Getting Started Guide

The Action Management System

"A system that engages all staff in the immediate improvement of your Business"

Overview of the Action Management System

Management is the "scientific art of directing all actions with a degree of skill so as to alter the system to increase value for all constituents".

The Action Management System (AMS) was developed by The Management Practice as a complete system to help small and medium business owners increase their profits and reduce their exposure to business failure. Think of AMS as business management "insurance".

AMS is a "how to" system to facilitate better operational management.

AMS has three components:

1. **A management PROCESS (the method).**
2. **A Business Management NAVIGATOR (the software).**
3. **An operational KNOWLEDGEBASE (the business information).**

AMS creates a structured management environment that simplifies the complexity of managing. It creates an environment that focuses each and every person in the business on the specific actions that reduce risks and add value to help the business become more competitive and more profitable. AMS supports all staff with detailed specifications and responsibilities for all actions required of them by the business.

AMS is integrated so that management have complete transparency of operations and what people are doing, and therefore brings "peace of mind" to Directors.

AMS is a simple and fast 5-step "how to" process that leads to the final creation of a customised **Business Management Navigator** that drives better day-to-day business operations. The BMW is built over the Internet and can be accessed on any PC. The BMN includes the performance management of all business areas assigned to all managers and staff.

AMS then operates with <u>your</u> Knowledgebase (built as a key component of AMS) that evolves to contain all the procedures and documents that determine how the whole business operates. A complete AMS will include the processes that all staff need to achieve their targeted performance measures and to create value for all constituents. The AMS Knowledgebase is then extended to give all staff access to knowledge of their individual performance. To achieve this, the Business Management Navigator is incorporates an online **Performance Management System.** This Internet-based secure system enables all staff performance to be accessed online by authorized staff.

The Business Management Navigator is also used to;

<> audit business initiatives and risks,
<> validate new business ideas,
<> run day-to-day operations,
<> track the progress of all business
   improvement projects,
<> record and track all business incidents,
<> record how people spend their time, and
<> measure both business and personal
   performance.

Screen Shot #1

Management "insurance"
is a simple 5-step Process

The simple 5-step process (see Diagram above) is summarized below:

(1) Create your Business DNA
AMS guides management in the development of a value-based structured analysis of the business. Managers build a picture of precisely what "action" processes truly define how the business runs. AMS then assists senior management to establish the key operating success criteria and critical operating actions required to drive this new Business DNA.

(2) Assign Accountability to your People
AMS provides the process for management to assign accountability to personnel to cover all the DNA Action areas and to build links to other business information.
Staff roles are then developed that are a direct reflection and implementation of the Business DNA. AMS guides staff through the definition of their performance measures for all their Role/Job Actions and establishes the resources required for staff to implement all their Role/Job Actions.

(3) Assess Risks within the Business
The CEO and the senior team jointly undertake a rapid Risk Analysis of all Actions that constitute the new Business DNA. This analysis is then integrated into the Business DNA which then gives a concise graphical overall view of the "health" of the business.

(4) Identify and Implement Improvements
AMS provides management with a method of reviewing, consolidating, documenting, and evaluating operational Actions and tracking all Ideas, Recommendations, Projects and Incidents required for the continued improvement of the business.

(5) Measure & Manage Non-Financial Performance
Throughout steps (1) to (4) the AMS therefore evolves into a customized business management system of a Company's non-financial operations. This system is then used by the CEO and Management as an operational Business System that optimizes and measures business actions to create maximum business value. Reporting systems are generated as required.

We MUST first understand the "Business DNA" (Step #1)

Every business carries the "culture" of the CEO, therefore every business operates with characteristics that reflect the ideas, values, and strategies of the CEO. Even if businesses are outwardly identical in what they do, the way they are run, or as we call it, their Business DNA, will be different. This DNA must be understood by all senior Management (and ideally all staff) to be able to optimize business operations.

So what does a Business DNA look like and how do we build it.

The Action Management view is that everything that a business does can be viewed as "actions". These "actions" can be structured into a hierarchy as they are cascaded down through the business operations. Top-level actions are called "Strategic Actions", then the 2nd level actions are "Operational Actions", then come "DNA Actions", followed at the lowest level by "Job Actions". The combined view of all these Actions and their operating characteristics becomes the Business DNA.

The Business DNA can then drive all aspects of the business and quickly determines what our people should be doing and where improvements are required to optimize business performance.

- **Strategic Actions** are the five key strategic areas that drive the business. Actions like "Make Sales", "Control Stock", "Develop Employees", etc, are some examples.
- **Operational Actions** are the five detailed actions that underpin the Strategic Actions. For example under the Strategic Action "Make Sales" there may be an Operational Action of "Build Client Relationship", or "Develop Target Market", etc.
- **DNA Actions** are the five major actions that are necessary to implement an Operational Action. All DNA Actions will also possess "Action Characteristics" (see below). So the complete Business DNA ends up as **a matrix of the 125 critical actions that drive the business.**

Action Characteristics are the detailed make-up of each DNA Action and include;

- a brief "doing" Description of the Action that must always start with a verb,
- the Method that will be used to implement the Action,
- the links to the required knowledge necessary to undertake the Action,
- the best criteria for Measurement of the success of the Action,
- the Target set for the measure of success of the Action,
- the Performance reporting process, and
- the Risk Assessment of this Action to the business.

#3
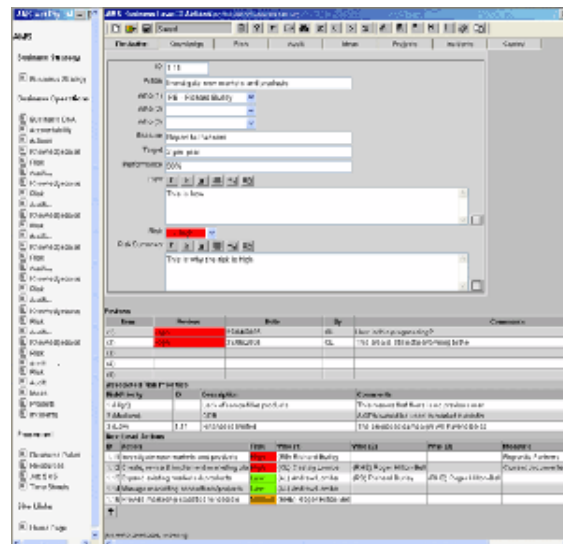
But are your people "doing the right things"? (Step #2)

Having established the Business DNA for the total business operation we must now ensure that our people accept "accountability" for each and every action that has been identified in the Business DNA. Each and every person in the organisation has a job to do, but their jobs must contribute "value" to the desired outcomes of the business as it is viewed by the CEO.

The challenge of Management is to ensure that every person is "doing the right things" that in fact <u>do</u> create the optimum business contribution. The Action Management view is that everything that a person does can be viewed in terms of "actions" (the act of "doing"). These "actions" can then be structured into a 5x5 hierarchy. We define the actions of an individual in the hierarchy of their "Operational Actions" followed by their "Job Actions". The combined view of all these Actions and their action characteristics becomes a person's "job".
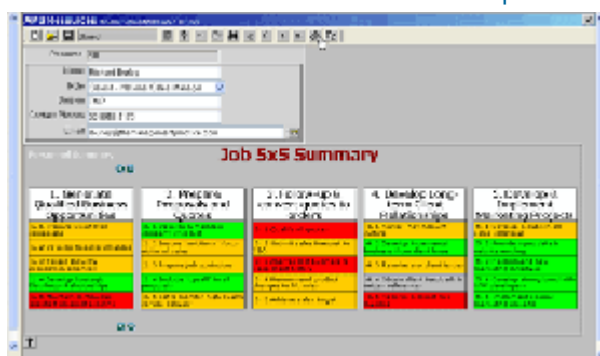
The person's AMS Job 5x5 then drives all aspects of their activity and quickly clarifies what the people should be doing and what aspects of all jobs are critical for the optimization of business performance.

A Job 5x5 is designed to be viewed on "one page" hence the alternative term for a Job 5x5 is a "job-on-a-page".

To create a Job 5x5 we take both a "top down" and "bottom up" view.
This is achieved by both a one-on-one employee discussion session and also the cascading of DNA Actions down to each employee. Components of the employee 5x5 "Job-on-a-Page" are therefore as follows (see Screen Shot #2):

- **Operational Actions** are the five key operational areas covered by an employee. Actions like "Improve Client Service", "Manage Staff", etc, are some examples.
- **Job Actions** are the five job actions that underpin the Operational Actions. For example under the Operational Action "Manage staff" may be a Job Action like "Hire Employees", or "Review Employees", etc.

Job Action Characteristics are the detailed make up of each Job Action and will include Description, Procedure, Measures, Targets, Reporting, and Risk Assessment.

 (see Screen Shot #3).

#4
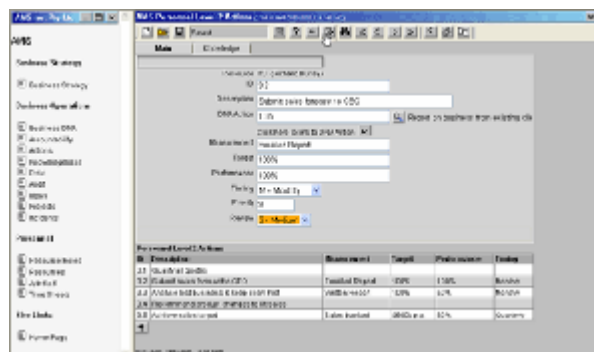
Now, where are our business risks? (Step #3)

A fundamental function of the Action Management System is to assign a **Business Risk Rating** to all of our Business Actions, DNA Actions, and staff Operational Actions. This activity therefore puts an implied priority on where we should implement business improvements.

Every action carries some risk, however AMS assesses business risk in three categories:

ACTION MANAGEMENT SYSTEMS

RED risk ratings indicate that these Actions are currently a critical threat to the operations of the organisation and as such should be addressed immediately.

AMBER risk ratings indicate that these Actions are being conducted at an unacceptable level but are not an imminent threat to business operations.

GREEN risk ratings indicate that the Actions are being conducted in an acceptable manner. This does not mean that they cannot be improved, but rather that they are "acceptable" at this time. The **Business Risk Rating** is done on the Business DNA.

Our Business DNA then takes on a very visual dimension.

With the inclusion of the risk rating element, our "Business-on-a-Page" now has a visual impact with "focus" on the real business imperatives.

We **have an "active picture" of our business.**

Remember, we have already assigned accountability for each one of these Actions to one of our staff so we know who has the responsibility to address the RED actions.

#5

But how can we quickly analyze these business risks and agree the best remedial action ?

Some people have a "negative" association with the word **audit**. However audit is a very positive **term** within the Action Management System.

AMS Audits are provided as "a tool for improvement".
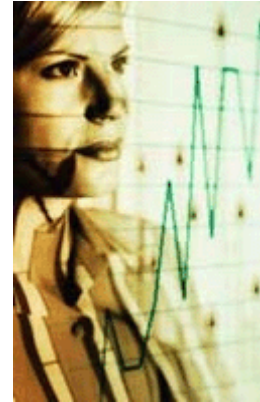
Business Audits are general "assessment audits" that are provided by AMS to take a quick "health check" on specialized business areas and therefore complement the Business DNA Improvement Audits within the Action Management System.

Within the AMS the following specialized business audits are also provided.

- **Management Self-assessment Audit** is provided so that our people who "manage" other people can self-test their management capability using the characteristics that are important to their area and identify where they need assistance.

- **Sales Qualification Audit** has been provided to management as a tool to "qualify" a sales opportunity. This can be used by either sales or management people to improve the probability of obtaining a major order from a prospective customer.

- **Service Quality Audit** is used to evaluate the quality of "service" that the business is offering to its customers.

- **Client Relationships Audit** is used to determine where the business needs to improve in its general handling of its customers.

- **Technology Audit** is used to evaluate the efficient use and "value" that computer technology plays within the business.

- **OH&S Audit** is used to identify any areas of concern that need to be addressed within the area of Occupational Health and Safety.

Improvement Audits are a fundamental component of the Action Management System and are designed to "identify and implement improvements". Improvement Audits are typically done on all "red" risk items to analyze the problem area and to make recommendations on what should be done to reduce the identified business risk.

#6

How do we continually improve our business? (Step #4)

Having assessed our **Business Risk Rating** of all of the Business Actions, DNA Actions, and staff Operational Actions, we have now put an implied priority on the areas where we should be implementing improvements to our business.

Associated with each Business and DNA Action is an Improvement Audit.

Improvement Audits are a series of searching questions that require answers that evaluate the characteristics of each Action to assess the current situation and to establish what needs to be done to improve an Action. We should (at a minimum) undertake an Improvement Audit for all the RED Risk Rated Actions.

Each Improvement Audit is conducted, arranged and reviewed by the person who has been previously assigned accountability for the Action. An Improvement Audit is normally conducted in a group 45-minute session with all interested parties participating. The method of collection of information and recommendations of an Improvement Audit is at the discretion of the person who is accountable; however the written record of the Audit has a standard format within the Action Management System. This means that anyone reviewing any Improvement Audits completed in the business can see a uniform approach to business improvement. During an Improvement Audit many ideas are put forward. All **Improvement Ideas** are captured within AMS and reviewed.

Audit Measures are established as part of all Improvement Audits to determine the success criteria for the specific improvements sought.

Recommendations are then generated by the summary of the outcomes of the Improvement Audit and these recommendations are consolidated for management review and then prioritized and (depending on the resources available).

Some of these recommendations are converted into **Improvement Projects.**

The recommendations will determine the parameters, timing, and objectives of each Improvement Project.
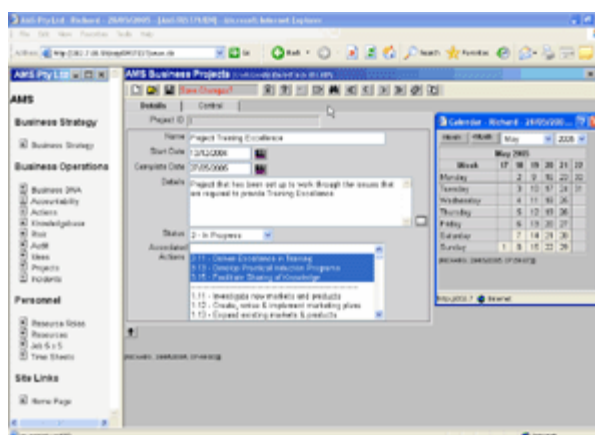
So the sequence of AMS Improvement is as follows;
Audits >> Ideas >> Recommendations >> Projects.

Does staff have access to the required knowledge?

One fact is clear, business cannot operate efficiently without giving employees the necessary "tools" and "knowledge" for them to do the things for which they have been made them "accountable".

In the Action Management System we create a "Knowledgebase" to provide this direct assistance. AMS then becomes the "operational centre" for the business.
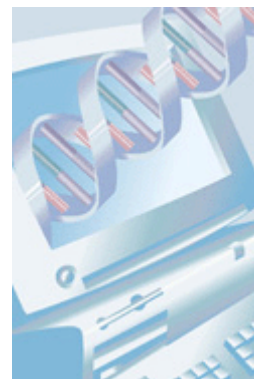
The AMS Knowledgebase is the central repository for all tools, techniques, methods, processes, policies, checklists, spreadsheets, training material, manuals, and forms that are required to be accessed by our employees in the performance of the Job Actions of their role.

The Knowledgebase is built to conform to the AMS structure.

Therefore all knowledge logically integrates with all the DNA Action elements of the Action Management System.

Every DNA Action must have a link to the Knowledge required to complete that Action.
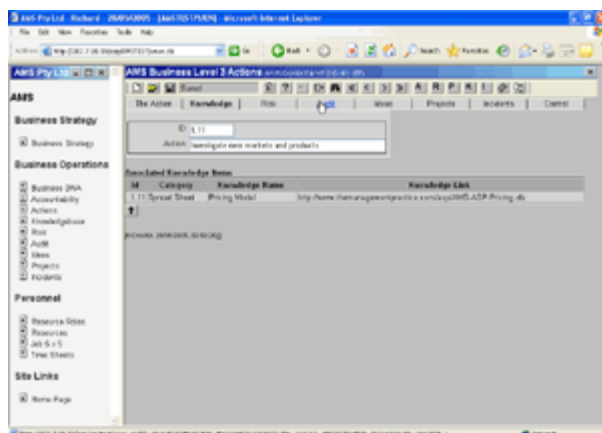
The Knowledgebase evolves over time and is the repository for all business improvements made using the Action Management process.

For example the Business DNA has "context-related" links to the Knowledgebase for business policy and procedures, and every employee's Job 5x5 has "context-related" links to the Knowledgebase for access to tools, instructions, and checklists, etc that are required by them in the execution of their jobs.

In any business some of the elements of **the Knowledgebase will already exist** and others will need to be created, however normally this knowledge is not organized in a usable way for simple access to the key information that staff need to do their daily jobs.

So in addition to the "context-related" knowledge links integrated within the Action Management System, an **AMS Knowledge Directory** is also created so that it matches the Business DNA of the organisation to the key knowledge and tools required for efficient day-to-day operation.

This directory is then simply a logical index of key operational information within the Knowledgebase.

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How can we measure "non-financial" business performance? (Step #5)

The Action Management Systems simply assess the performance of both business and staff as it relates to real Actions of the business that have been determined to add most value.

However before we can assess the performance of anything it is critical that we must establish three things:

(1) The most appropriate measurement characteristics for each Action.

(2) The target that we feel is achievable within the review period.

(3) The "tools" that enable the Action to be completed to meet the targets assigned

Business and DNA Actions are typically "team actions", and although one primary person is allocated accountability for each of these actions, these actions are sometimes "management level" Actions.

Job Actions are "staff actions" and several Operational Actions will typically be spread over many individuals that constitute the "team" that will deliver the Business and DNA Actions.

So any one Operational Action that is assigned to an individual can introduce an increased risk to a Business or DNA Action if the individual does not perform their Action to the level expected.

For this reason AMS provides for a regular review process to measure the effectiveness of both staff and business Actions.

People do what you "inspect", not what you "expect".

AMS therefore provides a disciplined method of measuring and assessing both non-financial business performance and personal performance that has been derived from the unique "Business DNA" that is created by the CEO and/or the Management Team to reflect the true purpose of the business.

The final components of AMS are the "tools" required to execute the Actions.
In AMS we also consolidate all these tools in **the Knowledgebase**.
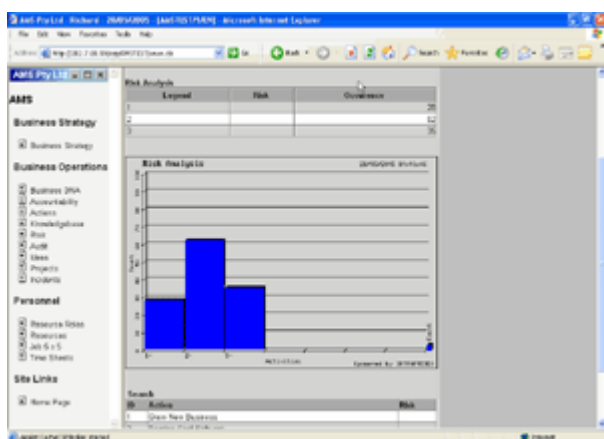
Action Reports on performance then form an integral component of the business Knowledgebase.

All elements of the AMS can be linked to the appropriate performance reports that relate to the measurement of any aspect of the business.

AMS Action Reports are all presented graphically and conform to the AMS reporting criteria of "View-on-a Page".

#9

How can we implement better recognition of staff performance?

The Action Management System has been constructed on **the basic premise that every employee is "accountable"** for some element of the business.

No matter how small or how large is their accountability, this is an essential component required for an employee to achieve personal job satisfaction and for the business to achieve success.

Recognition of an employee's "contribution to the business" and "a job well done" fosters both teamwork and a strong organizational culture.
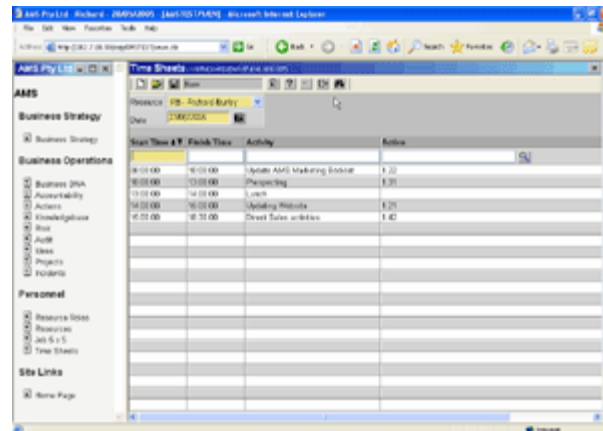
Whatever the level of "accountability" that is assigned to an individual, every individual needs a "measure" and a "target" for the Operational Actions for which they are accountable. **Measures and targets** must be achievable with the help of appropriate "business tools" given to the employee. These tools provide the "method" by which the individual can achieve the targets in their Job 5x5 for which they are accountable. If the "tools" provided are inadequate (for the individual to achieve their targets) then these tools must be improved before any higher targets can be set. Regular employee reviews and discussions must therefore be conducted with all individuals to confirm that they are able to reach their targets with the tools that they have available.

Performance Management is therefore an important component of the Action Management System. The Performance Management System enables secure on-line Internet-based performance appraisal that delivers a simple method of regular employee review.

Time Recording and **Performance Forecasting** are also built into AMS. These systems enable individuals to project their own performance and for them to also understand where their time is being spent.

By matching time spent against the "high risk" DNA Actions of the business, managers can then see if the overall effort is being applied to all areas of the business where it is most needed.

AMS encourages staff to pro-actively contribute to the business.

#10

About The Management Practice (TMP)

TMP is a group of like-minded experienced senior managers who have combined **the "best of the best"** management approaches into a practical, easy-to-understand management framework and developed a system that applies to any institution; big or small; public or private; profit or not-for-profit; in fact any business.

This approach heralds a new era of taking the mystique out of running a business and makes it available to the mass SME (Small to Medium Enterprise) market.

In developing this innovative approach TMP have undertaken extensive research into management in several areas. These include investigating the management advisors, consultants and experts, popular managers, management concepts, trend and techniques, and the practice of management in 200 SME's in Australia (but the Action Management System applies to any business in any country).

The "management experts" that were studied included those as diverse as Drucker, Deming, Kaplan, Norton, Gerber, and Hammer. From these studies it was possible to analyze the common themes, but in particular the specific ideas that they developed and practiced that differentiated them from the others. New management concepts and techniques continually emerge and are hailed as the solution to management problems. Six Sigma, Value Chain Analysis, TQM, EVA, Balanced Scorecards etc, have all been researched by TMP (in particular Dr John Troughton the author of our book) and the role, place and value of these have been considered.

TMP studies have clearly highlighted the disparity between what is preached by the Management community and what is practiced by mangers in business. These studies highlighted the plight of the manager in practice, in that they really do not know what "management" should be, mainly because it has not been properly defined and a single management method was not available that considered the "best of the best" information, tools and concepts from the experts. Applying one technique or the concepts from one expert was not enough to significantly impact business, and there was never the time or the expertise in their business to try several ways, or to change from one concept to another midstream. Then there was the cost!! Who had intellectual access to these experts and what SME could afford the expense of applying their programs. An SME answer had to be devised, and this is what The Management Practice has done. **We call it "Action Management".**

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