

Insightter



Summer 2012

KEY MANAGEMENT NEWSLETTER & UPDATES

Organizational Alignment through goal setting and compensation

In our numerous STORM engagements, it did not take us long to understand why a business was in trouble and what it would take to get it back on track. Time and time again we found that underperformers typically did not have a clarity of purpose and direction, from top to bottom. Yet unlike some factors, this was mainly within managements control to develop. We believe that it is critical for a business to clearly articulate where it is headed, how it will get there and what role each individual should play. We accomplish this, in great part, by implementing a Management by Objectives (MBO) system, which Identifies the goals of the organization and defines what is expected of everyone involved, as well as how they will be measured.

“Clarity of where you want to go, how you plan to get there and what role each person should play is critical to the success of any business ”

Management by Objectives:

- Tell us the direction and the anticipated end results of our efforts. They define what is expected, not how to accomplish them
- The clearer the idea you have of what it is you are trying to accomplish, the greater chance of accomplishing it

Key Elements for Success:

- Full understanding of the Company's Goals, priorities, and key initiatives (financial, operational & strategic). How they are supported and aligned to business units, functions, departments, and individuals
- Proper Setting and weighting of individual goals
- Explaining assigned goals to each individual and how success is measured and achieved
- Periodic review and update of goals
- Accurate and timely measurement of goals
- Determining rewards based on achievement level of goals

Key Reasons to Implement:

- *Focuses* team on achievement of key objectives and financial commitments
- Aligns individual goals to functional, business units, and corporate goals
- Allocates resources to important goals
- Accelerates progress towards goals
- Rewards achievement and results

Each objective should meet the following criteria to be meaningful...

- *Results Oriented* – The objective identifies an end result that supports our organization goals
- *Measurable* – In quantitative or qualitative terms, how will the end result be measured? If you cannot measure it, how will you know when you have reached the goal?
- *Clear and Concise* – Objectives should be written and limited to 20 words or less which decide the end result
- *For example...* a sales objective could be: "Generate \$3,000,000 in new commercial revenues with a minimum of 30% GPM by December 20XX"
- *Time Bound* – The objectives must relate to specific time commitments
- *Realistic* – The objective should be aggressive, but attainable, within the limits of time and resources
- *Provides "Stretch"* - A good objective should provide "stretch" to stimulate innovative approaches by the subordinate to achieve the objective
- *Mutually Agreed Upon* - between superior and subordinate

STORM's real world management experience can help:

- Generating additional cash flow
- Restructure to operate more efficiently
- Lower "breakeven levels"
- Enhance pricing strategies and terms to maximize profitability
- Develop sourcing strategies and generate supplier concessions
- Rationalizing marginal operations, market segments and product lines
- Develop game plan for go-forward products & services
- Evaluate / develop customer-specific growth and profitability strategies
- Prepare for accelerated growth
- Implement results-oriented goal setting and incentive plans

Using STORM Effectively...

Our experience spans both good and bad times. We have successfully navigated through the issues that are prevalent in today's business environment. We can work with management and help guide them to the appropriate actions and execute plans to restore financial health. The key is to get us involved early, when there is both time and options available for a successful outcome.

The STORM Difference

Execution oriented and focused on rapidly delivering tangible and measurable results

Preserving long-term strategic options while dealing with immediate business issues

We are here to assist you on these and other operational and strategic improvements

Give us a call to see how we can help!

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