



People, Business Performance, and Strategy Execution

The VECKER Institute has published white papers on good governance and risk, two topics that set the framework for business performance and strategy execution. We are now publishing white papers on three tangible areas – numbers, operations, and people – that together affect how well a business is able to carry out its plans, as well as sustain profitability, growth, satisfaction, and excellence. This white paper covers the third of the three areas: People.

The Business's People

‘People’ refers to the human resources – individuals, teams, and roles – that the business uses to meet its goals. In the strategic planning process, the business identifies what people are needed on staff, what roles will be performed internally and externally, and how all the people will work together as teams to manage and grow the business. The people carry out operations and work toward numerical benchmarks defined in the goal-setting process for performance and productivity. These numbers point to the results wanted from the operations and contribute to monitoring and assessing how well people are performing. Through these interactions, the people, operations, and numbers work together to meet the strategic goals and deliver top-level results.

This white paper was written by Thomas Cowan and the thought leaders at the VECKER Institute, which provides business executives and Board members with the practical tools and applications they need to build great companies and to carry out effective governance of the business. We are interested in receiving your comments on this white paper and on the topic of good governance. Please contact us at: info@vecker.com.



The business's people include:

- Management, from the Chief Executive Officer to line executives to middle and front-line managers
- Workforce, including professionals, administrative personnel, and workers
- Advisors, external to the business, including the Board of Directors
- Suppliers, who provide materials, products, and services
- Partners, who work with the business on projects and ventures

The people work as individuals, carrying out their defined roles. They also work together as teams: The CEO is part of the executive team, managers work together to direct activities and generate outputs, the members of the Board are jointly responsible for the business's results, and so forth.

Setting Goals in Relation to People

Because people perform the actual work of the business, they must know what they should do, what their functions will produce, and what results are expected. The goal-setting process must not only define the goals for each individual and team, but must also specify the goals of the operations they will carry out and set the numbers and criteria that will assess their results. The people perform according to the goals and expectations – qualitative and quantitative – set for them.

When developing strategies, the planners identify the types of people needed, set out their roles, and put into place the operations needed to manage them. The planners must take into account such factors as the availability of skilled workers, adequate numbers of suppliers, or the presence of partners with specific capabilities. The strategies and goals themselves may need to be changed if the people are not available, or the planners may need to build into operations the processes for attracting and bringing the right people on board.



Goals are set for individuals in terms of role and expected performance; for teams in terms of joint contributions, ability to work together, and results; and for all of the different types of people in terms of contributions, results, and functionality:

- Management goals may cover their functional knowledge, the results produced by the people under them, and their abilities to lead, manage, and plan.
- Workforce goals may cover productivity, outputs, and skill levels.
- Advisor goals may cover the quality of their advice, their expertise, and their influence in the overall business results.
- Supplier goals may cover the quality of their materials, their reliability, and their ability to meet cost targets and maintain schedules.
- Partner goals may cover their roles, their level of cooperation, and the success of the partnering venture.

When setting these goals, the planners must set as many numerical benchmarks as possible and make expectations explicit to make sure that the people are doing the work needed and are keeping the business moving in the right direction.

People at Work

The success of the business depends on the quality and effectiveness of its people. Individuals must have clearly defined roles and know what they are expected to contribute. Teams must be put together carefully, harnessing all participants' strengths, knowledge, and skills to work toward the same results. The business must provide the proper training and support to its individuals and teams, so all carry out the operations in the way and at the level required to execute the strategic plan. Good business performance comes from the people carrying out the operations well, as measured by meeting the benchmarks and satisfying the expectations of all stakeholders.

Good Governance. Businesses need to think of their people as assets that must be managed well to produce the desired results. The compensation, benefits, and training operations must run smoothly. The workplace must be safe and working conditions reasonable. Management must communicate goals, expectations, and job descriptions thoroughly and provide fair and useful performance reviews.



Good governance also depends on the quality of management and the Board of Directors. Executives and managers must perform well in their functional areas, lead and direct their people, make good decisions, and work well with others. The members of the Board must contribute their knowledge, understanding, and practical skills to make sure the business is healthy and headed in the right direction. Failures or shortcomings in these areas may limit the effectiveness of operations, interfere with performance, and lead to poor results.

Risk Management. People are directly related to both internal and external risks. External risks include partners not living up to agreements, suppliers going out of business or providing poor-quality materials, and advisors failing to provide valid, useful input. Internal risks include workplace hazards, problems caused by unskilled workers, and the inability to staff positions and retain key people. Many of these risks can be managed by providing good training, making sure all operations run smoothly, setting expectations, monitoring performance closely, and handling people issues as they arise.

Monitoring and Assessing People

People are the most variable and least structured element of a business. Assessments based on subjective judgments (a common practice) rarely tie a person to strategic goals or describe accurately a person's contribution to the business. Assessments based on numerical benchmarks, on the other hand, do indicate when goals are met. The benchmarks must be related to roles and operations and can include such numbers as financial results, production levels, sales goals, staffing levels, and similar measurements of success.

People are also assessed on qualitative factors:

- Performance: how well people meet the expectations set for them
- Fit: how well people fill the roles assigned to them
- Judgment: how well people make the critical decisions required of them
- Potential: how people have worked to improve their capability to achieve at a higher level

Even these qualitative assessments, though, must be based on defined elements. Potential, for example, can be shown in taking classes, earning degrees or certificates,



taking on new tasks willingly, responding positively to mentoring and coaching, and accepting responsibility for results.

Management systems regularly collect data based on activities and operations, which indicate whether individuals and teams are meeting their numerical benchmarks. Well-designed management systems can also capture the defined elements on which qualitative assessments are made. The numerical and qualitative assessments combined form a complete, accurate picture of the performance and contributions of all individuals, teams, and roles connected with the business.

A Management System that Monitors and Analyzes People for Effective Business Performance and Strategy Execution

The VECKER SX and Tagetik 3.0 Strategy Management—powered by VECKER—are tools used by business leaders to successfully execute their strategies, meet their goals, and manage risk. It is a proven strategy execution management methodology built into a customizable, technology-based operational management system that:

- Gives a transparent look at the key elements of a business – goals, numbers, risks, operations, and people – and the relationships among the elements
- Provides high-quality qualitative and quantitative operational data that help review and analyze those elements
- Identifies problems and risks in key areas as soon as they arise, and reports on those problems
- Covers a business's financial systems, processes, and activities
- Provides a consistent and repeatable framework for managing strategy execution, judgments, decision-making, and goal setting from the business unit to Board levels
- Evaluates the overall performance of the business
- Tracks business performance over time

This functionality gives the Board and executives the ability to look thoroughly and deeply at a business's operations, address risks and problems, improve operational



processes, make informed decisions, and run the business efficiently and responsibly. The business is positioned to plan and execute effective strategies and to react to changes in the business environment. It is able to provide accurate pictures of business performance and the operating environment to stockholders and external entities. In other words, the VECKER SX and Tagetik 3.0 Strategy Management_{powered by VECKER} contribute to the success of the business – growth, profitability, satisfaction, and excellence.

Summary

People are the human resources – individuals, teams, and roles – that the business uses to meet its goals, from the CEO down to the workforce, and including external suppliers, partners, and advisors. The goal-setting process defines numerical benchmarks and expectations that are used to manage people and define their roles. The business's management systems must capture these numbers, as well as qualitative criteria, to assess individual and team performance, results, and contributions. The VECKER SX and Tagetik 3.0 Strategy Management_{powered by VECKER} are tools that provide this functionality and can be used by executives and the Board to sustain profitability, growth, satisfaction, and excellence of the business.