

# UPDATE



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**WILL YOU SHAPE IT,  
OR LET IT SHAPE YOU?**



# Watch what you're doing

To hit the mark you need to go beyond strategic planning – monitor execution for real results

By **CONNIE SIU**, MBA, P.Eng, CMC

**O**perational effectiveness is about doing the right things right. When different areas of a business collaborate toward a common goal, you get exceptional results: minimal duplication and rework, shared knowledge and expertise – the hallmarks of high productivity. Unfortunately, many businesses can't get there.

Conventional wisdom tells us we need a strategic plan to drive the direction of our business – a meticulously thought-out document defining what we want to achieve and how. Strategic planning is certainly key to business success, but without proper execution, it's nothing but a management exercise. Only consistent and ongoing monitoring of your execution strategy and tactics will deliver on your goals.

Most businesses face a variety of barriers to effective operation. These can include everything from “silo” operations, where departments and business units work in isolation, failing to share information or proactively collaborate, to the underutilization of technology and outdated business practices. Often solutions meant to be short-term fixes become adopted norms and consume resources that could have been better utilized. Disparate applications and processes implemented over time result in immense effort wasted in non-value-add activities such as duplicate data entries in multiple applications, reconciliation of results and reinventing the wheel due to mistrust of data.

In order to build a scalable and sustainable operating model to deliver on your strategic goals, here are two best practices to build into your business.

## Process, technology and people alignment

State-of-the-art technology is not a silver bullet, but it can boost your productivity when you weave it into your business activities

in a rational way. This requires exploring how current business processes can be modified, training staff to use technologies effectively and understanding how your business could leverage these technologies to provide critical decision-making information and achieve results that were not viable before.

An example – I was involved in streamlining the product return process for an Alberta retail company that incurred significant costs when it added e-commerce capabilities for the holiday season. Some products sold online were returned to the company's retail store, where there was no access to the billing system. As a result, the returns had to be forwarded to the company's warehouse for manual billing reversal.

With return rates much higher than anticipated, a huge backlog ensued. Only two people in IT were trained to do billing reversals. The warehouse created an Excel file to inform IT about the returns, and additional data was scattered in other ad hoc documents, which added complexity for support. The process resulted in higher processing costs than the retail price of some of the products sold.

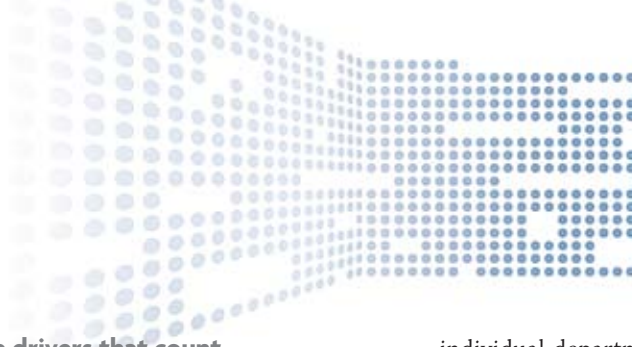
The issues:

- The end-to-end process was poorly defined – the warehouse, retail location, IT and marketing departments worked in silos, and didn't take time to define the product-return process. Had they collaborated, problem areas could have been identified and a more holistic process could have been implemented.
- The company relied on an ineffective existing return process, which didn't work with the newly implemented technology and resulted in a host of issues that weren't anticipated in the original plan.

This example illustrates that to align process, technology and people, you need a thorough understanding of what you want to achieve, and who does what, when and how. In the case cited, mapping out the return process would have identified areas that required attention. This helps pinpoint critical activities and steers you in the right direction when designing a solution.



- ACCOUNTING
- MANAGEMENT
- STRATEGY



### Performance drivers that count

All businesses review financial results and other key performance metrics closely. Metrics such as revenue, number of complaints and return rates tell you what you've achieved. Unfortunately, these are "lagging" indicators, and you'll find yourself in a reactive, or autopsy, mode when results are poor. Why not be proactive and monitor the activities that drive results in the first place?

In order to determine what delivers the results you desire, you need to understand the activities performed. By monitoring these activities, you can identify problems early and implement changes before the bottom line is affected. These performance-driver metrics are "leading" indicators – and you want to focus on them.

In the case discussed above, the company focused on revenue as the key indicator of success. When the billing reversal backlog built up, it was more than three months before a proper team was assembled to diagnose the issues. Prior to that,

individual departments were managing their issues independently. Customer complaints were mounting as the return rate rose as high as 32 per cent. In monitoring returns processing, more appropriate metrics would be:

- Transit time to transfer returned products from the store to the warehouse;
- Time required to complete a billing reversal.

These two metrics would have clearly indicated where the bottlenecks were. Rather than adding more people in each area to handle the returns, it would have been more effective to invest in a system enhancement.

Monitoring performance-driven metrics gives you a framework and factual information for making sound decisions that improve operation, which in turn improves productivity and the bottom line. In combination with a proper alignment of people, process and technology, this approach can help you build a coherent operating model and a disciplined approach to execution. ■



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