Planning, performance and profit

There’s an art to business planning, says Andy McDougall, who shows you how to avoid some common mistakes

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o you’ve established your vision and your mission and you’ve worked through the various stages of the business-planning process. You’ve completed your annual budget and now you face the task of determining and allocating the objectives – the drivers behind the achievement of your desired goals. For many businesses that do plan, this is where the whole process usually breaks down. There are many reasons why even after a rigorous planning process goals are not achieved. For many businesses that do plan, this is where the whole process usually breaks down.

In this article we examine some of the more common mistakes; do you recognise any of them?

Getting the point

Many practices go through the process of setting budgets, determining objectives, undertaking annual appraisals etc., but they don’t understand that all these pieces of work must be integrated. They make the mistake of treating these activities as discrete processes – a tick box exercise rather than trying to achieve goal congruence i.e. all objectives and activities pulling in the same direction. For instance often the setting of personal objectives bears no relation to the key activities dictated by the business plan so individual team members are targeted to achieve goals that do not contribute to the overall goals of the business! It is no wonder that the practice fails to achieve its objectives. For many businesses that do plan, this is where the whole process usually breaks down.

Management and measurement

The term performance management is the generic name given to various techniques, which ensure the business delivers on all fronts against the set expectations i.e. the objectives. Firstly you need to ensure that all the objectives are allocated. That means every member of the team must be given appropriate targets. It is vital that you maintain a consistent approach in this respect by ensuring that all team members are managed in the same way; doing so maintains morale and avoids any unjustified claims should you ever meet an employee in a tribunal. Now you are assured that everyone’s attention is correctly focused, you can move onto determining how you are going to keep check that they remain on track.

You must determine the appropriate metrics (measurement) for objectives, set realistic targets for them, and of course, set appropriate reporting systems to monitor performance against them. The measurement of actual performance against these objectives is a component of performance management, not appraisals. After all, it is these variances that give you clues as to how to manage performance. A negative variance (someone who is not achieving their objectives) may herald from a skills gap that will require training; it may be a process that needs refining or it could just be that the person is not as productive as he/she should be which will require some clear communication of expectations. There can be many reasons for under and over performance. The purpose of measuring is so you can identify and manage these variances so the business remains on track to achieve its annual targets.

Appraisal and performance management

Many people confuse appraisal with performance management. An appraisal is only one part of the performance management process. It is usually undertaken annually (sometimes every six months) and represents a formal (12-month) review. As such, an appraisal does not take place often enough to manage business performance as closely as it requires to be managed. Imagine identifying that a variance has occurred, knowing that corrective action is needed, and waiting six or 12 months to take action. By that time the business will have failed to achieve its targets.

So in addition to an annual appraisal you will need to set up an other mechanism for review based on the frequency you consider appropriate. I have worked in businesses where this type of corrective action is needed on a monthly, weekly, and even daily basis – it all depends on the speed and type of business you are in.

You’re now thinking, ‘Oh no! It will take all my time as a manager to act this way.’ But the truth is, as a manager there is nothing more fundamental than ensuring your team is doing the right things and that you have a system for knowing they are doing these things right. The feedback you give people in this respect can be a 10 to 15-minute activity and should therefore not prevent you from undertaking other responsibilities. And think about it: if you’re people doing the right things and doing them right, most of the other tasks you do will be simple because the business is running smoothly – it’s working well and you are in control! When this process is managed properly you move from firefighting and reacting to problems, to managing in a proactive way that is considerably less stressful and time consuming.

There are many flavours of performance management and you may have already come across various diagrams, processes and names of different approaches during courses you may have attended or books you have read. Although it has been packaged in lots of different ways, in essence it all boils down to one generic process: you set a target, you measure how you have performed against the target, you identify any differences between the target and actual performance (variance) and you discuss these with the owner of the objective (feedback) to determine what action is necessary to get things back on track.

Managing for success

By ensuring the objectives of the business have been tasked out and that each individual knows their part in the bigger picture, and the measurement of them is used to ensure you stay on track, you are effectively ensuring the business delivers its goals and ultimately its strategy. Morale will be high because the team will be focused towards achieving a common purpose and their regular feedback ensures they stay motivated. That’s what performance and management performance really is and those businesses and managers that do it well continue to perform well and profitably and they thrive despite market conditions beyond their control.

Andy McDougall

has over 25 years experience of business planning and brings techniques and expertise from a wide range of commercial and competitive business sectors. Andy now delivers business-planning services to help members of the dental community to respond to the dynamics of an increasingly commercial and competitive environment. He helps businesses to reach the next level and to turn around poor performance. To find out more about business-planning services, contact info@spoton-businessplanning.co.uk or call 07710 582559.

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