

David Axson - Best Practices in Planning and Performance Management



Software Group



Welcome to the podcast on the topic of Best Practices in Planning and Performance Management. In the discussion is David Axson, Founder and President of the Sonax Group. The interview was conducted by Christian Achermann.

Christian Achermann: “Mr. Axson, could you give us some information about yourself and your function with the Sonax Group?”

David Axson: “I grew up in England, spent the first ten years of my working life in London in a combination of banking and consulting jobs. In 1991 I moved to the United States and help set up a company called the Hackett group, where we focused on benchmarking and best practices research. I ran the consulting side of that business. I spent 11 years there and we grew the business quite successfully. Then in 2002 I left and decided to go out on my own. I have written a couple of books, one of which is called BEST PRACTICES IN PLANNING AND PERFORMANCE MANAGEMENT. That's really when I decided to form the Sonax Group, which is really a research firm. I spend most of my time either writing, carrying out training and education for managers or consulting with either very small or very large companies on how to improve their managing processes, which is very important today given all the volatility and uncertainty out there.”

Christian Achermann: “What difficulties are companies facing today?”

David Axson: “The three biggest issues today are: uncertainty, volatility and risk. The traditional way in which we have managed our businesses is to build a very detailed annual planning budget, which we then try to execute over a long period of time. Well as the last 2-3 years have proven, this doesn't work anymore. If you sat down in September/October 2007, how many people would have predicted with any accuracy what then happened in the world economy, in the local economies, even here in Switzerland in 2008. I don't think anyone would have got that right. So what we are dealing with is a set of management processes that worked very well for half a century, but which basically don't apply today. Companies are struggling to retool, redesign, and implement new technologies that can really give them a set of management processes that can work in a very volatile, highly risky and extremely uncertain world. Because this is basically here to stay, this is what we are going to have to deal with.”

Christian Achermann: “So what would you say are the preconditions a company has to fulfil in order to cope with difficult times like these?”

David Axson: “The first thing is to recognize that these are difficult times, and to start with very simple questions. When you are creating a plan or a budget, or you are looking at any type of business decision, you think about the assumptions that you are making about the future, and need to ask yourself certain things. Why is this a good business to invest in? Why do we want to implement that new computer

system? You really need to ask yourself: what if I am wrong? What if my assumption about the future turns out to be incorrect? How do I know? What matrix in my own business, or what indicators from the marketplace, would give me an early warning that maybe the plan I am currently executing no longer makes sense? I may need to think about changing track. So companies first of all need to understand that this volatility exists, and then start to think about how to find the information, the insight, and the intelligence that can provide managers with more confidence to make decisions, because the issue today is, when things are uncertain, you are less confident. So you tend to make decisions more slowly, which is the exact opposite of what you should actually be doing, which is to make faster decision because things are moving so much more quickly.”

Christian Achermann: “Could you give us some examples. How is this realized in everyday business?”

David Axson: “Say you are running an airline and you find out that one of your planes is one hour behind schedule, and because that plane is 1 hour late, 23 of the passengers on that plane are going to miss their connecting flights. What do you need to do from a manager standpoint? It’s not good enough to find out at the end of the month when you run the reports that you had a plane that was late 3 weeks ago. It’s too late to do anything about it. You need to know in real time that that plane is going to be late, and as a result of its being late 23 passengers are going to miss their connections. The first thing you need to do is to alert the reservation department to rebook these passengers on to different flights to get them to their destinations. But you also have an opportunity to make some money here. Maybe some of the flights were sold out, and now you have some empty seats. Maybe you can fill them with fare paying passengers. So you can actually turn a problem into an opportunity.

But you also need to know to adjust the fuel load on the plane. Maybe there are less people on the plane now because some have missed their connection, so less fuel is needed. And in today’s environment, that’s a real big difference in terms of cost effectiveness. So that’s one very simple example of how real time performance management information can trigger decisions that will save you money, and maybe even make you money. But perhaps more importantly, it is how to turn a problem into an opportunity within your business, and help to deliver a better customer service.”

Christian Achermann: “Volatile market conditions hide risks that have to be recognized and managed, but also opportunities which should be exploited. Furthermore, there is constant pressure on financial and business managers to make better decisions faster. Does this fact reveal a conflict? How do Performance Management Solutions support the development of a substantiated decision basis and the measures derived from it?”

David Axson: “You make a very good point you know. The very time you want to make fast confident decisions, you are actually more uncertain. You’re less confident because you are not sure about being as things are changing so fast. And that’s something we have to deal with. But what you really want to do is to create a performance management process that first of all lets you anticipate how you would change your behaviour when something happens, so you are not forced to just react to it. So you need something to work with, that’s the first thing. Then people will have a little bit more confidence when they are faced with that uncertain decision. The next step though is to have information that people can really trust. If you have to wait until

the accounting or controlling department close the books after the end of the month, you are already five or ten days into the next month before you have information about the previous month, and the world has already changed. But if you can begin to build a daily or even a real time flow for certain key metrics in your businesses, then people can begin to see the rhythm of the business, how it's changing on a day to day basis. And that can give them a certain level of confidence in the trend, whether it's going up or going down. And that will allow them to think more clearly about the impact of an external event. Now, I am not saying that this will solve all problems. We are dealing with a world that is becoming increasingly uncertain, competitive and risky. But what you are trying to do is to provide people with tools to allow them to at least acknowledge that uncertainty, and to feel a little bit more confident because they have already thought about what their actions would be, what their game plan will be.”

Christian Achermann: “In your opinion, how will performance management develop in the future?”

David Axson: “You know I think that we will see a big change from playing with data to making decisions. Historically, we have tended to rely on tools that worked very well for us for a long time; old fashioned management reporting coming out of general ledger systems, with a lot of budgeting forecasts using spread sheets. But it takes too long, and it's too complicated.

The tools and the technology that are out there today really allow us act much faster, much more dynamically. And I think the biggest change we are seeing now is the ability for people to collaborate with each other. It's no longer one person trying to make the decision. Maybe it's a group of people. Perhaps some people in China are talking to some people in Europe, who in turn are talking to some others in Asia and America, and sharing their information and insights. So you can get the collective wisdom, the collective knowledge of a group of people, and apply it to a particular problem. Performance management started from playing with the numbers, but now it's really more about to how to use the information to make better decisions. And that's becoming much more of a human issue; giving people the skills, the confidence and the information to make the decisions in a timely fashion. So you can capitalize on an opportunity, but you can also minimize the damage when something bad happens.”

Christian Achermann: “Thank you very much for your time and for the very interesting information.”



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