

# What Are Performance Dashboards?

By Wayne W. Eckerson

*This article is an excerpt from the book Performance Dashboards: Measuring, Monitoring, and Managing Your Business by Wayne W. Eckerson, Director of Research and Services at The Data Warehousing Institute, a worldwide association of data warehousing and business intelligence professionals.*

## THE CONTEXT FOR PERFORMANCE DASHBOARDS

### The Power of Focus

#### **Executives in Training**

This summer I found my 11-year-old son, Harry, and his best pal, Jake, kneeling side by side in our driveway, peering intensely at the pavement. As I walked over to inspect this curious sight, I saw little puffs of smoke rising from their huddle. Each had a magnifying glass and was using it to set fire to clumps of dry grass as well as a few unfortunate ants who had wandered into their makeshift science experiment.

In this boyhood rite of passage, Harry and Jake learned an important lesson that escapes the attention of many organizations today: the power of focus. Light rays normally radiate harmlessly in all directions, bouncing off objects in the atmosphere and the earth's surface. The boys had discovered, however, that if they focused light rays onto a single point using a magnifying glass, they could generate enough energy to burn just about anything and keep themselves entertained for hours!

By the time Harry and Jake enter the business world (if they do), they will probably have forgotten this simple lesson. They will have become steeped in corporate cultures that excel at losing focus and dissipating energy far and wide. Most organizations have multiple business units, divisions, and departments, each with their own products, strategies, initiatives, applications, and systems to support them. A good portion of these activities are redundant at best and conflicting at worst. The organization as a whole spins off in multiple directions at once without a clear strategy. Changes in leadership, mergers, acquisitions, and reorganizations amplify the chaos.

#### **Organizational Magnifying Glass**

To rectify this problem, companies need an "organizational magnifying glass"—something that focuses the work of employees so everyone is going in the same direction. Strong leaders do this. However, even the voice of a charismatic executive is sometimes drowned out by organizational inertia.

Strong leaders need more than just the force of their personality and experience to focus an organization. They need an information system that helps them clearly and concisely

communicate key strategies and goals to all employees on a personal basis every day. The system should focus workers on tasks and activities that best advance the organization's strategies and goals. It should measure performance, reward positive contributions, and align efforts so that workers in every group and level of the organization are marching together toward the same destination.

## Performance Management System

In short, what organizations really need is a *performance dashboard* that translates the organization's strategy into objectives, metrics, initiatives, and tasks customized to each group and individual in the organization. A performance dashboard is really a performance management system. It communicates strategic objectives and enables business people to measure, monitor, and manage the key activities and processes needed to achieve their goals.

To work this magic, a performance dashboard provides three main sets of functionality, which I will describe in more detail later. Briefly, a performance dashboard lets business people:

- **Monitor** critical business processes and activities using metrics of business performance that trigger alerts when potential problems arise.
- **Analyze** the root cause of problems by exploring relevant and timely information from multiple perspectives and at various levels of detail.
- **Manage** people and processes to improve decisions, optimize performance, and steer the organization in the right direction.

## Agents of Organizational Change

A performance dashboard is a powerful agent of organizational change. When deployed properly, it can transform an under-performing organization into a high flier. Like a magnifying glass, a performance dashboard can focus organizations on the key things it needs to do to succeed. It provides executives, managers, and workers with timely and relevant information so they can measure, monitor, and manage their progress toward achieving key strategic objectives.

One of the more popular types of performance dashboards today is the Balanced Scorecard, which adheres to a specific methodology for aligning organizations with corporate strategy. A Balanced Scorecard is a strategic application, but as we shall soon see, there are other types of performance dashboards that optimize operational and tactical processes that drive organizations on a weekly, daily, or even hourly basis.

## Historical Context

### Executive Dashboards and Cockpits

Although dashboards have long been a fixture in automobiles and other vehicles, business, government, and non-profit organizations have only recently adopted the concept. The trend started among executives who became enamored with the idea of having an "executive dashboard" or "executive cockpit" with which to drive their companies from their boardroom perches. These executive information systems (EIS) actually date back to the 1980s, but they never gained much traction, because the systems were geared to so few people in each company and were built on mainframes or minicomputers that made them costly to customize and maintain.

In the past 20 years, information technology has advanced at a rapid clip. Mainframes and minicomputers largely gave way to client/server systems, which in turn were supplanted by the Web as the preeminent platform for running applications and delivering information. Along the way, the economy turned global, squeezing revenues and profits and increasing competition for ever-more demanding customers. Executives responded by reengineering processes, improving quality, and cutting costs, but these efforts have only provided short-term relief, not lasting value.

## **Convergence**

During the 1990s, organizations began experimenting with ways to give business users direct and timely access to critical information, an emerging field known as business intelligence. At the same time, executives started turning to new performance management disciplines, such as Balanced Scorecards, Six Sigma, Economic Value Add, and Activity-Based Costing, to harness the power of information to optimize performance and deliver greater value to the business.

These initiatives convinced many executives that they could gain lasting competitive advantage by empowering employees to work proactively and make better decisions by giving them relevant, actionable information. Essentially, executives recognized that the EIS of the 1980s was a good idea but too narrowly focused; everyone, not just executives, needed an EIS. Fortunately, executives did not have to wait long for a solution. At the dawn of the 21st century, business intelligence converged with performance management to create the performance dashboard.

## **Market Trends**

This convergence has created a flood of interest in performance dashboards since the year 2000. A study by The Data Warehousing Institute (TDWI) in 2004 showed that most organizations (51 percent) already use a dashboard or scorecard and that another 17 percent are currently developing one. The same study showed that almost one-third of organizations that already have a dashboard or scorecard use it as their *primary* application for reporting and analysis of data.

## **Benefits**

The reason so many organizations are implementing performance dashboards is a practical one: they offer a panoply of benefits to everyone in an organization, from executives to managers to staff. Here is a condensed list of benefits:

- **Communicate Strategy.**
- **Refine Strategy.**
- **Increase Visibility.**
- **Increase Coordination.**
- **Increase Motivation.**
- **Give a Consistent View of the Business.**
- **Reduce Costs and Redundancy.**
- **Empower Users.**
- **Deliver Actionable Information.**

In short, performance dashboards deliver the right information to the right users at the right time to optimize decisions, enhance efficiency, and accelerate bottom-line results.

## **Pretenders to the Throne**

Although many organizations have implemented dashboards and scorecards, not all have succeeded. In most cases, organizations have been tantalized by glitzy graphical interfaces and have failed to build a solid foundation by applying sound performance management principles and implementing appropriate business intelligence and data integration technologies and processes. Here are the common symptoms of less than successful solutions:

- **Too Flat.** Many organizations create performance management systems, especially tactical and strategic dashboards, using Microsoft Excel, Microsoft PowerPoint, and advanced charting packages. Although these applications often look fancy, they

generally do not provide enough data or analytical capabilities to let users explore the root cause of problems highlighted in the fancy graphical indicators.

- **Too Manual.** In addition, some organizations rely too heavily on manual methods to update performance dashboards that contain sizable amounts of information. Highly skilled business analysts spend several days a week collecting and massaging this information instead of analyzing it. The majority of performance dashboards automate the collection and delivery of information, ensuring a sustainable solution over the long term.
- **Too Isolated.** Some performance dashboards source data from a single system or appeal to a very small audience. As a result, they provide a narrow or parochial view of the business, not an enterprise view. In addition, these dashboards often contain data and metrics that do not align with the rest of the organization, leading to confusion and chaos.

In the end, performance dashboards are only as effective as the organizations they seek to measure. Organizations without central control or coordination will deploy a haphazard jumble of non-integrated performance dashboards. However, organizations that have a clear strategy, a positive culture, and a strong information infrastructure can deliver performance management systems that make a dramatic impact on performance.

For more information on this book go [here](#).

For more information on dashboards go [here](#).

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