WHITE PAPER

Improving Business Performance

Through Management

Summary

> *Achieving outstanding business performance is an art—the art of combining know-how and interpersonal skills.*

Even in this era of technology, human beings are still essential in delivering performance excellence. Most enterprises tend to focus primarily on processes and technology. Still, it is critical to remember that people manage, support, and benefit from innovation in any era and are the engines of change.

Do managers in your organization create a motivating environment and optimally support their teams to help them reach their full potential and maximize business performance?

If not, reading the next few pages may well transform your view of organizational performance and the path to achieve it.

Jean-Philippe Raiche

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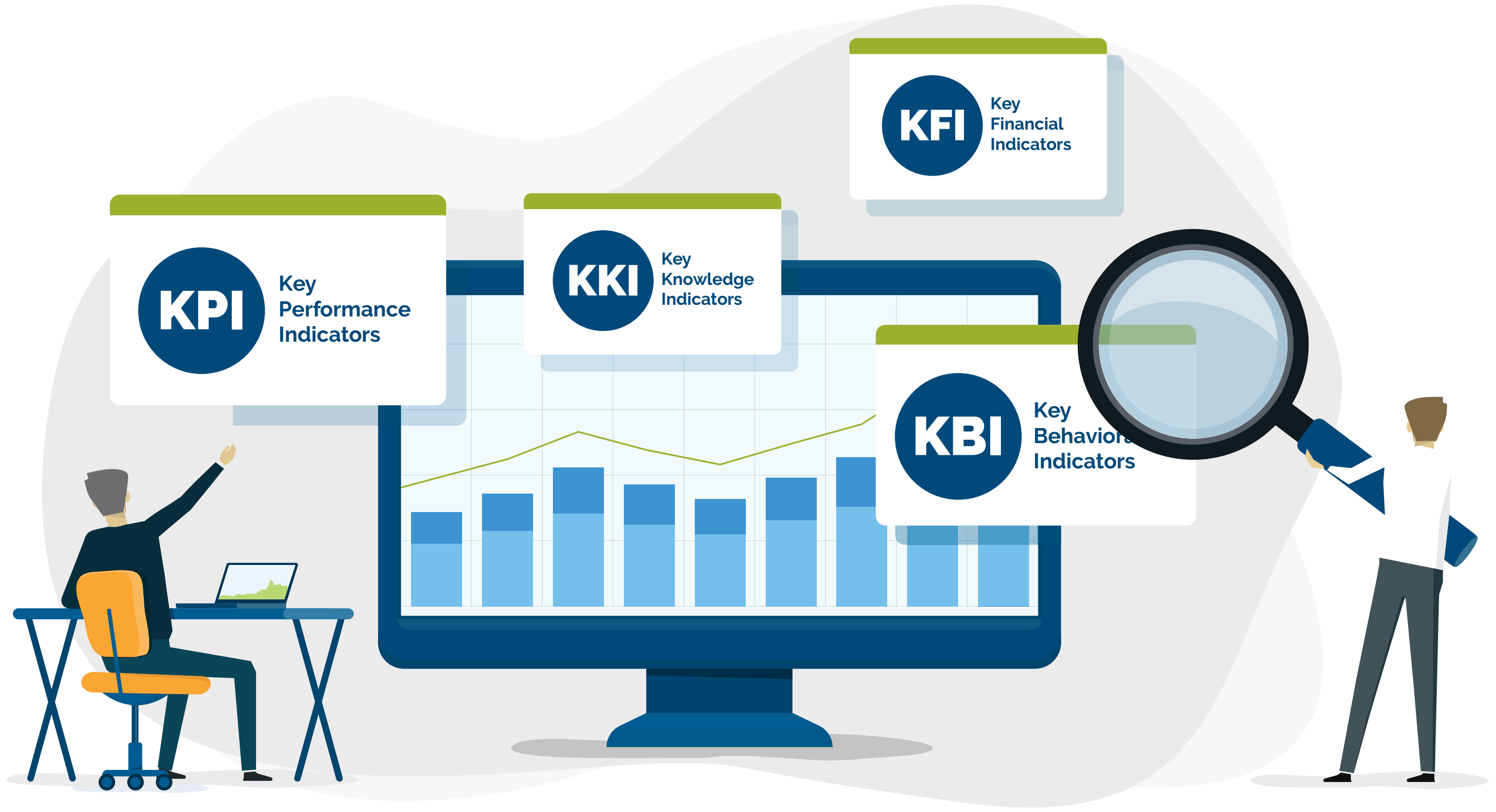
You can get results doing things the wrong way, but it will only last for a while

Jean Piette
A220 COO, Airbus Mirabel

01 Chapter 1
Performance Indicators

Business Performance: Key Indicators

To survive, a company must perform. And to thrive, it must be able to fully assess its performance so that it can identify opportunities for improvement, implement action plans to seize them, and track the impact of those efforts.



KFI
Key Financial Indicators

KPI
Key Performance Indicators

KKI
Key Knowledge Indicators

KBI
Key Behavioral Indicators

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Why use performance indicators?

Performance indicators make it possible to evaluate the performance of the company according to different aspects. By collecting this information, it becomes possible to paint an accurate picture of the organization's health and make informed decisions to constantly improve it. And, as we all know, you can't improve what you don't measure!

CAPITAL ASSETS & FINANCIAL STRATEGIES

BEST PRACTICES & PROCESSES

ENGAGEMENT & KNOWLEDGE

ORCHESTRATION & MANAGEMENT

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KFI
The 5 main financial performance indicators are:

- **Growth**
- **Profitability**
- **Liquidity**
- **Leverage**
- **Activity**

KFI — Key Financial Indicators

The first tools for developing an organization are the Key Financial Indicators (KFI). These are used to assess the financial health of the company to ensure that it is creating value to stay alive.

To improve its financial health, the organization can then implement improvement initiatives targeting one or another of these financial performance indicators.

Strategies such as these are used:

→ Investment

→ Restructuring

→ Market capture

→ Technology integration

→ Acquisition

What are the limits of financial indicators?

Essential to the survival of a company, KFIs are indeed the main decision-making tool in the early stages of its evolution. However, they offer a strictly financial view of the organization and its performance, which hampers the possibility of improving operational performance.

Furthermore, although they can now be analyzed more frequently than in the past (traditionally on an annual or monthly basis), financial indicators only provide visibility on the company's results. The whole dimension of the processes that allow acting on the financial objectives and their results is overlooked.

KPI

Here are some examples of KPIs that are known and used in most companies:

- **Service rate**
- **Customer satisfaction**
- **Human productivity**
- **Overall efficiency rate (OER)**
- **Re-work rate**

KPI — Key Performance Indicators

In an effort to push its financial limits, the company implements best practices to maximize its operational potential. Among these best practices and methods of optimizing operations, there are well-known names such as:

→ ISO 9000

→ Lean Manufacturing

→ Just-in-Time

→ Six Sigma

To ensure the performance of these best practices, Key Performance Indicators come into play. KPIs allow for quicker and more efficient monitoring of operational excellence and the adequate use of good practices than financial indicators (KFIs).

Why don't KPIs guarantee better performance?

With Key Performance Indicators to measure operational performance, best practices and process-based approaches to performance improvement have multiplied.

> *This gives companies the ability to rapidly scale up, but by constantly adding layers of processes, they are also adding immense weight on their employees and managers in the hope that it will all stick and that teams will benefit on a daily basis from all these best practice deployments...*

KKI
Areas of knowledge to be assessed include:

- **Technical knowledge**
- **Procedural knowledge**
- **Organizational knowledge**

KKI — Key Knowledge Indicators

KKIs — or Key Knowledge Indicators - correlate knowledge and worker engagement to assess available human performance.

More precisely, these indicators focus on the workforce, the teams that apply the processes on a daily basis. They help determine whether the people who carry out the company's core business have the technical knowledge to sustain the organization and the willingness to develop them.

> *Each individual, in a company, contributes knowledge through their mastery and their willingness to harness it for the benefit of the organization.*

If each employee possesses the required level of theoretical and practical knowledge for their activity, those who manage them must also know their role in driving the operational and financial performance of the organization.

KBI

KBIs measures managerial performance from four perspectives:

Knowledge
Management Effectiveness Index (MEI)

Know-how
Management Skills Index (MSI)
Active Supervision Index (ASI)

Management style
Objective Orientation (O^2)
Considération Factors (CF^2)

Mindset
Organizational Mobilization Index (OMI)
Personal State Index (PSI)

KBI — Key Behavioral Indicators

The strength of the company lies in the managers' ability to appropriate good practices and to implement them daily with their teams in order to continuously leverage them. This requires great operational rigor and the ability to mobilize teams.

> *It is thanks to managers that companies are able to generate operational results (KPIs) and financial results (KFIs) that match the company's potential.*

How do KBIs help improve business performance?

Key Behavioral Indicators are used to measure management behaviors that support improved organizational performance.

By measuring the managerial performance of all supervisors (team leaders, foremen, supervisors, etc.), it becomes possible to act on their skills and behaviors through training, coaching, and monitoring their long-term development.

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Performance indicators and organizational maturity

The more mature an organization is, the more depth it has. It is therefore logical that several levels of performance indicators exist to provide information relevant to organizational performance depending on the company's stage of maturity.

Somewhat like an inverted Maslow's pyramid, the stronger and more experienced the company is, the more it can look further and deeper into measuring its organizational performance to make a meaningful impact.

Where to start?

Organizations often start by establishing financial performance indicators (KFIs) before setting up KPIs to optimize their operational performance.

When they are ready to go deeper into measuring their organizational performance, they can then assess their available human performance (KKIs) and set up key behavioral indicators (KBIs). They can then implement and track changes that will have a massive and lasting impact on overall business performance.

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How to evaluate management skills

Organizations need good managers who understand their management roles and act accordingly to ensure team performance. However, 62% of managers have little or very little knowledge of the managerial profession and its related levers for value creation.

As such, there are huge gains to be made in the short and long term simply by improving the leadership skills of managers.

But how do you evaluate managerial performance to enable management skills development?

> *Improving your leaders' management skills means empowering your organization to reach its full potential.*

What is the role of a first-line manager?

First-line managers include team leaders, supervisors, foremen, and superintendents. In a more corporate context, we refer to team managers and departmental directors.

→ **The role of these front-line managers: oversee the proper execution of the activities that drive the organization's performance.**

Thanks to managers, organizations can generate operational (KPI) and financial (KFI) results commensurate with their potential.

→ **To measure managerial competency, we must know what is expected of them. This is what Key Behavior Indicators (KBIs) are all about.**

Indeed, effective managers take ownership of the best management practices and make them a part of their teams' lives. Conditions for success include great operational rigor, problem-solving, and an engaging management style based on coaching and communication skills.

→ **Key Behavior Indicators, or KBIs, measure managerial behaviors that contribute to organizations' performance and growth.**

To understand the core competencies of good managers and the corresponding behaviors, we must first define the objective of the management profession in terms of value creation.

MSI MC

MANAGEMENT SKILLS INDEX

MEI MC

MANAGEMENT EFFECTIVENESS INDEX

ASI MC

ACTIVE SUPERVISION INDEX

How to measure the value of managers?

Calculating an employee's added value is usually straightforward. You compare the time spent working on "billable" activities to an attainable expected standard of speed and quality, thus obtaining an added value rate. For example, a production line can have standards based on speed and quality.

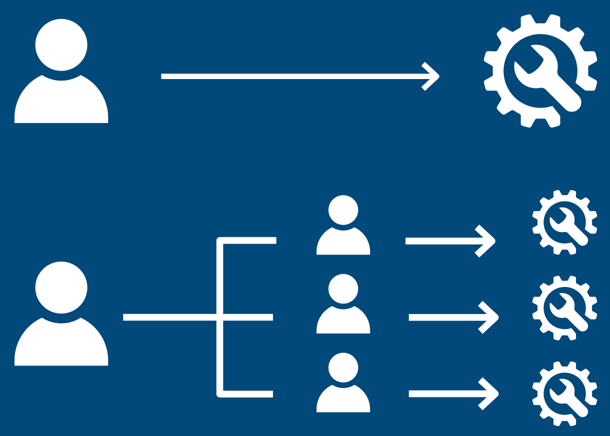
Calculating the added value of managers is much more complex.

By becoming a manager, an employee moves from creating direct value through their technical skills to creating indirect value through other people's value. This is probably the most extreme transformation in one's career.

> *Managers add value by moving their team's performance from its current state to the potential state by reducing the gaps in-between.*

When managers understand their own value to the organization, their team's impact can be exponential.

A manager moves from creating direct value to creating indirect value.



Why you need to evaluate managerial skills

Performance evaluations, also known as performance reviews, are a human resources management activity that assesses individual goal achievement. It also determines employees' advancement on the salary and organizational ladder.

As for managers, it is also important to assess management skills and build action plans to adopt the best managerial behaviors. This ensures that leaders are capable of driving their teams' performance.

Tools to assess management skills:

→ Questionnaires

→ Observations

→ One-on-one meetings

However, few companies integrate this process into their human resource management system.

A consulting firm specializing in management skills and behaviors analysis can help structuring the approach, gathering information, analyzing the results, proposing appropriate action plans and assisting in their implementation.

How to measure managerial knowledge?

Managers' formal knowledge of their roles and responsibilities is often overlooked when climbing the ranks of an organization. Yet it is a key indicator of a manager's decision-making ability and the quality of the leadership they provide their team.

Management Skills Index

Here are 5 main areas to consider when assessing managers' understanding of their roles and responsibilities:

→ Planning → Communication → Execution → Supervision

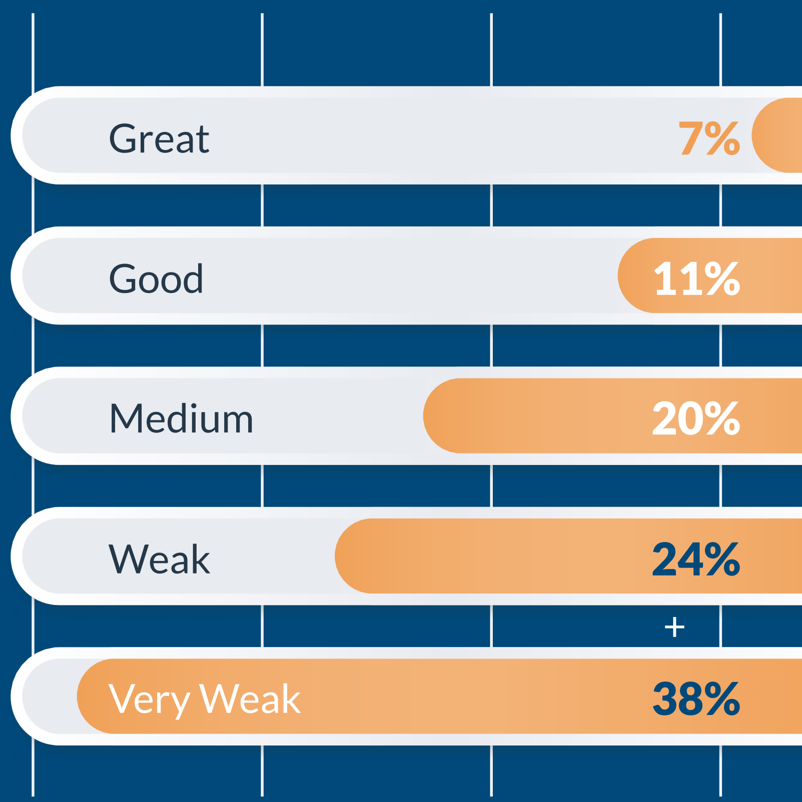
→ Continuous Improvement

By assessing the level of knowledge and understanding of more than 16,000 managers, Proaction International has come to the following conclusion:

Only 7% of first-line managers, in all business sectors, can say they have an excellent understanding of their role and management responsibilities.

On average, **24%** of first-line managers have weak grasp of best management practices. **38%** have a very low knowledge and understanding of it.

Note: This does not mean that two out of three managers do not belong or have no potential!



CONCLUSION

62%

of managers have a weak understanding of their roles and responsibilities and the extent of their impact.

How to interpret the management skills assessment?

The point is that first-line managers are mostly excellent field employees. For instance, the best assembly line operator or sales department representative was promoted without being coached on their role and proper behavior.

Result: they suffer long-term consequences, and so do their team members and the organization.

Measuring managerial knowledge can reveal gaps, sometimes significant, between management levels and even members of the same supervisory team. These findings and individual progress provide rich data for developing, implementing, and revising training and coaching plans.

That's how we move on to leadership skills development.

Assess managerial knowledge to encourage positive evolution

Implementing efficient training and coaching strategies allows for significant improvements in management skills. It also helps uncover high-potential managers who may not stand out from the start.

We have seen how critical theoretical knowledge is to management skills. A good manager, however, requires more.

These results are like a snapshot of the situation at a given moment.

They do not predict what will happen in the future.

Nonetheless, analyzing how the results evolve can help identify trends and guide decision-making.

How to measure the quality of management?

The next Key Behavioral Indicator concern know-how in the field, i.e. the daily management of work teams.

This management skillset can be assessed from two angles:

- → The amount of active supervision
- → Management effectiveness

Active Supervision Index

Managers have to pack a wide range of tasks and priorities into limited time.

A manager often does some manual work that staff should typically handle. Administrative tasks, email management, meetings, team planning, etc., are also highly time-consuming tasks in a day or week.

Calculating the Active Supervision Index involves recording all activities performed in a typical day and classifying them into 5 categories.

ASI

5 categories

ACTIVE SUPERVISION

\+

TRAINING AND COACHING

\+

ADMINISTRATIVE TASKS

\+

MANUAL WORK

\+

PASSIVE SUPERVISION

By calculating the percentage of time allocated to each category, you get the proportion of time actually spent on active supervision.

Managers generally spend most of their day on administrative tasks, meetings, and emergency management. This limits the time they can devote to high value-adding activities, such as:

→ Fostering team engagement;

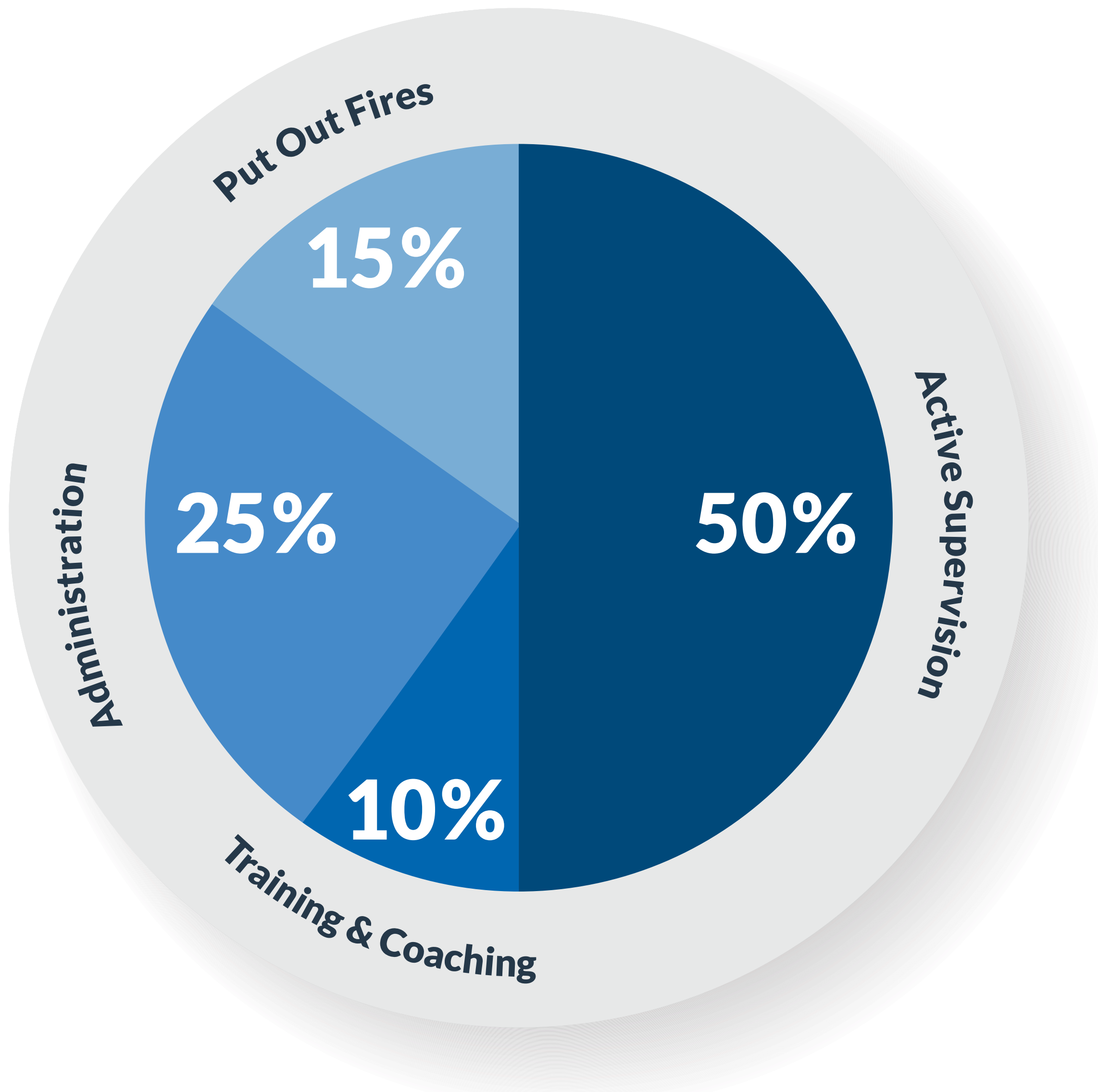
→ Planning and orchestrating activities (active supervision);

→ Developing individual skills (training/coaching).

If managers can only devote 30 minutes a day to active supervision, they simply don't have time to go beyond basic management to invest in continuous improvement (5S, Six Sigma, Lean, etc.).

Therefore, measuring the quality of the manager's interventions in the field will clarify the value they create for the organization.

Ideal distribution of the manager's daily tasks



0% Manual Work

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Management Effectiveness Index or Management Maturity

We have determined that the role of the manager is to capture performance gaps to guide their team to reach its full potential.

There are all kinds of performance gaps: human, methodological, technical, organizational, etc. So we need to measure the management behavior that creates value by capturing the gaps to improve performance.

Years of analysis and coaching with managers from various sectors revealed five main managerial maturity stages.

Management Effectiveness Index evaluates the level of managerial maturity to assist the development of essential skills.

Management effectiveness levels:

- Task Assignment
- Task Management
- Measuring Performance
- Resolving Variances
- Proactive Management

MEI[MC]

5 management levels

1. TASK ASSIGNMENT
Assigning tasks

2. TASK MANAGEMENT
Delivering on time to customers

3. MEASURING PERFORMANCE
Setting the goals

4. RESOLVING VARIANCES
Identifying the obstacles to performance

5. PROACTIVE MANAGEMENT
Long-term discrepancies resolution

Management Maturity

Level 1 : Task Assignment

The first management step a new manager learns to perform is assigning their team to ensure everyone knows what to do. The concept is simple, but not all managers master it – think of some roadworks sites...

Level 2 : Task Management

Once managers have mastered task issuance, they need to ensure customer deadlines are met. Here a competent manager might think, “We exist because of our customers, so I’ll make sure we deliver what they need on time.”

They will ensure team members are in the right place, at the right time, to achieve results and deliver the expected product or service on schedule.

Level 3 : Measuring Performance

The manager feels responsible for improving performance and ensuring the organization benefits from delivering customer value. They now question what determines a “good day” to communicate it to their work teams and follow up on it.

Level 4 : Resolving Variances

Having defined performance, the manager can move on to capturing discrepancies hindering operations’ full potential and causing performance losses. They will seek to identify what prevents teams from generating better results and ways to adjust and correct the situation by capturing these variances (in method, flow, velocity, etc.).

**** This is where the manager truly starts to create added value and drive performance improvement to transform and help the company to evolve toward the achievement of results. ****

Level 5 : Proactive Management

The fifth and final stage that a manager will reach - if they ever reach this level of managerial maturity - is proactive management. Noticing recurring variances over time, they strive to achieve long-term resolution by eliminating the root cause.

At this point, they become a managerial leader.
This is the leadership style of high-performing managers who fully understand their role and responsibilities, drive team engagement, and generate sustainable benefits to organizational performance.

Developing managerial maturity

Measuring managerial maturity and added value, the Management Effectiveness Index is the ultimate behavioral indicator since it focuses on improving business performance.

Improving performance involves capturing the gaps between potential and reality. Managers bring reality closer to the ideal by reducing non-value-added in the organization.

As the managerial effectiveness improves - from tasks issuance to proactive management - so does the organization's performance. This transformation leads to huge gains, not only in financial terms but also on human and strategic levels.

Some of the gains related to better management:

- Labor cost savings
- Health and safety
- Material yield
- Team engagement
- All other strategic gains related to managerial skills

Improving management skills to drive performance

Using Key Behavior Indicators (KBIs), such as the Management Skill Index, the Management Effectiveness Index, and the Active Supervision Index allows for a more tangible assessment of leadership skills. This allows senior management to see the big picture before initiating action plans.

MEI MC

Managers who understand their roles see the added value of regular and quality involvement with their team.

This is the first step toward better business performance. Improving leadership skills and reflexes such as problem-solving, decision-making, effective communication, and emotional intelligence impacts all areas of team performance. It increases productivity as well as engagement, health and safety, and the quality of products and services.

Embrace a New Vision

Using KBIs enables us to build on what is really at the heart of any business: **people.**

People drive performance.

MANAGEMENT SKILLS INDEX
Theoretical understanding
of the manager's roles and responsibilities

ACTIVE SUPERVISION INDEX
Quantity of active supervision carried
out by managers

MANAGEMENT EFFECTIVENESS INDEX
Quality of a manager's active supervision

OBJECTIVE ORIENTATION
Managers' ability to direct team members
toward objectives

CONSIDERATION FACTORS
Feedback and reinforcement provided
by the manager to the team

ORGANIZATIONAL MOBILIZATION INDEX
Managers' ability to mobilize their employees

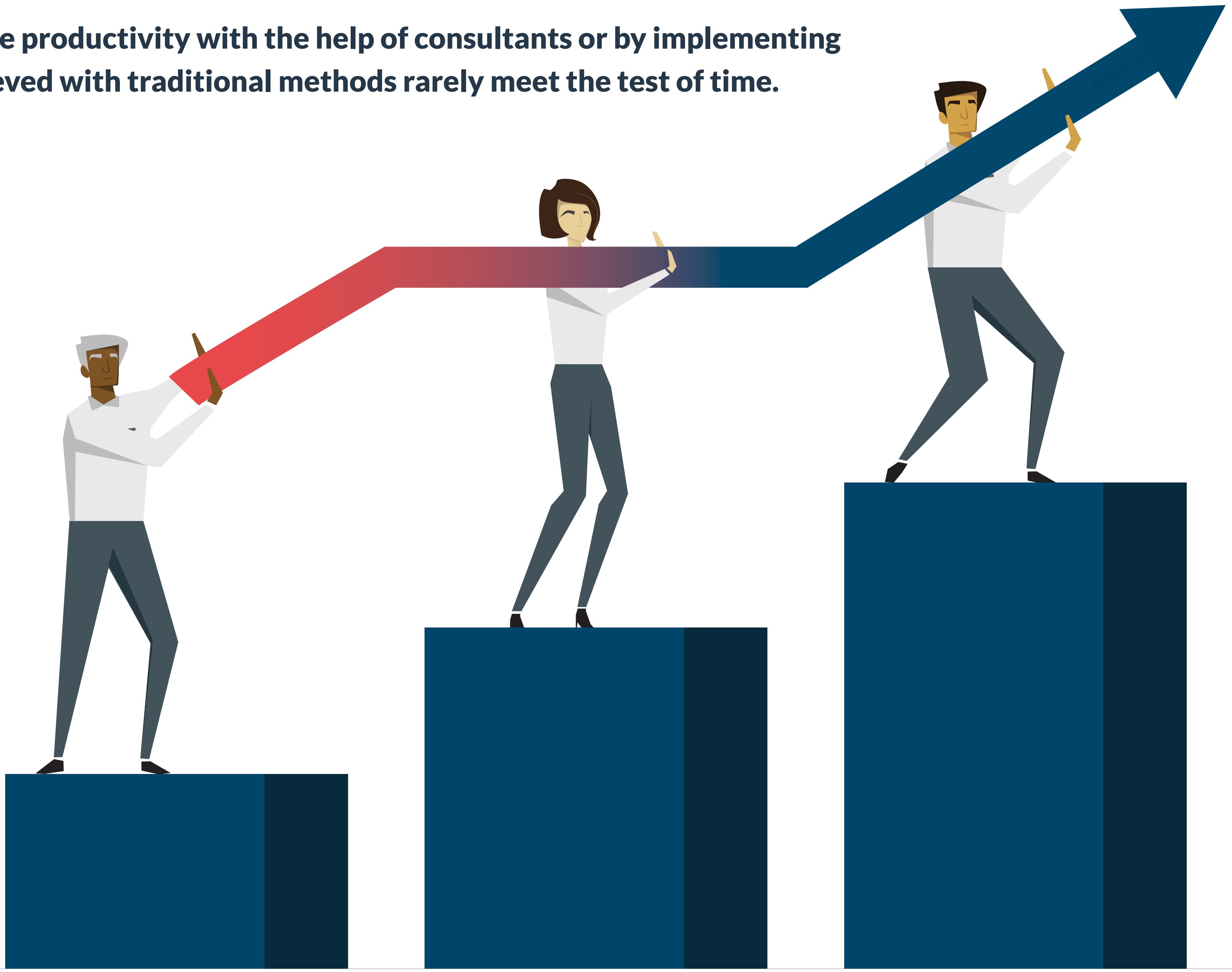
PERSONAL STATE INDEX
Personal state and satisfaction of the manager
in their role

The best way to improve management performance

Many companies seek to improve their workforce productivity with the help of consultants or by implementing various strategies. Unfortunately, the gains achieved with traditional methods rarely meet the test of time.

These traditional methods – the ones most companies lean on to improve workforce productivity – can be grouped into two approaches: training and process optimization.

Let's discuss why these approaches are useful, but generally fail, when used alone, to result in sustained improvements in behaviors and outcomes for organizations.



Training

First of all – what is training? Training can be described as "the process of learning the skills you need to do a particular job or activity".

When training managers on topics that are crucial to workforce productivity, for example, their leadership role, our objective is for this transmitted knowledge to be put into practice across a range of different behaviors. In other words, the hope is that managers will adopt and maintain these behaviors over the long term, leading to observable and sustainable improvement in performance.

Unfortunately, while it can contribute to the adoption of new behaviors, training by itself cannot sustain them.

A case in point: training and behaviors

Let's use an example from outside the workplace: your doctor tells you that you are at higher risk of heart disease. He explains your heart's anatomy, potential problems, and some healthy lifestyle habits you need to take up to improve your health.

Now... How long will you actually read the labels on everything you buy at the supermarket? How long will you make sure you get 8 hours of sleep a night, drink 1.75 liters of water a day and run 5 km every other day?

Why is training not enough to improve workforce productivity?

Training develops knowledge, but not reflexes and habits. It's relatively easy to adopt good behaviors during training and immediately thereafter. But most of us abandon these new routines as soon as we return to our daily lives. The results can't improve much that way.

If these reflexes and behaviors don't become second nature to us over time and we see only limited results – it becomes much simpler to control our cholesterol by merely taking a few supplements or medications.

Generally, the greater the urgency to act, the better intentions persist.

But for how long?

Process optimization

Also known by the Japanese term Kaizen, the process-based approach is at the heart of continuous improvement in organizations. This approach to improving workforce productivity focuses on tackling a specific problem, most often using process optimization tools. For the most part, these exercises are conducted by consultants or in-house experts who attempt to reorganize a given workflow by involving employees from the concerned sector.

The Process approach is relatively simple to master and generally translates into quick results.

However, once the process optimization initiative is over – if those responsible for sustaining the improvements have not truly internalized the new behavior – any performance gains will fade as the improvement team moves on to its next priority.

Why does process optimization not lead to lasting results on workforce productivity?

Let's take the health example again. This time, you hire a private trainer to help you become a champion in your chosen sport. They create a personalized program for you, with exercises that help you improve your technique and endurance…

Let's say the trainer, after designing the program and making sure you have everything you need to follow it, moves on to their next client and you don't see them again.
You'll get a little better, but the results won't be overwhelming.

Flavor of the month and disengagement

Training and process-based approaches to improving workforce productivity usually generate positive results and, of course, they do have a place in organizations.

However, they are not sufficient to bring about lasting behavioral changes with a long-term impact.

When gains start to fade, organizations tend to try other initiatives in the hope of a better solution to performance issues. These new initiatives are often no more than variations of the same approaches, which in turn only lead to temporary results.

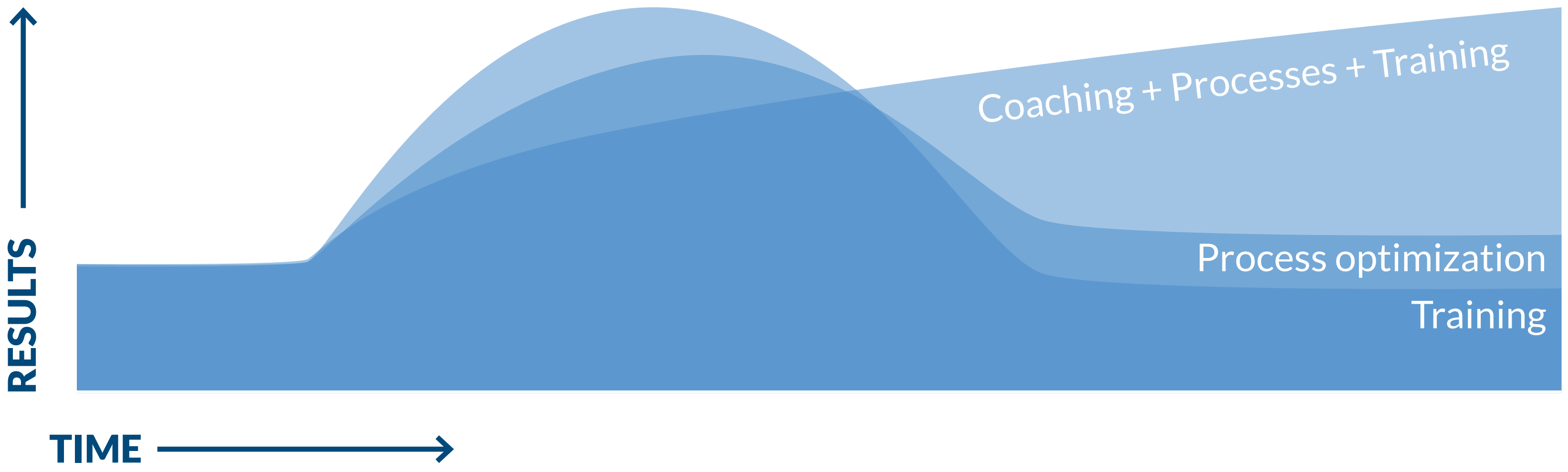
These multiple unsatisfactory attempts – where employees are asked to become more agile and resilient only to start all over again with a new approach – lead to the «flavor of the month» effect, causing team members to lose interest and become less committed.

So, how can we ensure that the knowledge transmitted through training is actually used on a daily basis and that optimized processes are put into practice over the long run, all the while keeping teams engaged?

The missing ingredient: coaching

To truly change behaviors and drive lasting results, nothing beats the presence of an outside observer that can offer feedback and perspective in real-time.

Impact of workforce productivity improvement approaches



By accompanying managers in their daily work, coaching is all about transforming knowledge into behaviors and process optimizations into work habits. How do we achieve this? By encouraging best practices to become rooted in our daily way of working. By doing so, they become the reflexes that lead to a lasting positive impact on workforce productivity.

To make this happen, we must look at behaviors as an entry point into performance and not as a supporting element or a «nice to have». And to make them tangible, we must be able to measure them.

Here are 3 reasons why manager coaching is such a success:

- **A coach can highlight** things that the person being coached – whether an athlete or a manager – would never notice on their own.
- **They can also track** the improvement of behaviors over time and assess the impacts of the transformation.
- Likewise, when a coach follows up on our progress, after providing observations and feedback on previous occasions, it makes it much easier to feel accountable for the results. **And of course, one's level of commitment will be much stronger.**

Applying best management practices at the point of execution means:

- Improving KPIs (Key Performance Indicators) and KFIs (Key Financial Indicators), which will allow for the economic growth of the organization;
- Increasing employee engagement as they feel involved and engaged, which will be a part of the solution in the day-to-day;
- Increasing efficiency in the organizational structure. When employees perform their roles better at all company levels, managers no longer have to "compensate." Everyone performs their tasks better—which improves productivity.

What about your organization? Do you have initiatives to improve management skills and abilities to achieve your fullest potential?

Get a snapshot of your management team

Productivity gains between 10% and 40%

ROI $ 2.6:1

To foster a management coaching culture, you need the right tools

Align strategic management and operational management with rigorous monitoring of the key behavior indicators (KBIs) implemented through a organizational transformation process.

UTrakk's coaching functionalities help you:

- → **Perpetuate the benefits of your change management projects**
- → **Plan individualized coaching**
- → **Carry out coaching more easily via electronic coaching guide**
- → **Analyze and monitor Key Behavioral Indicators**

Get a free demo

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