

Benchmark Planning Proposal

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by

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Presentation date:	Venue:	Notes:
8/20/87	ADI Annual Plan proposal to various groups at ADI	Current

It was pretty obvious that the QIP Strategic Plan, by itself, was insufficient to assure achievement of our overall strategic objectives. It would be too tempting, because of the daily press of other business, to delay QIP implementation, given that the only checkpoint was years away. So in August of 1987, I proposed a modification to our traditional annual planning process whose output we called the "Benchmark Plan." Where it got that name, no one seems to know. It had nothing to do with benchmarking as practiced today. The plan was typical of most companies annual business plan and dealt principally with the financial budgets of the various business units.

Slide 1

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Slide 1

Title

1988 BENCHMARK PLANNING PROCESS

- OBJECTIVES
 - closure on previous year
 - inclusion of QIP objectives
 - resources needed
- STRUCTURE
 - PART 1: audit of 1987 results
 - PART 2: 1988 Benchmark Plan
 - PART 3: external resources needed

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One of the key elements of the Quality Improvement Process, evaluation of results, was conspicuously absent from Analog's traditional annual planning process. Consequently, there was no mechanism for systematically improving the planning processes itself. So my first objective was to close the planning loop by intruding feedback from self-analysis of the previous years variance between plan and actual results. In this way we would start each annual planning process by determining what worked and what didn't in the previous planning cycle and what we would do differently this time around.

Since we had determined that we would use my half-life method to set intermediate (annual and quarterly) goals for our 1992 targets, it was also essential that each business unit identify both the internal and external resources required and that those resources be made available.

**PART 1: AUDIT OF 1987
RESULTS**

- Key Goals of 1987
- 1987 Results
- Variance Analysis
- Pareto Analysis
 - environmental factors
 - controllable factors
- Corrective Action
 - taken
 - planned

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These were the proposed steps in changing the planning system to a closed-loop process with corrective feedback.

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PART 2: 1988 BENCHMARK PLAN

- * **Financial Goals**
 - * Revenues
 - * new product tracking system
 - * long term revenue model
 - * Cost Improvement
 - * standard cost system (fully allocated)
 - * experience curve (where appropriate)
 - * ROA
- * **QIP Goals**
 - * Priorities
 - * customer service
 - * time to market
 - * manufacturing cycle time
 - * yield improvement
 - * outgoing defect levels
 - * Metrics
 - * definition
 - * history
 - * half-live goals
 - * Organization and Implementation Plans

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You can see the idea of a balanced scorecard beginning to emerge in this slide. For the first time, Analog's financial goals were supplemented with a set of non-financial QIP goals.

PART 3: EXTERNAL RESOURCES NEEDED

- * Corporate Training
- * QIP Experts/Advisors
- * ?
- * ?
- * ?

It was important to me to understand what external resources would be required by the business units in order to achieve the goals we agreed upon in their annual plan. This would provide the fact base I needed to determine the required support staffing levels.

Slide 6

QUARTERLY PERFORMANCE AUDIT

Division: _____

	FY 87		88Q1		88Q2		88Q2		88Q3		FY 88	
	ACT	BHMK	ACT	BHMK	ACT	BHMK	ACT	BHMK	ACT	BHMK	ACT	BHMK
Revenues												
ROA												
Intros												
NPBR												
Customer Service												
TTM												
Mfg Cycle Time												
Yield												
PPM												

submitted: _____ quarterly review: _____ annual review: _____
(within 2 wks of quarter's end) (written review) (div. presentation to Ray's Staff)

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Well this is the granddaddy of today's balanced scorecard. I originally called it the "Quarterly Performance Audit." But Analog's no-nonsense GM's quickly renamed it the scorecard.

The basic idea in creating the balanced scorecard was to integrate financial and non-financial metrics into a single system in which they did not compete with one another for management airtime. Prior to this scorecard, the financial and non-financial results were reviewed in separate meeting agenda items. Whichever came first on the agenda was perceived as the higher priority. By combining them this unproductive tension was greatly reduced.