Owners, Presidents, General Managers – START YOUR ENGINES!

By James Shearer

Running a small-to-medium sized manufacturing business can be analogous to competitively racing a high performance automobile. The driver needs continuous, instantaneous feedback on how the car is performing to increase the likelihood of winning the race on the track. The manufacturing business leader needs continuous, instantaneous feedback on how the enterprise is performing to increase the likelihood of winning the race in today's highly competitive marketplace.

The race car driver has a dashboard that monitors and provides the desired feedback on the vehicle's performance. Through the dashboard the driver has immediate access to a limited amount of critical information necessary to optimize the performance of the car. Because the car is designed specifically to win races, it pushes performance parameters to the very limit to gain every possible advantage over the competition. The critical items for a racing car might include vehicle speed, engine RPM, oil temperature and pressure, cooling system temperature and pressure, electrical system voltage, tire pressure, fuel conditions, and others. Being aware of and "managing" these limited but critical parameters is part of what makes the driver successful.

Similarly, the owner, president, or general manager (hereafter collectively referred to as the GM) can gain tremendous insight into the performance of the business by utilizing what has come to be known in today's business lexicon as "dashboard reports." Utilizing these reports on a daily basis to gain continuous, accurate information on how the business is performing can help the GM, like the race car driver, seek every possible advantage to maximize performance and "win" the race of providing goods and services.

In their simplest terms, daily dashboard reports are finite in scope, focus only on factors truly critical to the success of the business, and are timely and accurate. In essence, they provide an instantaneous snapshot of the status of the business so that the GM and management team can assess where to focus and what actions to take.

Fortunately, dashboard reports are fairly easy to develop and implement. First of all, they can and should be tailored to the specific business. The critical elements for a small machine shop enterprise would likely be different from those of an established supplier of durable goods to a national mass merchandiser. It is incumbent on the GM to ensure that the proper items are being monitored. Working selectively with stakeholders in the business (employees and possibly customers, vendors, etc.), the GM and management team should first identify and then refine the list of items to include in the dashboard. The list should reflect the critical few rather than the trivial many. To ensure proper focus and prevent data overload, the goal is the relative simplicity of a car dashboard, not the complexity of a 747 cockpit.

While there is no "must list," many manufacturing businesses would normally be interested in similar metrics. To begin the process of identifying the critical few, the following are examples of items that *could* be considered for a dashboard. (They are not intended to be all-inclusive, just suggestions for possible inclusion).

SALES

- Delivery performance (past due dollars & how far they are past due)
- Open orders – daily, month-to-date, & year-to-date (by product category, customer, and/or channel)
- Order intake - daily, month-to-date, & year-to-date (by product category, customer, and/or channel)
- Invoicing - daily, month-to-date, & year-to-date (by product category, customer, and/or channel)
- Comparisons of open orders, order intake and invoicing to previous daily, month-to-date and year-to-date performance
- Any/all customer complaints (sometimes called "squawks")
- Very brief call reports made by the sales team on specific customers (including the purpose of the call, who was in attendance, specific actions required, and expected results).

MANUFACTURING/PRODUCTION/ENGINEERING

- Schedule adherence (a percentage of what was completed compared to what was scheduled). Daily and month-to-date.
- Direct labor productivity / efficiency (overall, by plant, by department, and, in a smaller company, possibly by individual)
- Throughput (in pieces, pounds, operations performed, earned hours, etc., for every department or key process)
- Equipment utilization percentage
- Unscheduled downtime (with reasons)
- Quality levels (first pass quality, not quality measured after rework)
- Major project status updates (key new product development, key new equipment, facilities, etc.)

FINANCE

- Daily cash balance
- Daily delinquent account status
- Days Sales Outstanding (an indirect measure of aggregate payment terms & cash flow from receivables)

HUMAN RESOURCES

- Headcount (actual compared to plan)
- Absenteeism (as a percentage of total planned workforce)
- Major disciplinary issues (by specific issue)
- Significant health and/or safety issues (including any lost time accidents)
- Key training updates

LOGISTICS

- Warehouse shipping efficiency (pieces or pounds per man-hour worked, etc.)
- Inventory levels / turns
- Product "out of stock" issues

Depending on the needs of the business and the agreed-upon definition of any critical metrics unique to the business, there could well be topics not in the above list that should be included and there may very well be many in the above list that should be excluded.

That's the beauty of the dashboard – the management team decides what is and what is not critical to know on a daily basis. They then design the dashboard to provide only the critical information needed to get an accurate snapshot of the business's status and performance. Other less critical, yet still meaningful, information can (and should) be provided in more traditional ways (weekly or monthly reports, formal review meetings, informal discussions, etc.).

Once developed and implemented, the dashboard should be distributed to the entire top management team and selectively to others with a legitimate need to have access to the information (if in doubt, err on the side of over-distribution, not under-distribution). That way, all key members of the management team will be working with the exact same data and information and it will be current. No incorrect assumptions or surprises should occur.

It is not expected that any one individual, even the GM, will look at and absorb all data on the dashboard. What is most important and critical to the GM on a daily basis may not be exactly the same as what is critical to the head of sales or manufacturing. (For example, the GM might be critically interested in overall delivery performance, the daily cash balance, and the on-order position; the head of manufacturing might be more interested in the month-to-date productivity and schedule adherence; and the head of sales might be more interested in the comparison of this year's sales to last year's sales for key accounts).

Over time, each recipient will determine what specific topics within the dashboard are most important to him/her in the daily conduct of business. Each member of the management team can then bring to bear their focused efforts to maximize the performance of each critical metric or topic chosen.

Summary

The use of a daily dashboard report, consisting of a limited number of critical topics or success factors will provide timely and accurate information on the status of the business. It will allow intense management focus on these selected critical items, and will result in improved ability to quickly identify problems and implement corrective actions that maximize overall business performance. The dashboard is a simple yet highly effective tool in helping the GM and the enterprise get the checkered flag in the marketplace.