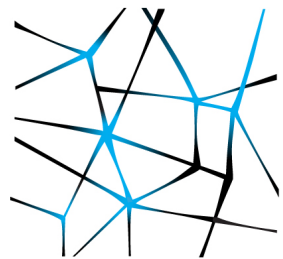


Controllers, Key Leaders for Excellence

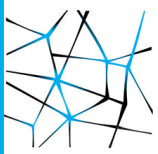


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Leon Tossaint

External professional collaborator at Unikatium,
former VP Philips Consumer Electronic and
honorable Board Member SFPO



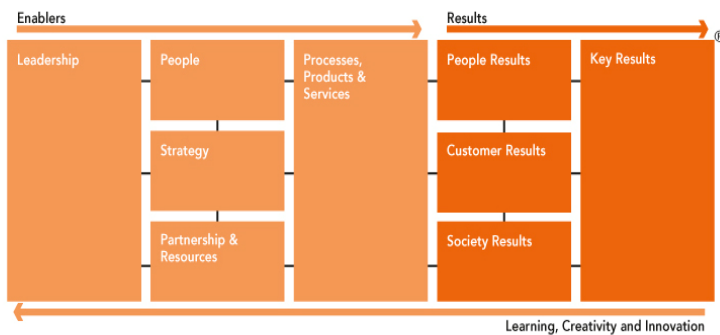
Summary

The European drive for Excellence is a Program for Organizations to improve business performance and competitiveness. Controllers are key in leading the drive on performance improvement within their organization. Therefore : **Controllers are key Leaders for Excellence.**

1. Excellence Approach in Europe.

The Excellence approach in Europe started in the late 80th when several European multinationals like Philips, Bosch, Renault, BMW etc decided to initiate EFQM, the European Foundation for Excellence, to improve the competitive level of all European Organizations. Their reference for Excellence is the EFQM Excellence Model, launched in the early 90th, which is a framework to help organizations convert the Fundamental Concepts for Excellence into practice and to assess organizations on their level of Excellence.

EFQM Excellence Model



Leadership for Excellence is at the start of the Model and is crucial for implementing successfully Excellence, defined by : “Excellent Organizations achieve and sustain superior levels of performance that meet or exceed the expectations of their stakeholders”. The Excellence Approach is driven by Leaders who create a Vision and Strategy for their Organization and involve all employees and key partners in improving continuously all processes within the organization. Ultimately this has to result in improved customer and people satisfaction and in sustainable positive results including financial results.

The EFQM Excellence Model and Approach is now already implemented by over 30.000 organizations in Europe and beyond. The EFQM organization is leading an impressive network of organizations and experts to share best practices under the motto : “EFQM shares what works”. The EFQM has over 500 Member Organizations.

2. Excellence Approach in Slovenia.

Already in the 90th the EFQM Excellence Approach has been implemented in many Slovenian Organizations or Slovenian branches of European Multinationals. A group of Leading Slovenian Companies like Trimo, Luka Koper, Iskra Avtoelektrika initiated in 2001 the Slovenian Foundation for Business Excellence, SFPO.



This SFPO is the EFQM equivalent in Slovenia for building the network of Slovenian organizations aiming for Excellence. SFPO creates a platform for learning and sharing best practices amongst those Slovenian organizations and has the international contacts to learn from companies like Philips, Bosch etc. Creating a 'Culture of Excellence' within their Member Organizations is a clear SFPO goal. In the mean time SFPO has a platform of over 40 Member Organizations and is on their way to get a strong representation within the 'top 100 Slovenian Companies'.

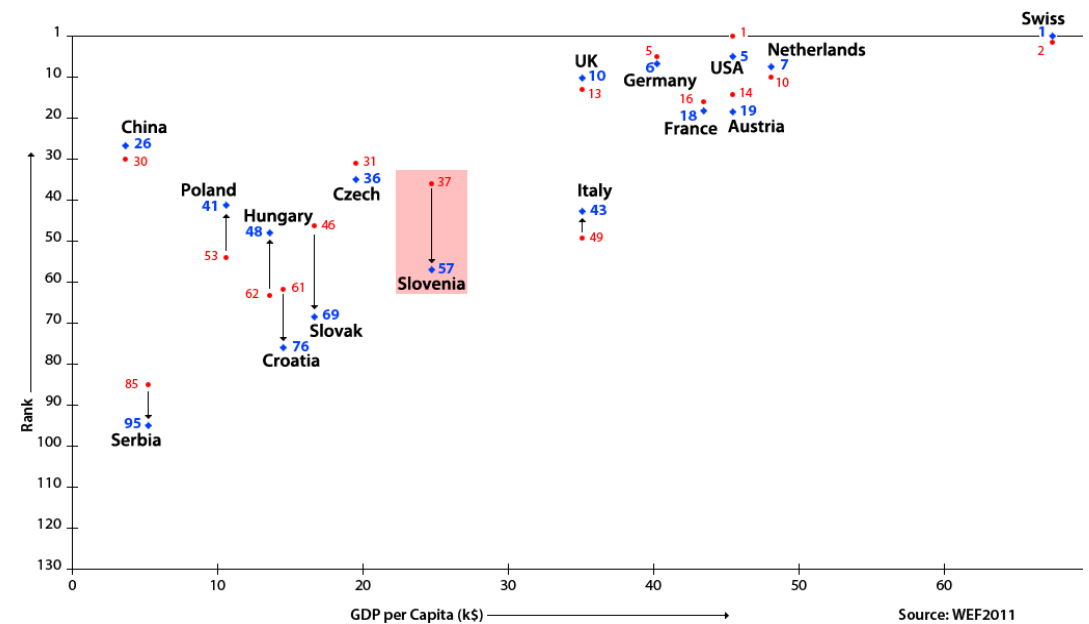
For organizing the yearly Business Excellence Award Program in Slovenia, MIRS (Metrology Institute of the Republic of Slovenia) is well positioned to promote Excellence across the country. This Award Program is important to stimulate an 'Excellence Culture' in Slovenia.

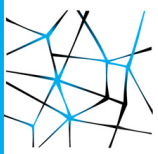
Being recognized by an Excellence Award (European or Slovenian) has a positive impact on the imago of an organization and is motivating for the effort Leaders and all employees have put into their drive for Excellence. Ultimately the real benefit of the Excellence Approach is the success which an organization has in improving their performance, in achieving their (strategic) targets and in strengthening their competitive position!

3. Excellence to improve Competitiveness.

The Excellence Approach is a strong process to improve the international competitive position of a Company. Collectively applied in all organizations -including Governmental Departments- this Excellence Approach can improve the competitiveness of an entire country. Global Competitiveness has yearly been analyzed by the World Economic Forum (WEF) and is published through their 'Global Competitiveness Report'. The criteria used by the WEF to measure 'Competitiveness' cover all elements of the 'Excellence Model' so by improving the 'Excellence Level' of an organization Competitiveness will improve as well.

Global Competitiveness Index 2011/2012 (source : WEF World economic Forum)





The Slovenian Competitive position shows a declining trend over the last 3 years, from position 37 in 2009 down to 57 in 2011! This is the result of many elements, some improving like the 'Technological Readiness' with a strong internet approach as driver, some others are declining like some financial elements : e.g. access to loans and venture capital, especially foreign direct investments (FDI). Most worrying –in my opinion- is however the declining trend in 'Innovation' (from position 34 in 2009 to 40 in 2011). This area is still a strength, where the innovative power of many Slovenian Companies together with the Universities and Research Institutes have proven to be very successful in the past. However global competition is fierce, so extra effort is needed to reverse this trend and to make Innovation again the economic engine of Slovenia and to improve the innovative power of Slovenian Companies.

This is where the Excellence Approach can support Companies : by involving creative people to improve the Innovation Process. Many other examples will be mentioned in this article, especially those where Controllers as member of an organization's 'Leadership Team' have a clear role in driving Excellence to improve the performance and competitiveness of their organization.

4. Controllers , Key Leaders for Excellence.

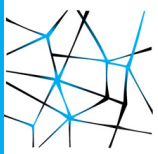
Controllers are key players in the organization 'Leadership Team' and their role has gradually moved from Controlling towards Managing. Controllers have a Leadership responsibility in all

elements which drive the improvement of a Company's (financial) performance. The role of Controllers as leaders in the Excellence Approach will be illustrated by some examples.

4.1 Target setting for Excellence in Performance.

The role of Controllers in monitoring progress on all strategic Performance Indicators (PI's) is obvious. The Business Balanced Scorecard provides the structure and the logic connections between these PI's to show how all performance improvements ultimately will result in improved financials. Target setting is part of the dynamics to improve performance. Some learning :

- Make target setting transparent. Start with the strategic targets and make these specific at each level of the organization, clearly indicating what is expected to be achieved by that level, by that management team, and further deployed up to the individual level. This also will clarify to employees what the Companies' strategic targets are and how each person can contribute to these targets.
- Review the (strategic) targets regularly –not just once per year- and adjust targets if needed due to – unforeseen- changes in the market, the economy or governmental rules. This will keep management alert, adapting fast on changing situations ...faster than the competition!



- Make target setting 'challenging'. High level targets to be benchmarked against 'best in your business' to become competitive. At individual level involve your employees in setting their individual targets to be motivated and make their targets challenging to let them go for the 'extra mile'.
- Communicate results on targets regularly, make it visible for all employees e.g. using the 'traffic light system' showing clearly which area is still 'in red' and needs extra attention / improvement initiatives. Entrepreneurial behavior will be stimulated this way.

4.2 Continuous Improvement for Excellence in Cost Control

A core element of the Excellence Approach is the drive for Continuous Improvement at all levels of the organization. This part of the Excellence Program has proven to provide substantial contributions to Cost Control and Cost Reduction.

Some examples :

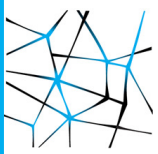
- Initiate process improvement projects for cost reduction; using six-sigma techniques to analyze complex process costs structures and by re-engineering those processes, drastic cost reductions can be obtained.
- Involve people in 'Quality Improvement Teams'. These QIT's are mostly focused on problems people do recognize in their own work, which they are eager to analyze, to implement solutions, to measure

progress on results to ensure success. Those QIT Programs show impressive results on cost reduction.

- Drive a 'Cost of Non Quality' Program. All departments and all processes have 'waste'. Challenge Department- and Process- Managers to analyze the waste in their budgets, put improvement teams on implementing cost saving solutions. For larger organizations start cost benchmarking between comparable units.
- Involve Suppliers in cost reduction programs. Studies on the impact of supplier involvement in cost reduction show that negotiations have a limited impact up to 3%, re-sourcing and re-engineering up to 20% but supplier involvement in innovation can contribute far over 20% on cost reduction....for both!.
- Reduce (financial) risks by making the organization 'Lean' and 'Agile'. Focus on managing the core of your Value Chain rather than to 'own' every single element in that chain. Not only does this make more sense from a strategic point of view, it also drastic reduces the Companies' risk profile. Reducing 'ownership' has impact on many elements like assets, stocks and ultimately the Cash Flow.

4.3 Benchmarking for Processes Excellence.

For Process Benchmarking tools have been developed by global process experts from many World-Class Companies.



These so called Process Survey Tools (PST's) are Process Maturity Grids describing in detail all sub-processes, each scaled in a 10 level grid from 'basic' (level 1) up to world-class (level 10). PST's have been developed for processes like Marketing & Sales, Manufacturing, Purchasing, Supply Chain Management, Finance, HRM etc. For Financial Controllers the PST for Finance is most relevant :

- Process Survey Tool for Finance.

A team of World-Class Financial Experts has analyze all the key financial sub/processes like : accounts payable/receivable, intercompany accounts, tangible fixed assets, reporting, cost accounting, inventory control, operational planning and forecasting, etc. For each process maturity levels for benchmarking have been defined. Internal company assessments by own financial experts provides a clear inside in the real maturity level of those processes and delivers a list of improvement proposals to achieve the next maturity level.

4.4 Controllers, key players in Excellence Assessments.

A core element of the Excellence Program is the Assessment based on the Excellence Model. The Assessment Process (RADAR) is developed by EFQM and provides a structured approach to question the performance of an organization. It also provides a scoring mechanism for the Excellence Award

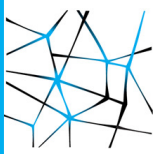
or other recognition schemes and can help to lead change and manage improvement projects in an organization.

These Excellence Assessments are perfect tools for Controllers to review all aspects of the business. Once an Excellence Program has been implemented complete Management Teams are trained as Excellence Assessors. The fact that Controllers are involved in all processes of an organization and are members of the Leadership Teams, makes them core members of an Excellence Assessors Team.

5. Leading for Excellence.

Learning from reviewing the implementation of Excellence Programs –in many different Companies- shows that strong Leadership is crucial to initiate and drive a successful 'Journey for Excellence' throughout an Organization. It is the way Leaders make 'Excellence' an integral part of their Companies' Strategy and involve management and all employees in active participating in this Program. It are often the Controllers in the Leadership Team who create the rational and sense of urgency to connect all improvement initiatives to the (financial) strategic targets. Controllers see clearly the value of Excellence Assessments to better understand 'what is behind the numbers' and where to find 'room for improvements'. Controllers are in touch with every nerve of the organization and do recognize the value of the Excellence Program to improve all aspects of the Business.

Therefore **Controllers are Key Leaders for Excellence.**



For a successful implementation of an Excellence Program and to learn from best-practices from other Organizations, SFPO provides the ultimate network and professional expertise for all

Slovenian Organizations in support of their 'Journey for Excellence'