



GrowthForce Whitepaper:
Driving Business with Dashboards

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A White Paper by Stephen King President & CEO of GrowthForce

BJ Farmer, president of CITOC, likes to say that “change is the only constant” in business. To manage change, Farmer and his management team at the Houston-based IT services firm use monthly dashboard reports prepared by GrowthForce.

The dashboard reports are a series of charts that track results for key performance indicators (KPIs) over a 12-month period. KPIs are a company’s most critical business drivers. Getting KPIs to line up with an organization’s mission and objectives is no easy task, but one that greatly benefits the bottom line.

“It’s much easier for people to see financial results as graphs, rather than as numbers on paper,” notes GrowthForce CEO Stephen King. That is why GrowthForce has developed the dashboard reports for management to use to analyze the KPIs for their business. “We create these dashboard reports as a tool for a trusted advisor, such as a CPA or outsourced CFO, to review regularly with their client.”

Required Reading

GrowthForce provides its CEO dashboard clients with six, standard graphs, and then creates custom charts to fit the KPIs most important to the specific business. The graphs are shown in both actual and a trailing twelve months (TTM) format. TTM is the sum of the current month and the previous eleven months taking out seasonal variances. Removing seasonal and year-end spikes gives managers a more realistic picture of the past year with actionable results.

Standard KPI dashboards provided by GrowthForce are: Gross Revenue, Gross Profit and Net Income, show as both actual data points for the year with a trend line, and the TTM with a trend line. GrowthForce typically provides another 6-12 KPI graphs customized for the business which focus on items that are critical to the success of the business.

As a business owner what KPIs should you monitor? There are only a few decisions that will make or break most businesses. Typically, they include:

- Pricing: are we charging enough for our services?

- Staffing: who are our best performers and how do we reward them? When should we hire new staff and should anyone be let go?
- Cash flow: what is our Days Sales Outstanding (DSO)? Are we doing a good job billing and collecting?

CITOC, for example, looks at utilization, profitability by classes and cash flow beyond the standard dashboard reports. Billable and non-billable ratios, realized rate and open items list are also tracked monthly via customized dashboard charts.

“We can trend anything we can get consistent data for, it doesn’t have to be financial in nature,” explains King. Examples of non-financial KPIs numbers are: sales leads, new clients and hours billed.

Selecting KPIs

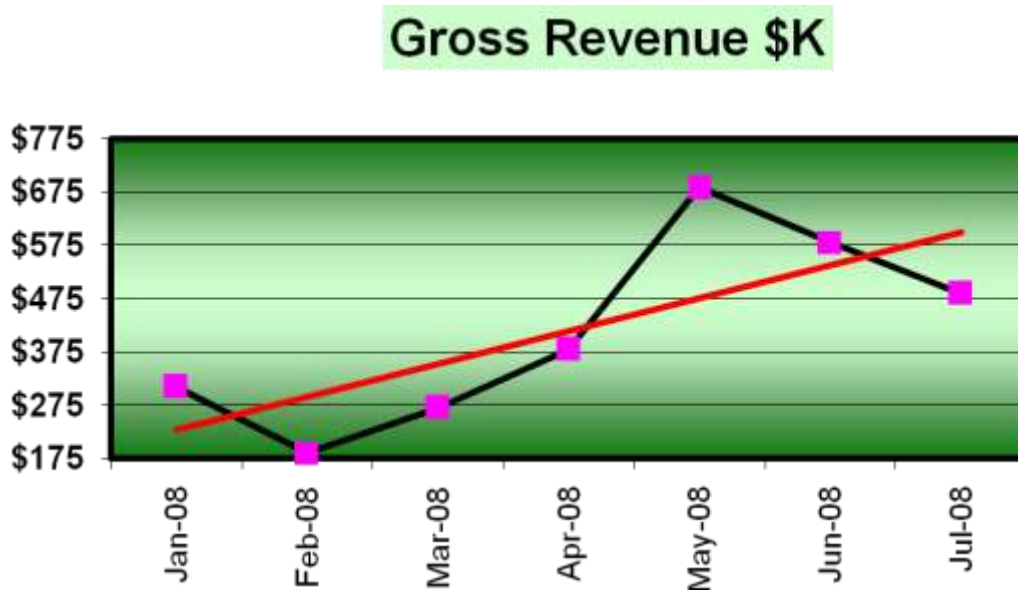
Businesses need to develop KPIs that provide a balanced scorecard. To do that, they need to incorporate several alternative dimensions when selecting KPIs. KPIs need look at key business metrics related to customer satisfaction, sales pipeline, employee productivity and cash flow. Combined these KPIs will measure the health of the company from the perspectives of finances, customers, internal processes and human resources components. “Selection of these reports has been an iterative process that will continue to be massaged as the business changes and grows,” says Farmer.

The primary product of a service business is its employees. By definition that means the largest expense of a service business is labor. Your ability to manage staff costs will make or break a service business. The most important KPIs for a service business are related to tracking labor. This includes defining a weekly and monthly reporting package including the following:

- Utilization (%): How many hours is each person spending of a 40 hour week on client time?
- Realization Rate (\$ per hour): How much revenue is each person earning in dollars per hour? (total revenue per client divided by total hours per client = revenue per hour)
- Gross Profit Margin (\$ and %): What are the gross profits on the clients each person works on? This should be run on all completed projects (use the job status field to track closed projects)
- DSO: How long does it take you to get paid from those clients? ($DSO = A/R/Total\ Sales \times 360$). For most businesses this should be 30 days or less

Dashboard Standards

Below is an example of a standard dashboard graph using actual gross revenue charted by month. The red line is a trend line adjusted for seasonality. At a glance, managers can determine if revenues are headed in the right direction.



Another dashboard staple should be Days Sales Outstanding – the company’s average collection period. A low number of days means the company is collecting its outstanding receivables quickly. A business can use this KPI graph to monitor how well they are collecting cash.



Dashboard Testimonial

CITOC has been using GrowthForce since 2007 to provide outsourced bookkeeping and Controller services. Recently GrowthForce added a monthly dashboard reports, along with graphical presentation of weekly accounts receivable reports. GrowthForce accesses CITOC's data by logging directly onto their servers and using their QuickBooks accounting system – and they are thrilled with the results.

“My team looks closely at the numbers provided by GrowthForce,” says Farmer. “GrowthForce is great because they provide two levels of communication with every report. Each weekly A/R report has a summary in the email with a detailed attachment. I only look at the summary and my employees dig deeper into the details. The monthly reports have two pages of graphs for me with a four page detailed Excel spreadsheet for the employees.”

CITOC ties the monthly reports to employee compensation and bonuses. In this way, employees' paychecks are linked to company performance. “All comp plans and all bonuses are now based on GrowthForce reports - this is huge,” states Farmer. “A couple of my employees have even called and visited GrowthForce to make sure their (paycheck) is accurate!”

Farmer says one of the most important reasons that he has outsourced the reports to GrowthForce is to have a second set of eyes on the accounting system. “For less cost than an employee, we have a professional firm ensuring all I's dotted and T's crossed,” he acknowledges. “It's a no brainer.”

Summary

Dashboard reports should be a part of every business' regular financial reports. They provide KPIs that give actionable data that management can use to make important business decisions about the following period to either increase margins or invest a surplus.

For more Information, please email info@growthforce.com or call **281-358-2007**. GrowthForce would be happy to review your current use of QuickBooks processes and make recommendations on providing outsourced bookkeeping or Controller services to help you track the KPIs for your business or your clients.