

PARC Discussion Meeting

# **Delivering Organisational Performance**

**Wednesday 24 May 2023**

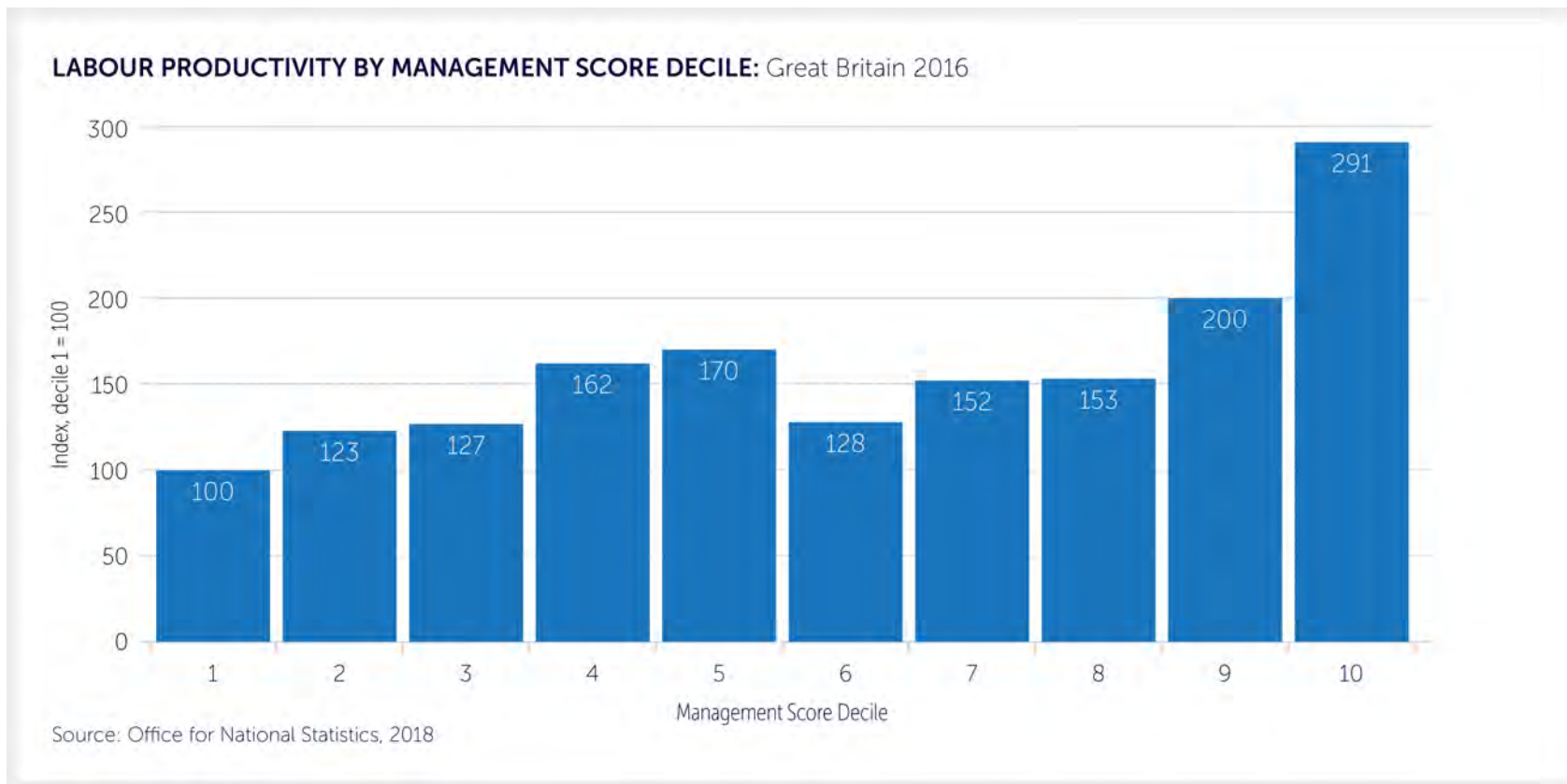
# What makes a High-performing Company?

- Some organisations achieve their goals – growth, profit, market share or saving lives – and others don't
- How much of this is within the control of the executives running the company?
- Clever product, technology, luck can propel a company to great heights – sometimes *despite* its management

## Good Management Matters

- World Management Survey studied 15,000 organisations since 2002
- Management practices in three areas – **target setting, performance monitoring and incentives**
- Correlated with a number of measures of business success:
  - Productivity
  - Profitability
  - Market share
  - Sales growth
  - Survival rates and lower length of stay in hospitals
  - Better teaching scores and research outcomes in universities
- Correlations robust across countries and sectors
- More than 80% of the variation in productivity between firms occurs within a given sector in a given country

# Targets, Performance Monitoring and Incentives Work



**ONS** Study of 10,000 UK firms, using WMS methodology

## The Performance Gap

High-performing firms have goals *"based on shareholder value in a way that works through business units and ultimately is connected to individual performance expectations."* **WORLD MANAGEMENT SURVEY**

- Gap between theory and execution is often wider than senior executives anticipate
- Gap between what senior executives think people are doing and what they are actually doing
- Typically, some 20-40 percent of what people are working on has little or no relevance to the organisation's goals. **DENNIS LAYTON**
- *"There's an almost complete lack of self-awareness among managers about the productivity or management effectiveness of their own companies."* **JOHN VAN REENEN (LSE) AND JOHN DOWDY (MCKINSEY)**

## How Firms Close the Performance Gap

- Grip – Understanding what makes your business perform – and what doesn't. **DENNIS LAYTON**
- Rentokil – World-beating Performance in a Crowded Market. **ALAN GILES**
- Building the management capability systems to support a high-performance culture. **AISLING TEILLARD**

# Management Makes the Difference

- **Focus** – Setting a small number of key corporate priorities.
- **Simplify** – Being prepared to stop activities and projects that do not help the organisation achieve its goals.
- **Clarity** – Setting clear expectations. Explaining priorities in a succinct and easily understandable way.
- **Visible leadership** – Leaders reinforce the culture. They set the goals of the company but also the assumptions and expectations of the people within it.
- **Grip** – Planning work and understanding what people are spending their time on.
- **Candour** – Encouraging managers to confront difficult issues as they arise. Make feedback a habit.

# Priority setting and Performance Management based on near term deliverables

A “Next Practice” of Agile Performance  
Management

01 March 2022



# Leading organizations are reinventing their performance management

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## Key performance insights

1 **Management matters, reviews do not**  
Focus on forward-looking ongoing conversations around near-term deliverables

2 **If you want stretch results, you need a stretching culture**  
Promote a stretch culture around ambitious goals

3 **To move the needle on bank performance, you need to move the needle on everyone**  
Support capability building across entire organization



## Examples from leading organizations



▪ Focuses on formal and informal **ongoing conversations around near-term deliverables**



▪ Shifts to focusing more on **frequent informal conversation** versus formal annual reviews



▪ Defines individual goals around three categories: (1) **job** (2) **stretch**, (3) **values & behavior**



▪ Leverages stretch goals to help **boost performance** and serve as a **motivator** for continuous development



▪ Introduced **capability building journey** consisting of field and forum to equip managers with the right set of coaching skills



▪ Provides a wide range of **support to help all employees** improve their skills (e.g., access to tools and learning materials)

# Scorecards are being redesigned in line with performance management best practices



## From ...

### Focus on output metrics

Focus on metrics that represent financial or operational output

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### Backward-looking

Focuses on tracking past performance against target metrics

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### Numerous KPIs

Numerous KPIs per scorecard (up to 27)

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### BU specific KPIs

Goals are specific to each BU, with few shared KPIs (e.g., digital index)

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### Focus on core job expectations

KPIs reflect BAU output with limited focus on transformation priorities



## To ...

### Focus on deliverables (how to reach the output)

Focus on deliverables that are required to achieve a certain output to drive conversations

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### Forward-looking

Enables short-term oriented conversations around tangible deliverables completion & ongoing management of performance

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### Focused set of deliverables

Targeted set of objectives with key deliverables (up to 10)

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### Shared objectives / deliverables

Includes shared objectives across the organization to foster collaborative culture and shared accountability

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### Focus on transformation & strategic plan

Reflects strategic transformation priorities and ambitious objectives / deliverables

## Benefits

- 1 Enables realization of targets by **effective planning**
- 2 Promotes **collaborations** around shared objectives
- 3 Helps achieve a **stretch culture**
- 4 Reflects **accurate BU / function performance** by tracking their achievements against set of deliverables

# The deliverable-oriented approach sets annual KPI targets, define key objectives and deliverables

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## Scorecards' development approach



### Define annual KPI targets

Metric that cover **BAU and strategic targets**



### Define key annual objectives

Business goals that **reflect the company's strategic plans** and contribute to the overall financial performance (in short or long term)



### Cascade to quarterly deliverables

Define actions that capture majority of the **transformation impact** including BUs cross-collaborations, with **less focus on BAU tasks**



### Assign value to track each deliverable

**Quantitative or qualitative metric** used to assess the deliverable



### Highlight interdependencies

Specify **required collaborations** with other functions to achieve the deliverable

- 
- Scorecards, especially deliverables, need to be updated on **quarterly basis** (e.g., roll over incomplete deliverables, etc.)
  - Quarterly scorecards should **collectively realize/exceed annual targets**, as well as reflect **longer term strategic goals**

# Performance evaluation based on scorecards may follow full managerial discretion, mechanistic or hybrid approach

## Allocating weight for each category

	Weight (Illustrative)
<i>Focus for MVP scorecard</i>	
<b>Core job:</b> Covered by KPIs	<b>30%</b>
<b>Stretch:</b> Covered by transformation deliverables	<b>40%</b>
<b>Values:</b> Behavioral assessment	<b>30%</b>

## Assigning scores – Three options:



### Full Managerial discretion

Manager to rate performance of managee at their own discretion



### Mechanistic

Weighted scoring of financial metrics and transformation deliverables

### Recommended (detailed next)



### Hybrid model

Combination of managerial discretion and mechanistic approach






To be defined as part of overall performance management framework re-design

# Deliverable-oriented approach applied to develop Consumer Banking scorecard: first, by reflecting the strategic priorities and targets...

## Key strategic priorities

- A** Drive domestic acquisitions to accelerate growth in specific markets X & Y
- B** Launch a **challenger brand and platform** to complement offering, enable technology upgrade and power potential international expansion
- C** Expand into **non-banking revenues** through platforms and new partnerships (in particular in housing)
- D** Transform **distribution** with increasing **focus on digital, reduction of branch footprint and remote advisory**
- E** Accelerate **cross sell** (in particular credit card) by leveraging strength on balance sheet product)
- F** Transform **proposition for key segments**

## Key metrics

	2020	2026
 <b>Revenues<sup>2</sup>, Bn</b>	4.8	7-8
 <b>Market share, %</b>	18%	25% <sup>3</sup> (#1 in UAE)
 <b>Digital sales, % total</b>	<10%	>70%
 <b>Cost to Income ratio</b>	40%	~34%
 <b>RORAE, %</b>	~20%	~24%

Metrics excluding payments business

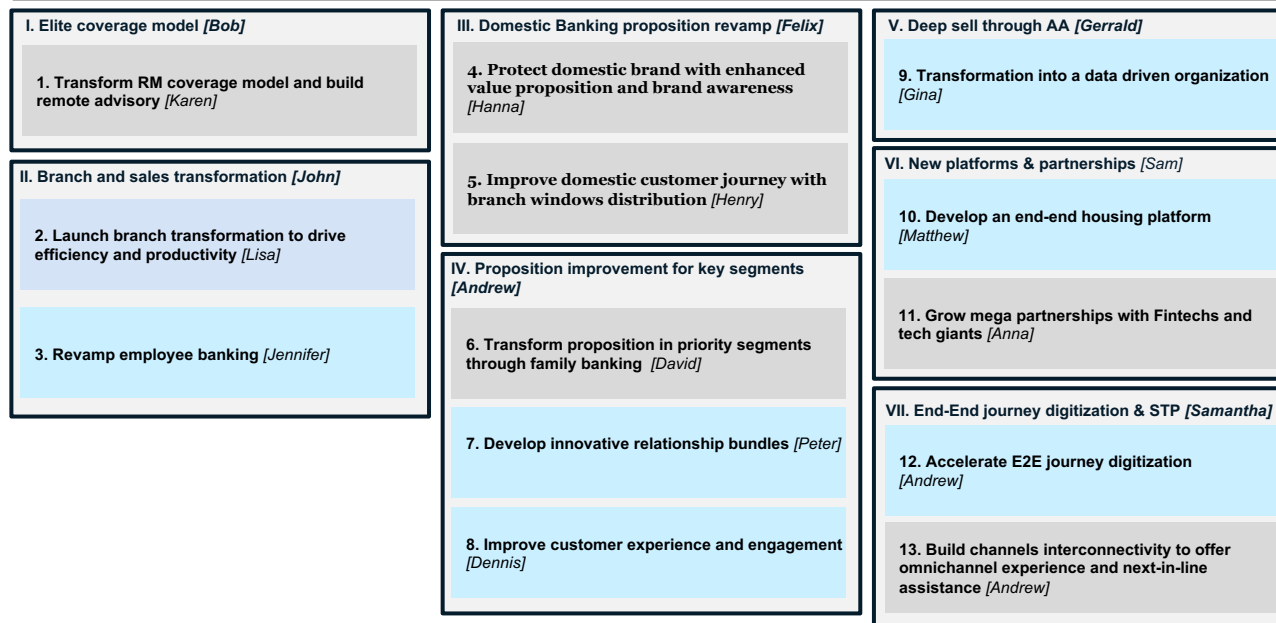
Source: Team analysis, Benchmarks

# ...and second, by selecting the underlying strategic initiatives to be translated into set of Q1 deliverables

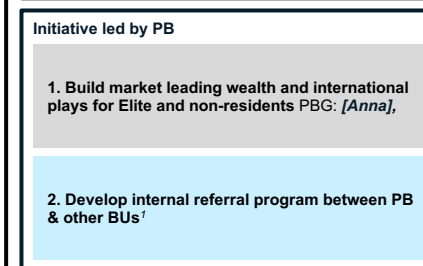
PRELIMINARY

Initiatives selected for Q1 scorecard [x] Workstream lead [x] Initiative owner

## Initiative led by Consumer Banking



## Initiative led by other BUs













Selection of key initiatives is derived from preliminary prioritization output, defined based on bottom-line impact and ease of implementation

- PB interdependency as well

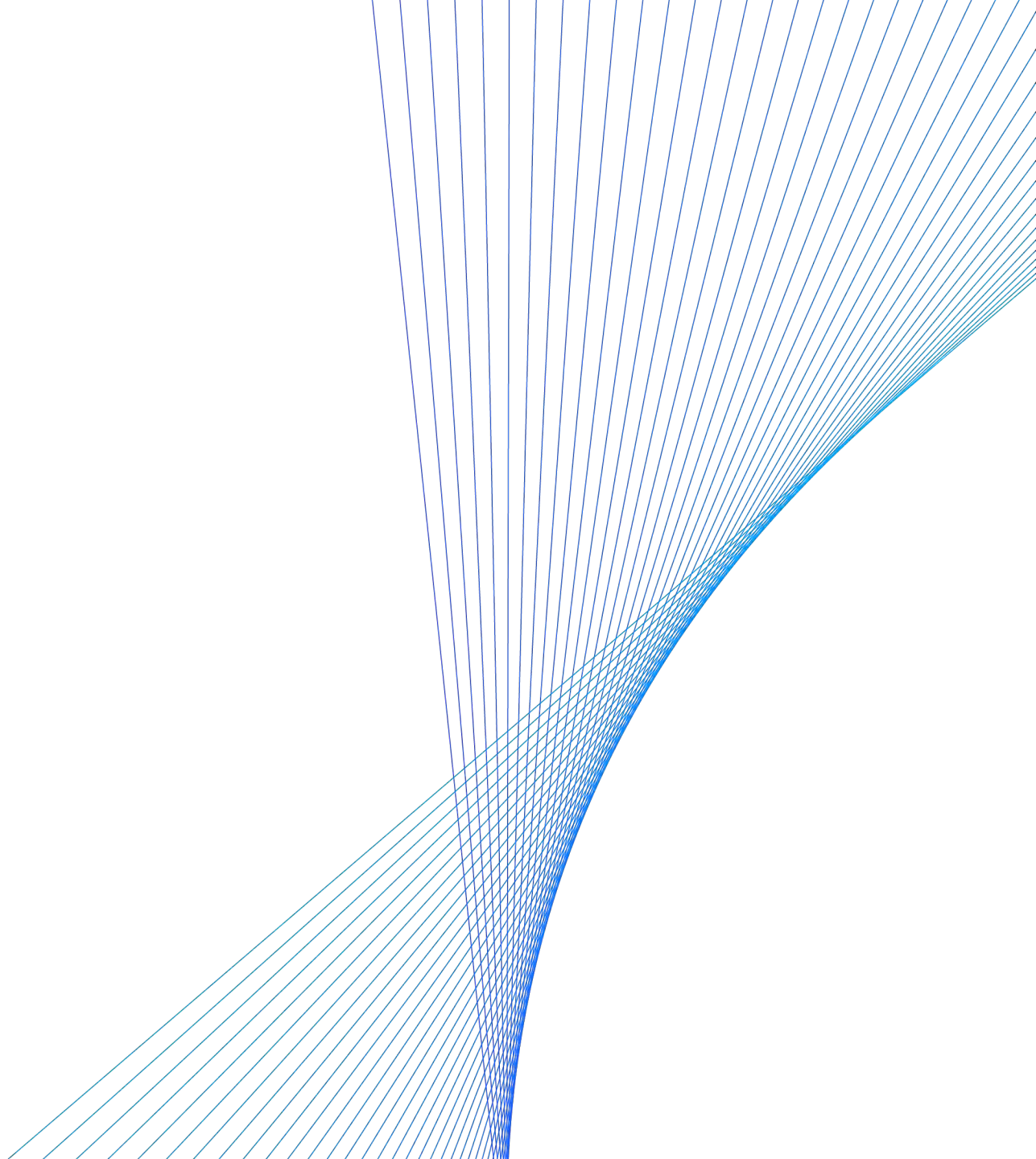
# Q1 scorecard: Consumer Banking

PRELIMINARY

 Mapping to CB initiatives  Mapping to other BU initiatives

Q1 Scorecard: Group Head of Consumer Banking					
Financial KPIs, 2022		Objectives, 2022	Q1 Deliverables	Value/ metric	Interdependencies
Revenue	6.5 BN	Grow CB customer acquisition	 Launch cashback campaigns, roll-out partnerships, and revamp employee banking offerings	Customer base (pro-rata)	CCB
RORAE	16.1%				
CoR	1.95%		 Design housing platform customer journey and features and activate relevant partnerships	Yes/No	
		Grow revenue per customer	 Roll out new advanced analytics use cases to boost cross selling	Product holding growth	
			 Develop referral model between PB & CB to identify hidden private banking clients	# Hidden PB clients identified	PB
		Grow digital sales	 Develop digital transformation roadmap & enhance digital marketing capabilities, i.e., website/social media	Website conversion rate Digital sales	IT
		Reduce costs to income ratio	 Develop branch transformation roadmap (incl. new formats, operating model, etc.) and accelerate digital migration plans	Yes/No OTC branch transactions	IT
		Improve customer experience and grow NPS score	 Boost engagement on reward program while maintaining cost levels	Customer Engagement	
			 Develop customer lifetime value and profitability metrics	Yes/No	
			 Improve brand perception and launch exclusive experiences (e.g., events, personalized look & feel on mobile, etc.)	Brand perception/ Elite clients NPS	

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**Parc London**

**May 2023**



# Innovation is key

To stay relevant, innovation and change is necessary with the right people behind you

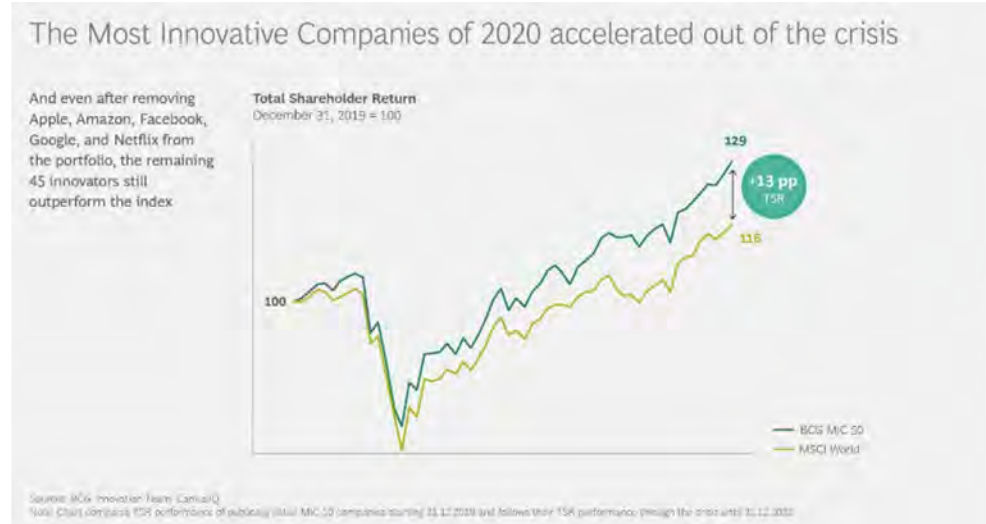
**Innovation is key to success in today's ever changing market.**

A study conducted BCG found that 75% of companies listed innovation is a key priority for their success.

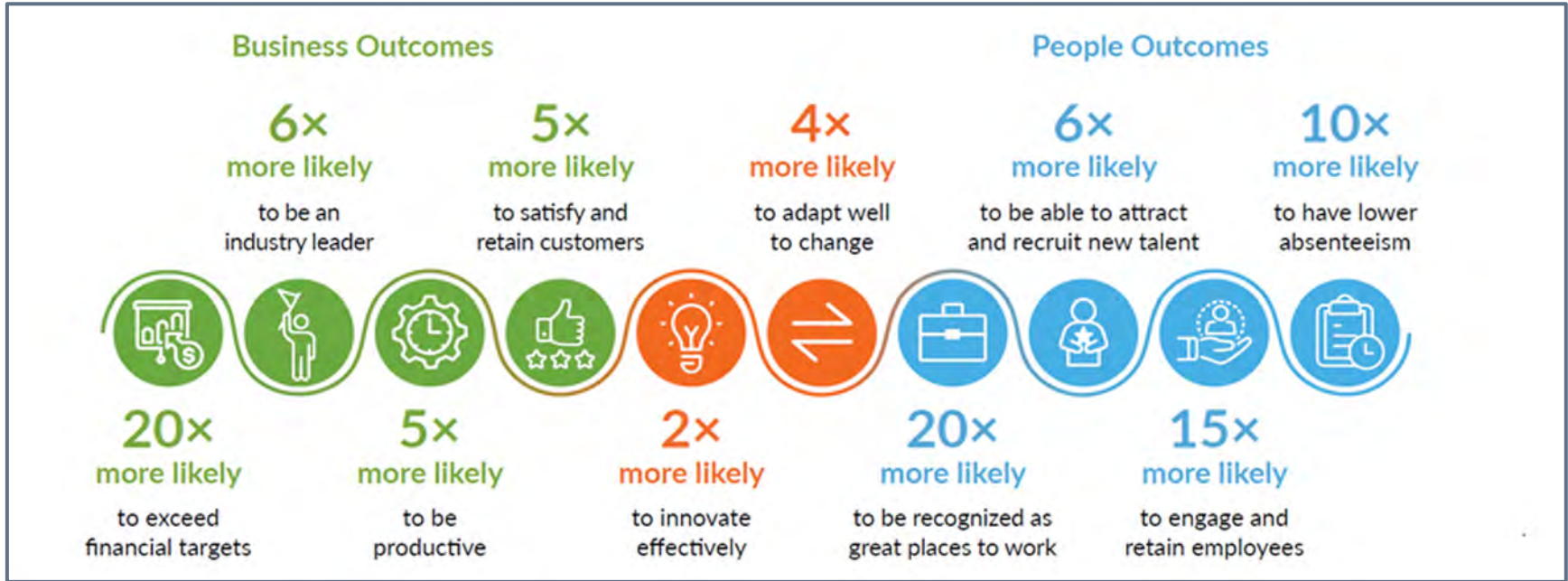
Their analysis revealed focusing on these five areas out of ten i2i areas are likely to have the greatest returns:

1. **Setting a clear ambition**
2. Establishing the right playing fields
3. **Prioritizing Performance management**
4. Pushing project management
5. **Developing talent and culture**

The importance of these has been proven by the most innovative companies accelerated out of the pandemic.



Overcoming the Readiness Gap. Most innovative companies  
[Boston Consulting Group \(BCG\)](#)

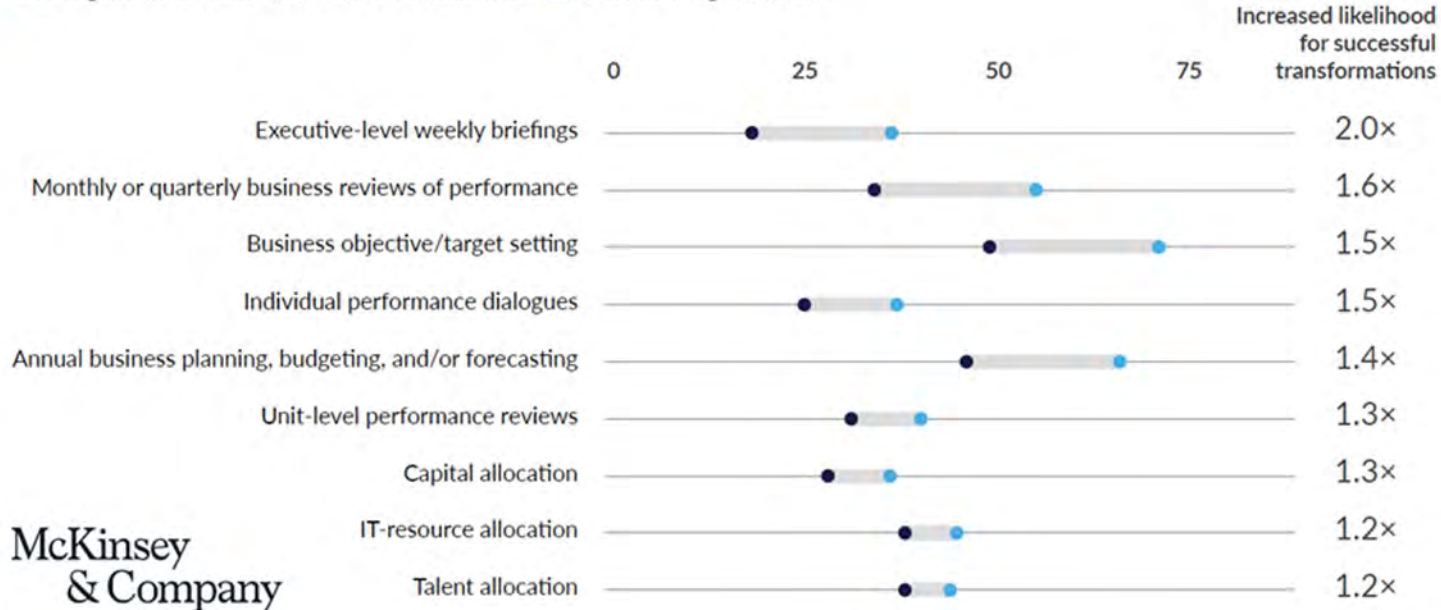


Bersin 2023, The big reset playbook, Organisational Culture and Performance

## Organizations with successful transformations are more likely than others to embed transformation disciplines into “business as usual” processes.

Processes that changed substantially as a result of the transformation,\* % of respondents

■ At organizations with successful transformations† ■ At all other organizations

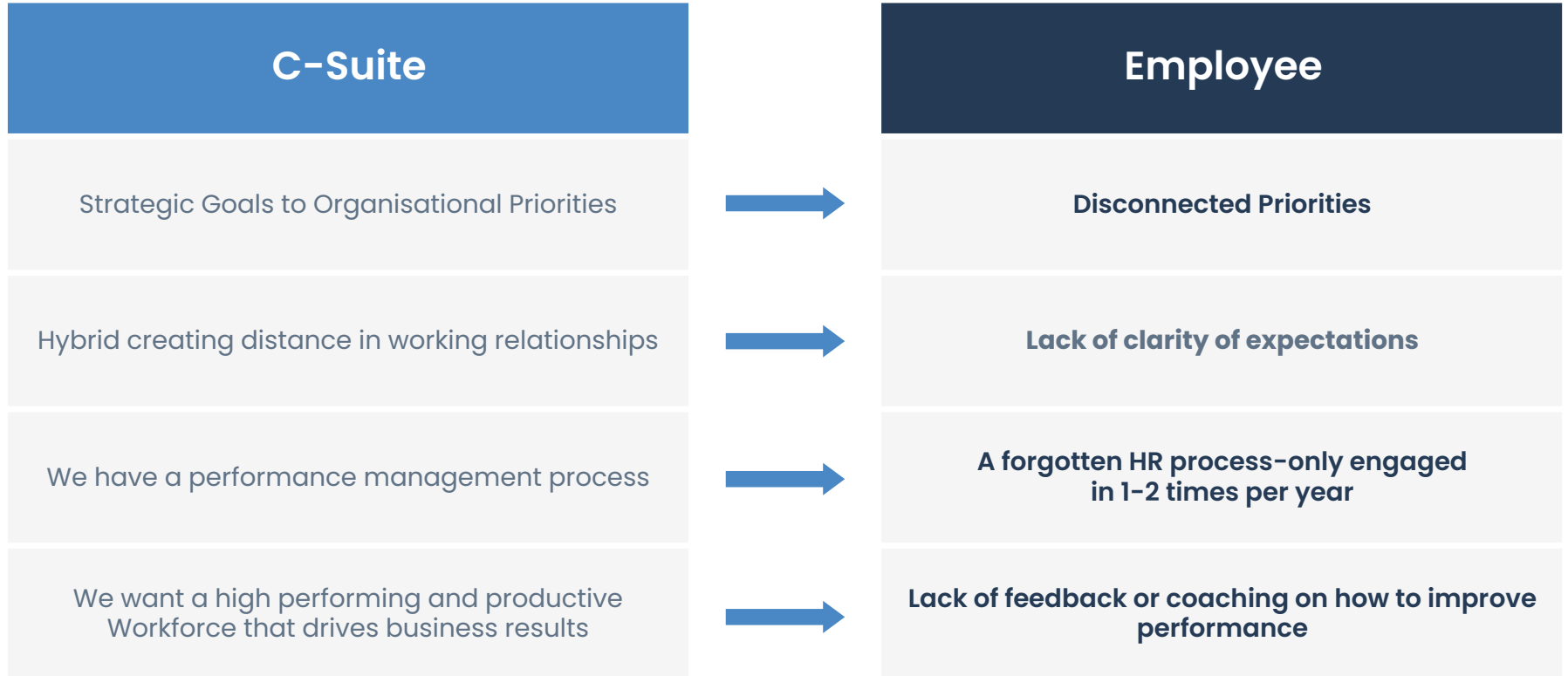


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\* Respondents who answered “don’t know/not applicable” are not shown.

† Respondents who said their organizations’ transformations have been very or completely successful at both improving performance

# Performance Culture Gap



# Alignment isn't as Easy as it Looks!

## Team Centricity

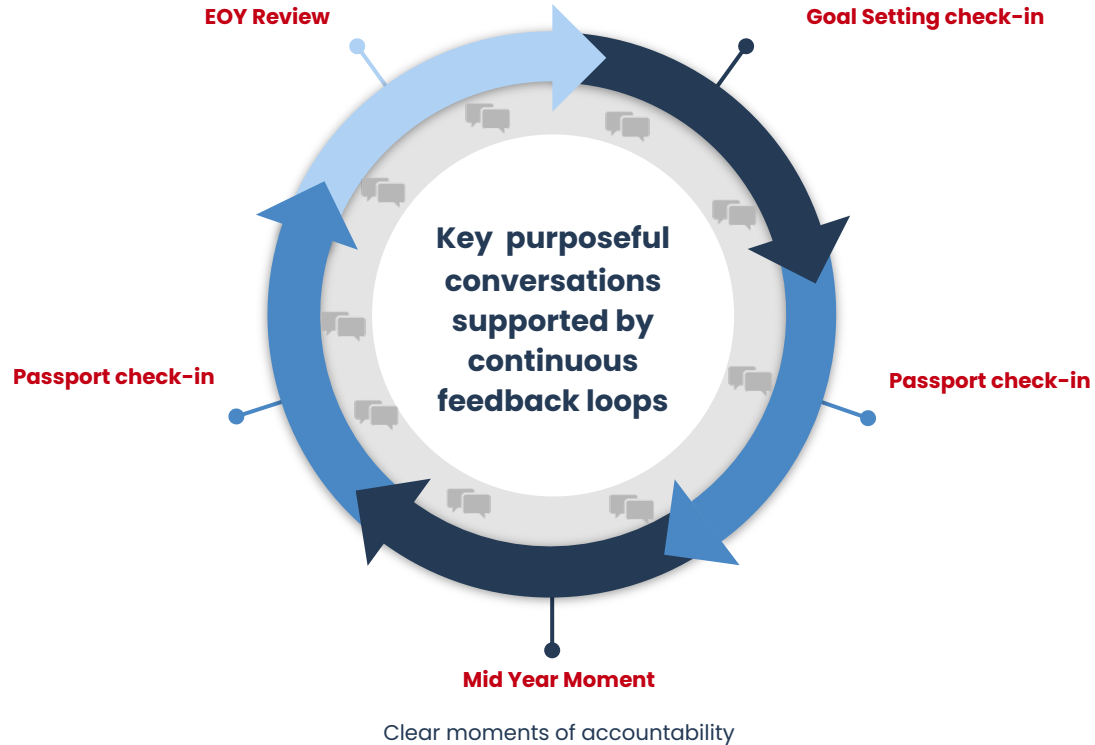
Are your people working on the things that still matter?

Do we kill projects/ways of working?

Do we truly align?



# The Passport Model



# Embedded Principles

Evolving Trends in Performance Management

**From formal  
authority to  
connection  
and insight**

**Leading in a  
Boundaryless  
World**

**Engagement**

**Leading  
with Trust**

**Real-time  
Performance**

**Prioritising  
Growth over  
evaluation**



**Performance and  
Compensation are the  
most important  
conversations that we  
have with our people.**

**Let's make them Count!**



Let's continue the conversation!  
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Thank  
you.



beqom.