CROATIA

Management by One Number (MBON)

DR. MLADEN METER

Controlling and Finance Consultant,
Business Effectiveness Ltd.,
ICV Croatian Adriatic Region Work Group Leader

Introduction

At a time when the synonyms of business success have become quickness, simplicity and individual customisation, it is also necessary to consider how to apply such criteria to the decision-making process. Various variants of quick, simple and individually tailored decision-making are nowadays significantly supported by descriptive, predictive and prescriptive analytics. Further, business models that are the subject of analysis are increasingly automated and digitised, with artificial intelligence playing an increasingly important role.

Business frameworks as well as business decision-making concepts in business practice are usually defined, or at least partially tagged, by various methods such as Balanced Scorecard (BSC), Key Performance Indicators (KPIs), Scoring Models, Management by Objectives (MbO), Management by Exceptions (MbE), Objectives and Key Results (OKR) and many other methods and instruments for strategic and operational management of business. On the one hand, each of the above approaches and methods has its advantages and disadvantages, and on the other hand, it is possible for each one to use a supplement (in different ways) that will enable its quicker, easier and individually customised usage, and thus provide better final results. We've called this supplement "Management by One Number" (MBON).

Idea

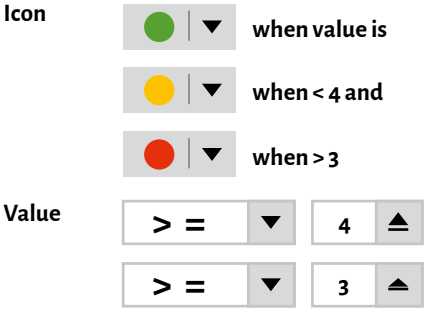
By applying the concept of MBON, it is possible, as the name suggests, to manage by one number.

It is possible to conditionally formulate realised values compared to comparative ones, e.g. with traffic lights in different colours, in order to have an easy intuitive reaction.

Example

Each number, as with our "one number", makes sense only if it is compared with the comparative value, which can ultimately be: the value from the same period last year, planned value, forecasted value, or just a benchmark.

For our example, we have taken a benchmark with a defined traffic light rules as follows:



Thus, in the case where the traffic light is green, "nothing is to be undertaken", i.e. when obtained weighted value is greater than or equal to 4. It is also possible that the limit value of 4 is not the exclusive criteria of success, but also the greater and closer to a maximum value of 5. Of course, each organisational unit looks at the figures from its perspective and strives to be "as much green as possible", according to the benchmark given above.

THE BASIC COMPONENTS OF THIS CONCEPT ARE:

1. **Defining of responsibility centers**
2. **Defining of hard and soft indicators**
3. **Defining and assigning importance weights to the individual indicators**
4. **Defining of ratings range and evaluation of indicators**
5. **Defining of comparative values and timelines for measurement and correction**

The result of the measurement of performance in relation to the previously defined benchmark, at the end of the first half of 2019, was as follows:

MANAGEMENT BOARD		4,4
Management processes		**4,0**
Core processes		**4,6**
Support processes		**4,7**

In this example, the realisation can be seen from the perspective of management. The average value obtained is 4.4, it is green and generally everything is fine. However, the rating is not equally good in all areas of responsibility, e.g. the group processes "Management processes" are "at least good".

The person responsible for the "Management processes" analyses it to determine where the problem really is (responsibility centres classification according to IGC, Möller, K. (2017) Controlling-Prozessmodell 2.0, p. 15). In this example it is apparent that the problem lies with the organisational unit of "Controlling":

MANAGEMENT BOARD		4,4
Management processes		**4,0**
Controlling		3,4
HR Management		4,2
Governance		4,0
Quality management		4,2
Environmental Protection		4,1
Health & Safety		4,0
Core processes		**4,6**
Distribution		4,4
Customer Relationship		4,5
Product Life Cycle		4,6
Procurement		4,9
Production		4,6
Logistics		4,4
Project Management		4,9
Support processes		**4,7**
Accounting		4,9
Personnel Administration		4,6
IT		4,4
Legal Services		4,8
Communication		4,6

Of course, the person responsible for "Controlling" should be interested in what part of "Controlling" is the problem:

Controlling		**3,4**
Planning		**2,9**
Reporting		**4,0**

It is evident that the problem is in "Planning", and the rating for "Reporting" is good.

"Head of Controlling" or "Planning Leader" are sure to be interested and further elaborate in order to come up with the source of the problem:

Planning		**2,9**
Strategic Planning		**4,0**
Operational Planning		**1,8**

Further analysis shows that "Strategic Planning" is fairly good, but in "Operational Planning" the rating is much worse.

Below is a further development for "Operational Planning":

Operational Planning		**1,8**
IT-solution and tools		**4,0**
Proactivity		**1,0**
Cooperation		**1,0**
Focusing		**1,0**

In "Operational Planning" usage of "IT solutions and tools" (hard skill) has a good rating as opposed to "Proactivity", "Cooperation" and "Focusing" (soft skills).

Knowing the actual ultimate cause of the problem, of non-excellence in "Controlling", now it is possible to determine the measures of action. In this case maybe coaching, education, moderation, and so on.

Conclusion

In order to manage with a single number, it is necessary to systematically create a scoring model containing responsibility centres, as well as a list/task/competence catalogue, then assign them to the responsibility centres, weight their importance and periodically evaluate them. Certainly, it is then necessary to know also the comparative values, and then determine the relevant deviations, for which the necessary corrective action is to be undertaken.