

# A BUSINESS TOOL BAG

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## Introduction

This short paper touches on three issues which, at some time or another have occupied all managers: prioritising an overwhelming work load; designing incentives, and communicating with staff. The paper suggests a few tools and approaches that I have found effective in different situations. None of them are particularly original, but hopefully some of them may spark a useful idea with some of the audience.

## Capability analysis

Most senior managers and department heads that I have spoken to will admit that occasionally they are slightly overwhelmed by the amount of work that needs doing. With only so many hours in the day available, prioritising time to address the most important issues is critical. But how do you identify the most pressing business issues?

One approach that I have seen work in several different situations is to conduct a capability analysis. How does it work, and how is it helpful?

As a first step, take your executive team/department off site, and spend some time generating a list of what capabilities are key to the success of the business. The last time we did this exercise, the list included capabilities such as:

1. Pricing

Logistics

Product management

4. Sales forecasting

5. Production scheduling

Performance management

Budgeting

The process of developing this list is itself valuable, since it quickly turns into a debate about what capabilities are important and why. The aim is to reach a consensus around a list that may end up containing between 6-15 capabilities.

Once the list has been finalised, the second stage is to place each capability on to a matrix, which has two axis (see Fig 1 below). The horizontal axis is an assessment

of how important a particular capability is to the company/department. The vertical axis is an assessment of how "good" the company/department currently is at that capability. The easiest way to do this is to place the first number on the chart in the middle, and assess everything else with respect to it.

(If group size permits, do this stage in two separate groups, and then return to plot the points together. For the most part, you will discover that there is strong consensus on where capabilities should sit. If the two groups do significantly disagree on an issue, however, that leads to further valuable debate.)

What you end up with is a box with a set of numbers across it. Now, if a capability is very important to a company, you would want to be very good at it. Equally, if a capability is not very important, then if you are less good at it, it matters less. So in the ideal situation, all the numbers in the box would fall onto a diagonal line running from bottom left corner of the box to the adjacent one.

The further a number is from this central line, the higher the priority to address it. You can group priorities together by drawing a series of diagonals - and on Monday you start with the group in the bottom right hand corner!

### Designing an Incentive Scheme.

Approaches to incentives vary with companies, which is entirely appropriate because all companies are different. However, most businesses are increasing the percentage of an employee's total remuneration which is in some way performance-linked. The 6 basic steps to consider in designing an effective incentive scheme are applicable to most situations.

*1. Develop the business plan.* At the beginning of any journey, it helps to have some idea of where you are going! A strategy, with supporting vision, values and mission are important elements of the business compass, and are an essential starting point for incentive design.

*2. Identify/measure key levers.* In any business plan, there will be a handful of key indicators that are measurable and which are indicative of a company's progress towards its goals. These might include sales, margin, staff retention, innovation - the potential list is endless. The most effective incentives are always linked to criteria that are clear, measurable and therefore objective.

3. *Identify key controllers.* Incentives are ways of driving the behaviour of individuals and groups to produce desired results. So having identified what the key levers in the business are, the next step is to identify who is in a position where their behaviour can materially effect these levers.

4. *Develop the incentives.* Books have been written on this bit alone! Rather than outline a thousand options here are a few things you might want to bear in mind \* Keep it simple. The easier to understand, typically the more effective \* Maximise objectivity, minimise discretionary \* Use cash and non-cash incentives (recognition, promotion, training, gifts) \* Link regularity of "award" to meaningful intervals in the business process \* Ensure the rewards are proportionate

5. *Communicate.* The best thought out scheme in the world counts for nothing if it is not communicated and understood by those whose behaviour you are seeking to change. Clarity and comprehension are key. And the communication has to take place in advance. While the "surprise" award is always nice to receive, it can not influence behaviour that has already taken place!

6. *Review.* You have done all the hard work. Now you have to see if the scheme works. So review it after a while, and if it isn't incentivising the behaviour and results that you wanted, change it!

Remember: Clear objective criteria communicated in advance drive behaviour to produce desired results.

### Reinforcing loops

Most large companies in the UK today will find that their work force comprises a wide range of nationalities. Increasingly, English is not the first language of many of those that we employ. Some have very little English at all. These factors make communication very difficult.

Visual communication can be very helpful in communicating with a multilingual work force. But with complex messages, there are not always the required images to hand. In one particular area, we have found that a "reinforcing loop" was an alternative and very effective means of getting a complex message across to all levels in our company.

The logic of a reinforcing loop is simple. At each step, you are saying, "If A is achieved, B will result" Then, "If B is achieved, C will result". A loop is formed when you can say " If C is achieved, A will result".

For example, A person who enjoys crosswords will seek to do more of them. The more he does the better at them he will become. The better at them he becomes, the more he uses them. The more he likes them, the more he seeks to do etc. etc.

In the example shown (Fig 2.) the company was trying to explain why product quality was central to the company's strategy going forward. The chart is self explanatory, but links quality successfully to measures that all employees easily identify with - their remuneration and job security.