

Best Practices in Setting Top-Down Strategic Measures



Situation

The client, a **large, diverse Federal Organization** had a robust Balanced Scorecard program that annually **set strategic measures** with more than **20 sub-organizations**, **negotiated targets** for each measure, and facilitated **monitoring** and **review of performance**. In a **bottoms-up approach**, business unit measures and targets were **rolled-up or aggregated** to create corporate level measures and targets. In order to **achieve corporate level goals**, the client was interested in taking a **top-down** view to setting targets for strategic measures by creating targets at a corporate level and **cascading** them to each of the sub-organizations.

Senior leadership requested Manhattan Strategy to provide research and analytical support to understand **private sector best practices** as they relate to managing a top-down corporate strategic measures program.

About Manhattan Strategy

Manhattan Strategy is a boutique research and management consulting firm dedicated to helping our clients achieve performance excellence.

The client was interested in taking a Top Down view of setting strategic measures and cascading them down to individual business units.

Manhattan Strategy Approach

Manhattan Strategy initiated Phase I of its analysis with **intensive Secondary Research** by reviewing internal data, past research studies and projects, information from the public domain, and proprietary interviews and reports from our **Network of Experts**. Manhattan Strategy then created a short-list of diverse private sector organizations that have been identified as best-in-class in Performance Management, specifically in managing a top-down metrics program.

In Phase II, Manhattan Strategy's consultants conducted **in-depth primary research** with **experts in Performance Management** at each selected private sector organization. By **simultaneously** having our team **interview multiple sources** we are able to **cross validate** information on a **real-time** basis, and immediately take note of key areas of consistency and/or difference - essential in developing useful and **robust recommendations and strategies**. Utilizing our proprietary "**collision process**" of intelligence gathering, Manhattan Strategy address key client questions:

- Identify and analyze **successful processes** for **setting corporate targets** and **cascading** them down to the individual business units
- Develop **insights into private sector models** for utilizing **measure indices** at the corporate level that capture diverse underlying metrics
- Understand how **private sector companies set top-down standards** for business units that are operating in very **unique environments** with **different levels of constraints**
- Identify **lessons learned** and **results** achieved for processes and practices that are considered to be best-in-class by the selected private sector organizations

Best Practices Identified

Model

Best-in-class organizations employ a “**hybrid**” approach for setting corporate targets, with **informed top-down mandates negotiated with bottoms-up forecasting**. In most instances, targets are set by the corporate leadership team while separate and independent “bottoms-up” targets are developed by the individual P&L units.

- “The process could never be successful if it were top-down or bottoms-up only. If you just roll-up from a Business Unit level, the targets will be too parochial to be useful. However, if the targets are viewed as declarations from corporate without their considered input, then Business Units will not enroll”
– President, Fortune 500 Organization

Process

Corporate targets are set against a **long-term strategic and financial plan**, which sets a vision and provides a foundation for annual targets.

Business unit leadership is represented during the corporate goal setting exercise so that they have “ownership” for the corporate targets and the BU targets. BU leaders, not corporate, should “sell” the targets to the sub-BU level teams. Since BU leadership has buy-in to setting the corporate goal the focus shifts from the “what” to “how” results are achieved. **BUs (and sub-BU P&Ls) must develop their own targets** – corporate needs to recognize and benefit from market and domain expertise.

There should be a **rigorous and formal process**, led by corporate CFO and team, for reviewing bottoms-up targets. Corporate as well as BUs must **defend their targets**.

Corporate goal-setting and cascading is a **4-6 month exercise**. The bulk of time is devoted to allow each P&L to develop their own targets, discuss them at key aggregation points and present them to BU leadership.

Monitoring

BUs should be equipped to **efficiently track KPIs** related to their performance. **Monthly meetings to track “exceptions”** should focus on where targets are not being met and what can be done to **improve performance**.

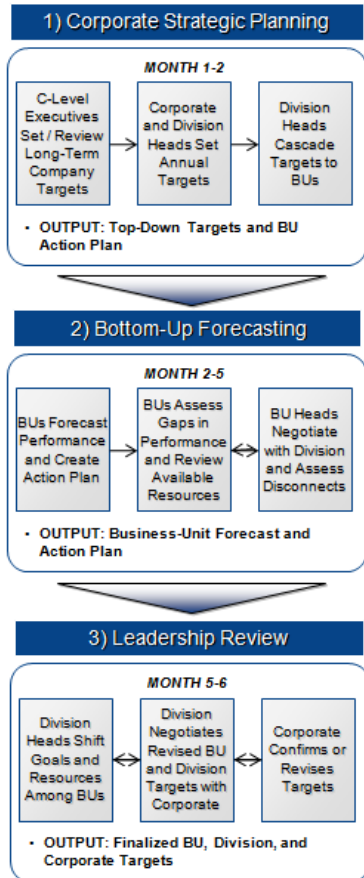
Strategic Considerations

Targets set at the corporate level must be **supported by market research and action plan**. The corporate leadership must **communicate their understanding** and sensitivity to the unique market conditions faced by each BU.

Corporate should continuously assess the “value” it provides to the BUs as it sets the stage for BU “buy-in.” **Corporate goals** should be **tied to individual employees**, ensuring that priorities are clear when communicating to BU’s and the organization.

Implementation of top-down targets should take into account the current regular rhythm of **conversations between the corporate team and the BU leadership**. A gradual “meeting of the minds,” perhaps with the largest BUs, can pave the way for **company-wide implementation**.

Target Setting Process



Best-in-Class organizations employ a hybrid model when setting strategic targets.

“If the improvements in metrics aren’t tied to the goals of individual employees, it’s just not going to happen”



About Manhattan Strategy

Manhattan Strategy is a **boutique research and management consulting firm** dedicated to helping our clients achieve performance excellence. Manhattan Strategy applies **proven frameworks, custom research, best-in-class insights, and domain expertise** to measurably enhance the efficiency and effectiveness of our clients' organization.

Manhattan Strategy solutions encompass three core elements: **in-depth assessment** of the client organization, **best practices** from comparable organizations, and **subject matter expert** analysis. Our clients believe that this holistic approach to problem solving generates **solutions** that are **easier to implement** and deliver **rapid results**.

Manhattan Strategy delivers **custom, best-in-class solutions** tailored to the needs of our clients. Our **proprietary research** approach allows us access to **unparalleled data** that is **not available in the public domain**. While we have subject matter expertise in various domains and verticals, our business model allows for low overheads, delivering results at **very competitive costs relative to our peers**.

The Manhattan Strategy team delivers successful business, operational and financial advisory services to **Government Agencies, Fortune 500 Corporations, non-profits, and start-ups**. Our team has completed over **400 unique projects** since 2001.

Service Lines



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