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Accelerate Your Organization's Performance

White Paper

Business Consulting

CONTENT

Flexibility and business agility are keys to remaining competitive

Visibility to the changing performance of the business, whether from competitive, economic, or industry pressures, is imperative to remaining flexible

Overview

In today's dynamic business environment, increased stakeholder value is the primary means by which business executives are measured. The ability to improve business performance is a critical requirement for organizations and the people who manage them. To help smooth out the roller coaster ride that comes from quarterly business performance reviews by stockholders, directors, and executive teams, businesses need to react quickly to accommodate changing marketplace demands and needs. To become more proactive, businesses need a single view of their enterprise to assist with:

- Making more informed and effective decisions.
- Managing business operations and minimize disruptions.
- Aligning strategic objectives and priorities throughout the business.
- Fostering an environment of continuous innovation and improvement.

Many business management experts have published their version of how to drive business value. At Encore, the recipe for successful organizational performance management may be achieved by following these steps:

- Focus attention on defining and managing mission-critical business outcomes
- Align resources and link activities to mission-critical business outcomes
- Monitor and measure the performance of resources and activities that drive mission-critical outcomes

Flexibility and business agility are keys to remaining competitive. Visibility to the changing performance of the business, whether from competitive, economic, or industry pressures, is imperative to remaining flexible and agile. Organizational discipline is instilled when a company relies on Performance Management principles to 1) reinforce accountability in the organization's behavior; 2) encourage effective communication throughout the organization; 3) engage all levels of the organization. Business management experts agree that these behaviors increase an organization's likelihood for success.

Defining Performance Management

Performance Management is a broad term, with application in several areas within a business. The following section offers a definition of Performance Management for the purpose of this article, as well as several alternative uses of Performance Management.

What Is Performance Management?

Performance Management (PM) is the area of Business Intelligence involved with monitoring and managing an organization's performance. This performance is gauged according to key performance indicators (KPIs) such as revenue, Return On Investment, overhead, and operational costs. PM is also known as business performance management (BPM), corporate performance management (CPM), or enterprise performance management (EPM).

Components of PM include all the processes, technologies, methodologies and metrics used to gather and apply relevant information to a business. PM software includes forecasting, budgeting and planning functions, as well as graphical scorecards and dashboards to display and deliver corporate information. A PM dashboard usually displays figures for KPIs so that managers can track operations and project performance relative to corporate goals and strategies. Some companies use established methodologies with their PM systems, such as Balanced Scorecard or Six Sigma.

Historically used within Finance departments, PM processes and applications are now designed to be used enterprise-wide, often as a complement to business intelligence systems. Gartner predicts that by 2010, BI and PM will have converged.

Other Industry Definitions

The phrase Performance Management can be applied broadly into many areas of business. In the technology industry, PM is an activity that ensures hardware and software components work together to provide optimal responses to users of any kinds of technology applications. For example, or in online businesses, where technology is a significant component, PM monitors factors such as page views, server load, network traffic and transactions per second.

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Our experience has shown that the start of driving business value begins with challenging our clients to think about their business like they have never thought about it before.

To manage this process of change, Encore offers our clients a reusable framework that enables innovation and change called The Mechanism™

In the human resource industry, PM is defined as an ongoing, continuous process of communicating and clarifying job responsibilities, priorities and performance expectations in order to ensure mutual understanding between supervisor and employee. PM involves clarifying the job duties, defining performance standards, and documenting, evaluating and discussing performance with employees.

This article will focus on organizational performance and the objectives, tools, and techniques to achieve optimal organizational performance.

Focus, Align and Link

Many business management experts have published their version of how to drive business value. Our experience has shown that the start of driving business value begins with challenging our clients to think about their business like they have never thought about it before. It is during this initial step that our clients begin removing the facade of habit. This starts the process of unlocking the potential of their organization by recognizing the need to challenge conventional thinking and entrenched habits. To manage this process of change, Encore offers our clients a reusable framework that enables innovation and change called The Mechanism™.

Our product is a proven set of tools that will help our clients think about their business like they have never thought about it before. At the client's discretion, they use this framework to:

- **Focus attention on mission-critical outcomes** - The initial step of The Mechanism™ defines and builds consensus on the envisioned destination and mission-critical business priorities of the client while ensuring the framework of specific measurements and goals are established. The result is an outcomes-based view of the business that will be used like a "GPS" system by the management team to guide the decisions on what activities should be prioritized for the resources and capital available.
- **Align resources and link activities to mission-critical outcomes** - Using creative thinking techniques to foster break-through ideas, the next step develops the pathways needed to reach the destination and realize measured success. During this step of The Mechanism™, activities to drive outcomes are developed, and resources to work on the activities are identified. The alignment of these resources to the activities follows a simple but effective prioritization method that evaluates activities based on their ability to drive mission-critical outcomes. Any activity that does not drive outcomes is set aside and resources are not wasted on these activities.
- **Monitor and measure the performance of assets driving mission-critical outcomes** - The third step details the specifications of the most desired pathway. This is done in terms of business process, organizational needs, application system, and technology to develop a blueprint that includes the business, technical and economic feasibility of the solution. It is at this step in the method where the initial set of performance management metrics is defined.

This first version of these metrics is often simple, but effective, as the organization quickly learn a visible dashboard promotes accountability for the person or team responsible for each metric. Quickly, as the organization becomes accustomed to managing its performance through the use of these dashboards, the teams will develop more specific metrics so as to better mange their areas of responsibility.

At its core, the principles of Focus, Align, and Link drive an organization to: 1) reliably and continually keep their organization focused on its mission-critical needs; 2) optimally align and deploy its assets and resources to priorities of the business; 3) induce innovation and break-through thinking for large or small business problems; and 4) facilitate the adoption of change.

Start Measuring Performance

Flexibility and business agility are keys to remaining competitive. Visibility to the changing performance of the business, whether from competitive, economic, or industry pressures, is imperative to remaining flexible and agile.

Once mission-critical outcomes are identified, and activities and resources are aligned and linked, measuring the performance of these activities is

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About the Author

Thomas C. Wojcik, Jr. is an accomplished senior member of Encore's Business Consulting practice. In his 19-year career in Information Systems and Logistics, Tom has successfully created, staffed, managed, and delivered innovative solutions to his client's business issues through the use of tight project management, thoughtful business process engineering, and prudent implementation of technology.

the vehicle to positive improvements of the organization. Industry experts will describe complicated technical steps to ensure the most accurate metrics are being published. But there are three key steps to complete as a company begins measuring its performance:

1. **Select and define metrics and measurement data** – Align metrics to the mission-critical outcomes determined by your management team. Begin with several of the most important of these outcomes. Many organizations will want to measure everything within their span of control. But as is often the case, less is more. Be sure to critique the current measurements and ensure they reflect the relevant drivers and outcomes needed to enhance the company's success. An easy method to determine the most critical elements is to limit each organizational function to only one metric on the dashboard. If the scope is narrow, expand the selection to two metrics. Using a limited number of metrics in the first iteration will limit the amount of data cleansing required and shorten the development time to get the first iteration published. Speed to market is as important as completeness in the early stages of performance measurement.

2. **Develop dashboards and data repositories** – After the organization has defined the initial set of metrics, convert each metric into a single visual indicator. There are several software applications that can convert metrics definitions into visual indicators, including some of the business intelligence and enterprise reporting applications. Some very specific applications, at reasonable prices, are very user-friendly and easily convert metrics to intuitive indicators. Finding the data and consolidating it to provide meaningful, complete metrics is an issue with many organizations. A common tendency within organizations is to perform an enterprise-wide data cleansing activity when they begin their first performance measurement activity. Using speed to market as an excuse, resist the temptation to clean up your company's entire history of bad data management decisions and find a simple method to clean and consolidate as much of data as is necessary for the initial metrics. Use the 80/20 rule to determine how much effort to expend in data cleansing and consolidation activities. If a metric requires too much data cleansing, push it back on the priorities and select another.

3. **Measure organizational performance** - The initial set of indicators should fit onto one page, or one screen. The management team will use this dashboard as a "GPS" to drive the performance of the organization. With the aid of the dashboard, a regular review process will shine a light onto areas within the organization that are underperforming. With this information in hand, deploying corrective actions to address the issues that cause underperformance can be done quickly, accelerating the performance of the business. As the organization adopts the dashboard and performance measurements, and realizes fast, continuous improvement, the next versions of metrics will be more detailed and specific to the most deserving areas of the business. And because the organization will experience success in overcoming historically difficult performance issues, morale improves, confidence builds, and management credibility rises, lifting the whole organization to new performance heights.

Conclusion

Experience has shown that implementing Performance Management will bring accountability to the organization's behavior, spotlight areas within the organization that are underperforming, and build confidence as historically difficult performance barriers are overcome. These improvements add positive momentum to an organization, and may be the most important elements in accelerating the performance of an organization.

Encore Business Consulting Practice

For more information on this topic, or other business performance questions, please contact Steve Wilt, Partner, at swilt@encore-c.com or review our capabilities on the web at www.encoreconsulting.com.