Cicero INSTITUTE

Transforming Performance

Part 1 of 3: Performance Analysis

Jacob Allen
Daniel Groberg

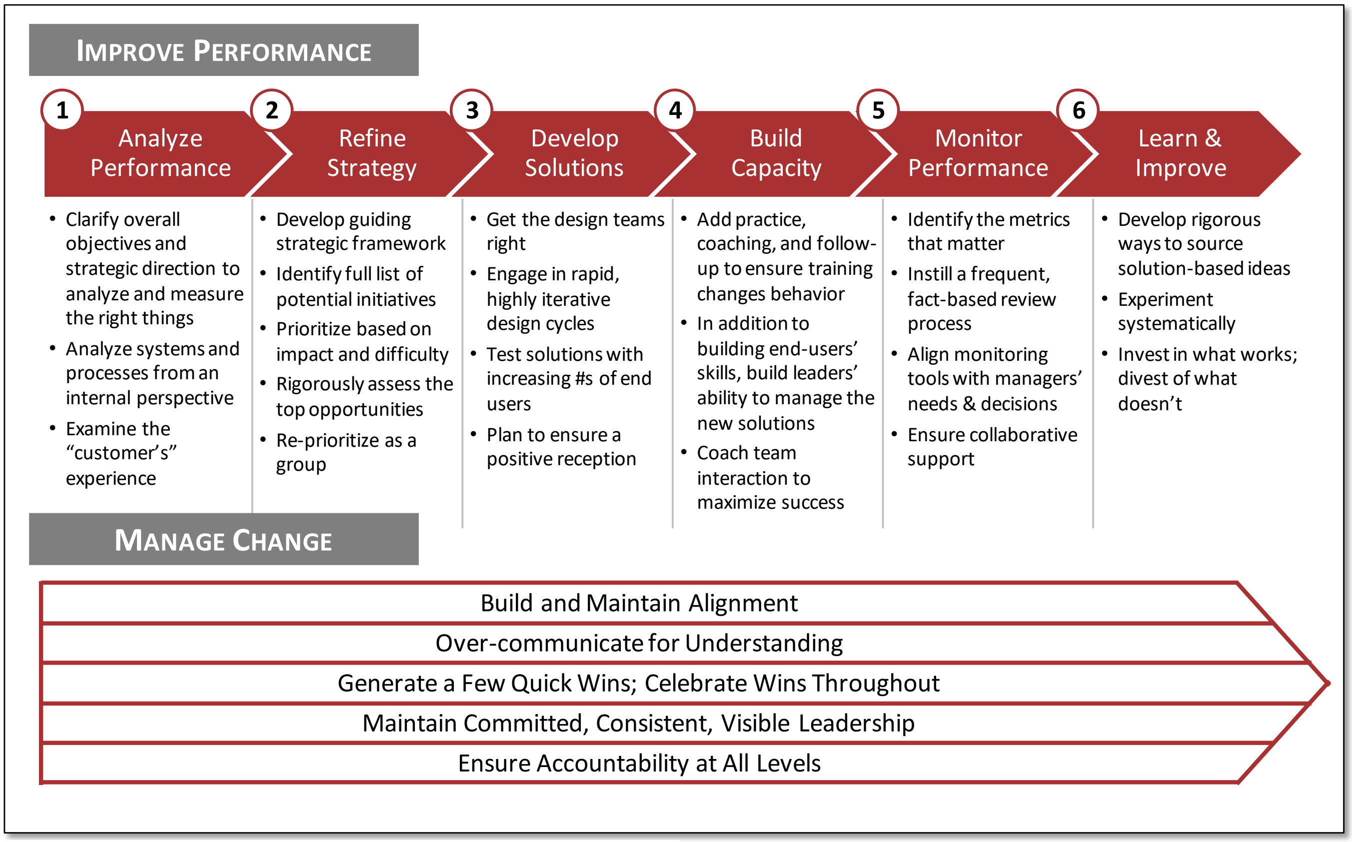

Figure 1: Cicero Performance Transformation Process

All About Performance

Whether a company is working to expand its client base, increase bottom line, or simply improve efficiency, performance is what matters at the end of the day.

Of course, references to 'performance' often amount to little more than a platitude. So, before we explain to get there, it's important to start with a clear understanding of what performance is and what it isn't. At Cicero Group, performance is the combination of results that meet or exceed an organization's intended objectives *and* the extent to which those results were achieved as efficiently, effectively, and appropriately as possible.

Focusing on performance in this way helps organizations avoid two common traps: 1) confusing activity, work levels, and production for results, and 2) acting as if the ends always justify the means.

The first trap is evident, say, when a nonprofit helps many people, but those people's lives don't change significantly, so the organization's effort returns minimal result. Similarly, a business that produces new products but doesn't grow sales isn't performing well, either, because the organization isn't achieving its ultimate goal.

On the other hand, acting as if achieving the goal is the complete picture can lead organizations into deceptive marketing or intentionally selling faulty products. Even if these tactics initially produce results toward the goal, they will not improve overall performance. This second trap shows up when inefficient processes or misinformed services meet the short-term goal but fail to support long-term, positive results.

Organizations that see long-term improvement not only avoid these traps, but they also set initiatives that strictly adhere to a set of common principles that have the power to affect the deepest working components of the company.

In recent years, Cicero Group has helped improve performance within business, education, government, international development, and private foundations. We have harnessed these principles into our Cicero Performance Transformation Process (PTP), which repeatedly helps organizations improve real results:

analyzing data, refining strategy, developing solutions, building capacity, monitoring performance, and refining their efforts over time (see Figure 1 above).

More important than the principles or the process, though, is that organizations that engage with us in this process achieve phenomenal results. For example:

- A national university increased enrollment by 20 percent among people who inquired.
- A Fortune 500 company fully integrated three enterprise software systems—millions of records covering $500 million in sales, 25,000 customers, and 12 warehouses nationally.
- After a merger, our client company retained 97 percent of their acquired company's revenue (despite significant customer and product overlap), and beat Wall Street expectations by 8 percent.
- An $8-billion business increased average sales volume by 5 percent, and average sales price by 6 percent. This wholesale sales transformation and capacity-building effort totaled $250 million in additional revenue.

Overview

This paper is the first in a series of three white papers about management excellence. Here, we cover the first three principles of the Performance Transformation Process—analyzing performance, refining strategy, and developing solutions. In each phase of the process, we share the concrete key steps or approaches that lead to success. We also provide a number of extensive case studies to illustrate how this works in practice.

In the subsequent papers, we'll discuss building capacity (Part 2), and monitoring performance with ongoing improvement (Part 3).

1. Analyze Performance

To improve performance, organizations should begin by comparing current operation status with core objectives. In analyzing actual performance, they can identify specific areas that are currently failing to maximize success.

Many companies run day-to-day in a way that increases time investment and expense without adding value. These companies often have inconsistent practices over time, thereby limiting their ability to improve efficiency or benefit from best practices. Our strategy helps them quantify missed opportunities and instead maximize value for their beneficiaries.[i]

To identify company-specific, tactical information about performance, organizations should run three distinct analyses:

- Strategic Analysis
- Systems & Process Analysis
- Customer Experience Analysis

Strategic Analysis

For best results with strategic analysis, organizations need to clarify what they value and what they hope to achieve. Then, a deep study of their operating environment will reveal how well they are achieving objectives.

At this stage, organizations should work to clarify the measures of success. Leadership and teams begin to understand how goals are perceived differently throughout the organization via a combination of interviews, group facilitation, and working sessions. With this data, leaders can clarify and refine their vision so that everyone can be on the same page.

After clarifying objectives, organizations should launch primary analysis of internal data, secondary research, and a range of other analytic techniques to quantify how well they are achieving their goals—both in absolute terms and in comparison, with external best practices. This information provides a strategic context that leaders can use to dive into areas likely to yield significant performance improvements.

Systems & Process Analysis

In building this strategy, organizations should study how the work currently gets done and what positive or negative results show up in daily practice. In analyzing the systems or processes related to these objectives from an internal perspective, organizations look at how reality compares with prescribed approaches such as standard operating procedures (SOPs) or best practices. It's important to study how divergence and variation affect individual and group productivity, engagement, and results. To conduct this analysis, organizations can use three methods:

- Quantitative Analysis – In cases where significant data is available (e.g., financial transactions, supply chains and logistics, software utilization) or can be generated via surveys and/or other measurement efforts, organizations should use a wide range of statistical analyses to identify what is working and what is not, what solutions are available, and how costly/beneficial they will be to implement.

- In-depth Stakeholder Interviews – Organizations gain valuable insight by conducting a series of detailed, in-person conversations with a range of internal people who are familiar with a given task or process—senior leaders, middle managers, and those directly involved in executing the work. The focus of such interviews is to understand ultimate objectives and expected benefits, identify perceptions about how work takes place, examine how reality varies from the SOP, and pinpoint problems and/or opportunities for innovation.
- Observational Analysis – To evaluate actual processes and behaviors, organizations should observe employees as they work, follow a process, or use a system or tool. They might listen to employee conversations with customers, track their 'clicks' through a software system, document the steps they take to complete a task, or even time how long their work takes under various circumstances.

These three types of qualitative/quantitative analysis help organizations assemble as much information as possible and identify variations. The data show which employee approaches are associated with higher or lower task performance relative to the recommended approach, correlating patterns of behavior with results.

Customer Experience Analysis

After looking through the internal lens, organizations should switch gears and examine the external perspective—the customer's experience with the business. While organizations build systems and conduct work in ways that account for their internal constraints and benefits, this phase helps leaders more accurately consider customer preferences and pain points.

Market research reveals significant insights about the issues that are directly related to ultimate performance . . . and that often contrast with what internal stakeholders believe are optimal solutions. Since customer-related market research must take into account both internal and external stakeholders, organizations can use several methods for acquiring this data:

- Focus Groups and Interviews – Structure qualitative interactions with customers to uncover important nuances about their experiences, objectives, and feelings regarding interactions with the organization.
- Preference-based Surveys – In addition to gathering a range of typical survey data, organizations frequently utilize sophisticated techniques such as conjoint and MaxDiff analysis to identify precisely how individuals make trade-offs between options in decisions and, importantly, how valuable each option is.
- Customer Segmentation – When there are many potential and existing customers, it is often easy to assume they generally have similar or average preferences. However, in most cases, there are very distinct groups among customers—each with unique attributes, objectives, and expectations. Behavioral, psychographic, and demographic data from large samples of stakeholders can then be analyzed using cluster and factor analysis to statistically identify the groupings and characteristics that are most indicative of satisfaction, value, retention, and overall performance.

Throughout this work, organizations should carefully document findings, insights, and recommendations via a variety of media—developing presentations, spreadsheet analyses, memos, and position papers—and refining these materials with key leadership and other stakeholders to ensure they are easily understood.

2. Identify & Prioritize Initiatives

After gathering data from the business and customer perspectives, organizations are armed with a robust set of strategic and tactical insights. At this point, they are much clearer about both what is already generating the greatest impact and what is limiting performance.

These data build a strong, objective 'case for change,' informing decisions about priority initiatives and subsequent solutions. Each initiative takes an investment of time in the design phase, but this pays off by yielding improvement for different stakeholders. To ensure alignment among various stakeholder groups—and, in particular, to motivate buy-in from those who favor lower-priority initiatives—we recommend that organizations prioritize initiatives by doing the following:

- Create a comprehensive list of concrete, tactical changes that would improve performance based on the insights and recommendations in the Performance Analysis phase. We encourage participating stakeholders to add ideas and recommendations as they see fit.
- Rate initiatives preliminarily on agreed-upon criteria such as "ease of implementation" and "extent of impact on core objectives." This initial prioritization exercise is informed by key stakeholders' perceptions, accounting for any known information and individual preferences.
- Identify owners who can thoroughly assess top initiatives based on a common set of criteria, such as expected benefits, costs, difficulty of implementation, support throughout the organization, work required, time to completion, etc. Initiative owners carefully estimate an initiative's expected value to operational improvements, cost savings, creation of future opportunities, direct and indirect benefits to customers or beneficiaries, contribution to overall mission, etc. This assessment period can be as short as a few days or as long as a few weeks depending on the size, complexity, and import of the initiative.
- Reconvene the stakeholder group, allowing each initiative owner to make the case for his/her assigned initiative.
- Collectively reprioritize the set of selected initiatives as needed, determining which to pursue, what the sequence will be, what investments will be required, who will own implementation, and how the group will measure whether the initiative is successful.

As external consultants, we at Cicero Group typically structure this prioritization process in close coordination with our clients' leadership teams. In addition to acting as an outside facilitator during prioritization sessions, we also support each initiative owner. We thereby ensure that each initiative receives an equally rigorous examination and that initiative owners have the additional bandwidth they need to complete a thorough assessment alongside their ongoing responsibilities.

Our clients have repeatedly shared with us the benefits of this approach:

- Impact and Success – Because of the thorough vetting process, the initiatives that are eventually selected are likely to have strong positive impact on the organization. Sometimes, several of the highest-rated priorities from the first round of voting will eventually be deprioritized because of additional insight garnered through assessments.
- Broad Support – Such a collective, transparent, and iterative approach to rating initiatives results in much greater support for the ultimate decisions. Even when an individual's preferences are not among the top priorities, managers gain broad support by disbursing ownership across initiatives.
- Action – By focusing on facts to assess and compare alternative paths, efforts result in decisions and action, not simply conceptual plans.[ii]

By the end of this phase, organizations have created a clear, widely agreed-upon list of initiatives that the organization will pursue immediately. The majority of these are high-impact and easy-to-implement initiatives, though we also recommend including a few high-impact but hard-to-implement efforts. Each initiative has an assigned owner, allocated resources, a clear implementation timeline, and pre-determined metrics for measuring success.

3. Develop Solutions

Once the top initiatives are approved, we help our clients develop solutions that: 1) address the key performance challenges and incorporate the core insights identified through the original performance analysis, and 2) are practical and valuable to those who will need to adopt, implement, and eventually improve upon them. We refine these solutions through testing until they consistently and significantly enhance performance over a range of relevant scenarios.

To develop high-impact solutions with the potential to transform efficiency and/or effectiveness, organizations must:

- Get the design teams right
- Engage in rapid, iterative design
- Test new solutions with end user
- Ensure positive reception

The remainder of this white paper describes each of these four elements and details two case studies demonstrating performance transformation results.

Get the design teams right

The most effective design teams are comprised of subject matter experts, providers of services, and the following types of stakeholders (at various points in the process):

- End Users – These individuals can identify what will and will not work for them, shed light on the 'problems' they really want solved, and will eventually be champions of the solutions to their peers. When solutions will interact with users in multiple functions or silos, it is especially important that these functions are well represented by corresponding users and experts.
- Internal Leaders – Leaders across functions provide a broader scope of context to inform decisions and prioritize options within the solution. They also can provide 'air cover,' enabling the upward and outward communication needed to ensure the solution is sufficiently resourced and adopted.
- External Facilitators – Individuals with no direct stake in the solution provide objective perspective when challenges arise, especially insofar as they can offer expert insight generated from the performance analysis.

By incorporating end users, internal leaders, and external facilitators, organizations can balance team composition with team size and scope of work.

Engage in rapid, iterative design cycles

Rapid prototyping, testing, and refinement ensures both flaws and optimal features are discovered more quickly. In a recent project, for example, we developed nearly 20 different versions of a new tool in the course of a three-month pilot. While the changes between early versions were significant, changes between subsequent versions were minimal. These important refinements significantly improved the ultimate effectiveness of the tool.

Test the new solutions with end-users

To refine the solutions, organizations should involve increasing numbers of groups and people in testing. Organizations gain understanding of various use cases, benefits to end-users, barriers to implementation, and unintended consequences.

Ensure a positive reception

Organizations' successful introduction of a new solution depends as much on the solution's substance as it does on having a compelling presentation. Clear communication of features, appealing packaging and presentation, and credible peer and senior testimonials all increase initial adoption. The substance of this ongoing presentation effort should make the case for change, articulate the nature and prescribed use of the solution, and indicate the results of the solution when applied appropriately.

Case Studies

Anchoring theory into practice, we will share here two case studies that illustrate how our Performance Transformation Process delivered real results by boosting university enrollment and optimizing business integration.

FOR-PROFIT EDUCATION CONGLOMERATE

SCOPE

20 campuses nationwide, 14,000 employees

MANDATE

The overall goal of our work was to attract, enroll, and graduate an increasing number of quality students. For one assigned task, our objective was to make process improvements that directly increased the rate of enrollment among those who inquired about the university.

APPROACH

We job-shadowed three different campuses to determine variation in the quality of the interaction between campus representatives and prospective students. We also interviewed prospective students to get real-time input about their experience. This helped us define specific points in face-to-face interactions that impacted their decision to continue in the process and ultimately enroll.

Our team interviewed enrollment personnel at 20 different campuses nationwide to identify how they processed enrollment. We focused on the steps that were both common and divergent in the campuses' practices. After documenting what the staff believed was either innovative or detrimental, we created a list of potential improvement opportunities.

Finally, we conducted qualitative and quantitative research among prospective and current students to understand their attributes, expectations, and preferences. Then we segmented students into distinct groups and employed a MaxDiff analysis to identify the specific steps in the enrollment process that either increased or decreased a segment's likelihood of enrolling. Benchmarking this information against other universities' processes, we prioritized initiatives with key internal stakeholders according to impact and ease of implementation.

RESULTS

Cicero supported implementation of three key initiatives that increased overall enrollment by 10 percent. We created a framework for organizational realignment across core enrollment teams to improve operational efficiency, data management, and customer experience.

INTERNATIONAL HEALTH SCIENCES CORPORATION

SCOPE

Multinational company, $3.5 billion in sales, 75,000 customers, 1,500+ employees

MANDATE

Achieve efficiencies of scale by integrating an acquisition—a large competitor that Cicero had previously recommended—into our client's company. Given that the two companies shared many customers, our objective was to retain $450 million of the acquired company's $500 million in sales, while finding efficiencies to improve profit margins. One of several major tasks involved consolidating multiple enterprise resource planning (ERP) systems covering HR, financial data, warehouse and inventory management. This required the migration of $500 million in sales, 25,000 customers, and 12 warehouses onto the client's systems.

APPROACH

Our first task was tailoring systems to the unique needs of each business unit and each function—sales, operations, IT, and purchasing. For example, in order to optimize product shipping to over 1,000 different customer sites via the company's 50 drivers and trucks, we took the following strategies:

- Interviewing dozens of leaders and front-line employees to understand their needs and wants
- Analyzing millions of existing records to determine optimal routes and optimal customer assignments to routes in every geography
- Reviewing existing documentation and comparing different unit function to explore variation and innovation in implementation

We then identified a series of improvement initiatives for optimizing the systems. Upon their review and approval by the leadership team, we worked with cross-functional teams to detail, assess, and prioritize these potential initiatives.

To facilitate our client's highest priorities, we supported their ongoing implementation tracking by acting as project manager across multiple teams to review progress, identify and solve challenges, create and assign ongoing task-lists, etc.

RESULTS

Through working with us, our client retained $485 million out of $500 million of the acquisition's top line revenue, beating Wall Street expectations by 8 percent.

Their profitability improved substantially through a variety of initiatives, including increasing truck route efficiency by 10 percent. We helped our client move the least-profitable customers to alternative means of shipping, thereby consolidating 15 percent of routes, and reducing small parcel freight costs.

We supported our client in optimizing the large business unit by maintaining 97 percent of top line revenue while reducing overall SKU count 32 percent via careful consideration of item profitability, value density, and logistics.

This project generated $2.4 million in rebate benefits via savings opportunities from suppliers. As a result of successfully implementing one ERP system, we helped our client streamline business processes across sales, operations, purchasing, and logistics.

Conclusion to Part 1

As these case studies show, the performance transformation process consistently delivers results.

In this paper, we have shown how organizations can begin analyzing performance, refining strategy, and developing solutions—the first three PTP principles. To learn about the remaining steps in this process and read more case studies, we invite you to read the two next papers in this series. Part 2 describes building capacity and Part 3 covers performance management and the change process.

About the Authors

Jacob Allen is a partner at Cicero Group and Managing Director of Cicero's Social Impact practice. He has worked with mission-driven organizations for over fifteen years and in a dozen countries around the world. He has led the strategic design, implementation, and measurement of social impact programs run by Presidents Bush and Clinton, Prudential, Goldman Sachs, YouthBuild International, the Alzheimer's Association, the Nature Conservancy, and many others. He serves on the board of directors for Mary's Meals, which feeds a daily meal in school to one million children living in desperate poverty.

Daniel Groberg is an Associate with Cicero Group. He has led and contributed to projects across multiple industries, services, and sectors—in particular: technology, marketing, healthcare, nonprofit, and operations improvement.

The authors gratefully acknowledge Cami Hewett and Jeff Swift for their editorial contributions to this series of white papers.

Cicero Group (www.cicerogroup.com) is a premier data-driven strategy consulting firm. Cicero integrates inductive problem solving with insightful data analytics to guide business strategy. For more information, visit www.cicerogroup.com or follow us on Twitter: @Cicero_Group.

[i] Note: Throughout this paper we refer to customers, end-users, and beneficiaries interchangeably to refer to those to whom products, services, or information are provided, whether by the organization as a whole, by a department or team, or by an individual employee. These recipients of services can be either internal (members of another department) or external (partners, suppliers, program beneficiaries, individual citizens, etc.).
[ii] Mankins and Steele. 2006. "Stop Making Plans; Start Making Decisions." *Harvard Business Review*, January 2006.