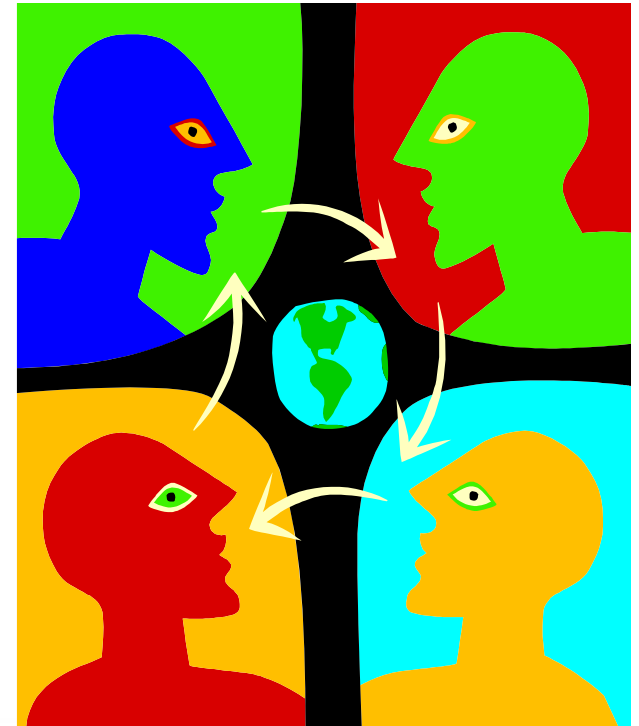
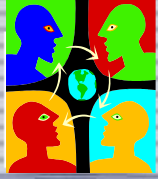


Business Performance Management

- putting the pieces together
- improving execution



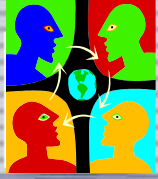


Business Performance Management

involves the annual planning cycle and periodic performance review meetings

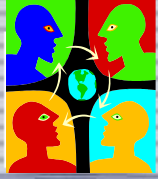
used by managers to set strategy, develop plans, monitor execution, forecast performance, and report results

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

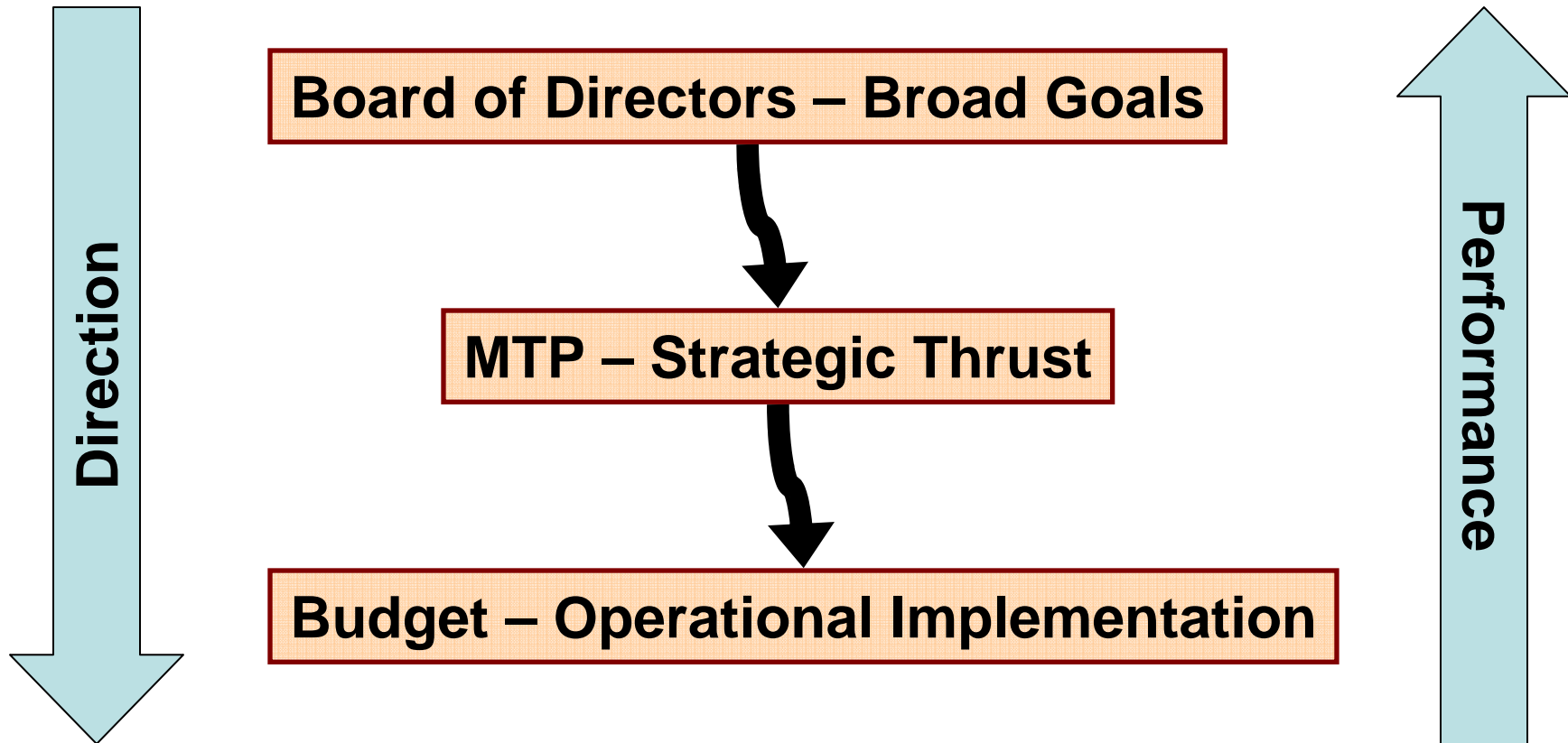


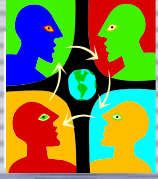
Stakeholders

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



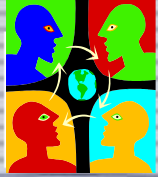
Performance Management





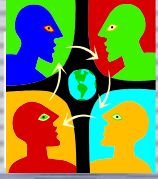
Questions for Strategy Execution

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



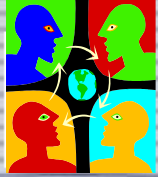
Common Execution Issues

- 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 2nd most significant business issue, but over half had no formal strategy execution process in place
 - Change management ranked first



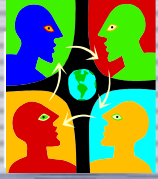
Common Execution Issues

- 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



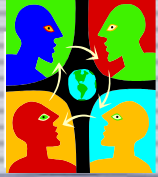
BPM Benchmarking

	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

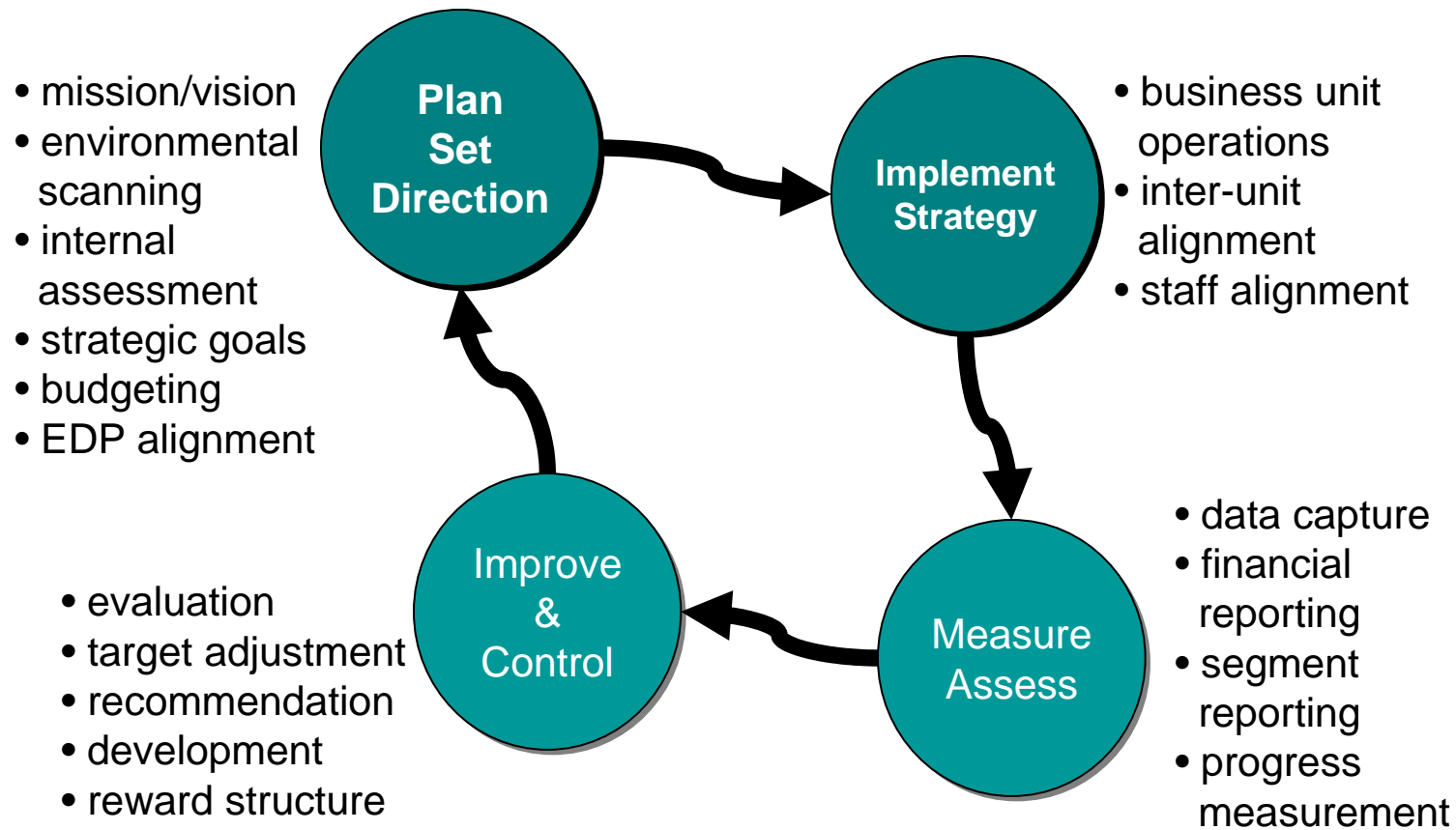


Performance Management Vision

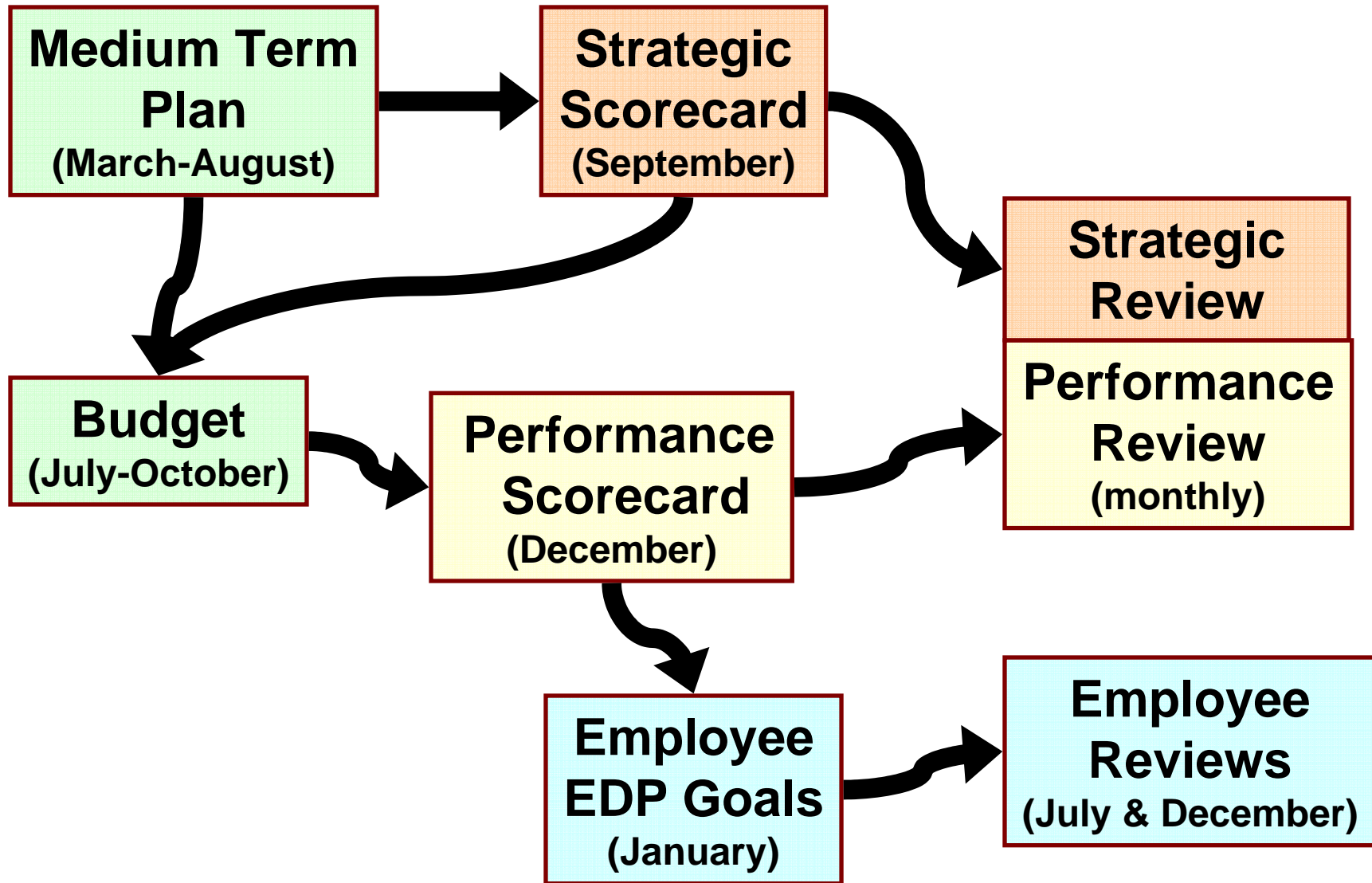
- An Integrated Planning & Performance Process that
 - Embodies the updated Mission & Vision
 - Enables organizational agreement on strategy & goals
 - Clarifies Drivers of Corporate Performance
 - Focuses on what can be managed, yet adaptive to change
 - Stresses value added allocation of resources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

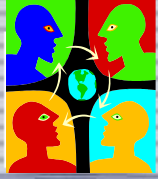


Business Performance Management



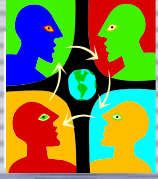
Typical BPM Calendar





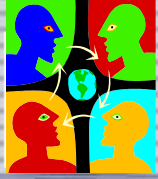
Recommendations

- 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

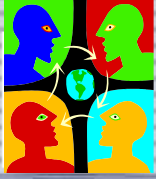
- Establish clear Scorecards
 - Clarify strategy within a scorecard framework
 - Establish stretch targets beyond budget expectations
 - Include staff departments in performance scorecards
- Increase focus on key drivers & action needed
 - Shift from performance review toward action planning
 - Start 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

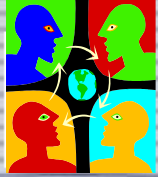
Predictability	Good	Automatic Statistical Forecasting	Ignore or Study Later
	Poor	Forecast Frequently & Develop Contingencies	Scenario Planning
		Short	Long

Time Horizon



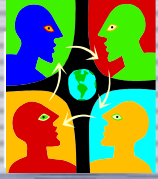
Communicating Direction & Feedback

- 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



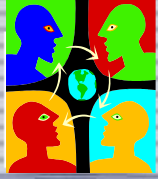
Strategy Management (execution)

- 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



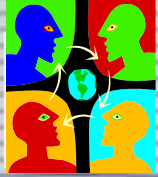
Performance Review Meetings

- 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

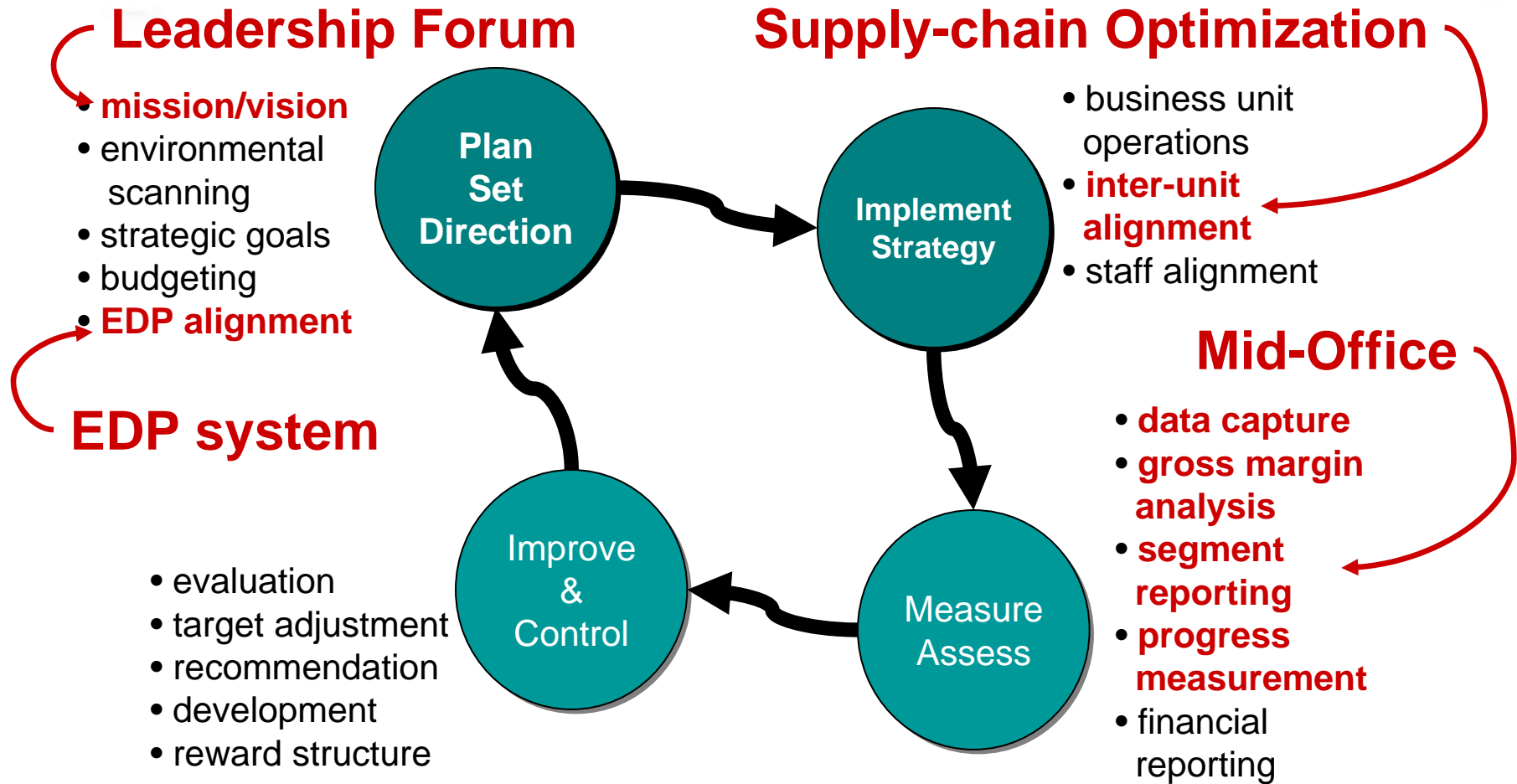


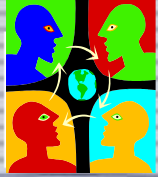
Monthly Accountability Meetings

- 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)

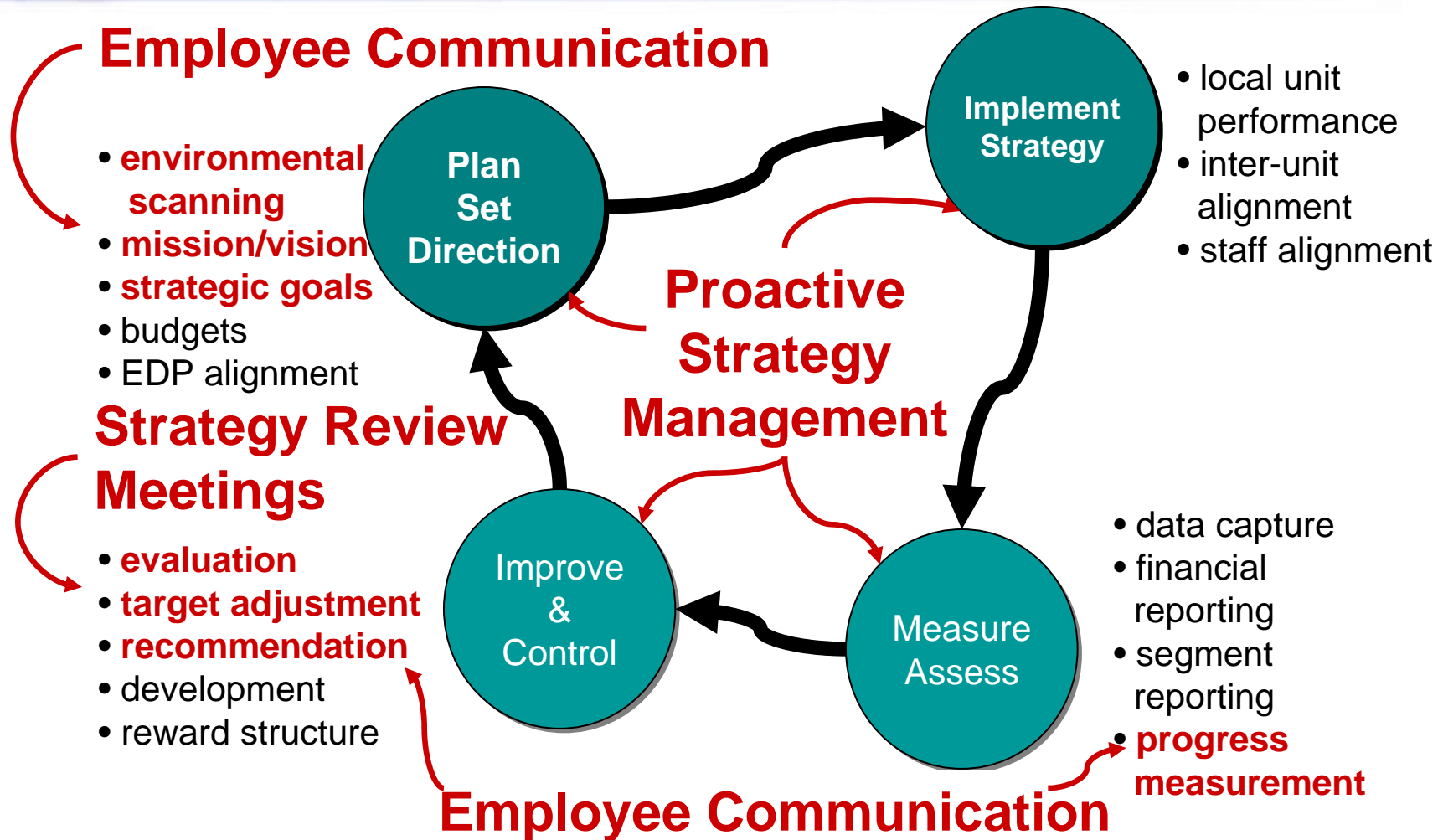


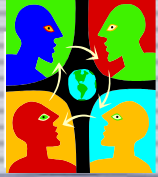
Alignment





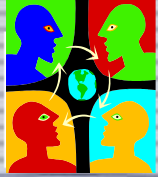
Communication & Review





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?**

