

corporate performance management

9 Steps to creating an agile company



The following identifies nine steps to becoming an agile company by creating a continuous planning environment and becoming a metrics driven company. These are evolutionary steps divided into incremental enhancements to allow users adopt and transform the business along with the internal processes. This process was created by watching our customers implement Host Analytics Budget to replace an existing budget process and then evolve the static annual budget process to a dynamic continuous planning process. Along the way the business started to transform and look at key metrics to drive the business. The first four steps and the ninth step focus on transforming the budgeting environment to a continuous planning environment. Steps five through eight transform the company to becoming a metrics driven company and using the metrics to both drive the business and better understand the business. Both these groups of processes are transformational to a company; they convert the company from reactive to proactive and convert the plan to an operational tool rather than a cost control tool. This process starts by focusing on the budgeting process because efficiencies gained in planning “free up” resources to further implement additional planning processes and implement processes to convert the company to a metric driven company. However, some of our customers did start the process by implementing metrics first and follow up with a reorganization of the planning process.

1

Systemize your budget process (and you can't use Excel!)

Actions:

- Implement a system designed specifically for business planning.
- Eliminate bottlenecks, and inefficiencies with the process (broken links, data entry errors, lack of version control etc.).
- Free up time so finance personnel can work on transforming the planning process.

CPM Tools: Strategic Planning, Operational Budgeting, Ad-hoc Reporting, Financial Statements (P&L, BS, CF)

2

Create rolling forecasts

Actions:

- Make sure you have consistent and clear visibility into the future.
- Create a constant time horizon of 12 to 18 months – add a future month or quarter each time you reforecast.

CPM Tools: Integration to ERP, Forecasting, Ad-hoc Reporting, Financial Statements (P&L)

3

Plan initiatives/projects as separate “models” from the regular plan

Actions:

Financial Strategy options

1. Run
2. Grow
3. Transform

- Move the budget away from just running the business and maintaining the status quo towards growing and transforming the business.
- Analyzing initiatives and projects separately from operations allow you to model how to actually achieve growth and transformation.
- Maintain and model a portfolio of potential projects and implementing them when appropriate for the business climate.
- Take advantage of opportunities in the market as they present themselves.

CPM Tools: Discretionary Initiatives/Project Planning, Operational Budgeting

4

Model your business at a strategic & tactical level

Actions:

- Know the decisions you need to make before you need to make them by modeling alternative scenarios.
- Model both high level drivers as well as discrete calculations.
- Empower end users to refine the data for specific line of business variables.

CPM Tools: Top Down Modeling, Simulation Engine

5

Make the information visible and add “intelligence” to it through Dashboards and Scorecards

Actions:

- You can't control a process that you don't measure.
- Measurement is the first step in becoming a metric driven, strategically managed company.
- BUT understanding which metrics drive your business is key.
- Test your assumptions and model the correlation between variables.
- Add scorecard intelligence to the information to validate the impact of variables.
- Understanding the complete picture is a key to agility – Adding comments, descriptions, and documents to information so everyone can better understand an plan from every angle.

CPM Tools: Dashboards

6

Start thinking about your business differently: take the line of business perspective

Actions:

- Embrace the LOB view of the world.
- Think of information the way we plan the information (and each group plans differently) not the way we account for it.
Operations may think of the business in terms of units and product lines in the plant.
Sales may think of the products the way they sell them, not the way they are manufactured.

CPM Tools: Strategic Planning, Operational Budgeting

7

Think about KPI's (Key Performance Indicators/Measures)

Actions:

Focusing on leading indicators is a key step to company agility and provides the ability to “see the future” before accounting “books it as the present”.

KPI's tie the stages together

- This starts as a measurement exercise based on key measures in Step 5 and migrates to step 8 where KPIs help you convert your long(er) range plans to a scorecard.
- Typically in Step 5 you will measure a large volume of detail items – you will validate and prioritize these measures.
- Think in terms of leading and lagging indicators.
Financial statements are lagging indicators; you need to think about what drives those finance numbers.
From a customer perspective it may be reducing cycle times from order to delivery to make customers happy.
From a sales perspective it may be a quarterly customer survey to detect dissatisfaction with the product or company.

CPM Tools: Scorecards

8

Convert your long(er) range plans to a scorecard

Actions:

- Formalize the planning processes within the company (both short term planning and strategic planning) and put a self correcting process in place to guide the business.
- The Balanced Scorecard Methodology started as “Strategy Measurement” and evolved to “Strategic Management”.
It has evolved because a number of groups have monitored companies using the Balanced Scorecard for measurement and have identified how it has changed their business.
A balanced scorecard methodology will encapsulate your long range plan and make it measurable.

CPM Tools: Dashboards, Scorecards

9

Implementing “what if” scenarios

Actions:

Steps 1 through 8 have created a continuous planning, strategically managed company.

However, with the accelerated clock speed of the current business environment, steps 1 through 8 aren't enough.

- Business leaders need to be able to see the full financial implications of decisions – both risk and return
Companies need the ability to “spin off” alternate financial scenarios that show the impact of various business climate alternatives, especially those high impact, low probability events that could bring a company to its knees.
- “What if” scenarios driven by your key measures and strategies, allow you to think through and visualize in detail, things that could occur and what actions would be required. It allows you to understand the decisions you need to make before you need to make them.

CPM Tools: Complete Corporate Performance Management Suite

hostanalytics

decide

Host Analytics Headquarters:
Host Analytics, Inc.
2400 Broadway Street, Suite 200
Redwood City, CA 94063 USA

Phone: 650 249 7100
Fax: 866 896 1738
Toll Free: 866 391 HOST (4678)
Email: info@hostanalytics.com

www.hostanalytics.com