

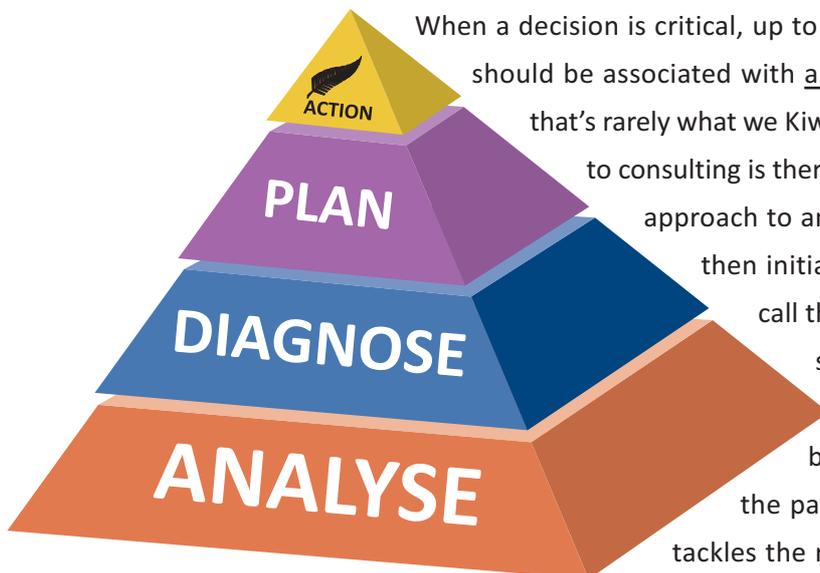


## PERFORMANCE MANAGEMENT, PLANNING, MONITORING & REPORTING

When every part of the business is co-ordinated and integrated - focused on achieving the business's goals - enormous synergy is achieved. Unfortunately in most businesses, even quite small ones, each of the functions operates in its own little world or silo. So do consultants - seeing the world from their own specialist perspectives. Compounding that, Kiwis have very high action and performance (initiative) orientation, making us very good at responding to crises but not so strong when careful reasoned decision making and problem solving is involved. We risk designing elegant solutions for the wrong problems. To make sure that Kiwi firms design the best solutions, take the best possible decisions, and make sure that everything works in perfect unison, we've designed a straightforward approach based on careful, step-by-step analysis, diagnosis planning and implementation tools along with a simple but highly meaningful grasp-at-a-glance Performance Report Card™ that represents the first step in translating Kiwi's desire for the adventure and discovery of doing new things into a true value creating strength.

The Forté Management step-by-step Analysis, Diagnosis, Planning and Action approach and "Grasp-at-a-Glance" Performance Report Card™ .

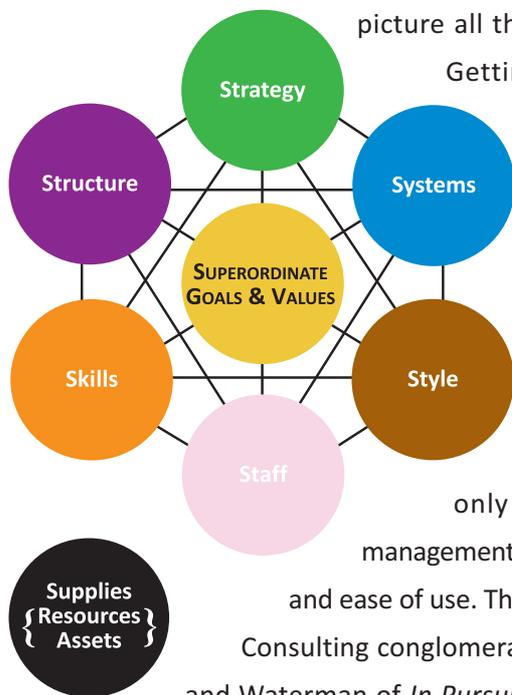
Kiwis have a very high action orientation. That means that if we say we are going to do something there's a very high chance that we will carry through. This combines with very high *initiative* meaning that we do not wait around for someone in higher authority to tell us what to do. We just get "stuck in". Those are very positive traits when it comes to dealing with a crisis but when more deliberative and considered problem solving and decision making is required – like that associated with managing performance or creating and harvesting value – it can be, and often is - a drawback. We risk designing elegant solutions to the wrong problems and when it comes to dealing with people from other cultures, creating impressions completely different to what we intend.



When a decision is critical, up to 75% or even 80% of the time spent should be associated with analysis, diagnosis and planning. But that's rarely what we Kiwis do. Forté Management's approach to consulting is therefore based around a very deliberate approach to analysing, diagnosing, planning – and then initiating action! Sometimes we jokingly call the analysis and diagnosis "the boring stuff" because it can seem tedious – especially when there are deals to be made, fires to be extinguished! But the payback is huge. Problem solving that tackles the right problem. Decision making that

takes account of as much available information as possible. Getting things right the first time round. It's a bit like the old builders adage of "measure twice cut once"!

Stopping to analyse and diagnose is just part of the equation though. You also need to be able to



picture all the parts of your business in a way that makes sense.

Getting your whole business into your head at once is

challenging - but that's what you have to do if you want to truly achieve the synergy that comes from managing your business as an integrated whole rather than a series of loosely connected parts or silos. (In our experience silos are the default position so we have to design tools to help view the organisation as a whole). Producing a report card that is both meaningful and can be done with the commitment of

only modest resources is even more challenging. The

management literature is full of models and tools of varying complexity

and ease of use. The *McKinsey 7-S* model is one. McKinsey are an American

Consulting conglomerate, the most famous of their consultants being Peters

and Waterman of *In Pursuit of Excellence* fame) You will see from the schematic

that McKinsey set out seven elements – all conveniently beginning with the letter "S". But seven elements is right at the upper limit of what the human brain can consider at one time and we think that they missed an essential element - "Resources" – or to stick with an "S" word - "Supplies". Maybe the model was designed in a time when resources - natural resources, capital, energy etc were all in plentiful supply. We think that consideration of the utilisation of resources - no matter what form they take is an essential element in improving productivity. We have to both use those resources available to us in the most efficient possible manner AND we have to create and harvest as much value as possible from them - something that Kiwi firms typically do not achieve at the moment. In other words, to really drive our productivity we have to work on both the numerator and denominator in the productivity calculation. In New Zealand we have applied a disproportionate amount of attention to driving efficiency. Efficiency is important – in fact you can think of it as the "table stakes" necessary to enter the game of business. But being efficient alone is no guarantee of winning. Businesses have to create and especially, harvest value. Because we've used so much of our innovation potential chasing efficiency we've neglected applying innovation to creating and harvesting value. See the *Forté Management Web Reports: User Driven Innovation and Innovation and Culture - a Summary* for more on this topic.

Furthermore, the McKinsey model is entirely inwards focused. Businesses today operate in an ultra-dynamic environment whereby their ability to innovate and learn is a critical measure of their capacity to survive. Their rate of learning must at least equal the rate of change that they are exposed to. Innovation and learning is therefore one of the key strategic elements of the Forté



Management. The external environment in which businesses operate and the change within it can be considered using the PESTEL tool, *Political, Economic, Social, Technological, Environmental and Legal*. The shortcomings in the existing models, especially their lack of customisation for the New Zealand environment led us to develop our own model (at left) and report card system.

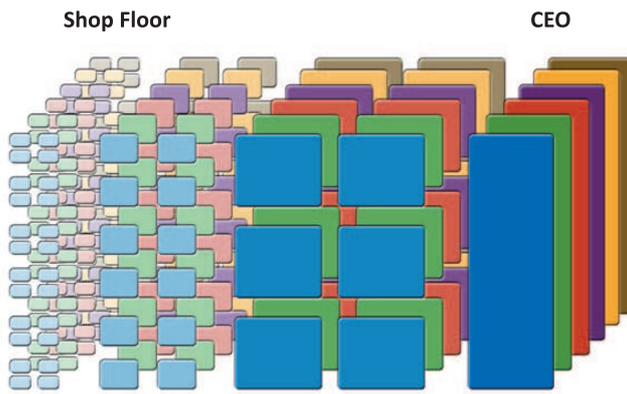
Meaningful analysis, diagnosis, planning action and reporting for the New Zealand context.

Aggregating data into a concise and meaningful set of categories is essential to producing a meaningful report card. There's no hard and fast rule as to what goes where but the four categories shown in the schematic on the next page - *finance, operations, strategic innovation and people - inside and outside* provide an ideal, practical model. Data must be aggregated as it goes up the organisation. It is meaningless to swamp managers with too much detail. For example in a food processing plant, bacterial plate counts are of interest to the laboratory staff and QA Manager but whether they are inside or outside specification, along with any trend is more meaningful for the factory manager. Forté Management concludes that everything that needs to be considered (including McKinsey's 7 + 1) can be aggregated into these four broad categories. This allows us to take a wealth of detailed data and turn it into a meaningful report card that can be grasped at a glance while still providing a crystal clear picture of performance.

To achieve optimum performance, the right things (*Critical Success Factors* or CSFs) must be the ones measured and monitored. Over time we have become more and more convinced that the starting place for this is not where conventional wisdom suggests (Mission) but consideration of these two key factors:

1. The firm's own value set. What does it stand for? What does it believe in? We conclude that one of the most powerful value propositions for Kiwi firms is "integrity" and everything that implies.
2. The alignment between the customer's value proposition demand and the firm's value proposition offer that is expressed as the "Positioning Statement". It is surprising how often little or no consideration is given to this alignment. The greatest difficulty that Kiwi firms confront is the belief that what we value, what we will pay for and how much is exactly the same as the customer's. We have a strong tendency to "think for our customers".

Now we can craft the mission and objectives that will reflect 1 and 2 above. At this point, ahead of designing the strategy, we need to identify the CSFs. Having done that we can proceed to build the strategies – the means by which the critical success factors and objectives are met. Now, after these other decisions are taken *Key Performance Indicators* or KPIs of express relevance to the business can be decided upon. There is an old management saying that you manage what you



Aggregating data as it move up or across the business.

measure. While there is some truth in that, it has been extrapolated to mean the more you measure the more you manage. That quite simply is not true - it just leads to loosing sight of the big picture. Managers should not be responsible for more than seven (nine at a stretch) KPIs and that means aggregating them into bigger and bigger KPIs as we go up the organisation.

Here’s how our report card works - and we think the beauty is in its simplicity. You can even use it yourself - although you will get more insights and value when we work with you through the process because we can provide independent perspectives, challenge your assumptions, and often, help you discover what you are really good at!

### Step One – Data Collection

The first step is data collection starting by posing broad scene setting questions like “*What do you believe in?*”, “*What is your value proposition offer?*”, “*Why should customers choose your business?*” and “*What do you want to achieve?*” We have developed a comprehensive set of questions that we draw from to create a questionnaire tailored for each business like the brief example below covering each of the four areas - *finance, operations, strategic innovation and people* Performance for each item is recorded as “Poor”, “Satisfactory” or “Good”. Already a picture of performance and the key strengths and weaknesses is beginning to emerge.

PEOPLE PERFORMANCE	RATING		
	POOR	SATISFACTORY	GOOD
How well are the best customers recognised & nurtured?			x
Clarity of business’s positioning?	x		
Application of CRM tools?		x	
Sales team effectiveness?	x		
Sales revenue KPIs?	x		
Lead generation and conversion?	x		
Promotions effectiveness?	x		
New customer acquisition?	x		
Existing customer retention and LTV?			x
Staff Engagement		x	

## Step 2 – Analysis and Summary

Next the data is analysed and summarised in alignment with the chosen KPIs appropriate for the target audience as shown in the example below. Remember that the KPIs will vary for different parts and levels of the organisation - those appropriate for the customer services manager overlap with but are different to those of interest to the financial manager, those for the shop floor supervisor are different to those for the CEO.

SUMMARY	RATING		
	POOR	SATISFACTORY	GOOD
<b>FINANCIAL PERFORMANCE</b>			
Revenue vs Budget	1/6 17%	0/6 0%	5/6 83%
Direct Expenses vs Budget	0/5 0%	4/5 80%	1/5 20%
Overheads vs Budget	0/4 0%	1/4 25%	3/4 75%
Net Profit vs Budget	0/3 0%	2/3 67%	1/3 33%
Staff Productivity vs Targets	2/3 67%	1/3 33%	0/3 0%
Write-offs vs budget	2/5 40%	2/5 40%	1/5 20%
<b>OPERATIONS PERFORMANCE</b>			
Performance Management	0/6 0%	2/6 33%	4/6 67%
Quality Assurance	0/5 0%	1/5 20%	4/5 80%
Materials Productivity	0/3 0%	0/3 0%	3/3 100%
Systems Performance	2/6 33%	4/6 67%	0/6 0%
Outages	1/2 50%	1/2 50%	0/2 0%

## Step 3 – Presentation - The Forté Management Performance Report Card™

The final step in the preparation of the Performance Report Card is representing the various parameters visually as shown in the example on Page 7 - tailored for the target recipients and displayed in a way that is meaningful for the users and so the overall picture of the section, branch or organisation's performance can be grasped at a glance. "Poor" performance is represented as a red dot, "Satisfactory" as orange and "Good" as green. An exclamation mark is added to highlight exceptionally good or exceptionally bad results and an asterik "\*" where further examination is required such as one very poor result amongst otherwise good performance. That's the analysis and reporting completed. Now it's time to move onto the diagnosis – digging

into the items identified and looking for causes for poor performance and opportunities for improvement and once that is complete, the planning or strategising can begin.

Using this structured approach helps eliminate assumptions and maps the business performance in an easily understood and communicated way appropriate for the users, with the analysis and diagnosis freed from the distraction of the overwhelming desire to *“just get on with it”*. It is the first step in turning our Kiwi desire for the adventure and discovery of doing new things - our fascination with dealing with crises and firefighting - into real strengths.

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# Sample Company - Performance Report Card™ First Quarter 2013

## FINANCIAL MANAGEMENT



REVENUE



DIRECT EXPENSES



OVERHEADS



NET PROFIT



PRODUCTIVITY



WRITE-OFFS

## OPERATIONS MANAGEMENT



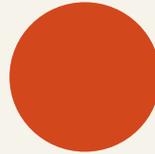
PERFORMANCE MANAGEMENT



QUALITY ASSURANCE



MATERIALS PRODUCTIVITY



SYSTEMS PERFORMANCE



OUTAGES

## STRATEGIC INNOVATION



TRAINING & DEVELOPMENT



NEW SERVICE DEVELOPMENT



NEW MARKET DEVELOPMENT

## PEOPLE RELATIONSHIPS (INSIDE & OUTSIDE)



STAFF TURNOVER



INTERNAL COMMS



EXTERNAL REPUTATION



SHAREHOLDER SATISFACTION



SALES STAFF PERFORMANCE



CUSTOMER ACQUISITION



CUSTOMER RETENTION

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