

# Insighter



Summer 2002

## KEY MANAGEMENT NEWSLETTER & UPDATES

### Performance Measurement

At STORM, we often work with frustrated clients who are really struggling with their ability to accurately and reliably measure performance. Recurring questions include:

- ? How do we implement a performance measurement process that annually summarizes the short-term and long-term state of the company?
- ? What kind of program will encourage managers to focus on both short-term and long-term results?
- ? How will our performance measurement process influence areas like long-term management, capital allocation, daily operations and overall company performance?
- ? How do we find reliable measurement tools for each of the many activities in the company? Should we implement a performance measurement process, such as Economic Value Added (EVA) or Cash Value Added (CVA)? Should our measurement consider shareholder value?

Most likely, you and your executive team have asked yourselves these (or similar) questions. If so, a survey conducted by Deloitte & Touche Management Consulting that evaluated the status of performance measurement in American organizations might be of interest to you. The survey targeted both public and private businesses with over \$50 million in sales, and the 280 responses uncovered a wide range of findings. When asked about their satisfaction level with their performance measurement program, 54% of

respondents said they were more than somewhat satisfied. Interestingly, though, 71% of respondents were currently making changes to their measurement process and 29% had made changes just in the past 2 years. In addition, the majority of respondents rated their measurement process as having either a neutral or a negative impact on a number of key areas of management. This is unfortunate because designing and implementing these processes can often be an expensive challenge.

Because STORM focuses on producing *significant and rapid results*, we often begin our client relationships with an extensive evaluation of an organization's performance measurement program. Our comprehensive review often begins by focusing on key operating statistics and forecasting.

Too often, management relies heavily on financially oriented measurements based on historical, backward-looking data. In addition, because many companies have experienced significant changes in their organizations and information systems in the past few years, historical data often does not provide an "apples to apples" comparison of performance. STORM believes that management must develop a balanced approach to measurement that incorporates reliable and consistent measurements of both financial and operating data. We also realize that, in today's leaner organizations, there is a need for quality of information versus quantity of data.

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## Surveying Your Customers

When was the last time you requested genuine, straightforward feedback from your customers? How does your business compare to your competitors? Do you frequently speculate about your customers' views on your products, your marketing & pricing, your customer support or your sales team?

Perhaps it's time to consider conducting an independent customer survey to gain a thorough understanding of your past and current performance. Most businesses can benefit from this type of periodic review, and we've found that our STORM clients are no exception.

STORM recently conducted a series of comprehensive telephone surveys for several clients. Trained independent telemarketing professionals called random samples of customers and asked specific qualitative and quantitative questions. Because our surveyors represented an unbiased, outside consulting firm, respondents appeared more comfortable to respond candidly. With each survey, we uncovered invaluable information about the key elements of each business. We presented each client with a formal interpretation of the survey findings and then proposed a step-by-step action plan for follow-up.

A well-designed and targeted survey does not have to be cost prohibitive. For example, a targeted survey of your top 100 customers can be accomplished for less than \$5,000. There is an inherent tendency to reduce cost by incorporating a large number of attributes into infrequent surveys. However, if you are not surveying some attribute of customer satisfaction on a quarterly basis, you can easily lose touch with your customer base.

Consider calling STORM for an independent customer survey the next time you and your executive team find yourselves wondering about your position and reputation in the marketplace. Together, let's design a unique survey that will answer the critical questions you have about your organization.

## Performance Measurement

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At STORM, we assist management in designing feedback and reporting systems that provide management with real-time and forward-looking data. Our **KEY OPERATING STATISTICS (KOS)** approach to measuring performance eliminates redundant and conflicting information to provide management with a precise real-time and forward-looking view of the financial and operating performance of the business. By focusing on a dozen or less refined measurements, management is able to quickly identify and react to negative trends and accelerate those actions that provide positive results.

## Quotes For Your Employee Handbook

Business is like riding a bicycle.  
Either you keep moving or you fall down.

*John David Wright*

Planning is essential for success, but it is results that pay off.

*Harry F. Banks*

There's no off-season anymore.

*Nolan Ryan*