

MANAGEMENT INFORMATION SYSTEM

MODULE I

INTRODUCTION

Management Information System is an old management tool, which has been long used by people for better management and scientific decision-making.

Management Information System is mainly dependent upon information, which is a vital ingredient of any Management Information System. Information is the most critical resource of Management Information System. We all know that information is a vital factor for our existence. Just as our body needs air, water and clothes, we are as much dependent upon information. To make life more interesting and to achieve the feeling of being a part of the social system, we want to know our surroundings and for that we need information. Information is an important input for achieving our goals such as learning to help each other and to become integral part of society

Actually, information system is not a new concept; it is as old as the hills. From biblical times, humans have been making the use of information generated through information systems in all times. There have been systems that generated and communicated information. Kings and rulers had their own ways of designing information systems to retrieve information. The main objective of these information systems was to ascertain the well being of their people in the kingdom and to effectively and efficiently manage the kingdom. The church had its own information system. In India, Tainali Rama, Akbar and many others had impressive management information systems in operation. Similarly, the merchants of Venice had their own fully functional appropriate management information system in place.

Information

Information is data that is processed and is presented in a form which assists decision making. It may contain an element of surprise, reduce uncertainty or

provoke a manager to initiate an action. Data usually take the form of historical records. In contrast to information, raw data may not be able to surprise us, may not be organized and may not add anything to our knowledge.

DATA-----→PROCESSING----- →INFORMATION

System

The term system is the most loosely held term in management literature because of its use in different contexts. However, a system may be defined as a set of elements which are joined together to achieve a common objective. The elements are interrelated and interdependent. The set of elements for a system may be understood as input, process and output. A system has one or multiple inputs; these inputs are processed through a transformation process to convert these input into outputs. The three elements of a system are

INPUT-----→PROCESS -----→OUTPUT

INFORMATION SYSTEM

Information system, an integrated set of components for collecting, storing, and processing data and for providing information, knowledge, and digital products. Business firms and other organizations rely on information systems to carry out and manage their operations, interact with their customers and suppliers, and compete in the marketplace. Information systems are used to run interorganizational supply chains and electronic markets.

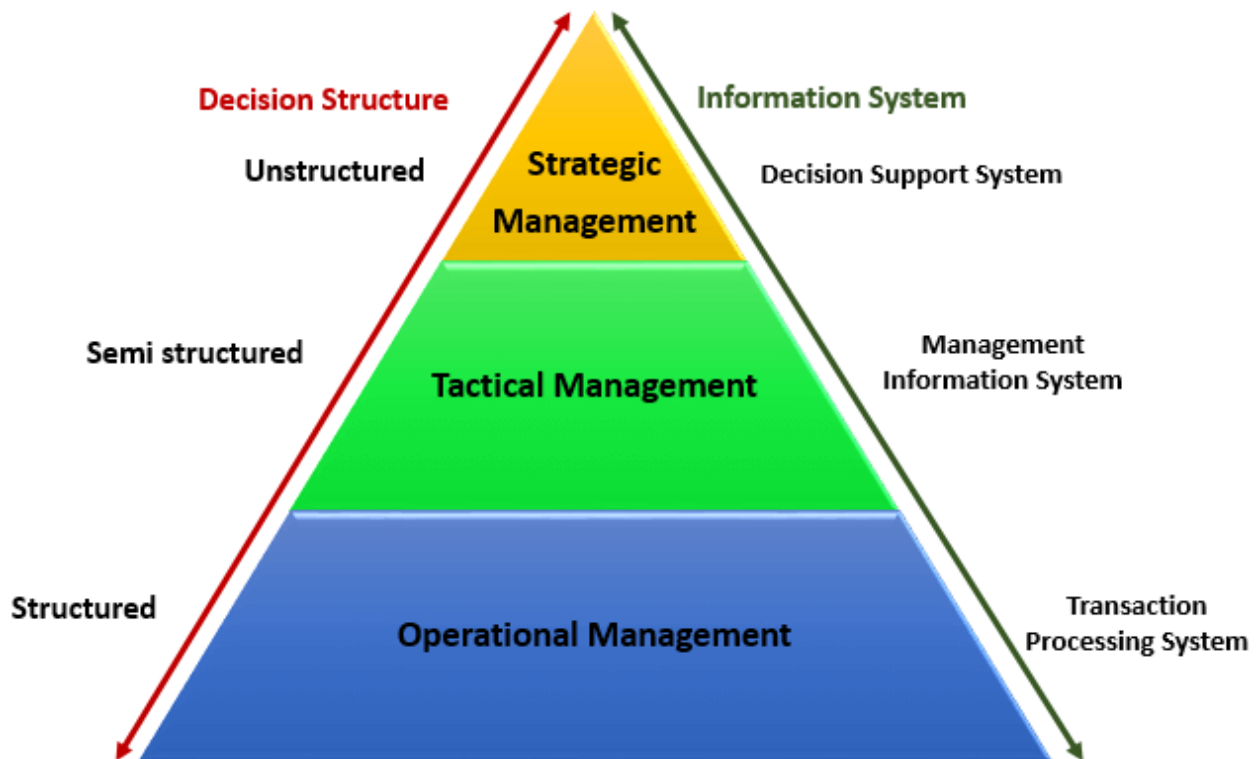
Many major companies are built entirely around information systems. These include eBay, a largely auction marketplace; Amazon, an expanding electronic mall and provider of cloud computing services; Alibaba, a business-to-business e-marketplace; and Google, a search engine company that derives most of its revenue from keyword advertising on Internet searches.

Information system provides each manager in the organization with the information he needs in order to take decisions, plan and control within his area of responsibility. Information system is an organized way of sending, receiving, and

recording messages. It includes both formal flow of information as well as informal flow of information called grapevine.

TYPES OF INFORMATION SYSTEMS

The type of information system that a user uses depends on their level in an organization. The following diagram shows the three major levels of users in an organization and the type of information system that they use.



Transaction Processing System (TPS)

Transaction processing system is a type of information processing system, software and hardware combination, which supports transaction processing. Transaction processing systems are used to record day to day business transactions of the organization. They are used by users at the operational management level. The main objective of a transaction processing system is to answer routine questions such as;

- How printers were sold today?
- How much inventory do we have at hand?

- What is the outstanding due for John Doe?

By recording the day to day business transactions, TPS system provides answers to the above questions in a timely manner.

- The decisions made by operational managers are routine and highly structured.
- The information produced from the transaction processing system is very detailed.

For example, banks that give out loans require that the company that a person works for should have a memorandum of understanding (MoU) with the bank. If a person whose employer has a MoU with the bank applies for a loan, all that the operational staff has to do is verify the submitted documents. If they meet the requirements, then the loan application documents are processed. If they do not meet the requirements, then the client is advised to see tactical management staff to see the possibility of signing a MoU.

Types of transaction:

The transaction can be internal or external. When a department orders office supplies from the purchasing department, an internal transaction occurs, when customer place an order for a product, an external transaction occurs.

1. Internal Transaction- Those transaction, which are internal to the company and are related with the internal working of any organization. For example Recruitment policy, production policy etc.
2. External Transaction- Those transactions, which are external to the company and are, related with the external sources Example sales, purchase etc.

Examples of transaction processing systems include;

- **Point of Sale Systems** – records daily sales
- **Payroll systems** – processing employee's salary, loans management, etc.
- **Stock Control systems** – keeping track of inventory levels
- **Airline booking systems** – flights booking management

Management Information System (MIS)

Management Information Systems (MIS) are used by tactical managers to monitor the organization's current performance status. The output from a transaction processing system is used as input to a management information system.

The MIS system analyzes the input with routine algorithms i.e. aggregate, compare and summarizes the results to produced reports that tactical managers use to monitor, control and predict future performance.

For example, input from a point of sale system can be used to analyze trends of products that are performing well and those that are not performing well. This information can be used to make future inventory orders i.e. increasing orders for well-performing products and reduce the orders of products that are not performing well.

Examples of management information systems include;

- **Sales management systems** – they get input from the point of sale system
- **Budgeting systems** – gives an overview of how much money is spent within the organization for the short and long terms.
- **Human resource management system** – overall welfare of the employees, staff turnover, etc.

Tactical managers are responsible for the semi-structured decision. MIS systems provide the information needed to make the structured decision and based on the experience of the tactical managers, they make judgment calls i.e. predict how much of goods or inventory should be ordered for the second quarter based on the sales of the first quarter.

Decision Support System (DSS)

Decision support systems are used by senior management to make non-routine decisions. Decision support systems use input from internal systems (transaction processing systems and management information systems) and external systems.

The main objective of decision support systems is to provide solutions to problems that are unique and change frequently. Decision support systems answer questions such as;

- What would be the impact of employees' performance if we double the production lot at the factory?
- What would happen to our sales if a new competitor entered the market?

Decision support systems use sophisticated mathematical models, and statistical techniques (probability, predictive modeling, etc.) to provide solutions, and they are very interactive.

Examples of decision support systems include;

- **Financial planning systems** – it enables managers to evaluate alternative ways of achieving goals. The objective is to find the optimal way of achieving the goal. For example, the net profit for a business is calculated using the formula Total Sales less (Cost of Goods + Expenses). A financial planning system will enable senior executives to ask what if questions and adjust the values for total sales, the cost of goods, etc. to see the effect of the decision and on the net profit and find the most optimal way.
- **Bank loan management systems** – it is used to verify the credit of the loan applicant and predict the likelihood of the loan being recovered.

MANAGEMENT INFORMATION SYSTEM (MIS)

MIS is the use of information technology, people, and business processes to record, store and process data to produce information that decision makers can use to make day to day decisions. The full form of MIS is Management Information Systems. The purpose of MIS is to extract data from varied sources and derive insights that drive business growth.

Objectives of MIS

The goals of an MIS are to implement the organizational structure and dynamics of the enterprise for the purpose of managing the organization in a better way and capturing the potential of the information system for competitive advantage.

Following are the basic objectives of an MIS –

- **Capturing Data** – Capturing contextual data, or operational information that will contribute in decision making from various internal and external sources of organization.

- **Processing Data** – The captured data is processed into information needed for planning, organizing, coordinating, directing and controlling functionalities at strategic, tactical and operational level. Processing data means –
 - making calculations with the data
 - sorting data
 - classifying data and
 - summarizing data
- **Information Storage** – Information or processed data need to be stored for future use.
- **Information Retrieval** – the system should be able to retrieve this information from the storage as and when required by various users.
- **Information Propagation** – Information or the finished product of the MIS should be circulated to its users periodically using the organizational network.

Characteristics of MIS

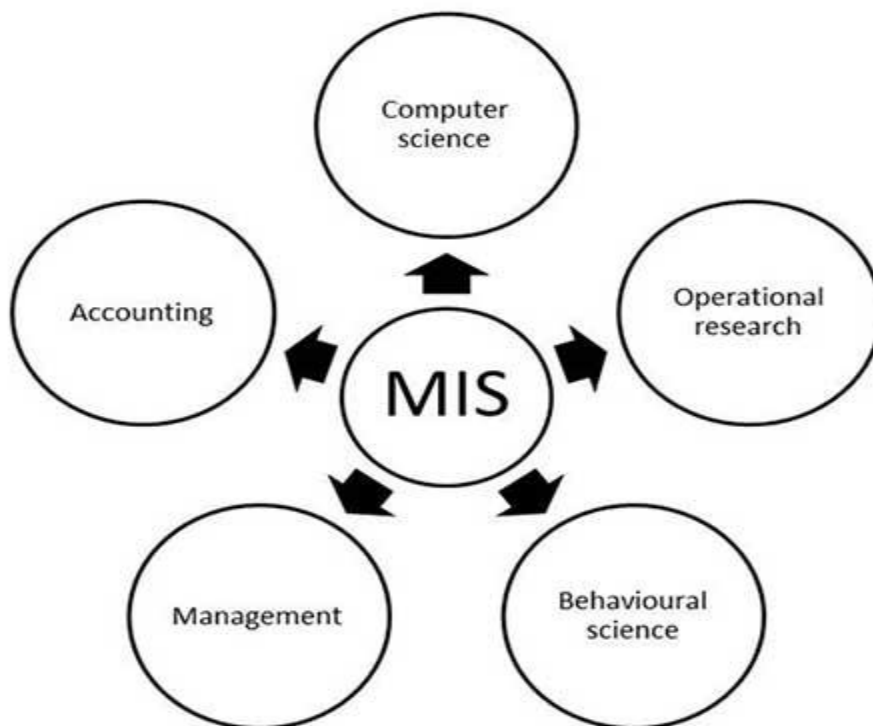
Following are the characteristics of an MIS –

- It should be based on a long-term planning.
- It should provide a holistic view of the dynamics and the structure of the organization.
- It should work as a complete and comprehensive system covering all interconnecting sub-systems within the organization.
- It should be planned in a top-down way, as the decision makers or the management should actively take part and provide clear direction at the development stage of the MIS.
- It should be based on need of strategic, operational and tactical information of managers of an organization.
- It should also take care of exceptional situations by reporting such situations.

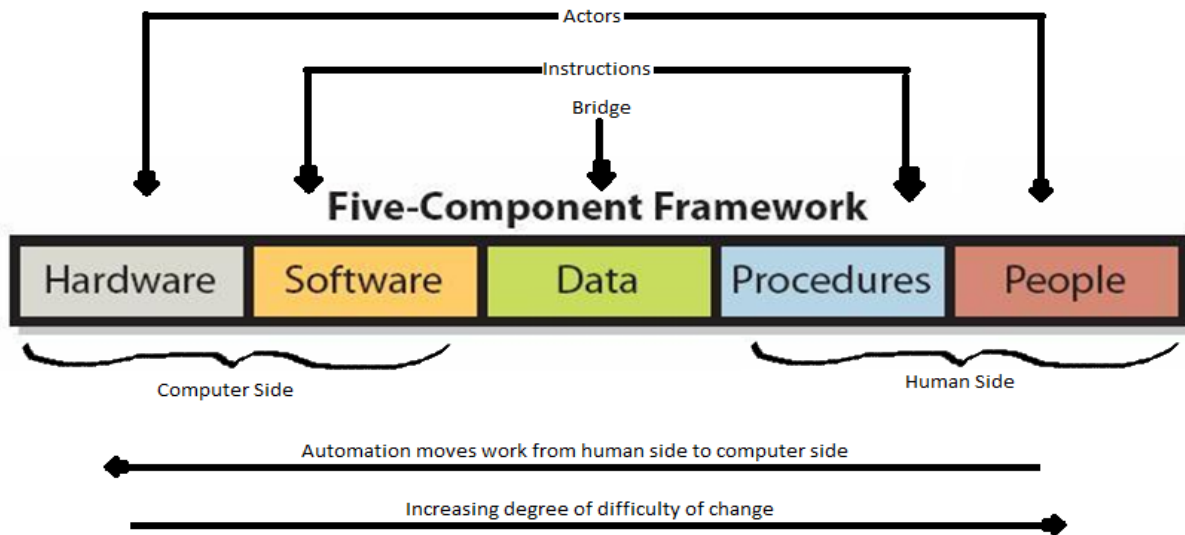
- It should be able to make forecasts and estimates, and generate advanced information, thus providing a competitive advantage. Decision makers can take actions on the basis of such predictions.
- It should create linkage between all sub-systems within the organization, so that the decision makers can take the right decision based on an integrated view.
- It should allow easy flow of information through various sub-systems, thus avoiding redundancy and duplicity of data. It should simplify the operations with as much practicability as possible.
- Although the MIS is an integrated, complete system, it should be made in such a flexible way that it could be easily split into smaller sub-systems as and when required.
- A central database is the backbone of a well-built MIS.

Nature and Scope of MIS

The following diagram shows the nature and scope of MIS –



Components of MIS



A management information system is made up of five major components namely people, business processes, data, hardware, and software. All of these components must work together to achieve business objects.

People – these are the users who use the information system to record the day to day business transactions. The users are usually qualified professionals such as accountants, human resource managers, etc. The ICT department usually has the support staff that ensures that the system is running properly.

Business Procedures – these are agreed upon best practices that guide the users and all other components on how to work efficiently. Business procedures are developed by the people i.e. users, consultants, etc.

Data – the recorded day to day business transactions. For a bank, data is collected from activities such as deposits, withdrawals, etc.

Hardware – hardware is made up of the computers, printers, networking devices, etc. The hardware provides the computing power for processing data. It also provides networking and printing capabilities. The hardware speeds up the processing of data into information.

Software – these are programs that run on the hardware. The software is broken down into two major categories namely system software and applications software. System software refers to the operating system i.e. Windows, Mac OS

etc. Applications software refers to specialized software for accomplishing business tasks such as a Payroll program, banking system, point of sale system, etc.

INFORMATION ACTIVITIES

To take any decision proper information is needed. For example, a tour company planning to start inbound tours from Europe first must have all the data and the information regarding the market there to design the package and then choose an area to start the operation.

Herbert A. Simon has proposed a conceptual framework that divides the decision making process in to the following phases

1. Intelligence Activities: In this stage, a search of the environment takes place to identify events and conditions requiring decisions. Data inputs are obtained, processed and examined for clues that may identify problems or opportunities.

2. Design Facilities: At this stage, alternative courses of action are developed, analyzed and evaluated. This involves processes to understand the problem, to generate solutions and to test solutions for feasibility.

3. Choice and implementation activities: Here one has to select an alternative course of action from those available. A choice is made, implemented and monitored.

Advantages of Management Information System:

- **Helps to achieve a higher level of efficiency:** The managers who manage their team or the whole organization they usually have to identify organizations' strengths and weaknesses.
- **Improves the quality of decisions:** Managers could make more rational decisions based on raw and reliable information based on the data they have.
- **Promotes better communications between departments in an organization:**
When everyone in the company shares the same information, then the scope is

they have better communication between them due to which they can identify problem areas and they can sort it out.

- **Improves employee productivity:** Employees save their productivity time as they don't have to gather the data asked by management
- **Strengthens a company's competitive advantage:** By removing all weaknesses and non-performing areas boosts the company's competitiveness over its rivals.
- **Reveals more data about customers:** The more the data about the requirements about the customers, management is better able to improve customer service and can think more effective marketing and promotional campaigns.

Disadvantages of Management Information System:

- Highly sensitive data or information requires constant monitoring.
- Budgeting of MIS extremely difficult.
- Quality of outputs governed by the quality of inputs.
- Lack of flexibility to update it.
- Effectiveness decreases if there are any frequent changes in top management.
- On account only qualitative factors and ignores non-qualitative factors like morale of the employee, the attitude of the employee, etc.
- Unemployment and lack of job security.

- Dominant culture.

STRATEGIC MANAGEMENT OF BUSINESS

Introduction

Strategic management is an essential component of businesses. It refers to the formulation and implementation of the goals and initiatives involved in the strategies, laid out by the stakeholders of an organization. In simpler words, to ensure wise decision-making processes, it is important that strategies are in place to support the business functions and operations. Strategic management therefore entails evaluating business goals, the organization's vision and objectives as well as the future plans. In addition, a strategic management process is employed to ensure that the business runs effectively and efficiently. Communicating this strategy internally and externally is crucial for success, in order for both staff and the organization to understand the purpose and direction along with external parties understanding what you as an organization stands for.

The term strategic management refers to, "The managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and the overtimes initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate"

Why is strategic business management important?

The main importance of strategic business management is to assist the business' profit and decision making, yet its functions can also be broken down. Here are some reasons why strategic management is a crucial business practice:

- **Planning:** This is an essential management tool for any company. The main task in the strategic planning process is predicting future trends that will help the business in building In order to make this happen, strategic planning tools need to be used instead of simple planning processes.
- **Forward thinking:** Through a well thought out strategy, you will be able to draw up clear, long term goals. These goals are important so that you have a

distinct idea of how to move forward which can prove beneficial for an organization's overall growth.

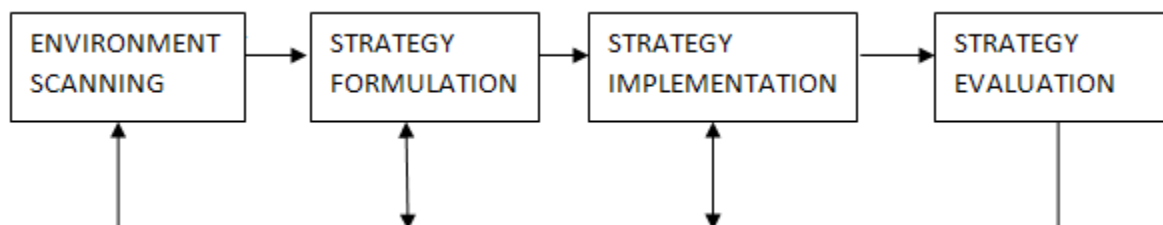
- **Resource allocation:** The tough aspect of strategy management is that you are pushed to make choices under pressure, often with limited resources. Strategy management teaches you to ensure the company's resources, in terms of products and services are used wisely and vested in the most promising opportunities. This is why a good strategy manager will tell you that less is more, as long as it is the best.
 - **Strengths and weaknesses:** No one knows a business better than its owner, who will be able to recognize the strengths and weaknesses of their company. However, just being aware of the shortcomings and strong points of a business is not enough. Strategic planning is employed to bridge the gap between the capability void and the strength of a company.
 - **Environmental impact:** When running a business, you must know how your business impacts the environment and vice-versa. Strategy management involves being aware of the future potential shifts in the market that may affect the business and its environmental impacts.
- Courses in strategic business management

Strategic Management Process

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet the entire present and future competitor's and then reassesses each strategy.

Strategic management process has following four steps:



1. **Environmental Scanning-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation-** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.
4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

STEPS FOR STRATEGIC DESIGN OF MIS

There is too much data and information in an organization. In order to design a MIS successfully, we need a framework to structure the information so that the data and information relevant for decision making can be separated from the rest of the data.

According to model presented by Robert Anthony (1965), the strategic planning is one of the major activities in business. He focused on the managerial aspects of an organization and classified the management process into three distinct levels.



Strategic Planning

This requires focusing on the objectives and goals of the organization, on changes in the objectives, on the resource requirements to fulfill the objectives and on the guiding principles and policies that will govern the acquisition, use and disposal of resources to attain the objectives. In short, this role is the most important role in the management hierarchy and the decisions taken by managers in this role have a far-reaching impact on the organization. Managers in this role set the direction in which the organization will travel. In terms of hierarchy, this lies at the top.

Managerial Control

This requires that resources are acquired and used effectively and efficiently to attain the objectives of the organization. This is a middle management role. Managers in this role take guidance from the strategic planning hierarchy and control the activities of the organization such that the goals set by the higher level are attained in an efficient and effective manner. The impact of the decisions of the managers in this role is medium term and degree.

Operational Control

This requires that directives as set by the immediate higher hierarchy is followed and that specific task/s are carried out effectively and efficiently. The decisions at this level have very little impact on the organization. The organization behaves in a routine nature where the parameters of the decision-making process are well laid and certain.

| Management Function | Strategic Planning | Management Control | Operational Control |
|---------------------|-----------------------------------|---|------------------------------------|
| Planning | Long-range, high impact | Medium range, medium impact | Short range, low impact |
| Organizing | General framework | Departmental level | Small unit level |
| Staffing | Key senior people | Medium level, tactical level | Operational level |
| Directing | General and long range directives | Tactics | Routine activities |
| Controlling | Aggregate level | Periodic control and controlling exceptions | Regular and continuous supervision |

Strategies for determining MIS design

MIS design should be specific to an organization, respecting its age, structure, and operations.

Six strategies for determining MIS design have been suggested by Blumenthal (1969):

1. **Organization-chart approach** - Using this approach, the MIS is designed based on the traditional functional areas, such as finance, administration, production, R&D and extension. These functional areas define current organizational boundaries and structure.

2. **Integrate-later approach** - Largely a *laissez faire* approach, it does not conform to any specified formats as part of an overall design. There is no notion of how the MIS will evolve in the organization. Such an MIS becomes difficult to integrate. In today's environment - where managers demand quick and repeated

access to information from across sub-systems - the integrate-later approach is becoming less and less popular.

3. Data-collection approach - This approach involves collection of all data which might be relevant to MIS design. The collected data are then classified. This classification influences the way the data can be exploited usefully at a later stage. The classification therefore needs to be done extremely carefully.

4. Database approach - A large and detailed database is amassed, stored and maintained. The database approach is more and more accepted for two main reasons: first, because of data independence it allows for easier system development, even without attempting a complete MIS; and, second, it provides management with immediate access to information required.

5. Top-down approach - The top-down approach involves defining the information needs for successive layers of management. If information required at the top remains relatively stable in terms of level of detail, content and frequency, the system could fulfill MIS requirements (Zani, 1970). The usefulness of this approach depends on the nature of the organization. It can be suitable for those organizations where there is a difference in the type of information required at the various levels.

6. Total-system approach - In this approach the interrelationships of the basic information are defined prior to implementation. Data collection, storage and processing are designed and done within the framework of the total system. This approach can be successfully implemented in organizations which are developing.

STEPS IN STRATEGIC DESIGN AND DEVELOPMENT OF MIS

Development of an information system requires adequate planning. The purpose of system development needs to be analyzed and understood. As it involves cost component, feasibility of the system development need to be discussed at a length. The planning process consist of strategic planning which provides general guidance on long term objectives and operating plans deals with short term objectives. Each of the business organizations is expected to have its own planning process.

System design follows the typical system development cycle (SDLC). It generally passes through the following phases;

1. Problem Definition

2. Feasibility Study
3. System Analysis
4. System design
5. Detailed System Design
6. Implementation
7. Maintenance

The MIS design and implementation process involves a number of sequential steps;

1. Establish management information needs and formulate broad system objective as to describe important decision areas. Within these decision areas there will be factors relevant to the management decision areas e.g., general management will be concerned about its relationship with the managing board, institute-client relationships, and information provided to the staffs.

2. Develop a general description of a possible MIS as a common design. This design will have to be further refined by more precise specification. For efficient management of information processing, the MIS should be based on a few databases related to a different sub-system of the organization.

3. Once the information units needed have to be determined and a system design developed, decide how information will be collected.

4. Develop a network showing information flows.

5. Test the system until it meets the operational requirements, considering the specifications stipulated for performance and the specified organizational constraints.

6. Recheck that all the critical data pertaining to various subsystems and for the organization as a whole are fully captured. Ensure that information generated in a timely manner.

7. Monitor actual implementation of the MIS and its functioning from time to time.

SCORECARD AND DASHBOARD

Introduction

Scorecard and Dashboard, both is automation tool represented graphically or as a structured report that provides “at a glance” information about the business performance by evaluating and measuring the crucial performance factor often termed as key performance indicator (KPI)

Dashboard

A dashboard is a type of graphical user interface which often provides at-a-glance views of key performance indicators (KPIs) relevant to a particular objective or business process. In other usage, "dashboard" is another name for "progress report" or "report" and considered a form of data visualization. The “dashboard” is often accessible by a web browser and is usually linked to regularly updating data sources

Dashboard highlighting the most important information to achieve one or more objectives. This information will consolidate and arranged usually on single screen so that information can monitored at a glance. It shows current status and trend of organizations KPI so that decision makers can instantly track the status and make appropriate management decision in no time.

Digital Dashboard

Digital dashboard are the one developed using software applications linked to database, where the business units and its stakeholders are the driver of dashboards and the IT departments are the enabler or supporter. Digital dashboards allow managers to monitor the contribution of the various departments in their organization. In addition they enable “rolling up” of information to present a consolidated view across an organization.

Benefits of using digital dashboards include:

- Visual presentation of performance measures
- Ability to identify and correct negative trends
- Measure efficiencies/inefficiencies

- Ability to generate detailed reports showing new trends
- Ability to make more informed decisions based on collected business intelligence
- Align strategies and organizational goals
- Saves time compared to running multiple reports
- Gain total visibility of all systems instantly
- Quick identification of data outliers and correlations
- Consolidated reporting into one location
- Available on mobile devices to quickly access metrics

Scorecard

Scorecard provides visual presentation of standard Key Performance Indicator (KPI) that helps business to measure and manage performance. The main purpose is to keep the business focused on a common strategic plan by monitoring real world execution and mapping the result of execution back to a specific strategy. It is used to align operational execution with business strategy. The most common scorecard used in every business is Balance Scorecard.

In short, a dashboard is a performance monitoring system, whereas a scorecard is a performance management system.

BALANCE SCORECARD

A balanced scorecard is a strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes. Balanced scorecards are used to measure and provide feedback to organizations. Data collection is crucial to providing quantitative results as managers and executives gather and interpret the information and use it to make better decisions for the organization. Accounting academic Dr. Robert Kaplan and business executive and theorist Dr. David Norton first introduced the balanced scorecard. The *Harvard Business Review* first published it in the 1992 article "The Balanced Scorecard—Measures That Drive Performance." Both Kaplan and Norton took previous metric performance measures and adapted them to include nonfinancial information.

The balanced scorecard model reinforces good behavior in an organization by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve learning and growth, business processes, customers, and finance. The balanced scorecard is used to attain objectives, measurements, initiatives, and goals that result from these four primary functions of a business. Companies can easily identify factors hindering business performance and outline strategic changes tracked by future scorecards.

The balanced scorecard can provide information about the company as a whole when viewing company objectives. An organization may use the balanced scorecard model to implement strategy mapping to see where value is added within an organization. A company also uses a balanced scorecard to develop strategic initiatives and strategic objectives.

Characteristics of the Balanced Scorecard Model

Information is collected and analyzed from four aspects of a business:

1. **Learning and growth** are analyzed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees use the information to convert it to a competitive advantage over the industry.
2. **Business processes** are evaluated by investigating how well products are manufactured. Operational management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.
3. **Customer perspectives** are collected to gauge customer satisfaction with quality, price, and availability of products or services. Customers provide feedback about their satisfaction with current products.
4. **Financial data**, such as sales, expenditures, and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances, or income targets.

Balance score card is a management technique. This technique is used to check if the business concerned is taking appropriate actions on the various strategic and operational fronts. The scorecard helps in balancing out all its action in proper coordination with each other. Balance score card is essentially a tool which helps us in deciding on the score earned by a particular company on the following four factors;

1. Financial performance
2. Customer Satisfaction
3. Internal Business Processes
4. Employee Development and growth

While 'Financial Performance' and 'customer Satisfaction' are based on historical actions and thus are called historical factors. The 'Internal Business process' and 'Employee Development' are the lead factors

Difference between Scorecard and dashboard

A major difference between the dashboards and scorecards is that a scorecard focuses on a given metric and compares it to a forecast or target, whereas a dashboard will present multiple numbers in different ways. Scorecards tell health systems how they're doing overall; dashboards tell systems what's happening now using interactive metrics with drill-down capabilities. In short, a dashboard is a performance monitoring system, whereas a scorecard is a performance management system.

Scorecards are ideal when you're looking for a concise view of a specific area. If you need to determine how well marketing KPIs are being met, or how a specific team is handling their tasks, a scorecard can illuminate how close or far they are from their goals. This can be useful when you're attempting to identify areas for improvement or ways to make specific tasks more efficient.

Dashboards are advantageous when you need a bird's-eye view of your organization's operations. Because they can hold multiple reports and data-sets in a single hub, dashboards are highly useful when reviewing your success daily. Instead of specifically tracking progress toward goals, however, dashboards offer a more holistic view of data. That is, they present data without its target value, delivering a better historic view of progress which is ideal for making day-to-day operational decisions designed to improve your organizational processes.

Most importantly, your dashboards and scorecards don't have to be separate entities. Many dashboards present scorecards as a periodic way to measure success, and they can also track KPIs. Scorecards can also be included in dashboards,

offering an individual location to view multiple KPIs and their accompanying progress.

| Comparison based on | Dashboard | Scorecard |
|---------------------|----------------------------------|--|
| Purpose | Performance Monitoring | Performance Management |
| Parameters | Performance Metric | KPI (Metric + Target) |
| Measures | Performance | Progress (Current value versus the target) |
| Updates information | Real Time Basis | Periodically (Weekly/Monthly/Quarterly) |
| Focused On | Short Tem Goal | Long Term Goal |
| Decision Influences | Daily Operations | Companies Policies |
| Nature of Decisions | Tactical | Strategic |
| Supported By | Individual Managers | Top Management |
| Provides | Snapshot of Business Performance | Trends and changes in business activity over period of time. |
| Nature of Data | Real Time data obtained | Summarized/ Consolidated |

MEASURES OF BUSINESS OPERATIONS AND PERFORMANCE

Business performance measures are a set of quantifiable metrics taken from various sources that together with an appropriate analytical process, allows the management of a business to track and assess the current status of a specific business, project or process. Business performance measures may be compared with pre-set goals and objectives or form part of a balanced scorecard that assesses financial or non-financial performance in the four primary areas of financial, learning/growth, internal processes and the customer. Business performance measures may also be known as organizational performance, results or key success indicators and are closely related to an organization's key performance indicators (KPI).

Purpose

The purpose of business performance measures are tools that help managers optimize the interaction of high level strategy with day-to-day decision making and organizational learning. Business performance measures are used by business to initiate improvements and to help management focus resources on achieving the key targets and objectives. These business performance measures provide

information for management in relation to the past position, the future direction, if something has gone wrong and when the business has achieved its goal. This information derived from the business performance measures, allows people to manage performance proactively and gives employees of a business a clear understanding of what success looks like and what the management is prioritizing. So, these business performance measures create a crucial link between the overarching strategy and day-to-day operations of a business.

Tools Used In Business Performance Measures

Some of the business performance measures examples are:

1. **Budgeting** – Developing an annual financial plan for the business for the coming year that explains in detail how a business will achieve its financial objectives and monitor its results.
2. **KPIs** (Key performance indicators) – are small target key indicators and navigation instruments that are clearly linked to the business strategy. They make complex strategic goals more meaningful and understandable to everyone in the business.
3. **The Balanced scorecard** – A top down management tool designed to convert strategic objectives into executable performance measures and action plans. The Balanced Scorecard categorizes business performance measures by Financial, Customer, Internal processes and Learning and growth.
4. **Benchmark** – Used by businesses to compare their performance with a best practice performance metric typically developed by industry associations or research companies and government agencies.
5. **Six sigma** – Six Sigma is a tool that measures the stability and predictability of process results with a goal to limit process errors to no more than 3.4 errors per one million opportunities.
6. **Performance dashboards** – A performance dashboard is a one page visual overview of the key results areas within a business that looks at the business

overview as well as key business units. Typical dashboards display metrics covering sales, financial, HR, operations and production.

7. **CRM (Customer relationship management)** – These business performance measures track the interactions and relationships with the existing or potential customers of a business and reports on the customer satisfaction with sales activities, customer service and customer support.
8. **People performance appraisals** – These business performance measures typically annually assess the job performance of individuals in a business. While often conducted by the line manager alone, many businesses today use the 360-degree review system that also includes peers, subordinates and other stakeholders in the review process.