



Driving Profitable Growth:

Are you ready to grow?

Bill Guest

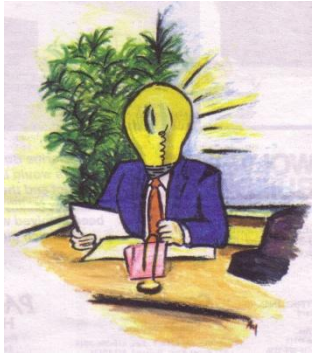
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What you will learn:

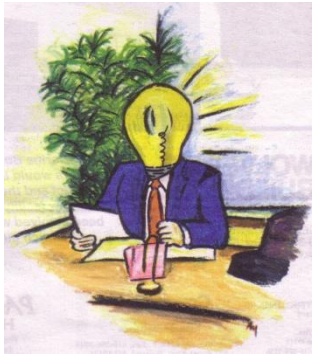
- The **three key processes** to have under control
- The **four perspectives** in a “balanced scorecard”
- The difference between **leading and lagging** indicators
- Managing **operation, sales, and innovation**
- The most important tools in a **manager’s toolbox**
- Metrics that allow you to keep an eye on remote locations
- The most important **metrics for small businesses**
- Using metrics to know if it is **time to expand**

Introduction – Bill Guest

- Engineering, 12 years with GM and Delco Electronics
- General Manager, engineering and design shop
- VP Sales, electronics company
- VP and General Manager, Leica ATS in Switzerland
- General Manager, Bergstrom Off-Highway Group
- Consulting, Dressta Construction Equipment
- Teaching Operations Management, Shanghai, China
- Exec. VP and CEO, Miquet Electronics (acquisitions in GR)
- Principal, PM&I Consulting
- President and CEO, Metrics Reporting, Inc.



Operations – Balanced Metrics



Sales – Toolbox of Tools



Innovation – Process & Reviews

The Models

“Pragmatic Wisdom”

or

“useful business knowledge.”

The two models:

- **Leadership Framework**
- **Metrics Matrix**

People x Systems = Results

Sources of Pragmatic Wisdom:

Strategy: Sun Tzu, Ansoff, Porter, Ohmae

Management: Taylor, Barnard, Drucker,

Kepner/Tregoe, Peters, Covey, Collins

Quality: Crosby, Deming, Juran, Shingo

Leadership: Carnegie, Follett, Maslow,

Herzberg, McGregor, Hersey, Blanchard

Change: Kanter, Schein, Hammer

Marketing: Levitt, Kotler

Measurement: Kaplan/Norton, Niven

Trends: Toffler, Naisbitt, Handy, Hamel

Organizational Learning: Argyris, Senge

Innovation: Drucker, Christensen and Raynor,

Kim and Mauborgne, O'Banion

The Leadership Framework

1. People
2. Heritage
3. Focus
4. Path
5. Gaps

Leaders get the right people in and the wrong people out. Right people are thoughtful and capable individuals of character, always learning, with a bias for action, that are able to subordinate their egos to the achievement of the mission.

Mission > Egos

"Is Measurement Worth It?"

Adapted from Balanced Scorecard: Step-by-Step by Paul Niven, 2002

<i>Measure of Success</i>	<i>Measurement Managed Organizations</i>	<i>Non-measurement Managed Organizations</i>
Performance Management Items:		
Industry leader over past three years	74%	44%
Financially ranked in top 3 rd of their industry	83%	52%
Success in last major change effort	97%	55%
Culture Items:		
Agreement on strategy	93%	37%
Communication of strategy	60%	8%
Information shared openly and candidly	71%	30%

Reference: *Bullseye!, Hitting Your Strategic Targets Through High-Impact Measurement*, William Schiemann, John Lingle, Metrus Group

Why Measurement Managed Organizations Work

Three universal truths (The Paul O'Neil Trilogy):

- Every human being wants to be treated with dignity and respect, every single day.
- People want to make a contribution with what they do, they want their lives to have meaning.
- All people want someone to notice what they do.

Paul O'Neil is former CEO Alcoa and former Secretary of the Treasury (ASQ Quote)

Why Measurement Managed Organizations Work

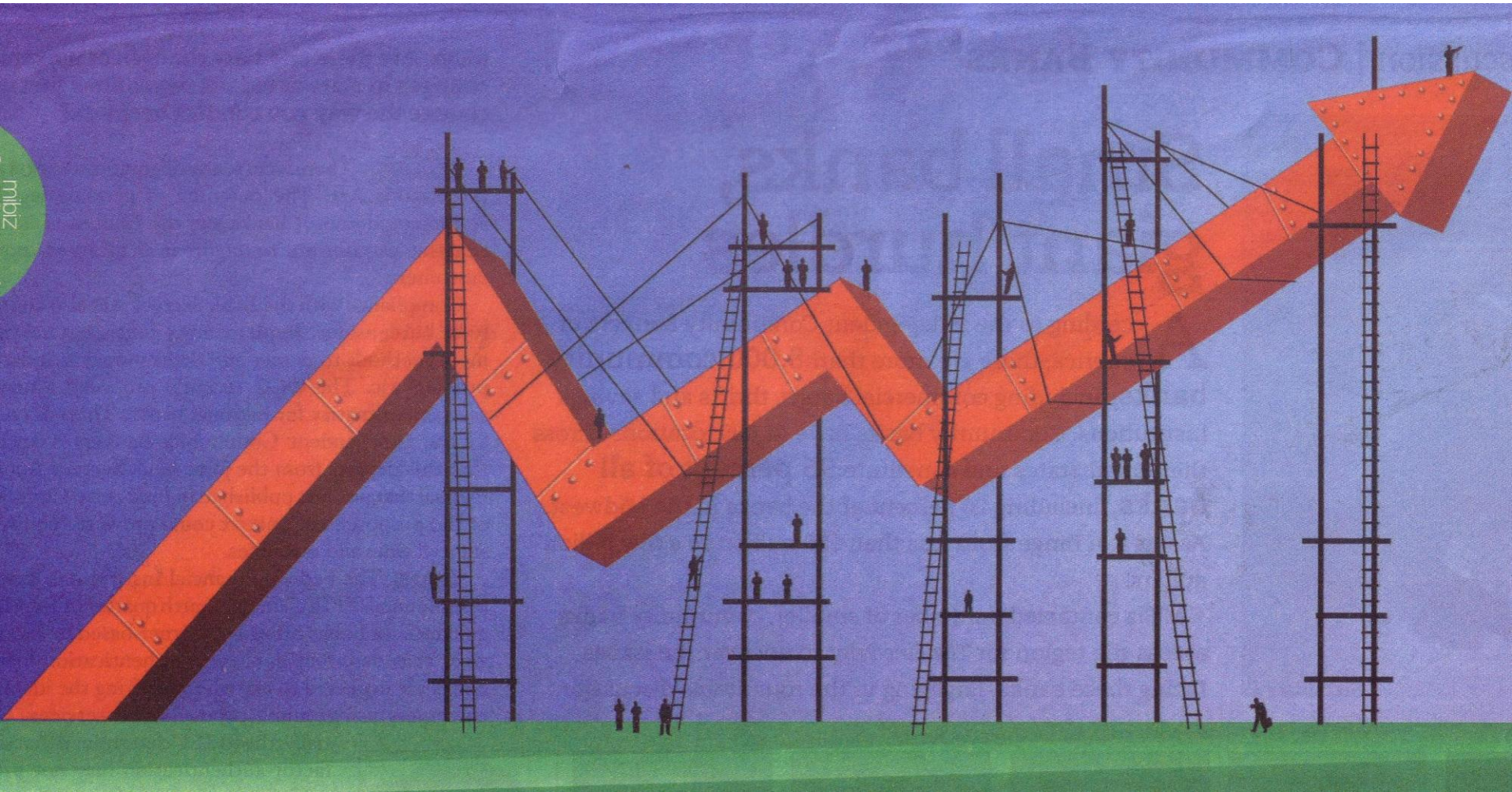
Executive performance perspective:

- Executives make 90% of their decisions intuitively*
- Regular reviews of data . . . calibrates intuition
- Engagement with the troops . . . calibrates intuition
- Calibration enables executives to “Do the right thing” intuitively

Footnote: *Intuition at Work* by Gary Klein, 2003.

“Measuring more is easy. Measuring better is hard.”

Charles Handy



Metrics Matrix		Four (4) Balanced Scorecard Perspectives			
		Employee Learning	Internal	Customer	Financial
Three (3) Core Business Processes	Operations				
	Sales				
	Innovation				

Metrics must reach into each of the 12 intersections to be fully balanced

Footnote: HBR Jan/Feb 1992 – The Balanced Scorecard – Measures that Drive Performance, by Kaplan and Norton

Characteristics of a Business Process:

Business processes can be clearly defined, documented, taught, and improved based on “lessons learned.”

- A business process defines “how we do it around here.”
- A business process is useful for training employees
- Performance of the business process can be measured
- When things go wrong, the “lessons learned” as a result of failure analysis can be used to improve the process

This is how organizational knowledge is accumulated and refined

Dressta Lessons

Operations Business Process:

The operations business process begins with a “pull signal” from a customer and ends with payment of the invoice.

1. Receive customer order request (pull signal)
2. Schedule / confirm materials availability
3. Schedule / confirm labor and equipment availability
4. Confirm delivery dates and quantities to customer
5. Receive all materials
7. Fabricate parts / Prepare for event
8. Assemble, test, package, and ship / Deliver services
9. Invoice customer
10. Receive payment



Operations Business Process Measurements

Employee Learning and Growth Perspective	Internal Perspective	Customer Perspective	Financial Perspective
Employee Satisfaction	Inventory Turns	Delivery - % On-Time	Revenue
Lost Time Accidents	Environmental Impact	Quality / Warranty Return Rates	Profit - % Sales
Absenteeism	% First Time Pass Final Test	Customer Satisfaction	Return on Assets
Training Investment	Quality - Scrap & Rework	Complaint Response Time	Days Payables
Timely Performance Appraisals	Supplier - Quality and Delivery	Problem Resolution	Credit/Debit Memos

- Four Balanced Scorecard Perspectives
- Attention to Cause – Effect Alignment (Strategy Mapping)
- Leading Measures to Lagging Measures

Who should collect the data, perform the gap analysis, and report results?



Strategic Growth Paths

New Products	Innovation	
	3. How do we expand the product line?	4. Can we afford the risks inherent here?
Existing Products	Operations	Sales
	1. How do we strengthen our core business?	2. How do we grow into new markets?
	Existing Customers	New Customers

Sales Management

- A. Structured Process and Monthly Reviews
- B. Toolbox of Tools and Techniques
- C. Performance Measures and Gap Analysis

Sales Business Process:

The sales business process begins with the identification of prospective customers and ends with multiple sales to those customers.

Sales Process: (example for Capital Equipment)

- P. Qualify potential new customers
 1. Known need and willing to buy our brand
 2. Clear compelling event established
 3. Preliminary quotation at the customer
 4. Good mentors established
 5. Funding confirmed
 6. Contract negotiations
 7. Salesman reports that the deal is acceptable
 8. Verbal contract approval from the customer
 9. Order is at headquarters
 10. Order is accepted at headquarters
 11. Machine is shipped
 12. Customer satisfaction survey is completed

Step 2

2. Clear Compelling Event - Definition

A clear compelling event means that it is clear what the customer needs to buy, when he needs to buy it, and why. The purpose of this step is to distinguish between a customer who is thinking about buying a new machine some day and a customer that has a specific need to buy a machine to perform a certain function by a specific date.

2. Clear Compelling Event – Review Questions

- 2.1 Why does the customer need a new machine?
- 2.2 Can his existing machines do the work?
- 2.3 What alternatives does he have rather than to buy a new machine?
- 2.4 Is there specific project or special use for the machine?
- 2.5 If so, what dates does the project need to be started and completed?
- 2.6 What is the planned payback for the customer on this project?
- 2.7 What are the consequences if they do not meet the project dates or the payback targets?
- 2.8 What date does the customer need the machine?

2. Clear Compelling Event – Review Questions

2.9 When will the “Request for Proposals” be available?

2.10 When are the proposals due?

2.11 When will the customer award a contract?

2.12 What will happen if he buys the machine 60 days later?

2.13 Are there target prices for each of the machines in the deal?

2.14 How accurate are the target prices?

2.15 Are the target prices sufficient to purchase the machines needed?

2.16 Has the customer documented any formal decision criteria to assist them with the selection of the best machine?

2.17 What are the informal decision criteria at this customer?

Sales Monthly Review

- Top 25 Opportunities
- Balance 50/50 – New Prospects/Existing Customers
- For each opportunity review:

- Step on Sales Process
- Status
- Competitive Position
- Next Actions
- Contact Frequency

Tool #3

MKT-6210: CCCC Top Sales Opportunity Matrix							Revised: 2004.06.18		
Customer	Opportunity	Ship Date	Annual \$	Step	Status:	Competitive Position:	Next Actions:	Frequency	
customer	project	first units due to the customer on this date	annual sales expected from this opportunity	Step that has been completed in the Sales Process	The status of the deal in terms of what has been accomplished to progressing through our sales process. This should answer the most relevant questions from the last step achieved.	The names of the top two competitors for this deal, each of their advantages, each of their disadvantages, and the decision criteria. The advantages and disadvantages must reflect the decision criteria and our relative position.	This should who on our team will take what actions, to accomplish what results, by what specified target date. The next actions are the key action plans to advance the opportunity to the next steps of the sale process.	This states how many weeks, the last four, we have had meaningful contact with the customer.	
Kinko's	New store in Grand Rapids Michigan USA	December 2004	\$2,000,000	4	Three of our executives have visited Kinko's in USA. Two executives have visited our plant. We know that to supply this Grand Rapids location is a start for our entry into kinko's.	Xerox has outstanding service and support but at high prices. Cannon supplies small units but has not demonstrated capability in large machines; support on small machines is good. Image quality, efficiency, and cost are the factors	Mr. Wu is to arrange a three week trip for a team of sales, marketing, engineering, and service managers to visit at Kinko's headquarters to build relationships and confidence in our quality and ability to service the various Kinko's locations.	3	
					NOTE: Revise this matrix to eliminate the above example and to add your top 25 sales opportunities.				



Sales Toolbox

Opportunity Management

1. Sales Process
2. Sales Probability Indexed to Sales Process Steps
3. Opportunity Tracking Database / Matrix
4. Two-Year Forecast
5. Quarterly Forecast
6. Target Market
7. Opportunity Summary Sheet
8. CRM / Database to collect details

Sales Process: (example for Capital Equipment)

	Probability
P. Qualify potential new customers	0%
1. Known need and willing to buy our brand	10%
2. Clear compelling event established	20%
3. Preliminary quotation at the customer	30%
4. Good mentors established	40%
5. Funding confirmed	50%
6. Contract negotiations	60%
7. Salesman reports that the deal is acceptable	70%
8. Verbal contract approval from the customer	80%
9. Order is at headquarters	90%
10. Order is accepted at headquarters	100%
11. Machine is shipped	100%
12. Customer satisfaction survey is completed	100%

Tool #3

MKT-6210: CCCC Top Sales Opportunity Matrix							Revised: 2004.06.18	
Customer	Opportunity	Ship Date	Annual \$	Step	Status:	Competitive Position:	Next Actions:	Frequency
customer	project	first units due to the customer on this date	annual sales expected from this opportunity	Step that has been completed in the Sales Process	The status of the deal in terms of what has been accomplished relative to progressing through our sales process. This should answer the most relevant questions from the last step achieved.	The names of the top two competitors for this deal, each of their advantages, each of their disadvantages, and the decision criteria. The advantages and disadvantages must reflect the decision criteria and our relative position.	This should who on our team will take what actions, to accomplish what results, by what specified target date. The next actions are the key action plans to advance the opportunity to the next steps of the sale process.	This states how many weeks, the last four, we have had meaningful contact with the customer.
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<div style="border: 1px solid black; padding: 10px; display: inline-block;"> <h2>Opportunity Database</h2> </div>								
					NOTE: Revise this matrix to eliminate the above example and to add your top 25 sales opportunities.			

Long-term Forecast of Incremental Sales

Grand Manufacturing Two-Year Sales Forecast for: 2004 - 2005

Quarter:	1Q2004	2Q2004	3Q2004	4Q2004	1Q2005	2Q2005	3Q2005	4Q2005
Sales Plan	1,000,000	1,104,100	1,219,000	1,345,900	1,486,000	1,640,700	1,811,400	2,000,000
Weighted Sales (\$)	996,456	1,108,503	1,225,578					
Variable Costs								
Variable Margin								
Fixed Costs								
EBIT								
Actual or Forecast	Actual	Actual	Forecast					

Next Page

Quarter-by-Quarter Forecast

Grand Manufacturing Quarterly Sales Forecast for: 3rd Quarter 2004

	Customer	Project	SM	Sales \$	Prb. %	Weighted \$
1	Grand Chair	Brackets	BG	50,000	20%	10,000
2	Grand Chair	Seat Bottoms	BG	25,000	30%	7,500
3	Grand Elec.	Boxes	FJ	15,000	60%	9,000
4	Grand Elec.	Plates	FJ	25,000	50%	12,500
5	Grand Plumb	Tanks	JP	30,000	10%	3,000
6	Grand Boat	Panels	JP	145,000	90%	130,500
7	Base Sales			1,108,503	95%	1,053,078
8				Previous Page		
Total Weighted Sales Dollars for this Quarter:						1,225,578

SM: BG = Bill Guest, FJ = Frank Jones, JP = Jane Peters

Rev: 2004.06.22

Tool #6

Target Definition

Worksheet 3.1: Your Target Market – Target Opportunities

Define the following preferences for your target market:

Products and services: _____

Size of customer: _____

Size of orders: _____

Industry sectors: _____

Financial strength: _____

Diversification of their customer base: _____

Limitations for your own diversification requirements: _____

Other requirements: _____

What is it that you don't want?

1. _____

2. _____

3. _____

4. _____

5. _____

Tool #7

Opportunity
Summary
Sheet

Grand Mfg.

Customer: _____ Opportunity No: _____

Project Name: _____

Strategic Value of this account: _____

Customer contacts (name, title, phone and; DM, INFL, and APRV, also indicate decision style; Financial, Technical, Relationship, or Business):

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Date and who attended the customer plant tour: _____

Date and who attended our plant tour: _____

Formal decision criteria: _____

Informal decision criteria: _____

The perfect supplier: _____

Our Unique Business Value: _____

Key points that should be included in the cover letter: _____

What are some potential "deal killer s" for this deal: _____

The decision timing for this deal: _____

Issues that could cause a significant delay in the award of this deal: _____

1. Who is our toughest competitor? _____
2. What are this competitor's product advantages and disadvantages? _____
3. What are this competitor's business advantages and disadvantages? _____
4. What does the customer like and dislike about this competitor? _____
5. What is this competitor's selling price? _____
6. Who is our second toughest competitor? _____
7. What are this competitor's product advantages and disadvantages? _____
8. What are this competitor's business advantages and disadvantages? _____
9. What does the customer like and dislike about this competitor? _____
10. What is this competitor's selling price? _____

Tool #8

CRM
System

CRM System

Pick a solution that:

- allows you to implement your process
- is easy to use
- is traveler friendly (hotel rooms)

Note: The company owns the data.

Risk Management
Data Security

Sales Business Process Measurements

Employee Learning and Growth Perspective	Internal Perspective	Customer Perspective	Financial Perspective
Win/Loss by Salesperson	Sales Pipeline Points	Win/Loss - Overall	Revenue - New Customers
New Opps. per Salesperson	Status, Next Act's, Comp. Pos.	Win/Loss - Existing Customers	Revenue - Existing Customers
Revenue per Salesperson	Forecast Growth Rate	Win/Loss - New Prospects	Revenue Growth Rate
Profit per Salesperson	Forecast Accuracy	Samples/Prototypes On-Time	Profit Growth Rate
Sales Training Hours	Sales Calls per Week	Share of Customer Spending	Days in Receivables

Performance Measures
and Gap Analysis

Innovation Management

- A. Structured Process and Monthly Reviews
- B. Toolbox of Tools and Techniques
- C. Performance Measures and Gap Analysis

Fog of Innovation

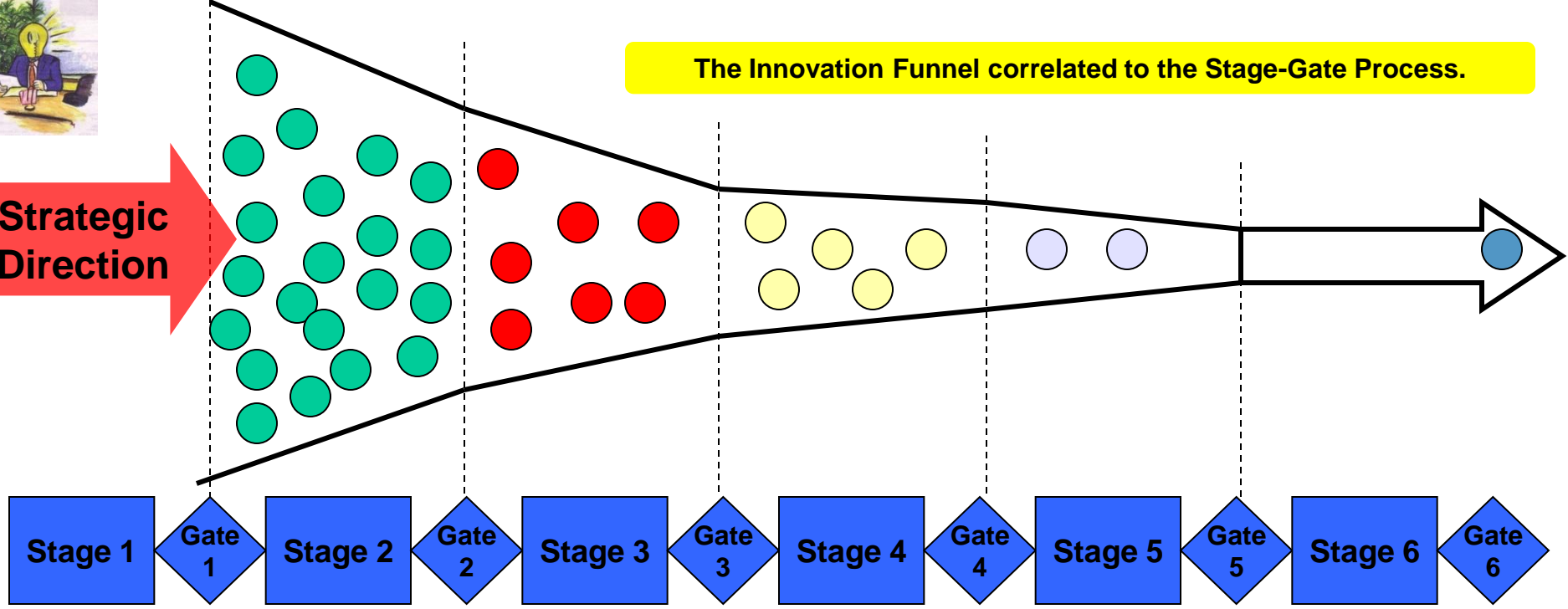
Innovation Business Process:

The innovation business process begins with the identification changes in society and the economy and ends in the launch of a new product or service to exploit that opportunity.



The Innovation Funnel correlated to the Stage-Gate Process.

Strategic Direction



HOW GATES WORK:
YES, gate criteria are met, move to next step.
NO, criteria are not met, idea is parked.

Innovation Stage-Gate Process

- | | |
|------------------------|------------------|
| 1. Strategic Direction | Direction Clear |
| 2. Idea Generation | Ideas Scored |
| 3. Concept Definition | Concept Approved |
| 4. Funding Case | Funding Approved |
| 5. Pilot and Test | Launch Approved |
| 6. Launch | Final Evaluation |

Innovation Stage-Gate Process

Stage:	Gate:	Gate Requirements:
1 Strategic Direction	Direction Clear	The organization's strategic direction has been clearly communicated to the innovation teams. (balanced scorecards, strategy maps, focus, divergence, and compelling tagline)
2 Idea Generation	Ideas Scored	A systematic search for innovation opportunities that drives the organization toward the achievement of the strategic direction is complete. Ideas are scored and prioritized based upon the organization's defined scoring methodology.
3 Concept Definition	Concept Approved	An <i>Idea Summary (Concept Definition)</i> sheet including a clear description of the idea is presented to the innovation team.
4 Funding Case	Funding Approved	The <i>Innovation Project Business Plan</i> including a clear description of the idea, focus, divergence, compelling tagline, cost, timing, description of benefits, and description of alignment to objectives is presented to the funding team. Top ideas are approved within budget constraints.
5 Pilot and Test	Launch Approved	This step is completed by the project team with concurrence of the management sponsor, project manager, and technical advisor as members of the decision team.
6 Launch	Final Evaluation	Six months to one year after the innovation has been launched, the project team completes a post-launch review to compare actual results to planned outcomes. This review is presented to the innovation funding team.

Innovation Monthly Review

- Top 25 Opportunities
- Balance among sources and types
- For each opportunity review:

- The Idea
- Step on Innovation Process
- PI Score
- VIL Score
- Total Score
- Type
- Next Actions

PMIC Innovation Management Matrix							Revised 2004.09.27	
	Category	Idea / Opportunity	Step	PI Score	VIL Score	Total	Type	Comments, Status, Next Actions:
Today	Existing	→						
	Unexpected							
Seven Sources of Innovation Opportunities	Incongruities	→						
	Process	→						
	Structure							
Seven Sources of Innovation Opportunities	Demographics	→						
	Perception							
	Knowledge	→						
Six Views of New Market Space	Substitutes							
	Groups	→						
	Buyers	→						
	Complements	→						
	Appeal	→						
	Time							

Innovation Toolbox

1. Innovation Process (Stage-Gate)
2. Understanding Innovation and Entrepreneurship
3. Discovering New Points of Differentiation
4. The Value Proposition
5. The Buyer Utility Matrix

Entrepreneurship

The entrepreneur upsets and disorganizes, causing . . .

. . . **“creative destruction.”**

“The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield” per J. B. Say. They create something new, something different, they change or transmute values. The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.*

* Footnote: *Innovation and Entrepreneurship* by **Peter Drucker**, 1985.

Healthy Economy

Innovation is the Tool of the Entrepreneur

Innovation vs. Invention:

- Innovation is not invention
- Innovation results in market space
- Invention results in a patent

Innovation is:

- Search for change
- Respond to change
- Exploit change as an opportunity

Mapping the Consumption Chain:

1. How do people become aware of their need for your product or service?
2. How do consumers find your offerings?
3. How do consumers make their final selections?
4. How do customers order and purchase your product or service?
5. How is your product or service delivered?
6. What happens when your product or service is delivered?
7. How is your product installed?
8. How is your product or service paid for?
9. How is your product stored?
10. How is your product moved around?
11. What is the customer really using the product for?
12. What do customers need help with when they use your product?
13. What about returns or exchanges?
14. How is your product repaired or serviced?
15. What happens when your product is disposed of or no longer used?

To analyze your customer's experience, consider how five simple questions – what, where, who, when, how – apply at each link in the chain.

Footnote: *HBR on Innovation*, by **Ian MacMillan and Rita Gunther McGrath**, page 134

Value = Product/Service Attributes + Image + Relationship

1. Product / Service Attributes:

- a. Key product elements
- b. Key service elements
- c. Key delivery elements
- d. Other functionality elements
- e. Quality
- f. Price

2. Image Issues:

- a. Brand Image
- b. Other Issues

3. Relationship Issues:

- a. Convenient
- b. Personal
- c. Responsive

Footnote: Based on *Balanced Scorecard* by **Kaplan and Norton**, pages 74 to 81, and *Creating New Market Space* by **Kim and Mauborgne**, HBR.

The Six Stages of the Buyer Experience Cycle

Tool #5

Stage One: **Purchase**

- How long does it take to find the product you need?
- Is the place of purchase attractive and accessible?
- How secure is the transaction environment?
- How rapidly can you make a purchase?

Stage Two: **Delivery**

- How long does it take to get the product delivered?
- How difficult is it to unpack and install the new product?

Stage Three: **Use**

- Does the product require training or expert assistance?
- Is the product easy to store when not in use?
- How effective are the product's features and functions?

Stage Four: **Supplements**

- Do you need other products and services to make this product work?
- If so, how costly are they?

Stage Five: **Maintenance**

- Does the product require external maintenance?
- How easy is it to maintain and upgrade the product?

Stage Six: **Disposal**

- Does use of the product create waste items?
- How easy is it to dispose of the product?

The Buyer Utility Map

Footnote: *Knowing a Winning Business Idea When You See One* by **Kim and Mauborgne**

Innovation Business Process Measurements

Employee Learning and Growth Perspective	Internal Perspective	Customer Perspective	Financial Perspective
Employee Attendance in Reviews	Innovation Pipeline Points	New Products per Year	Revenue - New Products
Employees Contributing Ideas	New Opportunities per Month	% Customers per New Product	Profit - New Products
Hours Worked on Innovation	New Projects Funded per Month	Hours in Customer Collaboration	% Sales on Innovation
Number of Innovation Champions	Lead-Users Identified	Concept to Market Time	Revenue - New Markets
Innovation Training Hours	Advancement of Opportunities	New Customers / Markets	Profit - New Markets

Performance Measures
and Gap Analysis

Why Measurement Managed Organizations Work

Three universal truths:

- Every human being wants to be treated with dignity and respect, every single day. . .

. . . {Engaged in reviews vs. ignored}

- People want to make a contribution with what they do, they want their lives to have meaning. . .

. . . {Tools build capacity, human capital}

- All people want someone to notice what they do. . .

. . . {Accountability for performance measures}

Paul O'Neil is former CEO Alcoa and former Secretary of the Treasury (ASQ Quote)

Three Top Priorities for Small Businesses

1. Cash Flow Forecast
2. Customer Loyalty – Net Promoter Score
3. Talent Acquisition and Development

Cash Flow Forecast (Monthly)

1. Start – Cash Balance Now
2. Add – Customer Invoices expected to be paid
3. Subtract – Payroll for this month (including taxes)
4. Subtract – Supplier Invoices to be paid
5. Subtract – Expense Reports to the paid
6. Net – Expected Cash Balance at Month End

Customer Loyalty - Referrals

1. Cash Flow Forecast
2. Customer Satisfaction – Net Promoter Score
3. Talent Acquisition and Development

Introducing NPS—How leading firms transform ordinary customers into *promoters*

THE ULTIMATE QUESTION

Driving Good Profits
and True Growth

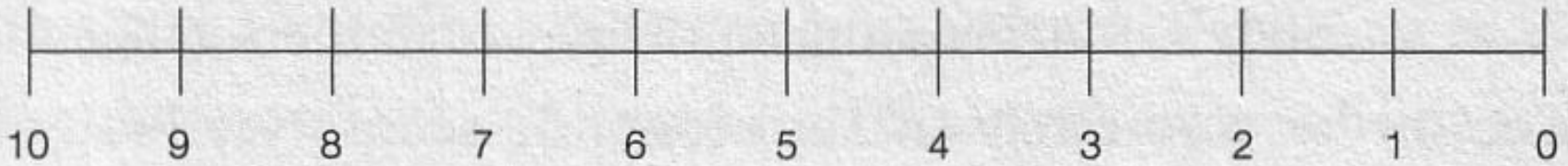
FRED REICHHELD

Bestselling author of *THE LOYALTY EFFECT*

“How likely is it that you would recommend Company X to a friend or colleague?”

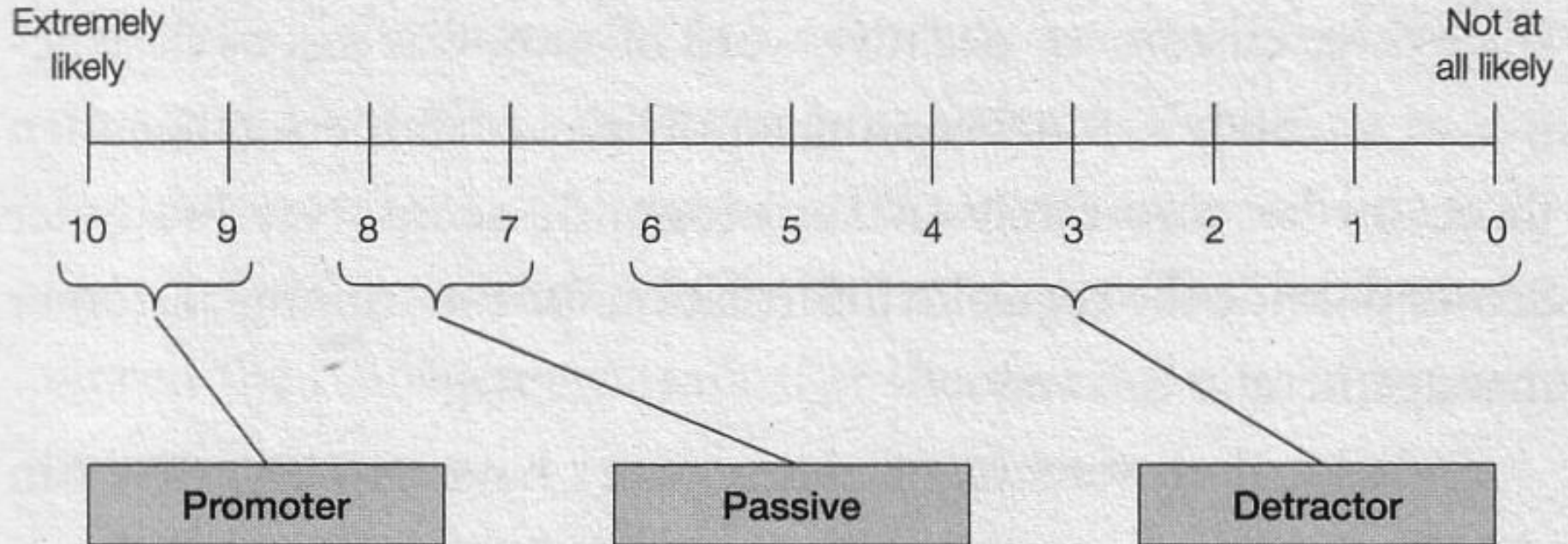
Extremely likely

Not at all likely



Mapping responses to the ultimate question

“How likely is it that you would recommend Company X to a friend or colleague?”



Customer Loyalty – Promoters

Calculating the Net Promoter Score:

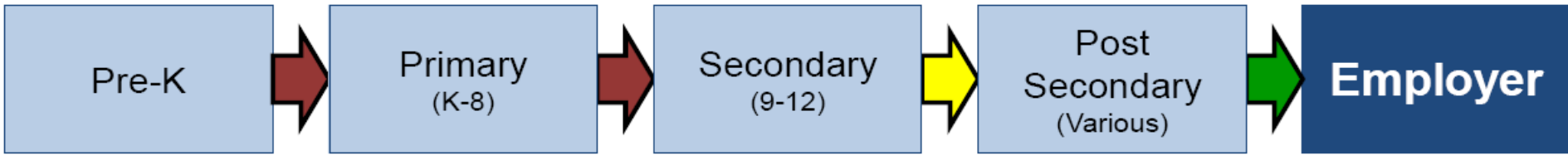
$P = \% \text{ Promoters}$

$D = \% \text{ Detractors}$

$NPS = P - D$

Hiring and Development

1. Cash Flow Forecast
2. Customer Satisfaction – Net Promoter Score
3. Talent Acquisition and Development



? - Evidence-Based Hiring and Promotion

- **Evidence of Cognitive Skills**
 - Reading, Math, etc.
 - Reasoning – Critical Thinking & Problem Solving
- **Evidence of Behaviors**
 - Integrity
 - Personality Traits and Characteristics
 - Interests & Values
- **Evidence of Work-Related Content Knowledge**
 - Degrees, Licenses, Certificates
- **Evidence of Personal Responsibility**
 - Resume, Career Plan, Education Plan
- **Analysis to Correlate Competency Evidence to Outcomes**
 - Valid Reliable Performance Feedback

A "Ready for Work" Skills Currency



NATIONAL
CAREER READINESS
CERTIFICATE®

GOLD

Is awarded to

Joseph P. Sample

In recognition of verified skills in Applied Mathematics,
Locating Information, and Reading for Information



Certificate #1102ESAMPLE
Issue Date 6/30/03

ACT

When is it Time to Grow?

“Employers work to make things: predictable, uniform, and certain. Predictability, uniformity, and certainty are universal goals of executives. The NCRC does this for the hiring process.”

**Mac MacIlroy, Past President
Michigan Manufacturers' Association**

1. Define core processes, tools, and metrics
2. Monitor metrics for predictability and certainty
3. Balance growth and control

Questions

“We help leaders to improve the key performance objectives that cause financial success.”

Bill Guest is an international consultant, conference speaker, and practitioner on both innovation and corporate metrics. Bill Guest teaches and consults extensively in the area of organizational performance measurement and improvement. Organizations need to implement the right processes, tools, and measurements to support their performance improvement objectives. Bill has developed a crisp, clear, no nonsense approach to organizational performance improvement. He developed and implemented these techniques, with excellent results, during his 25 years of industry experience with various organizations in the roles of engineer, supervisor, vice president sales, general manager, executive vice president, and CEO. Since 1999, he has been working with clients around the world to teach them these straightforward techniques and provide step-by-step coaching as they use these techniques to achieve their goals.

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Appendix

Suggested Reading List

The following books and articles are suggested reading for those wishing to read the original authors and prepare more fully to implement the ideas in **Driving Profitable Growth**.

Harvard Business Review articles:

1. Putting the Balanced Scorecard to Work by Kaplan and Norton, Harvard Business Review, 1993, OnPoint edition available
2. Having Trouble with Your Strategy? Then Map It by Kaplan and Norton, Harvard Business Review, 2000, OnPoint edition available
3. Creating New Market Space by Kim and Mauborgne, Harvard Business Review, 1999, OnPoint edition available
4. Knowing a Winning Business Idea When You See One by Kim and Mauborgne, Harvard Business Review, 2000, OnPoint edition available
5. Blue Ocean Strategy by Kim and Mauborgne, Harvard Business Review, 2004

Books:

1. Innovation and Entrepreneurship by Peter Drucker, 1985.
2. Innovator's Solution by Christensen and Raynor, 2003.
3. Balanced Scorecard: Step-By-Step by Paul Niven, 2002
4. Blue Ocean Strategy by Kim and Mauborgne, 2005
5. The Harvard Business Review on Innovation, 2001

Notes:

1. The Essential Drucker includes some of the material from Innovation and Entrepreneurship. This book is a wonderful overview of Drucker's works.
2. The Harvard Business Review on Innovation contains Creating New Market Space and Knowing a Winning Business Idea When You See One by Kim and Mauborgne and a few others listed in Driving Profitable Growth.

Action Items

For each core business process, implement:

1. Structured Process and Monthly Reviews (CEO & CFO)
2. Toolbox of Tools and Techniques
3. Balanced Performance Measures and Gap Analysis

Use your staff as a strategic force:

1. Senior executives own the processes and attend the reviews
2. Assign key personnel as support staff to each executive
3. Create databases to manage opportunities company-wide
4. Own the performance measurement of the leading indicators
5. Own the gap analysis function on all performance measures
6. Implement digital dashboards to keep everyone informed

The Leadership Framework

- 1. People** – Leaders get the right people in and the wrong people out. Right people are thoughtful and capable individuals of character, always learning, with a bias for action, that are able to subordinate their egos to the achievement of the mission.
- 2. Heritage** – The organization has a clear understanding of its core values, the things it won't change, and the discipline to act in alignment with them.
- 3. Focus** – A mission to be the best (in something specific), and clear measurable balanced objectives (financial, customer, internal, and learning & growth) that will lead to the actions that will cause the organization to achieve its mission.
- 4. Path** – A systematic deployment of resources to achieve the organization's priorities with leaders insuring open vigorous debate and the integration of the best ideas to determine the right actions.
- 5. Gaps** – Constantly seeking to understand perfection for all performance areas and measures, understanding the gaps between the current reality and perfection, creating cause and effect linkages, and the necessity to take action to eliminate the gaps.

Metrics “Reach” into the Core Business Processes

Metrics must be balanced according to:

- The four (4) balanced scorecard perspectives of financial, customer, internal, and employee growth and learning
- The three (3) core business processes of operations, sales, and innovation.

Metrics are fully balanced when they “reach” into each of the 12 intersections formed by the matrix.

Once the metrics are defined the next step is to assign primary and supporting responsibilities.

The "Essential Metrics" Menu

Essential Metrics Matrix	Performance Measures Balanced Across the Four Balanced Scorecard Perspectives and Balanced Across the Three Core Business Processes	Employee Learning and Growth Perspective					Internal Perspective					Customer Perspective					Financial Perspective						
		Lost Time Accidents	Timely Performance Appraisals	Win/Loss by Salesperson	Revenue per Salesperson	Employees Contributing Ideas	Number of Innovation Champions	Inventory Turns	Quality - Scrap and Rework	Sales Pipeline Points	Forecast Growth Rate	Innovation Pipeline Points	Lead-Users Identified	Delivery - % On-Time	Quality / Warranty Return Rates	Customer Satisfaction	Win/Loss - Overall	Share of Customer Spending	New Products per Year	Revenue	Profit - % Sales	Revenue Growth Rate	Revenue - New Customers
Pleasing Customers Today by Delivering Superior Value (Present)	Operations Processes	Employee Satisfaction Lost Time Accidents Absenteeism Training Investment Timely Performance Appraisals					Inventory Turns Environmental Impact % First Time Pass Final Test Quality - Scrap & Rework Supplier - Quality and Delivery					Delivery - % On-Time Quality / Warranty Return Rates Customer Satisfaction Complaint Response Time Problem Resolution					Revenue Profit - % Sales Return on Assets Days Payables Credit/Debit Memos						
	Sales Processes	Win/Loss by Salesperson New Opps. per Salesperson Revenue per Salesperson Profit per Salesperson Sales Training Hours					Sales Pipeline Points Status, Next Act's, Comp. Pos. Forecast Growth Rate Forecast Accuracy Sales Calls per Week					Win/Loss - Overall Win/Loss - Existing Customers Win/Loss - New Prospects Samples/Prototypes On-Time Share of Customer Spending					Revenue - New Customers Revenue - Existing Customers Revenue Growth Rate Profit Growth Rate Days in Receivables						
Pleasing Customers by Superior Value (Future)	Innovation Processes	Employee Attendance in Reviews Employees Contributing Ideas Hours Worked on Innovation Number of Innovation Champions Innovation Training Hours					Innovation Pipeline Points New Opportunities per Month New Projects Funded per Month Lead-Users Identified Advancement of Opportunities					New Products per Year % Customers per New Product Hours in Customer Collaboration Concept to Market Time New Customers / Markets					Revenue - New Products Profit - New Products % Sales on Innovation Revenue - New Markets Profit - New Markets						

The "Essential Metrics" Responsibilities Matrix

Essential Metrics Responsibility Matrix *** P = Primary Responsibility S = Support Responsibility	Employee Learning and Growth Perspective						Internal Perspective						Customer Perspective						Financial Perspective					
	Lost Time Accidents	Timely Performance Appraisals	Win/Loss by Salesperson	Revenue per Salesperson	Employees Contributing Ideas	Number of Innovation Champions	Inventory Turns	Quality - Scrap and Rework	Sales Pipeline Points	Forecast Growth Rate	Innovation Pipeline Points	Lead-Users Identified	Delivery - % On-Time	Quality / Warranty Return Rates	Customer Satisfaction	Win/Loss - Overall	Share of Customer Spending	New Products per Year	Revenue	Profit - % Sales	Revenue Growth Rate	Revenue - New Customers	Revenue - New Products	Profit - New Products
Corporate Core / BU Specific	CC	CC	CC	CC	CC	BU	CC	CC	CC	BU	CC	BU	CC	CC	CC	CC	BU	CC	CC	CC	BU	CC	CC	CC
Continuous / Key Improvement	C	C	C	C	C	K	K	C	C	K	K	C	K	K	C	C	K	C	C	C	C	C	C	C
CEO															P					P				P
VP Sales			P	P	S				P	S		P			S	P	P		P	S	P	P	S	
CFO		S		S						P						S								
VP Operations	P						S	P					P						S					
Quality Director								S						P										
VP Human Resources	S	P			S	P					S							S						
VP Engineering			S		P	S			S		P	S		S			S	P			S	S	P	S
VP Purchasing							P						S											

The “Path to Excellence” Model

A systematic, rational approach to achieving organizational excellence.

FOCUS > DATA > PRIORITIZE > ANALYZE > ACTION > REPORT > BENCHMARK >>>> EXCELLENCE

The Seven Steps:

1. FOCUS on Business Priorities Establish key improvement objectives based on organizational priorities.
2. Gather DATA Design and implement effective data gathering.
3. PRIORITIZE Opportunities Use Pareto Charts to determine priorities for improvement projects.
4. ANALYZE Causes Use Fishbone Analysis to identify the root causes of problems.
5. Take ACTION Implement corrective actions (Force Field Analysis to clarify barriers/support).
6. Track, Verify, and REPORT Track and verify fixes. Report progress regularly (quarterly mgt. reviews).
7. BENCHMARK and Reset Goals Benchmark against the best. Reset goals annually based on results.

The P2E Model is designed to guide organizations to get onto the path to world-class excellence. The model is effective to assist teams to gain the highest return from existing quality systems. It also provides a clear rational basis for management to move forward to effectively utilize various continuous improvement tools and programs.