Developing an effective dashboard and key performance indicators

By Jim Simpson, CPA and director, Financial Technologies & Management

Nonprofits are complex organizations that are built around mission and outcomes, which must be supported by the right revenue and expense models.

Dashboards are one way to simply communicate and give an overview of the organization by using a graphical summary of important information. It is an easy way for decision-makers to see where and whether the organization is on the planned financial path, and additionally can be used with funders and stakeholders to transparently show progress towards desired goals.

But a dashboard without metrics is useless to the organization, it is important to develop the associated metrics and constantly review to ensure you are actually measuring success for the organization.

Effective dashboards

Charts and graphs are not considered a dashboard unless that have the following characteristics:

- Align success definitions across organization
- Encourage communication regarding progress towards goals
- Identify successes and challenges
- Actual data and evidence to make decisions
- Strengthen relationships between different activities

A properly designed dashboard allows a nonprofit to monitor its effectiveness as evidenced by the financial health along with the impact of the programs and services provided. Board and staff should develop strategy and goals to create dashboards with focused conversation and collaboration.

When you select the dashboard elements, you should understand the data you will track and how that data will influence decision making. Questions to ask include: Are the metrics for the organization or particular function? Is the tool for the board, staff, or funders?

Successful dashboards achieve the following:

- Successfully communicate strategic-level results

- Present data in a user-friendly visual format
- Create snapshot of current status and trends over time
- Show performance against defined targets
- Highlight out-of-the-ordinary results
- Create a manageable set of key performance indicators

Consider each revenue and expense stream and the factors that influence the reliability and predictability and what contributes to the increasing or decreasing of these streams.

Performance indicators (KPIs)

it is important to determine the program-delivery mechanism that influences results. Different types of nonprofits have different organizational models with different drivers for success. It is important to select Key Performance Indicators (KPI's) that focus the organization on data that will support decision-making. Consider whether you need a dashboard that reflects trends over time or performance against goals.

In order to get started, focus on the most important part of the process, which is to define the key drivers and metrics while focusing on the most pressing issues to start. This will help you start the process of developing your organization's key performance indicators and the related dashboards to move your organization towards data driven decision-making.

When creating a dashboard and KPI's, you should do the following:

- Start with the big picture
- Identify the audience and how to engage it
- Define business model drivers and key levers inherent in program delivery
- Choose KPIs in a thoughtful, team-based process that is inclusive
- Re-evaluating KPIs is an ongoing process
- Establish a culture of data driven decision making

Successful Key Performance Indicators (KPIs) achieve the following:

- Represent business model drivers
- Reflect progress towards intended outcomes
- Guides priorities and decisions
- Limited number of KPIs that can be realistically monitored
- Should be periodically reassessed

When putting the dashboard reporting into action make sure you consider the following:

- Where does data come from?

- Who is responsible to collect data?
- How will dashboard be updated and how often?
- What platform or tools should we use to update dashboard?

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