Thomas D. Foard
Executive Vice President & Chief Financial Officer
Publishers Circulation Fulfillment, Inc.
tom.foard@pcfcorp.com
www.pcfcorp.com
410-821-4554

Tom is the EVP/CFO of Publishers Circulation Fulfillment, a privately-held company that provides distribution and support services to the newspaper industry. In addition to overseeing the financial activities of the business, Tom leads the strategic and business planning initiatives of the company with the leadership team. Prior to joining PCF in March 2001, Tom was VP/CFO of Maryland Baseball and has also held financial positions with Millennium Chemicals and Burlington Industries.

Tom is the current Chair of the American Institute of CPAs Business & Industry Executive Committee, and is the past Chair of the Maryland Association of CPAs, and had previously served as Chair of the MACPA’s Business and Industry Committee. Tom also serves as a member of the Financial Executive International’s Committee on Private Companies and participates on various task forces for professional associations as needed. With respect to community volunteer activities, Tom is currently serving on the Board of Directors for Special Olympics Maryland and has previously served as President of the Board of Trustees for the Gibson Island Country School.

Tom has an MBA from the Fuqua School of Business at Duke University, where he was also an undergraduate. In addition to being a Certified Public Accountant, Tom is a Certified Management Accountant and is Certified in Financial Management. Tom occasionally serves as an instructor and discussion leader for professional development programs, addressing topics focused on financial concepts related to business management.

Tom and his wife, Lynne, reside in Severna Park, Maryland, with their two children, Drew (17 years old) and Allie (15 years old). A former Duke lacrosse player, these days Tom enjoys tennis and golf in his spare time.

# # #
Business Performance Management
Tools & Techniques

Drive your business to reach peak performance!

Thomas D. Foard, MBA, CPA, CMA, CFM
A provider to the Business Learning Institute

Business Performance Management (BPM)

- A closed-loop planning and measurement process to monitor and enhance business performance through the use of both financial and non-financial key performance indicators (KPI’s)
- A communication method to describe the connection of underlying business fundamentals to the historical and forward-looking financial condition of the business

BPM is a relatively new management tool, but one that is gaining wide acceptance and increased momentum.
BPM Planning & Control Cycle

Strategic Plan
Weekly Flash
Long Range Plan
Monthly Reports
Annual Plan
Quarterly Reviews
Plan
Monitor
Adjust

BPM Communications

• Commentary (tell the story)
  – “Take Away” Points
  – Analysis/Interpretation
• KPI’s (show the numbers)
  – Executive Level
  – Business Unit Level
  – Operating Unit Level
  – Department Level
• Charts (paint the pictures)
  – Trends
  – Proportions
  – Correlations
Why BPM Now?

• A more dynamic business environment
  – Less predictable economic cycles
  – Rapid technology changes
  – Changing labor / workforce profile
  – Government regulatory changes
  – Sustainability and “going green” movements
• A more competitive landscape/global competition
• A desire for more transparency/stakeholder scrutiny

There is a growing need to be able to quickly identify the nature and degree of changes in the underlying fundamentals which affect future performance.

Finance Leadership is Well-Positioned to Create BPM

• Broad business perspective
• Balanced and objective point-of-view
• Competencies in tools and techniques to collect, organize, understand, interpret and communicate information

Transform from financial advisor to business partner!
Who Sponsors BPM Projects?

- 51% CFO
- 33% CEO
- 16% Other VP

Source: Financial Executives Research Foundation (FERF)

BPM Connections

- Business Strategy
- Business Development
- Operational Excellence
- BPM
- Business Planning
- Enterprice Risk Management
- Compensation Management
Five Key Principles of CPM
Reference: Five Key Principles of Corporate Performance Management, Bob Paladino & Associates, LLC

Principle 1: Establish and Deploy Corporate Performance Management (CPM) Office and Officer

Principle 2: Refresh and Communicate Strategy
- Strategic Plans
- Strategy Map
- Budgets
- Partner with Board, Executive Team and CFO

Principle 3: Cascade and Manage Strategy
- Balanced Scorecard
- Organizational Alignment
- Personal Rewards
- Partner with Executive and Management Team

Principle 4: Improve Performance
- Customer Programs
- Process Improvement (Six Sigma, Lean)
- Partner with Marketing, Sales, and Quality

Principle 5: Manage and Leverage Knowledge
- Best Practices, Knowledge Management
- Partner with IT

Straw Model Strategy Map
Reference: Strategy Maps, Kaplan & Norton
Balanced Scorecard Collaborative Inc.

Financial
- Revenue Growth
  - Increase Operating Profit
  - Minimize Unit Costs

Client
- Product and Service
- Distribution Channel and Geography
- Price

Client Value Drivers

Internal
- Expand with Current Clients
- Desired Products
- Obtain New Clients
- Consistent Product Quality

Growth
- Consistent Product Quality
- Efficient Operations
- Increase Productivity
- Value Proposition
- Technology Platform

Operational Excellence

Learning & Growth
- Ensure a Skilled Workforce
- Build a Collaborative Culture
- Develop Technical Competencies
Key Performance Indicators (KPIs)

- **Drivers of business performance**
  - Volume
  - Quality
  - Productivity

- **Drivers of business improvement**
  - People
  - Process
  - Technology

- “Connect the dots” between the financial statements and underlying business fundamentals and operating principles

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“SMART” KPI’s

- **Specific**
- **Measurable**
- **Agreed**
- **Relevant**
- **Timed**

The average KPI evaluation takes 11 months to complete!

Source: Financial Executives Research Foundation (FERF)
KPI’s Can Take Many Forms

- Absolute Numbers
- Percentages
- Ratios
- Indices
- Rankings
- Ratings

Some Potential Financial KPI’s

**Profit & Loss Focused**
- Sales Revenue
- Operating Profit
- Net Income

**Cash Flow Focused**
- EBITDA
- Free Cash Flow

**Return Focused**
- ROE
- ROI
- RONA
- CFROI
- EVA

**Profitability Margin Focused**
- Gross Margin %
- Operating Margin %
- Net Margin %

**Balance Sheet Focused**
- A/R Days
- A/P Days
- Working Capital Ratio
- Debt Ratio
- Debt to Equity Ratio

**Productivity Focused**
- Revenue/Employee
- Operating Profit/Employee
- Net Income/Employee

**Efficiency Focused**
- Cost Per Unit
- Sales Backlog Ratio
- Sales Expense to Sales Ratio
- Administrative Expense to Sales Ratio
- Overhead of Cost of Sales Ratio

**Asset Utilization**
- Operating Assets Ratio
- Asset Turnover

**Shareholder Focused**
- Earnings Per Share
- Price / Earnings Ratio
Some Potential Non-Financial KPI’s

Customer Focused
- Same-Store Sales
- New Customer Sales
- Customer Referrals
- Customer Visits
- Customer Mix

Quality Focused
- 1st Quality %
- On-Time Delivery %
- Rework %
- Returns
- Customer Complaints

Human Resources Focused
- Turnover %
- Employee Satisfaction
- Training Days/Year
- Morale Quotient

Innovation Focused
- New Products
- Patent Applications

Management Focused
- Hi-Po Employees
- Leadership Training

Productivity Focused
- Unit Production/Employee
- Capacity Utilization %

Efficiency Focused
- Cycle Time
- Throughput Units/Hour
- Yield
- Scrap/Waste %

Health, Safety & Environmental Focused
- Safety Violations
- Lost-Time Injury Days
- Environmental Violations

Connect the Dots

Seek to find non-financial KPI’s that have a strong correlation with financial KPI’s.
Seek to find leading non-financial KPI’s that have a strong correlation with lagging financial KPI’s.

Based on the leading non-financial KPI forecast, predict the lagging financial KPI.
The Cascade Effect

- Executive Level: Overall KPI
- Business Unit Level: Product Line KPI
- Operating Unit Level: Product Type KPI
- Department Level: Component KPI

KPI’s may take different forms in order to be relevant as they “cascade” from top to bottom of the organization, but they need to be linked to achieve the overall objectives of the business.

Spreadsheet Pros and Cons

**Pros**
- Simple
- Intuitive
- Easy
- Flexibility
- Broad user familiarity

**Cons**
- Doesn’t scale well
- Hard to consolidate lots of files from different sources
- Data insecurity (easy to manipulate)
BPM Software Solutions

• Scalable to larger organizations
• Improved visibility/common platform
• More accurate/timely information
• Dashboard format
  – Visually appealing
  – Intuitively easy to understand

The current trend with BPM vendors is to integrate Microsoft Excel functionality with a centralized BPM software into one system to get “the best of both worlds.”

Selected References

• *Strategy Maps*, Robert S. Kaplan and David P. Norton
• *Five Key Principles of Corporate Performance Management*, Bob Paladino
• *Performance Dashboards and Analysis for Value Creation*, Jack Alexander
• *Competing on Analytics*, Thomas Davenport

Business Performance Management Magazine Website

www.bpmmag.net
Discussion / Q & A

BPM

Thank You!