



“Dashboards & Scorecards: How Do You Know If You Need One?”

You receive a call from a consultant offering to help create a ScoreCard for your business. Does your company need a ScoreCard? Do you already have what you need? To answer, consider the extent to which senior management has regular access to reliable data in each of these four areas:

A. Revenue and Profitability

In my experience, many companies get a C+ in this area. Of course, from their P&L, they know their revenue, their gross and net profitability. But, are revenues growing faster than the market itself, or just with it? On what product lines (or service areas) are margins improving? Where are we better than competitors? Are we controlling the half-dozen or so key variable expenses that consistently cause lower than expected margins? Are inventories, as a % of revenue, getting leaner? Answering questions like these moves you from C+ to A+.

B. Market and Customer Growth

The usual formula for growing revenues is (a) growing repeat business with existing customers; (b) attracting new customers; (c) expanding into new markets (geographically, or penetrating new categories); and (d) quickly ramping up New Product Revenues. This is usually the least measured area of a business. Do you know which of your major customers are showing year over year revenue growth (YTD this year vs. YTD last year)? Do you have a specific goal for revenue, this year, from new customers? Goals for new geographies? new categories? And, of the new products/services released in the last 18 months, which are meeting revenue projections?

C. Excellence in Execution

Many companies stay stuck for years on the roller coaster of inconsistent core processes: product development timelines are unreliable, supply chain quality and timeliness is inconsistent, customers aren't happy with your company's responsiveness. The question here is: “Are we consistently, and rapidly, getting better at our core processes?” Core processes include:

1. **Sales & Marketing:** Is Revenue per Sales Person trending up? Is the Revenue Return on Marketing Dollars Spent improving?
2. **Product Development:** How quickly do new product releases achieve substantial revenue growth, and do they meet margin goals? Do we get them out the door on time?
3. **Manufacturing/Service Delivery:** Do we consistently deliver on time, with high quality, low wastage, efficient capacity utilization, and accurate demand forecasting?
4. **Customer Support:** Are customer issues resolved quickly, the first time they call? Are we improving, responding to higher call volumes with fewer resources?

The key question here is, “Do each of these core process areas show consistent improvement over time? Are we better than we were a year ago?”

People, Culture & Organizational Learning

In this area, we need to walk before we run. (a) **To walk**, we start with the basics: labor costs as a % of revenue, or revenue per employee. To improve, we need to know, by department, if headcounts are under control, as well as overtime, temp labor expense, absenteeism, injury rates, and attrition. (b) **To run**, we need to look at workforce readiness, including employee engagement, hiring quality, employee on-boarding, learning (includes computer literacy and process literacy), and internal mobility. These are all measurable, and we need to know if we're improving or bouncing around in a cyclic rut.

Summary

The question, "Does your company need a ScoreCard?" morphs into another question: "If your company is going to out-perform it's competitors and make superior earnings, what data do it's execs need to be keeping an eye on?" The answer is data not only about it's revenue and margins, but also (a) it's **marketplace results** (i.e., repeat business, new business, emerging markets, and revenue & margin growth from key products) and (b) the **internal drivers** of those results (i.e., the core processes of sales & marketing, product development, product/service delivery, and customer support, as well as labor expense and workforce readiness).

Does your exec team have steady visibility into the above areas? A well designed ScoreCard provides ALL of this data, easily updated and reviewed monthly in an exec team meeting. The key is this: If middle managers know that the exec team is looking at this data monthly, they will act to improve it. Said differently, they will get tired of looking bad at exec team meetings. So will their VP. And so, if you want to mature as a company and prosper in your markets, you need data that tracks your core processes and market success. If you don't have a tool that provides a regular and reliable window into these areas, a ScoreCard might be your solution.

Note on the Author:

Michael Selby, President of ScoreCard Partners, has designed and built Balanced ScoreCards for the exec teams of over 40 corporations. Based in San Francisco and operating nationally, he helps exec teams define what they want in an exec-level ScoreCard, and then builds the ScoreCard, working directly with data providers in your company. At the end of a three month design & build process, you will have an internally owned and managed ScoreCard, produced monthly, for exec team and senior management review. [Click here](#) for a Sample ScoreCard, check our website, or give us a call: