Considium

Theme pamphlet 1

From Words to Action

When results matter!

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The purpose of developing good management processes in both private and public enterprises will always be to secure results in accordance with the overall goals and strategic ambitions of the enterprise (owners). In this context development of Result Management will serve as an important management philosophy.

The intention behind introducing Result Management is to secure personal commitment from all key persons in the organization – and make this commitment more specific by preparing individual "Scorecards" showing individual contributions to the overall results of the enterprise.

Result Management implies developing an overall steering model in which economic results are supplemented with relevant information on other factors driving future results. In this connection we want to focus on five areas in addition to the financial results (figure 1):

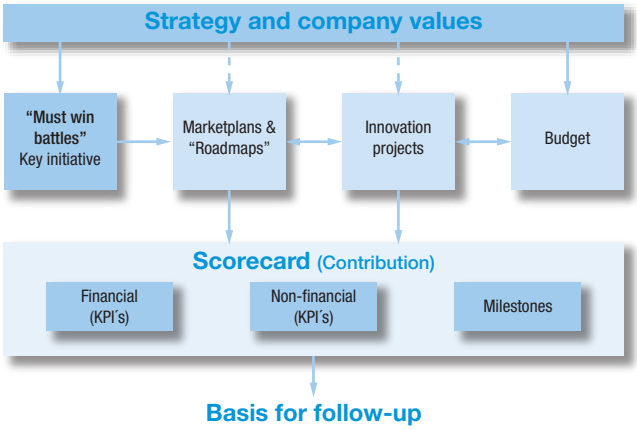
Financial results will always be central in management. It is here we find the commitment to the owners, and it is here we find the capability of the enterprise to finance its own growth and development. But even if economic and financial results are central, several other areas must also be given attention to obtain the results we aim at. In these areas it is important to set clear goals/ milestones and KPIs to assure a balanced steering of the resources of the enterprise.

Figure 1
These areas can be compared to the petals of a flower – it is the petals that determine the appearance and appeal of the flower.

Introducing Result Management means "translating" strategy and result ambitions of the enterprise to individual KPIs and goals for managers and co-workers. The purpose is to create individual engagement and commitment throughout the organization, and - not the least – implement a management process developing the capability of the enterprise to take decisions and carry out necessary action steps.

Developing KPIs and goals (milestones)

Developing relevant KPIs and goals in an organization is based on the following process:



The starting point for developing specific goals will always be the overall strategy and result ambitions of the enterprise. In this context we should consider the following questions:

- What are our main challenges based on overall strategy?
  - From a business point of view?
  - From an organizational point of view?
- What are our result ambitions regarding our main challenges?
- What are main market (customers) demands and expectations?
- What improvement areas should be given short term priority?

The next step is to document the individual result responsibility within the enterprise in a "Scorecard" (figure 3) containing KPIs and goals agreed upon for managers and co-workers. In this way all key persons in the organization will have their result responsibilities defined describing their individual contribution to overall enterprise results. Here it is important to limit the number of KPIs and goals to a minimum (the vital few) and in this way ensure that everybody focuses on what matters most at any time!

Figure 3 - Scorecard

KPI (key figures):		Jan	Feb	Mar	Apr	May	June	Total	Evaluation
1. Cost budget (acc)	Actual								
	Target	315	600	1.050	1.225	1.650	2.250	5.000	
	Deviation								
2. Sales (acc)	Actual								
	Target	700	1.050	1.900	2.100	2.900	3.750	8.000	
	Deviation								
3. Order reserves	Actual								
	Target	1.200	1.400	1.600	1.600	1.600	1.600	1.600	
	Deviation								
4. Delivery time (days deviation)	Actual								
	Target	12	11	10	8	8	6	7	
	Deviation								

Goals / milestones:	Deadline	New Deadline	Evaluation
1. Shall have completed a customer satisfaction study and deviced two specific actions that will improve our service-profile	15.06		
2. Shall have made an action-plan with budget and obtained a decision for futher development of e-commerce	01.01		
3. Shall have devoloped web-design competence in our own department wichmakes us independent of external consultants	01.03		
4. Shall have implemented changes in the Customer Service Centre´s working routines wich will result in 15% cost-reduction	15.06		
5. Shall have completed in-house training so that all the functions in the departement are mastered by a minimum of manpower	01.04		

Approach and working process

Our approach is based on using simple and practical methods to develop KPIs and goals. Often we see too much time and energy being used in working out strategies and setting goals using advanced analytical models. A typical effect here is producing a document which may be of academic interest, but usually having little practical use.

When defining challenges and setting goals it is important that a management group work together as a team helping each other to understand overall coherence and seeing the big picture. At the same time this way of working will create a common commitment and understanding of the challenges the managers are facing.

To develop steering ability and manage necessary changes in the organization, we need specific and agreed-upon goals. We need these goals both with regard to business results as well as the other focus areas needed to assure results (ref. “flower”, page 1):

- developing work processes
- developing customer relations
- product development
- competence development
- management development

It is important that the steering platform is developed by the line managers as it is line managers and their co-workers who must be involved to secure goal commitment and relevance.

Top management should not dictate the same goals and KPIs to divisions and result units in an organization. Result units are often quite different when it comes to goals, strategies and critical result factors. Development of working goals should consequently be a bottom-up process where the result unit itself should propose the specific goals and KPIs should be followed up by.

By developing a steering platform as a basis for following up results through the line organization as a bottom-up process, we want to achieve the following (figure 4):

- To assure a strategy solidly embedded within the operational units
- To develop a steering model with both long-term and short-term focus – as goals reflect both the overall enterprise strategy and the priorities of the operational units
- To obtain a dynamic portfolio of KPIs and goals – based on goals being developed in parallel with changes in the framework of operating units

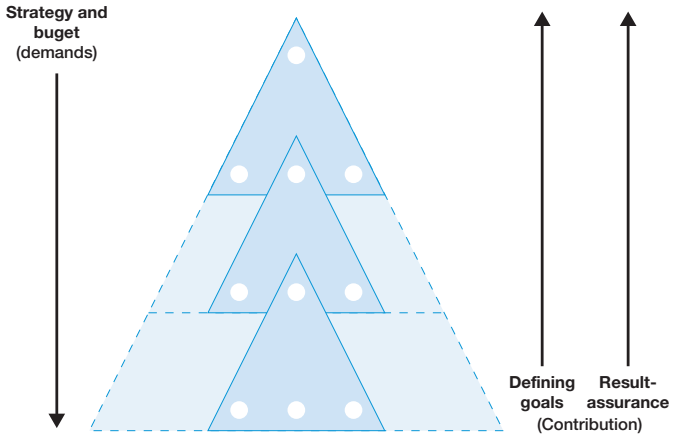


Figure 4

Result Assurance

The strongest signal managers can send to their co-workers about their importance for the result of the enterprise is good and continuous? result follow-up. Lack of (result) follow-up meetings/activities? (result steering) gives co-workers a message that they are not taken seriously and that their efforts do not make a great deal of difference.

Developing responsibility and commitment within an organization will mainly be achieved by making management processes visible, and in the context of result follow-up this is of utmost importance. No reporting tool or reporting routine can ever replace a result assurance meeting where result management is made visible to everyone involved.

The Result Assurance Meeting

The purpose of result assurance is to make better decisions faster! To achieve this we have to improve our ability to use all steering information available. It is not the quality of the result reports that matters most, but how the result assurance process is carried through in each specific management team.

A particular point in result follow-up is to avoid that managers take responsibility and initiative away from their co-workers. Traditionally, result follow-up meetings have been dominated by what the boss decides should be done – while co-workers who should be followed up are forced into the role of observers, and their responsibility for own goals and results are thus taken away from them. The individual person being followed up should always act as chair person during his or her own presentation and make sure that the necessary decisions are taken.

At the result assurance meeting we want – in principle – only one specific question answered by the person responsible for the results:

Will you achieve the results as agreed - and on time?

To this question there are only two acceptable answers: **YES** or **NO**

- *and these answers demand the following clarifications:*

YES - the result will be achieved as agreed and on time

- *Are there certain risks you can foresee and which actions do these require?*

NO - the result will not be achieved as agreed or on time

- *What do you intend to do about it and which decisions need to be taken?*

During the result follow-up it is important that the person being followed up all along keeps the responsibility for own results and the initiative to take necessary action.

Focus on Action and Decisions:
Being off course (result deviations) is a natural element in steering. The challenge is to find relevant action steps to get back on course! To explain why we are out of course is of little help. Our ability to make excuses and explain away things is without limits. It is far too easy to explain away all the rational and irrational forces that prevent us from reaching goals.

Asking how on the other hand is the best way to succeed with effective result assurance. The question how helps us to be action oriented rather than problem oriented, and makes us focus on the future instead of the past. In this manner the result assurance meeting can be changed from being a reporting meeting (looking backwards) to a decision making meeting (looking foreward).

The purpose of a successful result assurance meeting is as follows:

- Ensure steering ability
  - by implementing corrective actions as early as possible to achieve the agreed goals. The follow-up meeting should change its focus from reporting result status to securing necessary decisions - making sure everybody is updated on necessary decisions and knows what has to be done.

- Create motivation
  - by changing the follow-up meetings into a creative forum which helps each individual to fulfill his/her goals and obligations. The follow-up shall not hunt for scapegoats, but look for possible solutions.

- Develop the team
  - by making the group's common result responsibilities visible. Everybody has to develop knowledge about each other's responsibility and contribute to each other's success. The total result of the group is always most important.

- Build confidence and self-respect
  - by developing open and honest feed-back about contributions and results. To be critical is allowed, but also to show pride in the results which have been achieved.

Summary

- Aim at the goals of the enterprise. Look forward!
  - It is too much measuring and too little steering relative to the vital few goals.

- Be predictable. Be realistic about result-deviations.
  - Try to anticipate what can happen. Result deviation is only natural.
  - Take action immediately, instead of putting out fires later.

- Balance available resources against possibilities for creating results.
  - Commitment to goals. Freedom on activities.
  - If something doesn't work. Make changes.

To assure that results develop according to the overall goals and result ambitions of the enterprise introducing Result Assurance will, as mentioned above, constitute the most important management tool.

A big challenge when working with result assurance is to avoid making the score cards a static steering tool where KPIs and goals are set once and for all. It is through a continuous result follow-up that the steering platform is kept alive. Every result assurance meeting is in reality a new decision making meeting where KPIs and goals are regularly revised. In this manner the enterprise will always be managed (steered) according to what should be prioritized on a daily basis to obtain the goals of tomorrow.

Uncomplicated introduction of Result Assurance:
Result Assurance does not mean use of software, long days away at seminars or complicated methods. Result Assurance means development at work, with colleagues who have the same common commitment to achieve results.

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