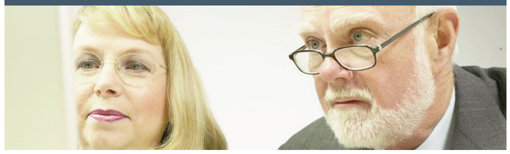

Improve Performance Before It's Too Late

Legendary football coach Vince Lombardi once said, "It's hard to be aggressive when you don't know who to hit."

I think of that quote often as we work with companies to help them improve their performance, especially when we review the "management" reports they say they use to manage their business. It's not uncommon for clients to show us a pile of sample reports that is one to two feet high.

Shortly after we begin our review, it usually becomes apparent that the producers of the reports have no idea what the recipients do with the reports once they receive them. When we ask the recipients what specific information they use and what decisions they make based on their review, a typical response is, "I turn to page 32 and look at this number in the bottom right-hand corner… " All that time, all that paper—what a waste.

In the end, no real decisions are made based on the information contained in the reports. Most of these reports are too top-level and focused only on financial results. Most people want to do the right thing and want to perform better, and they will if shown what's expected of them. However, just like the football player who needs to know "who to hit" in order to be aggressive, employees and key decision-makers throughout organizations need to know what's important and what to focus on to be successful.

A primary reason for this uncertainty is that most organizations are still trying to manage their business using static reports and scorecards that tell everyone the results, not how or why they did or did not achieve the results. Often, the financial reports provide answers, but they also generate more unanswerable questions. Today's accounting systems accumulate massive amounts of data, but it is often trapped inside the systems, without easy user access.

Companies spend hundreds of thousands, even millions of dollars, to install new accounting systems in the hopes of improving their financial reporting, but with this improvement alone, nothing really changes.

Management teams often realize they aren't receiving the information they need—and know—exists. So they develop off-system, manual forms of reporting to track and analyze information using the No. 1 financial analysis tool in world—you guessed it—Excel. A colleague was working on a systems selection and implementation engagement, and when he asked to review the client's existing management reports, they presented him with two CDs full of Excel spreadsheets. In other cases, the IT department is bogged down with an endless list of ad hoc report requests from all corners of the organization because people are trying to obtain the information they think they need.

Moving Away from the Past

Aside from the obvious inefficiencies associated with these efforts to collect the data, the biggest problem is that the "analysis" is usually focused on explaining the past, not analyzing the data to help make better decisions in the future. In addition, everyone is usually looking at different information—their version of the truth—and too much time is spent debating the accuracy and validity of the numbers, as opposed to making decisions based on the analysis. How many meetings have you attended to make decisions where all you did was debate who had the correct numbers and how they got them? Why is this the case in so many organizations?

The story above is common in companies that have not yet discovered the benefits of using a Business Intelligence (BI) tool, namely, a dashboard, to help them drive information through their organizations to improve performance. BI software supplements the reporting capabilities of a company's accounting system, and then takes it several steps further—allowing users direct "self-service" access to data and the drill-down capability to analyze the data, improving their ability to manage. The benefits of most BI platforms is that they allow the users to analyze data the way they think as an individual, not in a set manner based on how the developer of the system thinks they will analyze the data, or in the linear way that traditional paper reports are designed.

Information is viewed in a graphical interface with gauges, stop lights and dials with point-and-click access. No more guessing at what caused the results on the financial reports, no more off-system or ad hoc reports. Users can manage by exception—green light, everything is fine, don't bother looking. If it's red, you are below target, and this item needs your immediate attention. Yellow light, you had better focus on this item now while you still have a chance to get things back on track before it turns red.

And while these tools have been available for several years now, what makes today's solutions so impressive is they can be easily and quickly deployed at price points fitting small to mid-market organizations.

BI in Practice

Engineering firm division managers focus on current and forecasted staff utilization and project schedules. These metrics allow them to make decisions that affect performance in the future by reallocating resources or modifying schedules. This is dramatically different from monthly meetings of the past, when the financial statement showed below-plan performance and no one knew whether it was the result of a bad project, lack of work, etc.

Construction company project managers focus on production derived from the daily foreman's reports. Daily, they can see what happened yesterday and focus the efforts of everyone on the job to make changes to anticipated production and the future schedule to offset the lower-than-expected level of production. Again, this is dramatically different from the past monthly meetings spent developing the latest construction-in-progress schedule and debating how far actual gross profit was going to drop because production was behind schedule.

A manufacturing company's sales manager collects and analyzes the length of the company's sales cycle and its win percentage to understand how many proposals are needed in the pipeline to hit their numbers.

Management knows how many opportunities it needs to generate enough proposals to hit its numbers and how many prospects will generate the required number of opportunities and so on, back up the sales pipeline. The BI tool reports the performance of these key metrics to sales, purchasing, manufacturing, and finance. Monthly meetings are now focused on what the collective group can do to improve the forecast of future performance. Think of how different these meetings are from the meetings of the past, when they only included the salespeople, when the discussion focused solely on why they surpassed or missed their numbers with some getting pats on the back, and others told they needed to do a better job, all based on last month's financial results. No talk about next month or next quarter, the likelihood of employees hitting their numbers, or what they can do on specific deals to help ensure that they hit their numbers, and how their projected performance will affect other decision-makers.

The ability to access and analyze data to make more strategic decisions can be a powerful competitive advantage.

For many companies, it is becoming increasingly difficult to identify and maintain a true competitive advantage solely with their products or services. The ability to access and analyze data to make more strategic decisions can be a powerful competitive advantage. While BI tools can dramatically improve access to data and the reporting of historical information, the real power is in looking at leading indicators to go beyond what already has transpired to see what may happen.

Imagine driving your car—it's important to look in the rear view mirror, but where would you be if you constantly looked in the rear view mirror and never out the front windshield? Can you imagine trying to navigate your way down a winding road only looking in your rear view mirror? Well, in business, many people do that all the time. The beauty of BI tools is that they become the one window to the world, where information from disparate systems can be accumulated for the user to access, report on, analyze, and use to proactively manage their company's future.

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