and monitoring business performance. The CFO sees himself as a partner with the rest of the organization and as a partner, his job is to provide the backdrop for making critical business decisions, testing new strategies, and creating new products. This backdrop is a combination of current performance, industry metrics, gut instinct, ROI analysis, and experience.

Don't Settle

Focusing on historical data at times like these is like staring into your rearview mirror—if you do that long enough, you will eventually miss something important (like some really big product innovation) on the road ahead. Do you ever get frustrated by your inability to get the information you need, but instead you get the information that someone wants to give you or thinks you need. I couldn't fix that rattle, so I installed this brand new Bose Stereo system—don't worry, once you turn this baby up, that rattle won't bother you any more. Executives need to focus on what military pilots call the "Heads-Up Display."

CFOs, like military pilots, sometimes feel like they have to move at Mach speed in order to keep up with regulatory requirements and internal pressures within finance , while still providing the value drivers that support the strategy decisions the organization must make. They can't get caught with their heads down studying old, outdated irrelevant information and they certainly don't want to provide that kind of information to other organizational stakeholders. That's why the Heads-Up Display makes so much sense.

So how do you design a Heads-Up Display and what makes it so much better than a dashboard? Great question. Let's go back to the military definition and talk about how that applies to everyday life.

An electronically generated display of:

- Flight Information is your operational information. What are my days sales outstanding, inventory turnover ratio, cash inflow/outflow, employee turnover, recruiting cost ratio, etc.? (This information varies based on the department you are evaluating.)
- Navigational Informational is used by executive management to evaluate strategic direction and long term objectives. These decisions include financing options (debt versus equity funding), analyzing risk, determining the cost of capital, maximizing shareholder value, and evaluating acquisition targets.
- Attack Information is your day-to-day tactical decision making information. Decisions based on competitive data or other leading indicators that alert us immediately when we need to change direction or are not meeting short-term goals, as well as new product ROI are included in attack data.
- Other data is typically your financial statements, cash flow reports, expense versus budget comparisons, etc. This data needs to be very carefully defined because if not properly defined, the information management team in charge of creating the Heads-Up Display will include a lot of superfluous information "just to be safe."

The real key here is to realize that the Heads-Up Display is just the top layer, the CFO still needs the business intelligence system to back this up.

Make Sure You Have All the Pieces to the Puzzle

Heads-Up Displays, like so many Dashboards before them, can go south if the project is not well planned out. Here are some tips to consider, before embarking on this or any information management project:

1. Re-evaluate your corporate mission, strategic objectives and goals and make sure your Heads-Up Display provides information that supports them.
2. Identify which methodology you will use to manage performance. Popular performance methodologies include Balanced Scorecard, Six Sigma, and activity-based measures.
3. Choose your metrics carefully. You are better off with a few actionable items than an overload of pretty historical pie charts and graphs.
4. Get buy-in from the managers who will most benefit from the information and tap into them to design the Display along functional lines. Business unit and line managers have very specific information requirements and, if they are approached appropriately, can be invaluable in the Heads-up Display design effort.
5. Start slowly—test your engine before you floor the gas peddle.
6. Use your imagination.
7. Know where you want to end up. You can't design a road map without some idea of your destination.
8. Evaluate, monitor, re-evaluate, and most importantly, don't be afraid to change! For as Bob Dylan sang in his classic ballad, "If your time to you is worth savin', then you better start swimmin' or you'll sink like a stone. For the times they are a-changin'." This in and of itself will differentiate you from your neighbors. According to *Reinventing the CFO* by Jeremy Hope, only two (Wal-Mart and IBM) of the original 36 companies listed in Peters and Waterman's book, *In Search of Excellence,* published in 1982 were considered in the Forbes top 100 companies list in 2002 based on the same criteria.

Can Your Heads-Up Display Address Common CEO Reporting Challenges?

Remember that the Heads-Up Display is merely the aggregate of all of the financial information deemed necessary to determine whether the organization is meeting strategic objectives, should pursue new opportunities, or if specific business units are contributing to the performance of the organization as planned or forecasted. Financial Executives International has compiled the following list of *Top 10 Financial Reporting Challenges for 2007*:

1. Internal Controls
2. Uncertain Tax Positions

3. XBRL
4. Fair Value
5. Servicing Assets and Liabilities
6. Complexity in Financial Reporting
7. Derivatives
8. Pensions
9. Earnings per Share (joint)
10. Business Combinations[2]

As you build your road map for the future and make plans for improving your organization's operations you may want to consider these CEO Challenges.

Footnotes

1 "The Agile CFO Acting on Business Insight." IBM Global Business Services

2 "FEI CEO's 2007 Top 10 Financial Reporting Challenges." Ellen M. Heffes

About the Author

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Before being named President/COO in 2002, Kim spent over eleven years in several capacities with Mitchell Humphrey including project management and consulting, and also had direct responsibility for the release of all new products including design, development, documentation, quality assurance, sales, support, and training.

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