

Employee Access to Cost & Financial Data Is it helping people improve performance?

By Tina Turner & Jim Gurowka

In an age of information overload how will providing employees greater access to cost and financial data help them deliver better results? The answer to this question becomes one of being able to expand their opportunity to deliver the right results and equip them to make sound decisions.

There should be no questioning the need to let go of the command and control approach which operates under the premise that a senior group of financial leaders and accountants will manage the data individuals need to know. With the increased speed of change happening in almost every industry and quick decision-making based on facts becoming so important to the success of an organization, knowledge – not just information becomes critical. It is not reasonable or prudent to expect senior level managers to know everything and be able to make all the decisions necessary to win. Organizations, processes and jobs need to be structured and managed in an output-focused way that allows people at all levels to excel at decision making.

For some this requires dramatic shifts from past mindsets. Despite the explosion of cost and financial information available through company database systems and the internet, the increasing number of employees who are also company shareholders and the need for every employee to be delivering on business strategy – many companies are still operating under the old guard rules of “I’ll tell you what you need to know”, fearful of giving up a power that no longer has value.

The story of one company producing paints, chemicals and plastics brings this point to life. As their customer base grew and product extensions multiplied, profitability began to deteriorate. The company needed to find out why profitability growth was slowing and what could be done to fix the problems. They were unsure whether the problems were due to pricing, volume, customer demands or process issues. Historically their finance and accounting information was kept within the Finance department only with access to this information restricted to the senior management of the company. During an ABC implementation, management agreed to allow the implementation team (which included department managers) access to the cost information.

As the team started trying to use the data, they realized it did not reflect what actually happened in the plant. Costs were charged to the wrong departments, machines were allocated to the wrong departments, and headcounts were way off. Senior managers had been making decisions and setting expectations based on inaccurate data. The ability to validate and correct the data was finally in the hands of the very people who had previously not been allowed access to it. Department managers not only corrected the data they used it to increase productivity, decrease costs and increase profitability.

However, the question of access is not merely about increasing the volumes of data people receive. Opening the floodgates will not result in performance improvement any more than open access to the internet has helped people work smarter. Most days it’s more of a distraction than an enabler. With increased channels and capacities for distributing information, data overload is already overwhelming for most people and often not related to what they need to produce on the job.

In his *Search for a Simpler Way* study, Bill Jensen quantifies this challenge:

“When we asked people about their ability to get and use what they needed to make quick and changing day-to-day decisions:

- 80% of front-line employees said they couldn’t find what they needed or couldn’t translate the available information into a decision
- 60% of the people with the titles of manager through senior vice president said the same thing.”¹

By all accounts a new economy is upon us. It is about more information, coming at us all faster, with more emphasis on choices and less room for error. One where every employee holds incredible potential for creating value, innovating, making transitions happen and ensuring business success. Where the art of managing a change initiative

¹ Bill Jensen, *Simplicity: The New Competitive Advantage is a World of More, Better, Faster*, (Cambridge: Perseus Publishing, 2000), p. 21.

Employee Access to Cost & Financial Data *Is it helping people improve performance?*

By Tina Turner & Jim Gurowka

has evolved into the leadership of never ending transformation. Where the ability to distribute data through digital systems is increasing at a pace far greater than what people can absorb.²

In this age of information explosion, many companies operate on the belief that when it comes to data and information more is better and less implies less rigour, less accuracy, too simplistic when clearly the real goal is to make less = more useful.

The cost and financial data employees receive should help them focus on making decisions and measuring what they produce, understanding how their decisions and measures are connected to the success of the business, and executing with the right behaviours. It should be about enabling focused and disciplined performance improvement.

However, what it *should* be about sounds so complicated and involves so much change that it often doesn't happen. Companies who do make the move of directing cost and financial data into the hands of employees often get stuck somewhere between publishing the data and enabling people to use that data to excel at delivering results. Realising at best haphazard benefits of releasing what was once highly privileged information. While the use of data to drive performance improvement is sophisticated, at a practical level it needs to be made simpler for almost every employee.

A manufacturing group specializing in the niche lubricants market used reengineering practices to reduce hand offs and decrease self-imposed complexity causing churn, redundancy and poor customer delivery results. Seven months later the process redesign work resulted in their customer delivery measure improving by 55%, significant improvement but still well below industry standards. A large area of opportunity identified as part of the benchmarking efforts centred on the management of inventory costs associated with carrying, redundancy and the acquisition of raw materials.

One aspect of this focus on making cost visible was vendor relationships – negotiated price points, forecasting of raw material requirements and improvement of vendor delivery performance. A Vendor Coordinator was hired to help achieve these gains and work within the newly designed Vendor Management process. Within two months the coordinator was consumed with firefighting daily packaging problems on the manufacturing line and responding to vendor invoice issues – armed with huge binders of process information and hundreds of lines of historical cost and financial data. Despite gaining process clarity, complexity was even more pronounced for the employee.

The challenge is to find a way of driving methodologies like reengineering, balanced scorecards, value based management and activity-based costing right down to the individual level – putting the right information into the hands of the people accountable for the work so that they know why and how to use it. Many times this work that is seen as painful, too complicated, too time consuming and overwhelming and is abandoned or lost in a barrage of well-intentioned implementation activity. When the methodologies are well executed at the organization and process level and prematurely exited at the individual level, the results are sub optimized and often people end up with more data they aren't sure what to do with.

One of the first set of questions to ask in defining what cost and financial data each employee needs is “What are they accountable for producing?” and, “How will they measure their success?”

These surprisingly simple questions are often met with blank stares or a barrage of details about the things people do. Describing what is produced as a result of doing a job requires a shift in perspective,

² For further reference, see “What is the New Economics?”, Fast Company, September 2000.

**Employee Access to Cost & Financial Data
Is it helping people improve performance?**

By Tina Turner & Jim Gurowka

From a Vendor Coordinator who sees their job as being *responsible for reporting to* the Plant Manager and *working on the activities* of:

- resolving packaging issues
- manipulating & validating product SKU data
- responding to delivery problems
- participating in plant meetings
- minimizing product write-off costs
- organizing logistics meetings
- tracing unpaid vendor invoices
- clarifying vendor contract issues for schedulers
- reviewing purchase orders for accurate cost/volume pricing

To a person filling a job which:

<i>exists to ...</i>	and is <i>accountable for producing ...</i>	as <i>measured by ...</i>
work within the Vendor Management process and support the fulfillment of the customer delivery promise by developing a network of capable vendors that ensure all raw materials, basestocks and transportation services are available on-time-in-full.	<ul style="list-style-type: none"> ▪ 1-12 month vendor demand plan 	<ul style="list-style-type: none"> ▪ plans delivered on-time-in-full
	<ul style="list-style-type: none"> ▪ a network of reliable vendors 	<ul style="list-style-type: none"> ▪ individual & overall vendor performance (product quality, quantity, price, packaging, timing, paperwork,) ▪ vendor relationship feedback ▪ vendor interface effectiveness
	<ul style="list-style-type: none"> ▪ Product Service Offering & Bill of Material change implementation plans 	<ul style="list-style-type: none"> ▪ Plans delivered on-time-in-full ▪ Cost of obsolescence ▪ Handling costs
	<ul style="list-style-type: none"> ▪ vendor capability data 	<ul style="list-style-type: none"> ▪ data delivered on-time-in-full (timing & format determined by the Inventory Strategy Manager)

Performance descriptions such as this provide a framework for the types of decisions the employee is accountable for making and the interfaces they have with others in the organization. This shift in focus from completing activities to being accountable for outputs and the decisions required to successfully produce those outputs often involves changes in “what and how” a host of people perform - individuals, leaders and the interfaces they have within the organization. Change that requires a context in the goals of the business and purposeful management.

A large North Eastern manufacturing company started to provide their sales reps with product, customer and channel profitability and the make up of that profitability as a result of an ABC project which showed that some sales reps were far more profitable than others, even though their sales volumes were a lot less. The goal of the organization was to grow profitability by customer segment and to optimize product mix profitability on bottleneck machinery. This required them to change sales rep compensation from %sales to % of profitability. By combining this customer profitability information with product mix information, the sales reps were able to better price products and their related services with a clearer view to business results. Helping the sales reps focus on different measures, equipped with the right data was a critical part of successful performance improvement.

In order to use data to deliver the right results people not only need to know what they should be producing, they also need the context - the link between their outputs, the outputs of the processes in which they work and the results of the business.

Sir John Browne, Chairman of BP is quoted as saying, “Anyone in the organization who is not directly accountable for making a profit should be involved in creating and distributing knowledge that the company can use to make a profit.”

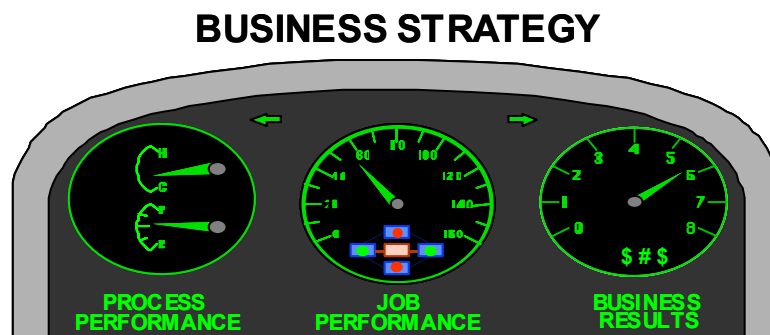
Employee Access to Cost & Financial Data *Is it helping people improve performance?*

By Tina Turner & Jim Gurowka

Being able to define this link between what an employee produces and the profitability of the organization requires clearly defined outputs at three levels – organization, process and individual. The link between what employees need to produce to support the processes they work in, what processes need to produce to accomplish strategy and the goals of the organization needs to be clear.

If the destination point every employee is driving towards is strategy execution, focusing only on job outputs and measures without reference to relevant process and business measures is not enough to be successful. If a person's job measures are on track but the processes they work in are not delivering on target individuals may be doing more harm than good by lowering their heads and barreling forward. In order to make the most effective day-to-day decisions people need to be able to use both leading and lagging data on results. They need to be able to ask the right questions and take appropriate risks.

Providing employees with data to self-evaluate and guide their performance can be depicted using the dashboard concept. While there are many calculations and electronic wires that plug into the back, the data is presented on the car's dashboard in a fairly simple way. Some dials are referred to almost constantly, others we check on certain frequencies and some we only give attention to when a little light turns on.



The Vendor Coordinator needs to know what data they require, at what frequency and in what level of detail. The format & frequency of the data they require to produce their outputs and use their dashboard will depend in large part on their line of sight to business results. A VP of Operations will use Cost to Serve data differently than the Vendor Coordinator – they both require it to make a connection to business results but at different frequencies and in different formats.

To ensure this access to data happens in meaningful, actionable way the electronic distribution systems of a company must support the individual's needs. It must be synthesized and available in the right amount, in a consistent way, at the time an employee needs it, in a clear enough format so that it can be used to make the right decisions. This notion of synthesizing data for people, communicating data that is targeted and actionable, is becoming the hallmark of performance support and knowledge management systems which excel at enabling performance improvement.

The last point of communicating with clarity is perhaps the largest challenge in actually realizing improvements. Certainly helping people understand the context of the data they need – expectations, a clear definition of success, and relevance to the business are critical ingredients to clarity. However, without a simple means of getting at exactly the data needed people are not likely to produce their job outputs successfully. Without this human resources will be wasted sifting through reams of data and the risk of inaccurate decision-making will be heightened.

The tools used to access and distribute data need to model the processes people use and hide technological complexity. People need to get the data they need in the easiest possible way and the simplest possible format in order to enable them to take the right actions and not waste hours making sense of it.

Instead of churning out long reports filled with lines of data, businesses need to think about how to use technology to synthesize data for people. Using the increasing power of digital systems to translate data for people instead of simply

Employee Access to Cost & Financial Data *Is it helping people improve performance?*

By Tina Turner & Jim Gurowka

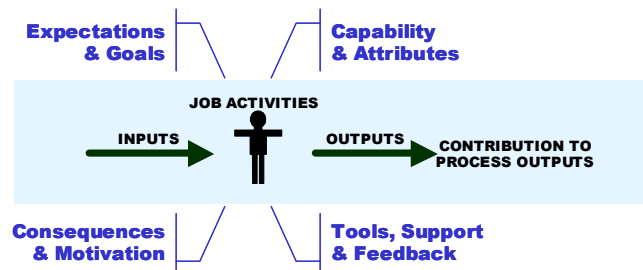
distributing more of it. Synthesizing so *that* people get clear, targeted and actionable data so *that* they can work smarter.

Creating this type of focus, context and clarity helped the Vendor Coordinator reduce the time spent “firefighting” (responding to ad hoc requests whose link to job outputs was unclear) and trying to make sense of pages and pages of data from approximately 70% of their day to less than 10%.

Before substantial business results were realized, several other parts of the employee’s performance needed to be considered and managed in an interdependent way. They had expectations, goals, and supporting tools and technology. With a clear line of site to business results, the Vendor Coordinator could see what was in it for them (WIIFM) and the business (What’s in it for us - WIIFU) and was motivated to help realize success.

The next leap forward came when dramatic consequences were put in place for meeting and not meeting performance targets. When external business forces imposed consequences for business operation and customer delivery, both the individual, their leader and their interface points were able to push through the change transition and use their new output focus to work together and respect the decisions each person was accountable to make.

This event coupled with the ongoing coaching both the employees and the leaders were having lead to capability development (learning as an outcome of doing) and improvement on the best practices everyone benchmarked their performance against.



Ultimately this shift in how a core group of employee performance was described and managed contributed to a further 40% improvement in the business’s customer delivery measure putting them slightly above industry standards. Inventory carrying costs are so dramatically reduced that a warehouse that was once thought to be too small and the source of major constraint is now minimized in use. Just-in-time deliveries of packaging materials and the capability to efficiently use packaging & ship-to-order production environments have been major factors in the success. All of these results have been sustainable through pressures from internal and external business factors because they are based on sound process and system approaches at the individual level.

What does all this boil down to? Whether or not to provide access to cost and financial data isn’t the question of the new economy. Companies need to focus on access to data within the context of all the conditions needed for people to excel at their job performance. To make less = more useful for making sound decisions and delivering the right results. Making this journey of improvement requires performance frameworks that describe outputs and interconnections and a process for ensuring changes are implemented at the individual level. While the starting point of executing this type of work often appears foggy, the cost of not doing it is an inefficient use of resources at best and unrealized business goals at worst.

www.focusedmanagement.com