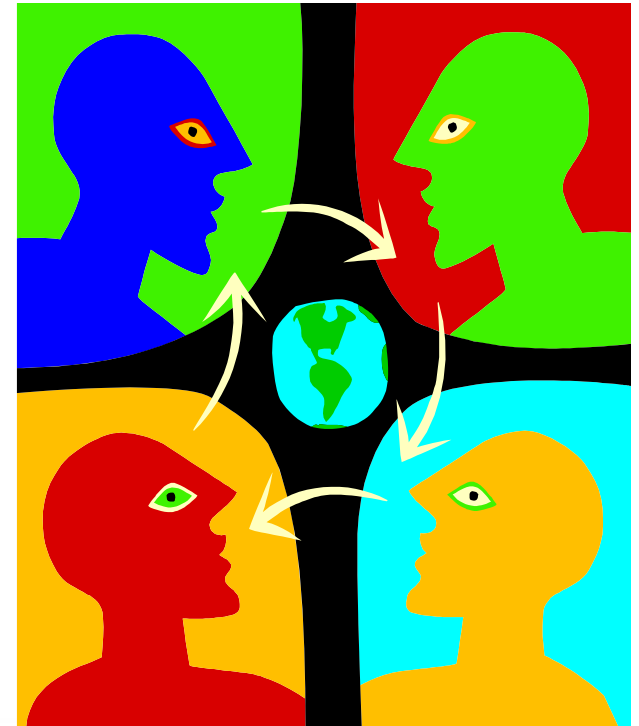
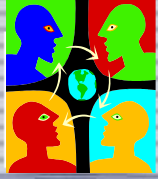


# Business Performance Management

- putting the pieces together
- improving execution



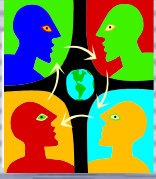


# **Business Performance Management**

**involves the annual planning cycle and periodic performance review meetings**

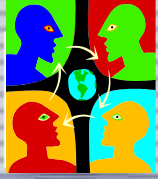
**used by managers to set strategy, develop plans, monitor execution, forecast performance, and report results**

**in order to achieve success as defined by the Board of Directors**

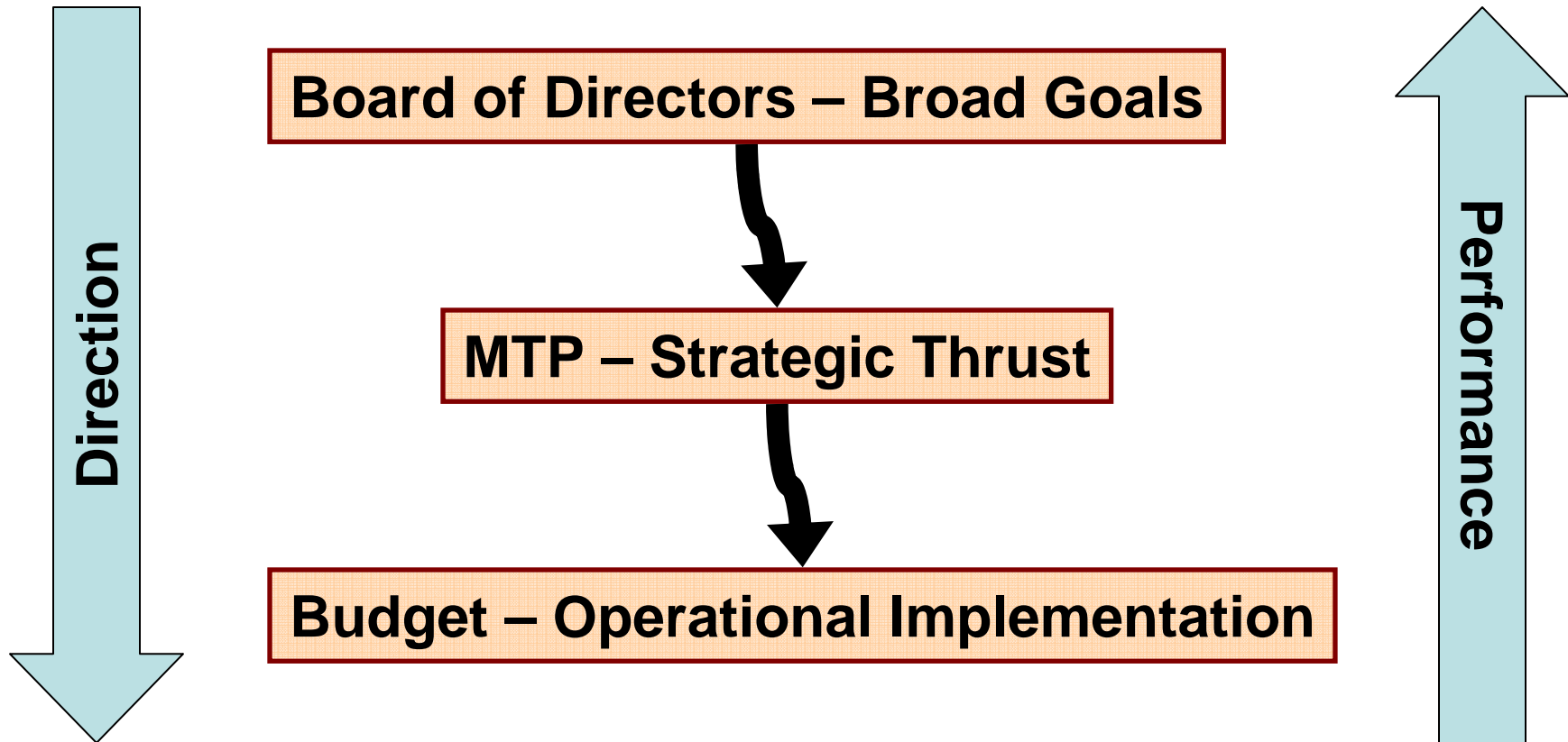


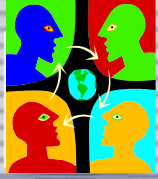
# Stakeholders

- Operations
  - From Leadership Team to 1<sup>st</sup> line supervisors
- Planning
- Finance
- Human Resources
- Other Staff Functions
- Employees – line-of-sight work alignment



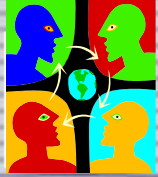
# Performance Management





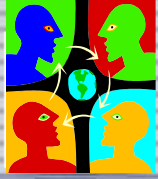
# Questions for Strategy Execution

- **What should we be doing?**
- **How are we doing?**
- **What can we do to improve?**



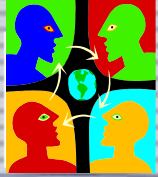
# Common Execution Issues

- Execution barrier (only 10-20% of companies hit their strategic objectives)
  - 85% of executive teams spend less than one hour per month discussing strategy
  - 95% of the typical workforce doesn't understand how strategy relates to their job
  - 60% of organizations fail to explicitly link strategic initiatives to the budget
  - 70% of companies do not link incentives to the drivers for strategy implementation
  - Strategy execution was ranked the 2<sup>nd</sup> most significant business issue, but over half had no formal strategy execution process in place
    - Change management ranked first



# Common Execution Issues

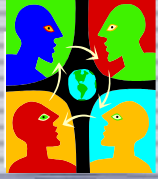
- Most companies spend more time looking backward than forward. [time spent discussing (1) what has happened – (2) current problems we are facing – (3) forward-looking strategic issues]
  - Most companies are 80 – 10 – 10
  - Strategic companies are 10 – 20 – 70
- Strategy execution involves
  - Translating strategy into employee-specific understanding
  - Aligning work groups toward common goals
    - Identify costs of sub-optimizing business units
  - Motivation toward high performance standards
  - Tracking metrics that represent key drivers for success



# BPM Benchmarking

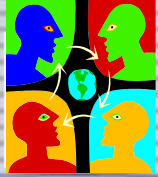
	Acceptable	Best Practice
Forecast accuracy	+/- 3%	+/- 1%
Staff value added time	50%	75%
Forecast completion (thru mgt review)	< 3 days	< 1 day
Annual plan completion (thru BoD)	8 to 12 weeks	< 8 weeks
Management Satisfaction	50% above 85% satisfied	75% above 85% satisfied



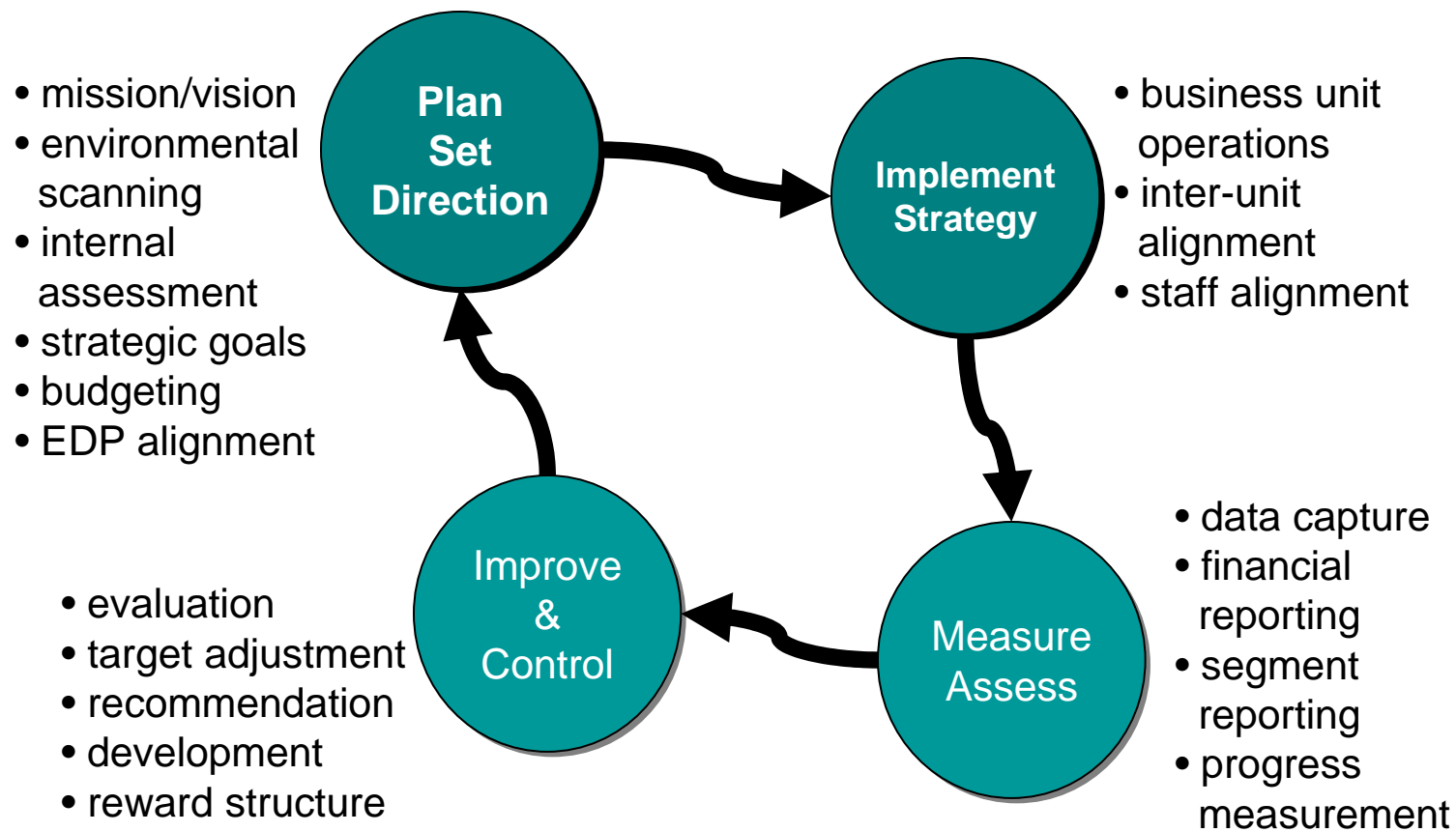


# Performance Management Vision

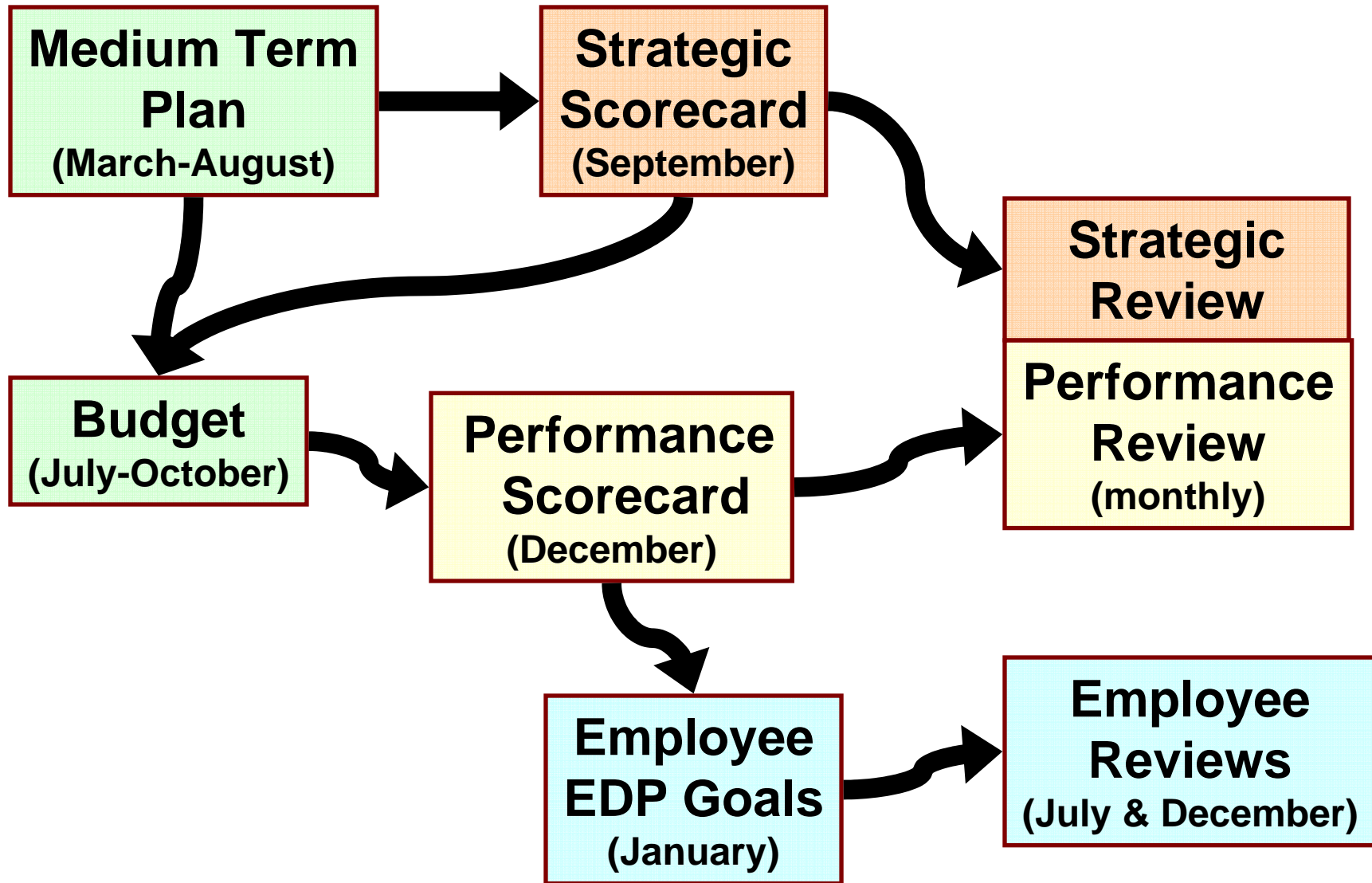
- An Integrated Planning & Performance Process that
  - Embodies the updated Mission & Vision
  - Enables organizational agreement on strategy & goals
  - Clarifies Drivers of Corporate Performance
  - Focuses on what can be managed, yet adaptive to change
  - Stresses value added allocation of resources
  - Communicates to all employees – job alignment
  - Pushes the organization toward higher performance
  - Enables root cause analysis for resolution & improvement

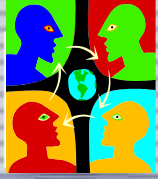


# Business Performance Management



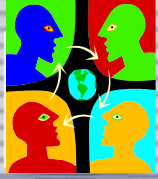
# Typical BPM Calendar





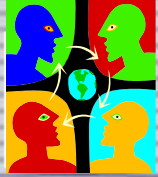
# Recommendations

- Best practices in strategy execution
  - Employee alignment
    - Communicating Direction & Vision
  - Strategy Focused Review Meeting
    - Focus is on key drivers of strategic success
  - Proactive Strategy Management
    - Short-term study teams for improvement



# Recommendations

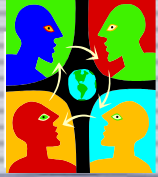
- Establish clear Scorecards
  - Clarify strategy within a scorecard framework
    - Establish stretch targets beyond budget expectations
  - Include staff departments in performance scorecards
- Increase focus on key drivers & action needed
  - Shift from performance review toward action planning
  - Start review meetings with a short review of progress toward high-level strategic goals
  - Include a short discussion on “improvement projects”
  - Skip past discussing metrics that are “on target”



# Forecasting Approach based on risk

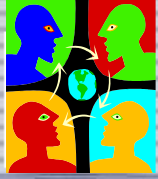
Predictability	Good	Automatic Statistical Forecasting	Ignore or Study Later
	Poor	Forecast Frequently & Develop Contingencies	Scenario Planning
		Short	Long

Time Horizon



# Communicating Direction & Feedback

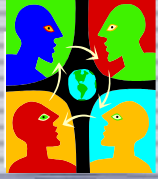
- Often wait on a fully detailed plan prior to communicating to employees
  - Causes delays as details continue to evolve
- Recommend continuous communication throughout the planning/review cycle
- Employees benefit from hearing smaller messages more frequently leading to a timely, holistic understanding
- Objective: All employees capable of describing the mission, vision, and key strategies in a few sentences.
  - Able to personally identify how their job relates



# Strategy Management (execution)

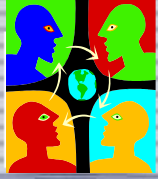
- Best Practices for improvement
  - Drive decisions through analytics – identify linkage between key drivers & results
    - Track & improve forecast models
  - Track strategic metrics over multiple years
  - Focus attention separately on strategy execution & operational performance
    - Quickly identify trends or changes in assumptions





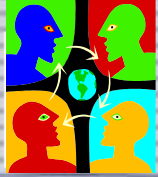
# Performance Review Meetings

- Reporting that answers four questions
  1. What happened?
  2. What was the impact?
  3. Why did it happen?
  4. What can we do about it?
- Reporting mechanics – best practices
  - Focus attention on critical issues
    - Red for issues past acceptable limits – action needed
    - Yellow for emerging trends that are negative – watch
    - Green for all issues on track with plan – not discussed
  - Annotate reports to provide needed context and explanation of results & trends

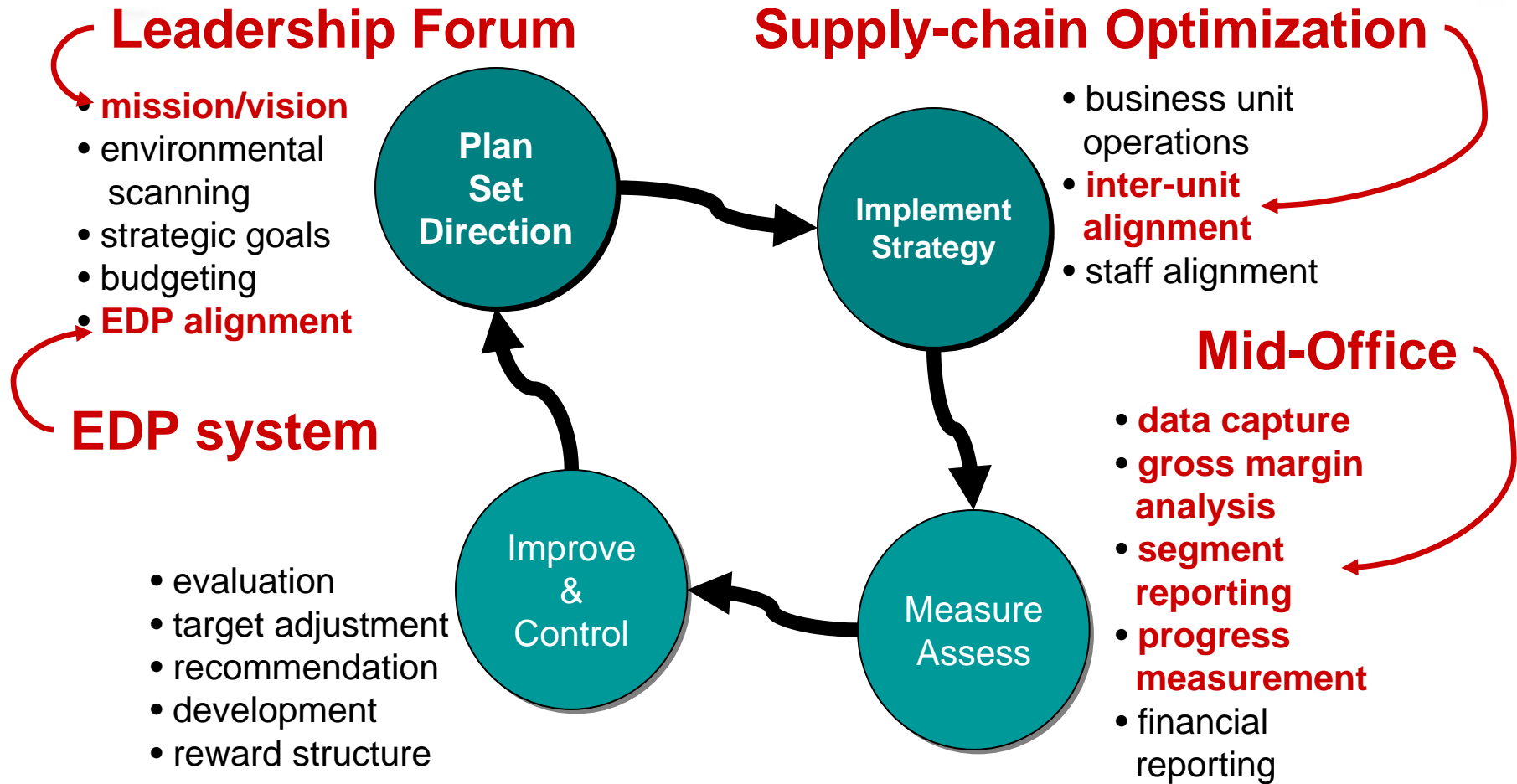


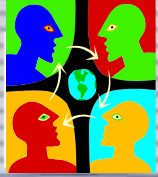
# Monthly Accountability Meetings

- Most companies fail to track strategy execution separate from operational performance
  - Strategic issues fail to get addressed in timely manner
  - Recommend starting the meeting with a focus on key drivers for strategic success
- Reporting must be actionable to be useful
  - Passes the “So what? Who cares?” test
- Identify impact & revise strategic targets as necessary
  - Requires full discussion on rationale for change
- Follow up on change improvement initiatives
  - Best practice companies use Tiger Team initiatives (rapid, short-term, focused on key driver or issue)

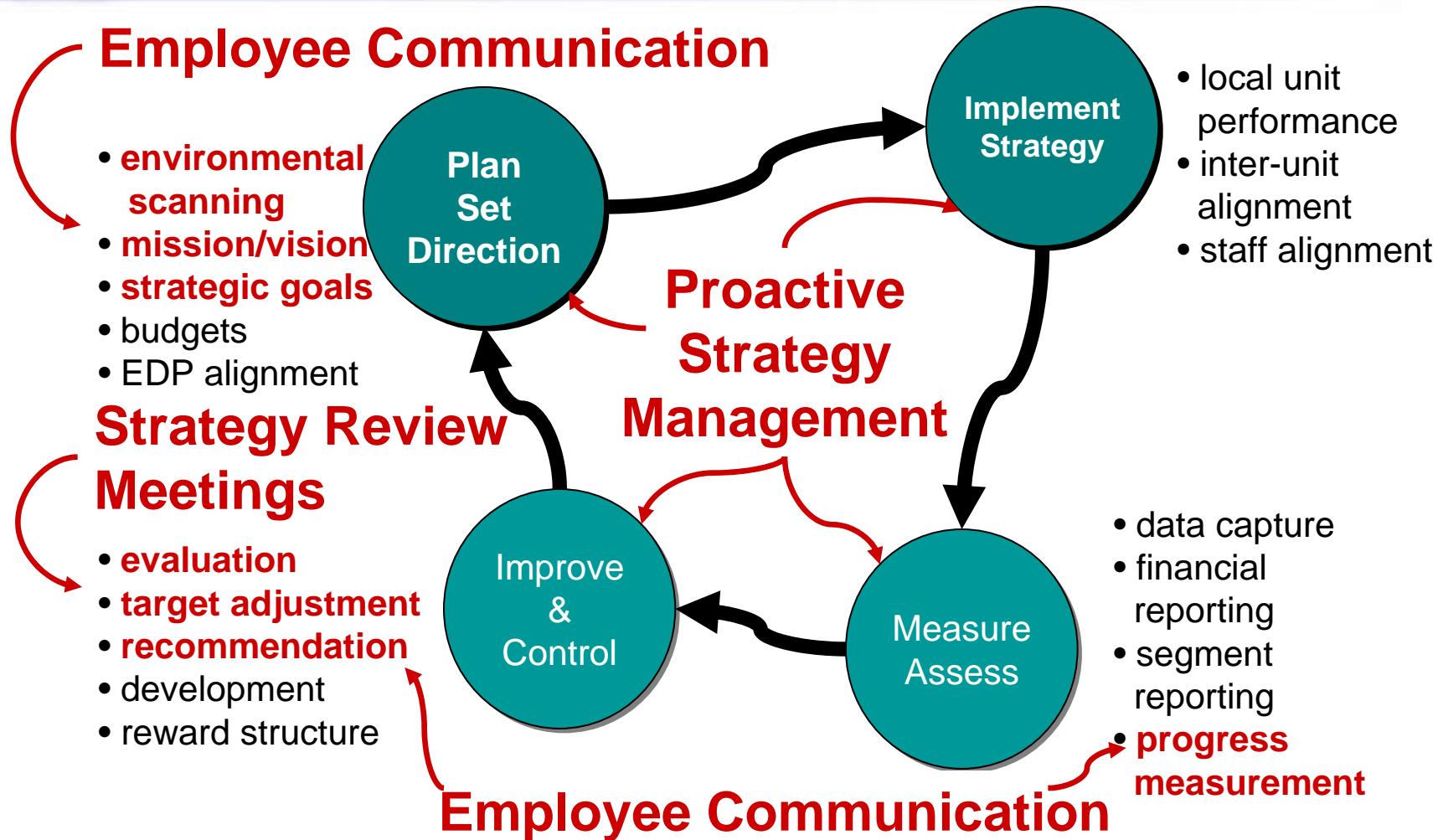


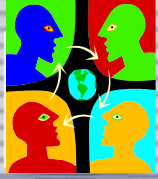
# Alignment





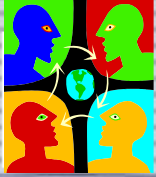
# Communication & Review





# Summary of Recommendations

- Continuous employee communication throughout the planning/review cycle
- Proactive attention to strategy execution
- Focus attention on both budget performance & strategy execution



“Many organizations plan and report the things *they can* rather than the things *they need.*” (Axson, 2007, p. 40)

**Ability to answer:**

- **What should we be doing?**
- **How are we doing?**
- **What can we do to improve?**

