KPI Dashboards for Small Business: Measure It to Manage It

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Business process management (BPM), quality circles and Kaizen are widely adopted programs to implement continual improvement. Large corporations have devoted significant resources to BPM, optimizing operations in a department or across divisions. In the past, installation and maintenance costs put the software out of reach for most small businesses. Cloud-based platforms now make BPM and data visualizations possible with no programming knowledge and at a minimal cost. There are numerous good software options to gather, analyze and package performance metrics in an easy-to-understand, graphical format. CPAs should encourage their clients to use performance metrics to help grow their businesses.

DATA VISUALIZATION USE

Data visualization software automates data connection and retrieval and allows the user to create informative and valuable visualizations. Previously available only as part of high-end business intelligence platforms, data visualization options have exploded. Now it is possible to purchase a monthly subscription to a dashboard platform with a variety of drag-and-drop templates that will meet the data visualization needs of all but the largest and most sophisticated corporations.

Infographics, pie charts, bar graphs, Venn diagrams and scatter plots are pervasive today because they are effective. A pie chart, for example, quickly communicates the relationship of parts to a whole, as well as to each other; understanding the same information from a data table or a verbal description would take longer and have less impact.

Infographics are just one method to represent data graphically and intended mainly for readers with general knowledge. Businesses often use them in marketing collateral or shareholder reports. They describe simple numerical relationships like when A increases, B decreases. For an audience with a particular industry or technical background, statistical graphics like histograms or probability plots present more complex data relationships.

DASHBOARDS BRING TEAMS TOGETHER

In many corporations, cross-functional teams are assembled to advance a company-wide goal. Management chooses members because of their in-depth knowledge of an area. Their responsibility is to jointly monitor the progress toward some performance initiative, like improving quality on a product line. Each member's everyday concerns can be substantially different from others sitting at the table. Company meetings for small businesses can be very similar. When staffing of a department is only one or two people deep, there isn't a lot of knowledge overlap. For either group to function, no matter the company size, finding common ground is vital.

To accomplish an initiative across departments or divisions, people of different backgrounds need a common agenda and the knowledge to make informed decisions. A single page graphical format called a dashboard meets both needs. Here's how it is constructed.

Team members and leadership start by selecting a few metrics to track certain conditions or performance levels that are critical for the desired outcome. Those metrics are known as key performance indicators, or KPIs, and will be presented in the dashboard. Only a handful of metrics can rightly be called key, so a dashboard should contain no more than 10 to 12 KPIs. Members choose a KPI from their area of responsibility and an associated target value for it at the period end.

With a few more steps, the dashboard can be ready to launch. The frequency of group meetings will determine how often data should be reported. Some software packages host real-time KPI dashboards online. The contributor of each KPI should be responsible for coordinating the transfer of data that his or her metric tracks. Also, someone must take on software selection and implementation. Typically, software platforms have templates that are data-ready as well as options to choose the size, position and type for each indicator included.

It will take some time to settle on a format as well as KPIs that are worth the effort to track. Each meeting of the group should begin with a review of the KPI dashboard. As data accumulates over time, attendees will start to recognize data trends and see how KPIs are interrelated. It is also likely that some KPIs will show little activity. Maybe the sampling period is too small to exhibit much change. Some KPIs may start as very sensitive to changes in conditions; others might appear to be very insensitive. Be patient and consider minor tweaks before significant changes. The rewards of sticking with the process could be quite substantial.

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