CREATING A HIGH-PERFORMANCE ENTERPRISE: DRIVING ORGANIZATIONAL PERFORMANCE AND SHAREHOLDER VALUE

It is a great honor and pleasure to have our very knowledgeable cost management friends at Oracle serve as guest editors for this edition of Cost Management. I do hope you enjoy reading the letter from our guest editors and the articles they have organized for your enjoyment.

Editor’s Letter
Ellen Mogensen once said:

There are three kinds of people: those who make things happen, those who let things happen, and those who wonder: what the $@!# just happened. Those who make things happen are masters of change while the other two are its victims.

This holds true for business as well as our personal lives.

The only thing that stays constant in our business world is the need to keep pace with or outpace change. Whether in retail, manufacturing, health care, finance, services, or the like — technology, the global markets, hyper-competitive industries, and rapidly changing customer needs are fueling the push for organizations to re-examine how they are doing business today to drive organizational performance and shareholder value.

But how can you instill the need to constantly change into organizations that reward employees for doing their jobs the same way year after year, or for not challenging their organizations’ status-quo cultures?

According to an article by McKinsey & Company authors, “Hardwiring a high-performance culture into a company’s DNA is the only way to assure growth above the market year after year. This requires putting in place specific processes and tools to redirect the organization, reinforce behavior and build new habits.”

Evidence of this sentiment was observed by widespread adoption of business scorecards, dashboards, and other methods of tracking strategy, initiatives, and outcomes. However, many of these culture-changing mechanisms rely on being able to identify and track profit-focused metrics to encourage behavioral change, measure and monitor the progress of it, and then take corrective action when needed. This is where decision support, costing philosophies, and profitability tools and methods can truly shine.

In this edition of Cost Management, we will focus on creating a high-performance culture through better use of tools and methods to help drive organizational performance and shareholder value. Our thanks go to each of the agents of change in this issue, including several partners of Oracle and pundits within...
Oracle. Each of these authors has provided his or her wealth of experience and opinions on how to accomplish this enormous, business-critical mission.

As Nathaniel Branden once put it: “The first step toward change is awareness. The second step is acceptance. The third step is action.” In the feature article “Fair Does Not Always Mean Equal,” Lorenzo Mariani and Matilda Filolli of Reply Consulting in Italy detail the journey of a world-renowned tile manufacturer from awareness to acceptance, and finally to action. Not only did FineTiles find out which of its customers were creating value and which were not — the company went on to change its business model, which has since brought huge financial and operational success.

But manufacturing is not the only sector to make huge strides in profitability. In the article “The Juice Worth The Squeeze — Profitability in Retail,” by Michael Wright of Alvarez and Marsal and Mark Wright of Oracle, it is revealed that micro-level profitability and sweating the small stuff (in this case) can also pay huge dividends.

Health-care reform in the U.S. is driving huge changes in how health-care services are delivered to the patient (moving 50 percent from Medicare to an alternative), but how are the payors and providers being affected? How can they improve their processes and measure the financial impact on the improvements to report to the government? In the article “How to Renovate Your Decision Support System for the Health Care Reform Era,” Prashanth Kini and William Bercik of Oracle not only provide seven key elements to consider to advance your health-care decision support system for reform, but they also provide an action plan on how to renovate your system to get there.

Shared services are another big chunk of change that can be streamlined to help increase profitability — if you know where to look. Russ Hoffman and Kurtis Varga from ADI Strategies, in their article “The Secrets of Costing Shared Services: Get on the Road to Optimization,” explain how to logically map shared services to reflect appropriate consumption of these services by the customers, products, and services. In addition, they introduce the idea of a “maturity continuum” for shared services, helping you to figure out where you are currently and how to move forward to achieve global optimization of your shared services.

Staying with the theme of getting more done with less, Cynthia Moehlman and Ryan Osgood of Grant Thornton provide an excellent article entitled “How to Get the Most Out of Your Costing System.” In it, they touch on features of a costing system that you should consider that will get you more bang for your purchasing buck. In addition, they provide sage advice on understanding the profitability and costs of your products, services, and customers for finance, as well as shared services costing, operational improvement support, tax transfer pricing support, and even micro-costing — serving many other parts of your organization in addition to finance.

So how does this all affect finance? It seems the role of FP&A is transitioning to that of a strategic business partner, and in the article “Put the ‘A’ Back in FP&A,” Mike Killeen of Edgewater-Ranzal provides a must-read point of view reflecting how high-performing organizations are making continuous planning and analytics part of their cultures. With better tools and methods, finance is now able to spend more time on analysis, linking operational drivers to activities and ultimately to financial results, thereby moving beyond financial-only planning to planning for the enterprise.

As you will read in this edition of Cost Management, becoming a high-performing enterprise means that specific processes and tools to redirect the organization, reinforce behavior, and build new habits need to be embedded in your business’s DNA — your business building blocks — including a cost and profitability system, project methods, and talented people as agents of change to navigate and execute your unique quest for superior organizational performance and shareholder value.

To keep your high-performance enterprise conversation going, we also recommend reading “Managing a Profit-Focused Enterprise in HD,” an article published in the September/October 2014 edition of...
Cost Management. This article provides an assessment framework that will guide you through the most value-creating project investments and sustain your will power to embrace the continual pursuit of high-performance excellence.

Thank you to reviewers Kate Hutchinson and Donald Bean of Oracle.

Postscript

I will be pleased to hear from you if any of the ideas in this edition trigger a desire to undertake some research and write a paper or article for publication in Cost Management.

As always, I look forward to hearing from you; please email me at psharman@focusedmanagement.com.

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