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Simple Tactics for a Solid Business Foundation

Leicester – 4 Nov 2008

Programme

09:00 Registration and coffee

**09:30 Clarifying and communicating
your Strategic Plan**

**10:15 “You are not alone” – Maximising
positive contributions from your
team**

10:40 Coffee break

**11:00 “You are not alone” – Maximising
positive contributions from your
team (cont)**

**11:30 “Seeing is believing” – Measuring
Performance and Continuous
Improvement**

12:15 Questions and Answers

12:30 Close

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1.0 Clarifying and communicating your Strategic Plan

Businesses do not operate in isolation from their environment. The process of developing a Strategic Plan is a useful tool for the business owner for communicating to the rest of the organisation his aims for the business, what the management sees as the major issues which may hinder the achievement of those aims and what the organisation will do to mitigate the effect of those issues.

Before starting this process, however, it is essential that a **Strategic Objective** is set. We suggest that this should have the following attributes:

- Concise – preferably a “one liner”. Few will remember it if it runs to a paragraph;
- Measurable – it should be easy to see whether it has been achieved or not;
- Cast in concrete – this is for the medium/long term and should not be varied because of short term considerations.

A financial number will satisfy these criteria and will be something that is probably already being produced, such as Return on Investment (ROI) or year-on-year profit growth. As it is his money invested in the business, it must be the owner’s responsibility to set this objective, taking into account the degree of risk associated with the business compared with the return available from investing in Government bonds or similar “safe” alternatives. We must add a word of caution here. Do not confuse personal objectives with business objectives. If the owner plans to retire in the next few years, that is his personal objective. There may be implications for

the business, such as management succession which might become a major issue, particularly in small businesses or where the management team is weak.

Once the Strategic Objective has been set, one should identify the major issues that could prevent achievement of the objective. In most SMEs, there will probably be only three or four of these. They may be internal, like succession or quality of the team, or external, like legislation, technology or competition. They are likely to be medium/long term rather than short term.

The owner/manager of a small business may have to do this on his own; he will obtain a more balanced view, however, by involving a few others, either senior staff members or his professional advisors. In larger businesses, the owner may be able to step back at this point and leave this stage to the management team.

Once the major issues have been identified, what the management of the business decides to do about these becomes the **Strategic Plan**. There should, in fact, be a plan for each of the issues identified.

Who should be involved in developing the plans? Involving as many people in the organisation as possible, who have relevant skills or experience, has to be balanced against available time. We suggest that using a structured approach which sets out what the particular issue being considered by each group of employees is, why it has been selected as one of the major issues, who comprises the group and by what date the plan is required. The plans themselves, although high level, should be SMART (**S**pecific, **M**easurable, **A**ttainable, **R**elevant, **T**ime-bounded).

This planning activity will have been apparent to those in the organisation who have not been directly involved. Once the plans

have been completed, they should be explained to all the staff. Those who were involved in drawing up the plans should have already bought in to them, will have a vested interest in making them work and should become effective advocates of the plans within the organisation. Even in relatively large organisations, with say 100 employees, everyone will know about the Strategic Plan within a matter of days.

It is advisable to review the Plan regularly to make sure that the major issues are still regarded as major and that the Plan is still relevant. The frequency will vary depending on how volatile the environment is in which a particular business operates but could be quarterly or half-yearly, probably more often than annually. One should be prepared to modify the Plan in light of new information or changed circumstances. Whether the Plan is modified or not, it is good practice to let everyone know the outcome of the review so that they still keep working in the same direction.

The result is a business where everyone knows what the business wants to achieve, what the major issues are that may prevent that achievement and what they are going to do, in broad brush terms, to overcome those issues.

A further advantage of this process is that it will be much easier to draw up the more detailed, shorter term, annual Business Plan which most businesses have to provide to their bankers as it will reference back to the Strategic Plan and the Objective which will be consistent from one year to the next.

We should add a further word of warning – once a business embarks on this process of including the staff in the planning, it is very difficult to revert to a more traditional, command and control, style of management.

How is your planning process?

Think about your business and for each question below, mark a score between 1 and 4 that best represents your organisation – be honest with yourself.

a)	The business owners have not set a strategic objective.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	The business owners have set a strategic objective which is concise, measurable and cast in concrete.
b)	Our people do not know we have a strategic objective.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	Our people know, understand and support our strategic objective.
c)	We have not thought about any issues which might prevent us from achieving our strategic objectives.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	We have identified the key issues which could prevent us from achieving our strategic objectives.
d)	We do not have any strategic plans.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	We have developed strategic plans to mitigate the effect of these key issues.
e)	We have not involved any of our staff in developing our strategic plans.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	We have involved staff at all levels who have relevant knowledge and experience in developing our strategic plans.
f)	None of our staff understands the issues. They do not support our strategic plans.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	All our staff understand the issues and support our strategic plans.
g)	We think about our strategic plans occasionally, when we have time.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	We review our strategic plans regularly to confirm they are still relevant. We let everyone know how we are doing.
	Total score – add up all the columns					

2.0 “You are not alone” – Maximising positive contributions from your team

Management

The ideal manager devotes his attention to three essential items:

- Planning
 - Developing and owning the operating plan for their business element;
- People Development
 - Establishing the resources needed to successfully execute the operating plan by hiring, coaching, and developing people;
- Proactive Review
 - Managing the leading indicators by monitoring, controlling, and reviewing.

Why are **you** so busy doing “**stuff**”? Why are **you** not in control of **your** numbers?

The reasons most business owners fall into the trap of spending all their time doing and insufficient time managing are:

- Failure to place a value on their own time;
- Unwilling to delegate;
- Failure to recruit in the long term best interests of the business (weak team).

To overcome these obstacles to management, it is imperative that you step back from the business for long enough to make the transition from:

One of the team, mucking in with everything.

to:

Director(s) and Owner(s) – in Control of the business.

Management and review do not have to be stuffy, office-based activities. Any place close to where the work is happening is a good place for review. The bonnet of a vehicle, a road-side café, the work-bench - anywhere that you can easily gather the right people and conduct a speedy review of progress. Your role is to establish all the obstacles to progress and then, over time, to eliminate those obstacles. Think in terms of:

- Resources
- Skills / training
- Logistics
- Motivation
-

Make time for effective review

<p>Twice a Day</p> <ul style="list-style-type: none"> • Fast moving projects • People trying something for the first time 	<p>Daily</p> <ul style="list-style-type: none"> • Junior teams • Activities where daily progress is measurable
<p>Weekly</p> <ul style="list-style-type: none"> • Experienced teams • Activities where you expect slower progress 	<p>Monthly</p> <ul style="list-style-type: none"> • Senior teams • Activities being run by people who you expect to self-manage

- Question progress
 - Ask for facts
 - Use facts not perceptions to feed your comments
 - Encourage others to make these sessions fact based
- Praise the good stuff
- Deal positively with the bad stuff
 - Ensure that this is a learning experience
 - You must be confident that future problems will be raised early
- Check progress against last time's "next step" list - this was their list
 - Find the good things to praise
 - What do they think could have gone better?
- Request "next steps" lists
 - Get the team to tell you what happens next
 - Make gentle suggestions for anything you feel is missing
 - Bite your lip
- Identify road-blocks
 - Find out what is slowing or hampering progress
 - Get them to be specific
 - Your role is to remove these
 - You take away the road blocks – and that takes away any excuses
- Ask why
 - Then ask why again
 - "You told me that the problem is x, why is that?"
 - "You told me that the reason the problem is x is to do with z, why do you think that is?"
- Take notes
 - Be consistent

3.0 “Seeing is believing” – Measuring Performance and Continuous Improvement

Introduction

Key Performance Indicators (KPIs) are used to varying degrees in most organisations. As a minimum it is likely that financial measures are reported on a monthly basis showing P&L data and Ledger details.

In larger and more complex businesses, typically organised by departments, this can be provided through investment in sophisticated I.T. systems providing timely information to the decision makers on the areas of the business most important to drive success. These smart, and potentially expensive, systems can be called “Dashboards”, “Scorecards” or “Business Intelligence” but do help drive business performance as a useful management tool.

Most experienced Managers support the principle of business measurement but some effort and judgement is needed to ensure the business is monitoring and driving performance efficiently.

How well placed is your business to manage performance?

Walk before Running

We wouldn't recommend a heavy investment in systems – rather a more simple and quick review of the data currently being provided and the mechanisms in place to make this data available – and a review of how the data is being used and by whom.

The fundamental measures need to cover the core disciplines of any business venture, namely:

- Sales performance
- Sales pipeline and predicted performance
- Costs of supply
- Customer Service levels

Whilst the analysis can eventually spread to wider areas of measurement, and the depth to which each of these core areas is performing, this initial range does allow a fast start to performance monitoring. Just the ability to review targets or forecasts and subsequent performance achieved is in itself a revealing assessment of your business ability to “get the job done”.

The key to “best practice” business performance is the ability to engage all staff in the aims and objectives of the organisation.

How well are you and your team able to plan, prepare and predict that performance level needed and to “go do it”?

Whilst certain key data may drive results, it is important to focus on “controllable” areas of the business.

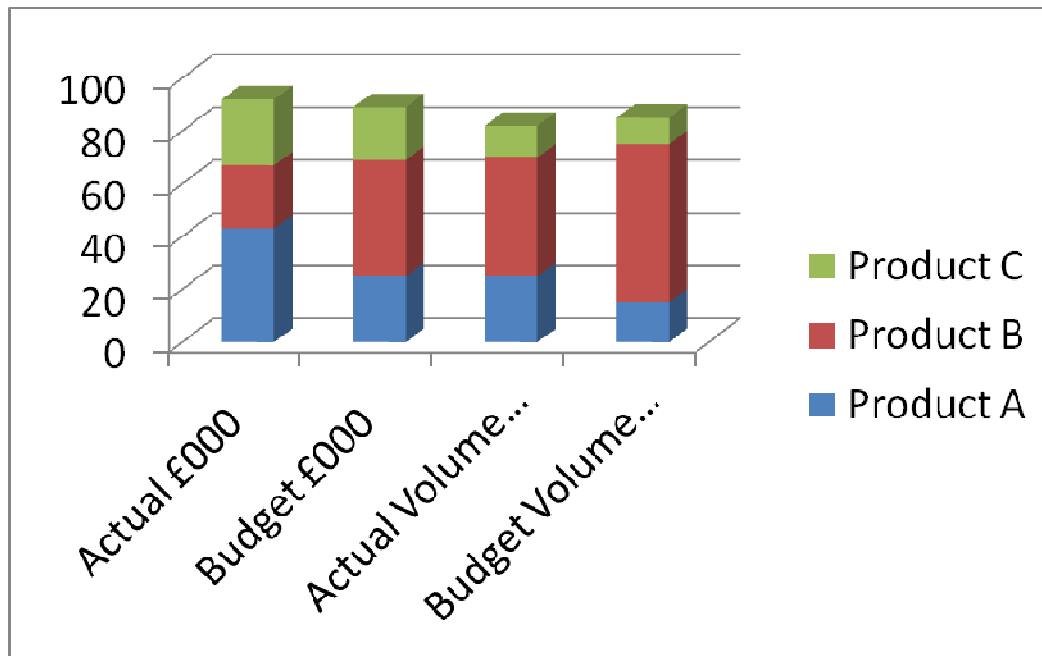
For instance, a business involved in much export and import may have a heavy dependence on currency levels, which undoubtedly will be reported on, but these are not controllable, or targetable, so shouldn’t be distracting from the core business performance.

Another critical point for assessment is how deep and detailed the measures are analysed, reported and targeted. The devil is in the detail – let’s use Sales performance as the example:

Over-riding sales performance may be on-track in the period measured at the gross level (£sales Vs £budget).

However, below this level there may be interesting trends regarding unit sale price or Volume that are masked at the gross sales level.

Table 1. July Sales performance £000's ABC Company



Although a good result was achieved the sales mix means Product B is underperforming as opposed to products A and C which made up for the gaps. However, if product B was the most profitable this might still be a worrying summary in terms of future months sales performance and likely profit levels.

Additional areas for consideration in measuring actual sales performance include order fulfilment. It is critical to know if any orders were received but not supplied, for whatever internal reason, as the gross sales values may be hampered by operational performance.

It will become increasingly apparent how this full analysis is critical to determining future performance and the actions plans required to help the business succeed!

Stage II – KPI development

KPIs are meant to be fluid and should evolve and develop as reviews take place and more information becomes needed.

There will soon be a need to review data on a weekly basis, in order to monitor and drive activity.

Particular areas of focus may develop as short-term “themes” (cost issues, pipeline reviews, etc) and there may be a need to expand measures for a short period of time until these issues are resolved. That’s all part of the monitoring and business improvement process to deliver overall results – be flexible to this change of scope from time to time.

Involving the broader business is essential, both in terms of KPI design and targets – and the ongoing results being achieved. Visual displays help to keep all focussed and ideally should score results in relation to specific targets.

Trending data is very useful to show how the business is shaping overall, not just month on month.



Continuous Improvement

This is the key to effective KPI management. Reviewing and creating actions to help resolve areas of the business not performing as expected and ensuring people are directed to WHAT needs doing now!

Ideally, this review has allowed you some time to reflect on your business, not least:

- How you measure performance
- Who is involved and how well targets and actual performance are understood
- Areas of the business you would like to (re) assess in terms of measurement and development
- What more needs to be done

In the table exercise you have a few moments to make a commitment to yourself to go back and make positive change. Also, you have had an opportunity to discuss with other business colleagues who does what and why.

<p>SPS[™] Engaging the organisation building business value</p>  <ul style="list-style-type: none">• What DO we measure• What SHOULD we measure• What CAN we measure• Agree realistic targets• WHO reports them and WHEN <p><small>SPS - Confidential</small></p>	<p>SPS[™] Table Exercise building business value</p>  <ul style="list-style-type: none">• 20 mins<ul style="list-style-type: none">• Assess Now• Identify Needs• Identify Gaps• 3 actions• 5 minute feedback – Share quickwins <p><small>SPS - Confidential</small></p>
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Notes

KPI Audit

Take a moment to reflect on your own organisation and the measures and review steps in place.

	Task Description	Yes/No	Comment
1	We have basic KPI's in place		
2	These measures are not limited to financial data at month end only		
3	The measures in place have specific targets associated with them		
4	These targets were set involving the broader team members and are "owned" at that level		
5	We have a formal review process in place at least monthly and create and review actions specific to any gaps		

	Task Description	Yes/No	Comment
6	We meet on a weekly basis to review (some) areas of performance		
7	We publicise results regularly for the whole workforce to see and understand		

Top 3 Gaps and Actions from today

Based on the Audit you have undertaken, what do you feel most compelled to change or implement on returning to the workplace (What, Who, When)

1

2

3

If you were able to clarify to yourself what needs doing next then PLEASE DO IT!

And hold the blue chip close to hand as a reminder of what and why!

Good luck!

4.0 The SPS Team



David Dunbavand

Peterborough/Leicester, East Midlands and Anglia

A proven management career spanning procurement, operations and supply chain management and ultimately software/consultancy services with significant experience of managing cross-functional teams and driving improvement initiatives most recently as County Head for Europe and South Africa.

David began his career with British Sugar where he progressed within Operations and was promoted to a corporate role in Purchasing. From there he specialised in the FMCG unit (Silver Spoon) where he was Supply Manager delivering operational improvements and supply chain planning and cost efficiencies.

On joining Walkers Snack Foods (PepsiCo) he led the Purchasing and Inbound Supply division where significant cost, service and improvement initiatives were introduced and he broadened his experience with a two year assignment as Factory Manager at the Lincoln plant for Walkers, resolving cost and quality issues associated with significant capital investment in production lines.

Finally he took on a leadership role for an ailing IT products and consulting business, specialising in shop floor data capture systems, and was able to turn the business around, averting an insolvency crisis whilst delivering consistent profit growth and significant customer service initiatives at the same time. From this he has been able to develop a high level of situational analysis and communication skills which can be applied to develop and implement business strategies and systems to significantly improve business performance. A charismatic strategic thinker and accomplished team leader with an enthusiastic approach and a coaching and mentoring style.

An accomplished and rounded business leader with transferable skill in:

- Strategic planning and turnaround skills
- Board directional and mentoring
- B2B Sales and Account management
- IT project management
- P&L accountability
- Factory Management
- Cost reduction

Contact details:

Tel: 01572 812914
Mobile: 07725 166342
Email: david.dunbavand@talktosps.com



Paul Fileman

Loughborough, East Midlands and Anglia

Initially a telecommunications electronics engineer with Plessey, specialising in international markets, Paul then progressed to product marketing. He is a Chartered Engineer and a Chartered Marketer. Amongst Paul's many achievements he generated requirements, pricing and launch plans for the UK's first integrated cordless telephone exchange.

Running fire alarm company Gent's £7m international business, Paul led process improvements yielding 15% profit improvement. As Head of Marketing, Paul introduced changes leading to a 50% reduction of services field sales headcount and improvements in acquisition of new service business.

At Siemens, Paul led a team responsible for sales training and technical sales of Enterprise ICT. Having been heavily involved in the launching of major software releases of market leading products, Paul then led product management for call centre and messaging portfolios.

In latter years, Paul joined a leading building control, energy management systems and security business. As Marketing Manager, Paul formalised and improved public relations planning leading to improvements in the level and influence of public relations cover.

His expertise includes:

- International product and lifecycle management of technology products
- Strategic marketing including implementation, planning and research
- Marketing communications including business and product branding
- Public relations and large-scale customer event planning and execution
- Coaching in presentation delivery and content creation
- Business process re-engineering for high technology product development
- Business process re-engineering for high technology market introductions
- Director and top team coaching, mentoring and team development

Contact details:

Tel: 01509 854447
Mobile: 07969 188820
Email: paul.fileman@talktosps.com



Martyn Fray

Leicester, East Midlands and Anglia

Martyn is a Chartered Accountant having trained with one of the 'big four' accountancy firms. He has over 30 years of experience in industry and commerce, including over ten years in consultancy. He has held a number of senior roles including Managing Director, General Manager and Finance Director.

He has high expertise in strategy development and implementation and all matters relating to financial strategy and planning. His focus is always on profit improvement and the efficient means by which it may be found.

He has very high expertise and experience in business turnarounds, mergers and acquisitions, divestments and debt and equity fund raising through the commercial banks and the City.

He has knowledge and experience in automobile components, steel manufacturing, light engineering, telecommunications, electronic components, video broadcasting and the food manufacturing industry.

His expertise includes:

- Financial strategy, planning and implementation
- Business strategy, planning and implementation
- Large-scale change management programmes
- Business sale grooming, valuation and exit planning
- Business acquisitions and divestments
- Board room mentoring and coaching

Tel: 01858 545885
Mobile: 07764 299949
Email: martyn.fray@talktosps.com

**Andrew Richardson**

Cambridge/Stevenage, East Midlands and Anglia

Andrew is a Chartered Engineer and is fluent in French. Having trained with British Leyland, he spent his early career with several multinational engine component suppliers to the automotive industry, in applications, sales and marketing. His accounts included most of the major European vehicle and engine builders.

He joined GEC as a unit managing director, turning round two companies manufacturing capital equipment. During this time he negotiated a UK Government-backed technology transfer deal to the railway sector in India and managed sales growth of 300% in 3 years in the building services sector in the Middle and Far East. Andrew led business process improvement and customer care-focused culture change programmes in a nationally-based contract maintenance company and, following the sale of the company, he worked as an interim general manager with two specialist vehicle manufacturers and a supplier of pipeline components to the utilities industry. Following a spell in consultancy, he joined Rolls-Royce where he led the divestment process for two non-core businesses and the transfer of a third company into a strategic alliance with a European partner. He has also run his own niche engineering business, supplying parts for the motor sport sector.

His expertise includes:

- Strategic planning and implementation
- New product and new market development
- Company turnaround
- Managing organisational and culture change
- Exit strategy and grooming businesses for sale

Tel: 01462 743555

Mobile: 07956 542261

Email: andrew.richardson@talktosps.com

How is your planning process? – SPS response to Questionnaire on Page 7

<u>Score</u>	<u>Comments</u>
7 – 10	It must be lonely and hard work making all the decisions in the business. There has to be a better way.
11 – 16	Little planning and most people in the dark about what the business is trying to achieve. Plenty of scope for improvement.
17 – 22	You are on the right track but there is still room for improvement.
23 – 28	Excellent, but would the result be the same if someone else in your organisation responded?