CFO insights

Dashboards and key performance indicators as the link between strategy and execution

Petra Hazenberg
Partner
Advisory & Consulting
Strategy, Regulatory & Corporate Finance
Deloitte

Jan Vandenhende
Manager
Advisory & Consulting
Strategy, Regulatory & Corporate Finance
Deloitte

To ensure business growth and contribute to profitability, CFOs have to expand their areas of intervention. Traditionally, CFOs have provided businesses with different types of performance reporting, be it through financial dashboards, balanced scorecards, closing consolidations and reporting, key performance indicators, enterprise planning, budgeting or forecasting.

Today, additional functions are demanded from CFOs to assist businesses in monitoring and improving performance. Product margin monitoring, client profitability monitoring, risk measurement and control as well as measuring and monitoring process efficiency improvements are examples of where CFOs are increasingly assisting businesses. Dashboards and key performance indicators are essential elements for driving businesses to execute the organisation's vision and strategy and provide management with a constant pulse of the company's performance.

Can your business rely on the finance function to drive the monitoring of financial and operational performance?

CFOs as trusted strategic advisers and sources of management information

Information is knowledge and knowledge is power. Organisations' finance functions have the unique ability to provide financial and operational information to businesses. The quality of the information is defined by four characteristics; the first being transparency. Information should be simplified and easy to understand. It should represent the true picture of performance and should therefore also be accurate. A third characteristic is

timeliness, where information is provided rapidly following period completion and near real-time information is available to investors. A final characteristic is predictability, where continuous planning provides management and investors with the data needed to react to changes in the business environment.

In today's economy, CFOs become trusted strategic advisers as businesses turn to finance functions for several needs which traditionally would not have been featured in the management's decision-making mechanism. We note the following:

- CFOs take charge of the risk management strategy via the production and maintenance of consolidated dashboards and linking accounting and risk information due to increased group finance and risk alignment
- CFOs are key in product margin monitoring to ensure proper consideration and evaluation of profit/cost ratios per product and that the margin is aligned with the firm's cost structure during the product lifecycle
- CFOs intervene in assessing client profitability (net capital inflow) and produce analyses and reporting on profitability as well as the solvency level at the beginning and throughout the business relationship
- CFOs are deeply involved in assessing process efficiency, as they can provide data and analyses, which render the assessment of operational cost/margin ratios possible. They can also work alongside the COO to identify a possible lack of optimisation within the organisation
- CFOs take a lead in communication processes, both internally and externally, with the production of three key elements of improved quality and at a higher frequency: reporting, dash-boarding and budgeting

Dashboards are synthetic documents that provide operational staff and managers with sufficient and reliable data necessary for activity monitoring. Dashboards display financial and non-financial performance indicators and facilitate enhanced steering of the organisation's key activities. They allow an organisation to:

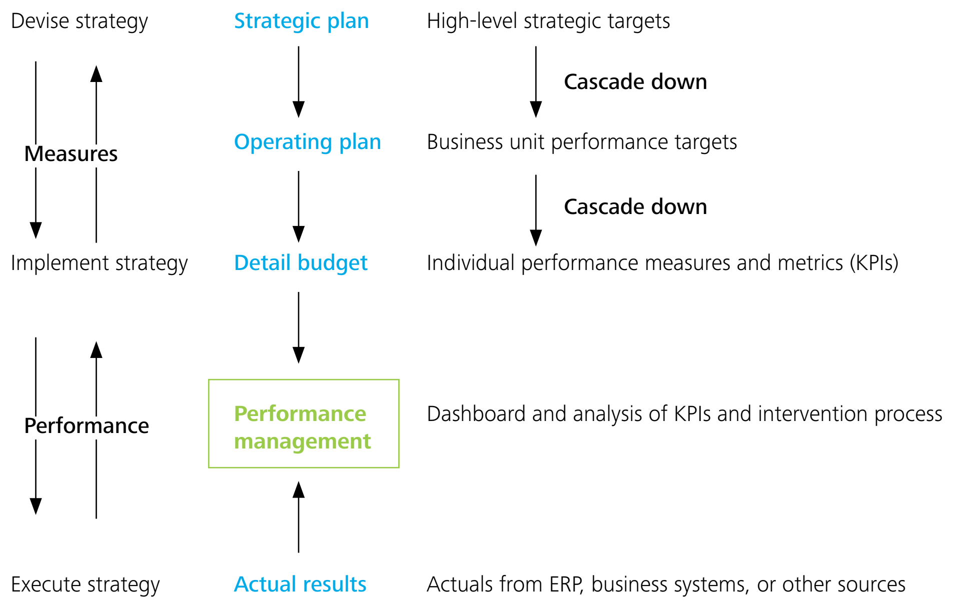
Plan and target
- Clear links between strategic planning, budgeting and management reporting are created
- Top-down guidance is provided throughout the organisation
- Finance can engage with operations at the appropriate level in order to plan and budget
- Planning and budgeting is completed using standardised and common approaches across the organisation

Measure and evaluate
- Management at all levels can understand how the business is performing
- Management reporting is created using organisation-wide standard processes, enabling the creation of 'one version of the truth'
- Financial reporting is created using standard organisation-wide processes that are controlled and reduce the likelihood of external reporting errors
- Management uses its time to focus on analysing results and not manipulating reports and data

Intervene and realign
- Allows management to take corrective action
- Allows management to update forecasts based on market and economic conditions
- Information acquired in these processes is used to update the strategy and next year's plan and budget, thus facilitating the continuous process

The picture below demonstrates how the finance function can align and cascade the KPIs down throughout the organisation.

Strategy, execution and performance management



Dashboards and key performance indicators are built around strategic objectives. They link strategic targets with operational performance targets and allow performance measures and metrics to be identified to monitor the organisation's performance and react to changes in the business and economic environment. Therefore, dashboards and KPIs drive the implementation of the organisation's strategy and assist management in monitoring the execution of the strategy against the actual results.

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