

ValuePerform Case Story



Reducing 100 days to 30

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The ABC Company got a new CEO. Prior to his appointment the ABC Company had just completed a ValuePerform strategy analysis. The analysis clearly documented a set of severe challenges, which the company faced. The analysis also clarified where the owners wanted the company to go in the future.

The ValuePerform analysis enabled Company ABC to make a crystal clear job description for the CEO position. The analysis also provided an excellent base for briefing candidates for the CEO position about the company's situation and associated challenges. Based on the ValuePerform analysis it took the new CEO and his management team just 30 days to put the action plan together for getting the company back on track.

Summary:

The ABC Company case represents a situation with substantial discrepancy between management and owners in the perception of the strategy of the company. However, this is not at all unusual. Many companies lack a consistent strategy definition terminology and a corresponding framework for linking strategy with management priorities and action plans. In the case of the ABC Company the country manager had to go. His personal ambitions simply did not match the direction the owners of the ABC Company wanted to follow. Several years of traditional board meetings and discussions had not revealed this conflict. ValuePerform helped clarify this conflict of interests within just a few days.

Based on the outcome of the ValuePerform strategy review, the Board of Directors initiated the recruitment of a new Country Manager. The clear articulation of strategy supported the recruitment process substantially. The clarity about ABC's current situation and ABC's future direction was used to define the job and personality profile used in the recruitment process. During the recruitment process, the situation, the changes required and the critical success factors were easily communicated to the potential candidates.

The new Country Manager decided immediately to conduct a 2-day management workshop with the objective of addressing the issues identified in the strategy review. The new CEO and his management team had an action plan with objectives put together in just 30 days.

The value of having a new CEO and his management team aligned and in action mode in just 30 days after his appointment and knowing that all the effort is headed in the right direction is just immense.

Chairman of the Board of Directors, ABC Company

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Company Profile

The ABC Company is a subsidiary of a major European corporation listed on the Stock Exchange. ABC sells technical software products and related consulting services in one of the European regions.

Revenue over the last five years has not developed according to the budgets, and lately ABC has also been affected by the economic recession. However, the company has remained profitable in this period.

The situation

The board of directors (BoD) for ABC¹ was not satisfied with the financial performance of ABC. In spite of 4-6 annual board meetings they did not fully understand what the issues were and why new business initiatives did not develop according to the plans.

The BoD felt a growing discrepancy in the perception of strategic direction as well as in the speed of implementation of new initiatives between the country manager and the BoD.

The chairman of the board recommended the country manager to undertake a review of the current strategy and an analysis of major strengths and weaknesses.

Decision to act

The decision to perform a strategy review was thus initiated by the chairman of the BoD.

“*If we are not pursuing the same strategy, any initiative and activity will just take us further apart. We need to make sure that we have strategy alignment between the BoD and country management including those line managers who are to execute the strategy on a daily basis*”.²

In addition to the strategy review it was decided to perform an analysis of the strengths and weaknesses related to the implementation of the strategy and the associated customer value proposition of the company.

¹ Representatives from the parent company

² Quote from the Chairman of the Board of Directors

The ValuePerform approach was chosen for the following reasons:

1. BoD, Country management and 1st line managers were spread over several geographical locations. The option of using Internet-based questionnaires for the interviews provided a major practical and cost effective advantage. The interviews could be extended to a larger group of managers using this approach.
2. The ValuePerform approach required only a one-day workshop where the country management team and the BoD needed to be present.
3. The chairman wanted to obtain a thorough and objective understanding of the perceived discrepancies within the management team, which could be achieved only by interviewing several people independently.
4. The price/performance of the ValuePerform approach was superior to the alternative of a consulting based approach with individual interviews, manual analysis and workshop.

The process

The ValuePerform consultant recommended dividing the strategy review into two phases:

Phase 1: Definition of strategy and customer value proposition

Phase 2: The management team's valuation of the strategic importance and performance in all management fields.³

The project thus followed a customized version of the ValuePerform strategy analysis.

1. The ValuePerform consultant entered all participants in the ValuePerform system.
2. The chairman of the BoD and the country manager decided to meet and jointly define the strategic direction of the company.⁴
3. The country manager entered the remaining basic data about the company into the ValuePerform system.

³ ValuePerform measures 15 management fields. These are described later in this document.

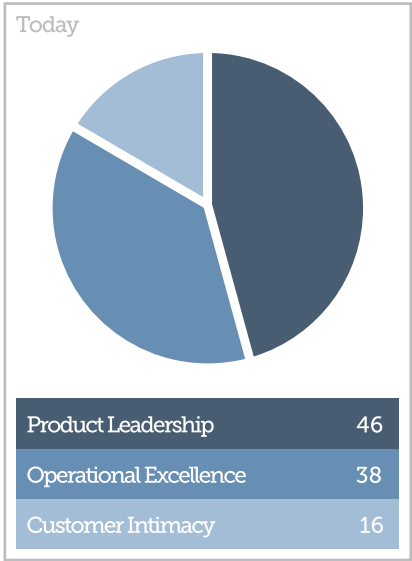
⁴ As the company had no well-documented strategy it was decided to complete this phase before generating the questionnaires.

4. ValuePerform generated the questionnaires for this specific situation.⁵
5. The ValuePerform system submitted e-mails to all participants with individual links to the web based questionnaires.
6. As soon as the last participant had completed the questionnaire, the ValuePerform system issued a notification to the external consultant, who started the analytic process.
7. The workshop was conducted the following week, reviewing the outcome of the strategy analysis.

The questionnaire for the management team thus followed after the completion of strategy discussions between the chairman of the board and the country manager.

Customer Value Proposition today and tomorrow

The first step of the analysis was a mapping of the current position vis-à-vis the future position in terms of how the company will provide value to its customers.



The ValuePerform consultant facilitated the value proposition discussion, and it was clear that Company ABC had never before had a systematic discussion based on a consistent theoretical framework.

ValuePerform is based on Balanced Scorecard and thus operates with the three value components mentioned earlier:

A: Product Leadership B: Operational Excellence C: Customer Intimacy

Figure 1: Current Strategic Position

⁵ ValuePerform adapts questions to the circumstances of the company such as language, industry sector and customer value proposition. The ValuePerform System recognizes that any company will always gravitate towards one of three kinds of focus: i) Customer Intimacy, ii) Product Leadership and iii) Operational Excellence. A company such as Dell has a distinct preponderance of “Operational Excellence”, whereas a company such as Apple has an obvious preponderance of “Product Leadership”. A SAP implementation partner will predominantly drive a “Customer Intimacy” approach.

Any customer value proposition will have a certain proportion of each component with a strong dominance by one of the three. The choice of customer value proposition determines a set of Critical Success Factors, which the company must face and prioritize in order to execute the proposition (see appendix B).

The country manager defined the current position based on how he saw the current priorities and approaches. The customer value proposition, illustrated in Fig. 1, was a combination of Product Leadership and Operational Excellence, with only a minor focus on Customer Intimacy.

During the following discussions it became clear that the customer value proposition of the company, as illustrated in Figure 1, matched neither the expectations of the owners, nor the fact that the ABC Company is a value-added reseller and not a manufacturer. As the company is an industrial trading company without any “own products”, a strategy centered on Product Leadership seemed misplaced.

Using the Balanced Scorecard strategy framework they now both agreed on a new position towards which the company should migrate over the next couple of years.

The revised customer value proposition is illustrated in Figure 2 and shows dramatic change. Obviously the country manager appeared to have been more focused on the value proposition of the company’s main suppliers and had to a lesser extent seen the company as a company offering complete customer solutions with related services. As a trading company management should be focused on sales and be customer oriented.

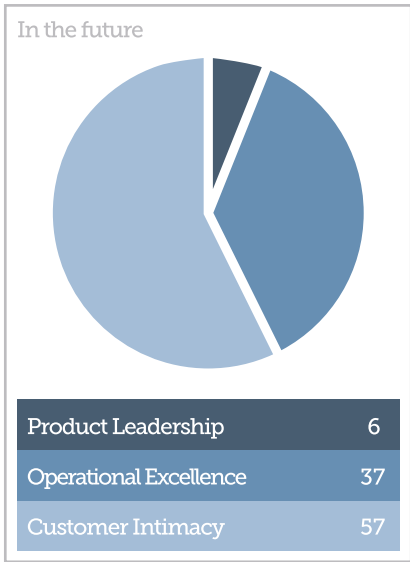


Figure 2: Future Strategic Position

The 15 measurement dimensions

ValuePerform operates with 15 management fields.⁶

The 15 management fields are divided into 5 Perspectives of which 4 Perspectives are known from the Balanced Scorecard:

- The Financial Perspective
- The Learning/growth Perspective
- The Customer Perspective
- The Internal Perspective

ValuePerform adds the Management Perspective with 4 fields:

- Objectives
- Strategy
- Action
- People

The questionnaire generated to the management team included questions concerning these 5 Perspectives within the 15 management fields. The questionnaire takes into account both the chosen customer value proposition as well as the kind of business the company is undertaking. Based on the answers from all participants, 3 sets of spider webs were now generated.

Importance

The Importance spider web shows how the respondents rate the importance of each of the 15 management fields.

The ABC case shows an extremely high degree of disagreement in all 15 management fields (otherwise the graphs would have been closer to each other).⁷

ABC's management rated the importance of Customer Management to 5.5 and Customer Relationships to 6.6. For any company pursuing customer intimacy as its future strategic value proposition, Customer Management and Customer Relationships must receive the highest priority. The management team of ABC clearly has a challenge which must be addressed if the strategy intentions of the owners are to be fulfilled.

Although the scores in the 4 fields of the Management Perspective are fairly high, they are not high enough for the changes required. Strong executive power must be present to turn the strategic direction of ABC to meet the requests of the owners.

⁶ For a detailed description of these 15 management dimensions please see appendix A.

⁷ Disagreements amongst management are often seen as a symptom that knowledge sharing is insufficient and that the company's key priorities are not communicated and shared.

The legend of the 5 perspectives are:

-  The Financial Perspective
-  The Learning/Growth Perspective
-  The Internal Perspective
-  The Customer Perspective
-  The Management Perspective

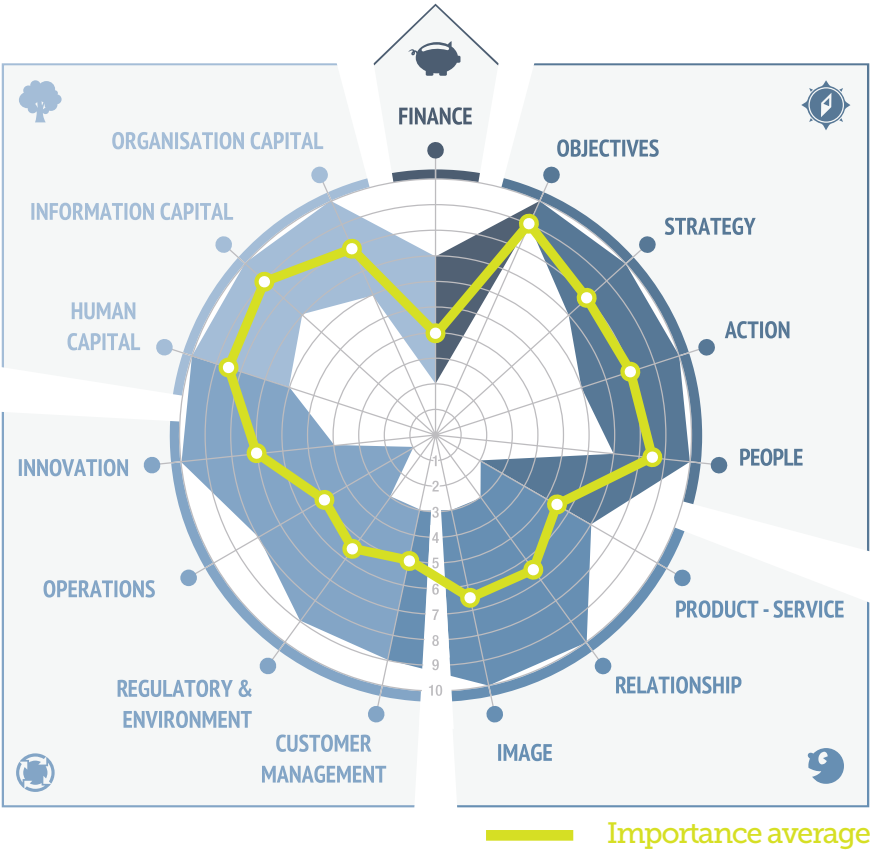


Figure 3: Importance on the 15 dimensions

The spider web shows how the management team rated the importance of and performance on the 15 management fields. The yellow curve represents the average of all responses while the shaded area represents the spread from the lowest and the highest score. The larger the shaded areas the more disagreement in the team.

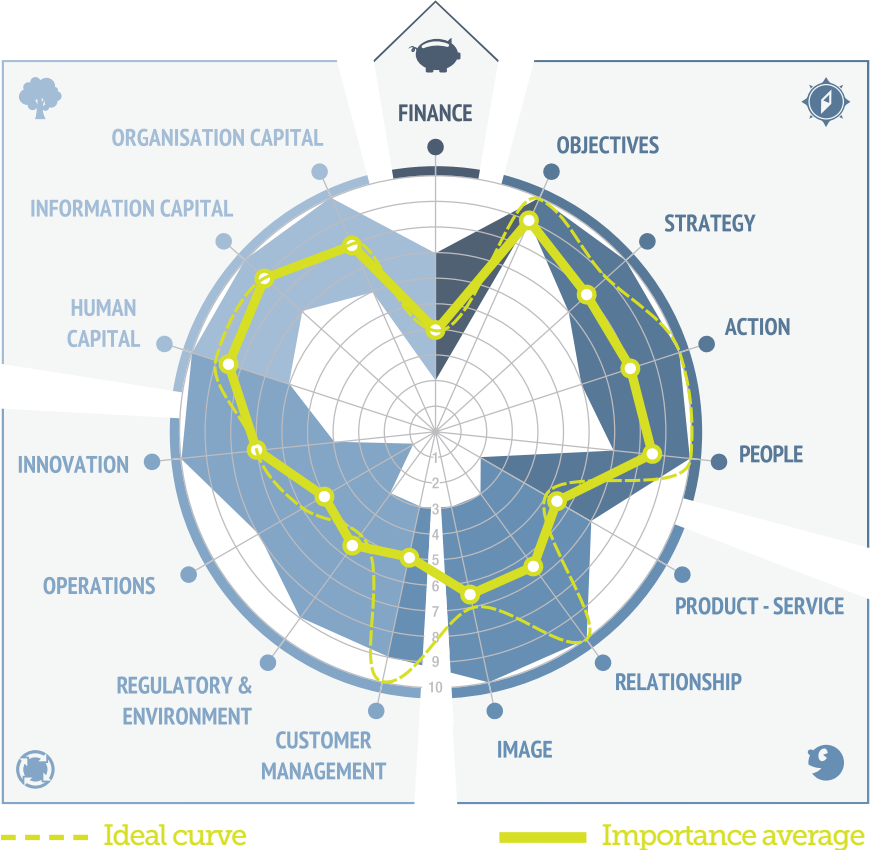


Figure 4: Importance with ideal curve



There is obviously an Ideal Curve which corresponds to the future strategic position and how to get there. The Ideal Curve is the thin dotted curve in Fig. 4.

During the workshop the Ideal Curve was discussed and plotted on the Spider Web. The critical success factors according to Balanced Scorecard served as a guide to help the management team understand how to prioritize among the 15 management fields.

Using the Balanced Scorecard framework it was possible for the management team - coached by the ValuePerform consultant - to understand how to work systematically with customer value proposition definitions, critical success factors and management priorities

Conclusions:

- 1. The management team demonstrated an extremely high degree of disagreement, but managed to get aligned after coaching within the consistent ValuePerform framework.*
- 2. The management team has insufficient focus on the dimensions "Customer Management" and "Customer Relationships".*
- 3. The focus on The Management Perspective is too low. In order for the strategy transformation to be executed strong leadership is required.*

Performance

The second Spider Web (Figure 5, page 10) shows how the respondents rate the company's performance on the same 15 management fields.

The observation curve (orange) is based on answers provided by the base user to a number of objective questions.⁸

A substantial difference between the observation curve and management's performance assessment indicates either a misunderstanding or misjudgment. A discussion should take place to clarify the causes of the differences.

The ABC Company shows major differences in the judgment of actual performance, again indicating lack of alignment in the management team. The observation curve also shows substantial differences on several dimensions. It appears that the management

⁸ The base user is in this case identical to the country manager

team's judgment of the company's image is completely out of sync with reality. Moreover, important areas such as Customer Management and Customer Relationships seem to be overrated.

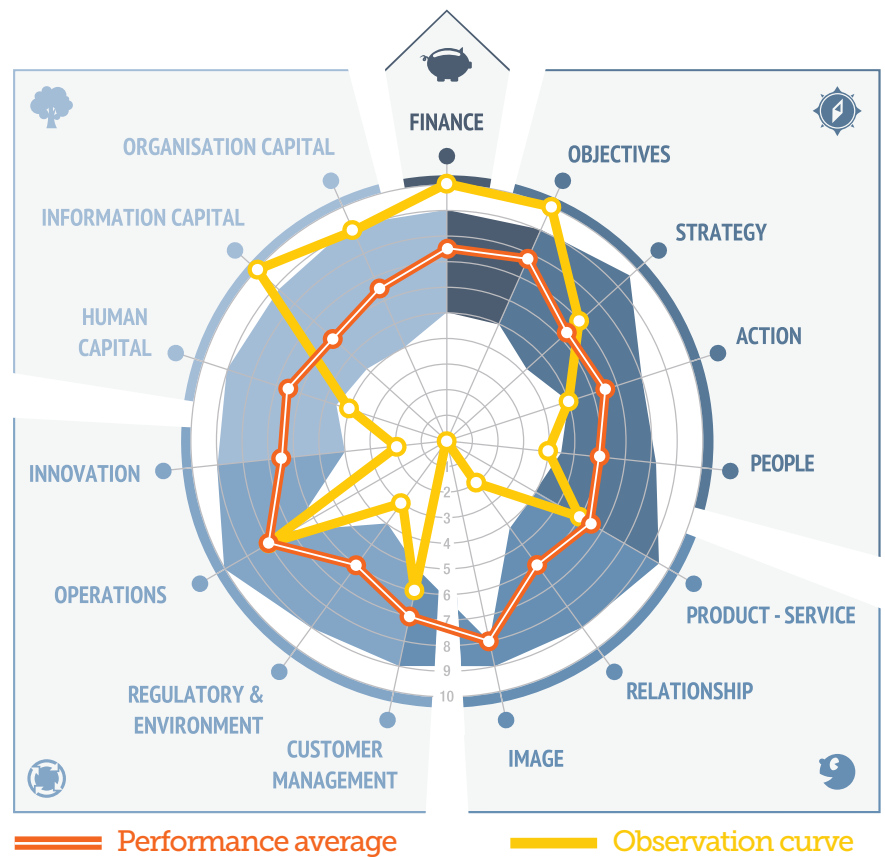


Figure 5:
Performance on the 15 dimensions

It appears that “Operations” gets the highest rating; which indicates that ABC today is de facto following an Operational Excellence strategy.

Conclusions:

1. The management team demonstrates a high degree of disagreement on almost all management fields.
2. The management team rates their own performance on the dimensions “Customer Management” and “Customer Relationships” to medium.⁹
3. In order for the strategy transformation to be realized there will be a strong need for management to put focus on its leadership as well as its capability to execute.
4. Major differences between actual assessments and the observation curve indicate the risk of misjudgment or lack of strategic understanding on the part of the management team.

⁹ A score of medium on these dimensions constitutes a toxic cocktail for any sales company, and is likely the one explanation to why new business initiatives haven't demonstrated success in the past.

Potential

The “Potential” Spider Web shows the gap between the average importance, the average performance and the ideal curve.

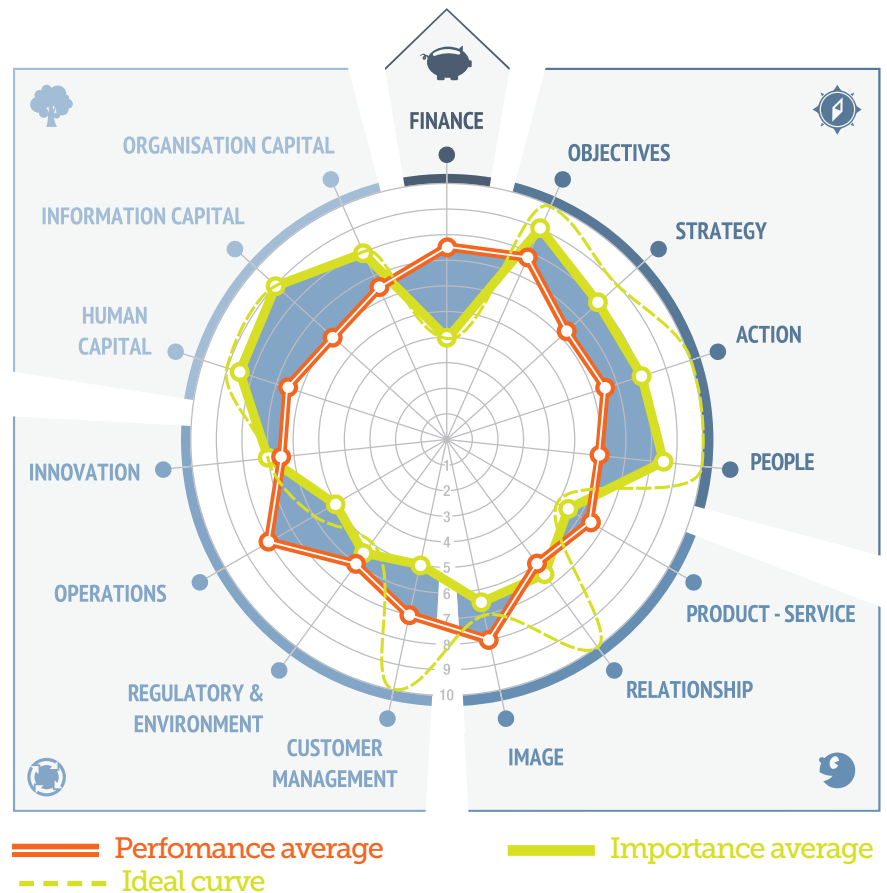


Figure 6:
Potential Improvement Areas

The ValuePerform system facilitated the understanding that there are profound “improvement” potentials in all 5 Perspectives and especially in Customer Management and Customer Relationships.

The changes required in the strategy and the customer value proposition demand substantial executive power. Therefore the most urgent need is to improve the management’s executive capability.

When they answered the questionnaires the management team was not aware of the requirements for change. Nevertheless, on average the management team rated importance of the four management fields over performance, indicating a need for improvement. At the end of the workshop all those involved agreed that a redesign of ABC’s customer management processes and a strengthening of the executive power were the highest priorities.

Appendix A:

ValuePerform operates with 15 management fields divided into 5 Perspectives. 4 of these perspectives are known from the Balance Scorecard. The fifth perspective is added by ValuePerform to measure the ability to execute. The 15 management fields are:



The Financial Perspective

Capital base:	Cash flow and Earnings
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The Learning/Growth Perspective

Organization Capital:	Satisfaction, Values and Team spirit
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Information Capital:	IT, Knowledge sharing and External cooperation
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Human Capital:	Recruitment, Retention and Development
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The Internal Perspective

Innovation:	Product development and Process development
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Customer management:	Attraction, Retention and Dependence
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Operation:	Capacity, Flow and Flexibility
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Regulatory and Environment:	Security and Ethics
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The Customer Perspective

Product/Service:	Competitive parameters and Customer value proposition
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Relationships:	Customers relations, Customer loyalty
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Image:	Knowledge and Recommendations
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The Management Perspective

Objectives:	Planning and Focus
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Strategy:	Mission and Business plan
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Action:	Resourcefulness and Achievement of objectives
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People:	Management composition, Leadership development and Leadership experience and cooperation
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Appendix B

Critical Success Factors areas according to Balanced Scorecard

Assuming Product leadership

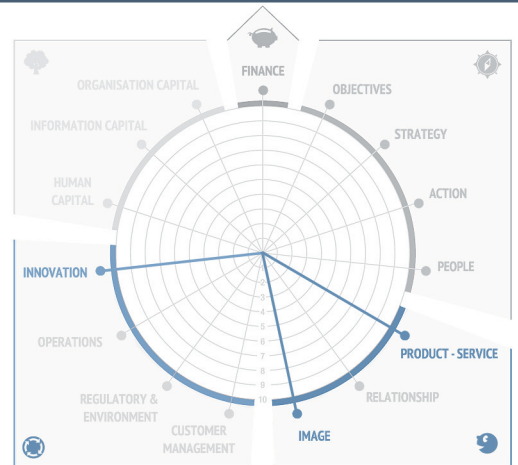
The internal process area “Innovation” is critical, consequently focus is on the following areas:

- Idea generation
- Product development
- Continuous introduction of new products
- Joint ventures / Partnerships

In terms of the Customer Perspective **Product/Service** attributes, areas of critical importance are:

- Time-to-market
- Functionality/Performance

As a “brand” the company should pursue a reputation as a “Premium product”



Assuming Operational Excellence

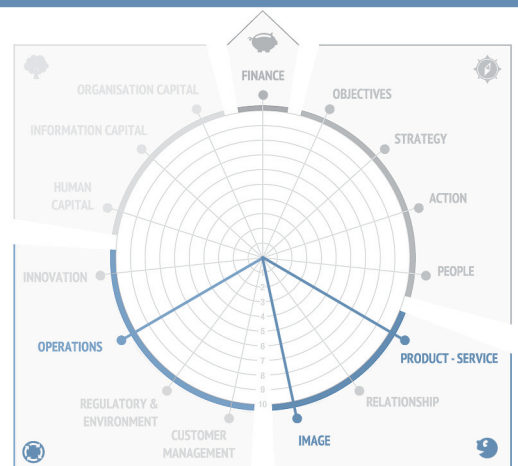
The internal process area “Operation” is critical, consequently focus is on the following areas:

- Supply chain management
- Operational cost efficiency:
 - Cost reduction
 - Quality improvement and
 - Production time reductions
- Capacity management

In terms of the Customer Perspective **Product/Service** attributes, areas of critical importance are:

- Price/quality
- Time
- Range

As a “brand” – the company is appealing to the “Smart shopper”



Assuming Customer Intimacy

The Internal Perspective dimension “Customer Management” is critical, consequently focus is on the following areas:

- Solution Development
- Customer Service
- Customer relationship management
- Customer guidance

In terms of the Customer Perspective, the **Relationship** dimensions of critical importance are:

- Customer Relations
- Customer Loyalty

As a “brand” a company should pursue reputation as a “trusted brand”.

