



Management Services

Management Solutions
performance + results

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Management Consultants to the Precast Industry

RESULTS IMPROVEMENT BULLETIN

PRECAST BUSINESS RESULTS IMPROVEMENT BULLETIN

Precast Business Results Improvement Bulletins are published by MJS Management Services. Additional bulletins that summarize current management challenges and solutions for the precast industry can be found at www.mjsmanagement.net.

MJS Management Services is a consulting firm that works exclusively with clients in the precast industry to improve business performance and results. For assistance with this or other management challenges please call 206-388-5209 or contact us by email. Visit our web site for a full description of the services we provide.

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CHALLENGE – ADD VALUE TO THE ANNUAL BUSINESS PLAN PROCESS

Almost all precasters use some form of annual business planning and budgeting process. The completed product usually includes “the numbers” – a sales and operating budget (sales, revenue, margins, direct costs and overheads) and a capital budget.

The annual business plan or budget becomes even more valuable when business improvement objectives and timetables for meeting these targets are included. This approach reinforces both “meeting the numbers” and “improving the business” (moving toward goals for improvement).

In today’s climate meeting the number is a challenge for precasters. Those that also excel at “improving the business” will win in the long run. In addition, incorporating non-financial goals and objectives in the annual business plan strengthens the link between long-term strategies for success and short-term (one year) action plans.

Managers are rewarded for accomplishments - converting the annual budget to a business plan provides a forum for the management team to clearly articulate what they expect to accomplish in the next year. However, the

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right methods must be in place to ensure this does not become a paper-generating exercise that consumes time with little benefit.

Some questions:

- In the annual business plan does each department commit to goals to improve and transform the business that are linked to the long-term strategy? Are the expected results, resource commitments and timetables defined? (For example, to achieve a goal of providing customers with higher quality solutions more quickly with lower costs “engineering will standardize these processes resulting in x productivity improvement using y resources to be completed by this date” or “production will implement this improvement in quality resulting in x quantifiable impact using y resources to be completed by this date”).
- Does the management team feel that the time spent preparing budgets and business plans is providing value?
- Does your management process contain regular reviews of progress against financial objectives **and** “improve the business” initiatives?
- Are you satisfied with the rate of progress on “improve the business” initiatives?

MJS Management Services can help improve the annual business plan process and provide techniques to accelerate progress toward achieving annual goals.

Adding value to the annual business plan

Some steps to place additional emphasis on “improve the business” and other non-financial goals in the annual business planning process are:

- Ask the leader of each functional area and their teams to review the business strategy and the priorities that relate to their function
- Then create and prioritize a list of “improve the business” initiatives for discussion

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- For each item to be included as a goal for the year, define the objective, result to be achieved (in business terms), person responsible, resources and timetable. Items that produce the biggest bang for the buck (most results in shortest time period with least resources) should be at the top of the priority lists.
- Where possible, create linkages between financial and improvement targets. For example, if the engineering group sets a target for productivity improvements this should be reflected in reduced overheads or lower project costs in the annual budget.
- Conduct a senior management level review of company wide plans to check for consistency and reasonableness. This also helps to reinforce accountability and commitment to the plans.
- Incorporate a regular review of progress against these objectives in the management process (e.g. monthly or quarterly review).

Some items to watch for:

- Annual business plan objectives not aligned with long term strategy
- Weakness in realistically identifying the “business result” to be achieved by the action plan. This can result in wasted time and resources on initiatives that have little impact on the success of the business
- Over or under commitment from each department on the number of objectives and results to be produced
- Departments or managers select priorities that are inconsistent with overall company goals
- Department objectives are contradictory (for example, one department working on an initiative that requires support from another department that hasn't included this item in its plan)
- Departments put forward ambitious plans each year but don't meet the targets
- Lack of accountability or commitment to the objectives set out in the annual plan
- No follow-up by management after the plans are made resulting in a gap between goals and accomplishments.