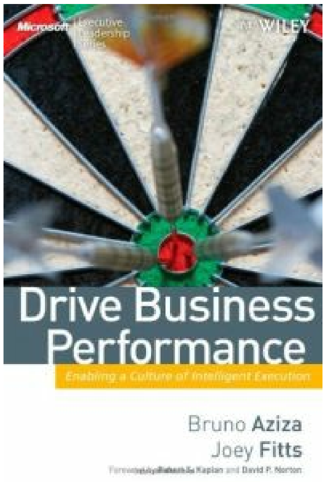

Book Drive Business Performance

Enabling a Culture of Intelligent Execution

Bruno Aziza and Joey Fitts
Wiley, 2008

Recommendation

Microsoft strategists Bruno Aziza and Joey Fitts want to help readers straddle the "technical" and the "theoretical." To that end, they've created a practical, useful tool to help companies deliver dependable data, analytical rigor and sound planning. Aziza and Fitts emphasize that your company can't win unless you empower your workforce to be fully in control of its own data – the data employees need to make independent choices and advance your organization's overall goals. While the authors' passion and knowledge shine through, their text might have benefited from some closer editing. It can be lucent, but it also can be heavy reading at times. Because Aziza and Fitts wrote for those who live with data daily, *BooksInShort* recommends their insights to executives, managers, analysts and IT pros.

Take-Aways

- Good information, well understood, leads to sound decisions.
- Share information with your employees to help them achieve their business goals.
- Strategy without broad understanding is counterproductive.
- Analyze whether a decision is "strategic, operational" or "tactical."
- Data can destroy departmental silos and free employees to serve the company.
- Data can help you monitor your firm to learn where you are as a company.
- Data can enable effective analysis; using visualization tools, such as key performance indicators (KPIs) and "dashboards," can help.
- Analysis is too important to leave solely to analysts.
- A sound strategic plan is difficult to achieve but worth the time and energy.
- As you improve your company's ability to monitor, analyze, and plan, you create predictable outcomes and more predictable success.

Summary

"Performance Management"

Performance management begins by properly combining data and decision making to improve your organization. Finding the right combination requires discipline and strategic thinking. But having a great strategy isn't enough. To excel, you have to execute.

Many factors work against you when it comes to executing your strategy. It is possible, and even likely, that most of your employees don't really understand your organization's strategy. You may have no guarantee that your board backs you or that your budget ties directly to your strategic goals. If such confusion abounds, it can lead the people who execute strategy for your company to use tactics that are not moored to its strategic intent and might even work against its strategic plans. Performance management based on solid data works six ways to clarify confusion, generate understanding and ensure that your workforce executes the intended strategy:

1. It can "increase visibility" by using information to show what is really happening and how to make meaningful improvements.
2. It can move people "beyond gut feel" by replacing guesswork with "data-driven decisions."
3. It can help your organization "plan for success" by using provable knowledge instead of assumptions.

4. It can foster execution based "on strategy" by combining action with a sense of direction about where the organization needs to go.
5. It can provide the "power to compete" by depicting where the company stands in relation to its rivals.
6. It can lead to a "culture of performance" by helping every member of the organization make informed decisions based on sound data.

Establish a Culture of Performance by Managing Performance

Decisions happen at every level, every day, pushing your business in one direction or another. Leaders want to influence these decisions for the best, but first they have to understand how to differentiate between various kinds of decisions. "Strategic decisions" occur at the highest level and have a major effect over time on every part of the company. "Operational decisions" unfold more quickly and can be tweaked, while strategic decisions are more final. Operational decisions might include how to allocate a resource or how to respond to increased consumer demand. "Tactical decisions" represent the ongoing "face of the organization." They come up on a daily basis, and, at times, people deal with them without much thought. Tactical decisions can have a cumulative effect because they often offer touchpoints between an organization and its customers.

> "The typical organization's planning, budgeting and forecasting processes today are fragmented, slow, labor intensive, costly and ineffective."

Managing performance begins with data. Everything depends on helping people trust hard information, derive meaningful content from it and use it to make decisions, thus "acting based on knowledge." This leads to decision making that serves the organization. Coming to terms with data can help you launch and maintain the three basic performance management competencies: "monitor" the company's current position, "analyze" the reasons causing that position and "plan" the organization's future direction.

Step One: Monitor Where Your Organization Is Now

To monitor effectively, you must ensure "consistency" in a few distinct, functional areas. First, your data must be valid. If someone presents a figure, it must be accurate. You need to conduct the oversight to know always that the source of the data – the database itself – is accurate, consistent and precise. Then strive for consistency as well in people's approach to data. Numbers become pertinent information only when employees use them correctly. Be sure that the staffers who put your statistics to work know what's important about them and understand how this data contributes to their overall evaluation of a venture.

> "When analytics succeed, they enable more people to understand information faster and take action on relevant insight."

The next step is to ensure that every employee who needs information can access it in a "quick and easy" format. Many possible formats exist. Some companies use scorecards or dashboards. Others rely on key performance indicators (KPIs), which provide a simple visual indicator – a red flag to mean trouble, a yellow flag to signal caution and a green flag to show that everything is all right – in pivotal categories. The KPI approach is useful because it is tied both to real numbers and desired numbers. If a large gap emerges between the two figures, the person with accountability for a given project can react accordingly. The KPI system spans silos and groups. Do not set a target or desired value in isolation. Make sure it directly reflects the firm's goals.

> "A key to executing effectively is to link strategic, operational and tactical decisions across the organization."

An organization should not have too many KPIs, and it should populate the KPIs that it does have with sound data. When presenting data in sections, provide supporting documents to fill in the gaps between them. When you give people the authority to review KPIs, establish a parallel process that allows them to search any documents that might support the information they will find there. Assign an "owner" for each KPI. You do not want to lose action and accountability amid mountains of numbers. If the results shift off course, someone must have clear responsibility for making an adjustment.

> "Before any employee capabilities can be enabled – before any employee can trust that they're gleaning the right trends or patterns of business activity and performance, before any decision can truly be called informed – the data must be trusted."

The KPI system is great for tracking performance, but dashboards and scorecards provide a more comprehensive picture of the firm's aspirations and goals. KPIs can appear on dashboards and scorecards, but dashboards and scorecards go beyond the KPI's functionality, providing context for the performance that the KPI is measuring broadly. These constructs show organizations whether their work is fulfilling their objectives.

> "Once information is consistent, trusted and shared across the organization, it needs to be acted upon."

Dashboards, which display real-time data in graphs and tables, are helpful performance measurement tools at every level. Everyone also can benefit from using scorecards, which show the firm's progress in "periodic snapshots." These tools display data as "symbols and icons." Scorecards and dashboards help you ensure that your strategy, operations and tactics are aligned.

Step Two: Analyze the Factors Behind the Company's Current Position

The ability to analyze effectively, like the capacity to monitor, can give leaders the confidence and conviction they need to make incisive, timely, rapid decisions. The usual path has been to hire analysts with numerical fluency and have them interpret your data. Such an approach can create a disconnect: The people who have "analytic capabilities" are often not the ones with final decision-making authority. In light of that warning, make sure that your decision makers do not fall out of touch with the deep analysis they need to make the best choices.

> Decisions "are the act of execution."

Technological developments help make "visualizations of information" more accessible and plentiful. Such visualizations can help you spread the analysis – in an understandable form – throughout your enterprise, into the nooks and crannies where it will prove most useful. Such visuals can and should live on the computer screens of the majority of your workers. Hiring an "army of analysts" won't help your frontline employees make the right decisions at the right times or behave tactically in alignment with your strategy. Customer-contact employees need information they can understand and use on the spot. To empower such analysis on the "tactical needs" level, be sure frontline workers have access to data that helps them deal with customers in real time. Refresh such analyses often, and tie them directly to the workers' business objectives. Employees who face tactical choices need to be able to make quick adjustments based on data.

> "Organizations achieve accountability when individuals and groups agree on and are held responsible for their measured execution against particular initiatives."

On the operational level, analysis does not need to be as immediate. Operational decisions often require more time because they involve identifying "relationships" among different pieces of information. Operational analysis should improve processes and systems, but such an analysis based on "strategic needs" can take a long time and involve a lot of people. Good strategic needs analysis requires broad sets of data, some from inside the company and some from outside.

> "While the management of information is an increasing problem, the access to it is an increasing need."

As a result of the pervasive need for analysis, companies have developed "thin client" applications that live on the web and offer open distribution channels. This innovation gives everyone access to data and analysis, if the firm's leadership so chooses. Employees can use that information at a "depth" that suits them and fits their jobs. However, this access to data requires deliberate forethought. Not every employee needs every piece of data and analysis. Look for "relevancy." Employees primarily need access to information that is tied to the results for which they are responsible. Don't overload staffers with so much data, relevant and irrelevant, that they cannot dig themselves out from under the information and make it work for them. Give people the facts they need and nothing more. Decisions are the crucial part of the process. Good decisions derive from the "focused insights" available to workers who are involved in particular facets of the business, and who have access to the appropriate data and the ability to use it to answer questions and make decisions.

> "Analytics that provide agility, relevancy and efficiency deliver competitive advantage."

Analysts can't make your company more flexible or more able to use data to create a business advantage, but they can help you make sure your workers act according to your strategic intent.

Step Three: Plan the Company's Future Direction

Data aside, you have to know where you're going and what you're going to do to ensure that you get there. Strategic planning is vital to your enterprise, but it is a tough process. It demands that you uncover major areas of focus that will drive your company for years to come. You want to make the right plans and set the right direction. To ensure that a strategic planning initiative succeeds, make sure that your strategic planning committee has a clear picture of the business, including where it was, where it is and where it might go. Ensure that this committee understands the external data that influences the company. When figuring out what information to bring to the table, consider your industry, your demographics and your competition.

> "A good planning process makes budgets a tool of innovation, not of protection."

Once you have set your strategic direction, get down to the details about where the company wants to go. You can look forward five years or even a decade, but you also must pull back to "shorter-term milestones." Manageable landmarks tell you if you are progressing and fulfilling your strategy. Once your targets are in place, the various divisions responsible for hitting them can begin "forecasting." A forecast occurs when you link what you expect to accomplish with your anticipated targets. Without sound forecasting, your business will lack "predictability."

> "Knowing is powerful, but acting based on knowledge is what creates true value to the bottom line."

Regardless of how well you plan and forecast, the external world can divert your efforts abruptly. "Agility," therefore, is of critical importance. To gain agility, master its two specific aspects: "consolidation and scenarios." Consolidation allows your firm to bundle important forecasts, thereby freeing you to deal with the present and the future. A useful consolidation, for example, would be to translate and share business information from all the international branches of a business. Although each office might keep records in a manner that suits it and makes sense for its individual practices, such highly localized methods potentially could render these records useless to the central executive team. Consolidating all reports into a "format that makes sense for the corporate management team" allows leaders to understand the company's situation and adjust plans accordingly, with agility. Using scenarios to consider and work through possible future chains of circumstances lets a company track the impact of different programs or strategies so it can react and plan more quickly and capably.

Uniting the Three Capabilities

When you improve your organization's ability to monitor, analyze and plan, you also improve its capacity to move with purpose through the six stages of performance management. Enhancing your performance in any one of the six capabilities can help your company achieve a purposeful, planned, predictable existence that is amenable to course correction. A simpler, more profound message lies beneath the necessity of managing performance: Leaders can't enhance performance alone. They must empower their employees, giving them the information they need, when they need it. No one can execute efficiently without access.

About the Authors

Bruno Aziza is the worldwide managing director of analytics and business platform marketing of Microsoft Business Intelligence. **Joey Fitts** is a performance management consultant. He works on Microsoft's Information Worker Strategy.