

Reporting Performance Measures

Weekly/Monthly Updates to Management and CEO

There are endless ways these can be shown (see Exhibit 14.5) through icons, gauges, traffic lights, and so on. There are many reporting tools available that are more robust than a basic spreadsheet. It is highly likely that your organization has the license to use at least one such reporting tool.

Stephen Few has introduced a new concept called “bullet” graphs. These are particularly powerful when combined with Edward Tufte’s⁵ “sparkline” graphs, see Exhibit 14.6.

A sparkline graph looks like a line graph without the axes. Even with this truncated diagram you can still see the trend. The bullet graph shows different details about current performance. The shades used range from dark gray (to indicate poor performance) through to lightest gray (to indicate good performance). The dark vertical line indicates a comparative measure such as a target or last year’s result.

Stephen Few is very cautious about the use of color. He points out that many readers will have some form of color blindness. In Exhibit 14.5b, the only use of color would be red bullet points indicating the exceptions that need investigation and follow up.

Reporting Performance Measures to Staff

It is a good idea to have some form of monthly icon report for staff. If this report happens to be left on a bus, it would not be damaging to the organization if it found its way to a competitor. Icon reports are ideal because they tell you what is good, what is adequate, and what needs to be improved without giving away core data. Exhibit 14.7 is an example of an icon staff report that covers the critical success factors and reminds staff about the strategies.

Reporting Performance Measures to the Board

Entities in the private and public sectors need to report to a board, a council, or an elected government official. To simplify, let’s call the reporting body a board.

Winning KPI Methodology

Sales Dashboard

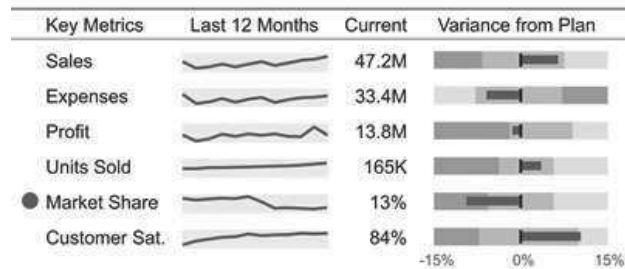


EXHIBIT 14.6 Combination of “Sparklines” and “Bullet” Graphs

Source: Used with the permission of Stephen Few, www.perceptualedge.com.

In most organizations that have boards, there is a major conflict of interest over what information is appropriate for the board to receive. Because the board's role is clearly one of governance and not of management, it is totally inappropriate to be providing the board with KPIs. As mentioned in Chapter 2, it is a myth that a balanced scorecard can report progress to both management and the board.

To me, KPIs are the very heart of management. Used properly, many of them are monitored 24/7 or at least weekly; they are certainly not measures to be reported monthly or bimonthly to the board.

We need indicators of overall performance that need only be reviewed on a monthly or bimonthly basis. These measures need to tell the story about whether the organization is being steered in the right direction at the right speed, whether the customers and staff are happy, and whether we are acting in a responsible way by being environmentally friendly.

These measures are called key result indicators (KRIs). Typically a board would need to see between 6 and 12 graphs covering the critical success factors and all six balanced scorecard perspectives. These measures work particularly well in helping the board focus on strategic, rather than management, issues, and they will support management in their thrust to move board meetings away from the monthly cycle. These KRIs are best reported in a dashboard.

A dashboard should be a one-page display (see Exhibit 14.8) with the graphs, summary financials, and commentary all appearing on the page.

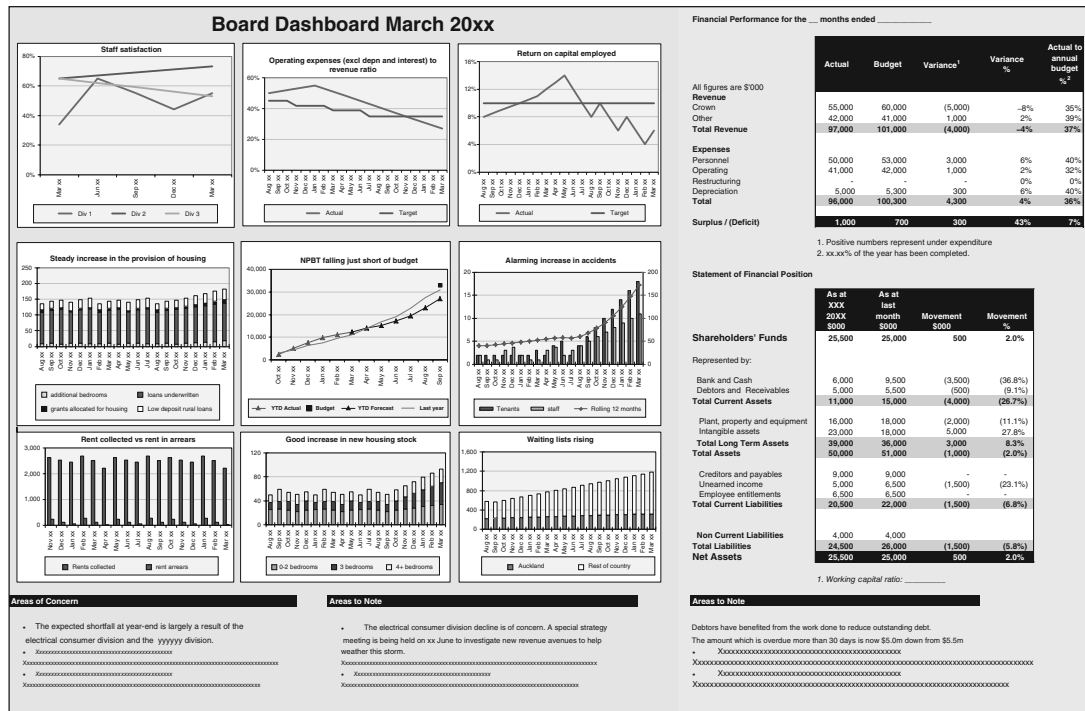


EXHIBIT 14.8 Board Dashboard on a Large (A3/U.S. Fanfold) Page

An extract from David Parmenter's white paper 'Decision Based Reporting - producing reports that make a difference' visit www.davidparmenter.com. This template is available to you from my website. The password is on the slides deck.

Reporting Performance Measures

A board dashboard completed overnight

One accountant, after attending a KPI workshop went home and prepared a Board dashboard for the board meeting the following day. It was not hard as most of the graphs required had been prepared for previous papers. He simply updated and repositioned them. He arrived early to meet the Chairman and said, "I know you do not like surprises but I have just prepared a one page summary of the organization, I think you will find it useful". The Chairman agreed and opened the Board meeting explaining the origins of this new one pager. It was such a success that accountant was instructed to make it the first page of all future the Board papers.

To help teams, there are ten good KRIs graphs in Exhibit 14.9 that you might want to use.

EXHIBIT 14.9 Key Result Indicators for a Board

Source: David Parmenter, Winning CFOs: Implementing and Applying Better Practices. Copyright © 2011 by David Parmenter. Reprinted with permission of John Wiley & Sons, Inc.

Staff satisfaction:
 No different or less important than customers' satisfaction. As one person said, "Happy staff make happy customers, which makes happy shareholders." If you believe in this connection, run a survey now! A staff satisfaction survey need not cost the earth and should never be done covering all staff; instead it should be replaced by a rolling survey. See my article on "How to seek staff opinion and not blow your budget" www.davidparmenter.com.

Month	Div 1 (%)	Div 2 (%)	Div 3 (%)
Mar xx	35	65	65
Jun xx	65	65	65
Sep xx	65	65	65
Dec xx	65	45	65
Mar xx	65	55	75

(continued)

Winning KPI Methodology

EXHIBIT 14.9 (Continued)

<p>Expenses to revenue as a ratio:</p> <p>The Board should be interested in how effective the organization has been in utilizing technology and continuous improvement to ensure cost of operations is tracking well against revenue.</p>	<p>Expense to revenue ratio in line with expectations</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Actual (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr><td>Aug xx</td><td>48</td><td>45</td></tr> <tr><td>Sep xx</td><td>45</td><td>45</td></tr> <tr><td>Oct xx</td><td>42</td><td>45</td></tr> <tr><td>Nov xx</td><td>42</td><td>45</td></tr> <tr><td>Dec xx</td><td>42</td><td>45</td></tr> <tr><td>Jan xx</td><td>42</td><td>45</td></tr> <tr><td>Feb xx</td><td>42</td><td>45</td></tr> <tr><td>Mar xx</td><td>42</td><td>45</td></tr> <tr><td>Apr xx</td><td>42</td><td>45</td></tr> <tr><td>May xx</td><td>42</td><td>45</td></tr> <tr><td>Jun xx</td><td>42</td><td>45</td></tr> <tr><td>Jul xx</td><td>42</td><td>45</td></tr> <tr><td>Aug xx</td><td>42</td><td>45</td></tr> <tr><td>Sep xx</td><td>42</td><td>45</td></tr> </tbody> </table>	Month	Actual (%)	Target (%)	Aug xx	48	45	Sep xx	45	45	Oct xx	42	45	Nov xx	42	45	Dec xx	42	45	Jan xx	42	45	Feb xx	42	45	Mar xx	42	45	Apr xx	42	45	May xx	42	45	Jun xx	42	45	Jul xx	42	45	Aug xx	42	45	Sep xx	42	45															
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<p>Customer satisfaction:</p> <p>This needs to be measured at worst every three months by using statistical samples and focusing on your top 10 to 20 percent of customers (the ones that are generating most if not all of your bottom line). This process does not need to be overly expensive. If you think once a year is adequate for customer satisfaction, stick to running a sports club as you are not safe in the public or private sectors.</p>	<p>Key customers' satisfaction</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Customers group A (%)</th> <th>Customers group B (%)</th> <th>Customers group C (%)</th> </tr> </thead> <tbody> <tr><td>Sep xx</td><td>65</td><td>65</td><td>65</td></tr> <tr><td>Dec xx</td><td>65</td><td>65</td><td>65</td></tr> <tr><td>Mar xx</td><td>65</td><td>65</td><td>65</td></tr> <tr><td>Jun xx</td><td>65</td><td>65</td><td>65</td></tr> <tr><td>Sep xx</td><td>65</td><td>65</td><td>65</td></tr> </tbody> </table>	Month	Customers group A (%)	Customers group B (%)	Customers group C (%)	Sep xx	65	65	65	Dec xx	65	65	65	Mar xx	65	65	65	Jun xx	65	65	65	Sep xx	65	65	65																																				
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<p>Value of new business:</p> <p>All businesses in the private sector need to focus on the growth of their rising stars. It is important to monitor the pickup of this new business, especially among the top 10 to 20 percent of customers.</p>	<p>Value of new business taking off</p> <table border="1"> <thead> <tr> <th>Month</th> <th>New product 1</th> <th>New product 2</th> <th>New product 3</th> </tr> </thead> <tbody> <tr><td>Aug xx</td><td>1.5</td><td>1.0</td><td>0.5</td></tr> <tr><td>Sep xx</td><td>2.0</td><td>1.5</td><td>1.0</td></tr> <tr><td>Oct xx</td><td>2.5</td><td>2.0</td><td>1.5</td></tr> <tr><td>Nov xx</td><td>3.0</td><td>2.5</td><td>2.0</td></tr> <tr><td>Dec xx</td><td>3.5</td><td>3.0</td><td>2.5</td></tr> <tr><td>Jan xx</td><td>4.0</td><td>3.5</td><td>3.0</td></tr> <tr><td>Feb xx</td><td>4.5</td><td>4.0</td><td>3.5</td></tr> <tr><td>Mar xx</td><td>5.0</td><td>4.5</td><td>4.0</td></tr> <tr><td>Apr xx</td><td>5.5</td><td>5.0</td><td>4.5</td></tr> <tr><td>May xx</td><td>6.0</td><td>5.5</td><td>5.0</td></tr> <tr><td>Jun xx</td><td>6.5</td><td>6.0</td><td>5.5</td></tr> <tr><td>Jul xx</td><td>7.0</td><td>6.5</td><td>6.0</td></tr> <tr><td>Aug xx</td><td>7.5</td><td>7.0</td><td>6.5</td></tr> <tr><td>Sep xx</td><td>8.0</td><td>7.5</td><td>7.0</td></tr> </tbody> </table>	Month	New product 1	New product 2	New product 3	Aug xx	1.5	1.0	0.5	Sep xx	2.0	1.5	1.0	Oct xx	2.5	2.0	1.5	Nov xx	3.0	2.5	2.0	Dec xx	3.5	3.0	2.5	Jan xx	4.0	3.5	3.0	Feb xx	4.5	4.0	3.5	Mar xx	5.0	4.5	4.0	Apr xx	5.5	5.0	4.5	May xx	6.0	5.5	5.0	Jun xx	6.5	6.0	5.5	Jul xx	7.0	6.5	6.0	Aug xx	7.5	7.0	6.5	Sep xx	8.0	7.5	7.0
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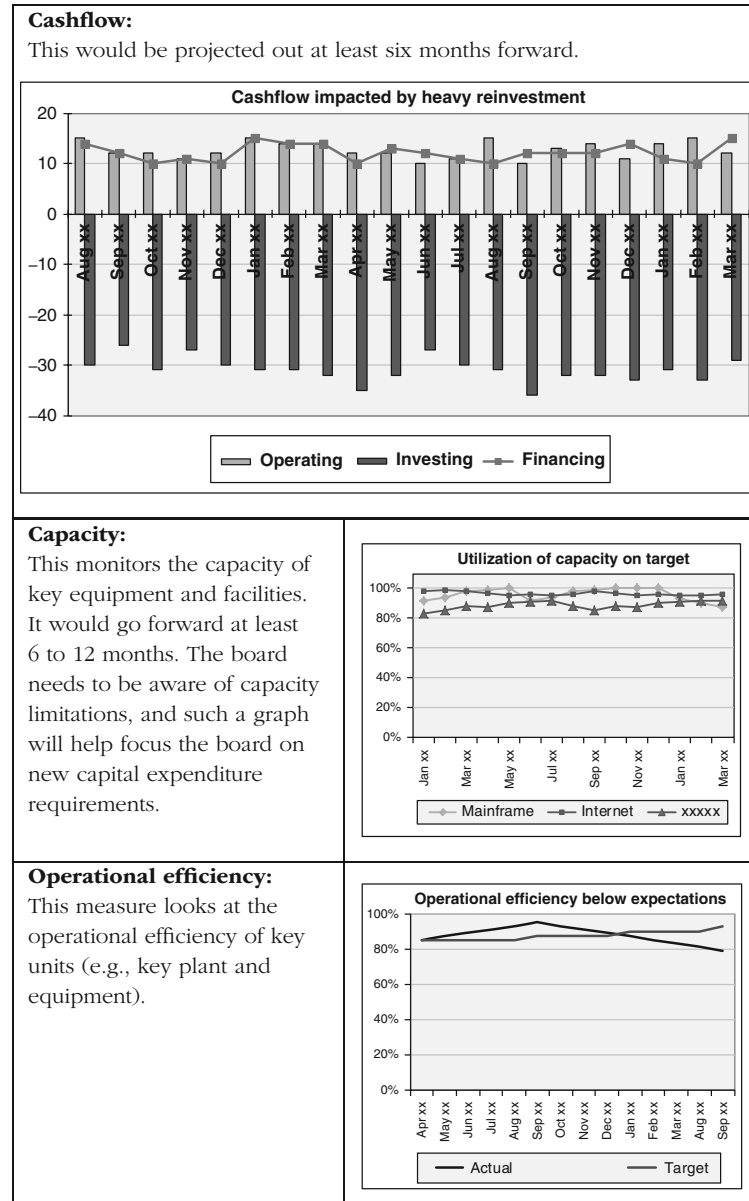
EXHIBIT 14.9 (Continued)

<p>Net profit before tax (NPBT): Since the board will always have a focus on the year-end, it is worthwhile showing the cumulative NPBT. This graph will include the most recent forecast which should be updated on a quarterly basis. Access my article "Throw away your budget" www.davidparmenter.com.</p>	<p>NPBT forecasted to be below plan</p> <table border="1"> <thead> <tr> <th>Month</th> <th>YTD Actual</th> <th>YTD Forecast</th> <th>Budget</th> <th>Last year</th> </tr> </thead> <tbody> <tr><td>Apr xx</td><td>2,000</td><td>2,000</td><td>2,000</td><td>2,000</td></tr> <tr><td>May xx</td><td>5,000</td><td>5,000</td><td>5,000</td><td>5,000</td></tr> <tr><td>Jun xx</td><td>8,000</td><td>8,000</td><td>8,000</td><td>8,000</td></tr> <tr><td>Jul xx</td><td>10,000</td><td>10,000</td><td>10,000</td><td>10,000</td></tr> <tr><td>Aug xx</td><td>12,000</td><td>12,000</td><td>12,000</td><td>12,000</td></tr> <tr><td>Sep xx</td><td>14,000</td><td>14,000</td><td>14,000</td><td>14,000</td></tr> <tr><td>Oct xx</td><td>16,000</td><td>16,000</td><td>16,000</td><td>16,000</td></tr> <tr><td>Nov xx</td><td>18,000</td><td>18,000</td><td>18,000</td><td>18,000</td></tr> <tr><td>Dec xx</td><td>20,000</td><td>20,000</td><td>20,000</td><td>20,000</td></tr> <tr><td>Jan xx</td><td>22,000</td><td>22,000</td><td>22,000</td><td>22,000</td></tr> <tr><td>Feb xx</td><td>24,000</td><td>24,000</td><td>24,000</td><td>24,000</td></tr> <tr><td>Mar xx</td><td>26,000</td><td>26,000</td><td>26,000</td><td>26,000</td></tr> </tbody> </table>	Month	YTD Actual	YTD Forecast	Budget	Last year	Apr xx	2,000	2,000	2,000	2,000	May xx	5,000	5,000	5,000	5,000	Jun xx	8,000	8,000	8,000	8,000	Jul xx	10,000	10,000	10,000	10,000	Aug xx	12,000	12,000	12,000	12,000	Sep xx	14,000	14,000	14,000	14,000	Oct xx	16,000	16,000	16,000	16,000	Nov xx	18,000	18,000	18,000	18,000	Dec xx	20,000	20,000	20,000	20,000	Jan xx	22,000	22,000	22,000	22,000	Feb xx	24,000	24,000	24,000	24,000	Mar xx	26,000	26,000	26,000	26,000
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<p>Health and safety: All boards are interested in this area as the well-being of staff is a much higher priority these days.</p>	<p>Reported accidents dropping</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Div1</th> <th>Div2</th> <th>Rolling 12 months</th> </tr> </thead> <tbody> <tr><td>Aug xx</td><td>5</td><td>5</td><td>14</td></tr> <tr><td>Sep xx</td><td>10</td><td>10</td><td>14</td></tr> <tr><td>Oct xx</td><td>10</td><td>10</td><td>14</td></tr> <tr><td>Nov xx</td><td>17</td><td>6</td><td>14</td></tr> <tr><td>Dec xx</td><td>12</td><td>12</td><td>14</td></tr> <tr><td>Jan xx</td><td>3</td><td>3</td><td>14</td></tr> <tr><td>Feb xx</td><td>4</td><td>4</td><td>14</td></tr> <tr><td>Mar xx</td><td>5</td><td>5</td><td>14</td></tr> <tr><td>Apr xx</td><td>6</td><td>6</td><td>14</td></tr> <tr><td>May xx</td><td>12</td><td>12</td><td>14</td></tr> <tr><td>Jun xx</td><td>5</td><td>5</td><td>14</td></tr> <tr><td>Jul xx</td><td>2</td><td>2</td><td>14</td></tr> <tr><td>Aug xx</td><td>6</td><td>6</td><td>14</td></tr> <tr><td>Sep xx</td><td>3</td><td>3</td><td>14</td></tr> </tbody> </table>	Month	Div1	Div2	Rolling 12 months	Aug xx	5	5	14	Sep xx	10	10	14	Oct xx	10	10	14	Nov xx	17	6	14	Dec xx	12	12	14	Jan xx	3	3	14	Feb xx	4	4	14	Mar xx	5	5	14	Apr xx	6	6	14	May xx	12	12	14	Jun xx	5	5	14	Jul xx	2	2	14	Aug xx	6	6	14	Sep xx	3	3	14					
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<p>Return on capital employed: The old stalwart of reporting. The difference now that it is no longer a KPI, but a KRI.</p>	<p>Return on capital employed recovering</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Actual</th> <th>Target</th> </tr> </thead> <tbody> <tr><td>Aug xx</td><td>8%</td><td>10%</td></tr> <tr><td>Sep xx</td><td>9%</td><td>10%</td></tr> <tr><td>Oct xx</td><td>10%</td><td>10%</td></tr> <tr><td>Nov xx</td><td>11%</td><td>10%</td></tr> <tr><td>Dec xx</td><td>12%</td><td>10%</td></tr> <tr><td>Jan xx</td><td>10%</td><td>10%</td></tr> <tr><td>Feb xx</td><td>9%</td><td>10%</td></tr> <tr><td>Mar xx</td><td>13%</td><td>10%</td></tr> <tr><td>Apr xx</td><td>8%</td><td>10%</td></tr> <tr><td>May xx</td><td>10%</td><td>10%</td></tr> <tr><td>Jun xx</td><td>9%</td><td>10%</td></tr> <tr><td>Jul xx</td><td>10%</td><td>10%</td></tr> <tr><td>Aug xx</td><td>10%</td><td>10%</td></tr> <tr><td>Sep xx</td><td>10%</td><td>10%</td></tr> <tr><td>Oct xx</td><td>6%</td><td>10%</td></tr> <tr><td>Nov xx</td><td>8%</td><td>10%</td></tr> <tr><td>Dec xx</td><td>6%</td><td>10%</td></tr> <tr><td>Jan xx</td><td>5%</td><td>10%</td></tr> <tr><td>Feb xx</td><td>4%</td><td>10%</td></tr> <tr><td>Mar xx</td><td>6%</td><td>10%</td></tr> </tbody> </table>	Month	Actual	Target	Aug xx	8%	10%	Sep xx	9%	10%	Oct xx	10%	10%	Nov xx	11%	10%	Dec xx	12%	10%	Jan xx	10%	10%	Feb xx	9%	10%	Mar xx	13%	10%	Apr xx	8%	10%	May xx	10%	10%	Jun xx	9%	10%	Jul xx	10%	10%	Aug xx	10%	10%	Sep xx	10%	10%	Oct xx	6%	10%	Nov xx	8%	10%	Dec xx	6%	10%	Jan xx	5%	10%	Feb xx	4%	10%	Mar xx	6%	10%		
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Winning KPI Methodology

EXHIBIT 14.9 (Continued)



Reporting Performance Measures

There are some key points that need to be understood about the graphs in Exhibit 14.9, including:

- The rules of Stephen Few covered in this chapter need to be understood and applied.
- The guidelines in Task 2, Establish a Suite of Meaningful Graphs That Are Easy to Understand, in Chapter 13 should also be applied.
- From experience, you will only need to report the six to nine measures most relevant to the board.
- Trend analysis is required, going back at least 15 months to ensure any seasonality in the operations is captured. Remember business has no respect or interest in your year-end; it is merely an arbitrary point in time.
- There is no room to show a flawed monthly or year-to-date budget line, an arbitrary apportionment of the annual planning number that was done at the last minute and was wrong from the very start. It is like setting your race plan for the Americas Cup regardless of the wind conditions on the day of racing. See my current articles on this at www.qrf.davidparmenter.com/articles/.
- Key turning points on graphs should be explained by a note on the graph and comments need to highlight major issues.

Reporting Team Performance Measures

Set out in Exhibits 14.10 and 14.11 are examples of the weekly and monthly reporting a team would do to monitor its own performance.

EXHIBIT 14.10 Example of a Weekly Team-Progress Update

Source: David Parmenter, *Winning CFOs: Implementing and Applying Better Practices*. Copyright © 2011 by David Parmenter. Reprinted with permission of John Wiley & Sons, Inc.

Weekly Progress Update During May			
	Week 1	Week 2	Target (month)
Proactive visits to in-house clients	0	1	6
Number of staff recognitions made	0	0	6
Projects in progress	7	7	<8
Reports/documents still in draft mode	12	15	<5
Initiatives underway based on satisfaction survey	0	0	5 by 30 June