



CASE STUDY

Reaching for Benchmarks



Vernalis

Reaching for Benchmarks

Summary

The Case focusses on a company that achieved Cost-Leadership and transformed itself from a mid-sized Indian firm to a global player. Subsequently, as the company set its eyes on a vision to achieve Benchmark Performance on 6 critical areas, the COO realised that the Cost-Leadership alone, could not accomplish this vision.

Vernalis supported the company in its quest for Benchmarks by launching over 70 different projects covering about 60% of the manpower. Projects covered areas of Hierarchical efficiency, Cross-functional alignment, Performance Management, Leadership development, among others. All of these helped create a robust receptacle for the company enabling it to set stretch targets on the 6 critical areas, thereby accelerating the journey towards Benchmark performance.

Key Insights

- Achieving Benchmarks are possible even in a Low Capex Setting
- Leadership Focus and Commitment is the number one Cause for Organisation-wide Super Performance
- There is significant scope to improve Productivity in the Managerial Hierarchy by having unique and value adding roles for all coupled with more delegation and empowerment
- Performance Management, if done properly, can serve to align the organisational effort, as well as to improve individual focus and performance significantly.
- A performance management system that 'enables' performance (not just 'monitors') by being consultative and transparent leads to high organisational alignment
- Many cross-functional issues can be resolved by a listing of all pain points and setting up cross-functional teams for systematic resolution

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Context

The client - a Chemicals Manufacturer - had transformed from an ailing mid-tier firm to a Super Performer with a top line growth of 20x, in a single decade. The turnaround was architected by the dynamic and result focussed COO who relentlessly focussed on improving margins by cutting costs, improving customer focus, building flexibility, improving product mix etc. In addition, very strong personal commitment and dedication across levels accelerated this turnaround. In the process, the company also became a significant global player. However, the COO had apprehensions whether this approach alone could deliver sustainable growth in the long-term.

To consolidate and expand the company's competitive edge, the COO proposed a vision aimed at attaining Benchmark Performance on 6 Critical Parameters. This meant that the organisation needed to take on a much wider challenge rather than chase ONLY a single parameter such as cost or margin improvement. Vernalis was inducted as a Consulting Partner to help the organisation define and achieve these benchmarks.

Challenge

The challenge was two-fold. Firstly, how to identify the relevant industry benchmarks. While the vision was to achieve benchmark performance, there was no clear process or methodology that could be directly adopted to find these benchmarks.

The second part of the challenge was finding out how to achieve these benchmarks. There were several hindrances for the organisation that could stop them from reaching Benchmark levels. A detailed Organisational fingerprinting exercise carried out by interacting with key stakeholders revealed several of these including:

- **Low Managerial Empowerment** led to slow decision making and lack of initiative
- **Short-term results focused on cost reduction** had come to dominate performance and target discussions.
- With **no visible link between Organisational goals and the KPIs** at many levels, Performance Management was weak and opaque.
- The **hierarchy was not adding value** as Managers focused only on the 'Urgent'. Rapidly shifting priorities but low empowerment meant low talent utilisation.
- **Cross-functional processes were weak**, with metrics that reinforced functional silos instead of tracking customer delivery.
- **Skill building had taken a back-seat** to quarterly production targets.

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- The **ERP System for manufacturing was vastly underutilised**. While the system had potential there was limited usage of its functionality. This led to duplication of Managerial work and creation of non-standard forms of records.

Intervention

Over 18 months, Vernalis worked closely with the Top management and an Internal Execution Team, and launched over 70 different projects touching over 60% of the manpower. The projects broadly covered the themes of Benchmark target setting, Design & Rollout of Value Adding Roles, Coaching & Training, and Resolution of Existing Pain Points. The coverage of the projects was across various functions like Production, Safety, Quality, Engineering and Commercial. The major highlights of the intervention included:

- **Benchmark target setting** | The vision of Benchmark performance was given a tangible shape with metrics, targets and timelines
- **Target Cascading** | Metrics down the line were closely tied to company goals
- **Corporate Special Projects** | cross-functional pain points were listed and CFTs set up to resolve these issues systematically
- **Value-adding Hierarchy** | gaining a deep understanding of roles, removing overlaps, adding efficiency-enhancing activities and emphasising delegation, each hierarchical level started adding distinct value. All key functions were covered in successive waves.
- **Performance Management** | was revitalised, made consultative, transparent and enabling
- **Coaching in Performance Management** | to institutionalise the new system
- **Fair Evaluation that 'Enabled' Performance** | transparent and objective quarterly reviews helped each person reach his/her target by timely re-alignment with the organisation's goals
- **Panel-based appraisals** | were introduced for Senior management creating higher transparency, objectivity and ownership
- **Senior Leadership Development** | with Assessment-Development Centers
- **Specific projects with lagging units** | for performance turnaround

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Outcome

At the end of the 18 months, a new performance enabling ecosystem had been established. Vernalis also facilitated the Top team to systematically compile and articulate benchmarks on 9 Critical Areas. With these two wings in place, the organisation was set to take off in its journey towards Global Leadership. The outcomes were visible on several critical areas. The major ones being:

- **'Benchmark' became tangible** | 'Benchmark' was embodied in the metrics and targets - for the organisation to chase and review.
- **Complete Alignment** | For the first time, there was complete alignment from top to bottom on the targets and each person was clear about his role in the achievement of the company's vision.
- **Delaying & Value-adding Redeployment** | In some cases, an entire managerial layer was freed up and staff devoted to process improvement and forward-looking
- **Cross-functional harmony and alignment** was ushered in as CFTs handled and resolved pain points
- **Lean Hierarchy & Empowered Leaders** | Senior Managers were able to voice their opinions and concerns to the Top Management, an activity which was quite challenging for them earlier.
- **Financial performance** | Revenues and profits continued to out-perform, and the organisation set itself even higher targets, with the firm platform that these initiatives provided.

■ About the Authors

Abhijit Bhabhe, Partner

Abhijit Bhabhe, 41, MBA – IIM Bangalore, was a part of the founding team of Vernalis. He has strong expertise in key areas: Talent Management, Assessment-Development Centers & Implementation of HR systems. He has participated in over 200 projects of which he was the leader for over a 100 projects.



Rakesh Mehta, Sr. Consultant

Rakesh 34, is an MBA from Mumbai University. He has rich experience in Change & Transformation projects. He has co-facilitated workshops for Role profiling, Value added hierarchy, PMS design and has been a coach for skill building workshops for Performance Reviews & CBI

Vernalis Services

Leadership Devlpmt



Vivek Kaul
Sr. Consultant

☎ 91 - 98900 06987
✉ vivek.kaul@vernalis.in

Executive Coaching



Bharat Grover
Partner

☎ 91 - 98212 41092
✉ bharat.grover@vernalis.in

Assessment Centers



Indu Bilaney
Sr. Consultant

☎ 91 - 97680 74455
✉ indu.bilaney@vernalis.in

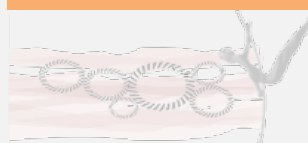
Org. Transformation



Bharat Grover
Partner

☎ 91 - 98212 41092
✉ bharat.grover@vernalis.in

Performance MAXIMA



Anand Patil
Sr. Consultant

☎ 91 - 98208 89289
✉ anand.patil@vernalis.in

SME ACCEL



Rakesh Mehta
Sr. Consultant

☎ 91 - 98196 83977
✉ rakesh.mehta@vernalis.in