

# Integrated Business Management

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Are you drowning in data? Does it help you to do your job better?

Or do you track and crunch a torrent of numbers each week or month without a clear sense of how to use the output to drive decisions and improve the business? Do you and your colleagues make daily/weekly/monthly decisions without seeing clearly how each one affects the organisation's progress along its chosen strategic direction?

"Of course we do," you may reply. "It's not possible in an organisation as complex as ours – multi product, multi site, multi national – to see how the whole thing fits together. Each part of the organisation has its targets, and that's what we have to achieve."

However, this is flawed thinking. Seeing how the whole picture fits together is not only possible, it's vital – in a world that is changing faster and faster, and where people are expected to deal with more and more diversity, ambiguity and risk on a daily basis.

## The great divide – and how to close it

The network of measures a company develops should help to "tell the story" of its strategy: you should be able to deduce a company's strategy by looking at the way decisions are made and the measures in place to monitor its effectiveness.

If your strategy defines the approach to decision making and the performance measures that you use across the business, then you will have a clear line of sight between daily activities and the company's long-term goals. This is one of the few ways to get the entire organisation aligned and keep it on track with the strategic direction.

Even small organisations struggle with the divide that can grow quickly and damagingly between the strategic intent and "the way we do things around here". In a large, complex organisation, this great divide can be fatal. Yet the reality is that in many organisations the strategy says one thing, and the decision-making structures and performance measures are driving a totally different set of behaviours and outcomes.

Moreover, there is often too much emphasis given to individual measures without putting them into context for the people using them. Understanding the interdependence of measures across the organisation is a critical part of driving a

collaborative culture and sustainable performance.

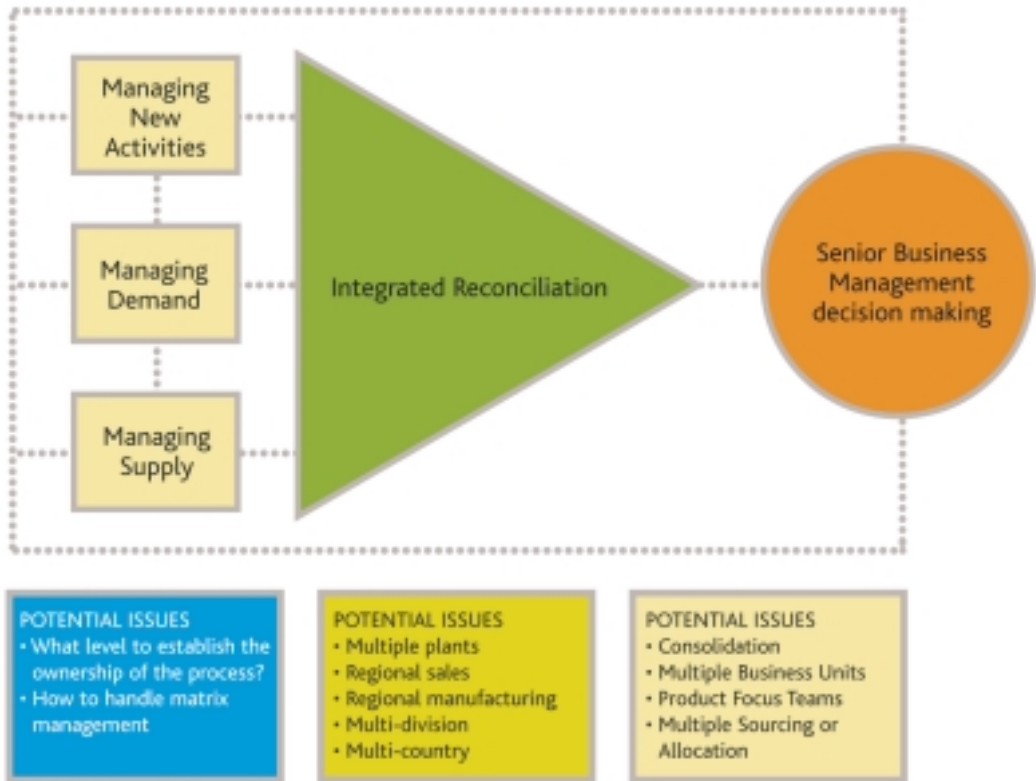
Context and collaboration are increasingly important in today's climate of change. Now, more than ever, organisations need to put in place a process that allows them to keep on top of trends, keep up with the changes going on around them and manage change proactively.

This is, in fact, the definition of integrated business management: a process whereby you can track changes in your customer/client/consumer/end-user spaces, understand your competition and deal effectively with constraints, while closing the gap between the current reality of your performance and where you want your organisation to go. It's not about one size fits all. Any process for integrated business management needs to be highly tailored, recognising and embracing an organisation's uniqueness.

## A 5-step process

The StrataBridge five-step process is a framework for integrated business management. The process is not prescriptive. Instead, in each of the five steps, it focuses on the business drivers and levers specific to each organisation. It ensures that the business strategy dictates where and by whom decisions should be made in that organisation, and provides the decision-making forums and process to manage performance.

# BUSINESS MANAGEMENT MODEL



**Step 1** is about managing the new ideas and activities that will turn into a financial result. That means integrating several aspects of "new" in your organisation: new products, new marketing activity, new business models. It may mean closing down a line or factory; integrating acquisitions; managing product and technology transfer. The important thing is making sure the entire portfolio of new ideas progresses through the business innovation pipeline to the desired end result.

The behavioural focus here is around managing ambiguity and managing risk – dealing with new situations and concepts that haven't been met before. The aim is to leverage cross-functional expertise by focusing it on a common goal, not just collecting input from a group of functional representatives.

**Step 2** focuses on managing demand. Every organisation must constantly look forward and make an informed guess at the shape of future demand. Different parts of the organisation use different assumptions – so their guesses will be different as well. In Step 2, you pool the internal and external forecasts, planning and marketing

information to gain the most robust view of the future.

In this step it is vitally important to recognise that different views from across the business add value, as different parts of the business have different insights and information on the factors that could affect demand. Leveraging this knowledge is not just about sharing data, it's about sharing understanding – assumptions, vulnerabilities, risks, opportunities, etc. and looking for the additional perspective this brings as opposed to defending an individual or functional view.

**Step 3** is about managing supply. You need to be sure that your organisation has the capability to take the business where the new activities and future demand will lie. This requires a deep understanding of how your extended supply chain works. You need to recognise where the constraints are, so that you can drive improvements, accelerate responsiveness and increase the organisation's agility. With the right planning and management, you will then be able to respond to changes: understanding, managing

and driving-out any extra cost.

From a behavioural perspective, the central issues include getting the right balance between 'the drive for efficiency and low cost' and 'the need for responsiveness and flexibility'. This balance needs to be dictated by the company or business strategy, not by an independent/silo manufacturing strategy, or deep-rooted, traditional unit cost and productivity measures.

**Step 4** is where the integration really takes place. Although the previous steps have cross-functional participation, they are biased towards a particular view of the business such as new activities, demand and supply. Steps 1, 2 & 3 provide a forward view of the business to compare with last month's view and with the strategy. In Step 4, you gain the means to pull everything together, identifying emerging trends, issues and opportunities. The value that this integrated reconciliation adds is the identification, filtering and development of the critical decisions required by senior management to keep the business on track.

The first three steps have taken care of the functional items issues and the related tactical decisions. Now, in Step 4, you come together as a total business team, to look at things in the round and decide what is best for the business as a whole. You do the analysis and scenario planning, and make recommendations on the important issues and decisions to be taken by the management board.

Finally, in **Step 5**, the ultimate decision-making team makes its call. Senior management reviews the recommendations of the integrated reconciliation team and decide what actions to take this month – within the context of closing the gap to the longer-term strategy. This creates a decision-making forum focused on managing and protecting long-term performance whilst delivering short-term results.

## Pointing your compass in the right direction

Integrated business management is designed to cope with tomorrow's opportunities as well as today's issues. It requires you to do two things. You need to understand the drivers and levers of your business. And you need to take a big mental step: out of the realities that face you now, and into the future you want to create; then you can work backwards to see what you need to do to get to that ideal future.

The alternative approach – taking an incremental path forward – may appear easier to manage on a day-to-day basis. However, the incremental approach is fraught with danger, as each incremental step could be leading you little by little away from your strategic direction rather than towards it.

By avoiding incrementalism, you are of necessity forced out of a relatively comfortable (and impersonal) performance measurement situation – "did we make this month's numbers or not?" – into an environment where you have to deal head on with characteristics of your organisation, especially values and behaviours, that are harder to address, but are at the heart of performance management (as distinct from mere performance measurement).

It is imperative that a company's measures and the decision making framework within which they are integrated and managed are developed from the perspective of where the company aims to be, rather than the space it currently inhabits. Only then can you drive the values and behaviour that are critical to sustained results through the unique proposition you make to the marketplace.

**"We have a strategy  
in place and we think  
it's working"**

