

Monday Morning
January 21, 2008

ONE EIGHTY

Upcoming 2008 Events

- APQC Winter Training Program Houston February 5-6
- CAM-I/CII Performance Management Conference New Delhi February 18-19
- CAM-I First Quarter Meeting Charlotte NC March 9-12
- Network Costing Forum The Woodlands March 27

People in the News

- Congratulations to Doug Webster for his congressional recommended, senate confirmed, appointment as CFO for the Department of Labor. Doug was also a major contributor to the recently published CAM-I book ***Chasing Change: Building Organization Capacity in a Turbulent Environment.***

Performance Management

According to Wikipedia, **Performance Measurement** is the process of assessing progress toward achieving predetermined goals.

Performance Management is building on that process, adding the relevant communication and action on the progress achieved against these predetermined goals.

In a commercial organization the primary predetermined goal and mandate is increasing shareholder value.

Increasing shareholder value requires a return on investment (ROI) that exceeds the cost of capital.

The basic components of the ROI calculation are profitability and capital turnover. The ROI on the business that earns a profit of 10% on revenues and turns its capital base once is the same as the business that earns a profit of 1% on revenues and turns its capital base 10 times.

Higher profits are achieved by any combination of lower costs, higher prices, new

products, new customers, and new markets.

Improved asset utilization is achieved by working capital management and fully informed capital investment decisions.

Stability and predictability in operations reduce the risk premium (beta) on invested capital and a higher score with debt rating agencies, thus lowering the overall cost of capital.

When viewed from a perspective of increasing shareholder value, performance management and measurement is a huge umbrella covering just about everything the organizations does.

When Peter Drucker wrote his book *The Practice of Management* 50 years ago, he said "objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business".

Mr. Drucker went on to say there are eight areas in which performance and objectives have to be set: market standing, innovation, productivity, physical and financial

resources, profitability, manager development and performance, worker performance and attitude, and public responsibility.

That's a lot to manage and a lot to measure!

From a CEO's perspective, performance management is about excellence in operations, consistent execution of strategy, and sustained, steady, and profitable top-line growth.

As professionals responsible for performance management and measurement, each of us should share the CEO's perspective.

That means our measures of performance must be relevant, compared and benchmarked with others as a means of judging excellence in operations, linked to strategy, and tied to profitable growth.

To improve your performance management and measurement capability think like a CEO ...

John A. Miller

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