Contents

Preface to the First Edition xi
Preface to the Third Edition xiii
Acknowledgments xv
Introduction 1

PART ONE
WHY PERFORMANCE MANAGEMENT MATTERS

1 Traditional Management Processes Are Obsolete 5
   Better-Informed Customers 6
   Changing Market and Business Models 7
   Structural Change in the Economics of Business 10
   Globalization 13
   Regulatory Revolution 13
   Growth through Acquisition as the Normal Course of Business 15
   Redefining Asset Values 16
   Changing Delivery Channels 17
   Compressed Cycle Times 17
   Vast New Information Sources 18
   Technology and Systems 19
   Need for a Burning Platform 22

2 What Is Performance Management? 24
   Defining Performance Management 24
   Best Practices Defined 27
   Types of Best Practice 31
   Applying Best Practices 32
   Best Practice Adoption Is Now a Necessity 34

3 Sizing the Opportunities 38
   Beyond Benchmarking 38
   Defining the Right Metrics 39
   Conclusion 57
PART TWO
BEST PRACTICES

4 Using Best Practices to Drive Change

A Brief History 61
From Battlefield to Boardroom 63
Components of a Best Practice Framework 65
Best Practice Recipe 65
Selecting the Right Best Practices 65
Golden Rule of Best Practice Application 68
Time to Sacrifice a Few Sacred Cows 69
No Silver Bullets 73

5 Strategic Planning: Ideas That Drive Results

Defining Strategy 76
Typical Process 77
Strategic Planning Best Practices 79
Communicate, Communicate, Communicate 92
Strategic Planning is a Collaborative Process 93
CEO as Chief Strategist 93
Hard Side of Strategy 94
Acid Test 106
Lessons for a Volatile World 106
Best Practice Summary 106

6 Tactical and Financial Planning: Translating Strategy into Action

Defining Tactical and Financial Planning 109
Typical Process 110
Tactical Planning Best Practices 111
Financial Planning Best Practices 126
Lessons for a Volatile World 137
Best Practice Summary 138

7 Management Reporting: From Information to Insight

Typical Process 143
Management Reporting Best Practices 145
Putting It All Together 166
Lessons for a Volatile World 168
Best Practice Summary 168
Contents

8 Forecasting: Pass the Crystal Ball 171
   Typical Process 172
   Forecasting Best Practices 173
   Understand Variability 192
   Lessons for a Volatile World 193
   Best Practice Summary 194

9 Risk Management: Place Your Bets 196
   No Excuses 197
   Global Interdependence 198
   Developing an Effective Business Risk Management Capability 204
   Risk Mitigation Techniques 217
   Lessons for a Volatile World 219

10 Technology: Panacea or Pain? 221
   Evolution of Information Technology in Business 222
   Why the Time for Convergence Is Right 224
   Applying Technology to Performance Management—
      Dawn of the Digital Manager 224
   Best Practices for Leveraging Technology 229
   Lessons for a Volatile World 240
   Best Practice Summary 241

PART THREE
MOVING FROM DATA TO DECISIONS

11 Implementing Best Practices 245
   Getting Started 245
   Moving to Implementation 247
   Understand the Overall Strategic Goals and Objectives 248
   Define the Critical Success Factors and Drivers 249
   Define the Appropriate Performance Measures 251
   Link Measures to the Overall Strategy 253
   Define the Reporting Dimensions 253
   Detail and Source the Performance Measures 253
   Design the User Experience 255
   Design and Build the Reporting Process 256
   Integrate the Reporting and Planning Processes—Align Incentives 256
   Develop the Required Skills 257
12 Implementation Secrets 259
   Learn from the Mistakes of Others 259
   Effect Change and Then Sustain It 261
   It’s about Commitment and Execution 273

13 Managing in an Uncertain World 274
   Leadership Qualities 275
   Don’t Underestimate the Impact of Leaders 281

14 Looking to the Future 283
   Fast, Flawless Execution Will Be the Distinguishing Characteristic of World-Class Companies 283
   Global Accounting and Reporting Standards Will Become a Reality 285
   The Focus Will Shift from Buying Technology to Using It 286
   The Annual Budget Will Die—and Few Tears Will Be Shed 287
   Finance Executives Will Require New Skills or New Jobs 288
   Final Thoughts 288

About the Author 291

Index 293