



RKM
Research & Communications

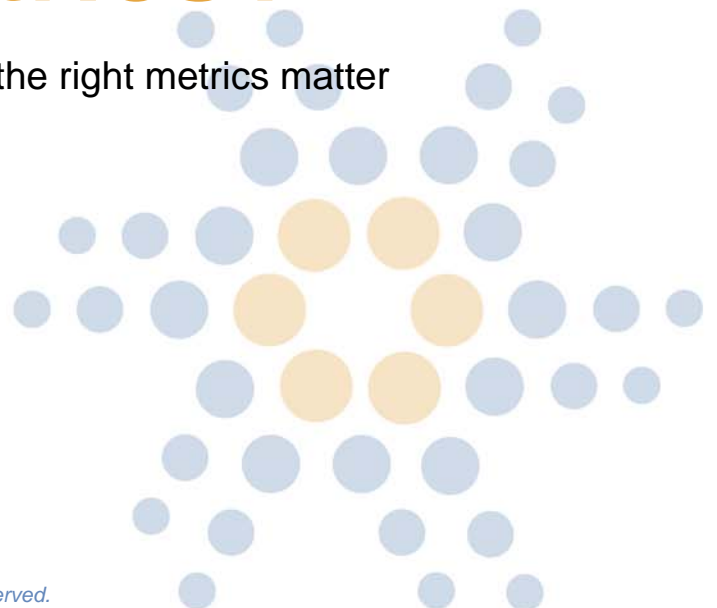
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WHITE PAPER



Why Use Dashboard Metrics?

Because the right metrics matter





Executive summary

This paper discusses the power of dashboards for companies attempting to track the metrics that matter most to their institutional success. Dashboards can help companies track strengths and weaknesses, show performance and direct future planning, if they are designed correctly.

Unfortunately, many dashboards are based on flawed metrics and measurement techniques that are not predictive of success. These dashboards will not lead to profitable growth and success for companies, just misspent resources.

RKM uses the Path of Adoption and Advocacy to frame all of its research. This makes it possible to measure the metrics that matter—the metrics that actually correlate with institutional success. Building dashboards based on these metrics will yield actionable insight and profitable growth.

Why does your company need a dashboard?

Dashboards are a popular new trend in measuring and tracking company performance. In fact, you probably know of a company that has already implemented a dashboard. While dashboards represent a useful way to manage to specific metrics, too often dashboards are not focused on the right metrics, which are the ones that predict organizational success. A dashboard can be a critical tool for company decision-making provided that it is comprised of metrics that are the best predictors of success.

One goal of a dashboard is to align metrics with the strategic goals of the company. A dashboard allows sharing of key information between different departments in the company to ensure that they are all aligned toward the company's core value proposition (Clark, Abela, & Ambler, 2006).

A dashboard can be considered “one-stop shopping” for your company. You can look at it and immediately get a sense of how your company is performing and where it stands in relation to its competitors and the overall market. A dashboard can pinpoint your company's strengths (i.e., the areas in which it is performing well or above industry/competitor metrics) and challenges (i.e., the areas in which it is rated lower than industry/competitor metrics).



A dashboard focuses attention on the metrics that affect your company's success. Managers do not have to weed through pages of unnecessary data that are not meaningful. Instead, a dashboard can identify and display data based on advanced analysis of the right metrics. Managers can make well-informed, evidence-based decisions derived from the information in a dashboard. Focused drill-downs into the data within a dashboard also allow managers or departments to focus their attention on a specific area and, if possible, work to improved identified weaknesses (Few, 2005, Effective dashboard design).

More and more, managers are looking to move beyond historical and descriptive data, and using forecasting and predictive measures to inform their decision-making. There is also a growing trend toward data-driven decision-making. Successful organizations are shifting from decisions driven by beliefs, ideology and past experiences, to evidence-based management (Pfeffer, & Sutton, 2006). An increasing number of managers require data to back up all decisions made in the organization. A dashboard that utilizes the metrics that matter as outlined in the path of adoption and the path of advocacy as we will discuss in this paper is critical to successful management.

Why traditional methods do not work

Dashboards are a trendy tool in business right now and many companies utilize them, or a similar product, in their decision-making. Dashboards have become increasingly more sophisticated thanks to new and more advanced information technology and increased availability of data. However, increased sophistication does not necessarily result in a valuable dashboard.

Data in a dashboard must be meaningful to viewers and easily understood. Only a few key metrics should be introduced in a dashboard. Your audience does not want tons of data; they want disciplined thinking and well-researched information. It is important to remember that the main objective of a dashboard is communication, not distracting viewers with elaborate graphics, gauges and dials (Few, 2005). Some companies that utilize a dashboard may also run into issues with data integrity. The data in a dashboard should be clean, usable and integrated in a way that is meaningful to the company. This emphasizes the importance of including the IT department in the dashboard development from the onset of the project. IT will understand the available infrastructure for a dashboard and what your company can and cannot do when creating a dashboard. IT will work with the data and maintain the integrity of the data in the dashboard and keep it up and running over time (Few, 2005).



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A useful dashboard will be tailored to the company and include unique measures that best predict its success (Harvard Business School, 2007). A “one size fits all” dashboard is not beneficial for the company. Conducting research to discover the measures that are specific to your company will create a dashboard that will provide actionable information.

Another potential problem with dashboards is focusing on only one aspect of the company, such as marketing activities. A successful dashboard will integrate all departments within the company in order to get a more complete picture of company health. Also, some dashboards only show short-term targets and results, such as sales figures, rather than focusing on critical, long-term predictive indicators (MacDonald, 2006).

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When creating a dashboard, it is not useful to throw up values haphazardly or only include those figures that make the company look good and keep the CEO happy. This way of thinking can prevent companies from staying focused on the metrics that actually predict success. In the book, “Moneyball,” baseball managers focused their decision-making on indicators that were better predictors of success rather than the traditional metrics that managers would focus on (Lewis, 2003). The author, Michael Lewis, shows how Bill James and Billy Beane transformed major league baseball by demonstrating how improving efficiency can leverage limited resources and create success. What James and Beane did was to redefine the metrics used to evaluate the value of each major league baseball player to a team. Instead of looking at traditional indicators like batting averages and earned run averages, Beane re-focused baseball on walks, on-base percentages and other metrics—because they are a better predictor of success (i.e., winning baseball games). This way of thinking can also be applied to marketing. But what are the metrics that should be measured?



Although many dashboards are focused on measures of customer satisfaction, research from Harvard Business School suggests that it is not the most useful metric of performance.

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It is widely believed that customer satisfaction is synonymous with customer loyalty and that organizations should highlight satisfaction metrics in a dashboard. However, research conducted by Jones and Sasser (Jones & Sasser, 1995) suggests that this is not the case. Based on satisfaction data from over 30 organizations, they found that the predicted linear relationship between satisfaction and behavioral loyalty held up in only 20 percent of the cases. Reichheld (Reichheld, 2003) also found that satisfaction does not predict profitability. Based on Jones and Sasser’s and Reichheld’s findings, satisfaction is an imperfect measure and does not belong in a dashboard because: 1) it does not predict behavioral loyalty; and 2) it does not predict profitability. Managing to customer satisfaction is not the best way to grow profitability because satisfied customers defect (Jones, & Sasser, 1995). Satisfaction measures are not the best use of the limited space in a dashboard as other measures are better predictors of organizational success.

The RKM Path of Adoption and Path of Advocacy

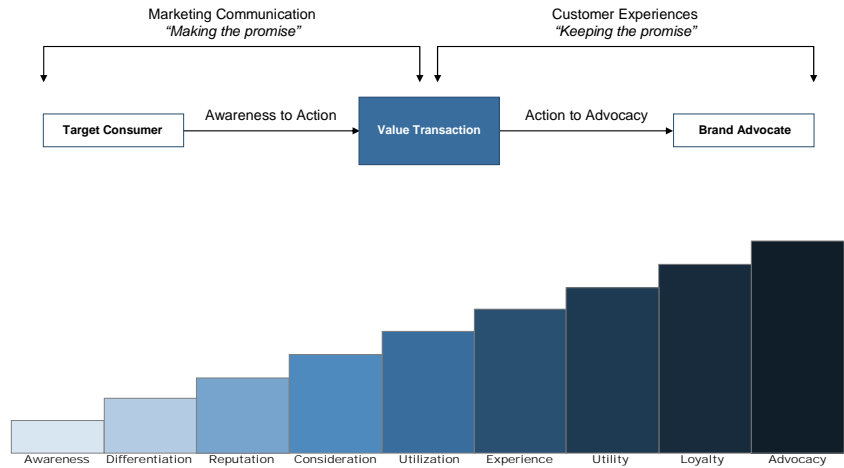
It is important that managers pay attention to financial metrics, but consumer-based metrics are also important. Our approach utilizes the best consumer-based metrics, and is focused on the path of adoption and the path of advocacy. The pathway follows consumers from awareness to action and from action to advocacy, and is focused on both acquisition and retention of consumers. Our approach is a more efficient way to utilize a dashboard because we focus on the indicators of business success, rather than non-predictive indicators and metrics that do not help managers make better business decisions.

According to Reichheld, consumers’ likelihood to recommend—or the “Net Promoter Score”—is the number one predictor of business profitability. We believe that if consumers’ likelihood to recommend (i.e., a propensity to recommend) is a powerful predictor of business success, a natural extension would be to actually track the frequency and content of consumers’ conversations with others. Specifically, the frequency of positive and negative statements about a particular product, service or company is a more powerful predictor of brand health.



This is only one of the consumer-based measures that we incorporate in our dashboards. Other measures are incorporated that will help to attract customers and increase consideration of your organization—from awareness to action—and then move customers through the second half of the pathway—from action to advocacy. The RKM Path of Adoption and Advocacy helps companies determine the 2 to 4 most important metrics to include in your dashboard.

The RKM Path of Adoption and Advocacy



These metrics are included in the dashboard because they are the best predictors of success. Seeing where your company ranks in these measures, and how it compares over time and with its competitors, can help managers focus their attention on key areas for actionable decision-making.





Ways to present the information in a dashboard

A good dashboard should be very clear and simple, and provide an easy-to-use interface. Data should be well-organized and arranged properly within the dashboard. You want the audience to look at a dashboard and immediately be able to tell where the company stands in key areas (i.e., whether the company is doing “well” or “poorly”). All information in a dashboard should be able to be viewed in one glance (i.e., a single screen) in order to be most efficient. This way, all departments get a sense of the “big picture” and see the interconnectivity of department activities within the company (Few, 2005).

It is critical that a company’s dashboard is relevant to the specific audience so that it is meaningful and actionable (Raab, 2006). A dashboard may be altered depending on the information and the precision the audience requires. Drill-downs into the data within the dashboard are useful to display more detailed information to those who want it (Few, 2005). It is also important that measures are meaningful; that is, showing measures in the right context, such as making comparisons with competitors or over time, in order to get a better sense of your company’s position in the market. A dashboard that is overcrowded with metrics is not useful to your company. You need to choose metrics based on the path of adoption and the path of advocacy and the specific needs of the company in order to portray a clean dashboard design that will promote profitable decision-making.



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