BUSINESS PERFORMANCE
ADVANTAGE

May/June 2003

CFO Plus LLC
Partners In Growth

Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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How to Make Performance Measurement FUN!

Measuring employee performance can be a tricky business. While there are many schools of thought regarding how to conduct the performance review, most everyone agrees that a review must be conducted regularly, and that some type of measurement must be built into the system. If you don't have the measurement aspect in place, how do you know what to assess?

Take Jane, for example. She has worked for your company for five years and is considered a loyal, good employee who always gets her work done on time. However, upon closer examination, you see that her performance reviews or employee appraisals are based only on surface details. Although she asks for constant feedback, the only response she gets is, "You're doing fine," or "Thanks very much."

Employees who expect and want to succeed in a crowded business marketplace want much more than simple feedback. Naturally, they want to know how they're doing in their jobs in a general sense – "qualitative" measurement – but also want to validate how they contribute to the company's bottom line – "quantitative" measurement.

The qualitative part is easy. Does the employee show up on time? Does he or she do what's expected of them? Do they have great ideas? Do they go above and beyond the scope of their job?

Quantitative measurement or measurement by numbers is much more difficult, but is most commonly accomplished by measuring performance to the company's goals or initiatives. For example, in a retail setting, factors like total sales, number of satisfied customers, number of retained customers and other areas are measured. Most often, each industry has certain performance measures, which impact a company's bottom line. Each offers many opportunities to measure – and increase – performance. Each company has different factors, tasks or activities with regard to what is measured, so there is no book to follow in order to create these measures. Some industries that respond well to performance measures, include health care, auto dealerships, retail and manufacturing, just to name a few.

The greater key to quantitative measurement lies in how you do it. Think about it: can you get excited by being held accountable to find five new prospects in any one month?

Creativity is the answer, and performance measurement should be fun. Here are a few examples in which "numbers" were mixed with "creativity."

March Madness

Western Michigan University in Kalamazoo, Mich., incorporated a sport's theme into the way its staff handled new student admissions. March Madness is the familiar term for the NCAA Basketball Tournament in which sets of college teams compete for the national title. The theme not only emphasized the college's passion for the game; it also described the fervor of activity each spring when prospective students inundate the school with applications for admission – hence the term, "madness."

Based on the theme, the performance measurement culture incorporated feedback into the office's daily activities – with huge success. The project began in the office mailroom where weekly performance feedback was having little, if any, impact on performance. To communicate accomplishments, the staff was content with posting a small, black-and-white line graph that detailed the staff's performance. This provided group feedback and was updated weekly. Employees and supervisors paid no attention to the graph, and performance failed to improve.

How to Make Performance Measurement FUN! (cont.)

Creativity was born! Based on the March Madness theme, the feedback graph was enlarged to a poster-sized, color chart with balls and hoops as symbols in place of bullets and plotlines. Think of USA Today's graphs and charts as examples. Just this simple, small change resulted in increased interest in feedback and performance, additional ideas for process improvements, added social recognition and reinforcement, and improved performance.

Absenteeism

Although it might be considered a qualitative measurement, absenteeism in business is a very real, valid concern. Not only are employees evaluated by the number of days missed, but absenteeism contributes to loss profits. According to NovantHealth, 15 percent of the work force causes 90 percent of absenteeism. Emotional factors account for 61 percent of time lost, and the typical employee is absent eight days per year. Absenteeism costs employers 1.75 percent of an absent employee's wages, and companies spend 5.6 percent of their payroll on absenteeism.

With statistics like these, you should be concerned, but what can you do to motivate employees and prevent absenteeism? Be creative!

A large hardware company introduced a lottery to reduce absenteeism. Only employees with no absenteeism for one month could participate. In every department, participants could win prices, such as a television, a bicycle and other gifts. Although some may consider this an isolated example, the results speak for themselves: there was a 75 percent reduction in absenteeism and a 62 percent reduction in costs.

Another company tried to find the answer through a game of non-gambling poker. Every day, employees who were at work drew one card, and those who worked the entire week drew five cards on Friday. The player with the best hand won $20. Due to this game, absenteeism lowered to 18.2 percent, and even when the game was played less frequently, absenteeism remained lower than previous numbers.

Applying These Ideas to Your Company

Industry examples illustrate creativity, but what can you do in your own company to make performance measurement fun?

- Begin by creating an employee committee to **brainstorm ideas** and submit three to five well-thought-out examples of games, contests or strategies. Just the idea of asking for employee participation is a positive step in itself, and once the ideas start flowing, they never stop. Even if your company is small, you still can ask two employees to form a team and come up with ideas.

- **Take baby steps.** The old adage, "Walk before you run" is valid. Begin these kinds of measurement programs on a small scale without spending too much time in the planning and implementation stages. If something takes up too much time and you've lost productivity due to trying to be more creative than you need to be, the effort is a non-issue.

- **Think Outside the Norm.** Just because you have a professional image doesn't mean you can't do something out of the ordinary. Again, the object is to be as creative as possible.

- Above all, **assess your creativity and performance measurement** techniques on a regular basis, or measure the measurement. Without some kind of evaluation built into the activity, you won't know whether you succeeded and can't figure out how improve for the future.

To ensure your creative passions align with performance measures that will positively affect your company's profits, contact your business performance advisor today.

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Are You Ready for Change?

On Your Mark ... Get Set ... Change!

Today's business environment isn't what it used to be, but it would be cliché to say that the only constant is ... change. You can blame it on the new millennium or the dramatic shift in our nation's economy that paved the way for all-things-different. Regardless of how you slice it, two factors are unshakably certain: the landscape of business will never be the same again, and you can't count on the same tried-and-true methods of getting your product or service to market.

It is without a doubt that the next decade will bring dramatic change to all aspects of the workplace, including demographics like the size of the workplace, age and income distribution; white and blue collar jobs; and products and services. Furthermore, as we become even more technologically astute, varying methods for creating productivity also will become different.

How do you begin to change? Start by understanding your clients, customers, employees and the changing face of the workforce.

The Bureau of Labor Statistics indicates there are about 127 million working Americans, but in just four years, this number increases to 133 million. While the 25 to 35 age group decreases about 10 percent, the Baby Boomers – 45 to 55 years old – will be about 50 percent larger. Americans over age 50 will be among the wealthiest we have ever seen, controlling $87+ trillion, or nearly 70 percent of the U.S. household net worth. White collar jobs will comprise more than 60 percent of the workforce, significantly reducing the traditional importance of blue collar jobs in the economy, and almost half of white collar jobs will pay more than $40,000 annually.

The 9/11 tragedy certainly spawned an increase in service-sector jobs, and according to the World Future Society, there will be a shift of 25 million workers into service and information industries. At the same time, generational groups like Generation X and the Echo Boom have changing priorities in the workplace. As more firms and organizations strive to recruit younger employees comprehending these two sectors is key.

Generation X (born 1965-1976), for example, came of age in times of recession, and experienced job restructuring and job scarcity before they even turned 30. Being the first technologically proficient, online and techno savvy generation, they exude entrepreneurism as the American dream. The youngest work group – the Echo Boom – was born from 1977 to 1994, so eligible workers are now in their mid-twenties. The Echo Boom generation is more relaxed about the corporate world than their Gen-X counterparts, but they will shape the workforce on their own terms and enter it with high expectations.

While this information probably comes as no great surprise, it does prompt the business professional to reconsider and redefine the way the company or organization recruits and retains employees. Any notion that perks like free parking, pizza parties and goofy golf will keep someone around until retirement must be completely erased. In fact, both the Gen-X and Echo Boom would frown on such so-called "perks," and instead want to know how to make a difference for the company so that his or her own goals can be met.

Some of the changes employers may soon face include:

- There will be more emphasis on job performance and less on college education.
- Career paths will be less predictable and jumps within companies will be the norm; the job as a stepping-stone to something greater will be altogether different.
- Expect more fluidity in assignments and less written job descriptions; these groups don't want to be pigeonholed into a set of bulleted statements.
- Praise and reward will be mandatory and immediate; we know Generation X wants quick gratification, so why not give it to them?
- Fewer regulations like dress codes, a set start and quit time (9-5), and others will not inhibit individuality and originality.

Are You Ready for Change? (cont.)

Moreover, managers will coach, motivate and empower. They will direct less and less. There will be more self-directed teams, with team leaders instead of a "boss." Self-directed team leaders will need a blend of instinct, on-the-job learning and patience.

While these observations may sound good on paper, reality is a different animal. To anticipate change, begin by assessing your company accomplishments, endeavors and other ways of conducting business, then determine how your company's management style might mesh with the changing workforce. Write down a set of ideas about how you can change for the short- and long-term, and ask each of your key managers and employees to do the same.

Anticipating – even embracing – change will help you make the most of it. We can make a difference. Give us a call today.

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Show Me The Money

Maybe Cuba Gooding, Jr. said it best, but it's the performance and profitability professionals that are making good on this familiar statement. Business owners today are smart – and sometimes cautious – about working with outside consultants. Many demand to see a return on investment scenario prior to signing an agreement.

With the new tools available to performance measurement professionals, owners can immediately see how simple changes in strategic areas of their business can dramatically impact their bottom line. In short, these tools can show you the money.

Accelerating revenue growth through performance measures continues to be one of the fastest-growing consulting niches. Qualified professionals equip themselves with state-of-the art tools that work well for analysis and modeling, and offer business owners an easy-to-understand interface for viewing financial data.

On the cutting edge, this technology presents owners a real-time financial overview of his or her business as well as specific information about critical business drivers. Performance measurement professionals can help with "what-if" scenarios that will work to increase profitability. What if I increase sales by X percent? What would happen if I cut my inventory? How would cash flow be impacted if I resolve an accounts receivable lag?

Systematically, these professionals can break complex financial statement data into easy-to-understand performance measures. Financial information immediately becomes real and tied to day-to-day activities – and outcomes. Suddenly, owners know exactly what they must address to achieve their desired company goals.

The opposite is also true.

Company owners that have immediate objectives, including a certain cash flow threshold or an increase in profits, can look to these well-equipped professionals to provide the areas of business to target to meet desired outcomes.

Goal setting starts with describing exactly what you want to achieve and by when. New software efficiencies available to us combined with our knowledge of performance measures can help you plan and set goals, knowing you can achieve them if you stay on course. Let's get started. Give us a call today!

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Unleashing Creativity and Innovation

Sometimes it's the little things that really drive you crazy. Small things like 23 toll-free numbers Unleashing Creativity and Innovation

What's the next great idea?

Just a few years ago, who would have dreamed that putting water in a bottle and selling it for $1 would amount to beans?

You get the drift ... but how do you put yourself and other workers in a creative mode to even think of a great idea? How do you motivate your staff to remain cutting-edge in their thinking, when all they want to do is complete the next project, close a new deal and go home at the end of the day?

Unleashing creativity and innovation doesn't happen overnight, but you can begin by thinking differently about the way you and your organization invest time, effort and resources into the creative process. It's a proven fact that the best workplace inventions and ideas throughout history weren't accidental at all, although we're conditioned to believe they were because it's so much more "glamorous" and exciting to actually believe Michael Dell became a millionaire overnight. It actually took him quite a bit of time building and selling computers out of his dorm room to even scratch the surface.

While it may be true that penicillin was discovered through a strange case of mold, finding your next big idea doesn't have to be a surprise, and the time you invest in this activity should be considered golden. It's a fact that successfully innovative companies are more likely to generate growth rates of 20 percent or more than less innovative ones, and companies that generate 80 percent of their revenue from new products consistently double their market capitalization within five years.

Organizations that rely only on their leaders will find themselves terribly uncreative, because this approach sends innovation to the fringes of a company. It presumes that the organization is, by nature, dull and slow, and that innovation can only be spurred on by a handful of creative types whose official job is to be innovative. As a result, this squelches most workers' ideas because they don't see it as their role to drive innovation.

In addition, many people believe creativity can only be driven by the company oddball or eccentric who may be "hip" and "happening." Think of the cool cats who sip lattes and think of great ideas all day long. Think again! Certainly, organizations should not discourage this from occurring, but creativity isn't the process of thinking of a great idea by sitting under the Juniper tree. It's a process of planning.

How do you accomplish the creative process? Here are some tried-and-true methods that have spawned more than one great idea.

- **Notice Everyone** – Innovation is all around you, and usually begins from the bottom-up. In your own company or organization, the mailroom guy and the low-rung administrative assistant may be the most creative people on staff, and yet, you have no notion they have an inclination to think of anything outside the norm. Ask them for feedback and advice. Put them on creative teams and tell them you appreciate their efforts. Emphasize that this is more than the company's suggestion box; you're looking for more creative ways to accomplish your goals and drive performance.

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Unleashing Creativity and Innovation (cont.)

- G**o for the Biggest Obstacle First** – It might be easy to concentrate on more creative ways to provide, for example, continuing education to your staff, but you're more likely to achieve bottom-line results by tackling something bigger and more immense – like the sales process. If the largest problem is finding staff who can "close the deal," then you've got to concentrate on coming up with solutions to tackle the issue head-on.

- C**reate a Business Case** – When the challenge is identified, you need to devise various ways to solve it, and the natural inclination is to brainstorm and use problem-solving methods. If you work in teams, bring them together. After the team agrees on a viable solution, the next step is to create a hypothetical (yet in actuality, it could be real) business case to support new recommendations. This quickly illustrates whether the creative idea might work. Once you've tested and modified the proposed solution, if it seems to work, then present a formal proposal to the organization's leaders.

Remember that creativity and innovative thinking shouldn't be done in a vacuum; it should involve everyone in your organization, and although it might seem far-fetched, every idea should be considered for its worth.

World-class companies innovate every day in some way or another. Highlight innovations other companies have enjoyed. For more ideas on how to tie performance measures with innovation, give us a call.

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Assess Your Organization's Readiness to Execute Strategy

By Randall Russell

In these times of economic turbulence, strategy execution has become the new mantra for executives who seek growth. Executives are demanding more of their strategy efforts; a strategy must be sound and executed before any benefits can be realized. The Balanced Scorecard explains that one major risk confronts all organizations who hope to achieve strategic success.

Is your organization achieving the promised benefits of its strategy? If not, it's likely that you are doing something wrong. You may have a flawed strategy that requires some rethinking. Or, perhaps your strategy is a good one but you are not executing it well.

In either case you can't really be sure what the root cause is until you know that your strategy is being implemented. You can't test the hypothesis of your strategy in theory; you have to test it in the field.

If you have already implemented a Balanced Scorecard you are well along the path to discover whether your strategy will deliver the results you seek. Your strategy map lays out your periodic reports and strategic hypotheses, and review meetings provide opportunities to see how well these hypotheses are working. If you have implemented your strategy through the use of this management framework you should be well along the path to become a strategy-focused organization.

But if you aren't sure if your strategy is sound – or if you are having trouble executing it – it's not too soon to assess your approach to strategic management to understand whether you have done everything possible to achieve the promise of your strategy.

According to a study just released by Bain and Co., the Balanced Scorecard is now in use in approximately 60 percent of organizations around the world. This figure is up from 50 percent reported two years earlier (a 20 percent growth rate over this period). The study reports that companies are increasing their use of "compass-setting" tools such as strategic planning, benchmarking, and mission and vision statements as they search for growth opportunities in a tough economic environment. The Balanced Scorecard clearly provides an opportunity to integrate these "point" solutions.

Numerous factors explain the increased use of the Balanced Scorecard; foremost among them is the fact that it works. In a recent study of Balanced Scorecard usage in Europe, none of the 42 companies in the study currently using this management approach plan to discontinue use.* In fact, the level of commitment increases as usage becomes more sophisticated. Even for those just getting started, there is 100 percent commitment to continue the practice. Among the top five benefits associated with this management approach was the fact that it was shown to improve company results in the long-term.

Avoid the Pitfalls

But, in spite of a 60 percent penetration rate and rave reviews from demanding users, there is always the risk that you may not get it right. Many organizations fail to achieve the benefits of their strategy because they fail to make strategy execution a core competency. The pitfalls that await those who don't embark upon this journey with adequate understanding and executive commitment are well documented. Pitfalls that can put your scorecard program at risk include:

- Members of the senior management team are not committed
- Executives are not accountable for implementation
- The scorecard is treated as a one-time event

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Assess Your Organization's Readiness to Execute Strategy (cont.)

To help organizations successfully execute their strategies we have created a best practices database to document the management practices that contribute to strategic success. Organized around the five principles of the Strategy-Focused Organization (SFO) as defined by Drs. Kaplan and Norton, we have identified 28 strategic management practices that, when implemented correctly, improve the probability of achieving strategic success. These management practices have been used to establish benchmarks for best practices.
Putting Best Practice to Use

In one example, a large financial services firm was enjoying significant strategic benefits nearly two years into its Balanced Scorecard implementation. However, they wanted to learn more about progress they were making, and whether they were truly on the path to breakthrough results.

The executive team compared its strategic management approach to the best practices benchmarks. Based on the analysis, they were able to identify needed mid-course corrections that they have since used to enhance their strategic management practices.

Despite the fact that this financial services firm was already achieving results, they made some surprising discoveries about their organization. For example, in their review of SFO Principle #1 (mobilize change through executive leadership), the firm came to realize that executive accountability for strategic initiatives was not well embedded and aligned at the right levels of the organization. They were unaware that this had not occurred to the extent that they expected. If this had remained hidden, progress would have begun to lag as the lack of accountability failed to reinforce the right behaviors to drive results.

Likewise, after uncovering weaknesses in their processes and activities to review the strategy and update their Balanced Scorecard to reflect new realities, the organization enhanced its management practices to more thoroughly and accurately translate the strategy through to the organization. As well, similar changes were made under each of the other SFO principles to eliminate a number of bad habits that had crept into their management practices, reducing the organization's potential to execute strategy to get results.

The experience of this Balanced Scorecard firm demonstrates that even those who are doing it right can still make additional gains in their strategy execution capabilities by benchmarking themselves against best practices. The simple fact is that, in the real world, no one gets it right all the time.