

# Performance Measures Case Study

## Profit-Chain Consulting

### Our Client

\$600 million printed paper goods manufacturer serving major retail chains and specialty dealer channels. Client operates multiple manufacturing plants and distribution centers around the world to provide its customers a wide variety of consumer packaged goods.

### BUSINESS ISSUE

Business growth and acquisitions presented new challenges to the business and the organization's level of performance. Client had been profitable and growing, but was hitting limits and needed to adjust its approach to managing the business. A key issue was to bring together each function to develop a working and 'living' business plan, in other words, create a planning and management PROCESS. Along with the process, build accountability across the organization to achieve improved results:

Project objectives included:

- Identify key initiatives and the DRIVERS to increase returns
- Create clear and ACTIONABLE performance measures
- Gain cross-organizational input and COMMITMENT
- Build PROCESS to adapt to changing market conditions and opportunities

### APPROACH

Consultants assisted the client team to assess current performance measures and plans and create a new planning process and business plan. The project team started with an assessment of existing budgets, plans and departmental measures. Results of the initial review surfaced that measures and directions across the organization frequently conflicted or resulted in actions intended to optimize specific functional areas (budgets or objectives) rather than enhance the performance of the entire company.

Relationships of the various departmental measures and the intended results are shown below:

ORGANIZATION	OBJECTIVES	CUSTOMER SERVICE	INVENTORY INVESTMENT	MANUFACTURING COSTS	DISTRIBUTION COSTS
Sales/Marketing	<ul style="list-style-type: none"> <li>▪ Small Quantities</li> <li>▪ Short Lead Times</li> <li>▪ Variety/Flexibility</li> </ul>	↑	↑	↑	↑
Manufacturing	<ul style="list-style-type: none"> <li>▪ Long Runs</li> <li>▪ Long Lead Times</li> <li>▪ Stable Schedule</li> </ul>	↓	↑	↓	↑
Distribution	<ul style="list-style-type: none"> <li>▪ Full Truck Loads</li> <li>▪ Large Orders</li> <li>▪ Rigid Schedules</li> </ul>	↓	↑	↑	↓
Finance	<ul style="list-style-type: none"> <li>▪ Low Inventory</li> <li>▪ Low Capital Investment</li> </ul>	↓	↓	↑	↑
Finance	<ul style="list-style-type: none"> <li>▪ Low Operating Costs</li> </ul>	↓	↑	↓	↓
<b>DESIRED RESULTS</b>		↑	↓	↓	↓

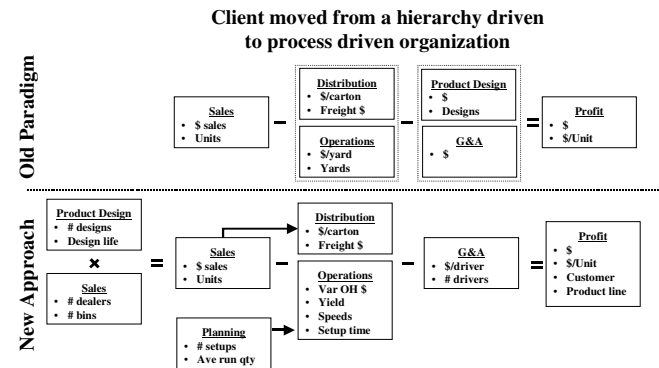
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This graphic, along with specific as well as anecdotal evidence, provided the basis for a better understanding of how overall company results were negatively affected. Agreement was reached to develop new measures to better align the organization for improved results.

In the next step, the team analyzed business processes and the company's value chain to identify key drivers of performance and value added to customers. Dramatic differences of opinion and viewpoint surfaced, but were resolved through a consensus building process and executive leadership. The resulting 'macro' performance framework is shown below in a *before and after* comparison.

### RESULTS



The performance measure framework became the overall guiding direction for the remaining project to develop the key business drivers, detail measures and business plan. This framework enabled a new view of the business to align the organization and build commitment to change/align behaviors necessary to yield improved results.

The project provided the framework for increased accountability to a significantly increased business plan. Specific results included:

- Delayed a major capital investment as key drivers were analyzed
- Aligned performance measures for all functions
- Detail implementation plans that supported the overall increased business plan