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CPA performance view services : a practitioner's guide to providing performance measurement engagements

Stephen H. Coleman

Thomas G. Wagner

CPA PERFORMANCE VIEW℠
The Measure of Success

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA Practice Aid Series

CPA Performance View Services

A Practitioner's Guide to Providing Performance Measurement Engagements

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A Practitioner's Guide to Providing Performance Measurement Engagements

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NOTICE TO READERS

CPA Performance View Services: A Practitioner's Guide to Providing Performance Measurement Engagements is an authoritative issuance of the Assurance Services Executive Committee, the senior technical committee authorized to speak for the American Institute of Certified Public Accountants on matters related to new assurance services. By purchasing this publication, members are expected to comply with the guidance herein and with the terms of the enclosed licensing agreement.

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Chapter 1

DETERMINING READINESS FOR BUSINESS PERFORMANCE MEASUREMENT
The CPA's Decision to Go on a Trip

If you like to travel and experience new places, get ready to go on a journey. Think of this Practice Guide as a travel itinerary. Its purpose is to map out an easy-to-understand process that will take you and your clients to highly desirable new places in the world of performance measurement. New services and capabilities beyond historical accounting beckon to a curious CPA. This Practice Guide examines new ways of thinking and new tools that will show you and your professional accounting colleagues the way to unexpected and yet familiar destinations. And, as we remember after returning from a noteworthy trip, the most memorable times are the unplanned surprises that departed from the expected itinerary. So, start packing your professional travel bag and get ready for some surprisingly enjoyable adventures in finding new ways to visualize and measure the total performance of an organization.
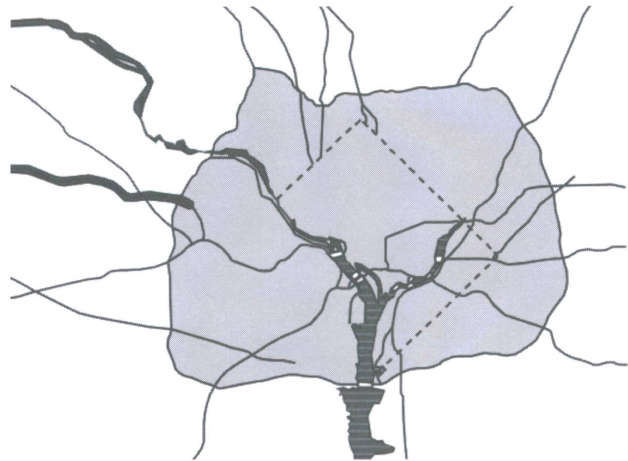
DEFINITION OF CPA PERFORMANCE VIEW SERVICES

CPA Performance View services are an exciting new undertaking developed by the AICPA under the direction of the Business Performance Measures Task Force and the Assurance Services Executive Committee. Our definition is as follows:

> Performance measurement is the identification of critical success factors (CSFs) that lead to measures that can be tracked over time to assess progress made in achieving specific targets linked to an entity's vision.

ABOUT THIS PRACTICE GUIDE

This Practice Guide is designed like a travel guide that will show you where to start, the major routes, choices of different paths to the same destination, and points of interest along the way. The first two chapters of this Practice Guide provide background and context. Subsequent chapters dig into content and procedures.

This Practice Guide is prepared to help CPAs start on a new journey, one step at a time. Each chapter has progress checkpoints that indicate how well prepared you are to move onto the next phase of the trip and whether you are on track to reach the original destination. You can start smaller and less demanding engagements quickly. As your confidence grows, you can manage larger or more demanding assignments, moving ahead at a more measured pace.

Hands-On Tools

Along with the route of travel toward clearly marked destinations, we will provide signposts and directions to help you make the right turns, stop for supplies along the way, and offer local advice when it is appropriate. At the end of each chapter of this book you will find forms, checklists, and questionnaires (called practice aids and numbered sequentially by chapter) that give you a framework that fits comfortably with the accounting practice tools you now use.

We also summarize at the end of each chapter the materials that we feel are of particular relevance to that chapter. These are listed at the end of each chapter in the section called Itinerary Check.
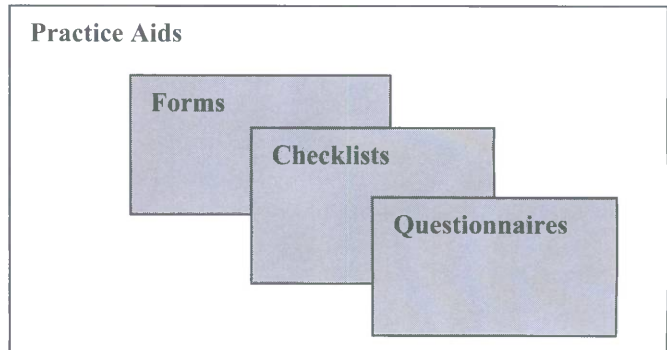
Companion Software

Working with a software company, the AICPA has introduced a unique new reporting software package called *CPA Views*. The software was designed expressly to help CPAs address management needs for establishing new standards, systematically measuring progress, and monitoring the enterprise's results compared with earlier performance. Even though use of this software is not mandatory, no other source is known to provide this unique support for CPA use in nontraditional performance measurement that extends beyond mere financial measurements.

Customizable Tool

Once travelers have safely arrived at a destination, curiosity leads them to start searching for better, faster, and more scenic routes. Our experience with new performance measures will similarly lead the CPA to find different and better routes of travel to the same destination. Clients that have industry requirements or other specific criteria will push for unique tools for measuring their performance. You will soon start to customize the standard travel itinerary provided here, to satisfy the particular needs of the CPA and the client organization. It is our intent to help you
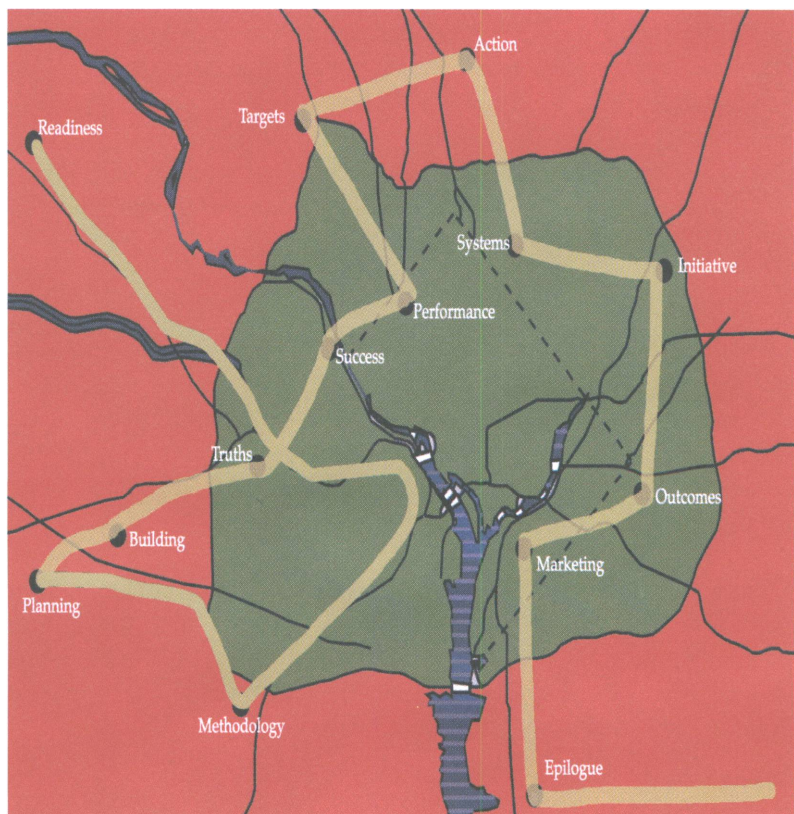
move toward a customized, personalized capability that works best for your skill set and fits the needs of selected clients.

Read the whole guide before deciding how well this new capability fits your practice. Read all chapters that cover all steps in this process before you attempt to sell or apply these new skills.

THE MARKETPLACE

The marketplace today is ever changing. Technological advances lead the way to increased and faster information availability. Global competition and the nonfinancial aspects of business are becoming more important. To compete or even just stay in business, managers need to be able to swim through the sea of information that constantly inundates them. Due to time constraints, they need to be able look at only that information that is critical to managing their organizations. CPA Performance View services focus on paring down the information management sees to selected measures that help them make decisions. It also communicates management decisions along with the organization's goals and strategies to employees at all organizational levels.

Target Clients

The customer or target market for these services are organizations with annual revenues between $5 million and $250 million. They will come from all industries and the governmental and nonprofit sectors, too. CPAs will target their current client base to offer the service as a value-added extension of their existing services. It is estimated that this market can generate revenues in the neighborhood of $2 billion-plus a year. Additional consulting services in many disciplines, such as business-process improvement and strategic-planning projects, are among the extended services that may be identified during a CPA Performance View engagement.

Current Competitors

In spite of the large target market, only a fragmented group of small consultants are currently servicing the market. The scope of the engagement, the entrenched CPA-client relationship, and the duration of the engagement are influential leverage points that many CPAs will need to learn to manage in serving this market segment. Once learned, these skills provide a very attractive entry for CPAs into an underserved market. The knowledge required to conduct CPA Performance View engagements is extensive and varied. CPAs must attain certain core competencies and skill requirements to be successful in this area. Facilitation and strategic skills will provide a competency barrier to entry, prohibiting other competitors from entering the market.

Risks

The risks associated with not embracing this new service heavily outweigh the risks of doing so. CPAs must change the services they offer their clients to remain competitive in the future by offering more value-enhancing services in addition to the historical, almost commodity-like, work they have done in the past. The reward for adding new services will be differentiation and more enduring client relationships. Financially, the reward for differentiation is being able to charge a higher price for the value a CPA passes along to a client.

REAL-WORLD EXPERIENCE
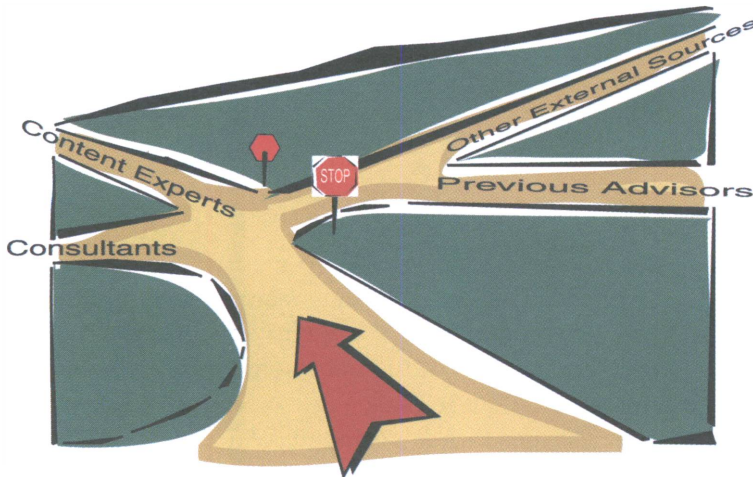
This Practice Guide for CPA Performance View services is headed into new territory for many CPAs, but it is not a route being traveled for the first time. Much of the process and many of the tools suggested have been well documented and proven in the hands of accomplished practitioners. So, you are traveling paths that are safe and well marked. Potential alliances or partnerships are possible with content experts, previous advisers, consultants, and other external resources.

The need for both financial and nonfinancial measurement is well established. Business processes have become more complex. Measurement tools have become more specialized and systematized. Financial measures are well documented. New nonfinancial measures are not that different from what CPAs are doing already. The challenge is to develop a complete set of balanced measurements.

Our trip into new territory is guided by the real experience of earlier pioneers and experimenters. Innovators in the accounting profession and related planning disciplines have mapped a path for us to follow. Their proven results are one of the underlying foundations of this Practice Guide.

INCREASED VALUE TO CLIENTS

A community leader who has knowledge of the home town and likes to tell visitors about local history becomes a trusted tour guide and advocate for business growth in the area. So can the CPA who has a desire to go beyond traditional historical services move into significantly expanded capabilities by using CPA Performance View services. This tool can increase enterprise value by identifying and using financial and nonfinancial performance measures. CPAs with this skill have an increased value to their clients. Acquiring and using these new skills will enhance your services in the opinion of forward-thinking clients.

A Disciplined Approach to Understand Any Business Thoroughly

Going beyond the predictable and routine measures will teach a CPA new insights into business and what drives value within an organization. As travelers explore new routes off the usual superhighway, they learn more about the communities, scenic wonders, and potential detours, as well as some places that it is wise not to visit. Two examples of such places are quality testing of raw materials already controlled by suppliers and testing for hidden flaws in vendor subassemblies that invalidates warranty coverage by the vendor. Sometimes, leaving the highway teaches how to be alert to the best ways of returning to the main road at a later point.

Diagnostic and Application Skills
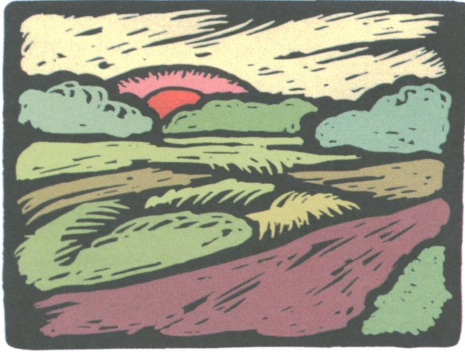
New performance tracking will bring new understanding of the dynamics that positively drive performance in many emerging- service-, information-, or technology-based businesses. Learning these new tools is mandatory if you serve clients in any of the high-technology or rapidly changing industries. Leaving the paved road may be rougher and slower travel, but it often rewards the adventurous traveler with scenic beauty and glimpses of nature many people never see. New performance measures you experience may give insights and predictive performance tools never before experienced.

YOUR CLIENT BASE

Your first step in leading your clients on a new journey is to conduct a rational evaluation of the existing client base. Look for indicators that clients may be interested in taking a new direction of travel. Past experience shows market drivers—broad forces from the external marketplace—can point to a potential need for CPA Performance View processes and outcomes. Hearing such comments as "Business just isn't as much fun as it used to be" or "We can't make money the ways we used to" are positive indicators of potential for change.

Competitive and Market Forces

Faster rates of change are the norm for competitive markets. This often translates into declining sales, drops in profitability, and lower customer satisfaction. Better measures of market demand, ways to track competitive differences, or ways to exceed customer expectations can be the margin between staying ahead of competitors and falling behind.

Technology

There is an increasing reliance on new technology to produce or deliver value to customers that cannot be measured in traditional ways. Technological advances have lead to quicker access to more information than ever before. Managers and owners of businesses are inundated by information from various media. *CPA Views* software provides a platform to accumulate, track, and report information in one location leading to easier decision-making. Refer to chapter 10 for a more detailed explanation of the importance of a good reporting and monitoring system.

Management Practices

Evolving structures, such as manufacturing cells, partnering with customers, supply-chain alliances, "co-opetition" agreements, and self-organizing work teams, require nontraditional methods of establishing and tracking new performance indicators. The new metaphor for managers is navigating, no longer monitoring and controlling.

Economic Environment

Needs for organizational responses can be predicted on the basis of sensitive changes in the economy, such as inflation rates, customer confidence levels, advance investments for capital goods, balance of payments, and return levels, that may require new performance measures.

Global Market Forces

Adoption of the new euro currency and the "Asian flu" economic downturn across the Pacific Rim are examples of global market impact that may require new performance measures to track performance.

Cracks in the Traditional Accounting Model

Accumulated pressures of rapid change and new tools for measuring performance have taken a toll on traditional historical accounting methods. Some CPAs now feel that using only traditional tools is like driving a car by only looking out the rear view mirror. There is increasing need to transform the finance function from scorekeeper to business partner.

Examples From Your Own Accounting Practice

You can see examples, triggered by these emerging needs, among your clients for new disciplines and tools. The need to increase profits, increase stakeholder value, turn sales declines around, and simply find work more rewarding can be found among most client rosters for CPAs.

Measures of Business Performance

Have you compared your clients' financial performance with standard benchmarks such as those set by Robert Morris Associates? Comparative data may point to a need for changes. CPA Performance View services are a proven methodology for designing and installing a performance management system. Leaders of an enterprise who want increased value from increased performance will see the merit in this new approach. Two key tenets of value-based measurement are—

1. New insights into business truths.

2. Accountability for performance measures.

If you have clients who want to boost their enterprise's value, consider them prospects for a CPA Performance View process.

Chapter 2

METHODOLOGY THAT WORKS
Evidence a Trip Is Worthwhile

Chapter 2

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Evidence a Trip Is Worthwhile

You can use many ways to approach planning and conducting nonfinancial performance measurement engagements. Just as there are many different types of roads to travel to a distant location, there are different approaches that have merit. In planning a driving trip, we can use interstate and state highways and county, local municipality, and even private or unpaved roads. Choosing which roads to travel to a specific destination can be initially confusing, just as it can be difficult to choose the best tools for performance measurement.

The AICPA Business Performance Measures Task Force has done some choosing for you in preparing this Practice Guide. We have examined many options and have summarized years of practical experience in presenting these new tools for CPAs. We also give you a reference to resources that can be further investigated if you desire to learn more about a specific tool or step in the process.

BLENDED BEST PRACTICES

This Practice Guide offers blended methodologies that are the best practices that will work for most CPAs and client organizations. The tools and processes presented here in a logically linked format have already passed the usefulness test. Many of these components are used in a stand alone or unconnected way and are not linked together and driven by positive future results. The Business Performance Measures Task Force has searched its own accumulated experience and consulted with specialists in selecting the best methods for this Practice Guide. We believe this tool is well organized and can be used reliably as a basis for planning to achieve new measures of effective organizational performance.

Other Practitioners' Experience

Our outline is open-armed in its embrace of solid work done by other practitioners. Because we have no personal or vested interest in the underlying tools used, we can be objective in selecting what tools work best. You may already be familiar with some of the process steps that are recommended. These tools are offered as a resource. Develop your own tools to best fit the unique needs of your clients.

OVERVIEW

First we present an overview of a performance measurement process that has proven effective. We will use this framework to organize and present the chapters in this guidebook. Each step in the engagement is described as a set of related activities that are best completed by grouping them together.

CPA Performance View Process Summary

Team Building & Communications — Critical Success Factors — Establishing Targets — Communicating — Realign Targets — Monitoring & Reporting — Developing Action Plans — Performance Measures — Assessing Business Truths — Engagement Planning
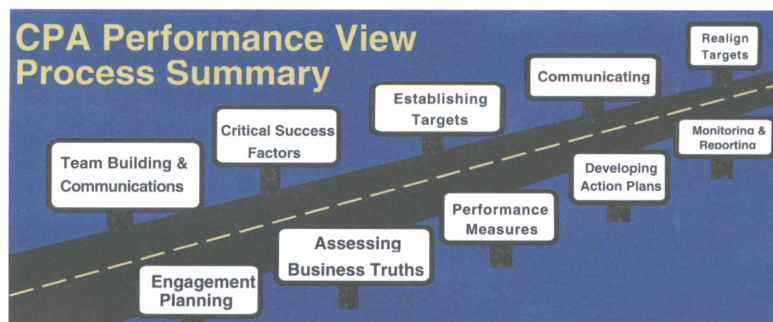
DETAILED PROCESS

Experience of skilled practitioners has been bundled into these chapters, each one dealing with specific sequential building steps in a process designed to uniquely fit the client's needs. (These are discussed in the chapters of this book).

TOOLS: PRACTICE AIDS

In this Practice Guide, the AICPA Business Performance Measures Task Force provides proven practice aids to accompany each chapter in this book. We considered a broad range of potential practice aids and selected these tools on the basis of practical application. Based on considerable experience of contributors, we have selected many practice aids that come from a CPA's repertoire. Some of these tools may be unfamiliar. Above all is the need for practice aids that are intuitively simple and applicable without extensive additional user training. Each practice aid has been selected for its capacity to extract information useful in performance measurement. In the Table of Contents you will find a full listing of these practice aids. They are presented as an option for your use.

This guidebook is designed for use like a travel itinerary that will be left open throughout the journey.

PRACTICE-BASED FEEDBACK

Over the longer term, future versions of this Practice Guide will include interactive feedback and new learning from practitioners. Actual engagement feedback from CPAs helped draft this Practice Guide, and it speaks clearly to the need for—

- Consistent reporting systems and measures across all functions in an enterprise.

- The same reporting formats and processes for all areas.

We hope you will find the practice aids useful. As we accumulate more experience, as reported by CPAs from their client applications, we want to add new practice aids reflecting that knowledge. Also, practitioners will find the need for options to customize process steps to fit unique client situations. These adaptations deserve to be recognized and shared with professional colleagues. Send your favorite practice aids and success stories to the AICPA; address your correspondence to the AICPA Assurance Services Team, attention Business Performance Measures Task Force, 1211 Avenue of the Americas, New York, NY 10036-8775, or contact us on the AICPA Web site at www.aicpa.org.

ITINERARY CHECK

Before moving on to the next step in our journey, let's check our progress. We should have reached these outcomes. Practitioners will—

1. Have a better understanding of the business environment pointing to the need for performance measures.

2. Be broadly familiar with methodology to be used.

3.   Begin thinking of client organizations that may be ready for CPA Performance View services.

4.   Talk with clients in general discussions about a CPA Performance View process using broad descriptions about what the engagement will include.

5.   Convince themselves that this process, supported by practice aids, may be useful both to them and their clients.

Chapter 3

ENGAGEMENT PLANNING
Trip Planning

The objective of a CPA Performance View process initiative is—

The identification of critical success factors (CSFs) that lead to measures that can be tracked over time to assess progress made in achieving specific targets linked to an entity's vision.

Use the strength of relationships and values you bring as a CPA to engage your client in earnest discussion. Talk about—

- The readiness of the organization to step up to performance measurement.

- The changing forces in business today.

- The intensified competitive pressures.

- The importance of developing some type of strategy and using it.

- Narrow, customer focus.

- Broad, market focus.

- The new learning that comes from a project of this nature.

PV-3.1 Look at current clients to decide which ones are most likely to have needs addressed by new performance measures. Use a current client list as a preliminary screener while in the office to set a potential list of contacts to be made face-to-face. (See PV-3.1, "Current Client Assessment.")

EVALUATING A CLIENT'S COMMITMENT TO PERFORMANCE MEASURES

Evaluating CEO-Level Commitments

To begin evaluating the potential need for performance measures, a CPA must get in the car and go interview prospective clients. The key to a successful CPA Performance View engagement is winning the organizational leader's heart and mind. Moving forward with a new initiative may require significant noncash investment in time, energy, and talent that may be reallocated. Initiating this process will likely change the status quo.

The following list provides examples of some questions used to evaluate how serious and committed the leader is:

- What keeps the CEO up at night?

- Is there pressure to make more money?

- Are shareholders unhappy with recent performance?

- How serious is leadership about making changes? Why?

- What type and level of leadership is leading these initiatives?

- Who has participated in planning similar changes in the past?

- What previous efforts have been made to adopt new procedures? Did they work? Why? Why not?

- Where is the pain or gain?

- Are potential roadblocks visible at the start?

- Will top leadership give visible, sustained support?

- Are there identifiable champions in addition to the leader?

(See PV-3.2, "Client Readiness Questionnaire.")

Obtaining Client-Performed Self-Evaluation

Getting clients directly involved in building awareness of how ready they are is extremely helpful. Ask the client to do a self-evaluation using the questionnaire that you supply. Invite other senior management members to provide their input.

(See PV-3.3, "Client Self-Assessment.")

Evaluating the Whole Organization

If your quick survey shows top leadership demonstrating several indicators of support for nonfinancial measures, the next level of review must examine the organization as a whole.

- Is leadership opposed to trying new measurements, or open to learning new things?

- Where is organizational readiness for new measurement tools?

- Is there evidence of adopting new measurement tools in recent years?

- What previous business or strategic planning has been done?

- What current measures have been driven by planning that require progress measurement?

- If there is no previous foundation for such change, how eager or resistant will the organization be to new CPA Performance View initiatives?

- What support exists at the board level?

Asking Client Leadership for a Commitment to Support

Once positive indications are evident from responses to these questions, you are ready to move ahead. You can have confidence that your proposed initiatives to move the client organization into new performance measurement will be positively received. Ask client leadership for a "temperature" check on their willingness to move ahead. For example, you might ask, "If we can work with your company to design and implement a new performance measurement system, is there any reason we should not get started on this now?" If the response is "No," move directly to developing a proposal. If the response is "Yes," continue probing with questions to learn where the resistance is located, and then neutralize resistance.

Additional preselling may be needed to help the client reach a point of readiness to invest in CPA Performance View initiatives. Landing the engagement may take several attempts (see chapter 13 for tips on ways to sell this engagement, but do not begin the actual sales process until you have finished this Practice Guide on the process). Often clients may have internal resistance to try something new, a resistance that can be overcome only by the passage of time, the accumulation of positive evidence, or hearing an endorsement from a peer. All these reasons add more time to the typical sales cycle. Your sustained interest in your clients and their needs is the best solution. It is important to gain a thorough understanding of the client's needs before attempting a performance measurement engagement. Typically the needs of all upper management members must be understood in order to properly position performance measurements to assist the client's organization.

ESTABLISHING A BASELINE OF PRIOR CLIENT PLANNING

Look for evidence of recent planning documents. Ask what people were involved in these planning efforts. Determine whether external consultants were used to guide planning processes. It may be helpful to arrange an invitation for the CPA to observe a client's strategic planning process. Look for the development of—

• Strategic plans	• Sales plans	• Business growth plans
• Facility expansion plans	• Training and development plans	• Capital investment plans
• Technology migration plans	• Process improvement plans	• ISO 9000 plans

Each of these can serve as a highly useful springboard for new performance measures.

PV-3.4

(See PV-3.4, "Checklist for Planning Documents and Existing or Prior Consulting Relationships.")

ESTIMATING THE INVESTMENT REQUIRED

It will be highly important to help your client estimate the total investment required, particularly if a prior business planning effort was used. Creating both strategic business plans and new performance measures, and all the attendant activities, could easily take more than a year to complete. Costs paid by the client will vary depending on the people and other resources committed. Ask your client if there is a budget range. Determine the other costs that may be allocated to the project, such as manpower, technical, research, and system use charges. If these costs are not identified, it may be helpful to point these out to

the client as a means of positioning this whole effort as the significant investment it represents. For analytically-oriented clients, at this stage it may be appropriate to estimate a range of performance improvements from new performance measures. By putting a dollar value on these performance improvements, the value equation can be examined for both costs and value received.

DETERMINING ORGANIZATIONAL READINESS

Once the engagement has been sold, several key requirements must be addressed. The requirements are as follows.

- *Assess leadership buy-in at the top.* Once committed, does the top leader show evidence of personal involvement? Will the rest of the management team feel the enthusiasm and get excited themselves? The leader must exhibit unwavering support if this initiative is to be successful. Identify all members of the management leadership team, assess their buy-in to the process, and assess how they feel about the top leader's commitment to the initiative.

- *Conduct a physical review of documents and information accessibility.* Current practices, system documentation, reports, past audit findings, notes to financial statements, and longevity of key employees can be reviewed to determine how accessible key information will be.

- *Take an inventory of planning documents.* Use the following checklist to determine the existence and availability of frequently used planning documents, such as—

  — Long-range strategic plan.

  — Long-range facilities plan.

  — Capital investment plan.

  — Annual business or operating plan.

  — Human resource plan.

  — Business succession plan.

- *Determine the availability of people and resources.* Having the necessary talent and resources to do the right job is a major factor in assessing likely success of a broad new organizational project that could affect many functional areas. Several important issues to address are reflected in the project timetable. It is important to set a pace that is moderate—not too fast, to avoid stressing planning team members—and flexible enough to bend to demands of daily operational urgencies.

- *Assess senior managers' commitment to this process.* Has the interest of the leader rubbed off on the management team? Have team members experienced positive results with a similar process? Are champions evident to help lead this effort through predictable times of overload and priority conflicts?

- *How busy are work teams with daily demands?* Ask for a recent week's or month's schedule to see how tightly packed the time demands on typical leaders and work teams are. Ask potential team members what challenges they expect in finding time for their direct reports to work on this endeavor.

- *Identify probable team members.* Are sufficient members of a task force available? Will the organization assign priority and time for the task force to meet the timetable expected? Do team members have the right skills to carry out assignments? Will external resources be needed and available? (See PV-3.5, "Team Assignments Worksheet.")

  PV-3.5

- *Note the absence of previous planning documentation.* Organizations without any planning foundation for new performance measures will have a steeper, bumpier road to travel. An engagement will need to be expanded to generate many of the outputs of traditional planning. Multiyear vision and strategies for achieving these goals will need to be considered. Some of the functional skills to be assessed in a thorough planning process are—

  — Information systems to support ongoing activities.

  — Policies for technology adoption.

  — Organizational structure and growth.

  — Personnel training and development.

  — Supply chain management programs.

  — Customer service programs.

  — Distribution channel management programs.

  — Operations improvement programs.

  — Continuous quality improvement campaigns.

While formal planning is not required, the identification of critical success factors is key to implementing a performance measurement system that will assist the client in creating value within their organization.

This completes the pre-engagement preparations.

ITINERARY CHECK

Let's check the progress on our journey and our readiness to move ahead. By completing this chapter, you have—

1. Assessed leadership and organizational priorities.

2. Prequalified the prospective client and sold the engagement (see chapter 13).

3.   Gathered an inventory of documents.

4.   Identified likely participants in this planning process.

5.   Evaluated client leaders who may be open to this kind of initiative.

PV-3.1

CURRENT CLIENT ASSESSMENT

The following assessment concerns matters essential to actively perform an engagement. You should fill out one assessment per potential client. You many not be able to address some of the statements easily. If so, talk to your client about those issues.

No.	Issue	Yes	No	N/A
	CLIENT RELATIONSHIP			
1	I have a good rapport with the organizational management, and management is interested in what I have to say.			
2	The client buys or is willing to buy more than just audit and tax work from me.			
3	The client pays me on time.			
4	I have specialized experience in the client's industry.			
5	One or more members of my firm currently is not involved in more than one project with the client, outside of the historical audit, review, or tax work.			
	CLIENT LEADERSHIP			
6	The organization has a strong leader who also holds a decision-making position.			
7	Management understands the need for change and will support an initiative in performance measures.			
8	The organization's leader will give visible and sustained support for the initiative.			
9	In addition to the leader, other identifiable champions support performance measures.			
10	Support for the initiative exists at the board level.			
	CLIENT EMPLOYEES			
11	Employees have participated in and embraced a change-oriented initiative in the past.			
12	The client is experiencing a high rate of employee turnover. The turnover can be tracked to a specific area.			
13	The client has recently lost key personnel.			
14	The client depends largely on the abilities of one person.			
15	Management has a system to determine that employees are complying with policies, procedures, and communications.			
	CLIENT STRATEGIC PLANNING			
16	The organization has participated in or is currently involved in a strategic planning process.			
17	The client's strategies and goals are well-defined and clearly stated.			
18	The client has a long-range operational plan or budget in place.			
19	The client conducts an annual review of itself.			
20	The client believes it is lost in its industry.			
21	Management believes that they do not have the necessary information to make business decisions.			
22	Senior management agrees on the organizational strategy, goals, and objectives.			

No.	Issue	Yes	No	N/A
	COMMUNICATION			
23	While conducting other engagements for the client, I have noticed that management communicates efficiently and effectively to all employees.			
24	The client actively asks its customers what they think of the organization.			
25	The organization's strategies and goals are clearly stated, communicated to all, and supported by owners and top management.			
	CLIENT'S FINANCIAL POSITION			
26	There is pressure on the organization to make more money.			
27	Organization shareholders are not happy with their return.			
28	The organization is experiencing low-revenue growth.			
29	The organization has insufficient working capital.			
30	There has been a change in ownership of the organization.			
	ORGANIZATIONAL ISSUES			
31	There are potential roadblocks that will derail performance measure efforts within the organization.			
32	The client has just been acquired.			
33	The client has just made an acquisition.			
34	Top management finds itself buried in the day-to-day details.			
35	The client needs to improve its quality.			
36	The client needs to improve its productivity.			
37	The organization has engaged in previous efforts to change.			
38	The organization dealt with change in the past.			
39	The client is concerned about various issues.			

REVIEW YOUR ASSESSMENT

To quantitatively evaluate every client, go through the following matrix, keeping in mind the answers to the previous questions.

Category	Desired Responses	Desired Number of Responses Out of Total Responses	Actual Number of Desired Responses
Client Relationship	Yes	3 out of 5	
Client Leadership	Yes	2 out of 5	
Client Employees	Yes	1 out of 5	
Client Strategic Planning	No	2 out of 5	
Communication	No	1 out of 3	
Client's Financial Position	Yes	2 out of 5	
Organizational Issues	Yes	2 out of 7	

Your actual number of desired responses will vary, depending on your client relationship, length of service to that client, size of the organization, and management structure. Use the matrix as a guide, not as a disqualifier. All your clients will eventually be candidates for CPA Performance View services. This assessment singles out those that show the most current need for change and improved performance measurement.

To provide the best possible service and to add value to the CPA–client relationship, you need to know your client well enough to address the statements in the assessments. Clients should be engaged in candid discussions on any questions that could not be answered.

Use the space below to write the answers to the above questions during your follow-up meeting with the client.

_____

_____

_____

_____

_____

_____

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_____

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_____

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_____

PV-3.2

CLIENT READINESS QUESTIONNAIRE

Have your client complete this questionnaire to assess its readiness to engage in a CPA Performance View initiative.

1. Are there organizational issues that keep you awake at night? _____ Yes _____ No

    What are some of these issues?_____

    _____

    _____

2. Does your organization need to become more competitive in the marketplace? _____Yes _____No

    In what ways are you not competitive?_____

    _____

    _____

3. Is your organization growing, and does it have a need for improved leadership and management effectiveness?
    _____Yes _____No

4. Does your organization have clearly stated goals and objectives? _____Yes _____No

5. Are people willing to change when new organizational strategies require it? _____Yes _____No

6. Do you have a regular process for planning on a periodic basis? _____Yes _____No

    If yes, how often is planning done? _____Monthly _____Quarterly _____Annually

7. How often do you gauge yourselves against the plans you created? _____Daily _____Weekly _____Monthly
    _____Semi-Annually _____Annually _____Almost never _____Other, specify _____

8. Is there pressure on the organization to make more money? _____Yes _____No

9. Are shareholders unhappy with recent financial performance? _____Yes _____No

10. How serious is leadership about making changes? _____Very interested _____Interested
    _____Somewhat interested _____Not interested _____ Extremely uninterested

    What drives the motivation?_____

11. What type and level of leadership is leading this initiative? _____Type
    _____Level.

12. Are there leaders within the organization that have participated in planning similar changes in the past?
    _____Yes _____No

13. Have previous efforts been made to adopt new procedures? _____Yes _____No

14. Where are the stress points in the organization? _____

15. Are there visible potential roadblocks for engaging in a change-oriented initiative? _____Yes _____No

    What are they? _____

16. Will top leadership give visible, sustained support for the initiative? _____Yes _____No

17. Are there identifiable champions within the organization that will assist with implementation of CPA Performance View services? _____Yes _____No

PV-3.3

CLIENT SELF-ASSESSMENT*

* Mark Graham Brown, *Keeping Score: Using the Right Metrics to Drive World-Class Performance* (Portland, OR: Productivity, Inc., 1996). Reprinted by permission.

QUESTIONS

Part I: Overall Approach to Measurement

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	5	4	3	2	1
1. The metrics in our database are tightly linked to the critical success factors that will allow us to differentiate ourselves from our competitors.					
2. Our database was built with a plan, rather than evolving over time.					
3. Our CEO or president looks at no more than twenty measures every month to evaluate the overall organization's performance.					
4. Performance measures are mostly consistent across our business units or locations.					
5. We have a well-balanced set of measures, with about equal amounts of measures and data in each of the following areas: financial performance, customer performance, internal operations performance, people and learning performance, and supplier performance.					

Part II: Specific Types of Measures Within the Performance Areas

Financial Measures

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	5	4	3	2	1
6. We have identified four to six key measures of our overall financial performance.					
7. Financial measures are a good mix of short- and long-term measures of financial success.					
8. Financial measures are consistent across units and locations.					
9. We collect financial data on our major competitors to use in evaluating our own performance and in setting goals.					
10. The organization aggregates financial data into one or two summary statistics that reflect overall performance, such as economic value-added, residual cash flows, or return on assets.					

QUESTIONS
Part II: Specific Types of Measures Within the Performance Areas (continued)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	5	4	3	2	1

Customer Measures

11. Our database includes hard measures of customer satisfaction and value, such as repeat or lost business, returns, and so on.

12. Our organization collects data on both customer satisfaction and perceived value levels using a variety of techniques, such as telephone surveys, mail surveys, and focus groups.

13. Our surveys for measuring customer satisfaction focus on delighting customers rather than just satisfying them.

14. What we ask customers in our satisfaction surveys or discussions is based on thorough research to identify customers' most important requirements.

15. We combine various hard and soft measures of customer satisfaction and value into an overall customer satisfaction index.

Internal Operations Measures

16. The organization has developed a set of four to six common operational measures, such as value added per employee, that are used in all locations and functions.

17. Any process measures that are collected are directly related to key product or service characteristics that customers care about.

18. Cycle time is used as a key operational measure throughout the organization.

19. Operational measures allow us to prevent problems rather than just identify them.

20. The organization has established measurable standards for all key process measures.

People and Learning Measures

21. We survey our employees at least once a year to determine their satisfaction levels with various aspects of how the organization is run.

22. Employee surveys are anonymous and more than 75 percent are returned each year.

29

QUESTIONS

Part II: Specific Types of Measures Within the Performance Areas (continued)

People and Learning Measures (continued)

	Strongly Agree	*Agree*	*Somewhat Agree*	*Disagree*	*Strongly Disagree*
	5	4	3	2	1

23. Research is done to determine what is important to employees before putting together or buying a survey with standard questions.

24. Our organization collects data on other metrics that relate to employee satisfaction, such as voluntary turnover, absenteeism, hours worked per week, requests for transfers, stress-related illness, and so on.

25. Individual measures of employee satisfaction are aggregated into an overall employee satisfaction index, similar to the customer satisfaction index.

Supplier Measures

26. The organization has a rating system for evaluating supplier performance.

27. Our supplier rating system is a mix of hard data, such as products returned or shipments rejected, and soft measures, such as our satisfaction levels with suppliers' responsiveness.

28. The quality of goods and services purchased from supplies is measured on a regular basis.

29. Our organization asks suppliers for process data and encourages self-inspection.

30. Staying within our price guidelines is only one of many measures used to evaluate and select suppliers.

Product/Service Quality Measures

31. We measure the characteristics of the products and services that are most important to customers.

32. If less than 100 percent of products and services are checked, sample sizes used are large enough to ensure that all products and services meet standards.

33. Automated measurement devices are used wherever possible to avoid errors caused by poor human judgment.

34. Measures for services are related to accomplishments rather than behaviors (for example, percent of correct orders filled or percent of flights that take off on time versus smiling when greeting a customer).

QUESTIONS

Part II: Specific Types of Measures Within the Performance Areas (continued)

Product/Service Quality Measures (continued)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	5	4	3	2	1

35. Measures of products and service quality are expressed as actual numbers rather than percentages of defect-free products and services.

Safety, Environmental, and Public Responsibility Measures

36. The organization collects data on safety and environmental performance at least once a month, using several different metrics.

37. Safety measures are behavioral and preventive in nature rather than the typical lost-time accidents.

38. Environmental measures go beyond those mandated by the Environmental Protection Agency and other regulatory agencies.

39. The organization collects data on regulatory matters and measures of public responsibility, such as hours of community service or awards received from community and civic groups.

40. The organization has developed a public responsibility index that is an aggregation of safety, environmental, and community service measures.

Part III: Reporting and Analyzing Data

41. The organization reports data from all performance areas in a single report to all key managers.

42. Data are presented graphically in an easy-to-read format that requires minimal analysis to identify trends and levels of performance.

43. Data on customer satisfaction, employee satisfaction, and innovation and growth are reviewed as often as and by the same executives as data on financial, operational, products and services, and supplier performance.

44. The organization has done research to identify correlations between customer satisfaction levels and financial performance.

45. The organization understands the relationship between all the key measures in its overall scorecard.

QUESTIONS
Part III: Reporting and Analyzing Data (continued)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	5	4	3	2	1
46. Performance data are analyzed and used to make key decisions about the organization's business.					
47. The key measures are consistent with the organization's mission, values, and long-term goals and strategies.					
48. The organization continuously evaluates and improves its measures and the methods used to collect and report performance data.					
49. Automated and human measurement devices (for example, surveys and checklists) are calibrated on a regular basis to ensure accuracy and reliability.					
50. The measures in the organization's scorecard are the same ones on which annual and longer-term goals are set during the planning process.					

CALCULATING YOUR SCORE

Questions 1 to 5 relate to your entire measurement system, so they are worth more than the rest of the questions. Total the responses for questions 1 to 5, and multiply this number by 2. (For example, a perfect score would be 50, if you answered "Strongly Agree" for all five questions.) Write the total for questions 1 to 5 in the space below. Proceed by totaling the responses for questions 6 to 40. Next, add up the total questions 41 to 50, and multiply this number by 2. Add up the three numbers to come out with the final total. A perfect score on this assessment is 325, so if you ended up with more than that, go back and check your math.

Total for questions 1 to 5: _____ x 2 = _____

Total for questions 6 to 40: _____ +

Total for questions 41 to 50: _____ x 2 = _____

Grand Total: _____ _____ /325

INTERPRETING YOUR SCORE

Score of 276 to 325

If your score on this survey is in the top band, you truly have a world-class approach to measuring your organization's performance. You have narrowed your database to a few key metrics and must have a well-balanced set of metrics. It also is evident that you actually use the data you collect to make decisions about improving organizational performance. Yours should be an organization that others benchmark for measurement.

Scores of 226 to 275

If your score is in this second band, you have a systematic approach to measurement that approaches being well-balanced. Chances are you are weak in measures of customer satisfaction and employee satisfaction, and may not do a good job of aggregating individual metrics into summary statistics and analyzing the data to improve organizational performance. You have made a great deal of progress in improving your organization's approach to measurement. However, additional refinement is needed over time, and more research needs to be done to identify correlations between long-term measures, such as customer and employee satisfaction, and shorter-term measures, such as financial performance. Being in this band probably means that your measurement system is better than that in 75 percent to 80 percent of organizations in North America.

Scores of 176 to 225

A score in this range puts you in about the middle. This means that you are off to a good start in reengineering your approach to measurement. You probably have a strong set of measures for some of the seven boxes on an organization's scorecard. You also probably have some major weaknesses in some types of measures. You are probably strong in financial, operational, and product and service quality data, and weak in the other four areas. Chances are you still have too many measures and have inconsistencies across the different units and locations in your organization. A score in this range says that you are making some refinements in your approach to measurement but still need to do quite a bit of work to put together a solid measurement approach.

Scores of 175 or Less

This puts you at the 50 percent or below score level, which means that you are a long way from having a balanced scorecard. You're in good company at this level, however. In my experience, this is where most businesses are, and where almost all government and healthcare organizations are. Most business organizations are only just starting to measure customer satisfaction and employee satisfaction. Government and health care organizations are weak in these two areas, and they also tend to be weak in product and service quality data and measures of supplier performance. Organizations that score less than 50 percent on this survey probably still have not convinced upper management that strategic longer-term measures are just as important as the traditional financial and operational metrics.

PV-3.4

CHECKLIST FOR PLANNING DOCUMENTS AND EXISTING
OR PRIOR CONSULTING RELATIONSHIPS

This checklist is not meant to be exhaustive. Use this form as a guide to obtaining and reading the pertinent prior performance and planning initiatives the organization has undertaken. This can also be used in engagements in which no prior planning has been done, as a guide for what types of statements and information will be useful to generate throughout the process.

Planning Documents	*Available*		*Date Received*	*Comments*
	Yes	*No*		
Mission statement				
Vision statement				
Written strategic plans				
Audited financial statements with footnotes				
Divisional financial statements				
Ratio analysis or other financial analysis				
Budgets or financial forecasts				
Benchmarking activities				
Organizational goals and objectives				
Organization chart				
Business plans				
Sales plans				
Customer services questionnaires and results				
Customer satisfaction surveys				
Business growth plans				
Facility expansion plans				
Employee relations plans				
Employee training and development plans				
Capital budgeting and investment plans				
Process-improvement plans				
ISO 9000 plans				
SPC reports				
Continuous quality improvement reports				
Minutes from the board of directors and committees meetings				
Other:				

PRIOR CONSULTING ENGAGEMENTS/RELATIONSHIPS

In the spaces below, list the prior engagements and relationships that the client has had that may be related to the *CPA Performance View* engagement. Some examples include audit and tax services, strategic planning, and ISO 9000 initiatives.

Engagement Description	Business Adviser	Date Initiated	Date Completed

PV-3.5

TEAM ASSIGNMENTS WORKSHEET

To assist in selecting members of the planning and measurement teams, we have assembled the following list of potential attributes and requirements that should be kept in mind. Choosing productive members for the teams is an important step in the CPA Performance View process. Ideal candidates—

1. Understand the strategic direction of the organization.

2. Are motivated for change.

3. Communicate effectively.

4. Come from multiple disciplines in the organization.

5. Involve knowledgeable people in designing methods and formulas.

6. Conduct cost analyses for collecting the proposed measures.

7. Determine current performance.

8. Collect and review benchmark data and propose targets.

9. Review and understand the draft measurement constructs developed by the top team.

10. Identify mechanics for collection and computation.

TEAM ASSIGNMENTS WORKSHEET

Planning Team

Team	Member Name	Position	Area of Responsibility	Phone Number or Extension	Email Address

Measurement Team

Team	Member Name	Position	Area of Responsibility	Phone Number or Extension	Email Address

Measurement Team

Team	Member Name	Position	Area of Responsibility	Phone Number or Extension	Email Address

Measurement Team

Team	Member Name	Position	Area of Responsibility	Phone Number or Extension	Email Address

Chapter 4

TEAM BUILDING AND COMMUNICATIONS
Assembling the Team for the First Trip

TEAM BUILDING AND COMMUNICATIONS
Assembling the Team for the First Trip

This chapter assumes an engagement has been sold and internal people are ready to get involved. To move onto the next stage of our new measurement journey well equipped and with assurance, you should have these preparations "packed" and ready.

1. A solid grasp of the organization's readiness to commit to a performance measurement planning process that will serve as a jumping off point (If not, reread chapter 3.)

2. An organizational leader who publicly supports this initiative (If not, reread chapter 3.)
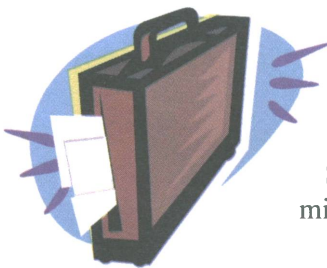
The first steps are highly important on our road trip to new performance measures. Few workers are looking for more to do. Fewer still open their arms to change in how their work gets done. It is not surprising that news of a CPA Performance View initiative will be greeted with folded arms, yawns, or worse. So, we need to be well prepared to release this news and help it take root in the minds and hearts of the organization.

LEADERSHIP

The champion and sponsor of this initiative are the starter and spark plug. No effort will be sustainable without the visible and vocal support of the champion. Make sure you have a firm commitment before moving further on this process. Perhaps the strongest commitment by the leader is willingness to serve on the planning team.

PLANNING TEAMS

Teams of carefully selected and appropriately skilled people are crucial to success of this venture. These are the "can do" people who are natural leaders on the front line, and they exert a positive influence on their coworkers. To take the first trip on any new effort, you should choose workers who will be dependable and diligent. Invite members of senior management. Sustained application of competence over the long haul of this engagement is better than perhaps the most brilliant but also unpredictable workers. (See PV-3.5, "Team Assignments Worksheet.")

Once selected, these teams need strong support from their supervisors. Regular time and priority must be granted to the new measures task. This competes with other daily demands, so there will be tension, and the initial commitment must be clear and firm to withstand this pressure to redirect precious time and energy toward daily crises. Once teams have been selected, then it is time to move into the "public" phase of preparations.

BROAD, INCLUSIVE MEETINGS

All stakeholders in the organization should be invited to a simple and brief information meeting—avoid delivering too much information too fast. Include those who may not directly contribute to the design or implementation but who may be affected by how new information is gathered or how new controls are eventually used. Better to err on the side of inviting too many people than to inadvertently leave some with a feeling their presence was not important. (See PV-4.1, "Public Meeting Logistics Checklist.")

Schedule this information meeting during normal work hours; this will send the unspoken message it is considered important work, and so will the efforts that follow.

Invite specific work teams, especially those who will be involved in design, systems changes, or implementation. Not all valuable ideas will come from the top. Preselling team leaders on the concept of new performance measures can be a wise investment that pays later dividends in reduced internal resistance or, even better, may identify energized champions who can help lead this process forward.

(See PV-4.2, "Presentation Guidelines.")

Explaining Vision, Goals, and Desired Outcomes

Here is an ideal opportunity for leadership to step into the lead. Help the organizational sponsor prepare remarks to position and support this initiative. Provide simple, clear examples of what other organizations have done and point out the time involved.

- *Present an orderly process*. Show a high-altitude map of the trip to be taken—the starting point (what are the measures we now use) and destination (what might be some of the new measurement tools)—without a lot of detail. Describe key steps using a visual of the overall CPA Performance View process.

- *Point out learning opportunities*. This effort will be work, but it also offers unusual opportunities to learn new skills and add significant professional accomplishments to a career track.

- *Describe potential benefits*. Picture better results in several areas of the business, such as product quality, throughput, response time, inventory reduction, more customer intimacy, improved customer satisfaction, competitive differentiation, speed of product development, better margins, and more paperless administration. All these benefits usually lead to increased organization value that can be shared with owners and employees.

(See PV-3.5, "Team Assignments Worksheet.")

Overcoming Fears and Objections

People learn at different speeds, so it will be important to offer multiple opportunities to ask questions and get more information. Allow time during the first information meeting for questions and answers. Publicize names, phone numbers, and email addresses of contact people for information flow to and from

front-line work groups. Contact people will be a resource to answer later questions. They do not need all the answers, but they do need to know where to go for more help.

If an intranet communications system is already functioning, use this. It may make sense to establish a simple Web site for CPA Performance View services, with hotlinks to the software vendor. Include the same high-level road map of the overall process. Give employees different ways to learn and become comfortable with this initiative.

Promoting New Performance Measurement

Briefly and nontechnically point out advantages of developing new measurement tools. Describe the primary difference between historical and future time perspectives. Use examples from earlier engagements that have yielded simple but powerful results.

Show an overall process timeline to convey a sense of realism and time required to do this work. This effort will take time, as all worthwhile things do. Emphasize that patience in attending to details in these new measurement tools will produce positive results.

Gaining buy-in to the critical success factors by all employees will be one of the most important steps in the CPA Performance View process. Communicating the critical success factors throughout the initiative will assist with buy-in and lead to a more balanced performance measurement system.

PV-4.3 Illustrate what help is available in the practice aids. Show an index of tools accessible for this process (see the listing of practice aids in the Table of Contents.). Link new learning for individuals and the organization into checkpoints in the development process. Use a road map with milestones.

(See PV-4.3, "Status Report Meetings.")

A SYSTEM TO PROVIDE FOLLOW-UP INFORMATION

Plan to keep the whole work force well informed. Periodic status reports and meetings will be appreciated and may help move curious bystanders into a more active role. Adding a regular news update to the employee newsletter and posting announcements using email, bulletin boards, voice mail, or banners are effective and easy ways to keep current.

Ask for feedback from work teams on their understanding of process and outcomes. As progress is made on the overall CPA Performance View process, seek comments and observations from work teams that may be the most involved in new activities. People in the organization closest to the new information will have valuable insights that, when reported, will encourage others to add their support.

Report progress toward completion targets. Efforts should be made to keep the whole organization informed and help them feel like a part of the step-by-step achievement. This will reinforce importance as people see results. Small, early gains are powerful evidence this process is worth doing and doing well.

PV-4.4

(See PV-4.4, "Communication Format Examples.")

ITINERARY CHECK

In preparing for the journey to soon start, everyone is told about the destination and asked to help or go along on this trip. Short of packing, everyone has been told basically what will be needed to complete the journey. Outcomes at this point in CPAs journey preparation are—

1. The whole organization has heard the news that a measurement process will be used.

2. A simple process outline with steps has been presented.

3. People are given an understanding that they will be personally involved.

4. Teams have been carefully selected and briefed on the project.

5. Opportunities for dialog have been set in place and key contact people have been identified.

6. Timelines have been established and communicated for this process.

7. Priorities for the whole organization have been set by the leader.

PV-4.1

PUBLIC MEETING LOGISTICS CHECKLIST

The purpose of this aid is to provide you with guidance in planning a public speaking engagement. The provider of CPA Performance View services needs to be versed in public speaking, as this initiative needs to be communicated to the entire organization.

SPEAKING SITE	EQUIPMENT
Make sure—	Select—
- There are enough comfortable chairs and workspaces for the audience. - There is proper lighting for the presentation. - There is parking and transportation, if it is at an external venue.	- What to wear as a presenter. - Sound system. - Computer. - Projectors. - Flipcharts. - Whiteboards.
AUDIENCE	**HANDOUTS AND VISUAL AIDS**
Consider the following:	Make sure you have the following, as necessary:
- Refreshments - Timing of the meeting - Duration of the meeting - Agenda for the meeting, including— —Reason for the meeting —Main topics covered —Key information —Outcomes —Actions —Expectations - Who will attend the meeting - Invitations —Paper —Mail —Email —Voicemail	- Overheads - Software presentations - Other visual aids - Whiteboard diagrams - Flipcharts - Handouts

PV-4.2

PRESENTATION GUIDELINES

Use this page to create your presentation by focusing on the main elements of a good presentation.

THE AUDIENCE:

THE PRESENTATION TOPIC:

STATEMENT OF PURPOSE:

KEY PRESENTATION OBJECTIVES:

1.

2.

3.

MAJOR PRESENTATION POINTS:

1.

2.

3.

VISUAL AIDS AND HANDOUTS:

INTRODUCTION:

CONCLUSION:

PREPARATION CHECKLIST:

The following is a list of questions and statements to assist with the structure of a presentation.

Consult the following checklist while preparing your presentation.

1. Consider the audience's background and relevant knowledge.

   - To whom am I speaking?
   - Why should they listen to me?
   - What do they already know?
   - What motivates them?
   - What are they interested in knowing about CPA Performance View services?
   - Have I anticipated audience reaction?

2. Establish the purpose of the presentation and the agenda for the presentation.

3. Determine the main points.

4. Identify insightful examples, illustrations, facts, and case studies to support the main points.

   - Make sure to include relevant examples and case studies where appropriate to strengthen arguments.

5. Prepare clear transitions.

6. Develop appropriate visual aids and handouts.

7. Identify and define all acronyms, buzz-words, and technical terms.

8. Restate the key points.

9. Prepare a strong conclusion.

10. Practice the speech out loud until it flows easily.

HELPFUL WEB SITES

The following Web sites may be of use while you write your presentation:

www.mc.maricop.edu/academic/speech-com/fay/bib225.html	Public speaking bibliography, Maricopa Community College
www.la.psu.edu/speech/100a	SpCom 100A (Effective Public Speaking), Penn State University
www.executive-speaker.com	The Executive Speaker Company
www.presentingsolutions.com	Presenting Solutions: The art of communicating effectively
www.fastcompany.com	Fast Company

PV-4.3 STATUS REPORT MEETINGS
Reference Guide

Purpose

This reference guide is designed to summarize key points and techniques.

The Basic Principles

The basic principles (ground rules), if used by everyone in a meeting or on a team, will help create the kind of atmosphere in which people work together best.

THE BASIC PRINCIPLES:

1. **Focus on the work process, issue, or behavior, not on the person.**
2. **Maintain the self-confidence and self-esteem of others.**
3. **Maintain strong partnerships with your internal and external customers and suppliers.**
4. **Take initiative to improve work processes and partnerships.**
5. **Lead by example.**

Key Actions

The five key actions are intended to address most of the difficulties encountered in a meeting environment and contribute toward more successful meetings.

THE KEY ACTIONS:

1. **Prepare the team for a focused meeting.**
2. **Encourage diverse points of view.**
3. **Handle disruptive behavior.**
4. **Keep the team focused and moving.**
5. **Make sure follow-up activities are planned.**

SAMPLE AGENDA FORMAT

Meeting Agenda

MEETING AGENDA		
Meeting called by:	Date:	
Meeting place:	Starting time:	
Please bring:	Ending time:	
Participants:		
Purpose of meeting:		
Desired outcome(s):		
Agenda items:	Person responsible:	Time allocated:
Ground rules:		
Action items:		

Sample Code of Conduct

The code of conduct is a tool to help the team and meeting run effectively. Use this list as a model to create your own code of conduct:

- Attend all meetings.
- Be punctual.
- Keep personalities out of the discussion.
- Be open to the ideas of others.
- Be a good listener.
- Respect other people, their thoughts, and their feelings.
- Use the agenda as a tool to keep the meeting functioning effectively.
- Participate to your fullest.
- Volunteer graciously for an assignment and complete it on time.

KEY ACTIONS FOR FACILITATING SUCCESSFUL MEETINGS

Key Actions and Techniques

Key action techniques are summarized and listed below.

-

Key Action 1   PREPARE THE TEAM FOR A FOCUSED MEETING

-

Before the Meeting:	At the Start of the Meeting:
Define purpose and desired outcome.	Restate the purpose and desired outcomes.
Determine if meeting is necessary.	Review or create meeting agenda.
Decide what topics to cover.	Develop or review ground rules.
Identify who should attend.	Give key information.
Determine time and place.	
Communicate purpose and desired outcomes to all participants.	

Key Action 2   ENCOURAGE DIVERSE POINTS OF VIEW

- •
- State the type of participation desired.
- Tell people that you value their ideas and opinions.
- Reserve your own views.
- Call on people by name or poll the group.
- Use brainstorming.
- Record on flipchart.
- Ask open-ended questions.
- Ask for different points of view.
- Protect new and minority ideas.
- Encourage partial ideas.
- Use nonverbal and verbal reinforcement.
- Clarify and paraphrase ideas.
- Resolve differences of opinion in a win-win way.

Key Action 3   HANDLE DISRUPTIVE BEHAVIOR

- • •
- Stay calm.
- Use nonverbal cues.
- Reinforce acceptable behavior.
- Refer to ground rules.
- Refocus the discussion.
- Make a direct statement.
- Acknowledge the emotion behind the behavior.
- Take a break.

Key Action 4   KEEP THE TEAM FOCUSED AND MOVING

- • • •
- Let the group carry the content.
- Ask questions to regain focus.
- Make statements to regain focus.
- Acknowledge and reinforce constructive contributions.
- Use agenda to keep on track.
- Pick up or slow down the pace when appropriate.
- Periodically summarize progress.
- Reach conclusions as you go.

Key Action 5   MAKE SURE FOLLOW-UP ACTIVITIES ARE PLANNED

- • • • • •
- Decide what needs to be done.
- List action items and make assignments.
- Summarize accomplishments.
- Thank participants.
- Evaluate the meeting.
- Set up the next meeting.

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PV-4.4

COMMUNICATION FORMAT EXAMPLES

You can communicate CPA Performance View initiatives in many diverse ways. The key to effective communication within an organization is to select varying methods for the different audiences to be reached. Another consideration is to try to select an initial medium that reaches the largest percentage of the population first and then follow it up with other methods to reach those not previously targeted. The key to additional or future communications is to use the same format that employees are expecting based on the initial methods.

Experience suggests that it will be beneficial to offer multiple, redundant delivery methods for the messages you are trying to communicate. People learn in different ways and at different speeds. Because of this, you might try a variety of the following communication methods, in sequence, to get the most from the intended message.

- Newsletters

- Bulletin boards

- Email

- Voicemail

- Banners in the workplace

- Visual aids in the break room or lobby

- Announcements

- Company or department meetings

- Personal letters

- Paycheck stuffers

- Screen savers

- Intranet bulletin board

Chapter 5

ASSESSING BUSINESS TRUTHS
Mapping the Right Direction to Travel

Chapter 5

ASSESSING BUSINESS TRUTHS
Mapping the Right Direction to Travel

Seasoned travelers are almost compulsive about getting ready for a trip. They make lists. They study maps and travelogues. They talk with other travelers who may have some related experiences. Travelers want to get as much of the truth and experience regarding their trip as possible before leaving. They want to eliminate or reduce any unpleasant surprises. This chapter and the following three chapters in our travel adventure deal with detailed preparations CPAs should complete when working with their client's planning team before actually leaving on the performance measurement trip.

1.   Chapter 5, "Assessing Business Truths." Mapping the right direction to travel; providing information to guide preparations

2.   Chapter 6, "Determining Critical Success Factors." Knowing the right roads to take; identifying which paths best lead to the chosen destination

3.   Chapter 7, "Defining Performance Measures." Tracking where we are on the map; selecting specific landmarks to mark the right course

4.   Chapter 8, "Establishing Performance Targets." How far to travel each leg of the trip; setting destinations for each part of the journey
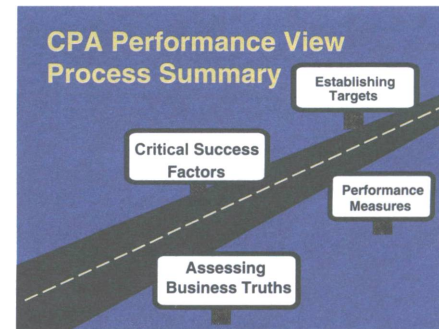
STRATEGIC FOUNDATION FOR LATER STEPS

Assessing current truths of the organization is a vitally important step. Information and learning brought to light will form a strategic direction that guides later work. A solid strategic foundation includes realistic appraisal using facts to report, for example, performance, product quality, strength of customer relationships, market share, inventory turns, reputation, and shareholder value. If the assessment is too narrow or superficial, later decisions can topple from a weak foundation that did not accurately map out the current status of operations, markets, customers, employees, or capitalization. Diligent analysis at this stage will set strategic direction and clarify needs to move beyond historical business measures.

THE STARTING POINT

First, define where the organization is starting its journey. Travelers need specific, reliable points of reference. With better information on starting points comes increased confidence. This step in preparing for a journey is the most variable and, if done well, can be the most influential of eventual results. For clients well prepared by previous analysis and planning, assessment work can be rewarding. For organizations that have done little previous planning or self-examination, this step can be very demanding. There are no shortcuts. Assessing the status quo requires a consistent approach that we will describe, with many options in choice of tools. These options are directed to the planning team and contributors to the CPA Performance View process. The result is setting a strategic foundation that will guide subsequent steps in developing new performance measures.

Surveying and Triangulation

Determining where the journey is starting is comparable to a surveyor working in an unmapped piece of land. Multiple sightings are used from different vantage points. When combined, these surveys provide cross-references that can be precisely placed on a larger map. These steps will show the terrain, natural features, obstacles, paths of least resistance, location of resources close by, and many other features that will make planning a trip, or building something on this site, a positive experience. Multiple points of reference will be established and used.
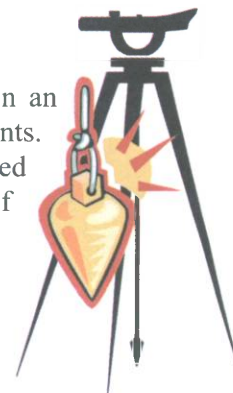
STATEMENT OF PURPOSE

A brief but strong statement of purpose from the leader on why the organization is embarking on this is essential. This statement will become the flag that flies over the fort and will be useful later as a rallying cry at times during this process when daily workloads may so press participants to the limit of their commitment that they would prefer to watch from the sidelines. Then a reminder of the goal can reenergize flagging motivations. Pull this statement out of content of the first public meeting to announce CPA Performance View initiatives. Use this statement often. The truths of this enterprise are the underlying motivations for change that will now drive a CPA Performance View initiative.

PV-4.2

(See PV-4.2, "Presentation Guidelines.")

LEARNING OPPORTUNITIES

Assessment is multifaceted. Ideally, it involves representatives from many functional areas of the enterprise. Best results come from the "bottom up" involvement of departments or individuals, which is connected with "top down" involvement from leadership. Multiple points of input from both directions are "spider-webbed" together to form an integrated whole.

The best opportunity to involve others in the CPA Performance View process is during the assessment stage to define business truths. Check on available staffing to help with assessment. Estimate time and skill requirements to conduct assessments. People with the appropriate skills (data acquisition, research, analysis, engineering, and human resources, for example) should be invited. People with little or no previous planning experience can make great contributions from their street-level expertise in the business. (See PV-3.5, "Team Assignments Worksheet.") Don't be shy about inviting others to help determine business truths. This is a great new learning opportunity for less experienced people.

PV-3.5

PUBLIC SCHEDULE OF PLANNING ACTIVITIES

Establish a firm, detailed schedule that identifies the committed resources for assessment, including a team of people and clear priority for meetings within an overall project schedule. Publish this information across the whole organization. Affirm the importance of this new effort soon starting, and acknowledge the people who will serve. Show how interested volunteers can step forward. An intranet Web page can

PV-5.1

serve in this capacity. Provide easy access for team members to check date, time, and location of meetings. If company-wide scheduling software is used, integrate meetings throughout the system.

(See PV-5.1, "Planning Calendar.")

TWO-PRONGED ASSESSMENT APPROACH

At this point, we have come to an important fork in the road.

1. No strategic planning has been done, or the plan is sitting on a shelf and is not being used in any practical way.

2. The client has an existing strategic plan. The plan is written, has been endorsed by leadership and is used throughout the enterprise.

To help focus the contents of this Practice Guide, the authors have assumed that most CPAs will be working with clients that have not done, or are not currently using, a strategic plan in their organization.

No Previous Strategic Planning Done by Client

If earlier conversations with the client have identified a need to improve performance, this likely has uncovered an appetite to do substantial strategy development. The key at this stage is securing client commitment to conduct an assessment sufficiently sturdy to bear the full weight of later performance measurement. The steps shown in exhibit 5.1 will provide clients with a strategic direction and fact-based foundation to focus later performance measurement steps, as mentioned earlier in this chapter.

Exhibit 5.1

STRATEGIC MARKETING PLANNING

MAJOR STEPS	Addressing Key Business Questions
Assess truths	**Where Are We Now?** Output: Situation analysis of strengths, weaknesses, opportunities, and threats (SWOT)
⬇	
Develop vision and mission statements	**What Type of Organization Do We Want to Be?** Output: Vision Statement **Why Are We in Business?** Output: Mission Statement
⬇	
Perform SWOT analysis	**Where Do We Want to Be?** Output: Objectives and goals for future markets, services, growth, and profits

Assessment will clarify the client organization's strategic direction. Where do they want to go? The following steps are a practical and direct way to begin building a sturdy foundation that will provide guidance for later measurements.

Identify Planning Leaders With Experience

Ask organizational leaders about their experience with strategic planning. Is there a natural leader on hand? Have managers had positive experiences planning? What approaches are seen as feasible and practical for this organization? Can the client build on expertise brought by key people?

Set a Realistic Pace

Map out a practical planning process that moves as fast or slow as the client will allow and involves as many frontline people as possible. Allow for normal operating activities. Allocate time required over enough months that contributors will see this not as a burden, but rather as an opportunity to influence the future.

Develop a Vision

Use planning tools as shown in this Practice Guide. Leadership sets vision by inviting planning participants to look out several years to the horizon, beyond a time that is constrained by limits of realism in the present. Ask participants what they want to see, hear, and experience as they are working at the client organization in this future time. The resulting composite vision will be uplifting, energizing, highly attractive, and not yet fully achieved. This is where the organization has a passion to go. The vision, if properly articulated, does not change much over time and should last for many years.

PV-5.2

(See PV-5.2, "Vision Creation Exercise.")

Develop a Mission Statement

A good mission statement describes in a present time frame the purpose of the enterprise by saying—

1. Who we are.

2. What do we do.

3. Who benefits.

Mission statements are short and can easily be communicated on the back of a business card or in a normal business phone conversation. Because products and markets can shift appreciably even in a couple years, mission statements should be updated every two years.

PV-5.3

(See PV-5.3, "Mission Statement Development Worksheet.")

Conduct a Balanced Assessment

Wisdom of experienced practitioners has shown that balance is necessary across an organization's key performance areas. If you omit any one of these areas, you risk ignoring a source of performance that can make the difference between poor and outstanding results. We recommend using these five performance areas for a balanced assessment:

1. Financial

2. Customer

3. Internal operations

4. People

5. Suppliers and partners

Measuring only one area of an organization is extremely unstable and unreliable for predicting future performance. All work environments consist of many dimensions that must be considered and then measured to have a balanced and useful measurement.

Perform a Strengths, Weaknesses, Opportunities, and Threats Analysis

Conduct an analysis of the environment in which the organization operates using a strengths, weaknesses, opportunities, and threats (SWOT) approach. Thorough work done at this stage will repay later dividends. Use the previously mentioned performance areas in each quadrant of a SWOT analysis. Look into all available information sources. When publicly available (secondary) information sources have been exhausted, turn to primary sources specific to the client. These proprietary sources include custom market research, feasibility studies, or customized engineering studies. Typical sources of information for a SWOT analysis include—

*   Sales history.

*   Market evaluations.

*   Feasibility studies.

*   Customer satisfaction surveys.

*   "Voice of the customer" research.

*   Technological adoption studies.

*   Syndicated technical research reports.

*   Competitor analysis.

*   Industry surveys.

*   Professional association newsletters.

*   Government publications.

*   Commercial databases.

*   Employee surveys.

- Supplier evaluations.

- Professional opinions from trusted advisers.

Use the SWOT Analysis Worksheet practice aid referenced below for your analysis. It has been structured to reflect a balanced analysis of the performance areas: financial, customer, internal operations, people and suppliers. Give worksheets to all planning participants before scheduled work sessions. Assign necessary homework in all areas of a SWOT analysis. Ask each person for his or her individual notes in response to these worksheets. Summarize responses that will be used to guide work in the next chapter on determining critical success factors. More tools to help client planning teams are shown in the Appendix.

PV-5.4

(See PV-5.4, "Strengths, Weaknesses, Opportunities, and Threats Analysis Worksheet.")

Conduct a Life-Cycle Analysis

PV-5.5

Examine the position of an organization using a life-cycle curve. This traditional planning tool will help leaders interpret performance in a broader context of other enterprises in the same stage of growth or maturity. Ask planning participants to identify characteristics of the enterprise and market conditions in which it operates. Then place these characteristics on an appropriate place on the life-cycle curve to accurately describe the client organization and help understand some of its strengths and weaknesses. Use this tool as input to a broader SWOT analysis.

(See PV-5.5, "Business Life-Cycle Tool.")

Revisit Vision and Mission

At this point in a CPA Performance View process, it is often advisable to revisit the vision and mission statements. Work done in the SWOT analysis uncovers new information. New insights that clarify and focus the organization are discovered and must be incorporated into the vision and mission. Ask the planning team to use SWOT findings to test earlier vision and mission work done, and make appropriate changes before moving ahead.

Use Other Assessment Tools

More tools could be added. Each new data point can help triangulate the current position of an enterprise. You may have several tools from personal experience to add to this list. As more use is documented, later editions of this Practice Guide will add proven tools submitted by practicing CPAs.

Existing Strategic Plan

With an existing strategic plan that is in use, the assessment process is already framed and content has largely been identified. Assessment will consist of detailing, filling in gaps, and updating earlier information.

- Read the existing strategic plan.
- Outline the major components of the plan, such as the vision, mission, and goals.
- Understand the SWOT analysis, if this has been used.

Within the scope of strategic direction set earlier, answer such questions as the following:

- What process was used to develop the plan?

- Was planning top down or bottom up?

- What are the vision and mission statements of the organization?

- Have functional or departmental analyses been done?

- What extent of involvement exists at each level of the organization?

- Is a formal written plan available to all employees?

- Does the plan drive information flow and reporting?

- Has there been an impact on information systems?

- Are there performance rewards, including compensation?

- Has progress been reported to the organization?

Responses to these inquiries should be summarized and used to guide action steps in assessing current business truths for this specific client to guide the next step of establishing critical success factors.

WEALTH OF EXISTING AND NEW TOOLS FOR ASSESSMENT

How to proceed with discovering business truths is both art and science. As you gain experience and confidence in selecting the right tools for each client, you will find this selection becoming more intuitive and easier. The Appendix contains more tools that have application in settings with experienced strategic planners and are ideally suited to build on a foundation of earlier work.

Selecting the Right Tools

A key issue is appropriateness of the assessment tools for the client organization. Simpler, more self-generated information will be easier to use by "rookies" in strategic planning. More sophisticated tools for organizations more experienced in planning may be required to discover complex, subtle distinctions in existing reporting systems. Begin by—

1. Gathering together the CPA Performance View planning team.

2. Assembling previously completed inventories of planning documents.

3. Having the team identify which of these tools for assessment have been used by any team member. Familiarity is the key. Confidence to try or use a tool is the primary determinant.

4. Defining when and how information will be reported by team members. Establish a consistent reporting format to help individual contributors do their work in a manner that will be easily integrated and summarized for analysis. Give all team members assignments.

5.	Allowing more than one team meeting to compile and review findings. People will report their work at varying levels of completeness. Start with seasoned analytical thinkers. Help them prepare findings in a way that will set a standard for those to follow. Add more team members if additional skills and expertise are needed.

6.	Preparing a summary document. Leave the door open for later augmentation as new information comes to light. Ask for review and comment on this summary from the CPA Performance View sponsor.

7.	Selecting tools that will present a baseline or history for reporting change over time. By selecting a handful of relevant indicators, the team will have a sturdy assessment foundation from which to move forward in the next chapters on identifying critical success factors and setting targets for new measures.

PV-3.4

(See PV-3.4, "Checklist for Planning Documents and Existing or Prior Consulting Relationships," and PV-5.6, "Strategic Planning Elements.")

PV-5.6

EXTERNAL OBJECTIVITY

Some sensitive assessments of current status cannot easily be obtained from within the organization. Outside help is often required to initially set up systems or acquire accurate information for the following areas:

- Customer satisfaction

- Supply chain relationships

- Distribution channel effectiveness

- Competitive positioning

If this information is judged important, and is not available, one early benefit of the CPA Performance View process is setting up systems and baselines that can be used over future years.

EMPLOYEE COMPENSATION

New insights may emerge by studying employee reward structures. What behavior and performance are currently being rewarded, both at the operating and executive levels? How has this affected performance expectations leaders have of their work groups? Have there been recent changes in compensation? People will behave as they are rewarded. When new measures may be identified and put into practice, incentives will need to be changed. Involvement of human resources people on the planning team is highly advisable.

REPORTING LINK—*CPA VIEWS*

The *CPA Views* software can be used at this point to begin to map out the business truths and to provide tangible output from the process thus far. Beginning with what we know, we are trying to impact overall performance and increase value. In order to do this we need to look deeper into the performance areas. By constructing a "view" in *CPA Views* you can begin to show the client how the ultimate system will work.
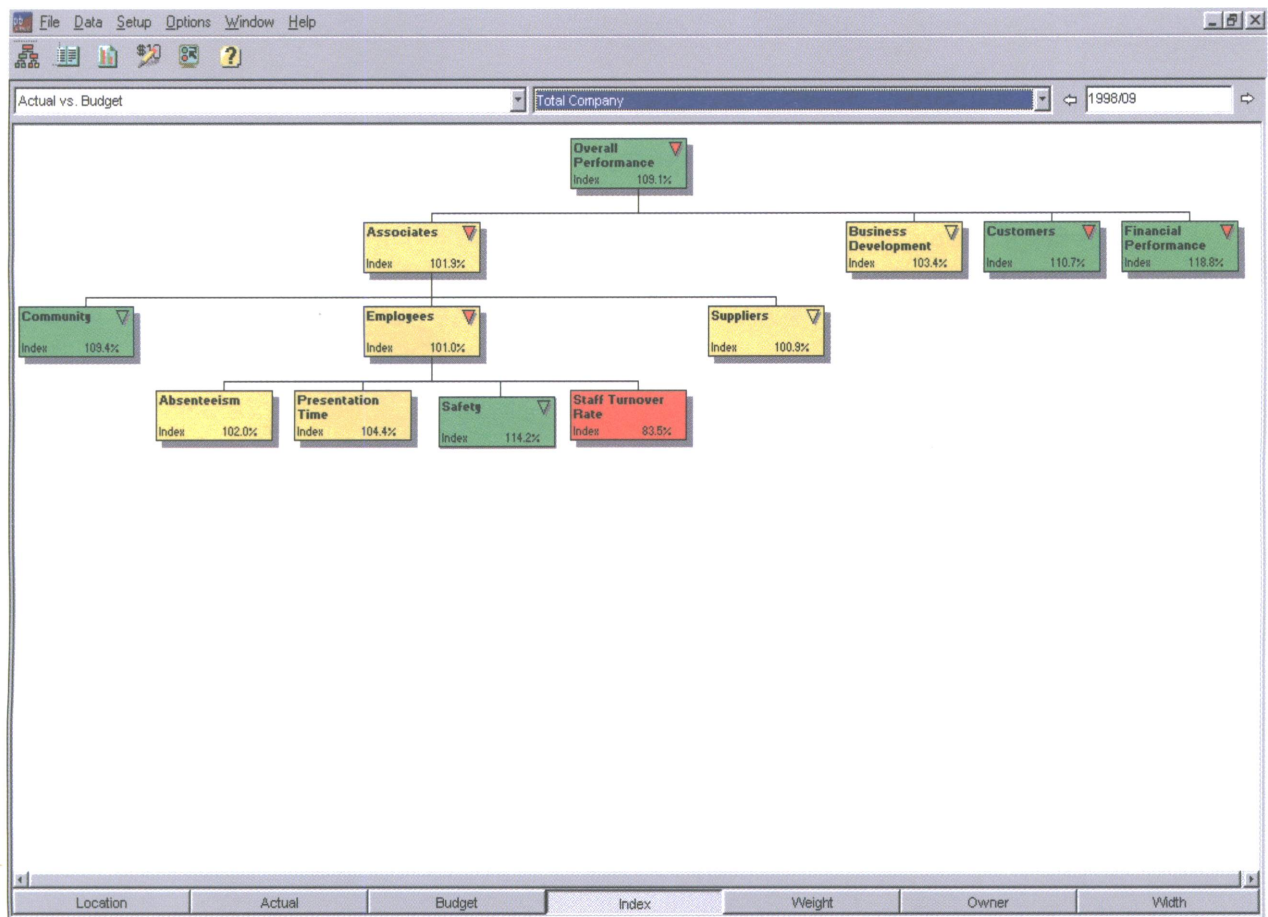
PROGRESS MILESTONES FOR ASSESSMENT

Set priorities for progress tracking and resource allocation. The planning team should set target dates and expected progress milestones and communicate them to all contributors to this process. This will offer natural opportunities to again identify contributors to the process and give public recognition for work well done.

ITINERARY CHECK

Let's check travel preparations for the CPA. Outcomes reached by this point should be as follows:

1. The planning team has acquired a solid fact-based opinion about business truths—what the organization is good at doing, what areas of unique competence are correct now, and what problems or weaknesses must be addressed.

2. A simple and clear definition of the organization's strategic direction for the future, including a vision statement, mission statement, and SWOT analysis.

3. Gaps between the present and desired future are better known.

4. Planning participants feel a sense of overload with all the information that has been gathered.

5. Significant learning has occurred.

6. A strong foundation of evidence has been assembled that will support further work in the next chapters.

PV-5.1

PLANNING CALENDAR

MONTH _____ YEAR _____

Notes:

PV-5.2

VISION CREATION EXERCISE

Provide the following discussion points to all planning team members in advance of the scheduled meeting. The meeting's objective should be clearly communicated to all participants before the meeting. The objective of the meeting is to create a vision statement for the organization. The discussion points are meant to help team members prepare by thinking about and writing down their thoughts before the meeting.

Declare your individual vision for _____[client organization name] five years from now, in _____ [date].

The scenario: _____[client organization name] is very successful. A reporter from the *Wall Street Journal* has come to interview you about the reasons for _____ [client organization's] success. As you look back from _____ [date five years from now] to _____ [current date] and reflect on what has taken place, describe what you saw and did.

DISCUSSION POINTS

- Major decisions that were made that set the successful course for _____ [client organization name]
- Specific things that management decided not to do during the last five years
- _____ [client organization's] size in number of facilities and employees
- Organizational structure and key people
- Number, type, and location of customers
- Major product categories and product lines sold
- Investments made in people, equipment, facilities, and technology
- Annual revenues and operating performance as of 12/31/XX [end of this year]

As the *WSJ* reporter prepares to leave, a final question is asked of you:
- How would you describe _____ [client organization] in a single sentence that could be used in a headline for this story?

The vision statement of an organization consists of three main ideas:

1. Core values and beliefs
2. A statement of purpose
3. A statement of mission

Now draft a vision statement, keeping in mind the three ideas and the exercise from above:

_____

_____

_____

_____

PV-5.3

MISSION STATEMENT DEVELOPMENT WORKSHEET

WHY ARE WE IN BUSINESS?

An organization's mission statement is a clear statement of why we are in business, who we are going to serve, and how we plan to serve them. It should—

1. Be clear and understandable.

2. Be developed and supported by management.

3. Have a guide and focus for major decisions.

4. Be long-term and "big picture" but still allow room for growth.

A mission statement should contain the following elements:

5. Products and services offered

6. Markets or customers served

7. Market position

8. Business function

9. Business philosophy and values

10. Major customer types

Complete the form below to assist in preparing the mission statement for the organization.

1. Products and services offered: _____

    _____

    _____

    _____

2. Markets or customers served: _____

    _____

    _____

    _____

3. Market positioning: _____

    _____

    _____

    _____

4. Business function: _____

    _____

    _____

    _____

5. Business philosophy and values: _____

    _____

    _____

    _____

6. Major customer types: _____

    _____

    _____

    _____

Use the attributes listed at the beginning of the exercise and the results from the form to write a mission statement for the organization:

_____

_____

_____

_____

_____

PV-5.4

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS ANALYSIS WORKSHEET

Make entries in each of the four areas below. For each item entered, specify which performance area it falls under. The performance areas are—

Financial (F), Customer (C), Internal Operations (O), People/Learning (P), and Suppliers (S).

	Helpful to Achieving the Overall Objectives	*Harmful to Achieving the Overall Objectives*
Internal attributes (controllable)	STRENGTHS	WEAKNESSES
External conditions (not controllable)	OPPORTUNITIES	THREATS

After you have completed the table, review it to decide whether or not, based upon the analysis, the organization can achieve its overall objectives.

As previously stated, you can use this strengths, weaknesses, opportunities, threats (SWOT) analysis as preparation for setting the overall objective, and again after the preliminary determination of the organization's mission or overall objective to reevaluate the overall objective and to develop strategies.

SWOT analysis can be used to assist in the development of underlying objectives and strategies which support the organization's mission. You might ask the following questions:

1. How can these strengths be used to achieve the organization's mission?

2. How can each weakness be eliminated, allowing the organization to achieve its mission?

3. How can the opportunities be capitalized upon to achieve the mission?

4. How can each threat be deflected, allowing the organization to achieve its mission?

PV-5.5

BUSINESS LIFE-CYCLE TOOL

Use this traditional planning tool to help interpret performance in a broader context. Ask planning participants to identify characteristics of the enterprise and market conditions in which it operates. Then place these characteristics on the life-cycle curve to accurately describe the client organization and help understand some of its strengths and weaknesses. Use this tool as an input to the SWOT analysis.

START UP	GROWTH	MATURITY	REVITALIZE/DECLINE
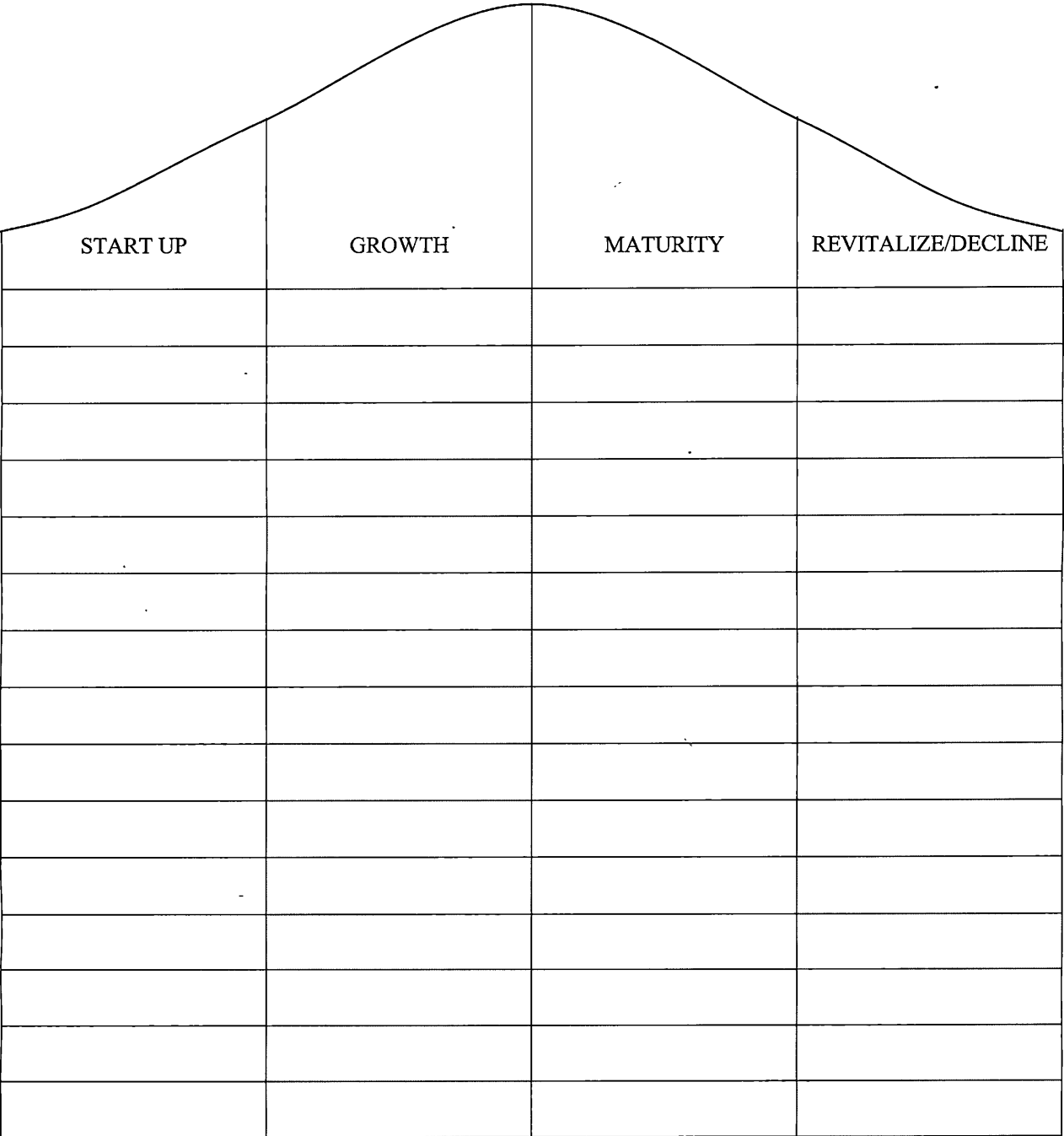
PV-5.6

STRATEGIC PLANNING ELEMENTS

Use the space below to list the elements of the organization's strategy and objectives to begin building the foundation for further discussion into the business truths.

Mission: _____

_____

_____

_____

Vision: _____

_____

_____

Values: _____

_____

_____

_____

_____

_____

Goals and
objectives: _____

_____

_____

_____

_____

_____

_____

_____

Strategies: _____

_____

_____

_____

_____

Chapter 6

DETERMINING CRITICAL SUCCESS FACTORS
Knowing the Right Roads to Take

DETERMINING CRITICAL SUCCESS FACTORS
Knowing the Right Roads to Take

In trip planning, the CPA has completed preparations for some extensive travel. Now, solid preparation work delivers a payoff—offering a well-informed selection of alternative routes so the most effective (that is, the fastest, shortest, lowest cost, scenic, adventurous) routes to the destination will be selected. Although many alternative routes will work, only the right combination will deliver the sights, timeliness, safety, comfort, and speed that we desire. Choosing well is critical.

CRITICAL SUCCESS FACTORS

Critical success factors (CSFs) can be qualitative and subjective issues, such as having a management succession plan in place, having the ability to hire talented new people, or having a leadership reputation for integrity, or highly quantitative indicators, such as achieving 99 percent product quality or generating 20 percent new customers each year. Both types will probably be required in a CPA Performance View initiative.

MAJOR STEPS

Assessing Business Truths

↓

Vision/Mission Statements

↓

S.W.O.T. Analysis

+

Critical Success Factors

Addressing Key Business Questions

WHERE ARE WE NOW?
   Output: Situation analysis of strengths, weaknesses, opportunities and threats.

WHAT TYPE OF ORGANIZATION DO WE WANT TO BE?
   Output: Vision Statement.

WHY ARE WE IN BUSINESS?
   Output: Mission Statement.

WHERE DO WE WANT TO BE?
   Output: Objectives and goals for future markets, services, growth and profits.

HOW DO WE GET THERE?
   Output: Critical Success Factors to achieve objectives and goals.

A CSF is something essential for an organization to accomplish what it has declared in its vision and mission statements. Everyday examples of CSFs in use by businesses are discussed in the following section. (See table 6.1 for a list of examples of CSFs.)

<table>
<tr><td colspan="2" align="center">**Table 6.1 Examples of CSFs**</td></tr>
<tr><td>• Management succession plan in place</td><td>• Key raw material supplies received on a timely basis</td></tr>
<tr><td>• Increase partner revenue</td><td>• Maintain customer satisfaction rating</td></tr>
<tr><td>• Hold market share in mature product categories</td><td>• Retain 85 percent of customers</td></tr>
<tr><td>• Employee satisfaction levels up from previous survey</td><td>• Performance of new hires above last year</td></tr>
<tr><td>• Community image improved</td><td>• Limit litigation expense outlays</td></tr>
<tr><td>• Return on assets in top quartile of benchmark companies</td><td>• Debt-to-equity ratio under 2:0</td></tr>
<tr><td>• EVA increased by $500,000 this year</td><td>• Lower accounts receivable aging</td></tr>
<tr><td>• Increase volume of claims processed</td><td>• Increase inventory turnover</td></tr>
</table>

Selection Criteria for CSFs

Working with the client planning team, a systematic review process will lead to selection of CSFs that are right for this client and its specific circumstances. Use planning team input from the earlier assessment processes, particularly the SWOT analysis, to—

1. Generate a complete listing of all potential CSFs.

2. Sort through this list using the mandatory screening of key attributes to arrive at a shorter list.

3. Use paired comparison techniques on this shorter list to arrive at a handful of top CSFs.

4. Enter CSFs into *CPA Views* software and balance across performance areas.

5. Use a final filter of desirable criteria to finally select and polish the chosen CSFs.

MANDATORY SCREENING CRITERIA

The following sections discuss the screening criteria.

Clarify the Link Between Strategic Direction and Vision and Mission

That CSFs should be linked to broad strategic vision and mission may seem obvious, but the connection is often passed by in the excitement to plunge into the planning process. Teams can become so energized

and focused in the short term on urgent issues at hand that broad strategic drivers are forgotten. A good approach is to use a bullet-point summary of the organization's vision and mission to make sure major directions are clearly in view and serve as a frame into which CSFs must fit. Using strategic direction makes clearer some indicators of success that may not be evident from past history or current reporting systems.

Emphasize Strengths

Most organizations will have several noteworthy strengths. The planning team should explore these for leverage and ways to take full advantage in a competitive marketplace. Every balanced business plan will have an emphasis on strengths. Too little focus on strengths may indicate an overly defensive mentality.

Address Weaknesses

Similarly, if the organization has identified a deficiency that can be exploited by competitors, a CSF must address this issue. Use the SWOT analysis from earlier work to identify key strengths and weaknesses, and evaluate these for importance as CSFs. For example, many customers are moving toward single sourcing for operating supplies and raw materials. Integrated supply contracts are a significant factor in many industries today going to single sourcing. In many situations involving rapid technological change, falling behind the adoption curve can be so harmful that a CSF should be developed to emphasize the need for testing and applying new technology at every regular interval.

Balance CSFs Across Five Key Performance Areas

Key views or performance areas have been identified in assessment. Ensure that the CSFs from each area are used:

- Financial

- Customer

- Internal operations

- People

- Suppliers and partners

Each of these performance areas is important and must be balanced to achieve maximum results. Make sure CSFs are developed in each of these areas, and do not omit one or more areas. Other performance areas can be added or modified in response to unique circumstances in the client's market and community. Enter CSFs into *CPA Views* under each performance area. This will give you a hierarchical output of CSFs and help in balancing them across the performance areas.

Identify Owners for Every CSF

The final step in screening CSFs is ensuring there is a person who is the "owner." If an owner cannot be found for a CSF, you do not have a usable source of information. Being the owner means being closest to the activity, probably with direct operating responsibility for this area of performance and therefore reporting. The benefit of having identified owners is bringing expertise and practical, hands-on

experience, and being realistic in how the CSF is defined and validated as a leading indicator. In all likelihood, the owner will become involved with the implementation of the CPA Performance View process if this CSF is later selected and targeted for measurement. Owners can be found at all levels of the organization and in practically any functional area. *CPA Views* has a function that places an owner over each CSF.

PAIRED COMPARISONS

PV-6.1
With the CSFs that emerge from this screening, further reduce their number by using a paired comparison process, either manual or electronic. Several tools are available and have demonstrated practical benefits. One is manually doing paired comparisons to narrow down from many to few factors in a short time. This is readily customized to the client's circumstances, and can be adapted to fit a wide range of firms.

(See PV-6.1, "The Paired Comparison Exercise.")

If feedback is desired from a broad cross-section of the organization, certain electronic tools can be applicable. Wireless keypads use a ten-key response mechanism in the hands of up to 150 people who simultaneously answer fast-paced questions in comparisons that quickly derive a short list of key issues. In sensitive areas, these responses can be received anonymously, and feedback can be categorized by function. Again, *CPA Views* can be used to display the desired CSFs to those in the organization affected by them while limiting access to all others.

ADDITIONAL SCREENING CRITERIA

Certain considerations may be useful in final selection of CSFs (see table 6.2, Additional Screening Criteria).

Table 6.2 Additional Screening Criteria	
• Contains both short- and long-range aspects	• Attention given to customer requirements and things customers measure themselves, both internal and external
• Leadership's attention focused on factors that have most impact on results of the organization	• A customized matrix used to evaluate complex situations
• Reasonableness test that is grounded in reality	• Team of knowledgeable people's endorsement
• Empirical validation used wherever possible	

Looking in more depth at each of these factors may be helpful once the list has been shortened. These selection criteria may be presented to the planning team, asking them to identify and invite content experts (internal people, suppliers, and customers) recognized for their knowledge on each relevant issue to prepare and present their views to the team at a later meeting.

Short- and Long-Range Aspects

A sound strategic framework will have both a long- and short-range focus, so make sure you select CSFs that contain both aspects. Many significant changes in an enterprise require more than a year to accomplish. Ask the planning team to carefully look from a multiyear standpoint. Include information from the assessment. Using a format that shows a three-year timeframe may be a helpful discipline to stretch thinking out to a forward horizon not typically considered in daily operational responsibilities. A short-range CSF could be "Retain 90 percent of current customers" and a long-term CSF could be "Grow customer base by more than 15 percent per year." Pay attention to tangible aspects, and look carefully at people-related issues. In strong markets for employment, finding and retaining qualified people is a major concern. People issues over the long-range planning horizon could be one of the most significant areas of interest.

The Difference Between Outcomes and Outputs

Considering subtle differences between outcomes and outputs can help select the proper CSFs. Outputs are components of a value chain that integrate into subsequent activities and are typically tangible issues. Outcomes, on the other hand, are usually more tangible and are closer to the end results that will be measured and managed for optimum value. Ask the planning team for their careful deliberation on outcomes, and do not get too preoccupied with outputs that become components of an integrated value proposition near the end of the value chain. An example of an outcome is increased customer satisfaction. An output is zero defects.

(See PV-6.2, "Value Chain Illustration.")

Customer Requirements, Both Internal and External

In selecting CSFs, look for customer requirements and the performance attributes customers measure themselves. If an existing sales process has been documented, use this as a reference guide. Customers that are well understood will have clear and explicit requirements of their suppliers. If no information were available, a quick survey of key customers would be helpful to find out what the variables are that other companies, especially important customers or companies like yours, regularly monitor. Do not reinvent the wheel here. Look for existing methods that have been developed and refined and that have stood the test of repeated usage.

Factors With the Most Impact on Results

A less scientific approach to determining CSFs asks leaders, "What are factors that have the biggest impact on the whole organization or divisional, departmental, or functional results?" By seeking responses that come immediately to mind, it is possible to involve many different areas of the organization.

This input can be gathered early in the planning process. Short one-page questionnaires can be sent to many potential participants, and their replies can be accumulated and tallied to help frame subsequent efforts to select CSFs. With this more subjective feedback, the planning coordinator can form a list of factors and then ask the planning team to select their top five, so the focus is on fewer variables that can have the most positive or negative impact on results.

Broad surveys can help participants see if there are obviously critical functions. Often other areas of a business can see more clearly how important specific activities are to the overall performance of the entire business process. Examples of key issues emerging from organization-wide surveys are as follows:

- Initial impressions customers receive from service representatives on the phone

- Accuracy of order fulfillment

- Percentage of incoming raw materials or components that are substandard

- Timeliness of deliveries

The CPA can tailor a short but hard-hitting list of questions based on knowledge of the client organization. Internal leaders can help frame these questions. The value of brief, immediate responses is not overthinking or overanalyzing issues that are relatively obvious to most workers.

Customized Matrix for Complex Situations

A more scientific approach uses a matrix built to exactly fit the client's circumstances. This tool is much like using a mailbox sorting procedure. On one axis of a rectangle are noted several related performance attributes, each with its own row across, such as operating activities in a sequence-like production scheduling: material resource planning, value-added operations, inventory controls, order entry, customer documentation, order fulfillment, shipping and distribution, invoicing, and gross margin reconciliation. Then, in columns across the top of the rectangle, place a different set of activities that are controllable by the client. Factors may include, for example, demand predictability, flexibility in production scheduling, manufacturing response time, quality of output, customer response time, pricing, competitive activities, distribution channel control, and customer purchase cycle.

The planning team then methodically evaluates each variable in the operating sequence for each variable in the rows across the matrix. A rating can be placed in each cell. Using a simple four-point scale is workable, because there is no midpoint, forcing either a positive or negative response. After all the cells have been evaluated, a better picture will be available to guide the selection of CSFs.

PV-6.3

(See PV-6.3, "Critical Success Factor Determinant Worksheet.")

Reasonableness Test

As planning efforts at this stage draw to a close, work done by the team should have stimulated new examination of what the organization does that will be critical to success. Now this team will be challenged to pass a test of reasonableness for the CSFs selected. A simple principle is to be grounded in reality, not simply carrying out a lofty academic or theoretical exercise. Outlined below are several suggestions to use reasonableness as the yardstick.

- *Start with a zero base*. Don't assume any existing tools or indicators are right. Take a "show me" approach and demand proof of validity to accept any CSF.

- *Find the right amount*. If the planning team arrives at twenty CSFs, this is too many. If there are only three, this is too few. No hard and fast rules apply here, so use common sense.

- *Keep it simple.* We have heard this maxim many times, and it certainly applies to what is considered critical for success in new measures of performance and value for an enterprise.

CSFs must have intuitive simplicity. Workers must be able to see, hear, and quickly understand why they are critical. If a factor originates in an individual's department, that person must be especially supportive of its relevance and usefulness in signaling future results that are desirable. One further word of advice: Start with a small number of factors that matter the most. As the planning team becomes more proficient with this process, it is feasible to add more factors at a later point, possibly even after a midyear review.

Endorsement From Knowledgeable People

As critical success factors are identified, it will add credibility to the overall process if high profile leaders in the organization are involved. If not on the planning team, then invite respected leaders to review and comment on the CSFs selected for later use in the CPA Performance View process. If internal "experts" have questions, address these concerns. Then ask for a tangible, public expression of support. This support should be natural and readily forthcoming if the selection process has been conducted with practicality and broad functional involvement. It will line up squarely with experience. In all likelihood, many of these same organizational leaders will be asked to get involved later in the implementation stage.

Empirical Validation

Wherever possible, the final selection of CSFs should have empirical evidence to demonstrate how a particular factor is representative of future success. Evidence can be extracted from existing reports or process controls. Validation is found in anecdotal evidence, which can then be reduced to more objectively measurable indicators. For many enterprises today, performance is interdependent. Many variables impinge upon and influence each other. A proven method for bringing together many interactive variables is a list that uses weighting to merge several factors in a complex, interactive setting. Assign importance weights to each factor, and then accumulate each cluster or grouping of factors with a total that is established by adding together the component parts that have been assigned their respective weights. Even though this approach may attribute a degree of accuracy that is in part assumed, it does bring a logical discipline to a blending process for complex factors.

(See PV-6.4, "Critical Success Factors Worksheet".)

BALANCE CHECK

At this final stage of selecting the right CSFs, make sure all five performance areas are being addressed. Does each one contribute to achievement of the vision and mission of the organization? To ensure balanced consideration is given to each area, use a matrix approach with five performance areas along one axis and different CSFs across the other axis, assigning different weights to those CSFs judged to be more important. These CSFs can each be rated 1.0 for importance, using a 1.5 or 2.0 for those few that are essential.

MAINTAINING PLANNING TEAM INTEREST

At a point that may be months from the starting date, the initial excitement of developing new performance measures may wear off. To recharge the planning teams' enthusiasm, an appreciation dinner or lunch hosted by leadership with the project champion can make a big difference. The key message is why the process has been initiated, and to hear some positive comments on progress achieved. Saying thank you goes a long way.

ITINERARY CHECK

At this stage of preparation for the CPA's journey, the planning team and its leader—either the CPA or an internal champion for the CPA Performance View process—should be confident of the following outcomes:

1.   They have identified critical success factors, which are judged to be essential to performance of the client organization driven by the vision and mission.

2.   They have used screening criteria to select a limited number of CSFs, moving from many options to few.

3.   They have balanced CSFs across all performance areas.

4.   CSFs are linked back to the strategic direction emerging from assessment.

5.   Planning team members, and some workers—possibly owners of CSFs—are beginning to see the payoff and validity of selecting a small number of factors to watch closely and manage.

6.   Increasing time spent with the CPA Performance View process is beginning to reduce the fear of being measured.

7.   Workers and managers are experiencing an increased willingness to be accountable for CSFs because they see the logical and intuitive value in paying attention to these factors.

8.   Owners have been identified for each critical success factor selected.

PV-6.1

THE PAIRED COMPARISON EXERCISE

DIRECTIONS

1. Read through each of the critical success factors thoroughly.

2. Using the Paired Comparison Analysis Form that follows, compare critical success factor number 1 with critical success factor number 2, and circle the number you believe is more important for the organization to accomplish for its vision to become a reality.

3. Continue down the first column, comparing number 1 with each critical success factor independently. For instance, compare critical success factor number 1 with critical success factor number 3, and circle the number that you believe is more important for the organization. For example, if you believe critical success factor number 1 is more important than number 2, number 3 is more important than number 1, and number 1 is more important than number 4, your paired comparison form would look like this:

4. Repeat this process for each column comparing number 2 with number 3, and so on until each critical success factor is compared with all the others. If you completed the form properly, forty-five numbers will be circled for a base of ten critical success factors (9+8+7+6+5+4+3+2+1 = 45).

5. Now, tabulate your scores by counting the number of times you circled number 1 and recording that number in the "Your Totals" column to the right of critical success factor 1. Count the number of times you circled number 2 and record that number to the right of critical success factor 2. Continue until all your scores are recorded. Check your work by adding the numbers in the "Your Totals" column. The result should be 45. If your total does not equal 45, recheck your addition.

6. Finally, rank your priorities in order. Identify the critical success factor with the highest score in the "Your Totals" column and place the number 1 in the "Your Priorities" column next to the critical success factor. Identify the second highest score and place the number 2 next to that critical success factor. Continue until all your critical success factors are ranked.

This exercise can be done for any number of critical success factors. The form uses ten as an example and guide. One use of this form is to pare down the critical success factors identified to a manageable number.

This form can either be completed along with the client or given to the client as an assignment for a subsequent meeting.

PAIRED COMPARISON ANALYSIS FORM

1	2																
1	3	2	3														
1	4	2	4	3	4												
1	5	2	5	3	5	4	5										
1	6	2	6	3	6	4	6	5	6								
1	7	2	7	3	7	4	7	5	7	6	7						
1	8	2	8	3	8	4	8	5	8	6	8	7	8				
1	9	2	9	3	9	4	9	5	9	6	9	7	9	8	9		
1	10	2	10	3	10	4	10	5	10	6	10	7	10	8	10	9	10

ALTERNATIVES	*A* *Your Totals*	*B* *Your Priorities*	*C* *Group Totals*	*D* *Group Priorities*
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

PV-6.2

VALUE CHAIN ILLUSTRATION

1. INPUTS

- Skilled, motivated, happy employees
- Customer requirements
- Raw materials
- Components
- Capital

A INPUT MEASURES

1. Employee satisfaction
2. Supplier performance
3. Financial measures

2. PROCESSING SYSTEM

- Design of products, services
- Production of products
- Performance of services
- Delivery, distribution of products, services
- Servicing products

B PROCESS MEASURES

1. Processes, operational measures
2. Safety, environmental measures
3. Financial measures

3. OUTPUTS

- Products
- Services
- Financial results

C OUTPUT MEASURES

1. Product and service quality measures
2. Financial performance measures

4. OUTCOMES

- Delighted customers
- Customers' needs met

D OUTPUT MEASURES

1. Customer satisfaction

5. GOAL

Repeat business
—
Long-term survival

PV-6.3

CRITICAL SUCCESS FACTOR DETERMINANT WORKSHEET

Place performance attributes that are important within the organization on the vertical axis. Place controllable activities that make up the organization on the horizontal axis.

Weight each controllable activity on a scale of 1 to 10 based on their relative importance. In each box of the matrix evaluate the combination of performance attribute and controllable activity by assigning it a numerical value from 1 to 4 (4 being the best). Total the columns and then multiply the results by the weights. The score achieved then highlights the controllable activities most important to the organization. Use these to arrive at the organization's critical success factors.

Controllable Activities											
Evaluate each box of the matrix by ranking them from 1 to 4, best being 4.											
Weight											
Total											
Weighted Total											

Performance Attributes

86

PV-6.4

CRITICAL SUCCESS FACTORS WORKSHEET

Use this worksheet to accumulate the critical success factors of the organization. Refer to it at periods throughout the process to make sure there are critical success factors in each performance area.

Critical success factors (CSFs)										
CSF weight										
Performance area										
Balanced across performance areas										
Linked to strategic direction										
Value creating elements										
Both long- and short-term aspects										
Endorsed by the team										
Reasonable										
Future focused										
Other:										
Other:										
Other:										
Other:										

Chapter 7

DEFINING PERFORMANCE MEASURES
Knowing Where We Are on the Map

DEFINING PERFORMANCE MEASURES

Knowing Where We Are on the Map

CPAs preparing for a trip have arrived at an important stage—deciding what milestones are important to mark the chosen route of travel and to keep track of progress toward the ultimate destination. Some stretches of the journey, such as an open freeway between major cities or points of interest, will be smooth and quickly traveled. Other days on the trip will be slower, as time is devoted to scenic stops or negotiating mountain roads in less traveled and poorly marked regions. Some periods of slow travel may feel unproductive but in reality are adding valuable new understanding of the terrain being traveled. Whatever the course of travel, it is essential to know if the traveler is making progress. It is easier to use existing milestones, but often these do not serve the purposes of the traveler, so new measures of progress must be identified specifically for this unique trip.

Broadly speaking, performance measures are a consistent value-adding process of identifying critical success factors that lead to measures that can be tracked over time to assess progress made in achieving specific targets linked to an entity's vision. Performance measures are an organized, consistent process of linking an organization's desired future performance with current information that is predictive of logical and consequential results. The best performance measures are "top-down" and "bottom-up" approaches to implementing improvement methods. Done properly, performance measures will involve leadership, operational managers, department supervisors, and front line work groups.

EXPAND TEAM INVOLVEMENT

Key at this stage is more involvement of operating-level people from the shop floor and front lines serving customers. By having a decidedly practical representation on the planning team, benefits will be evident in setting measures, helping communicate reasons to the whole organization for new performance measures, and getting buy-in at time of implementation. Publishing critical success factors (CSFs) to the whole organization is effective as a preselling step.

Next, interview department level and shop floor workers. Describe performance measures in nonthreatening, little steps. Then bring new performance measures right down to the shop and show workers how the new process works. Be clear that new measurement tools are not stone tablets from the mountaintop, but rather an initial starting point that can and likely will be changed as evidence mounts.

ANALYZE EXISTING METRICS

Broadly defined, metrics are new units of measurement, or dimensions, used to quantify specific changes in performance. The CPA and planning team need to develop their own unique definition of metrics for the client organization. A further step in defining metrics is taking an accurate picture of the tools now being used. What measurement metrics are currently being used? Any nonfinancial measures? Are large-scale process changes or reengineering efforts now being implemented? Metrics for results usually appear on a scorecard. Metrics for processes focus attention on places where improvements will have the greatest impact. Some useful sources of existing metrics may be results, or the processes that cause these results:

- Traditional financial reporting systems

- Traditional employee information systems

- Historical financial reports

- ISO 9000

- Continuous quality improvement

- SPC reports

- Supply contract measurements

It may be helpful at this point to go back to the original inventory of planning documents and information sources to look for useful metrics in new performance measures.

(See PV-3.4, "Checklist for Planning Documents and Existing or Prior Consulting Relationships.")

PV-3.4

Select Metrics That Fit

A test of new measures is face validity. Are measures selected obvious and sensible? Do measures flow naturally from the activities and processes? Some natural metrics are—

- Orders booked minus shipments equals backlog.

- Shipments minus returns equals customer acceptance.

- Total work shift hours minus downtime equals productivity.

- Product sales price plus service fees equals revenue.

Natural Metrics				
Orders booked	-	Shipments	=	Backlog
Shipments	-	Returns	=	Customer Acceptance
Total work shift hours	-	Downtime	=	Productivity
Product sales price	+	Service fees	=	Revenue

Keep in mind that not all valid measures are numeric. Some accurate indicators are qualitative, and need a "Yes", "No", "In", or "Out" measurement. A manufacturer of children's playground equipment typically assembled by volunteers identified one critical measure of their success: "Delivery of 100 percent of the components to the same place at the same time." Some further examples of logical metrics that have been applied with success are shown in the graphic above.

Test New Metrics

The way selected metrics fit is determined by this test, which has both tangible and intangible dimensions. Are they—

- Understandable? Do they have face validity that can be easily grasped by others?

- Reliable? Do they have little or no chance for error or false reading?

- Accessible? Are they easily obtained from recurring operations and systems now in place?

- Reported often? Are there timely and frequent measures?

- Free from bias? Are they open to third-party information for verification?

- Relevant? Do they have natural, logical, and direct applications?

- Consistent? Will the same reading be obtained repeatedly, given the same operating conditions?

- Comparable? Do they allow analogous measures to be substituted without distorting immediate results?

- Passionate? Do they inspire individual commitment to achieve a given performance or attribute?

PV-7.1

(See PV-7.1, "Measurement Evaluation Worksheet.")

PROCESS INDICATORS VERSUS PERFORMANCE MEASURES

Can the planning team distinguish between process indicators and performance measurements? Process measures will be useful in arriving at an understanding of critical success factors. Examples of process measures are throughput rates or efficiency per unit of time or labor inputs. Performance measures now in use are likely to be historical measures but can be helpful in identifying forward-looking measures. An example of this is bad debt expense as an early indicator of weakening financial performance. Ask the planning team to be clear about whether baselines coming out of the assessment are related to process steps or performance outputs. Some widely used tools that are based on inputs, processes, and outputs are:

Inputs	*Processes*	*Outputs*
Employees	Design	Products
Customer requirements	Production	Services
Raw materials	Performance of services	Financial results
Intellectual capital	Distribution	
Components		
Capital		

Measures	*Processes*	*Outputs*
Employee satisfaction	Process measurements	Product quality
Supplier performance	Operating measurements	Service quality
Financial reports	Environmental quality	Financial performance
Theory of constraints	ISO 9000	
	CQI	

PV-7.2

(See PV-7.2, "Measurement Selection Worksheet.")

BEGIN MEASUREMENT

New ways to measure performance of an enterprise begin at this stage of the CPA Performance View process. This is where intuition and thinking "out of the box" can strengthen the process. Having some creative, nontraditional thinkers on the planning team will be important at this stage. In addition to the team members already identified, several creative, nonlinear thinking types may be invited to help during the next few meetings. Suggestions include engineering, customer service, operations, marketing, and communications expertise. Look over the composition of the planning team and add people known to be innovative thinkers.

PV-3.5

(See PV-3.5, "Team Assignments Worksheet.")

Expect Challenges

Organizations and departments will challenge this process. As a general rule, people do not like to be measured. Any attempt to replace old or add new measures will be met with a natural and very human resistance to change. Expect this, but do not be intimidated by objections. Look for challenge areas as indicators of sensitivity, and use initial resistance as a positive way to harness this energy. Invite users of established measures to talk about their experiences, using the following questions as guidelines:

- What do you like about the current measurement tools in use?

- What limitations do existing measures have?

- Are current indicators in use relatively easy to understand?

- How reliable are existing measurements?

Be prepared to describe the CPA Performance View process with logic and reason. Address questions with a positive, not defensive, mentality. Have multiple reasons ready for informal conversations about why changes are being considered and benefits expected.

PV-7.3

People not yet involved in CPA Performance View services need to be brought into this process. Help these new contributors understand the initiative's practical values. Make sure experience is added from front-line and supervisory levels. Build a bridge from management to daily operations. Team members at the operating level who understand this new procedure will help sell the CPA Performance View process to the rest of the organization at later steps in the process.

(See PV-7.3, "Resistance and Response Worksheet.")

Determine What Different Audiences Want

Not all audiences want or need to hear the same information. Regulatory bodies may want to know how the watch is made, but most people just want to know the right time. The most dependable way to know accurately what audiences want to hear is to ask them directly. Members of the planning team can each call a few names to help conduct telephone interviews, asking, "What information will be useful to you and your department?" and "What decisions will you make with this information?" Gather up a handful of these responses and then summarize the direction being set. A practical rule of thumb on sampling is to

stop asking respondents when you start to hear the same responses. Compile findings to arrive at a listing of uses for new performance measures. Use this information to define the type and amount of detail that will be required to satisfy each audience. Some examples of the practical usage different audiences may make of performance measures are—

- Information.

- Decision making.

- Compliance.

- Work direction.

- Process controls.

- Resource management.

INVENTORY MEASUREMENTS IN USE

Use the planning team to capture a thorough list of measurements now available and in use. A practical method is constructing a matrix to ensure the same information is gathered for each measurement tool. As the practice aid PV-7.4 shows, on one axis list all current performance measures in use by the client. On the other axis, show how each tool is being used, by considering such questions as—

- How often is this information gathered?

- Who is responsible?

- What is the reporting frequency for this data?

- How often is this information needed?

- How reliable and automated is this information?

- Where does this information go?

- What decisions are triggered by this report?

- How satisfied are users with the existing measurement tool?

PV-7.4

This test of performance metrics will focus on gaps that may exist. Existing measurements may be useful, but often new measurements will be required. Other attributes of performance may be identified and added to this inventory matrix as the team digs deeper into the existing inventory of current tools and comes to a better understanding of which tools are most indicative of desired performance. Another tool that can assist with this is the *CPA Views* software. Take the view that has already been constructed down to the CSF level. Add to it under the appropriate CSF existing performance measurements of the organization. This may identify CSFs, outcome measures or performance areas not previously exposed.

(See PV-7.4, "Existing Performance Measures.")

REFER TO CRITICAL SUCCESS FACTORS

Now the CPA leading this process and planning team will start to experience a significant payback on work done building the foundation, earlier. Grouping CSFs into "performance areas" or "views" will help in creating a balance in strategy. A "performance area" or "view" is a group of CSFs that represent key values in the performance of an enterprise. Examples of different "performance areas" are—

- Employee satisfaction.

- Supplier performance.

- Operational performance.

- Products and services available.

- Public responsibility.

- Customer satisfaction.

- Financial performance.

Use CSFs to pinpoint vital dimensions of performance that must be measured. Concentrate on leading indicators. Ask the team to define measures that will accurately capture information on whether a CSF is being accomplished. Not all CSFs will need to be measured because some will be integrated into downstream value-added activities or will have meaningful measurement at a later step in the value chain. Do not let your list of measures get too long at this early point in building a CPA Performance View system.

Start With Narrow, Company-Specific Measures

Select measures that are obtained from internal sources that can be managed or altered to become responsive. It is hard enough to make changes in measuring performance, so start with data points that are reliable and do not need to be invented. Whenever feasible, look upstream to simplify the information required. One example is to measure the quality of major components or subassemblies rather than the quality of finished goods. Another example is to measure the consistency of a few raw material supplies rather than a full line of inputs. As an example, inventory levels are validated by doing regular cycle counts for key items, but not the whole line, in accounting audits.

Add External Measures

Look further downstream and outside the walls for new measures. Look for performance that is seen by external customers, not necessarily what a CPA or financial reporting system will see. Keep a keen eye open for performance that distinguishes one organization from another in ways, such as—

- Uniqueness in the eyes of a customer.

- Performing with partners in distinctive ways.

- Gaining recognition in the community for particular actions.

- Acquiring a reputation for values that are desirable.

These examples of external measures effectively sum up many preceding actions by a client organization. Tie external measures to internal ones by arranging these in proper chronological sequence.

Examine Functional Perspectives

Different skills represented on the planning team will bring different perspectives. An effective team will be cross-functional. Invite a diverse cross-section of skills from the organization to help define appropriate measures linked to CSFs. Each functional department has its own way of knowing when work is on target. Ask the whole team to cooperate by listening well to each other and then summarizing what was heard.

With a list of desired performance indicators to be measured, it will be helpful to scan each functional area of the organization. Using the cross-section of skills brought by the whole team, look into each department as a potential source of information needed. Table 7.1 contains some examples.

Table 7.1 Performance Indicators by Functional Area								
Measures	New Customers Added Each Quarter	Accuracy, Order Fill	Availability to Ship, on-Time Delivery	Throughput, Value Added, Work in Process	System up Time, Calls to the Help Desk	Cash Flow, Total Cash Cycle Time	New Patents Issued	Concept to Market Time
Functional areas								
Marketing/sales								
Order entry/ customer service								
Distribution								
Manufacturing/ operations								
Information Systems								
Finance								
Technology								
Research & development								
Human resources								
Suppliers/ vendors								
Legal/ regulatory								
Shareholders								

(See PV-7.5, "Performance Measures by Functional Area.")

PV-7.5

BALANCE FINANCIAL AND NONFINANCIAL FACTORS

One of the more challenging aspects of this planning work may be identifying factors that are nonfinancial. Most managers are accustomed to monthly financial statements and other revenue- and cost-based reports. CPAs are experienced with financial measures; however, their experience using nonfinancial tools is limited. It is very difficult to drive a car by looking out the rear-view mirror. New steps looking into nonfinancial factors may be quite challenging and can be very rewarding. Invite the planning team to look elsewhere in the organization for CSFs. By referring to work that has been completed at this point, several important issues may have been identified by the team. Use earlier work as a springboard to evaluate nonfinancial factors as well as traditional ways of monitoring activities that will lead predictably to positive performance. Some examples are—

- Quality of management team.

- Management credibility to investors.

- Execution of corporate strategy.

- Strength of market position.

- Global product or service availability.

- New product development effectiveness and predictability.

- Market share.

- Strength in distribution channels.

- Repeat sales to customers.

- Product durability.

"Financial Results are backward looking measures—essentially a post-mortem."

CONCENTRATE ON LEADING, NOT LAGGING, FACTORS

This requirement may be important in selecting CSFs. Traditional management training and experience is largely retrospective, so most managers today are not in the habit of looking ahead. One value of CPA Performance View services is their ability to report performance indicators in a time-sensitive manner that will allow managers to influence activities while there is still time available to change results. What are factors that, if identified early, will be indicators of negative results? Look for any condition that can be considered an early warning. Leading indicators give clues to what will happen downstream and at the end of process.

This application may be another beneficial use of software that maps process steps for a project or production system. Look upstream to identify inputs that can significantly affect later results. Be specific about where big value-added steps occur, and determine swing factors at these stages between poor value added and superior value added. Leading indicators in a product or service with a long development cycle may reach out more than one year. Make sure the planning team is given a clear challenge to identify several leading rather than lagging factors critical to the organization's success.

AVOID OVERLAP

As the planning team matches up different functional ways of measuring strong performance that deliver CSFs, align these possible data sources to eliminate contradictions and overlap. Examples of overlap might include measuring an order fill at the time of order entry and again at the time of shipment release to UPS or other carrier, or evaluating vendor performance at time of order placement and again on a quarterly basis. Cross-functional planning teams will have the best sensitivity for which variables are most important to measure and which variables can be telescoped into fewer measures.

KEEP IT SIMPLE

Use the principle of simplicity to select and define measures, that will form the foundation of the CPA Performance View process. The key is to stay focused on CSFs. Some companies have used as many as twenty and as few as four CSFs; generally five or six should be sufficient. Too many will lead to a dilution of effort, and the linkage back to vision and mission will get lost in the complexity. A successful planning consultant tells his clients, "Talk to me like I'm a third grader." Use the major performance areas already developed in earlier steps to guide the teams work:

- Financial

- Customer

- Internal Operations

- People

- Suppliers and Partners

Use the team's wealth of practical knowledge as a filter to screen out unnecessarily complex measures. Experienced operators develop a "feeling" for when systems are balanced and producing quality output. Look for evidence of these feeling-based measures of a process that is on-track and delivering added value. A "feeling" that performance is on track can also apply to intangible elements, especially in relationship-based settings. If a major determinant of successful performance is customer confidence in a salesperson or company, it is possible to measure this confidence by intangibles that come from direct visits, dialog, or responses to a standardized set of professional research questions. Sometimes the best measures of performance can be responses to straightforward questions such as, "What will it take for you to give us the order?"

DEVELOP INDUSTRY- OR MARKET-WIDE MEASURES

Eventually, if not at the outset, a goal of CPA Performance View services is to develop measures of performance that apply across an entire industry. Think of setting new industry standards by identifying practical new measurements of activities that lead to excellence in performance. If an industry-wide measure is not practical, look closer at hand to a market segment or customer group for measures that apply consistently. Again, a desirable point of reference is to think about a particular measure becoming the benchmark or standard of excellence for your markets served. Working backward from customer perceptions may offer clues. If the client organization is known for being best at customer service, learn from customers how this service excellence is described, and use that dimension as a measure to predict future performance. Look for external data points for external measures.

IDENTIFY INFORMATION OWNERS

Just as in trip planning, with CPA Performance View services you must look ahead to foresee what is on the horizon. Look around the organization for places and people involved with critical success factors, measures that will be predictive, with targets for performance measurement that will guide action plans quite naturally toward desired performance measurement information. Here are steps to define the owners:

- Planning team makes a list of all owners of desired information.

- Invite information owners to a briefing session.

- Explain or remind them of the overall purpose of CPA Performance View services.

- Present earlier work that has pointed to CSFs, new measures, and appropriate targets.

- Ask if there are questions about what is being done, and why.

- Request help from information owners in bringing their information into a new reporting system.

- Provide tools that can be used by owners to capture existing or new information.

- Set a near-term follow-up meeting to gather early results of information gathering.

- Use the planning team to examine input from information owners.

- Accept or modify new inputs.

- Affirm and reinforce good work with public acknowledgment.

- Pull together a reporting mechanism which integrates or interfaces different information flows.

Owners need to feel and see the benefits of this new system and gradually let go of old feelings of control.

INFORMATION GATHERING AND REPORTING

Once performance measures have been selected, official status must be given to the people and methods engaged in gathering this information. If new or simpler measures are selected, official public endorsement will be needed to authorize and sustain the change until it becomes well established. Appropriate training and proper authorization to use these tools will help give credibility across the organization, especially if the new measures require investment in systems or *CPA Views* software. Key aspects of information gathering include—

- Identify individual owners of new measures, either a person, team, or department.

- Determine the needed frequency of measurement.

- Provide a template for gathering and reporting information that integrates with other measures.

- Develop a flowchart showing how information aligns with value added and overall performance.
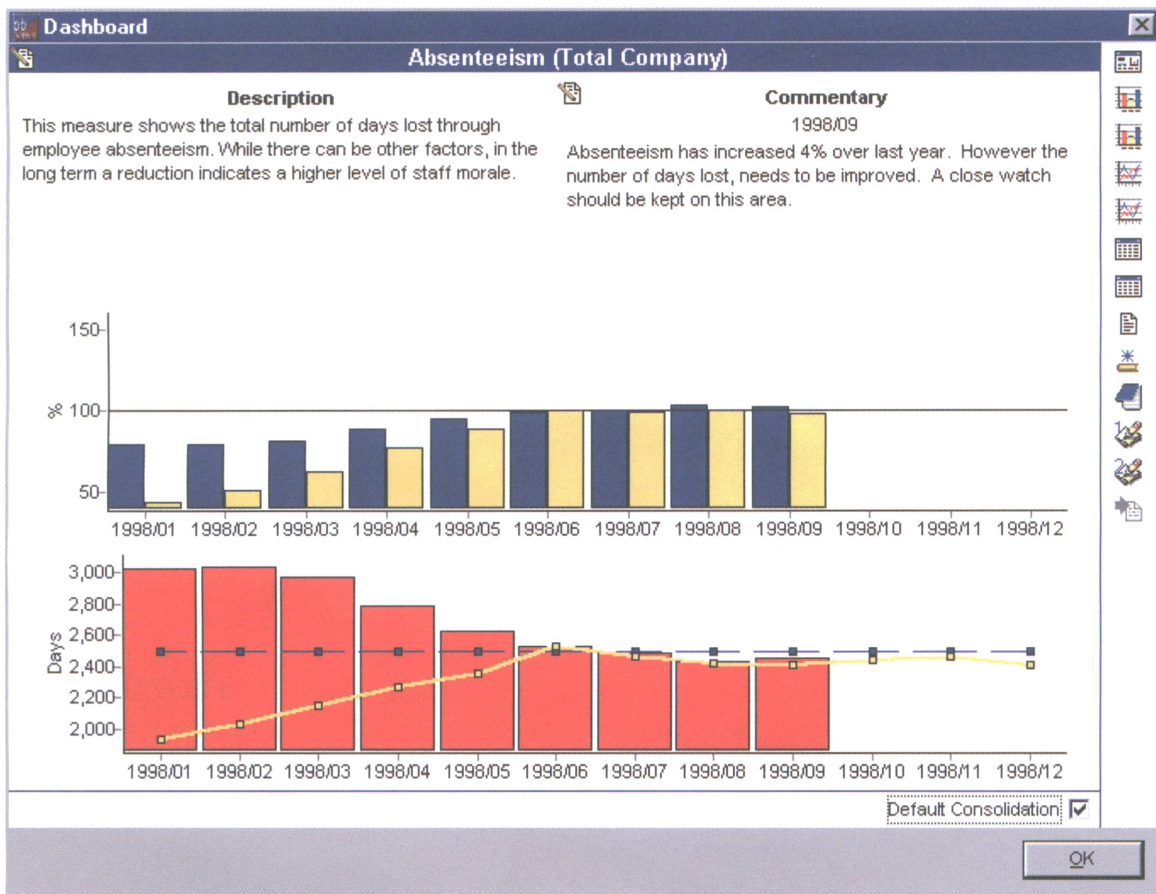
NEW METRICS IN SOFTWARE PLATFORMS

CPA Views software, used as a supplementary template for a free-standing plan, could manage planning input and outcomes. Traditional planning results flow seamlessly into new performance measures. The heart of CPA Performance View services is aligning goals with CSFs that can be measured within a target

range, and then communicating linkage between business actions and measured outcomes. When this process is working as it is intended, the result is an organization that changes its behavior consistent with its vision, and this achieves desired goals. Everybody wins.
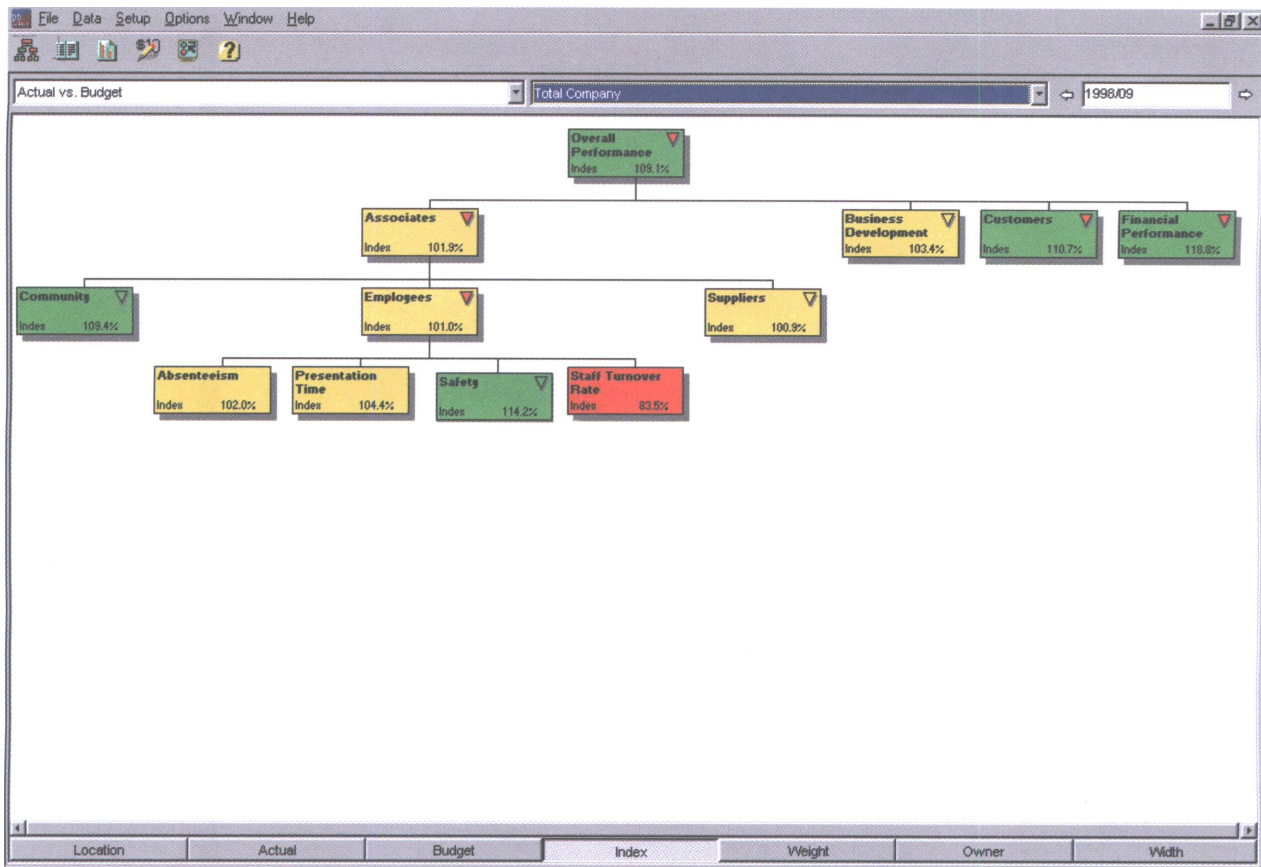
CUSTOMIZED SOFTWARE

New software has been tailored for use by CPAs and their clients. PerformanceSoft™, an established leader in performance measurement software, has partnered with the AICPA to release *CPA Views* 2.0, based on the technology of the market-leading PBViews software. The software features a market-tested graphic display package, easy-to-use wizards and intuitive, easy-to-understand measurement tools that can be customized precisely to clients' needs. Of particular value are the cascading features that allow a user to look at the performance measurement system in progressive waves of detail. As measures are identified in key functional or performance areas of the enterprise, this software captures data at different hierarchical levels for each measure identified. Customized reports can be generated as well as the software acting as a powerful electronic dashboard for management decision-making. Linkage to upstream and downstream process controls can be established, and the software will serve in a coordination role.

CPAs are invited to bring their own tools into practice for documenting, capturing, and managing data used in new performance measures. As practitioners experience leads to effective information gathering and reporting tools, the AICPA welcomes input to add to future editions of this guidebook.

DOCUMENT PROGRESS

Planning team accomplishments to this point need to be documented. An effective, easy-to-use tool is a chart showing major steps in the CPA Performance View process (see table 7.2), and the tangible work done at each of these intervals in the process. This progress chart will serve to recognize exemplary work and provide feedback, and it will also find application later as checklist in the action-planning stage in chapter 10. A suggested format is shown in the practice aid PV-7.6.

Table 7.2 Checklist					
CSFs Performance Area	Performance Measures	Measure Owners	Data Source	Frequency Gathered	Reporting Relationship
Financial					
Customer					
Internal operations					
People					
Suppliers and partners					

(See PV-7.6, "Performance Measures Summary Worksheet.")

PV-7.6

MAINTAIN PLANNING-TEAM ENERGY

Significant work has been done by the planning team. Many people have performed above and beyond the normal requirements of their job, and yet months likely remain until this process is completed. Energy could be wearing down. Leadership, particularly the planning team head, can rekindle enthusiasm by providing public recognition of excellent work being done. Formal accolades at a planning team meeting, or even better, a company-wide recognition at a meeting or event, could boost and help sustain planning team morale. Feedback, especially positive feedback, is strong reinforcement.

ITINERARY CHECK

Outcomes at this point in the CPA's journey into performance measures should be as follows. The CPA has—

1. Determined what measures now exist.

2. Defined new measures and how to go about gathering needed information.

3. Grouped CSFs into a workable, small number of key performance areas.

4. Established logical linkages that drive a few selected measures.

5. Identified owners and information gathering for new measures.

6. Created a practical description of how the organization will obtain information it needs.

7. Invited owners of information to be used in new measures into this planning process.

8. Introduced software (to be introduced in chapter 10) offering a new cascade of detail, including measures of performance.

9. Involved more people in the measurement process to build familiarity.

PV-7.1

MEASUREMENT EVALUATION WORKSHEET

This worksheet has several possible uses. Place the selected measurements in the boxes across the top of the matrix. For each measure determine a weight based upon its importance to achieving the strategic objectives of the organization. These weights can be in comparison to each other or independently on a simple scale such as 1 – 5. Fill in the performance area and owner and then mark an "X" in each criteria that applies. The aid can be used to pare-down to a smaller number the measure that have been identified, it can be used to determine if a selected measure is a good one or for a number of different reasons.

Measure										
Weight										
Performance area										
Critical success factor										
Owner										
Understandable										
Valid/reliable										
Actionable										
Responsive to change										
Timely										
Consistent										
Comparable										
Used as a predictor										
Free from bias										
Cost										
Clarity/passion										
Total										

Criteria

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PV-7.2

MEASUREMENT SELECTION WORKSHEET

Fundamental question: What do we need to measure to determine how successful we are in achieving this critical success factor?

Common misunderstanding: Do not confuse a measure with a goal or objective. For example, "zero defects" is an ideal goal, but it is not an indicator. Instead, use "number of defects," "percentage of defects," or "reject rate."

Filter preliminary measures: Each potential measure should be subjected to the following criteria to filter out undesirable, impractical, or disproportionately skewed measures.

Critical success factor:

Criteria	Potential Measures									
	1	2	3	4	5	6	7	8	9	10
Financial in nature										
Nonfinancial in nature										
Predictive in nature										
Nonpredictive in nature										
Data available										
Cost-effective										
Understandable										
Verifiable										
Relevant or linked to critical success factor										
Able to be benchmarked										

PV-7.3

RESISTANCE AND RESPONSE WORKSHEET

The purpose of this worksheet is conflict resolution. There will undoubtedly be challenges to implementing a CPA Performance View system within an organization. There will also be areas of resistance from stakeholders, including employees, management, and some shareholders; these areas will need to be addressed to make this type of initiative successful. Before embarking on the CPA Performance View journey, brainstorm for a few minutes on what some of these challenges and areas of resistance could be. In the spaces provided below, write in the thoughts that come to mind and suggestions for responses, rationale for the decisions made, and solutions to the potential problems.

This tool will help to identify potential areas of conflict before they surface and provides a medium to formulate responses and solutions. It may also be used throughout the process for any new sticking points as a way to write down the problem so that everyone involved can get a clear understanding and hopefully reach an agreement on the topic.

Challenge: _____	Resolution: _____
_____	_____
Challenge: _____	Resolution: _____
_____	_____
Challenge: _____	Resolution: _____
_____	_____
Area of Resistance: _____	Suggested Response: _____
_____	_____
Area of Resistance: _____	Suggested Response: _____
_____	_____
Area of Resistance: _____	Suggested Response: _____
_____	_____
Area of Resistance: _____	Suggested Response: _____
_____	_____

PV-7.4

EXISTING PERFORMANCE MEASURES MATRIX

Use this form to assist in documenting the measures the organization currently uses to make management decisions.

Measures								
Criteria Performance area								
How often is the measure gathered?								
Who has responsibility over it, and what controls are in place?								
What decisions are currently based on the measure?								
Is the measure reliable and valid?								
How satisfied are users with the measure?								
Is the measure predictive in nature?								
Is the measure financial or nonfinancial?								
Other:								

PV-7.5

PERFORMANCE MEASURES BY FUNCTIONAL AREA

Use this form to assist in brainstorming measures based on functional area.

Measures											
Performance area											
Functional Areas											

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PV-7.6

PERFORMANCE MEASURES SUMMARY WORKSHEET

Performance Measures	Performance Area	Critical Success Factor	Measure Type (Group, Data, Formula)	Data Source	Data Frequency (Weekly, Monthly, Quarterly, Yearly)	Measure Owner	Measure Target	Notes

Chapter 8

ESTABLISHING PERFORMANCE TARGETS
How Far to Travel Each Leg of the Trip

Chapter 8

ESTABLISHING PERFORMANCE TARGETS
How Far to Travel Each Leg of the Trip

Experienced travelers set destination targets differently than first timers do. Knowing in advance what will greet the traveler at different points along the route makes planning much easier. By diligent preparation, the CPA and client organization will have a well-informed notion of the terrain, landscape, points of interest, and potential detours on the journey even before beginning. Seasoned travelers spend more time in interesting locales and move faster across stretches of interstate highway. They know when to stop for gas and where reliable hotels are along the way. Similarly, a well-prepared CPA leading a client organization will have clear ideas about what progress is appropriate for different parts of the new measurement journey.

DETERMINE APPROPRIATE PERFORMANCE MILESTONES

Go right to existing plans. Pay close attention to strategic focus. Examine vision and mission. Start with highest priority activities. The frame of reference set by earlier planning will guide the planning team in establishing which performance milestones are appropriate. The CPA and planning team should ask if measures and the targeted performance ranges are measurable, attainable, and assignable to a specific person.

Stretch Targets

Stretch is essential in setting targets. Move from performance that is regarded as "the main thing" to "critical for success" all the way to "stretch goals." Raise the organization's sights from targets that are a "given" to "crucial factors" to "the order-winning factors." Negotiated targets that are too soft or too close to old history will not have the capacity to motivate and hold the attention of the clients' organization. Some targets are given by the industry or competition, such as the products or services must at least meet industry minimum standards for price, performance, or longevity.

REFER TO INDUSTRY BENCHMARKS AND BEST PRACTICES

Setting performance targets is a process that begins with establishing an agreed-upon point of reference. In the past two decades, business has learned how to benchmark and compile best practices. Each client should use this proven set of tools. If competitive forces are a factor, benchmarking will be essential for knowing where the client organization is positioned versus competitors. Many solid sources of industry standards are commercially available. Robert Morris Associates (RMA) is familiar to CPAs. RMA publishes standards of financial performance compiled from statistically reliable samples of companies across America. Trade associations are another reliable source of benchmarks. Many excellent books are available on best practices. For more ambitious clients, doing focused research on competitors may be the best source of standards to use as a benchmark, but this approach takes considerable time and effort. Accessible to any client is a new wealth of information on the Internet to be used in setting appropriate benchmarks.

PV-8.1

(See PV-8.1, "External Target Development Form.")

Internal Benchmarking Alternative

Some organizations are in unique positions that make comparison with industry benchmarks impractical. For these clients, internal benchmarking is a process of setting targets based on a systematic comparison of data exclusively from within the organization. Looking across different departments and looking back at their history will point to best performers within the organization. Another advantage of internal benchmarking is quick response. Management, or the planning team, can then determine desired standards of performance to use in setting a point of reference for future performance targets.

A word of caution in using internal benchmarks: Client organizations may be reluctant to undergo external benchmarking scrutiny out of fear of looking bad. An average performing organization may believe targets are a stretch, when in fact they fall well short of "best in class" performance. It may be more useful to use a different but relevant industry for benchmarking than to go naïvely forward with self-determined standards that are significantly lower than they should be. Choose internal benchmarks only after an external standard has been attempted and found deficient.

PV-8.2

(See PV-8.2, "Internal Target Development Worksheet.")

SET RANGE OF DESIRED ACHIEVEMENT

From both external and internal perspectives, the planning team now will be ready to set a range, not a point, for new performance measures. Considerations in setting the right range are discussed in the following paragraphs.

Use reasoned and logical measures. Apply benchmarks. If the client organization has been historically performing at the lowest quartile, it does not make sense to set a range in the top quartile. If the company has been working on ISO 9000 certification, it makes sense to select ranges within process requirements for certification.

Use time-sensitive measures. Choose performance ranges that are going to drive improved value and performance. If the planning team has done a good job on leading indicators, measures will anticipate or predict positive future outcomes. Ranges for measurement then become time sensitive to allow adjustments. Each situation must be analyzed on its individual merits by the team.

Link the measures to annual plans. Each organization has an annual calendar of planning and review. Build performance measures around this timing. If a midyear review is customary, design measures with ranges of acceptable performance that would be appropriate for this time of year, especially when seasonal variance is a factor. Late-year reviews are also often helpful in providing a springboard for the next year's cycle of annual planning activities.

Place progress points early enough to measure changes in time to respond. If poor-quality raw materials lead to poor product, high rework, and high scrap, the time for measures must be early enough to build in response times.

Space measurements far enough apart to allow improved performance to measurably happen. Measured performance may be best done after a period of usage has occurred for product in service.

START WITH ACHIEVABLE INCREMENTS

Each organization has norms and boundaries that effectively limit what is considered acceptable. The past, or tradition, is a boundary that often limits what people and organizations think they can do. Other, more localized patterns of performance may set the limiting boundary. So it will be with new measures of performance. Setting the targets must start with careful attention to the past and present, and then move beyond this point in increments that will not leave participants breathless. It is better to move gradually than to leap ahead and encounter internal resistance or disappointment from early failures.

SELECT APPROPRIATE TARGETS

If targets are set from the top down, there will likely be little buy-in at the worker level. If targets are set too high, early failure will turn into resentment and resistance. If targets are too low, there will be little motivation to improve. Where new measures are being used, it is advisable to build confidence early by setting achievable targets. Once early targets have been met, increases beyond historical performance will not be seen as unreachable.

CONSIDER LIFE-CYCLE POSITION OF THE CLIENT ORGANIZATION

Applying industry benchmarks is straightforward for mature businesses. However, if the client is a start-up or very mature business, industry benchmarks may not be as relevant. Downward adjustment in benchmark performance may be needed for early-growth-stage companies or mature businesses that are in a flat or declining life stage. The familiar life-cycle growth curve is shown to help planning teams factor in appropriate adjustments (see exhibit 8.1).

Exhibit 8.1

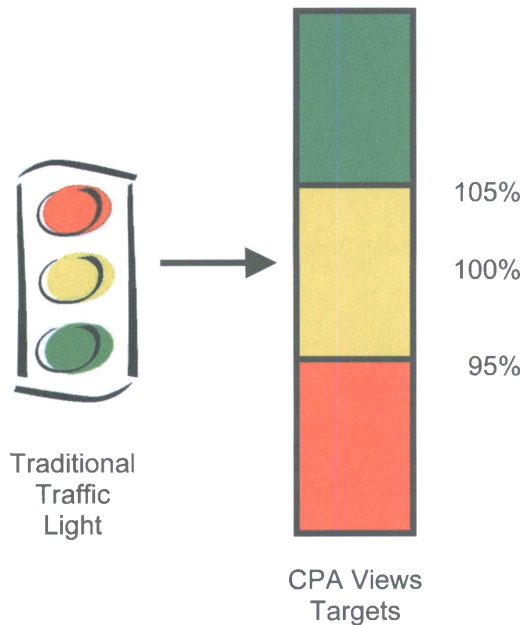| START UP | GROWTH | MATURITY | REVITALIZE/DECLINE |
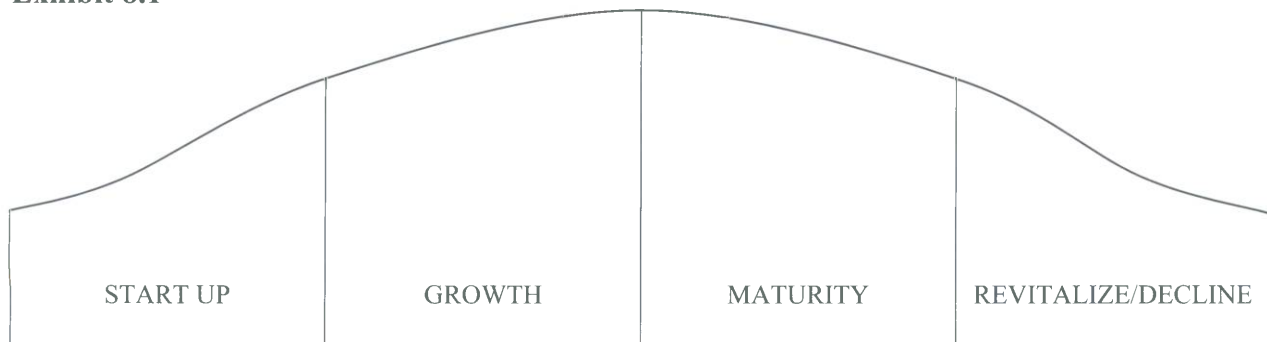
LABEL TARGETS CLEARLY

Best results come from organizations where workers understand and actively support new performance measures. This requires diligent effort from the planning team to combine, simplify, and package new measurements in ways most workers can readily grasp. If target performance ranges are expressed in numbers that are not commonly used in daily conversation, it will be helpful to add labels to the targets. Benchmarks from industry sources, or internally derived standards, can be labeled in ranges as simply as best, average, and worst, or thumbs up and thumbs down. A graphic display of performance measures can show these bands, with the client organization's target within one of the labeled bands. Graphic models are useful in showing that target performance may be high on an absolute basis but is located in the average band due to competitive pressures. An illustration is shown in the graphic above.

Using *CPA Views* software, you can easily set targets and customize ranges for high and low performance around the targets.

DEVELOP CLEAR DEFINITIONS OF TARGET PERFORMANCE

Technically the hardest part of setting quantified targets and ranges may be done, but this is no assurance these measures will be understood. Workers and suppliers each need to have a firm working grasp of how acceptable performance looks, sounds, and feels. For example, some simple daily definitions of performance being measured include speed limits, the time clock at the office, a cash register, and of course, the paycheck. The planning team can invite work teams to define in practical terms what new performance means on a daily basis. At a major breakfast cereal manufacturer, the production line has a split-screen monitor to show a colored visual reference of corn flakes that are within specifications right alongside the product now moving down the production line. A color bar indicating too light, just right, and too dark provides a cue to alter upstream baking conditions as warranted. Suppliers need help understanding how their performance will be measured. Inbound raw materials may be damaged if packaging is not intact, so the standard becomes, "No broken packaging" or "All cartons palletized."

Traditional
Traffic
Light

105%
100%
95%

CPA Views
Targets

TEST TARGETS BEFORE RELEASE

Once a target has been selected, it will be tested before approval and released. The steps are as follows:

1. Review by planning team

2. Local work unit optimization and feasibility demonstration

3. Approval by leadership

Targets set arbitrarily run a high risk of rewarding behavior or performance the organization does not want and penalizing right results.

EDUCATE CUSTOMERS ON NEW PERFORMANCE

Invite customers to collaborate with the planning team on defining what they will experience as better performance, especially if new steps or technologies are involved. Changes in speed of delivery, new packaging, or automated phone service can be perceived as undesirable to customers unless they are educated about the benefits. Examples are off-peak processing of orders, paperless reporting of test

results, voice-activated response systems for technical-service requests, electronic fund transfers, and electronic data interfaces between customer scheduling and vendor manufacturing and distribution. To define performance in most accurate terms for customers, invite a select panel to meet with the planning team by teleconference. Ask this group to define in their own words what specific performance means when applied to—

- On time.

- Order filling.

- Accuracy.

- Fast or prompt.

- Lowest cost.

- Other unique targets.

- Less expensive.

A direct benefit of working with customers is developing stronger relationships with them. As better definitions are put in place, recognition will grow that performance measurement is a process, not an event, and the client's goal is continuous improvement over a long-lasting relationship.

ITINERARY CHECK

The CPA and client planning team have now reached an important stage of readiness in preparing for the CPA Performance View process. Outcomes reached by this point are as follows:

1. Meaningful targets and ranges have been established for each selected measurement.

2. There are no conflicting or overlapping targets.

3. People in the organization are starting to feel the whole process is worth doing.

4. Work groups have moved in their feelings from fear or unwillingness into tolerance, comfort, or even confidence.

5. Customers and suppliers have been engaged in the definition of performance measure, and this involvement has positive side benefits.

6. Targets have been endorsed by planning group, work unit users and leadership.

PV-8.1

EXTERNAL TARGET DEVELOPMENT FORM

Use this aid as a format to assist in determining external performance measure targets. Each sheet can accommodate two different measures. Once low/medium/high targets have been identified, select the most appropriate target among them for your target.

Performance measure:	ROE		
Critical success factor:	Increase shareholder return		
Performance area:	Financial		
Actual results:		Period	
Measurement	*Low*	*Med*	*High*
Targets			
Source 1:	Sic code:		
Targets	*Low*	*Med*	*High*
Source 2:	Sic code:		
TARGET SELECTED:			

Performance measure:			
Critical success factor:			
Performance area:			
Actual results:		*Period*	
Measurement	*Low*	*Med*	*High*
Targets:			
Source 1:	*Sic code:*		
Targets:	*Low*	*Med*	*High*
Source 2:	*Sic code:*		
TARGET SELECTED:			

PV-8.2

INTERNAL TARGET DEVELOPMENT WORKSHEET

Write or type the selected performance measure in the left-hand column. Place the actual historical results for the past periods (up to five periods) in the matrix. As a stretch target, select the second best (highest or lowest, depending on the orientation) result and carry that to the far right column. Typically, this exercise will eliminate any unusually high or low values. The second-best period is then used as the stretch target.

Performance Measures	Targets					Target Selected
	Period 1	Period 2	Period 3	Period 4	Period 5	

Chapter 9

DEVELOPING ACTION PLANS
Assigning Specific Jobs to Everyone Making This Trip

Chapter 9

DEVELOPING ACTION PLANS

Assigning Specific Jobs to Everyone Making This Trip

This is the beginning of implementation, a stage of the CPA Performance View process filled with practical activities.

Excitement grows as the trip departure comes nearer. Planning, packing, getting maps, checking details along the route, repairing or maintaining equipment, and buying contingency supplies each requires attention from many people. Successful trips will involve everyone who is traveling to minimize turmoil.

The purpose of this stage of the CPA Performance View process is to initiate practical daily changes that will lead to positive changes in measures of performance. Broad involvement works best, with many different people and work groups across the organization asked to do something related to the new measurements. It is critical that departments or functional groups that will be affected by the proposed changes in measurements be invited, oriented, and trained in new procedures or tools. How to implement these steps with the least number of headaches is the subject of this chapter.

MANAGE THE FEAR OF MEASUREMENT

An expected side effect from seeking new measures of performance is fear of being measured. Work units and people never before held directly accountable for measured performance will not be comfortable with this new initiative. Start the measuring process with actual results that are well-known and accepted as useful. Move gradually toward new measures and tools, but not in one big leap. Provide assistance to the planning team, and from the planning team give assistance to individuals and work units. Do not let apprehension stew for long periods without having a knowledgeable team person help information owners arrive at a better understanding of the CPA Performance View process. As owners of performance measures develop a growing awareness of new results, then present gaps will become more evident and will serve as a motivator for further effort to close these gaps.

ACCOUNTABILITY FOR RESULTS

A direct benefit of inviting information owners into the planning process is accountability for action. There is little confusion about who has responsibility to make things happen when the owners have been in the discussion and have helped design new ways to measure results. Care is necessary so planning teams do not act like dictators, but maintain an open, receptive attitude that encourages initiative taken by individuals and departments affected by new measures. Eventual success of CPA Performance View services will depend on the information owners of this information being fully engaged, not on the planning team giving directions.

Best Results Come From Teams

Team-based accountability is a powerful motivator for changed behavior because the work is shared by many. "Many hands make light work" is certainly true, and this applies for new measurement disciplines being developed. Individuals tend to vary in their success in generating specific performance. Teams are more predictable, with fewer peaks and valleys in performance because the larger group establishes

norms that are expected of all members. Teams help each other, especially newer members who are instructed in the "right ways" to do work in this area. The planning team can help local work units by providing positive feedback when strong efforts and positive results are seen. Lack of buy-in from a top-down model of control can be avoided through solid team involvement.

NASCAR Pit Crew

An example of winning teamwork is the NASCAR race car driver Jeff Gordon. He consistently wins more races than other drivers and over the course of a season wins the championships because he has developed a teamwork philosophy. Every person on his pit crew has a clearly defined role. They train rigorously for their roles and practice doing them many times before the actual race. When the pressure is on to win, the team is not surprised by the pressure and feelings because they have placed themselves in this situation many times before and know they can perform well under these conditions.

COMMON FORMAT FOR ACTION PLANS

For ease of tracking and usage, action plans must use a simple common format and have an easy-to-read structure. One proven format is as follows:

- Activity

- Person responsible

- Progress measurement

- Timing

- Resources needed and budget

Practical daily usage has shown this simple format is easily understood and applied, even by people who have little or no familiarity with change processes. Even rookies at performance measurement can find the action plan format easy to use and intuitively simple to understand. It becomes like a well-worn map that is short and simple enough to use as a reference each time the task is required, until the whole process has become committed to memory and a strong habit established.

PV-9.1

(See PV-9.1, "Action Planning Worksheet")

Develop Action Plans

Once a common format for action plans has been approved and once information owners have been informed about the CPA Performance View process, a work session is needed to "brainstorm" practical details at the individual and work unit levels. Allow more than a fast meeting, but not as much as a half day. An interactive planning process works best for action teams by inviting all participants to take a personal hand in doing the work. The CPA facilitates, but is not the driving force for, planning sessions.

A narrow, well-focused agenda should be used to guide the work of teams. Several tips on setting the work agenda are—

- Ask for direction from leadership. "What kind of performance improvement do you expect?"

- Scan existing resources that are available. "Let's check each source we have for customer feedback."

- Make sure historical reporting linkages are examined. "Does the loading dock foreman match supplier quality sheets with incoming quality monitoring?"

- Review with each participant the logic of CSFs driving performance measures. "If we say customer repeat sales are critical, then how can we identify repeat customers?"

- Rely on objectivity of the planning team as a strong factor in developing balanced plans. "How many different ways do you know to keep track of new customers?"

- To obtain practical representation, make sure a cross-section of the organization is involved. "Do we have a planning team member from each department?"

- Recruit new participants who bring required new resources to execute action plans. "Where can we find people for our team who bring interest in managing a new system?"

Ask owners to provide their own thoughts on best ways to execute the desired action plans. Have each owner prepare a rough draft of their own action plan. Ask each work group to independently develop their own action plans and bring their work to the whole group.

PV-9.2

(See PV-9.2, "Action Planning: Turning Vision Into Outcomes.")

Consider Outside Viewpoints

As a facilitator and a resource with knowledge of other successful performance measurement engagements, the CPA can add power and credibility to this process by bringing varied experiences and an outside, objective viewpoint. Clients from noncompetitive environments, technical experts, or suppliers with unique strengths may be invited to speak in "cameo" roles. This works best when the outside speaker has been given a specific topical target to hit and a limited time to speak, such as twenty or thirty minutes. Additional time might be allotted for questions.

REVIEW AND INTEGRATION OF ACTION PLANS

After the first draft, all action plans will be accumulated and reviewed by the planning team to ensure the right performance measures have been addressed. Proposed actions must be feasible from a system-wide perspective. Necessary interfaces between information streams or reporting systems may be required at this stage to integrate previously unlinked measures. Review plans separately at the senior management level and then consolidate overlapping areas.

Testing Action Plans

Skilled practitioners have adopted a test to determine how useful an action plan will be. This test is expressed as an acronym SMART. Ask if the plan of action is—

S = Specific

M = Measurable

A = Attainable

R = Relevant

T = Timely

If the planning team answers "no" in any of these dimensions, further work is indicated. Stay in dialog with the owner of the information and implementers of the action plan until it complies with the SMART test.

COMMUNICATE ACTION PLANS

Giving public exposure to new action plans can have a dual benefit: First, the whole organization becomes better educated about new performance measures, and second, the individuals or work teams responsible for new measures are made visibly accountable for results. Once the planning team and leadership endorse the action plans for implementation, this important decision must be promptly communicated to all relevant audiences, as discussed in chapter 11.

LEARNING OPPORTUNITY FOR WORK GROUPS

People without previous experience in measurement changes will quickly see the practices that are being readied or the contingency plans being put into place. For new performance measures, necessity is the mother of invention. Action plans are yet another ideal opportunity for new people to be invited into this process and become engaged in new learning and skill development. Invite each action team to present its plan to specific work groups or the whole organization.

Action planners and supporting activities will connect in practical and time-efficient ways during these planning sessions. Long after the first brainstorming solutions to new information gathering have been completed, there will continue to be a need for regular idea generation and problem solving.

DELIVER ORGANIZATIONAL PROMISES

New action plans consistent with the organization's vision and mission will deliver improved performance results to customers and stakeholders. These new measures may be difficult to evaluate in the short term without benefit of accumulated performance information. As new actions driven by measured performance are put into effect, experience generated will inform the planning team how to proceed with an even better series of measures. It may be necessary to communicate to customers and suppliers that changes are being implemented. Accompanying this news should be a promise there will be

no deterioration in performance, but in fact, the quality and decision-making skills of the client organization will be improved.

SUSTAIN PLANNING-TEAM COMMITMENT

Action plans are hard work. The planning team may feel significantly overworked and underappreciated at this point on the journey. This is a good time to say an unexpected thank you in the form of dinner certificates to the planning team and their significant others. An overnight at a nearby hotel or destination could also be a big boost to morale and keep the commitment strong. Leadership, from the top down, needs to have a visible role in acknowledging the progress made by the planning team.

ITINERARY CHECK

At this point in the CPA Performance View journey, the planning team and client organization should be confidently ready for the next step, having completed these steps:

1. Develop specific action plans.

2. Establish agreements for specific results at the local work unit level.

3. Publicly identify accountability for activities and results.

4. Define resource requirements to begin implementation.

5. Ensure that leadership has endorsed new measures and the steps to begin using them.

6. Communicate action plans that have been integrated and endorsed to all work units involved.

7. Involve suppliers and customers in new action plans, as necessary.

PV-9.1

ACTION PLANNING WORKSHEET

For instructions on how to use this worksheet best, see PV-9.2.

Major Initiative	Activity	Measure of Completion	Responsible Party	Due Date	Resources

PV-9.2

ACTION PLANNING: TURNING VISION INTO OUTCOMES

Action planning is an important phase of the CPA Performance View process in which planning team members and other employees identify and assign the tasks and resources needed to attain the mission and objectives of the organization. Due to the number of people involved in the process, the potential need for further research and intercommittee coordination, and the discussions that often arise in the action planning process, these plans may require groups to meet on multiple occasions and can take months to complete.

Up to this point, the planning team has—

- Analyzed the strengths and challenges of the organization.

- Developed a mission statement.

- Identified a vision of what the company will be like in the future.

- Established specific long-term objectives for which to strive.

- Identified the primary initiatives and corresponding performance measures the company must address to reach its objectives.

- Assigned a planning team member to lead the action plan development for each major initiative.

- Selected action planning participants from across the organization and assigned them to action planning committees.

Below are the steps involved in the action planning process. Steps 1, 2, and 3 are activities performed by action planning committees; step 4 is performed by the planning team or senior management.

STEP 1: REVIEW THE CRITICAL SUCCESS FACTORS AND ORGANIZATIONAL OBJECTIVES

To ensure that all participants are operating with the same knowledge base, begin the process by asking the action planning committee chairperson to explain the reason the organization developed a strategic plan, review the planning process (for example, how we got to this point), and highlight the specifics of the plan. The strategic plan document should be shared with participants before their first action planning meeting.

STEP 2: IDENTIFY POTENTIAL ACTION STEPS

Based on a review of the critical success factors and organizational objectives, the action planning committee brainstorms and identifies a collection of tasks that could be performed to support the initiative. For example, assume the committee's initiative is to develop a technology plan. The committee would identify the actions that need to be completed in developing a technology plan. Actions may include identifying the organization's current technological assets (for example, computer hardware and software, telephone system, and capacity), assessing the technological skills of the employees, identifying an employee to lead the technology effort, identifying areas of the organization in which processes could be automated, identifying vendors of technological goods and services, and identifying the cost of purchasing equipment, software, and training.

Recording the topics on a flip chart, dry erase board, overhead projector, or similar tool will help the committee keep track of their potential actions.

After a number of actions have been identified, the committee assesses the quality of the actions, deletes actions that do not appear appropriate, and ranks the actions according to priority.

STEP 3: ADD DETAIL TO THE ACTION STEPS

Using an action planning worksheet, action planning participants add details to the action steps by identifying—

- The initiative being addressed.

- The activity to be performed.

- How completion of the task will be measured.

- Who is responsible for completing the task.

- When the task is to be completed.

- What resources will likely be needed.

STEP 4: REVIEW THE ACTION PLANS

The action planning team or senior management meets to review, assess, combine, and rank all the action plans the committees developed. Review the action plans as a whole to determine whether the work load, priorities, expenses, and time tables are reasonable. Spreadsheet or project management software, such as Microsoft Excel and Microsoft Project, may be used for sorting and analyzing the various phases of the action plans. The action plans should be assessed in light of—

- The strategic plan and organizational objectives.

  — Do the action plans support the strategic plan?

  — Do the action plans support the objectives and goals of the organization?

- Personnel.

  — Can the action plans be completed based on existing employees, education and training, experience, capabilities and potential, or interest?

  — Do some of the actions need to be outsourced?

- Finance.

  — What are the costs and cost savings related to the action plans?

  — How do the plans fit within existing budgets?

  — Should budgets be modified in light of the plans?

  — Must capital be raised?

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- Technology.

  —Are the action plans compatible with the company's existing technology?

  —Do the action plans incorporate the use of mainstream technology or emerging mainstream technology?

- External trends.

  —Are the action plans reasonable in light of the customer base, demographic trends, legal/regulatory issues, state of the economy, and socio-political environment?

- Competitors.

  —Are the action plans reasonable in light of existing or developing competitors?

  —Do they take into account current market share?

ACTION PLANNING SUGGESTIONS

The following suggestions will help insure that effective action plans are developed.

- Select a cross-section of employees to participate in action planning committees. Board participation leads to greater employee acceptance and commitment to the action plans.

- Do not try to accomplish too much too soon. When ranking the action plans, be realistic about deadlines (keep in mind existing work loads), and spread the work over a reasonable period of time.

- Distribute duties among various employees and avoid placing too many responsibilities on one person or department.

- If more analysis or research is needed before taking specific action, list the analysis or research as an action step.

- Review and update the plans on a regular basis. If an action plan is difficult to complete, determine why and make the necessary changes. However, do not use inability to implement an action plan as an excuse to avoid implementing needed change.

Chapter 10

INTEGRATING MONITORING AND REPORTING SYSTEMS
Tracking Progress to the Destination

Chapter 10

INTEGRATING MONITORING AND REPORTING SYSTEMS

Tracking Progress to the Destination

Finally, it is time to leave on the journey. A whole group of travelers have planned, packed, and are ready for the first leg of the trip, and they are understandably eager to get started. Keeping track of progress and knowing whether the trip is accomplishing what each traveler intends are important if energy levels are to remain high. Just as in travelling, keeping track of your progress in a CPA Performance View initiative is of integral importance. The key is to integrate monitoring and reporting of performance measurements into management's day-to-day activities for best success. Here are some helpful ideas that have been developed and refined by practitioners who have taken the trip of putting performance measures into practice.

DESIGNATE SYSTEM RESOURCES AND PEOPLE

Led by the planning team, work sessions with information owners will be convened to develop down-to-earth practices that can be put into effect the next day. Previous experience points to the need for specific information owners who are dedicated as local resource experts to keep new information flowing. Dedicated resource people will also ensure reports are generated and distributed as intended. By the end of this first work session, a designated system administrator will be needed to coordinate all technical aspects of linkage and security.

PV-10.1

(See PV-10.1, "Resource List.")

CONDUCT EXECUTIVE BRIEFINGS

Begin monitoring and reporting of new measures by inviting organizational leaders to an executive briefing. Describe at a high altitude how the CPA Performance View process is starting throughout the organization, possibly by using an executive "dashboard" from or similar to *CPA Views* software. Provide a briefing book for the executive team, and include phone numbers, email addresses, and other points of contact for key managers in the CPA Performance View process. As you pull the "dashboard" and executive briefing together, begin with end results in mind:

- What reports and what information does leadership need?

- What different needs exist at the operating level of the enterprise?

- How will decisions be made using this information?

As leadership warms to the application of this new tool, ask for repeated endorsement, and schedule leaders into naturally occurring occasions to communicate with large groups of employees.
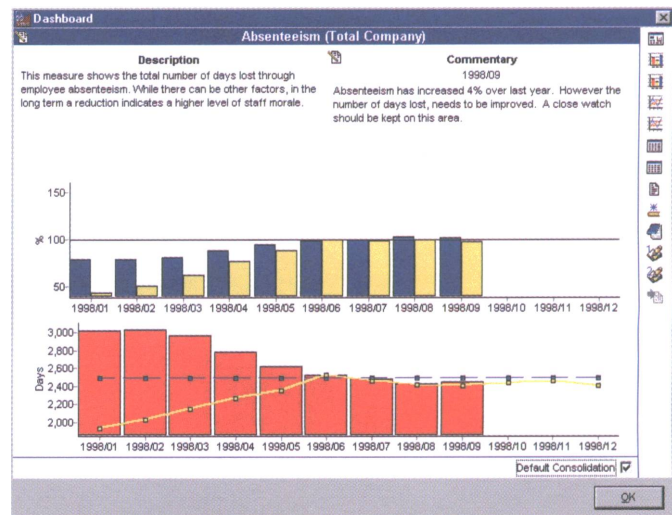
BUILD FROM HISTORICAL INFORMATION

Work teams will most effectively address the practical challenges of capturing and reporting new measures by building from current reports of familiar information. Start with an inventory of reports that are well tested and proven. Build bridges from historical data to new reporting measures. Some systems will be able to use online information that is captured and reported electronically with little or no human intervention. Even though these systems may already be in use today, most clients will be comfortable with tangible batch or physical information reporting. These clients will need help moving into a paperless system.

PV-10.2

(See PV-10.2, "Inventory of Historical Reports in Current Use.")

DRILL DOWN TO INDIVIDUAL WORK UNIT DATA

Top-level information summaries can serve as an excellent jumping-off point to later drill down to individual work units and measures, where the real work of CPA Performance View services starts to take root. Begin with high-level summary information, and then cascade down to new measures all the way to the level for which owners have been identified. Experience points to the value of using a common reporting mechanism across the whole organization. A consistent format for reports, such as that provided by *CPA Views*, for all users can take the form of customized briefing books using a dashboard. Without a common report format, chances for confusion increase, and there will be higher costs from interfaces required to link different system reports together.
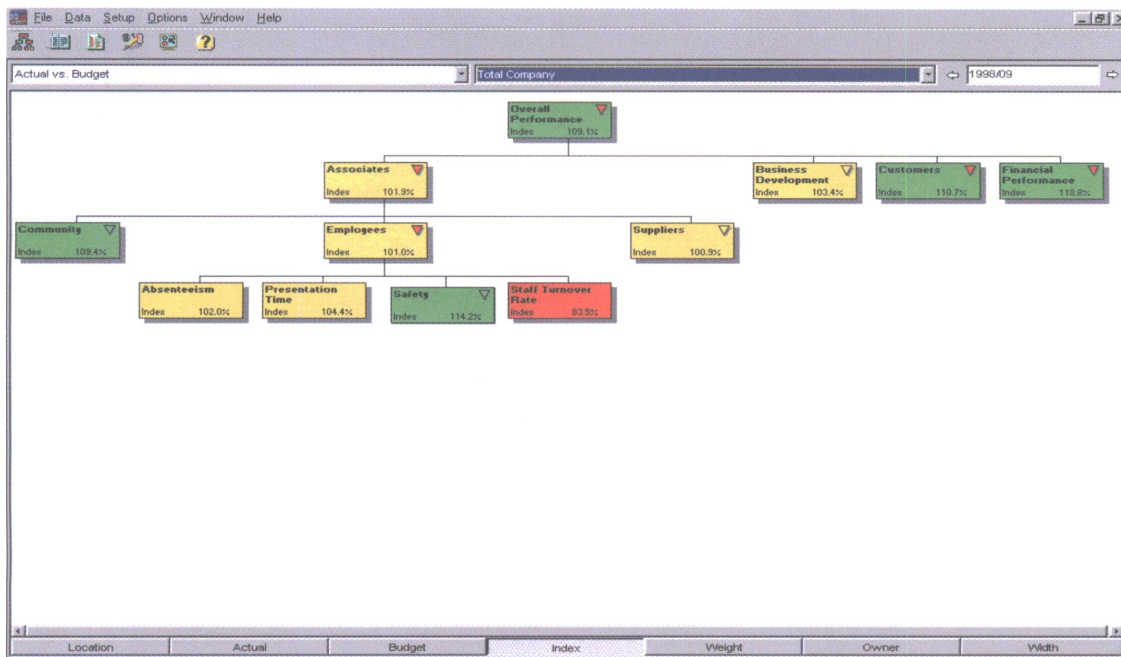
USE SIMPLE PROCESS FLOW CHARTING

In sequential order, show who is responsible for capturing and entering data into new systems. Be specific about the mechanisms to extract measures from key steps that have been identified. Pinpoint across the entire organization where each of these new data points originate and where this data goes next. Using the skills of the planning team and possibly new invited contributors, an accurate map of the architecture and

sequencing of the performance measurement system can be developed. This will have great practical value for later use in training and communications.

How often will measurement be made? Show how data streams converge, and be specific about interfaces that will need to be written to link previously separate systems. Most measurement processes are undocumented and not linked with other management tools, so in many organizations this work will be addressed for the first time.

IDENTIFY END POINTS IN DATA FLOWS

Using the dashboard or another similar format to capture high-level performance indicators, map out how new information travels across the organization. Indicate how existing data will be entered into *CPA Views* systems, if this software has been selected, or use another information management and reporting system. This process map should link together multiple locations and users.

ESTABLISH SYSTEM SECURITY

Sensitive information may need to be protected using standard protocols. An organization-wide security system with required password documentation for users can be set up and easily put into use. Some levels of information in the new system may be accessible to the entire organization, while some high-level summary reports could be so valuable in the hands of competitors or customers that new security with restricted access is necessary. Again, designating a single point of security control for the whole system is best. The *CPA Views* software allows for the creation of user definitions. A unique login and password are assigned for each user that controls access to the information within the system. Users can be defined as system administrators, measure owners, owner assistants, data-entry users, commentary-entry users, or users who just view the information.

USE A PHASED IMPLEMENTATION

The step of monitoring and reporting takes time to launch properly. Experienced practitioners recommend a phased implementation plan that is set to expand at a rate that can be assimilated by the resources and organization. Typically, data owners and users who have access to this new reporting system will be required to take training. Use earlier process timelines, or project management software, to plan each activity realistically as the roll-out of CPA Performance View services reaches new areas of the organization. Allow at least one cycle of data capture and reporting to elapse. This will tell the planning team whether new measures are being used and information is flowing into and through the new reporting system in a usable form. After the initial round of information has been de-bugged and made reliable, it is time to add the next step in broader implementation.

Internal Training

The client users and information owners will need to be trained to use the new CPA Performance View system. Depending on the complexity of new measures and systems used, training can be one or more hands-on skill-development sessions. A train-the-trainer approach has proven effective in similar engagements. One or a few people will be given extensive training with a goal of passing this skill along to many others within the organization.

Types of Reporting and Monitoring Systems

Reporting and monitoring systems for business performance measures may take on various forms via a wide variety of media. The key to useful reporting and monitoring systems are that they provide reliable information, report information timely and consistently, tabulate all performance measures in one place, and provide access to information to all those who need it to do their jobs. Reporting and monitoring systems can range from the very simple to the very complex. One thing is for sure, the reporting and monitoring system is a very important link between the planning elements of the business and the implementation of those plans. If the step of monitoring and reporting is not in place, the feedback loop is not closed and no basis for actions will exist. Some alternatives for reporting and monitoring are:

- Printed or handwritten materials on bulletin boards in break rooms or on the wall of the shop floor

- Signage or other displays around the office or in the restrooms

- E-mail bulletin boards and web-sites

- Company newsletters

- Computer generated spreadsheets

- Dedicated performance measurement software (*CPA Views*)

- Existing enterprise computer systems

CPA VIEWS: UNIQUE NEW SOFTWARE SUPPORTING CPA PERFORMANCE VIEW SERVICES

The AICPA has partnered with PerformanceSoft™, the world's leader in performance measurement software applications, to develop a unique software for CPAs and their clients. The software is called "*CPA Views*" and is available exclusively through the AICPA. *CPA Views* is easy to use, flexible to any size or type of organization, fully customizable, compatible with other information systems, and a comprehensive performance measurement reporting and monitoring tool. It is a dynamic tool that tracks all of your financial and non-financial performance measures in one place. It allows you to drill down to the desired level of measure detail based on a hierarchical view, a dashboard and/or a briefing book structure. Communication of the CPA Performance View process is enhanced through these colorful displays much like the dashboard of a car with its different gauges and read-outs.

The software incorporates wizards throughout to assist CPAs and clients in every aspect of using *CPA Views* to bring performance measurements into an organization. Wizards take the user through the process of setting up performance areas, critical success factors, measures and descriptions along with creating views, briefing books and reports. Spreadsheets, computer files, Web sites and other source documents can be linked to the briefing books for quick access to measure support. This limits or eliminates ad hoc reporting through the many different reports used today. Entering commentary helps clarify and explain performance to other viewers of the system. Targets or benchmarks are entered and performance ranges set around them. Like all databases, the software shows trends in past performance. Technical support is available through the licensing agreement as well as software upgrades as they become available. For information on ordering *CPA Views* software, see the Assurance Services page of the AICPA Web site at www.aicpa.org.

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EVALUATE PERFORMANCE MEASURES

Once the planning team and all system participants have tried the CPA Performance View process, it is time to evaluate how well performance measures have been embedded in the daily operating practices of the client organization. Here are a few questions that will indicate workability of this new system:

- How often are measures updated and reviewed?

- How often should they be reviewed?

- How often do managers refer to new performance measures?

- Does performance measurement show gaps in how the client organization—

    — Organizes meetings?

    — Allocates resources, dollars, and time?

    — Formulates compensation plans?

    — Focuses on initiatives?

    — Develops divisional and top-level action plans?

- Are measurement-based decisions and action plans communicated throughout the organization?

Answers from this early feedback will shed light on how well new performance measures are being accepted and used. This feedback then can guide system or process adjustments. Early experience may also suggest improvements at the owner and designated user level. Pay attention to how well new performance measurement reports are being used. Early user experience may indicate greater need to expedite closer communications among all participants in the CPA Performance View process until this new tool has become institutionalized.

BOOST PLANNING-TEAM ENERGY

Making new ideas work takes dedication from each team member. This stage of CPA Performance View services can be demanding beyond the scope of normal job requirements. To keep team spirits from flagging, leadership can provide positive feedback on an individual and task-area basis. Remind the team members how far they have progressed, and again point to the goals with highly positive outcomes if this initiative is successful. Having come this far, team members will not want to pull up short when the finish line is within sight.

ITINERARY CHECK

At this point in the CPA Performance View journey, the planning team and client organization will have completed these steps:

1. System resource needs have been identified and designated.

2. Planning team has facilitated priority and endorsement of the CPA Performance View process from leadership through executive briefings.

3. Planning team work sessions have brainstormed ways of capturing and reporting performance information.

4. Organization-wide architecture has been defined to link and integrate information flows.

5. Information reporting systems for performance measures are linked into company information systems.

6. Training of workers has started for information gathering in the new format.

7. New databases are being populated.

8. Early feedback is now starting to flow back into the CPA Performance View system.

PV-10.1

RESOURCE LIST

Use this form to assist in documenting the people responsible for gathering measurement data, inputting measures into *CPA Views* software, or another performance measurement .system, and distributing reports and other communications.

Person Responsible	Task Responsibility	Contact Information	Backup Person

PV-10.2

INVENTORY OF HISTORICAL REPORTS IN CURRENT USE

Use this form as a guide to obtaining the current performance measurement reports that the organization now has in use. The information contained in these current reports can provide a wealth of knowledge. The reports can also be used as a basis of the new CPA Performance View reporting structure.

For all reports currently being generated by the client, a useful exercise is to ask them what purpose each report fulfills. For all nonspecific answers instruct the client to try not producing the report for one week. After that period, if no one asks for the report in its absence continue to not produce it. If no one complains, no one needed it and it can be deleted from the reports that are generated.

Historical Reports *Description*	*Available*		*Date* *Received*	*Report Purpose*
	Yes	*No*		

Chapter 11

COMMUNICATING THE CPA PERFORMANCE VIEW INITIATIVE
Inviting Others to Come Along

COMMUNICATING THE CPA
PERFORMANCE VIEW INITIATIVE
Inviting Others to Come Along

This chapter is sharing the fun and excitement of travel to new places. Isn't it exciting to receive a post card or phone call from a traveler who is enthralled by the scenic views, or a deeper understanding of the environment they are experiencing day by day?

By now, the planning and preparations have obviously started to pay off with positive results in both information and new decision-making tools. Evidence is mounting that this new journey is being accepted for good reasons by many others around the organization. Curiosity will be growing. Desire to be involved can be harnessed. This is the best time to tell the whole organization about the current status of the CPA Performance View process, and to invite others to come along on this trip. Well delivered, this story can generate a broad and deep swell of support for CPA Performance View services and bring interested new participants into the process. Also, the more workers who come to understand performance measures, the better the information that will be gathered and decisions that are the result.

DEVELOP A COMMUNICATIONS CAMPAIGN

A campaign has clear communications objectives: Deliver a specific story to a targeted audience. The objective for CPA Performance View services is to have the performance measurement story heard and understood so employees will support continuing implementation. Campaigns that effectively meet their objectives generally have the following characteristics. They—

- Focus on a specific audience.

- Keep to a limited time frame.

- Are within budget constraints.

- Contain mandatory message elements.

- Repeat message delivery.

- Track measurable results to aid in measurement of campaign spending.

PV-11.1 Once a communications task force has been formed, the first assignment is to develop a campaign outline that responds to these considerations. It is highly advisable to select a dedicated person on the planning team who has overall responsibility for communications and for implementing the campaign. Communications work will span months if it is to be successful and will require substantial coordination of details.

(See PV-11.1, "Checklist for an Effective Communications Campaign.")
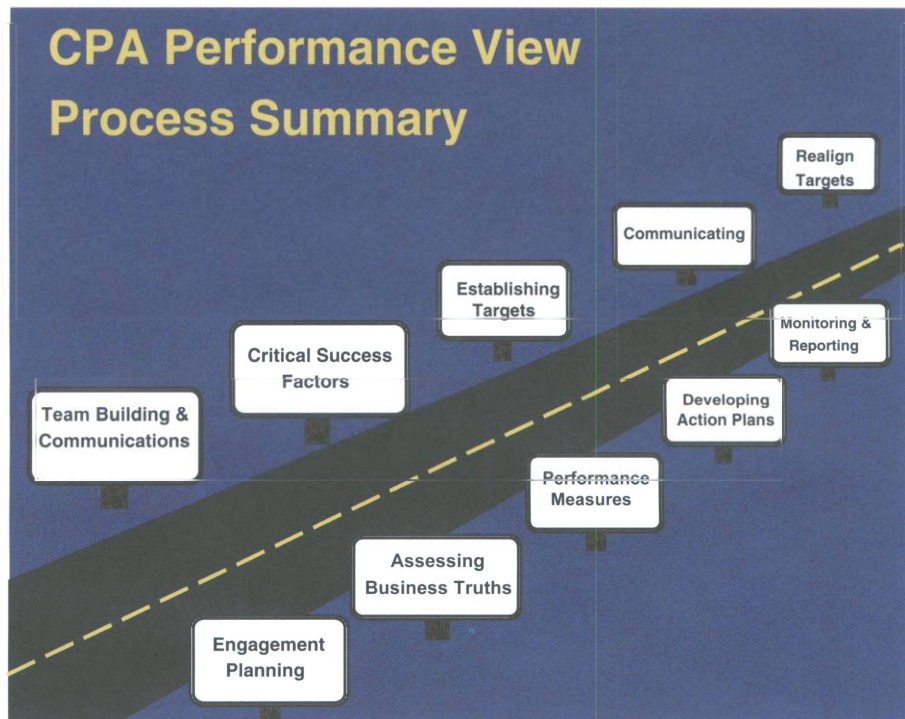
Joint Authorship of Communications

Leadership and the planning team should be the official sources of CPA Performance View communications. Repeated endorsement of the CPA Performance View process by leadership will be invaluable. Most of the organization will be hearing about this initiative for only the second time, likely several months after the most recent official announcement. Repeated support from leadership sets the stage and stimulates the appetite for more practical facts from the planning team. If a name or graphic design has been adopted for this initiative, now is an ideal time to use it again to drive home reasons for embarking on this adventure.

Define Target Audiences

Cost-effective execution of a communications campaign requires precise targeting of all appropriate audiences to eliminate waste or overlapping message delivery. Ask the planning team to help identify all internal and external audiences who need to hear the CPA Performance View story. Internal audiences are most important. Keeping the whole organization aware of progress and regularly reporting positive results will develop understanding that enables daily support at the local work unit level, where practical decisions are made that eventually affect performance. Some suggested internal target audiences are—

- All employees.

- Specific work groups.

- Remote locations.

- Sales offices and people.

- Distribution centers.

- Phone centers.

- Service centers and people.

Occasionally, external audiences are important to a broad change process such as CPA Performance View services. When suppliers or supply chain partners are necessarily drawn into performance measures, it becomes crucial to communicate why and what changes are being driven by this new process and what the expected responses from the external audience are.

CPA Performance View Process Summary

Realign Targets

Communicating

Establishing Targets

Critical Success Factors

Monitoring & Reporting

Team Building & Communications

Developing Action Plans

Performance Measures

Assessing Business Truths

Engagement Planning

Build From Foundations of Work Done Earlier

Information developed in chapter 4 includes planning team communications to the whole organization. The process champion, or the authorizing leader, has prepared a statement of purpose. This has been presented to the whole organization at the outset of work on the CPA Performance View process. Use this earlier foundation. The planning team should review and update existing communications. There should be no need to reinvent work done already. Go back to official communications pieces that have been released. Augment the overall performance measurement story at a high level by referring to the executive briefing book or executive dashboard. Use *CPA Views* software when applicable to help tell the story. Its powerful graphics can assist in explaining the process and objectives. Assemble an updated description of the overall process accompanied by graphics to hold the attention of visual learners. Make this visual the centerpiece of recurring communications.

Begin Communications With Whole System Perspectives

When someone asks you for the time, they do not want to know how the watch works. The same principle applies to communicating new performance measurement to a wider audience. Mandatory elements are simple and few:

- Why is the organization doing this?

- What system or tools are being used?

- How will it affect my job?

- What does the organization expect of me?

- What are the rewards or penalties?

- When does this start?

- What security or access protection applies to me and our department?

Keep your perspective at the 50,000-foot altitude. Think in terms of system-wide architecture, end results, and big picture stories to tell.

Package and Deliver Details Every Audience Needs to Know

Performance measures are in actual use by this point in the process. The essential facts to be communicated deal with this reality: How is implementation affecting my work flow, and what actions must I take? By staying at a high level and resisting temptation to provide a wealth of details, the communications campaign can precisely focus its message by using a matrix approach. Arrange all audiences along one axis and all delivery vehicles across the other axis. Select the most effective vehicle for each audience. Frequent use of a specific vehicle indicates priority for budget allocation and tells the communications coordinator where to concentrate. A listing of useful message delivery options includes—

- Live company or department meetings.

- Personal letters.

- Newsletters.

- Payroll stuffers.

- Email.

- Voicemail.

- Screensavers.

- Intranet bulletin boards.

PV-11.2 Experience suggests it will be beneficial to offer multiple, redundant delivery vehicles. Most audiences will need to see, hear, and be asked to act on a piece of information at least three times before the desired behavior has occurred. Have fun and be innovative—new and different forms of performance measurement deserve new and different communications. Tie in the name or graphic images that have been developed earlier.

(See PV-11.2, "Communication Matrix.")

MAINTAIN SYSTEM USE

Once the CPA and planning team have reached this point of implementation, the guiding principle is "steady as she goes." The organization's goal is reaching steady state and becoming proficient in using new performance measurement systems. As new performance measures take root and are proved useful, individuals and work units will rely with increased confidence on CPA Performance View services to manage activities and make decisions that improve performance. In most environments, use of a new capability at steady state must be experienced through at least one complete business cycle, such as—

- Annual business plan.

- Operating plan.

- Seasonal peak and valley.

- Economic cycle.

- Customer contracting cycle.

- Product usage/depletion cycle.

At least one full experience through a client's normal business cycle will reveal how well the system has been designed and is capable of performing. Clients should have a minimum of one cycle of operating experience before contemplating changes. After a new CPA Performance View system has reached steady state functionality, it will be timely to get all users and contributors together for a working session to gather constructive feedback.

ENCOURAGE FEEDBACK ON ACTUAL RESULTS

Chapter 3 identified specific people on the planning team as information resources accessible to the whole organization. This is an appropriate time to emphasize availability of these people as receivers of feedback from anyone in the organization who has questions, comments based on system use, or ideas for improvement. As more users grow accustomed to or even confident in the capabilities of this new system, more new ideas will be generated. Having an identified person and place to receive feedback will encourage this flow of beneficial ideas.

ITINERARY CHECK

At this point in the CPA Performance View journey, the planning team and client organization will have accomplished these steps:

1. A communications task force has been assembled.

2. Target audiences have been identified.

3. Specific information desired by audiences has been researched.

4. Earlier communications pieces have been reviewed and updated.

5. Message delivery options have been identified.

6. A communications process has been started.

PV-11.1

CHECKLIST FOR AN EFFECTIVE COMMUNICATIONS CAMPAIGN

To build an effective communications campaign, you need to consider the following questions. Spaces are provided on the next page for your notes.

1. Consider the background and relevant knowledge of the audience.

    - To whom am I trying to communicate?

    - Why should they listen to me?

    - What do they already know?

    - What motivates them?

    - Have I anticipated audience reaction?

2. The timeframe for the communications campaign has been established. An example is that monthly measures need to be communicated as soon after the end of each month to maintain the relevance of the information reported.

3. What is the budget for the communications campaign? Before embarking on any communications efforts, we first need to understand how many resources in terms of dollars and people's time are available. *CPA Views* software is an affordable comprehensive reporting and communications solution that should be considered in every engagement.

4. What is the message that needs to be delivered? Are we just reporting on the measures or do we also want to communicate corresponding action plans that need to be taken?

5. What communication media are available? A person on the shop floor will perhaps accept a different form of communication than the staff accountant or chief financial officer. The media need to fit the context of the communication.

6. How frequent should the communications be? To keep the information relevant, communications should be made as soon as possible after the information becomes available.

7. Are there any taglines or logos available to accompany communications? Catchy taglines and logos often get the attention of employees and add credence to the initiative.

8. What are the desired outcomes of the communications? These need to be specified before the initiatives to create a clear path to a successful initiative.

The audience: _____

_____

_____

Communication timeframe: _____

_____

_____

Campaign budget: _____

_____

_____

Message to deliver (main points): _____

_____

_____

Communication mediums: _____

_____

_____

Communication frequency: _____

_____

_____

Taglines to be used: _____

_____

_____

Desired outcomes: _____

_____

_____

COMMUNICATION MATRIX

The purpose of this aid is to provide the practitioner with guidance in planning a performance measurement communication campaign. The provider of CPA Performance View services needs to assist the client in being aware of the target audience, the communication perspectives, and the communication media to communicate effectively to the whole organization.

TARGET AUDIENCE:	COMMUNICATION PERSPECTIVES:
• All employees • Specific work groups • Remote locations • Sales offices and people • Distribution centers • Phone centers • Service centers and people • Employees on shop floor • Board of directors • Owners of company	• Why is the organization doing this? • What system or tools are being used? • How will it affect my job? • What does the organization expect of me? • What are the rewards or penalties? • When does it start? • What security or access protection applies to me or our department?

COMMUNICATION MEDIA:

• *CPA Views* software • Live company or department meetings • Personal letters • Newsletters • Payroll stuffers • Email • Voicemail	• Screensavers • Intranet bulletin boards • Signage in work areas • Loudspeaker announcements • Picnic or party • Breakfast or lunch outing

Chapter 12

REALIGNING TARGETS OR MEASURES BASED ON OUTCOMES
Setting Better Trip Guides Along the Way

REALIGNING TARGETS OR MEASURES
BASED ON OUTCOMES

Setting Better Trip Guides Along the Way

While on a trip, the traveler often gets so absorbed in viewing local scenery, reading maps, or looking ahead for the next day's itinerary that important things go unnoticed. Only after the trip—maybe while looking at photographs—does it become evident that important scenery or views were missed because the traveler was preoccupied with other things. This is true as well for the CPA and the client organization on a CPA Performance View trip. After the excitement of the long-awaited trip has subsided, it is necessary to review what happened and what was learned. The process of calmly looking back and making helpful adjustments is the subject of this final working chapter for performance measurement.

OPERATIONS AND ANNUAL PLANNING

The final step—review and adjustment—is so logical it may be overlooked. Contributors to the CPA Performance View process have worked hard to get started and running with new measures. Now they may feel their work is done. Naturally, everyday priorities shift to other needs. However, it is time to extend CPA Performance View services into operations and annual planning. Greater return on the client's investment will come from further time spent evaluating results and then making course corrections that are indicated. Focus of the client's evaluation should center around the following questions:

- How well is the CPA Performance View process measuring new performance?

- What are the actual results? Is performance improving where measures are used for decisions?

- Where are targets or ranges too high or too low?

- What should be changed to make the CPA Performance View process work better?

Keep the Planning Team Intact

Keep the team that developed the plan together to do downstream evaluation. Keep information owners involved, and make sure designated system users and coordinators are asked to participate. Some attrition of the team is normal. This time of revision to the CPA Performance View process is an ideal time to add new team members. Let less dependable members move on, and invite new contributors who have interest and energy.

(See PV-3.5, "Team Assignments Worksheet.")

Schedule Review Meetings

Frequency of review meetings will depend on how well early steps in the process have gone. A minimum is two reviews per year, more if there are changes or rapid improvements reported. Schedule review meetings so they do not conflict with daily operational demands on the team members.

Chapter 11 identified the need to see the CPA Performance View process in operation through one full business cycle. Give it time. Doing an evaluation too soon may limit the opportunities for full value to emerge, just as short-term thinking can sacrifice long-term gains in many business decisions. Yet, if there are obvious glitches that need to be fixed, address them quickly. Recommended review points may be slotted into three time frames for the planning team to look at an overall picture of the CPA Performance View process:

1. First time the new system reaches steady state, no sooner than month three or four

2. Start of annual operating plan preparations

3. Completion of a full year or business cycle

Prepare for Review Meetings in Advance

Ask leadership to take the lead in inviting the team and contributors to these review meetings. Allow two weeks' advance notice, so each person can prepare a response. Review fundamental questions that come out of the statement of purpose for the project, questions such as the following:

- Are we measuring the right things?

- Does the performance being measured line up with the organization's vision and mission?

- Are selected critical success factors (CSFs) still critical?

- Are targets or ranges reasonable?

- Do targets need to be redefined?

- What else should be changed?

Experience suggests initial efforts will need adjusting to be fully effective. Use the statement of purpose for the CPA Performance View process to focus the teams' attention as revisions are made.

(See PV-12.1, "Realignment Questionnaire.")

LOGICALLY STRUCTURED REVIEW PROCESS

Use a methodical process to ensure no key points are missed in review meetings. Elements developed at each earlier step of the CPA Performance View process will provide added benefit as they are used in this framework. A suggested approach is to step quickly through the CPA Performance View process to see the bigger picture:

- Vision and mission

- CSFs

- Identified performance measures

- Targets for measurement

- Action plans

- Changes to system design

By looking back to the underlying work done by the team, each person will be reminded of performance gains these choices were designed to achieve. Within the context of CPA Performance View process steps, the review team will be properly guided. Advance preparations will lead to individual assessments of how well the overall process is working.
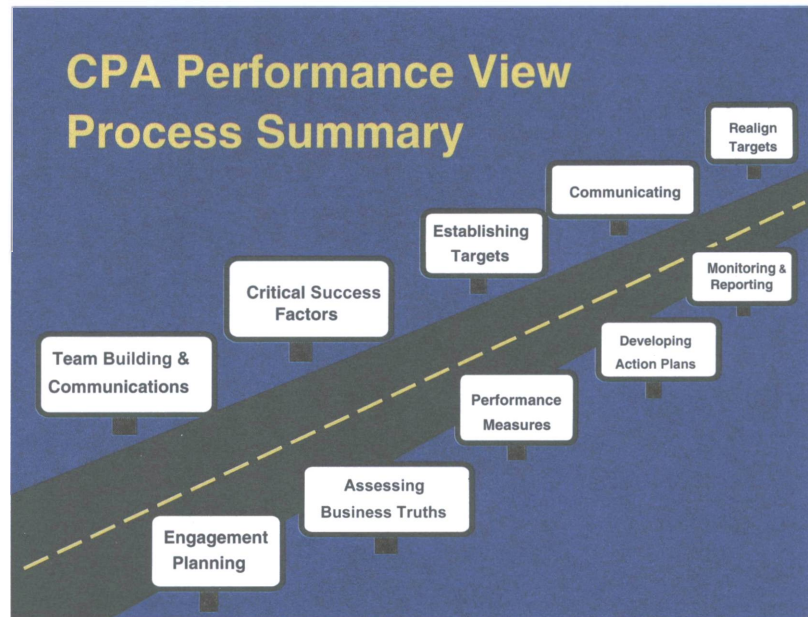
Clients Evaluate Selected Details

Be open and willing to consider possible changes. Clients should be highly selective in what is considered relevant to improved performance. Ask CPA Performance View process users to—

- Comment on the volume of measures (too many or too few).

- Indicate desire to view data in numerous ways not provided by the existing system.

- Inquire about interest in expanding CPA Performance View services to other departments and locations.

- Ask about experiences with system security (for example, access seems easy for the right users).

- Probe for experiences integrating new measures into existing reports.

- Identify needs for new or better interfaces between new measures and legacy systems (if CPA View software is not being used).

- Shorten and simplify the overall process.

Solicit Broad Feedback

Once the planning team has sifted down to few potential change areas, it will be appropriate to invite all stakeholders, audiences, and potential new users to comment on the CPA Performance View process. Provide a format that uses a CPA Performance View process to anchor the purpose and provide a

foundation around the key building steps of CSFs, performance measures, and targets. If sufficient experience has been logged using CPA Performance View services, evaluate actual results. Use an electronic vehicle, if this is available, for in-house feedback on these better-focused tools. Then compile findings to set an agenda for the next review meeting.

(See PV-12.2, "CPA Performance View Feedback Form.")

Use Feedback and Evaluation to Make Changes

With full benefit of the guidance provided by feedback from many sources, it will be time to make appropriate changes. Work with performance measure owners, users of CPA Performance View services and designated resource people. Revisit the organization's desire to be the best at what its customers value most. Expect to make some changes. Look ahead to what will happen next:

- Natural integration of CPA Performance View initiatives with the annual planning cycle

- Opportunities to integrate changes and apply learning to business strategy and management issues that affect the whole organization

- Fewer measurements

- Opportunities to consolidate or merge new measurement tools

- Seamless flow of review and realignment into new business markets

FOLLOW CHANGES WITH FURTHER COMMUNICATIONS AND TRAINING

Once decisions to revise components of the CPA Performance View process have been made, formal notice must follow. Harness the already established communications process to—

- Give public notice to the team and contributors.

- Acknowledge exceptional work done and progress already evident.

- Describe results and improvements in performance for the organization.

- Indicate areas needing change and people responsible, including timing for changes.

- Announce training and information sessions for affected individuals and departments.

- Launch training for customers and suppliers that may be affected by these changes.

- Possibly reward first-year implementation results with one-time bonuses.

Show CPA Performance View services links to other organization-wide measures. By using specific examples, workers can see the benefit to themselves for changes that are being addressed by their colleagues in other departments.

LONGER-TERM CONSIDERATIONS

Once a reliable measurement process is being used with confidence and has won the unquestioning support of workers as well as leadership, it may be time to move into further areas of application. These include linking new performance measures with compensation, possibly in year two. Invite the human resources team to participate in work sessions to gain an overall flavor of CPA Performance View services,

and ask for their recommendations on best ways to tie performance-based compensation into new measures being reported. This can apply to front-line workers as well as management.

Trend Projection Models

Use statistical trend projection models to set new performance targets. As improved outcomes are evident, this gives confidence to leadership and workers to raise the bar to higher levels of performance that may have earlier been considered unattainable. Trend projection models are time-sensitive information tools that capture and project performance improvements with upper and lower limits. Using these tools, you can credibly show higher performance targets at intermediate or distant points in time. Seeing possibilities of longer-range improvement can serve as a motivation to persist even when present circumstances are challenging.

ITINERARY CHECK

At this final step in completion of the CPA Performance View journey, the planning team and client organization will have successfully arrived at these destinations:

1. A formal plan for a review process is set in place with the endorsement of leadership.

2. A planning team augmented by owners, users, and designated resources has been convened.

3. Advance preparations are bringing experience and comments from knowledgeable CPA Performance View process users and observers.

4. The planning team is adjusting measures, targets, or both.

5. Appropriate training is being provided for owners of information, users of performance measures, and designated resource people managing the CPA Performance View system.

6. Leadership has been briefed on results and intended changes.

7. Public recognition is given to people who have had an important role in making the CPA Performance View process a success.

8. New performance measures have formed a foundation to start the next annual business planning cycle.

PV-12.1

REALIGNMENT QUESTIONNAIRE

Before meeting with the client's performance measurement teams, the following questions and other possible questions should be reviewed to make the realignment process as effective as possible.

Questions	*Yes*	*No*
Have the strategic objectives and goals of the organization changed?		
Are the mission and vision of the organization still relevant?		
Are there new market factors that need to be taken into account when realigning measures, critical success factors or targets?		
Do we experience new competition in our marketplace that needs to be addressed?		
Do we have additional information or data available that was unavailable before?		
How long has the performance measurement system been in place?		
Has it been in place long enough to evaluate its effectiveness?		
Are we measuring the right things?		
Does the performance being measured line up with the organization's vision and mission?		
Are selected critical success factors still critical?		
Are the targets or ranges reasonable?		
Are the targets too easy and not stretch targets?		
Do the targets need to be redefined?		
What else should be changed?		

PV-12.2

CPA PERFORMANCE VIEW FEEDBACK FORM

The following is a list of possible questions to solicit feedback from organization employees on the CPA Performance View initiative. The answers to the questions may provide valuable feedback into what is working and not working about the system. There may be many other questions to choose from beyond this list.

Questions	*Yes*	*No*
What do you think worked best in the CPA Performance View system? Why?		
What do you like least about the CPA Performance View system? Why?		
Did the performance measurements help you do your job? If not, why not?		
Did the performance measurements help you to understand the mission, vision, and strategic objectives of the organization? If not, why not?		
Were you able to get the performance measurement information you needed? If not, why not?		
Did the CPA Performance View system help to get the whole company working in the same direction? If not, why not?		
Were the results of the CPA Performance View process communicated to you in a timely manner? If not, how often did you receive feedback on your performance?		
Do you feel that the performance measures were used to help you do your job better or to criticize you for not making your targets? Help / Criticize (circle one)		

Chapter 13

MARKETING CPA PERFORMANCE VIEW SERVICES
Selling the Engagement to Clients

Chapter 13

MARKETING CPA PERFORMANCE VIEW SERVICES
Selling the Engagement to Clients

This chapter offers experience-based ideas on how to sell CPA Performance View engagements to CPA firm clients. In addition to enhancing revenues and service capabilities for the CPA firm, this new skill brings a highly valuable new resource to clients. As a rule of thumb, small but growing firms have achieved success by being highly focused. This also means leaders and management teams are likely not doing much to look broadly at emerging management practices or look down the road to future needs for their business. This significant new dimension brought by offering CPA Performance View services can elevate a CPA firm to a higher level of importance to the client.

PREPARING TO MARKET TO THE CLIENT .

Before the CPA schedules a first meeting with a prospective client, it is important to have a sales plan in mind. Experienced practitioners know the value of asking pertinent questions. They will have an incentive or a compelling reason for an interested client to stay involved with the CPA. Once the conversation has started, be ready with preplanned next steps to keep the sales cycle moving forward.

Prepare in advance a set of probing questions about the prospective client's business or industry:

- What keeps the CEO up at night?

- Is there pressure to make more money?

- Are shareholders unhappy with recent performance?

- How serious is leadership about making changes? Why?

- What previous efforts have been made to adopt new procedures? Did they work?

- Where is the pain or gain?

Gather Comparative Benchmark Data

Often a free sample providing useful information at no out-of-pocket cost is persuasive. Industry surveys that show standards or norms can be highly leveraged in a sales call. Have you compared your clients' financial performance with standard benchmarks such as those produced by Robert Morris Associates? Using widely accepted comparative data may convince prospects about the need for a change. If you are using *CPA Views* input the key financial information from a compilation, review or audit along with comparative benchmark information. Use the software as a graphical example of how a performance measurement system would work for the organization from a financial perspective. Because CPA Performance View services are a proven tool for designing and installing a performance management system, this can be the solution to a problem that has been identified by the prospective client. Enterprise leaders who want to increase sales and margin, gain a larger market share, see higher returns on invested capital, have more inventory turns, and operate with less debt leverage and higher return on assets—to mention only a few performance benchmarks—will find a natural interest in new performance measures.

IN-DEPTH PROSPECTING

First step is to schedule enough time with a client to have a substantive, relatively undisturbed conversation. Find a location where phone calls and other distractions are minimized. The purpose of the meeting may be tied to recent or future work but should clearly be a high-altitude discussion about the overall health and direction of the enterprise. Use knowledge gained of the clients' business from other CPA engagements. During this discussion, ask open-ended questions that will signal the client's state of mind regarding how well the enterprise is performing. Use the life-cycle of a business as a conversation guide and selling tool to open up discussion along the following topics:

- What are the biggest challenges you must address this year? Next year?

- How satisfied are you with the overall performance of the enterprise?

- What changes do you see as most important in the next several years?

- How confident are you in the organization's position relative to competition? Relative to technology?

- What is your assessment of the organization's ability to learn and try new things?

- When can you visualize the organization making an effort for significant performance improvement?

- What areas of improvement are most important in the eyes of the owners?

  — In the eyes of your leadership team?

  — In the eyes of employees?

  — In the eyes of supply chain partners?

  — In the eyes of customers?

The key in this discussion is to keep asking questions, talk little, and do lots of intent listening. Take notes. What emerges is an accurate reading of the client's openness to change, a willingness to take on new learning challenges organization-wide, and a sense of timing. If major issues are confronting the client that demand an all-out effort to fix problems or finish uncompleted projects or get over a seasonal hump, then put this client into the "Later" category and come back with another high-altitude discussion in six months or a year. A sample of discussion issues to indicate interest and willingness to act by a client are shown in the following practice aid.

PV-13.1

(See PV-13.1, "Engagement Objectives and Outcomes Worksheet.")

Categorize the Prospective Clients

Each client is unique. One makes decisions quickly, and another may hardly ever change. These characteristics can make a powerful difference in how a CPA sells an engagement. Early in pursuit of an

engagement, the key is to place prospective clients either in "Now" or "Later" categories. This conserves selling energy and avoids feelings of frustration by continuing to invest time where there are results. Prospects who appear ready for help "Now" deserve continued pursuit. The "Later" prospects will be deferred into a systematized follow-up process. How to determine whether a prospect is "Now" or "Later" is both art and science, and is explained in the following sections of this chapter.

QUALIFIED PROSPECTS

Those clients expressing some interest, or dissatisfaction, in their status quo in the present time frame have become a qualified "Now" prospect for CPA Performance View services. A qualified prospect means the CPA has specific information about the prospective client:

- Client has interest or pain that can be addressed by CPA Performance View services.

- Client is willing to act in the present time period.

- Client has means to pay for an engagement (for example, budget authorization or available cash flow).

- Client can make this decision themselves.

At this point, the CPA can describe benefits and outcomes of CPA Performance View services. Do not go into details on how the process works. Stay at a high-level discussion that links positive performance measurement results to needs or problems expressed by the client. Pay particular attention to the interest shown by the client during these conversations because this will signal how fast and confidently the rest of the sales process can move.

Invite Other Functional Managers Into the Prospecting Dialog

Often the sales process bogs down because CPA Performance View services will have broad organizational consequences that necessarily involve other departments, and yet other department heads have not been invited into the dialog. A sound principle to follow is: As decisions become more complex, more people must be involved in making them.

If a complex situation is evident with a prospective client, broaden prospecting discussions by inviting others into the dialog. Typically an engagement that affects the whole enterprise or changes the information gathering and reporting system will require buy-in from many key functional managers. Experience suggests it is often most helpful to have discussions, either separately or in a group setting, with these functional heads:

- Chief executive officer

- Chief financial officer or controller

- Chief information officer or information systems manager

- Operations manager

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- Sales and marketing manager

- Human resources manager

Involve Leadership in Early Discussions

Ask the CEO or owner to convene this meeting around the specific issues, which he or she indicated were a source of desire for improvement. The CPA then facilitates a question-and-answer period to hear how broadly managers share the opinions of the leader. Assuming all or most of those present are in at least partial agreement, a high level discussion follows around the potential benefits and results from CPA Performance View services.

Talk About Benefits and Positive Outcomes

Keep the conversation away from process details. Use the overall graphics of the road map and signs for each of the steps on the journey. Ask participants to first express positive interests in a process like this, and then ask for concerns and negatives. Make notes, or have a colleague present to help listen and capture points of possible resistance. No discussion about fees is appropriate at this point. If asked, simply defer until a follow-up meeting or presentation can be scheduled, at which time a more detailed proposal with scope of activities, timing, and fees will be provided.

Gain Consensus on Needs

This is the key to a successful proposal for CPA Performance View services. By listening carefully to the leader and functional managers, the CPA can summarize multiple conversations into one or two paragraphs of background information about the client organization. Out of this background logically and naturally emerges the need for CPA Performance View services. These needs are clearly addressed by the process and outcomes from CPA Performance View services.

Test Client Commitment

As the leader and decision makers have time to consider the ramifications of a CPA Performance View engagement, interest will either increase or drop off. Increased familiarity with the concept of an organization-wide initiative helps, particularly if no serious opposition has initially emerged from other functional managers. Often there will be a mixed assortment of opinions.

Develop a mental listing of the key movers and decision makers, and estimate where support in the group exists for CPA Performance View services. If skeptics can be identified, personal calls and meetings are in order, to hear their reluctance. If legitimate reasons for not proceeding come to light, it is better to meet these early than midstream in an engagement. These resistors may be more conservative or slower decision makers, and simply need more time to think, consider the impact on their area of responsibilities, and hear their colleagues independently speak out on positive reasons to proceed.

Likewise, if supporters can be identified, they should be separately heard and their positive views reinforced before they are asked in a group meeting to speak out in support of CPA Performance View services. All of this takes time and may require several meetings with this group of functional managers.

PROPOSAL AND LETTER OF ENGAGEMENT

Following the agreement on need is a more conventional proposal and letter of engagement. Use existing formats from your practice, if these exist. It is important to have a strongly presented statement of objectives and outcomes for the engagement that spell out positive reasons to begin this initiative. These are built up from earlier discussions, and respond almost point-by-point to the background information already gathered. The scope of work proposed can effectively be presented using the CPA Performance View graphics and description of each step in the process.

(See PV-13.2, "Engagement Letter.")

Examples of a letter of engagement for CPA Performance View services are shown in practice aid PV-13.2.

Engagement Timeline

Timing will be largely your judgment call based on your knowledge of the client and their probable capacity to take on a large scale change process. A word of caution: don't assume every step will proceed on schedule, or that new performance measures will be free of surprises. Allow plenty of time to complete this work in an unhurried manner. Put into the schedule extra time to accommodate learning by an organization that is relatively inexperienced with system-wide change processes. On the other hand, if the client organization has had positive experiences in recent years assimilating new technology or major changes, it is advisable to count on the CPA Performance View process going faster than normal. Most engagements will fall into a range of six to twelve months. More complex challenges, larger organizations, or less experienced groups may take longer.

Prompt Follow-Up Contacts

After the proposal has been presented, schedule a courteous and prompt follow-up contact. If a positive decision seems imminent, ask the client when the next meeting can be tentatively scheduled. If responses seem cooler or even negative, ask for a review meeting with the leader and other influential people to hear their thoughts and discuss areas of resistance. If no clear negatives are identified, and yet there is no willingness to go ahead, this may be a signal that resistance exists that has not yet surfaced. Gently persistent follow-up to provide new information about CPA Performance View benefits and values will be needed. If the prospective client is an information-based decision maker, this is an ideal time to provide a case history or letter of referral from a successful engagement for CPA Performance View services (whether it is from the CPA's experience or a distant example). If three follow-up contacts over a period of three to four weeks have not yielded a decision, move that prospective client to the "Later" category and follow up again in six months.

COMMITTED ENGAGEMENT

When a decision to proceed is made, a prompt meeting with the leader and key movers is important. This will reinforce their decision was a wise one, and reduce the chance of "buyer's remorse" to cancel the decision. Ask for any questions of clarification, and be prepared to schedule initial planning team selection meetings. Capture changes in the final engagement using a standard form for

acceptance of a new engagement. Add further endorsements or testimonials, if available, to solidify the client's decision.

(See PV-13.3, "CPA Performance View Proposal Summary and Approval Form.")

POST-ENGAGEMENT FOLLOW-UP

While this may not seem required by the engagement, a formal project summary should be considered part of the sales process. This will not influence the sale and work just completed, but this step could have a major impact on the success of subsequent sales cycles. A positive experience and solid results for CPA Performance View services are worth at least one new engagement if a thorough job of obtaining a referral is done. Surveys show when managers realize they have need for outside services, the preferred source is an opinion from a professional colleague. Leaders call a friend and ask, "Who have you used?" and "What kind of results did you get?" This networking generally continues until a positive reply is received. The odds of new clients obtained through referral turning into business are four times greater than an unsolicited contact. Referrals make it possible to eliminate months of selling cycle time.

ITINERARY CHECK

At this point in the CPA Performance View journey, the planning team and client organization will have completed these steps:

1. Read chapters 1 through 12 and have a reasonable comprehension of the process steps involved.

2. Decide to market directly to prospective new clients.

3. Determine which clients are serious potential buyers and which ones are "kicking the tires."

4. Survey available tools to use in prospecting and developing proposals.

5. Meet with potential client decision makers.

6. Prepare an agreement on need to trigger developing a fully detailed proposal.

7. Use a disciplined follow-up process to communicate the CPA's desire to work with the client.

8. Add local testimonials for future use.

PV-13.1

ENGAGEMENT OBJECTIVES AND OUTCOMES WORKSHEET

This form can be used to assist management in clarifying and ranking according to priority the specific objectives and outcomes they are looking to satisfy by undertaking a CPA Performance View initiative. Exercise care to thoroughly describe the objectives and outcomes, taking into consideration the strategic and profitability effects of each. Five performance areas have been included. Use them to inspire objectives and outcomes that are aligned to encompass the whole organization. The form also provides a vehicle to return to during the engagement to add outcomes and objectives and to note the resolution of any that have been adequately addressed.

Client name:		Date:	
#	Objective/Outcome Description	Priority	Resolution
	Financial		
1			
2			
3			
	Customer		
1			
2			
3			
	Internal Operations		
1			
2			
3			
	People/Learning		
1			
2			
3			
	Suppliers		
1			
2			
3			

PV-13.2

ENGAGEMENT LETTER

Note: Before sending out this engagement letter to your clients, check with your audit and accounting specialists or your legal counsel to make sure that the letter covers all pertinent areas for engagements of this type for your firm.

[Date]

[Client's name and address]

Thank you for the opportunity to meet with you and discuss the business performance measures needs of your organization. The purpose of this letter is to document our understanding of the arrangements to provide the CPA Performance View® services of *[firm name]* to *[client name]*. The following paragraphs outline the terms and objectives of the engagement.

The overall objective of the engagement is to assist in developing a performance measurement system within *[client name]* to provide management with more relevant and timely information for decision-making. This new system will ultimately lead to better information available to management for making decisions, which is likely to increase the value of the organization. A major outcome of the engagement is to align the actions of the organization to its strategies and goals. It will give the employees and management better information.

CPA Performance View engagements consist of seven stages. The first stage, Assessing the Business Truths, is designed to help us find out where the organization is today. The second stage, Determining Critical Success Factors, maps the outcomes the organization is striving to achieve. The third stage, Selecting Performance Measures, consists of developing bottom-up consensus and actual performance measures that are aligned to the strategies and critical success factors of the organization. The fourth stage, Establishing Targets, sets targets that are both meaningful and stretch goals. The fifth stage, Developing Action Plans, addresses the gaps between the targets and actual performance and answers the question of how to collect the measurement data. The sixth stage, Monitoring and Reporting Systems, is where *CPA Views* software is used to track and report on your organization's progress toward your goals. The seventh stage, Communicating the Results, conveys the results of the engagement to the organization.

Follow-up will be in the form of additional engagements, during which we will assist you in realigning your critical success factors, outcome measures, performance measures, and targets. This should be done on a periodic basis or whenever a major organizational change occurs.

In performing our engagement, we will rely on the accuracy and reliability of the information provided by *[client name]* employees. Our engagement will not include a detailed examination of all transactions and cannot be relied on to disclose errors, irregularities, or illegal acts, including fraud or defalcation that may exist. However, we will inform you of any such matters that come to our attention. If you want us to expand the scope of our services in this regard, this letter of understanding will require revision. Furthermore, our procedures do not constitute an audit made in accordance with generally accepted auditing standards. Therefore, we will not express an opinion on any of the specific elements, accounts, or items included in the engagement.

We direct your attention to the fact that management has the responsibility for the integrity of the data used in performance measurements and for the implementation of the action plans identified in the engagement. *[Client name]* shall indemnify and hold harmless *[firm name]* and its personnel from and against any claims, liabilities, costs, and expenses (including, without limitation, attorney's fees and the time of *[firm name]* personnel involved) brought against, paid or incurred by *[firm name]* at any time, and in any way arising out of or relating to *[firm name]* services under this letter, except to the extent finally determined to have resulted from the gross negligence or willful misconduct of *[firm name]* personnel.

Our fees are based on the actual time spent by our staff on each engagement at our standard billing rates, plus out-of-pocket expenses. We estimate that our fee for providing CPA Performance View services will be between $XX and $XX. We estimate out-of-pocket expenses will be approximately $XX. Our fee estimate is based on anticipated cooperation from your personnel and that unexpected circumstances will not be encountered during the engagement. If it is clear that significant additional time is necessary, we will discuss it with you and agree upon a new fee estimate before additional costs are incurred. Interim billings will be submitted [*weekly, monthly,* or *quarterly*] as expenses are incurred and are payable upon submission.

We appreciate the opportunity to assist you with this important project. If you have any questions, please let us know. If this letter defines the arrangements as you understand them, please sign and date the enclosed copy to confirm our understanding and return it to us.

Sincerely,

[*CPA's signature*]
This letter correctly sets forth the understanding of [*client name*]

Signature:

Title:

Date:

PV-13.3

CPA PERFORMANCE VIEW PROPOSAL SUMMARY AND APPROVAL FORM

Prepare this form for all proposed CPA Performance View engagements.

BASIC CLIENT INFORMATION		Date of Proposal

Client Name		Phone Number	Client Number

Street Address	City	State	Zip

SIC Code	Description of Business	Client Service Partner

PROPOSED ENGAGEMENT INFORMATION

A.	Estimated Fees					B.	Billing Arrangements		
	Per work program	$		to			Monthly		End of Project
	Estimate given client		$				Other		
	Planned overage (shortage)			$					

C.	Planned Personnel Assignments	
	Partner	Manager/Staff

D.	Engagement Timeline	Engagement planning	Initial communications	Business truths
	(Due dates or frequency)			
	Critical success factors	Performance measures	Establish targets	Develop action plans
	Monitoring & reporting system	Communicate CPA PV services	Realign target/measures	

E. **Engagement Acceptance and Arrangements Considerations**

	Yes	No	N/A
1. Is this engagement within our scope of services?		**	
2. Are we qualified to perform this engagement?		**	
3. Is there a written proposal or confirming arrangements letter?		**	
If not, is there a file memo regarding arrangements?		**	
4. Is there a work program and does it include adequate detail?		**	
5. If required, was the CPA PV New Client Approval form completed?		**	
6. Have we considered and resolved potential conflicts of interest?		**	
7. Have applicable SEC restrictions been considered?		**	
8. If required, have arrangements been made for a concurring review or other special reviews?		**	
9. Do you believe the client will receive the expected benefits?		**	

** *Explain below or in an attached memo why not and alternative action taken.*

Engagement approval/acceptance (must be approved by partner): After considering the above acceptance criteria, I approve these arrangements & believe the firm should accept the engagement.			
Approved by	Date	Concurring Reviewer, if Required	Date

CPA PERFORMANCE VIEW NEW CLIENT APPROVAL FORM	Client Name:

Proposed Project Type/Description

Instructions: When proposing CPA Performance View engagements for entities that are not already clients of the Firm, we must perform an appropriate degree of checking to be sure we are comfortable with their honesty, reputation and business ethics. We also need to check the financial stability of the entity and their history in working with other professional service firms to detect any potential fee collection or relationship problems. This form should document our background checking and conclusions, and be signed by the partner in charge of the engagement. (Fill out this form only for new client relationships.)

1. **Describe the background, financial, credit and other checking that has been conducted or why you believe checking of this type is not needed:**

_____

_____

_____

_____

_____

_____

2. **Describe the general results of discussions with business and professional contacts, the results of any other background checks or credit checks, and note any concerns resulting from these inquiries. Attach any appropriate supporting material.**

_____

_____

_____

_____

_____

3. **Key New Client Approval questions (Explain any "Yes" answers on the reverse side of this page)**

	Yes	No
• Is there any reason to doubt the integrity or honesty of the entity's management or offices?		
• Would we be uncomfortable being associated with this entity?		
• Do you believe there would be any fee collection problems?		
• Are we aware of any circumstances that may prevent us from satisfactorily completing the engagement?		

• Do you believe the risk to the Firm of accepting this client and performing this particular engagement is:	Low	Moderate	High

4. **Should we propose the project and accept the client if we are awarded the project?**

Yes	No

Prepared by	Date	Approved by	Date

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Chapter 14

TRIP EPILOGUE
Reflections on a Trip Well Done

TRIP EPILOGUE

Reflections on a Trip Well Done

In the quieter moments long after returning from a trip, travelers realize what the significant elements of the whole adventure were. Most memorable parts of the trip are usually unplanned events, surprises that came from problems or detours that caused on-the-spot responses. Often, the things that make such unplanned events memorable are the human reactions and individual ways people deal with these surprises.

SURPRISES ON THE TRIP

CPA Performance View services will inspire the same post-journey memories. If your experience follows the pattern of many others who have taken this trip into performance measurement, reflections will include—

- Surprising talents discovered in some people who served on the planning team, often people who did not have prior experience in systems design or information flows.

- Leadership abilities from people who got excited about performance measures and persuaded others to get excited, too.

- Shortcuts discovered right under the pattern of established practices—habits and traditions saying, "We've always done it that way."

- Detours that required extra time and created delays, but once the reality of a detour was accepted, it became almost enjoyable to see new and unplanned scenic wonders.

- Hard work during intermediate stages that simply got done at the time because the schedule said so, later proves to be a leap forward, a major breakthrough.

- New measures are seen at first as extra work, but after early usage it becomes evident one new measure has taken the place of many separate components.

THE PHOTO ALBUM

Big trips produce big photo albums. For client organizations that embrace CPA Performance View services in a big way, it will be natural to record the trip as it unfolds. Just as travelers send post cards home to describe the enjoyment of a new place, it will be valuable later to photograph or video record some of the milestones achieved in the CPA Performance View journey. A photo album with post cards and snapshots taken along the way is particularly helpful if there is some chance another trip will be taken in the future. If other locations or divisions, or later acquisitions, are interested in this journey, the photo album will be a big influence in both selling and implementing this engagement.

STORY TELLING

The best parts of any trip deserve to be told to others, and often these experiences improve with repeated retelling. While not advocating "puffery" to overstate the benefits of CPA Performance View services, it will be highly advantageous to the CPA if satisfied clients are invited to tell other prospective clients about their experiences on the journey. Convene small group meetings on the topics that have been most appealing in the CPA Performance View sales process, and then ask a satisfied client for his or her initial thoughts in contrast with actual results later in the process. One satisfied client referral is worth ten to twenty unqualified prospect calls.

BECOME A TRIP GUIDE

Successful experiences with CPA Performance View services will naturally stir some clients to want to help others find the same positive outcomes. As client leaders see the value in their own organizations and prove effective in persuading other prospective clients to take a serious look at performance measures, they move into the role of mentor, coach, and travel guide. Invite these experienced and willing clients to the kick-off meetings with new client organizations. Use the guides as a testimonial for new clients or to be guest speakers at meetings on various aspects of CPA Performance View services.

USER GROUPS

Travelers that enjoy a trip and want to repeat a positive experience often form clubs or groups. Regular meetings become the mechanism to share individual experiences and validate learning. Problem solving among fellow travelers makes easy work of tasks that can be heavy burdens if carried alone. Invite successful clients in noncompeting markets to meet among themselves and share success stories and jointly develop new solutions to recurring challenges. If regular meetings are not feasible, an annual gathering of fellow travelers can be effective, especially if done in conjunction with other annual meetings or seasonal events.

SEND INFORMATION TO OTHER TRAVELERS

The final step may be sending a copy of the photo album and several success stories to interested organizations in distant locations. If a trip was highly rewarding, a natural desire will be to share this with others. Satisfied travelers are often the best ambassadors for others with an interest in taking the same or similar trips. Use client experiences in a respectful way, but realize how gratifying it can be to first tell and then persuade another organization's leader to try something new.

APPENDIX

PLANNING AIDS FOR EXPERIENCED STRATEGIC PLANNERS

What follows are many options that practitioners have found highly effective in past planning engagement. The tools are the subject of many other texts and as such are only listed here. The following tools are suggested with the most widely used first.

- Bottom-up strategic planning outline
- Customer satisfaction survey results
- ‧ Vendor performance ratings
- Demand/sales forecasting models
- Customer history analysis and trends
  - — Database of customers
  - — Purchase patterns
  - — Trend analysis of changes in sales or revenues
  - — Addition of new products and services
  - — Technology changes
  - — Competitive activities
- Industry/trade association databases
- Economic forecasts and trend projections
- Syndicated research reports on topical subjects of interest
- Public information sources on relevant markets and industry demand: Internet, public libraries, trade associations, government publications
- SWOT Analysis: Strengths, Weaknesses, Opportunities, and Threats
- Porter's Five Force analytical model
- Supply-chain analysis
- Value-added analysis
- Technology adoption curves relevant to industry served
- Distribution channel mapping
- Feature and benefit matrix
- Company and competitor positioning matrix
- Inventory turns analysis
- Employee survey findings
- Employee turnover and medical/disability cost analysis
- Human resource benchmark studies on training, skills, compensation, job tenure, and career opportunities by functional department

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Additional references:

AICPA—American Institute of Certified Public Accountants
        CPA Performance View Services Web page: www.aicpa.org

IQPC—International Quality & Productivity Center
Information Hotline: 800-882-8684
Web: www.iqpc.com

Panorama Business Views, Inc.
Information Hotline: 800-PB-views
Web: www.pbviews.com

PerformanceSoft Inc.
Information Hotline: 1-888-776-6697
Web: www.performancesoft.com

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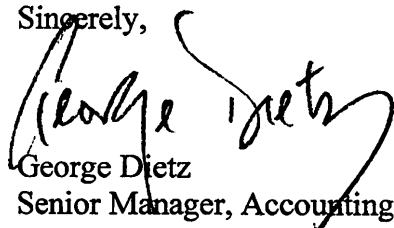
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Sincerely,

George Dietz
Senior Manager, Accounting and Auditing Publications

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