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SESSION #5: BUILDING YOUR PLAN PART 2

I. Confirm 2015 Corporate Goals (30 mins)

II. Develop KPIs for Corporate Goals (90 mins)

III. Explain and confirm Department and Individual Goal Development (60 mins)

IV. Wrap Up

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Our Strategy Management Process

Impact
Engage. Inspire. Execute.

Getting started: ✓ Planning team ✓ Create schedule ✓ Gather documents

Determine Position	Develop Strategy	Build the Plan	Manage Performance
Strategy Issues: Identify strategic issues to address	**Mission:** Determine your organization's core purpose.	**Use SWOT:** Process the SWOT to set priorities.	**Rollout:** Communicate strategy to whole organization
Industry & Market Data: Identify market opportunities and threats	**Values:** Identify your core beliefs.	**Organizational Goals:** Set short-to-mid-term SMART goals. (1+ yr.)	**Set Calendar:** Establish schedule for progress reviews
Customer Insights: Assess current satisfaction and future demand.	**Vision:** Create an image of what success looks like in 5 years.	**KPIs:** Select key performance indicators to track progress.	**Leverage Tools:** Train team to use MyStrategicPlan
Employee Input: Determine strengths and weaknesses.	**Competitive Advantages:** Solidify your unique position	**Department Goals:** Cascade org goals to departments. (12 months)	**Adapt Quarterly:** Hold progress reviews and modify
SWOT: Synthesize the data into summary SWOT items.	**Org. Wide Strategies:** Establish the approach for how you will succeed	**Team Member Goals:** Cascade dept. goals to individuals.	**Update Annually:** Review end of year, plan next year.
	Long-Term Objectives: Develop a 3 year balanced framework of 6 or less objectives.	**Budget:** Align a one-year budget with the plan.	
	Forecast: Develop a 3-year financial projection.		

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KEY PERFORMANCE INDICATORS (KPIS)

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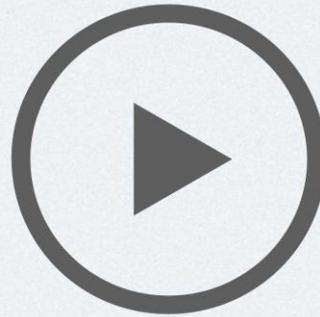
[How To Develop & Use KPIs](#)

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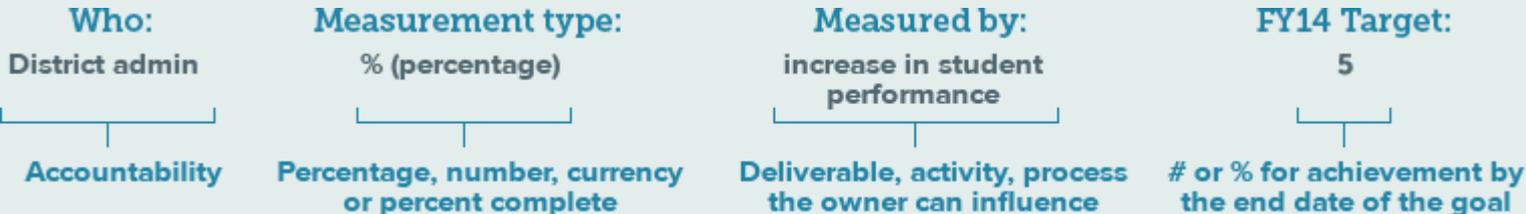# How will we measure our success?

Definition:

Key Performance Indicators (KPI) are the key measures that will have the most impact in moving your organization forward. We recommend you guide your organization with measures that matter.

Outcome:

5-7 measures that help you keep the pulse on your performance

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Lag/Outcome Measure:

Who:	Measurement type:	Measured by:	FY14 Target:
District admin	% (percentage)	increase in student performance	5
Accountability	Percentage, number, currency or percent complete	Deliverable, activity, process the owner can influence	# or % for achievement by the end date of the goal

Lead/Output Measure:

Who:	Measurement type:	Measured by:	FY14 Target:
District HR	# (number)	partnerships with top teacher prep programs	20
Accountability	Percentage, number, currency or percent complete	Deliverable, activity, process the owner can influence	# or % for achievement by the end date of the goal

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- What is the result or outcome of achieving the objective?

- Why are we working on this objective?

- How will we know we have accomplished the objective?

- What do we expect to see different as a result of accomplishing this activity/project?

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GOOD PERFORMANCE MEASURES

- Provide a way to see if our strategy is working

- Focus staff's attention on what matters most to success

- Should provide common and understandable language for communicating to others

- Are valid and realistic, to ensure measurement of the right things

- Are verifiable, to ensure accurate data

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✅	Complete
🟢	On target
🟡	Not on target
🔴	Past due
⚪	No status

Project Measure – Progress against a project or initiative that has a terminus (i.e. stoplight status).

- ✓ Usually % complete

% report developed

Process Measures – Measures activities and processes such as cycle time, frequency, error rate or process-specific metrics.

- ✓ Frequency of events

- ✓ Number of trainings

# of sales meetings

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Outcome Measure (Quantitative) - End result of whether initiatives meet proposed targets/standards, and demonstrate impact and benefit to the business.

- ✓ Cumulative impact as result of educational services
- ✓ Graduation rate, Test Scores, Attendance, etc.

Key Performance Indicator (KPI) - Metric and non-metric measurements essential to the completion of an organization's goals.

- Each organization narrows the possible list down to a manageable group of KPIs that make the most difference to performance.
- KPIs are linked to Goals/Initiatives.

DM % of sales

% increase email file growth

$ global environmental giving

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EXAMPLES

Financial	Customer	Internal Business Processes	Employee & Learning
• Net sales (dollar growth and percent increase) • Gross profit margin • Pretax earnings (dollar growth and percent increase) • Operating expenses (SGA) as a percent of sales • Receivables turnover • Inventory turnover • Debt-to-equity ratio • Total equity dollars • Operating cash flow • Investing cash flow • Financing cash flow • Ending cash • Earnings per share • ROI, ROE, ROA	• Improving image/reputation • Number of customer complaints • Percentage market share • Number of customers retained • Customer satisfaction • Dollars per account • Time spent with customer • Revenue per customer • Number of transactions per unit time • Average sales dollars per transaction • Customer satisfaction index • Number of customers • Number of new customers • Ratio of new to existing customers • Average sales per customer	• Percentage operating costs • Billable efficiency • Quality of product/service • Defects ratio • New product success rate • Cycle time to deliver • Project turnaround time • Number of defects or returns • Delivery times • Delivery response time to customer • Number of test market trials • Relative product quality • Number of new products • Number of products produced • Average cost per product • Number of products sold	• Employee retention • Employee satisfaction • Number of quality resumes on hand • Employee turnover • Number of ideas in the pipeline • Number of employee suggestions • Percentage of employees who are systems efficient • Average sales per employee • Number of net new positions • Number of relevant trainings attended

AN EXAMPLE STRATEGY SCORECARD

GOALS	MEASURES	TARGETS	FREQUENCY	SOURCE	YEAR TO DATE
Increase number of new paying customers by 50%	Conversion of new contacts within 2 months	50%	Monthly	Customer Relations Management System	20%
Increase number of former paying customers by 25%	Renewing of previous relationships that were inactive	25%	Monthly	Customer Relations Management System	12%
Improve inventory turns	# of inventory turns per year	4–6	Monthly	Enterprise Resource Planning	2

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BUILDING GREAT MEASURES & TARGETS

Setup: Take a picture of your roadmap and move the 2016 and 2017 sticky notes off to the side. Label the middle column "Measures & Targets" and the far right column "Person Responsible".

Step 1: Build a grid on the whiteboard like the example on the next slide.

Step 2: Develop 1 performance measure for each corporate goal by answering the question "How will we know we are succeeding?" Write each one on a sticky note.

Step 3: Determine if you can gather the data on a monthly basis and what the data source is. Write the data source on the performance measure sticky note.

Step 4: Determine the end of year target by answering the question "What is our desired outcome?" Decide as a group – are we setting moon targets (stretch) or mountain targets (achievable). Write on the sticky note.

Step 5: Identify goal champions or leaders for each goal. Write on sticky note and place in far right column.

Step 6: Repeat steps 3-5 for each goal.

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SMART GOAL STRUCTURE

Overall strategy: Leverage current resources to gain market share.

Long-Term Strategic Objectives	1-Year Goals		Measures	Targets	Person Responsible
Financial					
Establish a financially stable and profitable company.	1	Increase our billable hours by 10% over the next 12 months.	# of billable hours	1.2% increase each month	
	2	Achieve sales growth of 10% per year.	Monthly sales	1.2% increase each month	
Customer					
Introduce current products to two new markets.	1	Realize 10% of the company's annual sales from the small business market by end of next year.	# of small business clients	100 clients	Marketing department
Internal Business Processes					
Achieve order fulfillment excellence through on-line process improvement.	1	Reduce the time lapse between order data and delivery from 6 days to 4 days by this June.	# of days to process each order	4 days	Shipping department
	2	Reduce the number of returns due to shipping errors from 3% to 2%.	# of returns due to shipping errors	2%	Shipping department
Employees & Learning					
Provide employees with challenging and rewarding work.	1	Reduce turnover among sales managers by 10% by the end of the year.	Employee turnover	10%	Sales department
	2	Hire and train a human relations director by the end of the year.	Director hired	achievement	CEO

- Have you identified three to five indicators that will provide an ongoing assessment of your progress?

- Are the indicators you selected as KPIs truly "key" and track outcomes not just outputs?

- Is the measure and target for each goal clear enough to stand on its own?

- Is the associated measure and target something you can measure monthly and will you be able to see movement?

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Review your [KPIs here.](#)

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GOAL CASCADING

Who must do what by when?

Definition:

Functional goals/action items support the accomplishment of the annual objectives and align with individual performance plans.

Outcome:

Goals at the manager and individual level that clearly explain who is doing what by when with a clear deliverable.

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Verb

Output and/or deliverable that is a lead measure

How

By when (target date)

1.1.1 Secure top performing teachers by developing partnerships with the top teacher prep programs by the end of FY14.

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SPREADING GOALS TO DIFFERENT DEPARTMENTS

DEPARTMENTS				
CORPORATE GOALS	Manufacturing	IT	Marketing	HR
1. Improve net income by 10% by 12/31/11.	X		X	
2. Improve customer loyalty by increasing retention by 15% by 12/31/11.	X	X	X	
3. Increase employee retention by reducing turnover by 5% by 9/30/11.		X		X
4. Improve operational efficiency through the implementation of an ERP system by 6/30/11.		X		

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Business Area:
VP Goals

Division Level:
Director Goals

Team Level:
Manager Goals

Staff Level:
Individual Con.
Goals

OnStrategy 🚫 No cascading, no coordinated action. No coordinated action, no results.

HOW CASCADING GOALS WORK

Reduce waste by 10% across the company by end of 2012.

Manufacturing Dept:
Reduce scrap by 5% from widget production by end of 2011.

Shipping Dept:
Reduce returns resulting from mis-picks by 5% by August 2012.

Administration Dept:
Institute a paper recycling program to reuse scrap paper for in-house printing by end of 2012.

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#1 ENSURE A SAFE AND SECURE COMMUNITY

#2 PRESERVE OUR SENSE OF PLACE

#3 PROACTIVELY PLAN OUR LAND USE, INFRASTRUCTURE AND CONNECTIVITY. UNITE LAND USE WITH FUNCTION.

#4 PROTECT OUR NATURAL AND ENERGY RESOURCES.

#5 FOSTER A VIBRANT ECONOMIC ENVIRONMENT

#6 OPERATE AN ACCOUNTABLE, RESPONSIVE AND ENGAGED CITY GOVERNMENT

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#5 FOSTER A VIBRANT ECONOMIC ENVIRONMENT

Re-establish downtown as the City's civic and cultural center.

Actively drive and invest in a regional approach to economic development.

Continue to develop Las Cruces as a tourist destination.

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#5 FOSTER A VIBRANT ECONOMIC ENVIRONMENT

Actively drive and invest in a regional approach to economic development.

- Continued support of MVEDA and its mission.
- Update the City's Economic Development Plan.
- Promote economic development in the West Mesa Industrial Park and the Airport
- Continue to promote Las Cruces area as a movie/film destination.

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#5 FOSTER A VIBRANT ECONOMIC ENVIRONMENT

Actively drive and invest in a regional approach to economic development.

- Update the City's Economic Development Plan.
  - Offer administrative ease through fast track permitting.
  - Support a competitive utility rate structure.
  - Attract sustainable energy industries.

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GOAL CASCADING

Number	Level	Who is responsible	Time Frame
1	Long-Term Strategic Objective	Not assigned – far reaching and very broad	3-5 years
1.1	Corporate Goal	Corporate-wide – not assigned **Must have Target and Measure (KPI)**	18-24 months
1.1.1	Department Goal	Assigned to Department responsible for seeing this goal completed. **Must have Target & Measure**	12-18 months
1.1.1.1	Team Member Goal	Assigned to Team Member responsible for seeing this goal completed. **Must have Target & Measure**	6-12 months
1.1.1.1.1	Team Member Action	Assigned to Team Member responsible for seeing this action completed. Short term items only. **Must have Target & Measure**	30, 60, 90 days

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A view from the staff perspective:

- Clear explain the organization's three to five key initiatives. And tell me why.

- Connect the big strategies with you need me to do differently on "Monday morning, 8 am"—connect with my to-do list.

- Be specific and pragmatic. I need to know exactly what is expected.

- Create excitement and passion.

- Give me resources for at least two to six months (at least the first time).

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Update your [Goals here.](#)

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BUDGET

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METHODS FOR CONNECTING BUDGET TO PLAN

1. **Zero-based budgeting**
   - Most severe – not likely to occur if this is not already part of your management approach
   - Best way to align resources to strategic priorities

2. StratEx Budget
   - Identification of goals or ideas that are outside of the current budget as "above normal operations"
   - Ask managers to identify resources requirements during goal setting in terms of magnitude ($, $$, $$$)

3. Strategic Initiative Budget
   - Similar to the above, but the pool of dollars is not distributed to functions, but rather managed as "strategic initiatives"
   - Same ask to have managers identify those ideas that are outside of normal ops

4. None of the above

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Set your Budget here.

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1. Read the Phase 4 Guide: Managing Performance.

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