MODULE 10: HOW IS MY BUSINESS DOING?

BIC FOR SME

21/10/2021	Module 10: HOW IS MY BUSINESS DOING?

OBJECTIVE: This Module seeks to help entrepreneurs to understand and acquire key principles of performance measurement and management in organisations of all types,
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1. BACKGROUND

Note: this Module should be considered in conjunction with Module 3 – Managing the Human Aspect of your Business and Module 6 – Getting money to start and Grow your Business**.**

You should be able to develop this assessment and validation structure with support from your trainers, and this Module, developed as part of the **BIC for SME** project, helps to challenge you when investigating and examining important issues to do with the measurement of business KPIs and business performance. At the end of the module you will develop or strengthen the following competences/capabilities:

- Understand the role of strategic planning and control, and associated strategic objectives in performance management, and the implications for strategic management accounting information, and related systems
- Identify, assess and analyse key external influences on organisational performance, particularly relating to key stakeholders and ethical issues
- Understand and apply strategic performance measurement techniques, both financial and non-financial, in the context of improving organisational performance
- Identify, apply, and evaluate strategic planning control tools and techniques.

through an understanding of the following content:

Employee Performance in Business

Business performance, which is closely tied to commercial effectiveness, is determined by the ability of a company to implement optimal organisation with the aim of offering a product or service that meets the expectations of consumers and customers. Here you should carefully consider the role of employees.

Measurement and Assessment

As noted above, your business needs to be effective and efficient. You should understand how and why a company is composed of different types of responsibility centres (e.g. profit centres, cost centres, revenue centres, and investment centres); and how organisational units negotiate and set prices for goods and services. Consider issues such as:

1. Your Business's Financial Statements.
2. Customer Satisfaction.
3. How Many New Customers You Get.

4. Performance Reviews.
5. Market changes & trends.
6. Your own Expectations.

Assessments are fundamental to the learning experience. They are the tools by which you can assess the degree to which the company has achieved the stated objectives. Understanding the uses, benefits and limitations of financial measures such as ROI, EVA, and residual income and the optimisation of organisation's strategy through performance measurement systems (such as the Balanced Scorecard https://www.qualityi.it/balanced-scorecard.html) are important.

Management Accounts

Management accounts are financial reports produced for the business owners and managers, generally monthly or quarterly. In principle they are similar to Year End accounts but are less formal and are personalised to the user's requirements.

Question?

What is included in management accounts?

Answer

Management accounts for small businesses typically include a profit and loss account, balance sheet, cash flow statement and a short report. You can put the accounts together yourself, or more realistically, an accountant can do it for you.

One key role of management accounting is to help managers decide on the prices of products and in general market positioning, by providing all the information regarding costs, market factors, and profitability.

Key metrics can include:

- Sales
- Margin
- Costs
- Operating profit
- Cash at bank
- Capital expenditure during the period
- Aged debtor analysis
- Creditor analysis
- Staff numbers

2.   MODULE GOALS (MODULE DIAGNOSTIC, ROADMAP & DELIVERY)

2.1   Module Goals

Module Goals

In Section 3, a detailed breakdown of the Module content is provided. However, the broad objectives of this Module are to provide you with competencies, methodologies and tools to support you to understand and acquire key principles of performance measurement and management in organisations of all types.

At the end of the Module you should be able to:

- Understand the role of strategic planning and control, and associated strategic objectives in performance management, and the implications for strategic management accounting information, and related systems
- Identify, assess and analyse key external influences on organisational performance, particularly relating to key stakeholders and ethical issues
- Understand and apply strategic performance measurement techniques, both financial and non-financial, in the context of improving organisational performance
- Identify, apply, and evaluate strategic planning control tools and techniques.

2.2   Plan the Module Training Process

2.2.1 Undertake a Diagnostic Assessment / Baseline Survey

In order to identify the key aspects in evaluating business development, you should complete the **BIC for SME** Diagnostic Tool for Entrepreneurs with your Trainer / Coach / Mentor. This **BIC for SME** Diagnostic Tool will highlight areas of strength and weakness in terms of your knowledge and competencies in this topic and will provide a Roadmap in terms of the actions to be undertaken to enhance knowledge and competencies. This Roadmap is supported by a visual Concept Map (see Section 3), which provides a visual representation of the Module which will highlight key areas to address. **Note**: The **BIC for SME** Diagnostic Tool and training material is designed to be used with the support of a Trainer / Coach / Mentor but can also be used by Entrepreneurs on their own if they wish to do so.

Alternatively, or in support of the **BIC for SME** Diagnostic Tool, you can use a simple problem-analysis tool to find the root cause of the issues involved in business and Business Plan development such as:

- <mark>Five whys</mark> - The primary goal of the technique is to determine the root cause of a defect or problem by repeating the question "Why?". Each answer forms the basis of the next question. The "five" in the name derives from an anecdotal observation on the number of iterations needed to resolve the problem.
- Etc.

2.2.2 Develop a Training Roadmap & Action Plan

Following the initial Diagnostic or Baseline Evaluation and in order to make the training intervention effective, your Trainer / Mentor / Consultant can:

1. Select the elements of the How is my business doing? Module to be covered and set timelines for same.
2. Set the training sequence (i.e. organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.).
3. Select the pedagogy (how the selected elements of the Module are to be covered in terms of practical work, lectures, reading material, exercises, etc., as well as linking them with other relevant **BIC for SME** Modules).
4. Set Action plan and Milestones to be achieved – KPI (see Section 5).
5. Determine Outputs - assess the result achieved (see Section 5).

2.2.3 Delivery of the How is my Business Doing? Module

The delivery of the Module should take approximately 8 Hours (including supported and (primarily) independent learning). You must take control of these issues as you must understand all aspects of the business in depth. As a result, you will engage in a significant amount of independent learning on this part of the **BIC for SME** programme.

3.   CONTENT OF THE MODULE

3.1:   Module Content

This Module looks at key issues in assessing the performance of a business including:

3.1.1: Employee Performance in Business

Business performance, which is closely tied to commercial effectiveness, is determined by the ability of a company to implement optimal organisation with the aim of offering a product or service that meets the expectations of consumers and customers. Here you should carefully consider the role of employees.

3.1.2: Measurement and Assessment

Your business needs to be effective and efficient. Understand the uses, benefits and limitations of employee assessment measures, financial assessment measures such as ROI, EVA, and residual income, business measures (KPIs) such as new product development, customer acquisition and retention costs, etc., and the optimisation of an organisation's strategy through performance measurement systems such as the Balanced Scorecard https://www.qualityi.it/balanced-scorecard.html.

3.1.3 : Management Accounts

One key role of management accounting is to help managers decide on the prices of products, by providing all the information regarding costs, market factors, and profitability.

An overview of the Content is provided below and can also be found in The Diagnostic Tool in the Roadmap Worksheet.

Fig 10.1: Concept Map for How is my Business Doing?
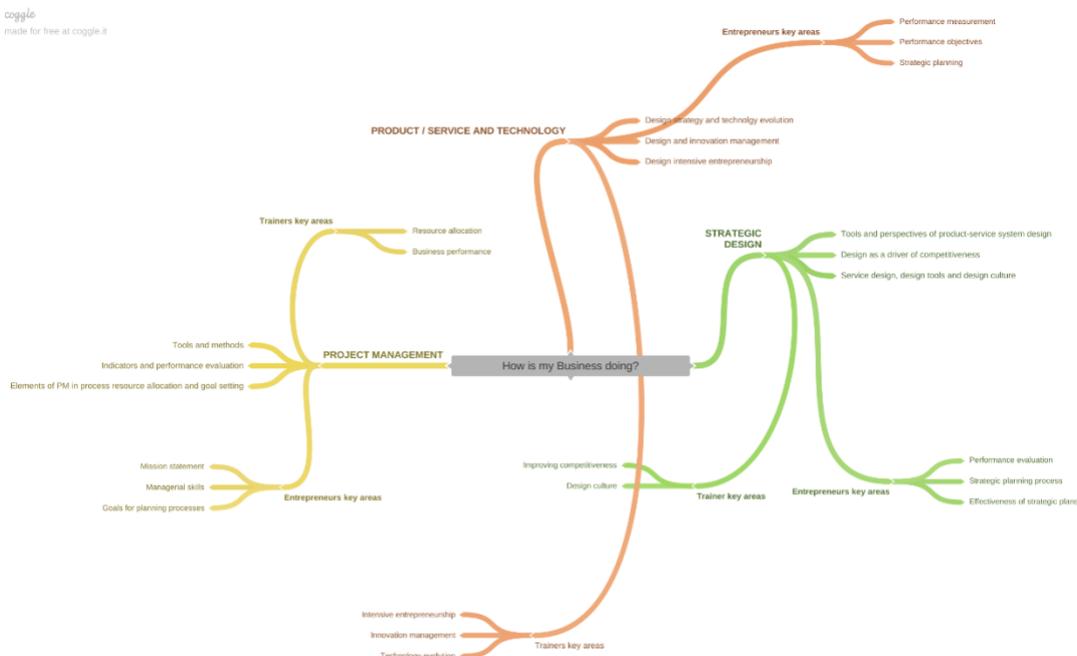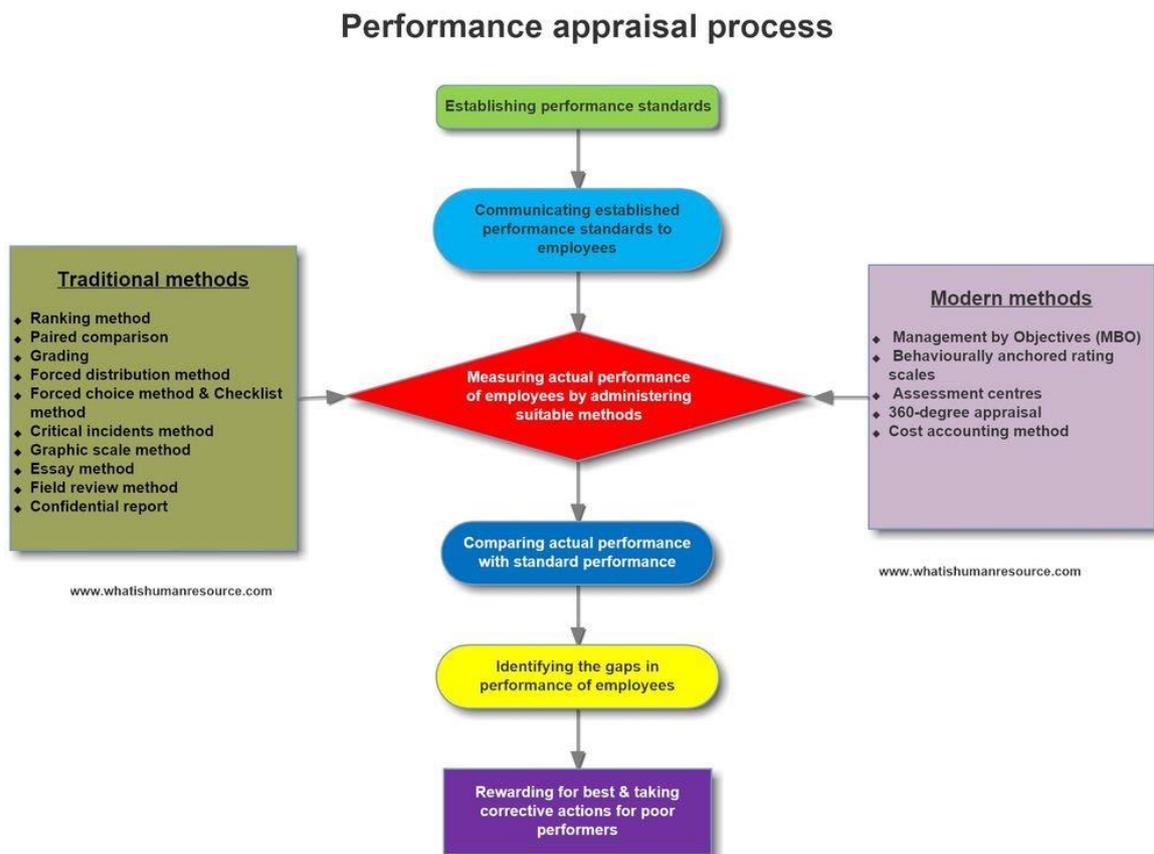
Section 3.1.1: Employee Performance in Business

Question:

How do you evaluate employee performance management?

Answer:

The following model suggests ways to assess performance.

Fig 10.2 Performance Appraisal Process Model

An effective performance evaluation system has standardised evaluation forms, performance measures, feedback guidelines and disciplinary procedures. Some key steps in developing an effective performance evaluation system include:

- Develop an evaluation form.

- Identify performance measures.

- Set guidelines for feedback.

- Give balanced feedback.

- Outline expectations for improvement.

Below you will find an example of a Performance evaluation form

Fig 10.3 Example of an employee performance evaluation form:

GENERAL PERFORMANCE EVALUATION FORM

Employee: _____ Driver Number: _____

Job Title: _____ Date of Last Evaluation: _____

Evaluation:

	EVALUATION FACTORS	S	A	NI
Dedication	Reports to work on time.			
	Uses time constructively.			
Performance	Good working knowledge of job assignment.			
	Organizes and performs work in a timely, professional manner.			
Cooperation	Willingly accepts work assignments.			
	Willingly accepts changes in assignments not directly related to job.			
Initiative	Performs assigned duties with little or no supervision.			
	Performs assigned duties with little or no supervision, even under pressure.			
	Strives to meet deadlines.			
Communication	Communicates clearly and intelligently in person and during telephone contacts.			
Teamwork	Works well with fellow employees without friction.			
Character	Accepts constructive criticism without unfavorable responses.			
Responsiveness	Handles stressful situations with tact.			
Personality	Demonstrates a pleasant, calm personality when dealing with customers and fellow employees.			
Appearance	Well groomed. Clean. Neat.			
	Dresses appropriately for work.			
Work Habits	Maintains neat and orderly workstation.			
	Maintains neat and orderly paperwork.			

LEGEND: S = Satisfactory   A = Adequate   NI = Needs Improvement

Comments and Recommendations:_____
_____
_____
_____

This performance evaluation has been reviewed with me, and I understand that I may attach my comments, if desired.

Employee Signature: _____ Date:_____

Evaluation Performed by:_____ Date:_____

Question:

What are the benefits of performance management and how it is helpful to achieve objectives in your organisation?

Answer:

Improved organisational performance, employee retention and loyalty, improved productivity, overcoming the barriers to communication, clear accountabilities, and cost advantages, etc., saves time and reduces conflicts, ensures efficiency and consistency in performance. See https://www.managementstudyguide.com/benefits-of-performance-management-system.htm

Section 3.1.2: Measurement and Assessment

Question:

What are key performance indicators in business?

Answer:

Key Performance Indicators (KPIs) are the critical (key) indicators of progress toward an intended result. KPIs provides a focus for strategic and operational improvement, create an analytical basis for decision-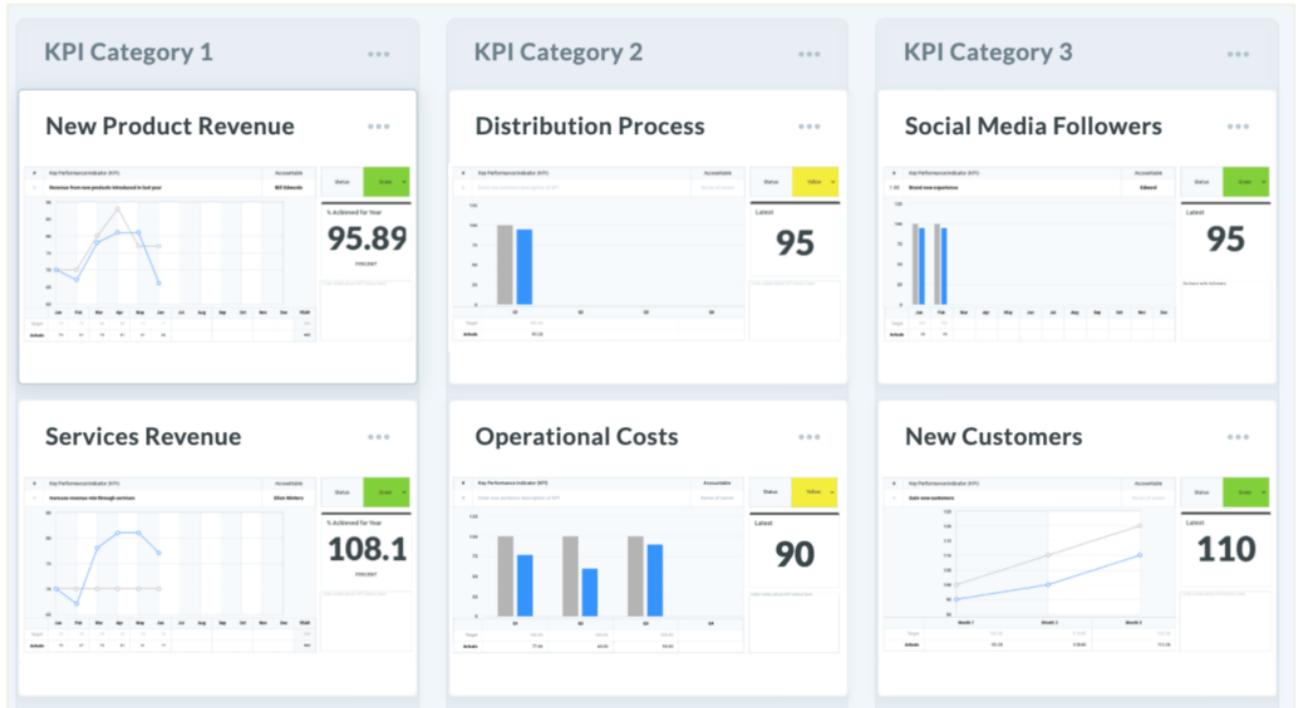making and help focus attention on what matters most. See https://upboard.io/key-performance-indicators-kpi-dashboards-software/

Fig 10.3 Examples of KPI Categories

Fig 10.4 Key Performance Indicators

See https://www.klipfolio.com/resources/kpi-examples

Question:

What Are the 5 Main Elements of Managing Employee Performance?

Answer:

- Planning and goal setting.
- Management and employee involvement.
- Monitoring and feedback.
- Development and improvement.
- Reward and compensation.

Useful links:

- https://www.researchgate.net/publication/338711776_Performance_Management_Practices_and_Employee_Productivity_at_State_Department_of_Labour_Kenya/link/5e26c8b8299bf1031e27ce51/download
- https://venngage.com/templates/reports/light-quarterly-performance-review-9f6c0bf5-80ea-4b43-a412-0760bcdac9de

Fig 10.5 Quarterly Performance Review Agenda Template

QUARTERLY PERFORMANCE REVIEW

EMPLOYEE INFORMATION:

Employee Name:	Felicia Nguyen	Department:	Marketing
Review Period:	Q2	Date of Review:	July 10, 2021

82%	**74%**	**71%**	**92%**
Overall Performance	Goals Achieved	Improvement	Core Values
• Felicia possesses a disciplined, reliable work ethic. She is always available to her team members • Felicia helps team members on projects she is not involved in. She provides support, key insights, ideas and direction when possible. • Felicia makes a strong effort to educate herself and enrich her own critical thinking skills. • She is well-organized, efficient with her time and mindful of deadlines.	• Of the Q2 traffic and acquisition targets, Felicia achieved 74% of the goals. • The goals are always set very high, and 74% is still significant in terms of growth for the company. • Felicia will need to create and execute a plan for getting more press mentions for the brand, and brokering content partnerships moving into Q3.	• Of the areas identified in previous performance reviews, Felicia has demonstrated significant growth as an employee. • While she still has some areas to cover, her growth has demonstrated her dedication to the role, and ability to problem-solve proactively. • She will need to determine ways to scale certain experiments and hacks that show growth potential.	• Felicia's work ethic is a strong reflection of the company's core values. • She demonstrates job role ownership, ability to learn, win as a team, and active reflection exceedingly well. • She has also made significant effort to learn, study her industry and make highly-informed decisions.

EMPLOYEE COMMENTS:

Employee Signature:

REVIEWER COMMENTS:

Reviewer Signature:

Fig 10.6 Performance Review
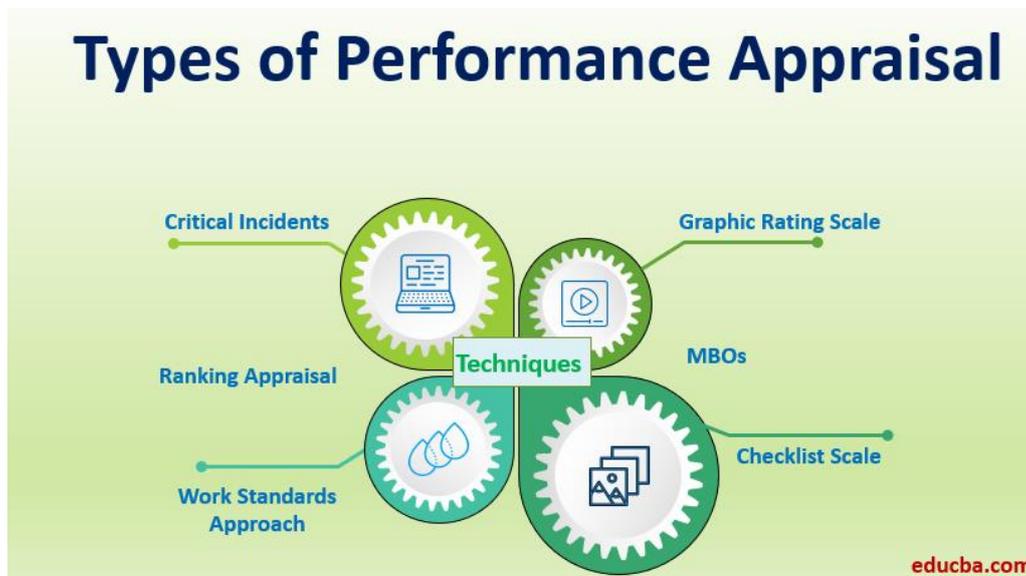
<mark>**Question:**</mark>

What are three types of employee performance measures commonly used by businesses?

<mark>**Answer**</mark>:

Graphic rating scales, management by objectives and forced ranking are three methods used to measure employee performance.

Fig 10.7 Types of Performance Measurement

Section 3.1.3 Management Accounts

Question:

What is the benefit of business performance management?

Answer:

Business performance management is a way of monitoring the methods a company uses to reach its goals and then using data to find better methods. The idea of monitoring management procedures to develop effective methods for reaching goals has been around since business first began.

Question:

What are some examples of issues addressed in management accounts?

Answer:

Management accounting concepts and techniques include a few pieces of information that are somewhat standard. Sales, costs, profits, available cash, accounts receivable and payable, assets, liabilities, inventories, and certain statistical analyses. Additionally, they contain business or industry specific factors.

<mark>Question:</mark>

What are some important tools and techniques used in management accounting?

<mark>Answer</mark>:

- Financial Planning. The main objective of any business organisation is maximization of profits. ...
- Financial Statement Analysis.
- Cost Accounting.
- Fund Flow Analysis.
- Cash Flow Analysis.
- Standard Costing.
- Marginal Costing.
- Budgetary Control.

Including some key metrics such as:

Sales, Margin, Costs, Operating profit, Cash at bank, Capital expenditure during the period, Aged debtor analysis, Creditor analysis and Staff numbers.

3.2   Useful Material & Templates for the Trainer

Links to **Materials and Further Reading** are provided below:

Topics / Useful Links	Italian participants
• Business performance for value creation over time	• https://www.cortellazzo-soatto.it/it/ripensareilsistemadipianificazioneecontrollo
• THE EVALUATION OF • CORPORATE PERFORMANCE • "The Performance Measurement System	• https://www.odcec.roma.it/images/file/FPC_Materiale_didattico_2016/M_%20Porceddu%20-%20La%20valutazione%20dele%20performance%20aziendali.pdf
• The measuring system • business performance	• http://www00.unibg.it/dati/corsi/6623/25468-Il%20sistem%20di%20misurazione%20delle%20prestazioni%20aziendali.pdf
• COMPANY PERFORMANCE CONTROL	• https://www.unibo.it/it/didattica/insegnamenti/insegnamento/2019/413216

•	business performance management software	https://www.capterra.it/directory/30051/business-performance-management/software
Topics / Useful Links		**International participants**
•	Guide Review your business performance	https://www.infoentrepreneurs.org/en/guides/review-your-business-performance/
•	ROI, EVA, and residual income	https://smallbusiness.chron.com/difference-between-economic-value-added-residual-income-37318.html

Bibliography

1	Monitoring Business Performance: Models, Methods, and Tools (Routledge Advances in Management and Business Studies Book 60)
2	Performance Dashboards: Measuring, Monitoring, and Managing Your Business by Wayne W. Eckerson
3	https://www.amazon.com/Business-Performance-Monitoring-Complete-Guide/dp/0655947167
4	https://www.pcg-services.com/key-performance-indicators-basic-report-template/
5	https://slidemodel.com/templates/tag/performance/
6	https://www.klipfolio.com/resources/kpi-examples

Key Terms

Key Terms	
Chart	A chart is a visual representation of data, metrics or measures, where data points are characterized by graphical symbols. These representations may take the form of bar charts, line charts, or pie charts. A chart can display various data types such as numeric, actions or functions or qualitative information.

Collaborative BI	collaborative BI refers to the collaboration between colleagues, clients or organisations where applications that distil data such as Dashboards and Reports are typically used to collectively share knowledge and insights. The aim of collaborative BI is to improve decision making and business processes.
CRM	Customer Relationship Management (CRM) is term used to describe all the systems that help you manage interactions and relationships with customers. Typically, this would include software that covers areas such as sales, support, marketing and customer services.
Data Analytics	<u>Data Analytics is collective term that covers the field of data interpretation using various methods of</u> HYPERLINK "https://www.simplekpi.com/Tour/KPI-Analytics"<u>analyzing</u> HYPERLINK "https://www.simplekpi.com/Tour/KPI-Analytics" <u>data,</u> such as, mathematics, predictive modeling and statistical analysis. Numerous methodologies may run in parallel along with technologies to help discover patterns and insights in data.
Data Warehouse	Data Warehousing is used to describe the method and process of amalgamating data from a series of sources into a single central store for reporting and analysis. This data repository is called a Data Warehouse.
Graph	A graph is a mathematical illustration which depicts the relationship between two or more sets of data points, metrics, measurements or KPIs. Graphs in performance management are most often used to depict trend over a given period.
Insights	Insights is the term used to describe the knowledge obtained from data tracking and visualization in the context of performance monitoring and decision making. Insights can be obtained from analysis, data visualization or alerting from various tools and applications
Key Performance Indicator (KPI)	<u>A Key Performance Indicator is a type of measurement that is designed to evaluate an organisations progress towards a specific business goal, target or objective.</u> KPIs can help condense large amounts or performance data into a smaller more manageable number of key indicators.
KRA	Key Responsibility Area or KRAs are relative to the job description or responsibilities of a user. They stipulate specific KRA that the employee is assigned to perform as part of their overall performance expectations. For example, as a line manager, a KRA would be to ensure that the quality of the produced units is up to a certain standard.
Lagging KPI	Lagging Indicators are almost universally geared towards output. The historic nature means they are easy to measure but difficult to influence. For example,

	the number of customer complaints in a month are easily tracked, however reducing that number involves investigation and implementing a strategy to influence future behaviour.
Meta Data	Meta data refers to the secondary data that provides information on the main data set, this data can be used for identification, the data structure or other information relating to file type, access privileges or other technical information.
Self Service Analytics	Self-Service Analytics refers to the ability of business professionals to analysis data and generate dashboards and reports without the need to involve internal IT support. Normally this is serviced through Business analytics tools and applications that are easy to implement and use.
Scorecard	Scorecards are performance management tools or report aligned to the scorecard methodology of weighting KPIs and metrics by importance to the overall strategic aims of the business.
S.M.A.R.T	S.M.A.R.T is an acronym for Specific, Measurable, Achievable, Relevant and Time orientated. It is used to describe the philosophy of creating KPIs and metrics to achieve measurable goals and strategic business objectives through a guided process..

Case Studies / Good practices / Exercises

N/A

4 ROADMAP & ACTION PLAN

Having completed the Diagnostic evaluation and having identified the key issues of concern or knowledge gaps in terms of supporting a business, your Trainer will have been able to set out a Training Roadmap on specific issues to do with Performance measurement.

As outlined in **Section 2.2.2**, the Training roadmap (learning path) is a structured sequence of training activities proposed to teach a topic. While it should be comprehensive, it also needs to be practical, in order to organise the learning over a series of sessions. It will ensure that users do not omit crucial content because lack of time and that they will achieve fluency in key elements of the topic. Steps include:

1. Set the goals derived from the **BIC for SME** diagnostic needs check (see Section 2)
2. Set out the Roadmap and Action Plan by selecting the elements of the Module to be covered and timelines (see Section 2)
3. Select pedagogy (how the selected elements of the Module are to be covered in terms of lectures, reading material, exercises, etc.,) (see Section 2)
4. Set sequence: organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.. (see Section 2)
5. Confirm Action plan and Milestones – KPI
6. Output: assess the result achieved

Having understood and practiced how to use the various tools and templates contained in the Module (steps 1 – 4 above), you should be able to identify (ideally with the help of a Trainer / Coach / Mentor) a set of action items including a timeline indicating: what is to be done, by whom, when and how. Examples are provided below:

4.1 Action Plan

What	Who	When	How
• Know the main tools to measure business performance	Promoter	2 weeks	Discuss with the Entrepreneur
Know how to optimise an organisation's strategy through performance measurement systems (such as the Balanced Scorecard),	Promoter	6-8 weeks	Discuss with the Entrepreneur

• Decide on the prices of products, by providing all the information regarding costs, market factors, and profitability	Promoter	6-8 weeks	Discuss with the Entrepreneur

Such an action plan will be provided as a 'take away' for the entrepreneur in the form of a handout / infographic thereby providing them with a practical guideline on tasks to be completed.

4.2   Countermeasures

Not all Action Items will progress as planned. It is important, therefore, that you consider some Countermeasures (if possible).

- Approved performance standards are unreasonable – review job roles, assess required performance levels and agree with employees
- Performance salary structure is unbalanced and there are insufficient incentives (financial and non-financial) – seek support from a HR professional

5 FOLLOW-UP & OUTPUTS

As with all plans, it is important that you monitor output achieved against the original Diagnostic evaluation, Roadmap and Action Plan (you can undertake this with the support of your Trainer / Mentor / Consultant):

Task / Objective	Outcome (Date)
Develop an evaluation form	To Do
Identify performance measures	Done
Set guidelines for feedback	Done
Create disciplinary and termination procedures	Work in progress

6 APPENDICES

N/A