



Performance Management: Steve Rosenstock, Clarkston Consulting

By Steve Rosenstock, Consumer Products Practice Leader, Clarkston Consulting

In his best-selling book “Moneyball”, Michael Lewis argues that the collective wisdom of statistical analysis that served baseball for more than 100 years is flawed. While presenting a new way of thinking, focused on metrics never previously considered, he details how “small-market” baseball teams could more effectively compete against “large-market” competitors. Through this, Lewis sends a broader message that can be applied to any consumer products organization, which has a similar opportunity to realize competitive advantage through a new set of metrics that are tailored toward their specific organizational structure, strategy and goals.

New Measures of Success

Currently, a company’s ability to measure progress is limited by its focus on traditional, financial-based metrics: Revenue growth, company profitability, earnings per share and market share. However, leading companies are establishing new methodologies to find, refine and act upon Key Performance Indicators (KPIs) never previously measured or combinations of existing metrics never grouped before.

In developing these new KPIs, executives will need to consider:

- How the company differentiates itself
- What drives success
- Which areas to focus on for tangible business benefits
- Where competitive advantage can be gained

Then, align the organization behind these agreed upon metrics and set out to become the best in these areas through effective and continual measure.

Speed & Agility

Today’s volatile business environment makes it almost impossible to plan for the months ahead, let alone the coming year. With consumers harder to predict, successful product innovations harder to anticipate and sales harder to forecast, the speed with which companies are able to adapt has become the single most important enabler of success. While organizations may realize that their ability to quickly respond to changing consumer and customer needs is a necessity, they have struggled with how to measure this ability.

To help address this challenge, Clarkston Consulting has developed a Speed & Agility Index based on a unique set of KPIs providing fresh insights into how companies are improving adaptability. By analyzing and understanding their ability to respond to changing market conditions, executives can answer questions in the following critical areas:

- New Product Development: What is the cycle time to capture and incorporate consumer feedback into the new product development process?
- Price Optimization: Does the average time needed to make product configuration changes dictate how quickly companies can raise prices?
- Trade Promotion Effectiveness: Will reducing the time and the amount of touch points needed to allocate trade funds to account teams lead to more effective trade promotions?

Today’s challenging market conditions present the need for innovative thinking. Whether “small-market” or “large-market”, your organization can drive competitive advantage through innovative performance management and alignment around unique metrics that measure speed and agility.

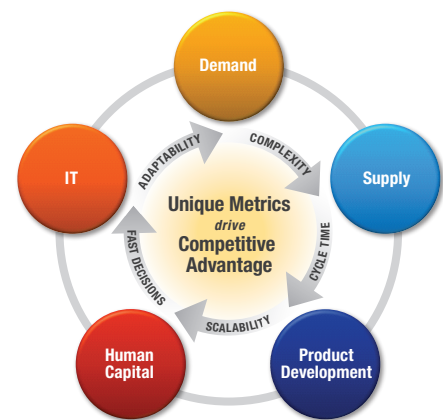


Figure: Performance Management throughout the Enterprise