

Designing a Performance Management System for Creative Operations

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Dissertação de Mestrado

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Mestrado Integrado em Engenharia e Gestão Industrial

2019-07-01

Abstract

Luxury fashion e-commerce is a market that is substantially growing during the last years. This project occurs in a company owner of a luxury fashion marketplace that had to respond to this growth in the market during its early years of existence. Such conditions did not allow the ponderate structuring of the department of Creative Operations in which this thesis was developed. This project aims to found the structures for an effective performance management system that allows the Creative Operations team to measure, evaluate, and communicate performance. This thesis focus on the design of a plan to implement a performance management system.

This project's first step was understanding the market conditions, organization structure, and the activity of Creative Operations and the factor that led to the current situation of performance management. After this overall contextualization, one focused on understanding and mapping the existing performance metrics, and the most important performance management problems felt at all levels of the organization. Meetings and interviews with stakeholders from different levels enabled the gathering of the main opportunities that this project could address. Opportunities were selected, and improvement actions to each of them were proposed. Afterward, initiatives were carefully prioritized and planned, and the first opportunities scheduled started being implemented.

The development of the project structured and documented Creative Operations performance tools; identified and addressed improvement opportunities and delivered an improvement plan with schedule initiatives to implement. Additionally, it designed a new report directed for Creative Operations leadership, revamp a metric and a report and started an analysis on partners complains tickets' tendencies. More importantly, the stakeholders' commitment was secured, and the next steps are defined, and the project is on track.

Design de um sistema de gestão de performance para Operações Criativas

Resumo

O mercado de e-commerce de moda de luxo tem crescido substancialmente ao longo dos últimos anos. Este projeto foi realizado numa empresa que detem um marketplace de moda de luxo. Durante os primeiros anos da sua existência, esta empresa teve que lidar com um rápido crescimento do mercado, que não permitiu aos seus gestores a preparação de um estrutura robusta do departamento de Operações Criativas, no qual esta tese se desenvolve. Este projeto pretende estruturar um sistema de gestão de performance que seja efetivo e que permita que Operações Criativas possa medir, avaliar e comunicar eficazmente os resultados da sua avaliação de performance. Esta tese foca-se no design de um plano para a implementação de um sistema de avaliação de performance.

O primeiro passo envolveu compreender as condições, a estrutura da organização e a atividade de Operações Criativas. Foi igualmente importante explorar os factores que levaram à atual situação dos processos de gestão de performance da organização. Após esta contextualização, o trabalho focou-se em compreender e mapear as métricas de performance existentes e os principais problemas sentidos na gestão de performance pelas camadas da organização. As reuniões e entrevistas com os *stakeholders* das várias camadas do departamento permitiram a identificação das principais oportunidades de melhoria para serem endereçadas por este projeto. Estas oportunidades foram listadas e algumas foram selecionadas de forma a induzir melhorias no negócio através de um conjunto de ações propostas. Finalmente, as iniciativas foram criteriosamente hierarquizadas e planeadas, e as primeiras oportunidades começaram a ser implemenradas.

Ao longo deste projeto, as ferramentas de performance de Operações Criativas foram estruturadas e documentadas. Oportunidades de melhoria foram identificadas e um plano de enderçamento dessas melhorias foi desenhado, o qual planifica e programa as iniciativas a implementar. Iniciou-se, também, uma análise a tendências nos tickets de queixa dos parceiros de uma unidade de negócio e o desenho de um relatório para comunicar a performance à equipa executiva. Principalmente, garantiu-se o compromisso dos *stakeholders*, de tal forma que os próximos passos ficaram claramente definidos e o projeto está a evoluir positivamente.

Agradecimentos

First of all, I would like to thank Farfetch for the opportunity of developing this project. To Tiago Rocha, my supervisor at the company, for all the guidance and for everything you thought me during the last months. To Pedro Veiga for the constant support and for welcoming me so kindly in the team, to Marixela Suarez for the valuable help to structure and organize the project, and to Nuno Lopes for the valuable learnings in Project Management, I have learned a lot from all of you. To all my colleagues in Operations Strategy, I owe you a big thank you for how you received me and to my colleagues in Creative Operations for all the support and kindness.

I also own my deepest gratitude to my dissertation supervisor, Ana Camanho, for the constant support and availability, invaluable help, and great feedback during the last months. I would like to thank all my professors at MIEGI for all the knowledge provided throughout the course. A mention to all my colleagues at the MIEGI with whom I have worked during this course, I believe that we have learned a lot with each other.

And finally, to my friends for always being there and to my family for the unconditional support and encouragement, I could never thank you enough.

Contents

1	Introduction.....	1
1.1	Project Context.....	1
1.1.1	Luxury Fashion	1
1.1.2	Luxury Fashion Market Trends and Ecommerce	2
1.2	Project Motivation and Objectives	5
1.3	Methodology.....	6
1.4	Thesis Outline	7
2	Literature Review	8
2.1	Project Management	8
2.2	Management Overview	10
2.3	Performance Management.....	12
3	Problem Description	20
3.1	Farfetch	20
3.1.1	Overview.....	20
3.1.2	Farfetch' Structure	21
3.1.3	Creative Operations at Farfetch.....	22
3.2	Background and Situation Review	24
3.3	Performance Management Project	25
3.4	Summary	27
4	Proposed solution.....	28
4.1	Starting the project phase	28
4.2	Organizing and Preparing the Project.....	36
4.3	Summary.....	46
5	Conclusions	47
	References	50
	Appendix A: Kaplan & Norton strategic map.....	53
	Appendix B: CROPs Relations Mapping	54
	Appendix C: Metrics mapping	57
	Appendix D: Executive Report Template: People	58
	Appendix E: Ops Cockpit Templates	59

List of Figures

Figure 1 - Expected evolution of personal luxury market and online sales until 2025. Source: Achille et al. (2016).....	4
Figure 2 - Online sales growth by channel between 2014 and 2016. Source: Achille et al. (2016)	5
Figure 3 - Gantt Chart presenting the methodology of the project.....	6
Figure 4 - Generic Phases that divide a project life cycle. Source: (Project Management Institute, 2017).....	8
Figure 5 - Project life cycle and Process Groups. Source: (Project Management Institute, 2017).....	9
Figure 6 - Management functions and their relation	10
Figure 7 - The Data to Decisions Cycle. Source: Neely et al. (2002)	10
Figure 8 - Planning an Organizational Level. Source: Robbins and Mary Coulter (2012).....	11
Figure 9 - Managerial decision-making overview. Source: (Robbins and Mary Coulter 2012)	11
Figure 10 – Phases in developing a performance measurement system. Source: (Bourne et al., 2000).....	14
Figure 11 - The performance management systems (PMS) framework. Source: Ferreira and Otley (2009).....	16
Figure 12 - Risk return matrix. Source: Axson (2010).....	18
Figure 13 - Supply Chain Operations Structure	21
Figure 14 - Operations Strategy divisions	22
Figure 15 - Production and Sales peaks	23
Figure 16 - CROPs Structure.....	24
Figure 17 - CROPs communication network	26
Figure 18 - Methodology followed to structure the project and this chapter	28
Figure 19 - Production process.....	30
Figure 20 - Teams allocation within CROPs functional teams	31
Figure 21 - Production's widespread indicators mapping.....	33
Figure 22 - Main metrics conveyance throughout organization.....	34
Figure 23 - Opportunities identified mapped in a prioritization matrix	41
Figure 24 - Quick Wins addressing timeline	42
Figure 25 - Operational and Financial sections of the Executive Report (first version). In the Operational section, the rose bars denote the months when the targets for the metric presented were not achieved	43
Figure 26 - Impact vs. Urgency Matrix	45
Figure 27 - Big Projects Implementation Timeline	46

Figure A.1 – Strategy maps represent how the organization creates value. Source: (Kaplan & Norton, 2004)	53
Figure B.1 - Creative Services External Relations	54
Figure B.2 - Digital Production External Relations	54
Figure B.3 - Content External Relations	55
Figure B.4 - Creative Production Relations	545
Figure C.1 - Resume of the map of CROPs existing metrics	57
Figure D.1 - People section template of the Executive report.....	58
Figure E.1 - Version currently used at OpsCockpit.....	59
Figure E.2 – First proposal for the enhancement of OpsCockpit slide	59

List of Tables

Table 1 - Problems listing and processing.....36

1 Introduction

1.1 Project Context

This thesis focuses on the development of a project denominated “Performance Management” at Farfetch. Farfetch is a luxury fashion company, with several services that ally technology and luxury fashion. The company owns an online marketplace for luxury items (Farfetch.com), which is its main product.

By linking these two different worlds, technology and fashion, many challenges arise. This chapter aims first to clarify what is luxury, describing the luxury market particularities, and then provide some insights on the trends currently disrupting the market and how technology is answering them. It will provide a clear context regarding the Farfetch environment and its requirements.

1.1.1 Luxury Fashion

The term “luxury” is defined by The Oxford English Dictionary as “a state of great comfort or elegance, especially when involving great expense”. The word comes from the Latin words *luxus* meaning “luxury” and “excess”, and *luxuria* meaning “lechery” and “offensiveness” (Merriam-Webster, 2002). Although the term in English lost this dual meaning, in Latin languages the different meanings are still represented by different words. For example, in French *de luxe* (that became the English word “deluxe”) means “of luxury”, while *luxure* means “lasciviousness” (Merriam-Webster, 2002). The same happens in Portuguese, where *luxo* expresses excess while *luxúria* has a more sensual meaning.

Luxury is a concept hard to define objectively. *Luxus* derives from *lux* (“light”) and “Like light, luxury is enlightening” (Kapferer, 1997, p.253). Taking into account this definition, how can a product or service convey luxury to the user? How can brands ensure their customers see them as a representation of luxury? The requirements that a brand has to fulfill to be perceived as a luxury brand has been the topic of several research studies. The conclusions converge at four pillars: craftsmanship, price, exclusivity, and heritage. Dauriz & Tochtermann (2013) realized that when consumers were asked to describe the luxury lifestyle, the answers underline the desire for something unique and genuine: “it needs to be exquisite, not for everyone”; “authenticity, know-how, skilled, craftsmanship”; “a certain quality of design, something original, something different”. Luxury brands must evoke uniqueness, high quality, controlled distribution, and premium pricing; they should be characterized by a recognizable style, strong identity and enhanced emotional and symbolical association (Okonkwo, 2009) and should be particularly careful about their heritage and distinctiveness otherwise will quickly lose its luster (Dauriz & Tochtermann, 2013).

Besides, in order to be recognized as deluxe, brands need to protect clients from non-clients through prices and selective distribution. Albeit they should guarantee exclusiveness, their distinctive sign must be known by all. Paradoxically, luxury brands must be desired by all but only reachable to the glad few (J.-N. Kapferer, 1997). Prestige pricing, apart from

serving as a barrier for the ones who cannot afford the luxury, is also used to suggest high quality and may even make certain products or services more desirable (Wiedmann, Hennigs, & Siebels, 2014). However, price does not define luxury by itself. Thus, luxury brands should compete on their intangibles; they must remind consumers of their legendary roots, the mythical history which provides a bridge between the past and the future, i.e., their heritage (J. N. Kapferer, 2014).

1.1.2 Luxury Fashion Market Trends and Ecommerce

The luxury fashion market is facing massive changes that are creating a new competitive landscape where traditional corporate strategies are under threat (Arienti, 2018).

According to D'arpizio and Levato (2018), there are seven emerging trends that will shape the market until 2025: the rise of new geographies (particularly China), the increasing influence of new generations in the market that will boost the shift from physical shops to online and e-commerce; the consequent change of store status from point of sales to point of touch, the market customization, cultural inclusion and the rise of different business models. The State-of-Fashion Report for 2019, produced by Amed et al. (2018) also states that 2019 will be a year of awakening and players now need to be nimble, think digital-first, achieve even-faster speed to market and to take an active stance on social issues while pursuing ultra-transparency and sustainability. Although these changes in the market landscape may seem threatening, there are several opportunities to grab. The market of personal luxury goods grew about 6% at a constant rate in 2018, achieving the 260B€; and is expected to achieve 320-365B€ in 2025 (3 to 5 % CAGR) (D'arpizio & Levato, 2018). This growth is even more significant than the one achieved by the global fashion market in 2018 evaluated at 4 to 5% growth (Amed et al., 2018). Nevertheless, growth could be a threat, particularly for luxury brands as they face a tradeoff between growth and exclusiveness: supply should always be below demand (J. N. Kapferer, 2014). Meeting such demand could mean banalization and loss of luster (Thomas, 2008).

For 2019, forecasted global growth for the luxury fashion market is 5% at the constant exchange rate. However, Asia assumes an even more consistent growth with a value of 10% (Branchini, 2018).

In 2017/2018, about 32% to 33% of the luxury market was moved by Chinese buyers, although only 8 to 9% was bought in China. Nevertheless, these values are expected to change: 2025 forecasts point out that, by that year, 45% of the luxury market will be dominated by the Chinese and about half of these purchases will occur in China (D'arpizio & Levato, 2018).

One example of the massive size of the Chinese market is the annual “Singles Day” — a one-day burst of e-commerce that surpasses the American Black Friday and Cyber Monday in the United States combined, hitting the \$25 billion in sales in 2017 (Amed et al., 2018). To address this regional market, brands need to go digital, rely on a product portfolio that reflects consumer's needs while conveying a strong narrative capable of engaging customers and protecting brand DNA (Amed et al., 2018). With the entrance in the market of those new luxury customers, it is essential that luxury brands preserve their heritage in order to stand out from new competitors: they should educate customers for the long term especially because luxury is perceived in a very different way in China. Chinese customers do not associate luxury with exclusivity because luxury purchases are democratized. They choose their brand based on the hit parade of fame at social media and any brand that is sold in Plaza 66, the most famous luxury mall in Shanghai, is perceived as a luxury brand (J. N. Kapferer, 2015). These differences in the paradigm of luxury entail several risks: how to create lasting engagement with customers when “likes” on Facebook are so volatile? How to protect the

exclusivity of a brand when luxury is democratized? How can brands prevent that luxury does not come “out of fashion”? (J. N. Kapferer, 2015).

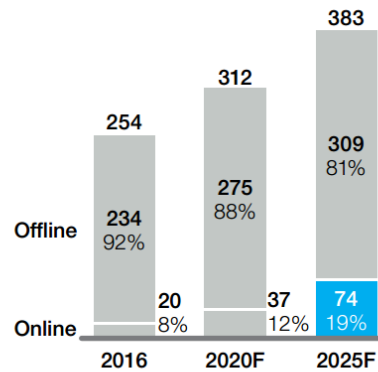
The arising influence of generations Y and Z is also shaking the personal luxury goods market. These generations together will represent approximately 55% of the market in 2025 and will be responsible for about 130% of the growth of the luxury market until 2025. These generations are characterized by being international citizens and digital natives. They are more socially responsible and value experiences over products (D’arpizio & Levato, 2018). Together, they are leading major consumer shifts in the market, towards a more sustainable and socially responsible thinking and a digital and online revolution.

According to D’arpizio & Levato, (2018) these consumers are more critic. Nine in ten Generation Z consumers believe companies have a responsibility to address environmental and social issues. These generations increasingly back their beliefs with their shopping habits, favoring brands that are aligned with their values and avoiding those that do not. Thus, brands should carefully ensure consistency in their messages and actions to avoid being criticized or labeled as “hypocrites”. Clients are expected to be particularly attentive to the level of continuity and consistency across campaigns and strategic and operational decisions of the brand (Amed et al., 2018).

The other shift expected in the industry is the end of ownership and the transition for circular economies. This emergent trend might become a disruptive change in the luxury market as it was in the music market when companies like Spotify and iTunes change the paradigm of owning through renting (streaming). In the case of the luxury fashion market, the strategy consists of renting the items instead of buying them. New consumers tend to want diversity and do not like to be seen wearing the same outfit twice. This business model reveals to be more economical and sustainable for them. Some successful cases are arising in the market. For example, a company named Rent the Runway was able to serve 6 million customers and generated about €1 billion in revenue in 2016 through this renting business model (Achille, Remy, & Marchessou, 2018).

Finally, the most evident shift that is occurring in the luxury fashion marketing is the shift for digital and online. Figure 1 shows that during 2016, online sales of personal luxury goods accounted for 8% of the €254 billion global luxury market, corresponding to sales of about €20 billion. By 2025, it is predicted that online sales will account for about €74 billion (highlighted in blue in Figure 1), the triple of the value in 2016. It is also expected that by 2026, nearly one-fifth of personal luxury sales (€ 383B) will take place online (Achille et al., 2018).

By 2025, 1/5 of luxury sales will be online
Sales of personal luxury goods¹, € billions



SOURCE: Euromonitor; Forrester

Figure 1 - Expected evolution of personal luxury market and online sales until 2025. Source: Achille et al. (2016)

Nevertheless, Achille et al. (2016) stated that, in 2016, nearly 80 percent of luxury sales were “digitally influenced” while D’arpizio and Levato (2018) suggests that in 2025, 100% of the luxury purchases will be influenced by an online interaction, expecting, at that time, for 25% of online sales.

Digitalization brings many challenges for brands but also carries many opportunities. The main threat that luxury brands may face with e-commerce is the difficulty to provide digitally the same high-end personalized customer experiences that they offer to in-store clients (Arienti, 2018). Kapferer (2015 pag.725) stated that “Nothing ruins more the luxury dream than e-commerce sites”. “How do you show the breadth of your collection and the richness of its details to a consumer who is in an elevator or on a noisy city street? How do you transmit that feeling through a 10 cm by 6 cm screen?” (Achille et al., 2016, p.5).

Another question that arises is how to distinguish the client from the non-clients. Historically, luxury fashion brands have based their identity on exclusivity, prestige, and impeccable service, retaining a dignified distance between themselves and their customers. With the shift to online and the increasing influence of social platforms, brands have been compelled to engage with consumers via social media, a previously labeled “mass market”. Today, they are challenged to make optimum use of social media without compromising their brand values (Arienti, 2018). Since customers now relate with brands by multiple touch points, brands should offer a seamless and consistent experience throughout all these channels and in every geography (Arienti, 2018). Furthermore, clients are demanding speediness. Nowadays, consumers look for inspiration from several sources, which removes the direct connection between the idea and the item. Customers need to search for the product they want, and generally, they have to guess the right brand, season, retailer, etc. It reveals a significant pain point because it ruins the customer journey and the instant gratification that the purchase should provide. This problem is exacerbated by the mobile experience, where conversion rates are still lagging behind other digital channels. Often, the image is too small and hard to visualize, or the checkout process is cumbersome, and experience is not as seamless as it needs to be (Amed et al., 2018). It is urgent that companies create a more smooth and straight process for buying.

Nevertheless, digital offers excellent opportunities to manage omnichannel connections with prospects and clients (Kapferer, 2015). For shoppers looking for a customized shopping experience, Augmented Reality (AR), and Artificial Intelligence (AI) may help brands to

reach a broader and more personalized service, deepen product experience and strengthen customer relationships (Arienti, 2018) and, consequently, drive conversion rates. Luxury brands can win massively by using technology to be as authentic to their consumers as they historically were since technology enables them to provide services that are uniquely tailored to each customer and occasion (Achille et al., 2016). Simultaneously, brands can use social media and the internet to spread their heritage and their culture: everything that gives depth, perspective, empathy, and conveys the uniqueness of brand intangibles (Kapferer, 2015). Having said this, is digital going to end physical stores? It will be hardly the case. The tendency is to convert stores from point of sales to point of touch and mix the experience online and offline, using AR in combination with physical retail stores to enhance customers' shopping experience (Arienti, 2018).

But, "Who is winning the e-rush?". As shown in Figure 2 between 2014 and 2016, online sales have increased by about 20% (€21,4B) (blue bar of Figure 2) with *monobrand* sites taking the lion's share of this growth (€4,1B or 20%). Still, they are growing at a slower pace than *multibrand* marketplaces, which have grown about 40% (€4,0B). Among these, the winners seem to be those that built scalable business models, which allow offering a vast assortment without the risk of carrying the inventory needed to fuel their growth (Achille et al., 2018).

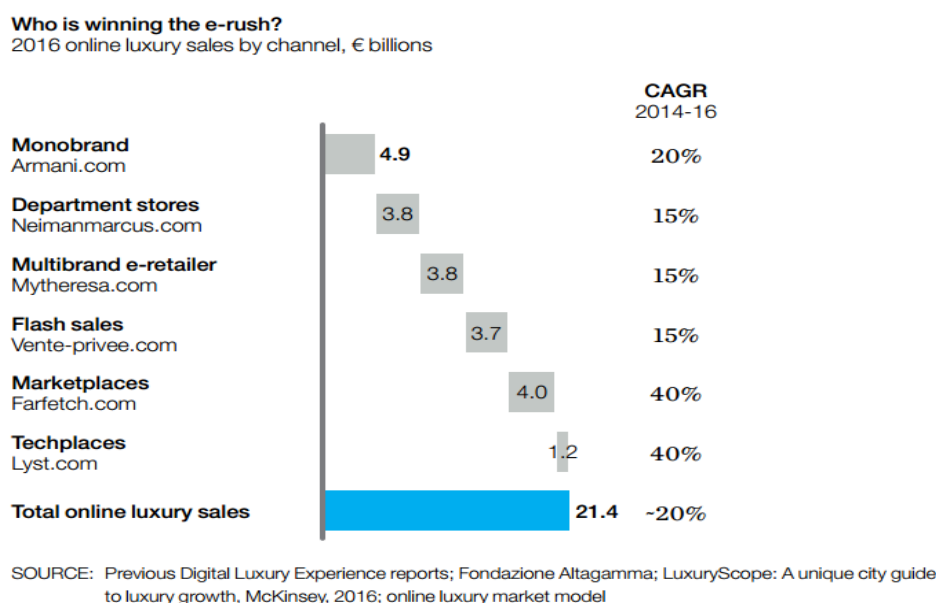


Figure 2 - Online sales growth by channel between 2014 and 2016. Source: Achille et al. (2016)

1.2 Project Motivation and Objectives

As discussed in the previous section, the environment in which Farfetch plays is very dynamic and competitive. In this market, high profits come with very exquisite and demanding requisites. Speediness to respond to these requirements is increasingly necessary for companies' survival. Farfetch is a new company, founded in 2007, with very ambitious objectives prevailing in these ten years of existence. Since the beginning that the company's primary purpose was to increase size and raise clients as fast as possible, which created an intense pressure to respond to market demands. Means were often scarce to face such a market, and the company focused on guaranteeing a quick answer to its clients in order to ensure retention. Creating adequate foundations and consolidating structure was often left to second plan, so problems started to accrue later.

The project underlying this thesis emerges from the need to assess and improve performance and communicate accurately the results achieved within the Creative Operations (CROPs) department of Farfetch.

With CROPs growth, the results of almost ten years favoring speed over structure became evident, with internal communication and performance assessment being not clear (metrics, routines, and people's roles are partially documented), leading to doubtful and non-actionable performance information and a decision-making process cumbersome for managers.

The scope of the "Performance Management" project is to create the foundations for efficient communication of performance, guaranteeing the availability of accurate metrics, reports, and documentation of processes, ensuring that information is conveyed effectively throughout Creative Operations' structure and with the rest of the organization.

This thesis is fundamentally focused on the initial planning and development of the Performance Management project.

1.3 Methodology

The scope of this project is extensive. Several approaches could have been defined to respond to the project's problem. Thus, the specification of a methodology to be followed is essential to ensure a clear project direction, stakeholders' alignment, and attainment of results on schedule. Figure 3 presents the proposed methodology, represented in a Gantt chart. This chart only presents the timeline that concerns the project within the scope of this thesis.

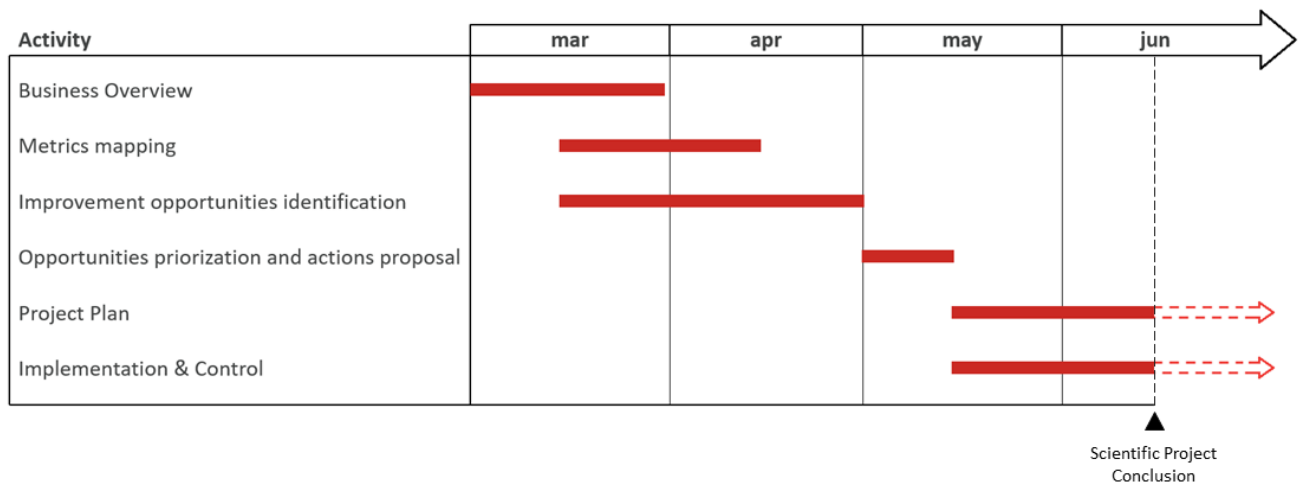


Figure 3 - Gantt Chart presenting the methodology of the project

The first step, Business Overview, consists of understanding the business' context and particularly CROPs activity. In order to have a consistent view of the *status quo*, documents regarding the Farfetch structure and Creative Operations processes were observed in practice, meetings with several key analysts were held and performance reports were studied.

The second step regards the mapping of existing metrics. This step aims to document in a single source all the disperse knowledge about the metrics used to assess CROPs performance and create a unanimous view of these indicators. During this step, one divides information into three blocks: Operational, Financial, and People.

Simultaneously, the gaps regarding performance management are identified, and meetings with the project's main stakeholders are done to gather the pain points felt at all levels of the department.

A robust starting point requires to structure the opportunities, divide them according to the problem type or stakeholder they concern, and to prioritize them according to the business needs.

After an explicit agreement on opportunities prioritization, concrete improvement actions were proposed and a phased plan for their execution was conceptualized. While scope of the thesis ends during this phase, the business project will continue.

Finally, it is important to emphasize that the implementation of the project is not straightforward. First, during the project plan and implementation phases, initiatives are addressed in asynchronous stages. Second, since improvement is an iterative process by itself, new initiatives are expected to arise from the implementation of opportunities, creating an improvement loop. Additionally, during the implementation phase, one might have a better view of additional relevant opportunities to tackle, leading to the readjustment of the timeline.

1.4 Thesis Outline

The structure of this thesis is as follows. Chapter 2 exposes and resumes the existing scientific knowledge used to support the current project.

Chapter 3 details the problem scope and provides the contextualization of the problem. This chapter is divided into three parts. First, Farfetch is briefly presented, and the context of the project within the company is clarified. Then, Creative Operations and its activities and processes are presented in more detail. Finally, the causes that led to the necessity of the Performance Management (PM) system are identified, and the state of the art is described.

Chapter 4 presents the plan for the project and describes the activities that should be executed.

Chapter 5 exposes the results achieved and the progress made in the company that is connected with this project. It enumerates the obstacles faced and the lessons learned, which may be relevant for the planning of PM systems in future projects.

2 Literature Review

This chapter briefly describes the scientific knowledge that was considered relevant to support the development of this project. First, Project Management standards and best practices were collected to guide the design of the Performance Management project. Then, information regarding management processes is presented. It aims to contextualize managers main concerns and needs regarding performance management, so that they could be considered during the project's development. Lastly, the literature on performance management systems' design and implementation is reviewed. In particular, performance management frameworks and best practices are described, such that they can be taken into consideration during the development of the project.

2.1 Project Management

To support the management of the project at Farfetch, one relies on the knowledge collected on the area by the Project Management Institute, which published the book “*A Guide to Project Management Book Of Knowledge (PMBOK)*”. This book sets the guidelines, standards, and best practices to successfully manage the realization of a project.

A project is a temporary initiative carried to create a unique result: a product or a service. The project has a temporary nature that reaches its end when its objectives are achieved. (Project Management Institute, 2017).

According to the Project Management Institute (2017, p. 6), “project management is the application of knowledge, skills, tools, and techniques to project activities to meet project requirements”.

The realization of the project includes four generic phases in a project realization: “Starting the Project”, “Organizing and Preparing”, “Carrying out the Work”, and “Ending the Project” (Figure 4).

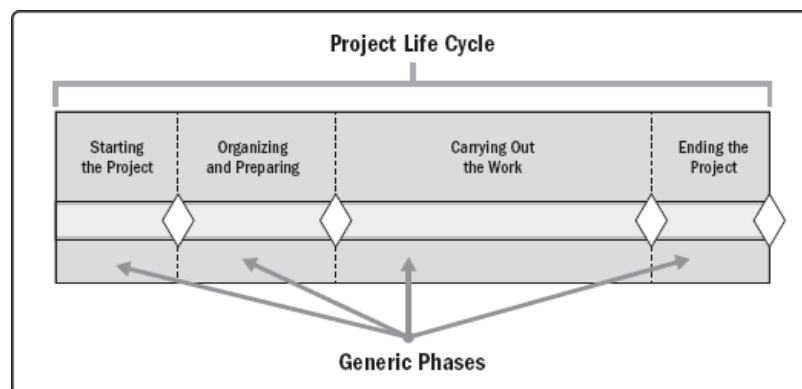


Figure 4 - Generic Phases that divide a project life cycle. Source: (Project Management Institute, 2017)

Stakeholders can be divided into "internal" and "external" to the project. Its level of engagement can be classified as "actively involved", "passively involved" or "unaware of the project". The report of the Project Management Institute (2017) defends that stakeholders' involvement and influence can vary during the projects' course. Therefore, successfully identifying, engaging and managing stakeholders' expectations throughout the project's lifecycle is crucial for its success.

The PMBOK guide recognizes some generic skills that should be observed in the teams involved in projects' management:

- Knowledge about project management, the business environment and other technical or specific learnings needed to guide the project;
- Skills regarding teams' coordination, stakeholders' management and decision making;
- Skills to define and manage scope, schedules, budgets, risks, resources, reports, plans and routines;
- Soft skills such as leadership, attitude and ethics.

Besides identifying the four generic phases of a project, it simultaneously formulates five standard process groups for every project: Initiating Process Group, Planning Process Group, Executing Process Group, Monitoring and Controlling Process Group and Closing Process Group. It is essential to clarify that Process Groups are not the project's phases as each phase may contain more than one Process Group (Figure 5).

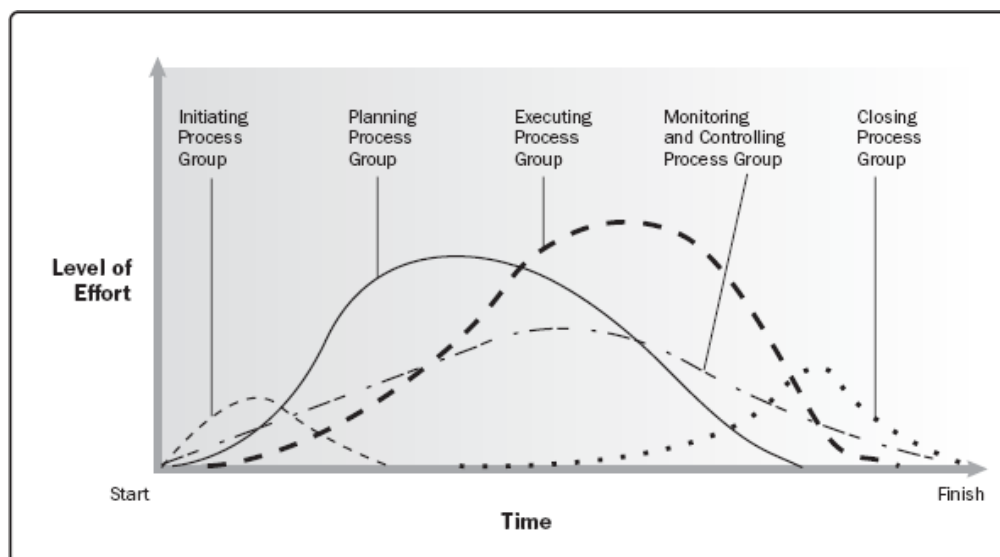


Figure 5 - Project life cycle and Process Groups. Source: (Project Management Institute, 2017)

The first group concerns the definition of a new project or a new project's phase. During this process group, the project's purpose and scope should be outlined, stakeholders' expectations and participation should be clarified, and initial resources are committed.

The second group settles and refines the objectives and the action plan to attain the project's goals. As more information is gathered and understood, and stakeholders' feedback is received, planning is expected to adapt (both by introducing or updating initiatives).

The third group implements the plan defined in the previous one. During this process group, tasks such as coordinating resources and managing stakeholders are fundamental.

During the fourth process group, it is expected to track and control the implementation results, identify areas that require changes to the plan, and initiating those changes.

The closing group formally concludes a project, phase, or contract. It requires to appropriately assess if objectives are concluded and achieved and, when necessary, entrust the continuity of the actions implemented to a stakeholder (Project Management Institute, 2017).

2.2 Management Overview

Nowadays, management is considered to have several functions. This can be condensed into Four Functions of Management: Planning, Organizing, Leading, and Controlling (Robbins and Coulter, 2012).

The planning function is concerned with setting goals, establishing strategy and planning and coordinating activities to achieve these goals. “Organizing” means determining what tasks to be done, by whom, when, and how these should be reported. Leading implies motivating collaborators, guaranteeing effective communication, and preserving the company culture. Controlling function relates to monitoring performance to ensure the accomplishment of the defined goals (Robbins & Coulter, 2012).

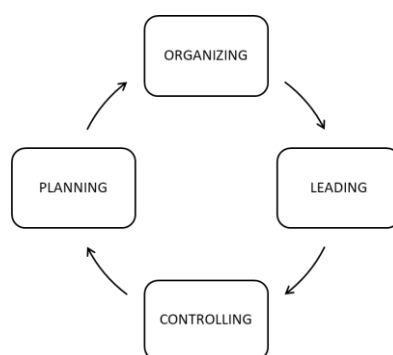


Figure 6 - Management functions and their relation

The Performance Management project at Farfetch proposes to improve the structures that support Controlling and enable Planning functions, and therefore, these functions will be individually and sequentially addressed in this section.

Controlling is the process of monitoring performance indicators, comparing them with the expected results, and taking action if needed (Robbins & Coulter, 2012). Regarding performance measurement, Neely et al. (2002) consider that the role of a performance measurement system is to enable informed decisions and actions to be taken. To accomplish those, five information processing activities are necessary to be performed on data: acquisition, collation, sorting, analysis, and interpretation. Data should convey information that drives decisions. “Data to Decision Cycle” (Figure 7) shows how data should drive decisions in a continuous and fruitful cycle.

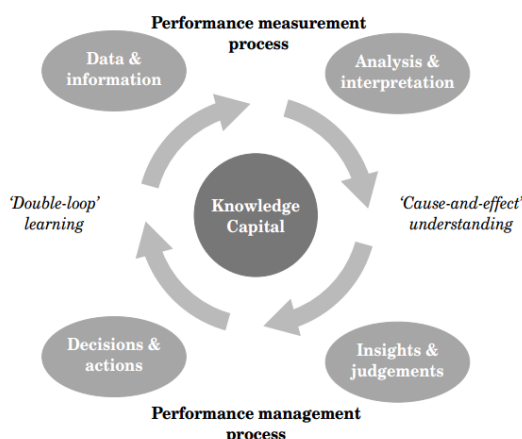


Figure 7 - The Data to Decisions Cycle. Source: Neely et al. (2002)

Planning can be divided into two moments: decision making when facing a problem and planning actions to mitigate this problem. Robbins and Mary Coulter (2012) consider that the decision-making process may be affected by four factors: approach, style, the type of problem, and conditions. Simultaneously, biases and errors may be taken into consideration. The managerial decision-making overview is presented in Figure 9.

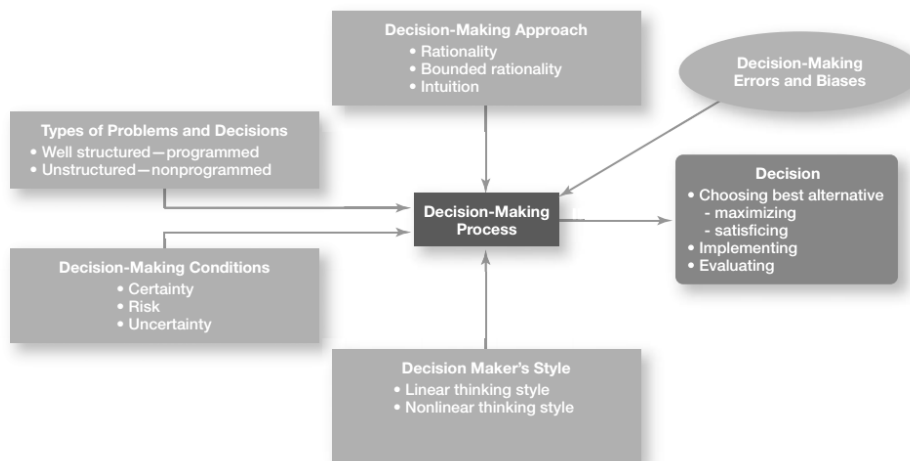


Figure 9 - Managerial decision-making overview. Source: (Robbins and Mary Coulter 2012)

In addition, despite being common to every level of the organization, decisions differ among these levels, and this should be taken into account when considering planning and setting goals. Top managers tend to concern with setting the business' strategic view, while operational managers tend to develop operational plans (**Erro! A origem da referência não foi encontrada.**). Two approaches to goal setting are commonly used: the traditional goal setting where goals cascade down the organization and "Managing by Objectives" where the parts mutually agree on goals, and objectives are used to evaluate employees' performance but also to motivate them (Robbins and Mary Coulter 2012).



Figure 8 - Planning an Organizational Level. Source: Robbins and Mary Coulter (2012)

Comprehensive knowledge regarding management can be found in the literature, yet the one exposed in this section briefly reflects the management role and successfully recognizes how performance management and measurement systems influence the functions of controlling and planning.

2.3 Performance Management

Performance management definition

Performance management is a continuous process of identifying, measuring, and developing teams and individuals performance and aligning it with the strategic goals of the organization (Aguinis, 2013). The definition comprises two critical notions:

- *Continuous process.* Performance management involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback;
- *Alignment with strategic goals.* Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage. (Aguinis, 2013)

Otley (2003) states that Performance Management Systems (PMSs) encompass formal and informal mechanisms, processes, systems, and networks used by organizations to convey strategic objectives, to assist strategy formulation and ongoing management through analysis, planning, measurement, control, rewarding and broad management, and to facilitate learning and improvements. Thus, PMS includes both formal mechanisms such as processes, systems and networks and informal controls. PMSs strive to guarantee strategy alignment throughout the organization but do not assume that the strategy outlined by managers is the one that best serves the organization (Otley, 2003).

According to Otley (2003), the management control systems aim to ensure that managers (and workers) act in the organizational interest. Primarily, by indicating appropriate action and report, and secondly by motivating managers to do what was best for the organization even if it meant reporting values that could be adversely interpreted.

But, why should companies put effort into developing a performance management system? According to Aguinis (2013), performance management systems play six main roles:

- *Strategic purpose:* help top managers achieve strategic business objectives by reinforcing behaviors that are consistent with the organizational goals, and they serve as a catalyst for onboarding (since they allow new employees to understand the types of behaviors and results valued and rewarded);
- *Administrative purpose:* implement reward systems based on information provided by Performance Management (PM) systems;
- *Informational purpose:* clarify and communicate the results of employees' performance and improvements needed to the organization and strategy;
- *Developmental purpose:* feedback allows for the identification of strengths and weaknesses as well as the root causes for low performances. It provides the opportunity to act on the problems identified and improve performance.
- *Organizational maintenance performance:* PM systems provide information to be used in workforce planning (human resources needs, allocation and talent inventory, training, etc.);
- *Documentational purpose:* PM systems collect useful information that can be used for multiple purposes.

The gains that arise from a well-implemented Performance Management system are managers obtaining insight from subordinates, clear communication of performance,

increased motivation, self-esteem, competence and commitment from employees, and organizational changes facilitated (Aguinis, 2013).

History

The main conceptual structure for management control systems design and use developed by Anthony (1965). The author states that management control is “the process by which managers assure that resources are obtained and used, effectively and efficiently, in the accomplishment of the organization’s objectives” (Otley 2003 p. 313) and distinguished ‘management control’ from ‘strategic planning’ and ‘operational control’ (Otley, 1999).

However, during the late 1980s and early 1990s management control perception started to transform as the context in which organizations operate evolved. With the changes suffered in organizations’ structure during those years (shifting from divisional, functional and efficiency-oriented structures to more value chain-oriented companies oriented to activity outsourcing) the management control issue, until then perceived as an internal matter, has become a connections problem.

Budget and strictly financial assessment systems were not capable of playing their role in controlling performance (Otley, 2003) in an unpredictable and fast-changing environment. Traditional measures started being seen as a short term (Hayes & Garvin, 1982) and lacking strategic focus (Skinner, 1974). This change in philosophy led, during the 1990s, to the development of alternative control techniques that aimed to complement budgetary activity. Among these works one could identify some remarkable studies in the area such as the development of the balanced scorecard (Kaplan & Norton, 1993), the strategy map for strategic development (Eccles & Pyburn, 1992), The Performance Prism (Neely et al. 2002) and the conceptual frameworks and processes for designing performance measures (Bourne, Mills, Wilcox, Neely, & Platts, 2000). This shift has reflected in the terminology by the increased use of the term *performance management* to express the same issues and concerns that *management control* was already addressing (Otley, 2003). Although management control was initially developed based on a performance representation expressed exclusively in financial terms, this is not its inherent nature (Giraud et al., 2011).

The Balanced Score Card is described by Kaplan & Norton, (1993) as “a set of measures that gives top managers a fast but comprehensive view of the business”. It complements traditional financial measures with measures on customer satisfaction, innovation and improvement, and internal processes, providing a framework that aligns organizational strategy with business measurement and management. The success map was described by Eccles & Pyburn (1992) as a facilitating project for strategy definition that was later approached by Kaplan & Norton (1996) to support the development of the Balanced Score Card (Appendix A shows a framework for the development of a strategy map by c)

Bourne et al. (2000) focused on developing a framework for the design and implementation of a performance measurement system. Although performance measurement represents only a part of the scope of performance management, this framework is presented because of its structured approach to address this area.

Performance Management Frameworks and Best Practices

Performance Measurement Framework

This framework divides performance measurement systems into two phases: implementation (when the system is conceived and implemented) and update (when the system is already implemented but still requires a revision since PM is a continuous process).

Within the implementation phase, there are three main steps: design, implementation, and use. It is essential to highlight the conceptual nature of these phases: they define the

sequence through which the performance measurement systems should progress, but they do not define a linear progression for the system. In reality, the phases can overlap as different measures are implemented at different rates, and a review of measures prioritization may occur as the context changes (Bourne et al., 2000). Figure 10 presents the phases of the framework.

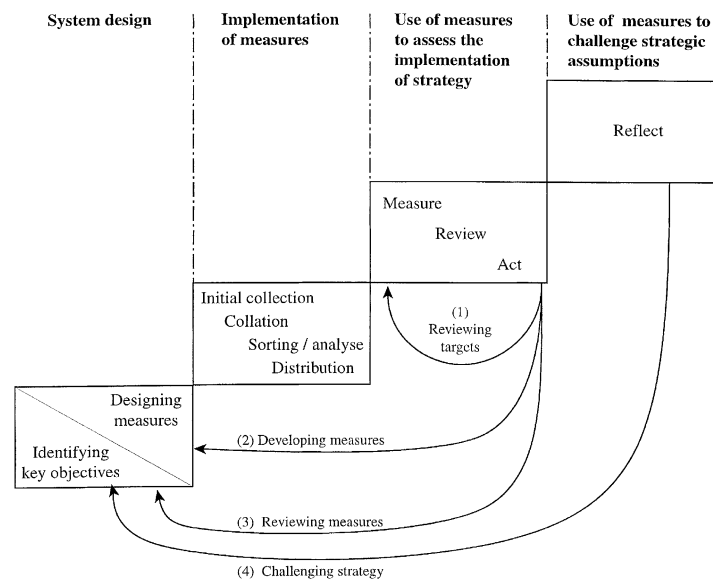


Figure 10 – Phases in developing a performance measurement system. Source: (Bourne et al., 2000)

The design phase intends to identify the main objectives of the company and design the measures to evaluate them (Bourne et al., 2000).

Several sources highlight the importance of the link between strategy and performance measures (Kaplan and Norton, 1992; Neely *et al.*, 2000; Otley, 1999; Mintzberg, 1982), but the task is not simple. The Bourne et al. (2000) framework chooses the success map (Eccles & Pyburn, 1992) and the balanced scorecard (Kaplan & Norton, 1992) as tools to support the design phase. During the design phase, regular workshops are held with the management teams so that they can actively participate in defining the best strategy instead of being imposed (Bourne et al., 2000).

The implementation phase can be viewed as a process composed by data collection, collation, sorting and distribution. Since regular reports are necessary to assess and monitor performance, the more automated the system the better (Bourne et al., 2000).

Finally, the use phase begins when the new metrics are implemented. Performance measurement systems only distinguish themselves from a performance assessment if measurements are turned into actions. Measurements have two purposes: “assess the implementation of strategy” and “challenge strategic assumptions”. The first assumes a more operational control whilst the second has a more strategic role in assessing the strategic orientation of the company. In order to review the measures and ideally agree on a course of action, a regular meeting is required, attended by the directors and managers who have responsibility for the performance metric being measured.

After the implementation of the framework, authors identified three main obstacles to its implementation (Bourne et al., 2000):

- Resistance to measurement during design and use phases;
- Computer systems issues during implementation of the measures;
- Top management’s lack of commitment, occurring between the design and implementation phases.

Performance Management Systems Framework

Ferreira and Otley (2009) proposed a Performance Management framework that suggests a set of issues to be considered when designing and operating a control system. The framework is composed of 12 questions that propose to provide a powerful yet quick outline of the main features of a PMS. The questions proposed by Ferreira and Otley (2009, p. 266 and 267) are presented below:

1. What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization's overarching purposes and objectives to its members?
2. What are the key factors that are believed to be central to the organization's overall future success and how are they brought to the attention of managers and employees?
3. What is the organization structure and what impact does it have on the design and use of performance managements systems (PMSs)? How does it influence and how o sot influenced by the strategic management process?
4. What strategies and plans has the organization adopted and what are the processes and activities that is has decided will be requires for it to ensure its success? How are strategies and plans adapted, generated and communicated to managers and employees?
5. What are organization key performance measures deriving from its objectives, key success factors, and strategies and plans? How are these specified and communicated and what role do they play in performance evaluation? Are these significant omissions?
6. What level of performance does the organization need to achieve for each of its key performance measures (identified in the above question), how does it go about setting appropriate performance targets for them, and how challenging are those performance targets?
7. What processes, if any, does the organization follow for evaluating individual, group, and organizational performance? Are performance evaluations primarily objective, subjective or mixed and how important are formal and informal information and controls in these processes?
8. What rewards - financial and/or non-financial – will managers and other employees gain by achieving performance targets or other assessed aspects of performance (or, conversely, what penalties will they suffer by failing to achieve them)?
9. What specific information flows - feedback and feedforward -, systems and networks has the organization in place to support the operation of its PMSs?
10. What type of use is made of information and of the various control mechanisms in place? Can these uses be characterized in terms of various typologies in the literature? How do controls and their uses differ at different hierarchical levels?
11. How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or use been made in a proactive or reactive manner?
12. How strong and coherent are the links between the components of PMSs and the ways in which they are used (as denoted by the above 11 questions)?

Two aspects are not explicit in these questions but permeate the PMSs, and that should be considered during their operation: contextual factors and organizational culture.

Figure 11 schematically represents the questions listed and the influence of external factors in the application of the framework.

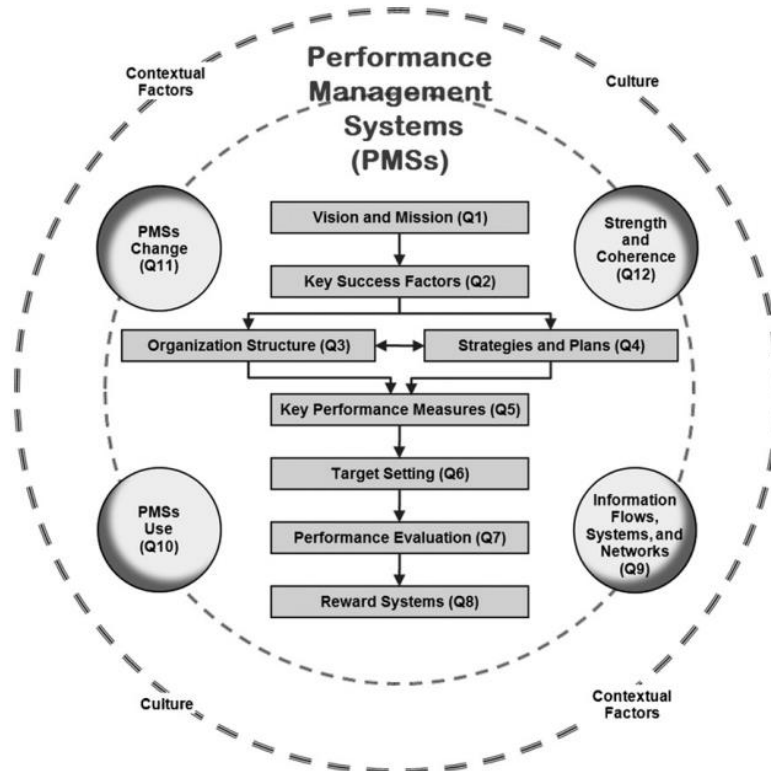


Figure 11 - The performance management systems (PMS) framework. Source: Ferreira and Otley (2009)

The company's mission (denoted in question 1 – Q1) outlines the organization's purpose, aligned with its values and stakeholders' expectations, while the vision defines the pursued future state. Both mission and vision (Q1) embody the company's culture and influence its employees' behaviors. Key success factors (KSFs) (Q2) are activities, attributes and competencies seen as critical for the organization's success; they materialize the vision and the mission in a more compressed timeframe. Organizational structure (Q3) is linked to KSFs since the identification of KSFs should be suitable with organizational structure. On the other hand, the structure of the company influences and is influenced by the strategy definition and the strategic process. Strategies and plans (Q4) are the tools used to outline the company's direction to pursue its goals and its vision. Lack of direction and failure to communicate strategy throughout the organization are significant problems felt in several organizations. Some context regarding strategic planning was already given in the section 2.2, yet, Ferreira and Otley (2009) highlights that the involvement of every organizational levels in the strategic management process is likely to result in a greater comprehension of the strategy. Key Performance Measures (Q5) are the metrics defined and used at the different levels to evaluate the achievement of objectives, KSFs, and strategy and plans. However, measures are not enough to evaluate performance: targets define the desired performance that allow to pursue the established goals and, thus, target setting (Q6) is as important as measuring results. Performance evaluation (Q7) encompasses both formal and informal evaluation activities. The formal activities are usually routines to evaluate performance at every level. Performance evaluation can also be objective, subjective or hybrid. In objective performance evaluation there is no space for ambiguities and assessment is only based on actual results.

On the other hand, in subjective assessments, the evaluated do not know the weight given to the different dimensions of their performance evaluation. Rewards usually derive from performance evaluations. These rewards may range from expressions of approval and recognition by managers, to immediate financial bonuses or long-term promotions. The ninth question denotes the importance of the information flows: “they act like the nervous system in the human body, transmitting information from the extremities to the centre and from the centre to the extremities” (Ferreira and Otley, 2009, p. 273). Informational flows can be divided into feedback, information that leads to corrective or adaptative actions, and feed-forward information that allow the company to learn from its experience to generate new ideas and define new strategies. The structure of performance information is a crucial issue to be considered since, as it was already discussed previously in this chapter, budgeting systems revealed to be insufficient in the new market conditions and organizations are moving for new tools that allow a broader view of performance such as balanced scorecards. The information flow (Q9) analysis also includes issues such as information scope, timeliness, aggregation, integration and even level of detail, relevance and orientation of the information. Also, the use (Q10) made of information by organizations is crucial for the operation of a PMS. Literature is still underdeveloped in this topic, however, Simons (1995) made a substantial contribution to the area with the development of the four levers of control and, particularly, with its concept of interactive use. Interactive control systems are formal information systems used by managers to be involved, regularly and personally in the decision activities of their subordinates. These systems focus attention on strategic uncertainties and strategy renewal and force dialogue, debate and extra research throughout organizations. These systems have four defining characteristics that guarantee that they remain interactive: the intensive use of senior managers, the intensive use of operational managers, the use of the information generated by the system to support debate and face-to-face meeting and its use to support continuous development through assumptions, debates and actions. The eleventh question intends to emphasize the need to adapt the PMS to new challenges or to changes (Q11) in the environment or in organization’s strategy. Finally, it is necessary to ensure the consistency and coherence (Q12) of the whole systems and understand if the PMS’s different components are linked and aligned.

It was not considered relevant to this project to go into further detail in the description of this framework. However, Ferreira and Otley (2009) provide an exhaustive collection of the theoretical knowledge needed to address each question.

Performance Management Best Practices

Axson (2010) states that, nowadays, in the Information Age, traditional planning and management reporting processes have become too slow and detailed to answer to managers’ decision-making needs and suggest best practices as a tool to shorten the decision-making cycle time. Best practices are proven, commonsense approaches that enable managers to quickly deal with business complexity. However, to consider an approach as best practice, some criteria must be met: it should result in a measurable change in performance, must be proven in practice, apply to a broad spectrum of organizations, be considerable in turbulent or uncertain conditions, exploit proven technologies, guarantee acceptable levels of control and risk management, and match the organization competencies and capabilities (Axson, 2010).

The application of best practices should follow a five-step process: firstly, one should identify an improvement opportunity, then the opportunity identified should be evaluated to understand if it is worthy of pursuing. If it is relevant, the causes of a shortfall in performance should be investigated alongside the best practices that can be applied to address the problem. The identified best practice should translate into an applicable change that needs to be implemented, and finally, one should guarantee the sustainability of the executed change (Axson, 2010).

Best practices are particularly useful when a clearly defined improvement opportunity is outlined, the opportunity is not exclusive, credible approaches have already been identified, and the company has the motivation and means to implement it. When an organization is far from a “leadership” position on an area, best practices can be used to reach a level of competitive parity and, only then, assess whether seeking differentiation is suitable in the organizational context.

Axson (2010, p.25) considers that “Business performance management encompasses all the processes, information, and systems used by managers to set strategy, develop plans, monitor execution, forecast performance, report results, and make decisions”. This definition incorporates six subprocesses of the performance management process: strategic planning, tactical and financial planning, management reporting, forecasting, and risk management.

From these subprocesses, the ones addressed in this section are the “tactical planning” and “management reporting”, as these are the ones more relevant for this dissertation’s development. Although the other subprocesses are also part of performance management, they are addressed by other parts of the organization such as top managers, financial teams, and data analysts.

Tactical plans usually address three activities: sustaining current operations, improving current operations, embarking in new initiatives. The last two require the initiation of projects to carry out the necessary changes. Axson (2010) divides the projects into conception, prioritization, mobilization, execution, completion and realization. Projects arise from identified improvement ideas. However, those ideas need to be planned and prioritized to guarantee that resources are allocated to the project that will most benefit the organization. Best practice organizations use an objective and systematic process to allocate their resources to projects. Projects are essentially prioritized against two significant criteria (such as risk/return and contribution or strategic alignment), as shown in Figure 12.

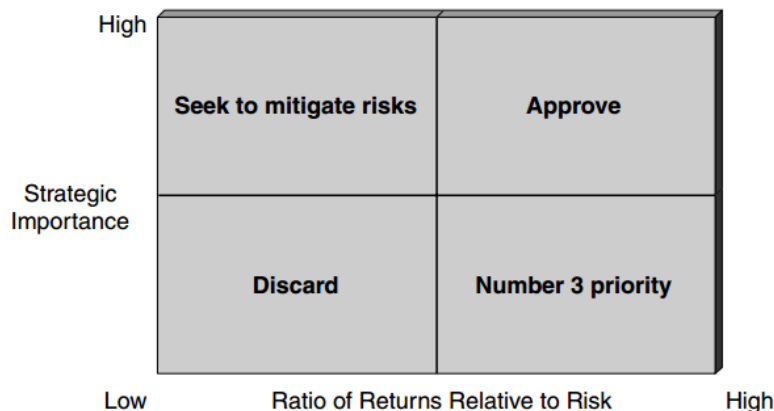


Figure 12 - Risk return matrix. Source: Axson (2010)

Axson (2010) highlights that the evaluation of strategic alignment helps managers to maintain focus on the company’s overall objectives and decide between two opportunities with similar risk/return. The mobilization phase includes the development of project plans to secure the required resources: it comprises tasks such as assuring stakeholders’ commitment, assigning clear ownership, responsibilities, and roles, developing detailed plans, key milestones, and critical path, and ensure the number of resources required and the skills, motivation, and experience of project members. During execution, measures, resources, and costs must be tracked, and risks to the project, boundaries of performance and measures that evaluate the project’s overall performance should be outlined. Completion concerns to the

communication of the projects' closure and lessons learned discussion, and realization regards the post-implementation review.

Massive investments have been made in technologies such as management information systems and data warehouses to improve management reporting and speed up the decision-making process. Despite these investments, managers are still unsatisfied with the information available. Axson (2010) defends that the management reporting problem is not a lack of data – organizations are “drowning in data”. On the contrary, the problem is that “Managers are trying to manage a real-time world with batch reports” (Axson, 2010, p.141). The challenge, nowadays, is to synthesize and structure data into insightful, and actionable information, that is conveyed to the right person at the right time. This complex process of transforming data into insights requires the collation, processing, and reporting of three types of information: performance measures, reporting of events, and provision of context or analysis. Some of the leading best practices exhaustively described by Axson (2010) are:

- *Decision-making drives information requirements:* management reports should not be driven by the information available but by the information needed to manage the business.
- *Focus on relationships instead of organizational structure:* hierarchical and linear view of information should be presented. Reports are usually structured to provide organizational view of the business; however, organizational structure is volatile, organizational silos can create gaps of assessment and customer metrics become hard to evaluate. Therefore, information reporting should be cross-functional and aligned with company's value stream. Also, understanding how information is organized and the relation between metrics or indicators allows a better communication throughout the organization
- *It is all about content:* The three primary dimensions of performance measures are: Operational/Financial, Internal/External, Leading/Lagging. Best practices companies are capable of balancing these performance dimensions.
- *Define the right information requirement and use measures to define criteria success:* Select the measures that best track progress and evaluate business success and strategic alignment.
- *Use insightful analysis to compete:* It is no longer acceptable to convey just data. Best practice companies are using insightful analyses for identifying profitable opportunities. Though, such ability requires reliable data standards, information management, and technology infrastructures.
- *Make reporting relevant:* relevant reports convey information that is relevant to the recipient, that is able to denote performance trends and status and that alerts to problems and necessary actions. Relevant information also forecasts performance and contextualize metrics and performance indicators.
- *Value accuracy over precision:* decision making information does not need to be totally accurate. Managers typically prefer receiving the information earlier than perfect.
- *Not actionable is not useful:* information from which is not possible to extract action is not relevant to convey

3 Problem Description

As previously highlighted, Farfetch plays in a very particular and competitive environment serving extremely demanding customers. Two hard and ever conflicting requirements shape the business activity: agility and quality. How can a company provide a luxury experience when it is so time pressured? How to flatter customers that may be on the other edge of the world? These challenges are common across the company, and Creative Operations is no exception.

This chapter expects to clarify the problem that drives this dissertation. To achieve this, it gives some context about the company and how Creative Operations fits in the Farfetch's structure. Then, the company background and context of the actual situation is described. Finally, the CROPs performance management system is exhaustively described, and the project's scope is outlined in order to guide the development of the framework to be used for addressing the existing problems. This framework is then described in detail in Chapter 4.

3.1 Farfetch

3.1.1 Overview

Farfetch was founded in 2007 in London, with the idea to allow anybody to buy from the world's finest boutiques from anywhere. When the marketplace (Farfetch.com) was launched, in October 2008, the economic environment was not the most favorable for investments (shortly before Lehman Brothers had announced bankruptcy). During the next years, the world economy suffered a severe crisis and even the luxury segment, known by resisting these fluctuations, shrunk. Contradicting the tendencies of the times, Farfetch was able to succeed, earning its first fundraising in 2010 (\$4,5 million). Between 2010 and 2015 Farfetch secured six investment rounds that enabled the company to achieve the \$1 billion valuation, earning the unicorn status. In September 2018, almost celebrating its 10th anniversary, Farfetch conducted its IPO in the New York Stock Exchange (NYSE) achieving a valuation of \$8,5 billion. (Pimentel, 2018).

Today the company's mission is *to be the global technology platform for luxury fashion, connecting creators, curators and consumers*. With that purpose, Farfetch provides five services:

- Farfetch.com, a luxury fashion marketplace;
- Black&White, a service that provides white-label platform solutions for luxury fashion brands and retailers;
- Store of the Future, that aims to disrupt the way consumers buy in physical stores;
- Browns, a high fashion boutique based in London;

- Fashion Concierge, a service that offers Farfetch's most exclusive clients the opportunity to find their desired items.

The main competitive advantage of Farfetch.com is the fact that, unlike its competitors, the company does not carry stock. It may increase the risk of stock out and both the complexity of the business model and the dependency of third parties. However, it allows the company to focus on the value stream, eliminating holding costs and enables an almost boundless variety of articles offered.

Partnerships play a fundamental role in the search for portfolio variety and exclusiveness. It is possible to identify three types of partners: boutiques, brands, and department stores. These partners should inform Farfetch about the products they want online in the marketplace. Then Farfetch assigns a time to photograph the articles and return them to the partners. When the product is online, the clients can buy it from any part of the world (unless particular restrictions are assigned to the item). When the client makes the purchase, the allocation algorithm assigns the boutique (or brand/department store warehouse) that must fulfill the order. Farfetch deals with third-party carriers and aligns its operations with the stores.

From the business' internal perspective, Farfetch is strongly committed to protecting its culture based on six values: Be Brilliant, Be Human, Think Globally, Amaze Customers, *Todos Juntos*, Be Revolutionary. The company is actively engaged in providing and encouraging a healthy and dynamic work environment for its employees.

3.1.2 Farfetch' Structure

Farfetch is mainly divided into seven departments: Commercial, Operations, Marketing, Strategy, Finance, Technology, and Product.

The Operations Department includes the Supply Chain Operations business area, which is divided into six teams: Creative Operations, Logistics, Customer Excellence, Platform Operations, Backoffice products, and Operations Strategy (Figure 13).

The current project is developed by the Operations Strategy Team, integrated into the Operations Department, inside a team allocated to support Creative Operations activity.

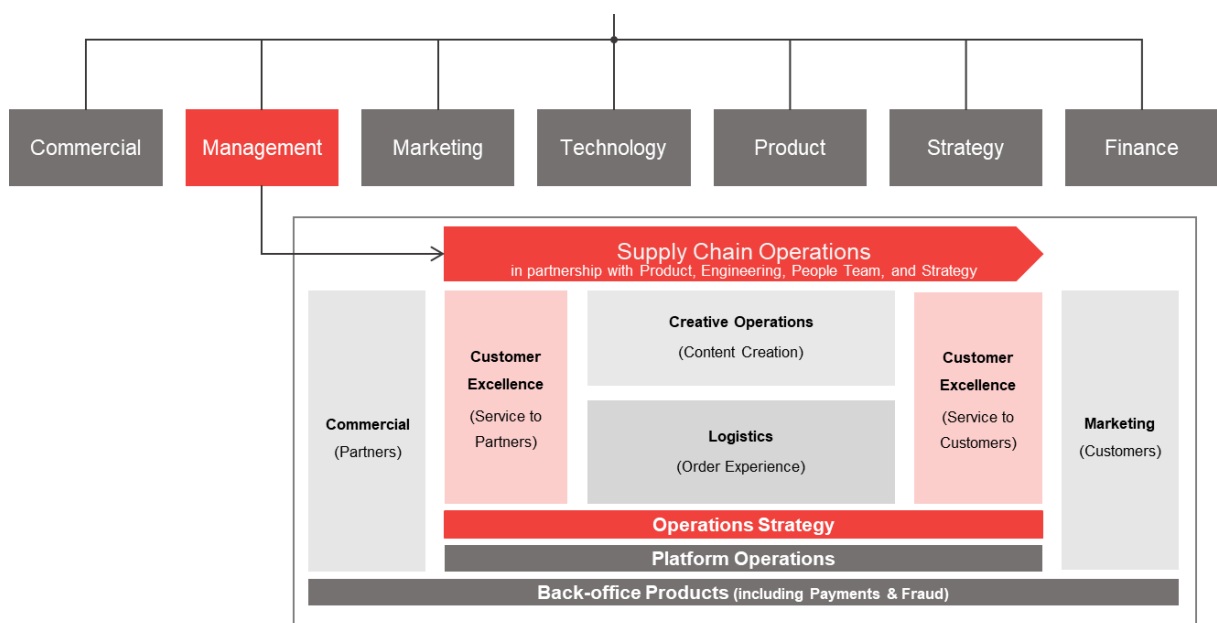


Figure 13 - Supply Chain Operations Structure

Operations Strategy

Operations Strategy (Ops Strategy) divides into seven teams: BizOps, Creative Ops Strategy, Strategic Planning, Data Strategy, Data Science, Procurement, and Supply Chain (Figure 14). The main objective of the Operations Strategy is to support the activity of other teams inside Operations and offer in-depth cross-functional knowledge and a structured analytical approach. However, the degree of ownership of the projects fluctuates among Ops Strategy. The BizOps team dedicates to supporting other teams in Operations, having no ownership of these projects while Procurement fully owns the area procurement activity. Creative Ops Strategy is mainly a supportive team dedicated to Creative Operations activity.

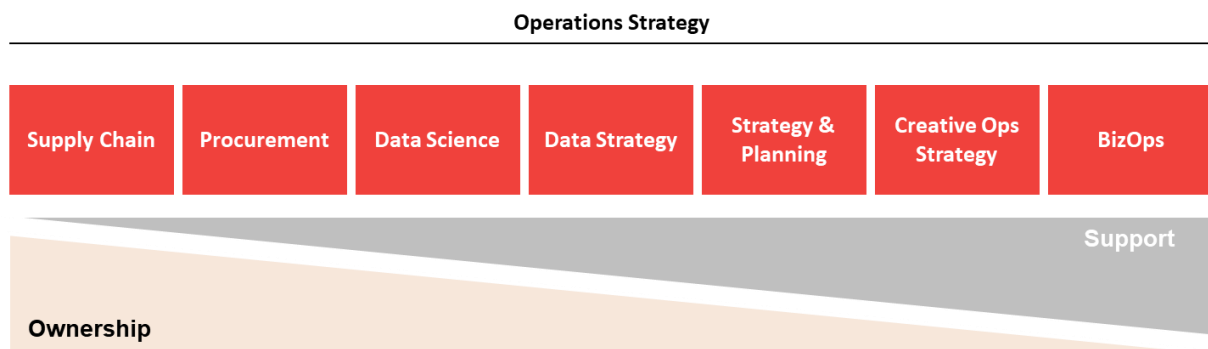


Figure 14 - Operations Strategy divisions

Creative Operations

First, it is necessary to explain what the market perceives by Creative Operations. Creative Operations is an area that aims to support the creative team with processes and technology to make things run smoothly and efficiently, bringing structure to the creative process. To do this, Creative Operations professionals apply tools, measurements, and guidelines that gather good practices in the production process. It is usually necessary when companies require large volumes of products or high speed and increasing variety of creative assets, generally motivated by trends like omnichannel, mobile, and real-time marketing (ConceptShare, 2018).

Creative Operations at Farfetch represents one of the core processes of the Supply Chain Operations area (Figure 10): content creation. Farfetch's production is somehow different from the conventional industry concept of "production", as the outcome is not the physical item sold but its digital representation. The company produces all the content used online to sell the item in the marketplace: the images, the descriptions, information about the product that helps consumers purchase (like size, composition, fitting) and information concerning the sale itself (prices, geographic restriction to sale, stocks). Farfetch has four production centers responsible for performing this task: Guimarães (that accounts for the majority of the company's production), Los Angeles, São Paulo, and Hong Kong.

3.1.3 Creative Operations at Farfetch

During this chapter, CROPs activity will be explained in detail to provide the necessary knowledge about the business to allow the planning of a performance management system. The content presented was mainly gathered during the first step of the Methodology (Figure 3), the Business Overview, and intends to be a general view of Farfetch's Creative Operations. However, as the project develops at Guimarães, the activity of this production

center is naturally emphasized during the following description. First, the market requirements concerning production are exposed, then CROPs structure is presented, and some particularities of each business unit are denoted and, finally, the roles of each team are defined, and the process mapped.

Before starting, it is relevant to understand how the production pattern fluctuates throughout the year and how it depends on the market. Farfetch's production and the demand for CROPs services are highly seasonal. The fashion industry divides the year into two seasons: Spring-Summer (SS) and Autumn-Winter (AW). The articles' production usually occurs before the beginning of the season so that the product can be available at the beginning of the sale season. Thus, production and sales peaks lag: the production activity peak occurs around three months before the sales peak (what represents a lag between CROPs and Logistics activity, see Figure 13).

Spring-Summer 2017 (SS17) collection life-cycle

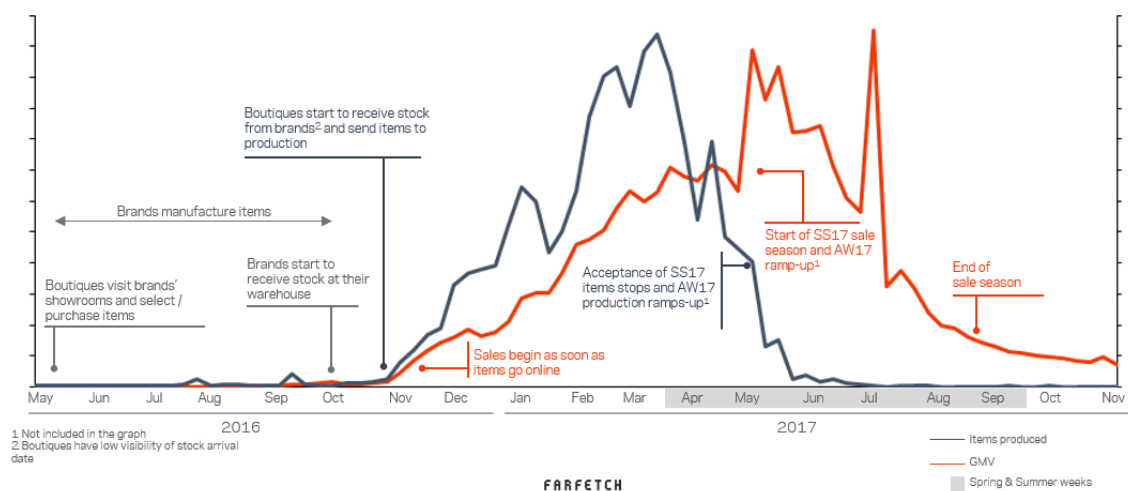


Figure 15 - Production and Sales peaks

The more significant the lag between those peaks, the better for the business, i.e., the earlier the product is available (comparing with sales peak), the better the overall sales' results. Farfetch encourages its partners to send their items the earliest possible to guarantee that the marketplace has the items available before its competitors (novelty effect) and to increase the availability time of those items before promotions (when their profitability decrease).

The production center activity divides into three business units (BUs): Farfetch.com, Browns, and Black&White (B&W). As previously explained, CROPs' product is a representation of the item to be sold and is composed mainly by two components: image and information. Although these BUs have several specificities, the core process of production is essentially the same, what justifies CROPs functional/hybrid orientation structure.

CROPs is divided into four teams: Digital Production (DP), Content, Creative Services, and Creative Production (Figure 16). Digital Production and Content are responsible for the image and information of the product, respectively; while Creative Services aligns the rest of the production with brands and Farfetch's requirements about casting, imagery, and styling. Finally, Creative Production is a small team responsible for the B&W business unit activity.

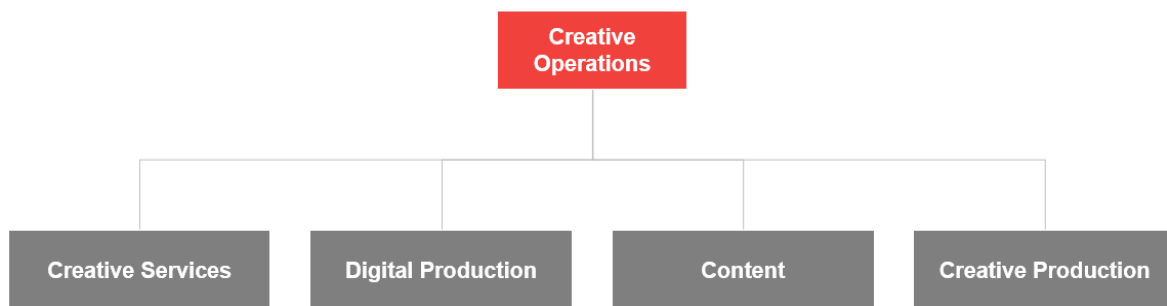


Figure 16 - CROPs Structure

3.2 Background and Situation Review

Farfetch's Creative Operations started operating in Guimarães in 2009 with only 15 employees. At the time, the marketplace was giving its first steps, only selling for 25 boutiques in five countries. In 10 years, the company's Creative Operations has grown exponentially accounting nowadays to more than 500 employees, working for more than 500 boutiques, 200 brands and a department store at four different locations around the world: Guimarães, São Paulo, Hong Kong, and New York. Plus, the Guimarães production center already had to update its installations three times to be able to accommodate the increasing demand.

Such growth rose the necessity to change the way the company perceives Creative Operations. In the early years of Farfetch's activity, the goal of the company was to attract partners to sell at the marketplace to gain scale and offer the deepest and the best range of products. Back then, as the company's revenues were low, CROPs represented a massive expense in the cost structure and was not a direct point of contact with the customer (and thus with sales). The pressure to be efficient and to minimize costs was tremendous, and the high quantity of products always arriving at production compelled CROPs to work fast. The department grew with the mindset of always accommodating business needs and improving production times and cost structure. Today, the company believes to have one of the most efficient production centers in the market. However, speed compromises quality. Farfetch cost structure changed, and currently, CROPS does not represent the expense that it did in the past, so its mindset needs to evolve and to focus on improving its product to better impact the business. However, to be able to revamp its structure to start a new cycle, CROPs will have to face the problems that were left to solve during the past years.

Systems are a primary issue for the organization. The management system that supports Creative Operations today was developed several years ago. This system suffered, however, some updates and add-ons to fill emerging gaps and adapt to new production needs. Unfortunately, these add-ons often had restrictions, and some features of the legacy system have become obsolete, causing usability issues that spread to all levels of CROPs structure:

- At operational level, such problems of misalignment between systems translate into delays transitioning "digital items" between applications, lack of means to monitor human resources attendance and work hours, and problems assessing a reliable number of items produced;
- At support level, they result in an unwieldy task of dealing with data due to a complex, redundant and inconsistent database;
- Finally, at managerial level, the problem culminates in a cumbersome decision-making task with lack of means to assess information and indicators that often do not convey business reality nor are fully agreed and documented among the organization.

Nevertheless, technological problems should not be seen as CROPs unique problem to address. Communication inside the department and to the rest of the organization could be improved. In some cases, data is not already agreed nor documented; processes are not mapped, and structure is not clear and universally understood by people. The attention given to adapt the information conveyed to each level and clearly understanding the causes of variation needs to improve. Also, CROPs' challenges are not always clearly conveyed to Operations and Executive level and the impact of Creative Operations in the business is still under evaluated.

It is hard to explain how communication issues arise, but it is believed that cultural issues can explain part of the problem. The creative mindset is usually unbound, and spontaneous, and creative environments tend to reproduce these characteristics and to be challenging to coordinate. Thus, and since CROPs has been constantly under intense pressure to answer the demand, performance communication was always a second priority. Also, the culture of a young company (and Farfetch in particular) tend to lead people always to accept new challenges ("Amaze Customers", "Be brilliant", "Be revolutionary", "Think globally" are some of the company's values that reflect that) what encourages teams to always make an extra effort to achieve better results. It is believed that this behavior might be dual: on the one hand, it creates a proactive and innovative environment, on the other hand, it may trigger problems of capacity assessment, teams' burden and dissuade managers of communicating difficulties and issues. Furthermore, startup companies are usually small, and communication is mostly informal. When a company faces such growth, people may struggle to find a new way to communicate and to deal with a more complex network.

Nevertheless, is essential to highlight the efforts incurred by the department and its achievements: three location moves (and subsequent adaptations) in ten years, the Kaizen method implementation in the production, the need to be continually recruiting new resources and train people, the accommodation of two new business units, the onboard of more than 500 boutiques and 200 brands, among others. The growth of Creative Operations was exponential.

Today, the CROPs is making an effort to rebuild itself revamping its structure, and several projects have arisen regarding technological and data reformulation, image and content enhancement, processes rethinking and performance management restructuring: the latter being the project driving this thesis.

3.3 Performance Management Project

The Performance Management project at Farfetch emerged from senior managers' need to have actionable information to allow an efficient and proactive decision-making process. Performance management systems, as already explained, include measuring, analyzing, and improving organizational performance. However, since CROPs' data systems are being restructured and fundamental metrics to assess performance already exist, the performance measurement problem will only be rethought after data systems restructuring. Thus, the action of this project concerns management reporting and communication.

As previously explained, the cumbersome decision-making, derives from several factors (section 0). Two action fronts were identified: the way how data is collected and how it is communicated. Both are equally important and complement each other: it is hard to convey the right message without a strong information base, but a good base does not guarantee that the message is appropriately received by whom it concerns. It has been seen that Creative Operations was struggling on both fronts through problems gathering data and conveying information. This project scope will not focus on the way data is collected (as it is the scope of another project) but how information is extracted from data and communicated throughout the organization.

Communication of performance is, thus, the main driver of improvement that the project will tackle. Improving communication means organizing a complex and unpredictable network composed of all the participants of a process or organization through a transparent system: a Performance Management System. Thus, the objective of this project is to create the foundations for performance management and communication system.

Starting this project implied the decomposition of the problem into smaller and more specific parts. Performance information was divided into three areas: Operational, Financial, and People. These were the areas that were identified as most pressing for managers and that concern to different areas of the organization (Finance and People do not belong to CROPs structure but have dedicated business partners). Then, CROPs communication network was mapped, and communication was divided into Internal and External (Figure 17).

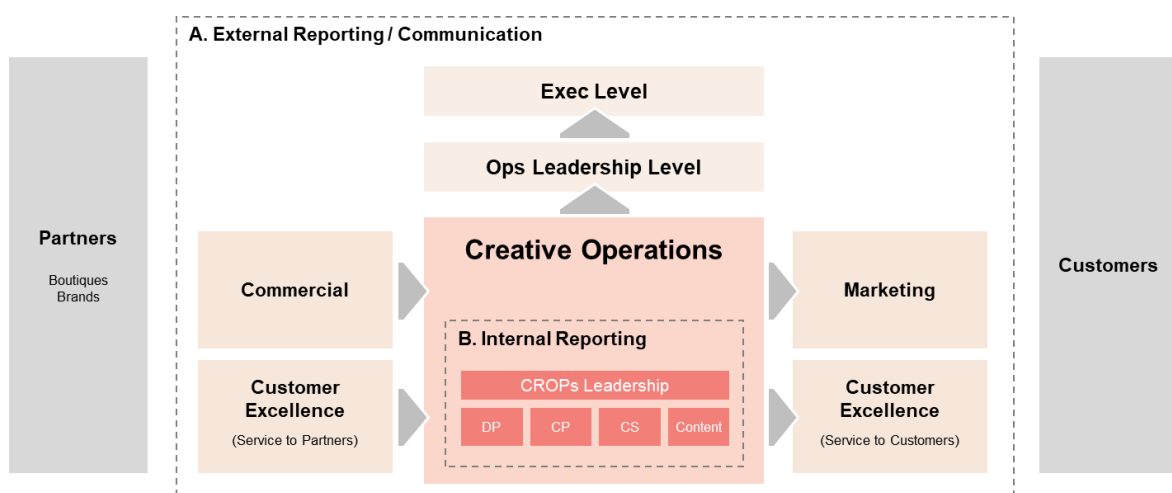


Figure 17 - CROPs communication network

Internal communication embodies every communication that occurs inside CROPs boundaries, such as reports, routines, and metrics communicated within/between teams and from these to CROPs leadership. Here, the goal is to guarantee that communication is clear for everyone involved and that it cascades down the organization, with the upper levels having an aggregated view of the same information that is used in a detailed view at the operational level. An adequate cascading process throughout the organization ensures that managers can take actions based on their information without having to spend too much time exhaustively consulting operational indicators.

External communication, on the other hand, concerns all the communication that CROPs has with the rest of the company. This communication can be divided into two: vertical and horizontal communication. The first, pertains to the communication of performance addressed to the Operations and Executive levels, to communicate results, problems or impact in the business and should be clear and convey the relevant information that illustrates CROPs situation. The second has a purpose of alignment between teams that are consecutive in the supply chain and are in touch with the client. How can CROPs “Amaze Customer” without being in touch with him? This alignment should certify that the Commercial team, CROPs, and Marketing are in line regarding expectations and production timings. Here we can divide communication in upstream, with Commercial team and partners and downstream with Marketing and the client.

Ensuring effective performance communication is a task extraordinarily broad and qualitative. There is no straightforward solution, and since performance information can be conveyed through metrics, reports, or during routines, one can only consider the best practices

collected for each of them to communicate most insightfully. The initiatives of the project will fall into the listed categories:

- Documents standardization
- Metrics agreement and documentation
- Data visualization improvement
- Data insights communication
- Performance assessment routines definition
- Alignment of communication with strategy
- Relations documentation

Also, the main stakeholder involved in the project will be:

- Operations Strategy Director
- CROPs Top Management level: CROPs Vice President
- CROPs Middle Management level: Digital Production Director, Content Director, Creative Production Head, Global Head of Creative Services and CROPs Strategy Head
- CROPs Operational level: People Manager, Finance Analyst, Process Engineer, and Planning Analyst

3.4 Summary

In summary, it becomes clear that the problem's scope is vast, and there is no unique and concrete outcome to pursue. Instead, a mitigation solution can be arranged through the composition of several small improvements in the organization. The next chapter proposes a methodology to identify and plan these small improvements that will allow to gradually construct a better performance management system.

4 Proposed solution

The previous chapter aimed to contextualize this dissertation within the organization and understand how past decisions influenced the course of CROPs and led to the problem that is being addressed in this thesis. Lastly, the scope of the Performance Management project at Farfetch was outlined.

During this chapter, all the work developed to address the Performance Management problem at Farfetch is described.

This project was divided into four sequential phases (as proposed by the PMBOK): “Starting the project”, “Organizing and Preparing”, “Carrying out the Work”, and “Ending the project” (Figure 18). This chapter addresses the phases corresponding to “Starting the Project”, “Organizing and Preparing” and a small part of “Carrying Out the Work” phase, corresponding to the implementation of some opportunities. Other tasks related to “Carrying Out the Work” will follow, but these are outside the scope of this thesis, as they could not be executed within the time frame of the masters’ dissertation. The first two phases will be presented in separate sections. Since the third phase was only partially executed, the description of the opportunities already implemented will be described alongside their planning, in the section dedicated to the Organizing and Planning phase (see point 2.3. in Figure 18).

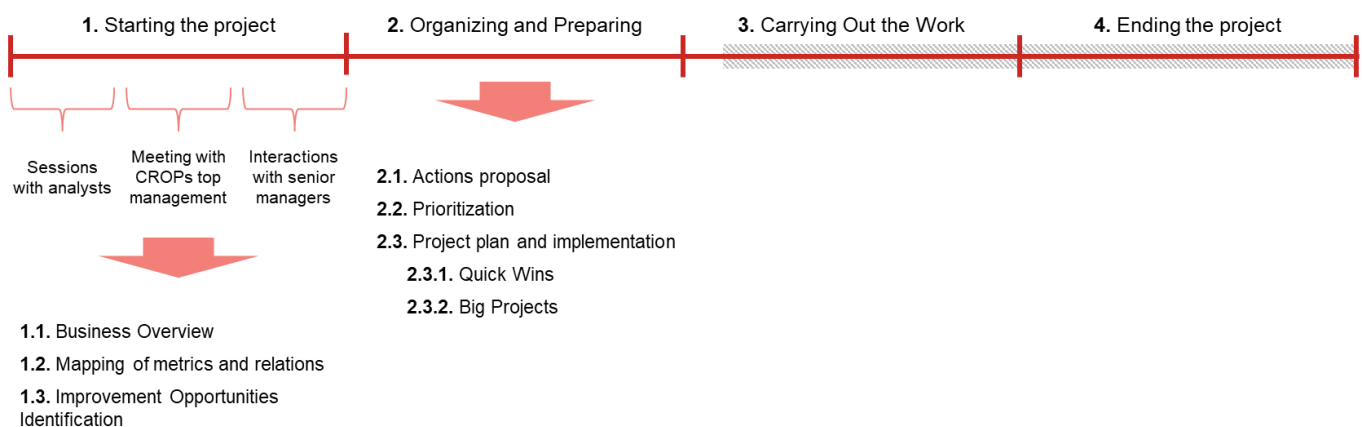


Figure 18 - Methodology followed to structure the project and this chapter

4.1 Starting the project phase

The phase corresponding to “Starting the project” is divided into three moments (Sessions with Analysts, Meeting with CROPs top management and Interaction with senior managers) (see Figure 18). These represent interactions with the different levels of CROPs’

structure. The purpose of those interactions was to gather the information necessary to perform three tasks: Business Overview, Mapping of metrics and relations, and Improvement Opportunities Identification. The first describes the activity of CROPs and the production process, the second exhaustively collects and maps the existing metrics that support CROPs activity, and the Improvement Opportunities Identification collects the main problems faced at the different levels of the department structure and structure improvement opportunities.

The first moment of the Starting the Project phase is the interactions with the analysts. Preparing those interactions implied the study of the dashboards and reports used to communicate CROPs performance and the division of performance information into three areas: Operational, Financial, and People. Operational information is collected by analysts that belong to CROPs structure, unlike Financial and People information that is processed by other teams of Farfetch, that support the activity of CROPs. The purpose of the interactions with the analysts was to allow a deeper understanding of the production process and the existing performance tools (metrics and reports), and the collection of the main problems faced at the operational level to measure performance.

After the sessions with the analysts, a top-down approach was carried. The top management level of CROPs (the Vice President) was approached to share the main challenges faced to interpret performance information and make decisions based on that information. Similar approaches were, posteriorly and individually, held with CROPs senior managers (Digital Production Director, Content Director, Creative Production Head).

During those interactions, the knowledge needed to carry the tasks proposed for the Starting the Project phase was gradually collected, allowing the progression of the project. The three tasks undertaken during this initial phase are briefly described next.

Business Overview

The Business Overview task relates to the understanding of the production process. Besides the interactions previously described, this task also involved the observation of the process in the field, the interview of operational workers (that help to grasp the specificities of each step of the process), and the study of CROPs' structure and the processes documented.

It became clear, during this research, that knowledge at Farfetch is conveyed in a person to person base, and that neither structure nor processes are clearly understood throughout the organization because the resource allocation to BUs is not transparent in the organizational structure, and processes are usually not documented.

The Business Overview sustains mostly on the learnings collected on the ground, and as the project is developed at Guimarães production center, the following description of the processes focus on the activity of that center.

The CROPs structure available in People Team widespread tool has already been presented in section 3.1.3. However, it does not convey the allocation of resources. CROPs is divided into three functional teams: Digital Production, Content and Creative Services, and a team (Creative Production) in charge by the activity of one business unit, B&W. However, this team does not own resources for production; they are contracted to Farfetch (that already has allocated fixed staff to this BU in its teams: DP and Content; Appendix B). This resource allocation derives from the necessity to conciliate a distinct cost allocation (B&W is particularly costly comparing to Farfetch) with the gain of scaling and smoothing the production center recruitment necessities (BUs have lagged peaks of activity).

Although the different business units share several similarities concerning their production processes, there are also specificities that justify the fixed allocation of specific resources inside the teams to each business unit. Browns and B&W follow less strict standards concerning production pace and costs than Farfetch but require special attention

regarding modeling, shooting, and image quality. While Browns production follows guidelines defined by Browns (a single client that belongs to Farfetch), Black&White must adapt to the requirements of several demanding clients, what emphasize the necessity for a decision center (Creative Production) to deal with such complexity.

However, as previously stated, Farfetch.com accounts the vast majority of the production at Guimarães production center (with 2100 articles being produced per day), so this project is mainly focused in this business unit since it represents a significant part of the costs and it is believed that the improvements applied at this BU can be later extended to the other two. Nevertheless, some context regarding B&W activity is given at the end of this section.

We may understand Farfetch activity as two operational teams responsible for the two parts of the product (image and information) supported by another team responsible for creative issues such as casting, imagery, and styling (Creative Services).

Digital Production

Digital Production is responsible for the image of the product and is the only team that contacts the physical product, thus being responsible for all the path that the item follows inside the production center. This path is represented in Figure 19.

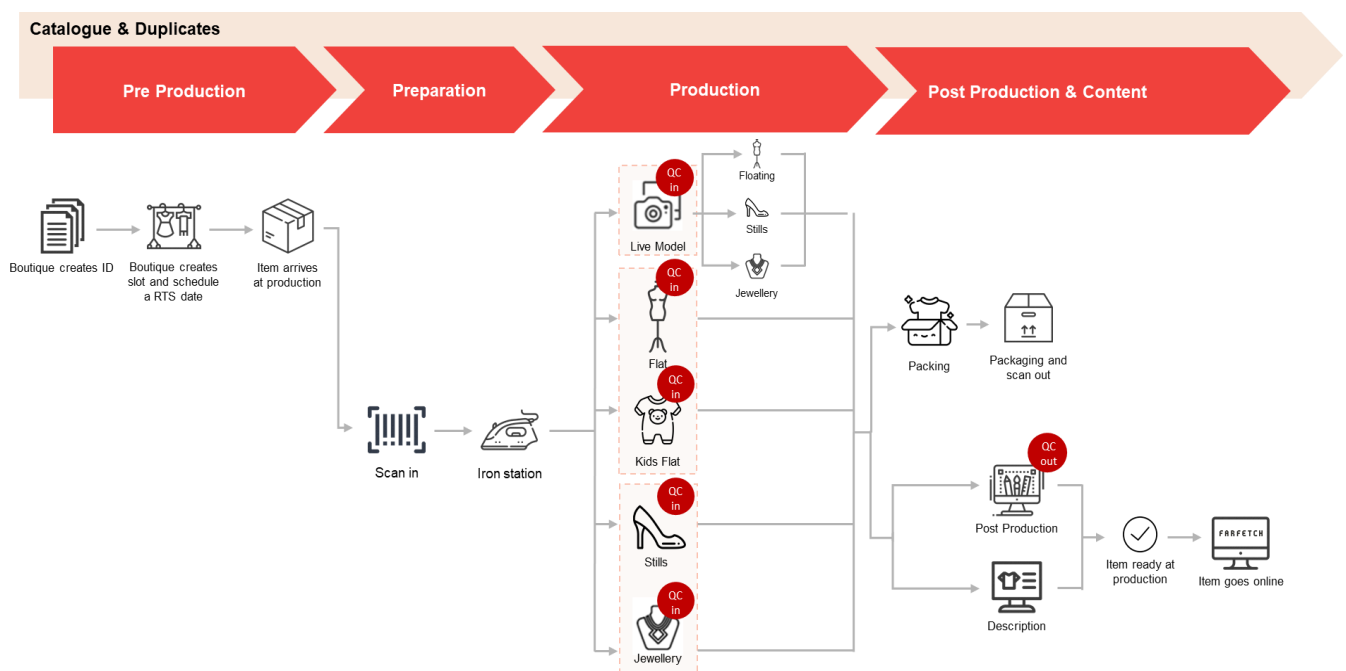


Figure 19 - Production process

The production occurs five days a week, 16 hours per day, divided into two shifts (6 am to 2 pm and 2 pm to 10 pm). Two teams support the production: Planning and Process Engineering (Figure 20). The first is responsible for all the preparation necessary between the reception and shooting and between shooting and expedition while the second is responsible for the shooting itself. This arrangement creates a U shape production path.

The production follows a straightforward and efficient process. First of all, Logistics is responsible for receiving, scanning in and unpacking the product and place them into rails according to their priorities to be transported to the Studios where the products are divided according to their processing needs. There are fundamentally three types of studios: Stills, Flat, and Live Model. The first is used for photographing accessories: shoes, bags, scarves, sunglasses, etc. Inside this category, there is also the jewelry and fine jewelry studios. Flat

Studios photograph all the clothes but also lingerie and swimwear using dummies to shape the items; this category also accommodates the Flat Kids studios, where kids' clothes are photographed against magnetic boards. Finally, Live Model studios photograph the pre ironed clothes dressed in human models assisted by stylists trained to apply the guidelines provided by Creative Services and brands. All the studios have the support of a quality control team that is monitoring photos' quality, in time. After being processed, the items return to Logistics to be scanned out (workers collect product's info and size during this step) and packaged again to be shipped to the partner.

Subsequently to production, the item follows, as mentioned, to Logistics, but a digital flow is fed. After the Quality Control team photos' approval, they move to post-production where they are edited (according to the guidelines also defined by Creative Services). At the same time, the information collected at the scan-out (composition, size, washing instructions and box recommendation for partners) is sent alongside the pre-edited photos to the Content team, for them to produce the content that will be complementing the images online.

The product is considered produced when the photo editing team uploads all the required photos, and it has at least an English description. However, it does not mean that the product is available online.

Content

Besides being responsible for the descriptions, the Content team controls the process from "Ready at Production" until the moment the product is online. During this phase, a set of rules must be assured: the existence of blocking rules that may forbid the sale of a product in a specific country/region, the existence of stock at boutiques, the *geopricing* (rules for setting specific prices to specific regions, to adjust to the living standards of the region), *size&fit* information and other internal requisites. Also, it is responsible for the translations of all the content to the languages in which the marketplace is available (Figure 20).

Two control processes occur transversely to the process: the catalogue management and the duplicates identification (Figure 19). The first one keeps track of the items, controlling if there is any problem along the process that may delay the item to go online. The second process identifies products that may already be produced, avoiding redundancy in the process and the marketplace. Both processes start before the item is sent to production and continue after the product is online and involves continuous contact with partners.

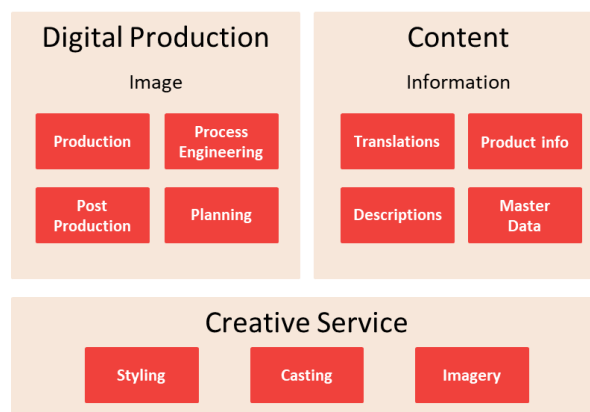


Figure 20 - Teams allocation within CROPs functional teams

Black&White Production

Black&White business unit provides white-label platform solutions for luxury fashion brands and retailers. This service includes the conception of the website, systems integration, operations solutions and content creation.

B&W content creation is, thus, made client by client and addressed to different websites. Brands (or retailers) usually provide all the guidelines regarding shooting, styling and modeling or bring their specialists or models to assist production at Guimarães production center. Typically, brands shoot the entire season collection in a single endeavor.

Although the main production process (Figure 19) remains exchanged (comparing to Farfetch and Browns), Black&White production is smaller and more organic and quality standards are usually higher, but production costs also arise.

Unlike Farfetch, B&W business unit, do not use any performance metrics and production measurement is primary.

Mapping of metrics and relations

During the preparation for the meetings with the analysts, dashboards and performance reports were analyzed. The purpose of this analysis was to allow a base of knowledge that enabled a discussion with these stakeholders. However, it became clear that accessing CROPs performance information was a task that requires organizational knowledge since there was no single source of truth. It was necessary to know which information exists, where it was available (or more commonly, who possess that information) and what it conveys.

The analysts and specialists of each area were addressed to support the research of the performance tools (metrics, reports, and dashboards). With their cooperation, it was possible to expedite the task of listing the existing tools and trace where they were available. Metrics were mapped and it was defined how they are calculated, which categories they include in their calculus, how they drill-down into subcategories, and how indicators influence each other. It also turned up that some metrics are not agreed among the organization. For example, “Items Produced” includes different categories of items in different reports, and the period of the “Time-to-go-Online” metric was not evident for all the teams.

The aim of this task is, thus, to gather all the knowledge collected, and create a single source where it is possible to access the existing performance metrics and reports. This map creates a single view of the performance metrics and their specificities, understands in which meetings or reports are these metrics evaluated and enables organizational collaborators to easily and independently learn about the existing performance metrics and reports. Additionally, it simplifies the process of performance management since it can be used as a glossary for performance indicators.

The mapping of those metrics was mostly made during the beginning of the Starting the Project phase, however, during the meetings with CROPs senior managers, more metrics (used internally by their teams) were added to the document.

The exhaustive listing of every indicator used in CROPs (their owner, their formulas, units, meetings where they are conveyed, scope, and other notes) is partially presented in Appendix C. It is not considered relevant to describe all of them in this document; instead, the ones more frequently used to assess CROPs performance are briefly addressed.

These metrics are divided according to the three views of performance: Service, Quality and Cost, plotted in a visual chart that illustrates how they measure the process (Figure 21).

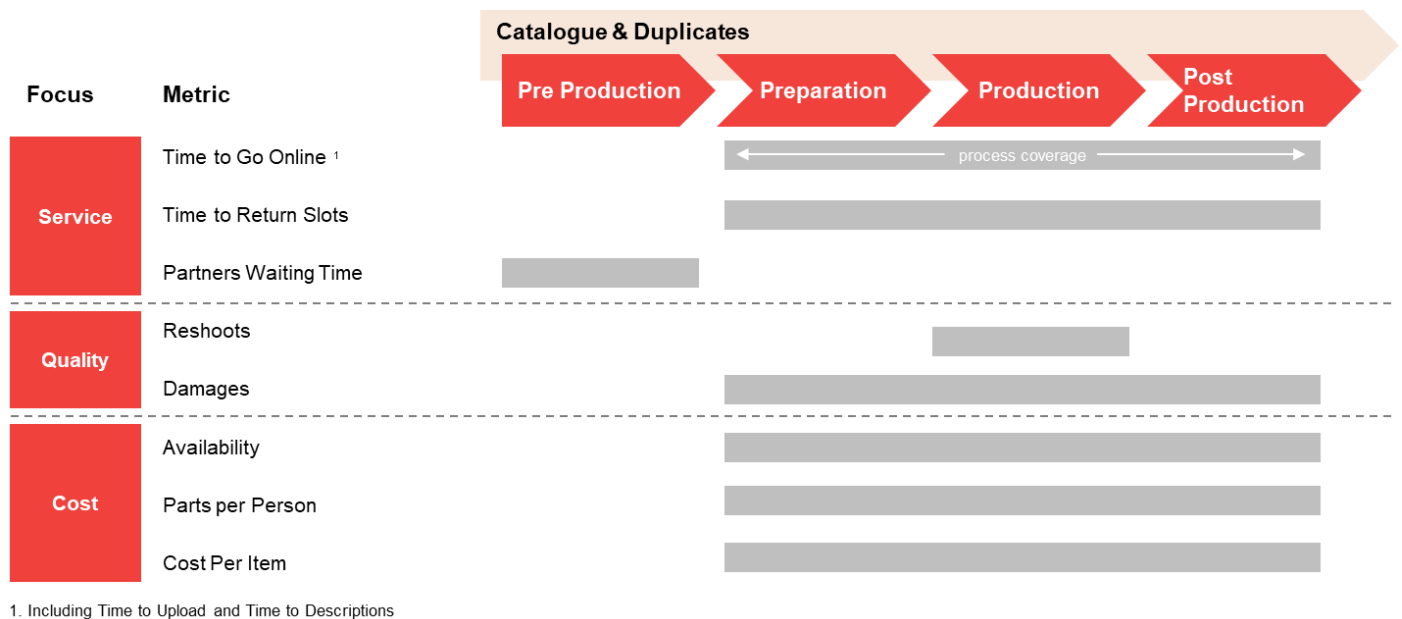


Figure 21 - Production's widespread indicators mapping

"Time to Go Online", "Time to Return Slots", and "Partners Waiting Time" measure CROPs service to its partners. Time to Go Online comprises the time between the item Scan In and the maximum date between upload and descriptions, measured in working days. Albeit, since after upload and descriptions, the product is not immediately available, the nomenclature of this metric usually leads to misinterpretations of its scope. Time to Return Slots measures the time that the physical item remains at production. This time is usually measured between Reception date and Shipping, in working days; however, this calculus can change if the item arrives earlier or delayed to production (in these cases, the metric starts being measured at Scan In). Partners Waiting Time measures the time between Ready to Send Date (when the partner has the item ready to send) and Reception. While the first two measures intend to evaluate the production process, the last one assesses the performance of the Planning team (the forecast and allocation of production), in calendar days.

The quality metrics available concern with the quality fails that lead to reshoots (reshoots are a repetition of the photography process, and, thus, represent rework) and damages in the physical articles during their path in the production centers (Farfetch compromises to pay the items damaged to the partners). While reshoots can only be accounted at production in Studios, damages may occur while the product is at the production center.

The cost metrics evaluate the process' efficiency. Availability is a measure that intends to evaluate the items produced against the ones forecasted. Parts per person divides the items produced by the workforce. Though, these measures are merely indicative since their calculus is imprecise due to the problems in data collection. Cost per item represents the average cost incurred to produce an item (in US dollars).

These metrics are the ones usually conveyed to CROPs managers, and the ones that support their decision-making process. They spread to three levels: CROPs area level (includes operational meetings and reports), CROPs Leadership Level (at the Roundtable, a fortnightly meeting between CROPs senior managers to discuss production status and tactical opportunities) and Ops Leadership Level (at the Ops Cockpit, a monthly meeting between the

managers of Farfech's Operations department to align activity). Even though the Executive level defines the strategy for CROPs, no indicators are formally conveyed to that level. Figure 22 illustrates how CROPs main metrics are conveyed throughout the organization.

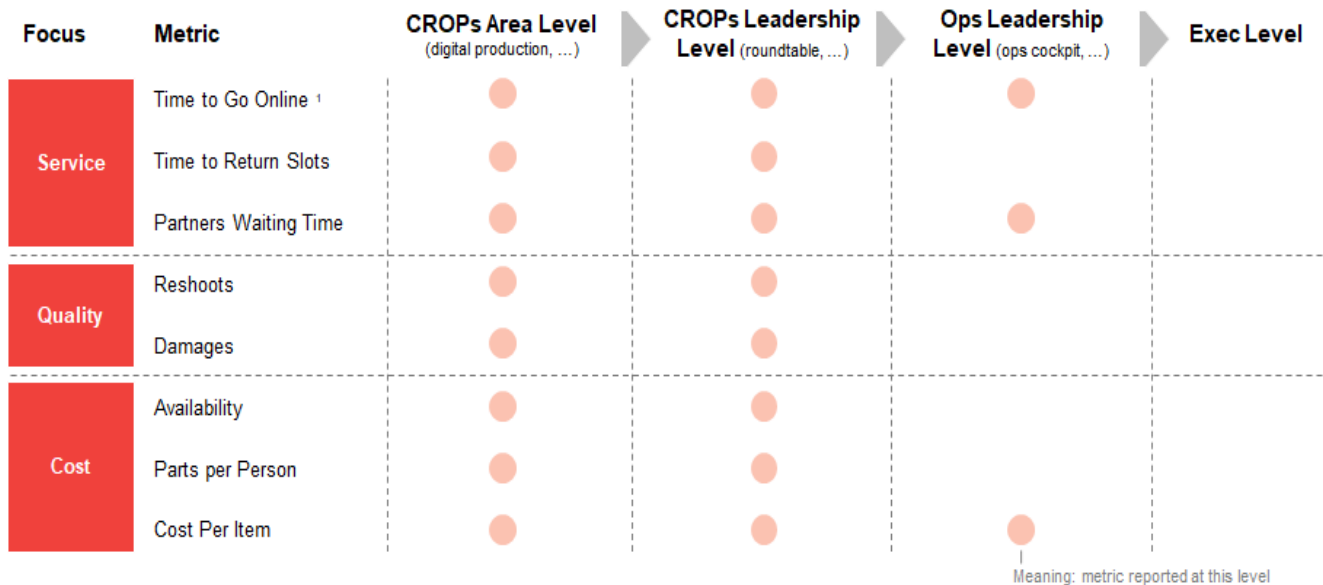


Figure 22 - Main metrics conveyance throughout organization

Subsequently to the mapping of the existing metrics and reports (and routines), the relations of the department with external teams were mapped. Since CROPs has a central position in the Supply Chain Operations area of Farfetch, the relations of this department should be mapped to understand the flows of information, and how to align operations. Appendix B presents the map of the relations of each team of CROPs. Nevertheless, from this mapping process, the most evident outcome was the confirmation of an interdependent relationship that every team has with Commercial, Marketing, and Partner Success teams.

After the mapping of metrics and relations, CROPs performance information becomes available in a single source, the existing metrics are structured, agreed, and exhaustively documented, and the relations of every team are outlined. This task enables a more structured and informed discussion about performance and reduces the research work necessary for a layperson to comprehend CROPs performance management system.

Improvement Opportunities Identification

Alongside the construction of a solid base of knowledge about CROPs processes and performance tools, the collection of issues was carried at each level of the department. The collection of these difficulties intends to serve as a base of information about CROPs performance management limitations. From this base, the opportunities considered framed in the Performance Management project scope are selected and structured to be addressed and planned during Organizing and Preparing phase.

Opportunity identification comprises two activities: collection and processing. The first occurred during the meetings with analysts, CROPs Vice President, senior managers, and during informal interactions with other members of the department. The second comprises the informal process of extracting concrete and actionable information from these interactions.

Collecting information from persons is an organic and iterative process. Human communication is not direct, unbiased, and precise, and different persons communicate in different ways. The collection of data or information from stakeholders is most fruitful if the interviewer is capable of adapting communication to the person addressed, maintains the

focus on the interaction objective and smoothly guides the meeting towards the achievement of this objective. However, to be able to do that, the purpose of the meeting should be previously defined, and its participants should be carefully chosen.

The processing activity requires the analysis of the collected information, the disposal of irrelevant material, and the structuring of the remaining information from unconnected problems to actionable improvement opportunities.

The problems collected at each level of CROPs are listed in Table 1. After the analysis of each problem, it is evaluated (in Processing Outcome column) if they frame in the project scope (if they do not, the problem is marked with a X), and similar problems are aggregated to be simultaneously addressed (problems with the same letter attributed, are combined in a single improvement opportunity). Additionally, problems were divided into areas: Communication, Finance, People, Metrics and Projects.

Moment of collection	Problems	Processing Outcome	Block
Sessions with analysts	Data collection: since there are a great variety of systems to collect data, dataset is redundant and unstructured;	X	
	Indicators are not fully defined nor documented, creating doubts and misalignments regarding the information they convey;	A.1	Communication
	People attendance data is not collected: this lack of workforce control turns hard to calculate efficiency measures or forecast capacity to plan production;	X	
	People allocation to cost centers is underdeveloped: besides stunting cost accountment for each process' steps and hampering profit assessment in projects or BUs it also turns hard to manage workforce expectations since it's not possible to understand who is performing direct and indirect labor;	B.1	Finance
Meeting with CROPs top management	Information conveyed to upper levels should be more relevant and actionable. Graphs are usually too detailed, and reports do not communicate causes of variation, challenges or ongoing actions to mitigate problems. Decision making process delays due to poor performance communication;	A.2	Communication
	Production capacity is hard to account for therefore expectations management is underperformed;	X	
	Extra requests to production are usually indiscriminately accepted. The impact of these requests is not measured and thus overtime hours are a recurrent to meet demand;	C.1	Communication
	Lack of quality metrics to assess business compliance and impact on business;	D.1	Metrics
	CROPs' tech needs have a low visibility at the organizational level due to deficient communication on necessities;	E	Communication
	Hiring necessities, risks to recruitment and impact of noncompliance should be assessed;	F	People
	Lack of leading indicators and proactive mindset;	D.2	Metrics
	Need for a formal report to convey performance information to the Executive level;	G	Communication
Interactions with senior managers	Monthly financial report lags almost two months and information becomes hardly actionable;	X	
	Cost allocation is not aligned with management needs: resources should be divided into direct and indirect;	B.2	Finance
	Reports convey too much data but do not communicate problems and extracting causes and actions becomes cumbersome;	A.3	Communication
	Missing ways to measure creative performance impact on business;	H	Metrics

Interactions with senior managers	Lack of capacity from Finance to deal with always arising requests;	I	Finance
	Commercial and Marketing activities are misaligned: items that do not sell are sent to be produced;	C.2	Communication
	Need for an end-to-end vision of the problem;	J	Metrics
	Communication to Operations management level does not clearly convey CROPs reality;	K	Communication
	Financial report conveys too much data and lacks structure and causes of deviations analysis;	L	Finance
	Lack of method and guidelines for managing projects;	M	Projects
	Recruiting report conveys too much information and lacks structure or problems analysis;	N	People
	[B&W] Operational planning and performance monitoring are basic;	O	Metrics
	[B&W] Financial planning and performance monitoring are basic;	P	Finance
	[B&W] People planning and monitoring are basic;	Q	People
	[B&W] Partner tickets are not insightfully analyzed so that proactive responses may be developed.	R	Metrics

Table 1 - Problems listing and processing

The Communication block concerns problems that denote a lack of structures to communicate and manage performance correctly. Metrics block emphasizes the necessity for the implementation of new metrics or analysis, or the improvement of existing ones. Projects block highlight the lack of guidelines to manage projects. Finance and People blocks relate to problems felt by CROPs managers regarding the performance management and reporting tools produced by those areas.

It is essential to stand out that the problems excluded in this processing derive from limitations in the collection of data by the information systems, and it is only possible to address them after the restructuring of these systems.

The identification of the problems felt at CROPs closes the rounds of meetings and, consequently, the Starting the Project phase.

In the Organizing and Preparing phase, the problems collected and processed (denoted in Table 1) are structured into concrete improvement opportunities. For each of these opportunities, mitigation actions are proposed. Afterward, considering the actions formulated, opportunities are ranked according to two criteria and prioritized, to be, posteriorly, planned. For the opportunities already addressed, it is also described the process of implementation.

4.2 Organizing and Preparing the Project

The opportunities formulated after the processing of the problems are presented below. They are structured according to the blocks to which they are assigned (Table 1), and the problems that support their formulation are presented between square brackets with the key designated to them in the column “Processing Outcome” of Table 1. The number attributed to each opportunity in the following list is, from now on, used as an identification number (ID). For each opportunity, mitigation actions are proposed. However, those actions are drafts for a posterior action and may be changed during the progress of the project.

COMMUNICATION

1. Definition of a framework to assess external requests for production [C.1 and C.2]

This opportunity proposes the definition of a framework to align the activity of CROPs, Commercial, and Marketing teams. This framework should include the

creation of bi-annual routines to align strategy, goals, plans, and activities. It should guarantee the discussion of the measures, used by each team, that influence or are influenced by the other teams' performance. For those metrics, teams must ensure congruent targets that convey a unique interpretation of the supply chain performance. Additionally, they need to create and plan alignment routines to evaluate this performance, discuss arising opportunities and threats, and to agree on future actions.

The alignment of those teams increases the customer focus since it allows the supply chain to respond to customer arising necessities in an integrated manner.

2. Enhancement of Ops Cockpit report [K]

Ops Cockpit is a monthly meeting between Farfetch's Operations managers to share and align activity. Each team prepares its slides that are, after that, aggregated and presented in a unique deck. This opportunity proposes to analyze the slides already used and improve the graphs conveyed, adapting them to the audience purpose and convey information and insights that quickly convey the CROPs performance status and how it can impact the business. A benchmark of other teams' slides will be performed alongside the research of reporting management best practices and data visualization techniques.

3. Design of a platform to formally communicate CROPs performance to the Executive level [G]

This opportunity comprises the creation of a monthly report for CROPs leadership and Executive level to aggregate and synthesizes the relevant managerial information regarding CROPs Operational status, Finance, and People activity. First, one analyzes which performance information is more relevant for these stakeholders, and then it is constructed a report that displays that performance information according to reporting management best practices. CROPs Vice President is lastly approached to evaluate the report and give feedback.

4. Structure a framework to improve performance communication and strategic commitment within CROPs [A.1, A.2 and A.3]

The improvement of internal performance communication at CROPs encompasses several initiatives. First, the documentation of every metric (already performed during this project), processes, routines, and reports must be ensured. This documentation intends both to list the existing measures to enable a more efficient search, but also, force teams to agree on performance metrics and check for redundancies in the organization. An analysis of the metrics used should be performed to guarantee they are cascading throughout the organization and congruent targets. Also, standards of reporting should be created and applied to the department. Templates should be spread to the teams to assure the format and visual alignment; methods of processing of data and reporting should be conveyed and trained with the teams and data visualization techniques should be considered. Additionally, root cause analysis should be taught and encourage to analysts so that reports and dashboards can convey performance insights rather than meaningless data.

5. Improve Technological Roadmap [E]

Technological Roadmap aims to annually communicate the technological projects that will be occurring during the year in CROPs. Although this Roadmap already exists, it conveys neither CROPs technological needs nor its priorities. This improvement intends to apply techniques of tactical planning (section 2.3) that help to prioritize projects using robust criteria and enable them to plan and predict the resources and time necessary for the project development. Simultaneously, it is proposed to create

stable structures that allow conveying CROPs technological needs to the organization (and capture Farfetch's Tech&Product team support).

FINANCE

6. Reinforcement of CROPs financial report [L]

CROPs financial report reinforcement intends to improve the communication and visualization of financial information through the application of data visualization techniques, analysis of variations and root causes and the support of reporting management best practices (such as adapting the information to the receiver and emphasizing quickly available information rather than accuracy). This opportunity will be addressed in collaboration with the Finance.

7. Reallocation of production resources [B.1 and B.2]

The reallocation of resources implies a case by case verification performed collaboratively by the Planning, Financial and People teams. This reallocation is primarily done at People's platform with the support of Planning team (that as a deeper knowledge of the field and can confirm what task each person performs). After this update, Financial and People teams must update their internal tools so that the performance reports sent to CROPs managers can denote the reallocation.

8. Shape of a Financial Roadmap [I]

The Finance team allocated to support CROPs does not present a roadmap with the initiatives planned for the year nor uses a structure to prioritize the emerging requests. With this opportunity it is intended to design a roadmap that denotes CROPs financial needs and priorities. This roadmap will be developed in collaboration with the Finance team, so that projects can be formally defined (according to the tactical planning best practices), prioritized and the resources and time needed can be planned (using the project management learnings).

9. Consolidation of B&W financial report [P]

The aim of this task is to provide financial information to B&W and enable a client by client view of performance, particularly important regarding Black&White business model. This opportunity is dependent of the ongoing launch of financial control systems and the reallocation of resources so that a cost can be assigned to particular projects. Additionally, when financial information for B&W is available, the financial report needs to be designed according to the best practices of reporting management.

PEOPLE

10. Development of hiring reports for B&W [Q]

This opportunity comprises the development of a recruiting report for B&W, in collaboration with the People team. This report intends to convey the recruiting needs of the business and the hiring status so that B&W manager can understand the business capacity and be able to prioritize projects according to the resources available.

11. Revamp of the communication process about human resources necessities [F]

Human resources are extremely important at Guimarães production centers because the professionals' market (particularly senior stylists and photographers) is too small to respond to Farfetch necessities. Thus, this opportunity intends to improve the communication of CROPs middle level managers with the people team, through the shaping of meetings to discuss recruiting needs and priorities, predict risks for the recruitment process (for example, understand which professionals are harder to find), plan actions to address those risks, and evaluate the impact of those risks on business

(for example, how the inability to contract a specific professional impacts the business or constrain the progress of an initiative).

12. Refinement of the existing recruiting report [N]

The refinement of the recruiting report is linked with the previous opportunity; however, it is more straightforward. The objective of this initiative is to adapt the existing report to the top managers necessities. The current report is too detailed and lists exhaustively the jobs contracted during the previous month. The purpose of this refinement is to create a more aggregate view of the resources hired and emphasize the jobs that were not hired and what impeded those recruitments so that managers can act on the problems. The improvement of this report will be performed in collaboration with the People team.

METRICS

13. Development of an improvement process for Creative Services [H]

Intends to evaluate the impact of creative performance (casting, styling and imagery) on business metrics such as conversion rate or returns through intensive data analysis. To perform such evaluation, improved creative standards should be exhaustively defined by Creative Services so that they can be flawlessly applied at production. Only small changes to the former standards should be tested in each endeavor, to allow the establishment of assignable cause-effect relations. The aim of the inference of such relations is to iteratively apply creative techniques that have positive effects on business metrics and result in a good impact for Farfetch, feeding an improvement loop.

14. Revamping of the nomenclature of “Time to go Online” indicator [J]

Alter “Time to go Online” KPI for “Production Leadtime” to better convey metrics scope and to get space to create an end-to-end metric with that name. This opportunity requires the communication of this change by the managers (so that it can be altered in reports and dashboards) and the study and design of a new metrics that represent the item’s entire journey (physical and digital).

15. Definition and launch of quality metrics to evaluate the product of CROPs [D.1 and D.2]

This opportunity relates to the definition of quality metrics that are able to measure CROPs final product and process quality and understand the impact of quality increase on business metrics such as conversion rate or returns. Although, CROPs is increasingly oriented to quality, there are still no available metrics to measure this objective. The design and implementation of such measures is part of this project scope. After the implementation of such metrics, supported by the Performance Measurement theoretical framework provided in section 2.3, a cause and effect analysis is intended to be performed to understand how content’s quality influences the business performance, and to extract actionable learnings to implement in the field, feeding an improvement loop.

16. Improvement of client’s tickets tracking process for B&W [R]

The analysis currently performed for B&W partners’ tickets (tickets are communications of problems by partners) is merely statistic and does not provide insights regarding the problem neither extract root causes for those problems. The goal of this opportunity is to analyze trends on B&W partners’ tickets, enable communication of the most common problems and causes that drive them, trigger a learning and improvement process and encourage a proactive mindset. This work should be done collaboratively with the Black&White delivery managers team (responsible for the contact with the partners). Besides the development of this

analysis, it is necessary to create a mean (report or dashboard) to communicate its results and push the team to critically analyze them and infer causes (joining their empirical knowledge with the statistical evidences).

17. Implementation of performance management system at B&W [O]

The implementation of a performance management system at B&W implies that the data collecting systems are extended to this BU (on going) and the existing metrics are adapted to this business model and its strategy and new targets are defined. This work will be supported by the frameworks for performance measurement and performance management presented in section 0. After that, it is necessary to understand the main information flows to create reports and dashboards adapted to these flows. Farfetch reports will serve as a base for benchmarking but the feedback of B&W participants should be taken into account and may lead to changes in the format and content of the reports.

PROJECTS

18. Formulation of a framework for project management [M]

This last opportunity encompasses the need to define and structure guidelines to support project management practices such as building a business case, planning and budgeting. This opportunity addresses mainly the application of the learnings presented in section 2.1 but also the research of best practices for project management. The result expected is a unique folder where project managers can find all the material necessary to support a project management, such as templates for decks or documents, good practices for each task and charts that convey the tasks involved in each step of project.

After the proposal of actions to address the opportunities, it was possible to rank them according to two variables: Effort and Impact. The first defines the amount of time and resources needed to deliver opportunities' proposed results, and the second evaluates these results according to the repercussions that they are expected to have on business or CROPs performance. Scoring opportunities carries a certain level of subjectivity. Nevertheless, this task is supported by the feedback collected during the meetings with CROPs managers and the evaluation of the actions proposed for each opportunity.

Once opportunities were ranked, they were plotted in an "Effort vs. Impact" matrix. This matrix segments opportunities in four quadrants: *Quick Wins*, *Big Projects*, *Maybes*, and *To Be Done* (TBD). *Quick Wins* are opportunities that do not imply significant spending of resources but result in a positive impact on the business. *Big Projects* are opportunities that introduce important changes in the business but require more spending on resources and, thus, more planning. *Maybes* do not require a great effort to the organization but do not deliver a significant effect, and *To be Done* are ambitious projects that do not deliver a high impact to the business.

To assure that the classification of opportunities was aligned with the stakeholders' expectations, two meetings were scheduled: one with Operations Strategy Director and another with Creative Operation Vice President. Some adjustments were made to the original proposal to incorporate these stakeholders' feedback. Figure 23 shows the prioritization matrix approved.

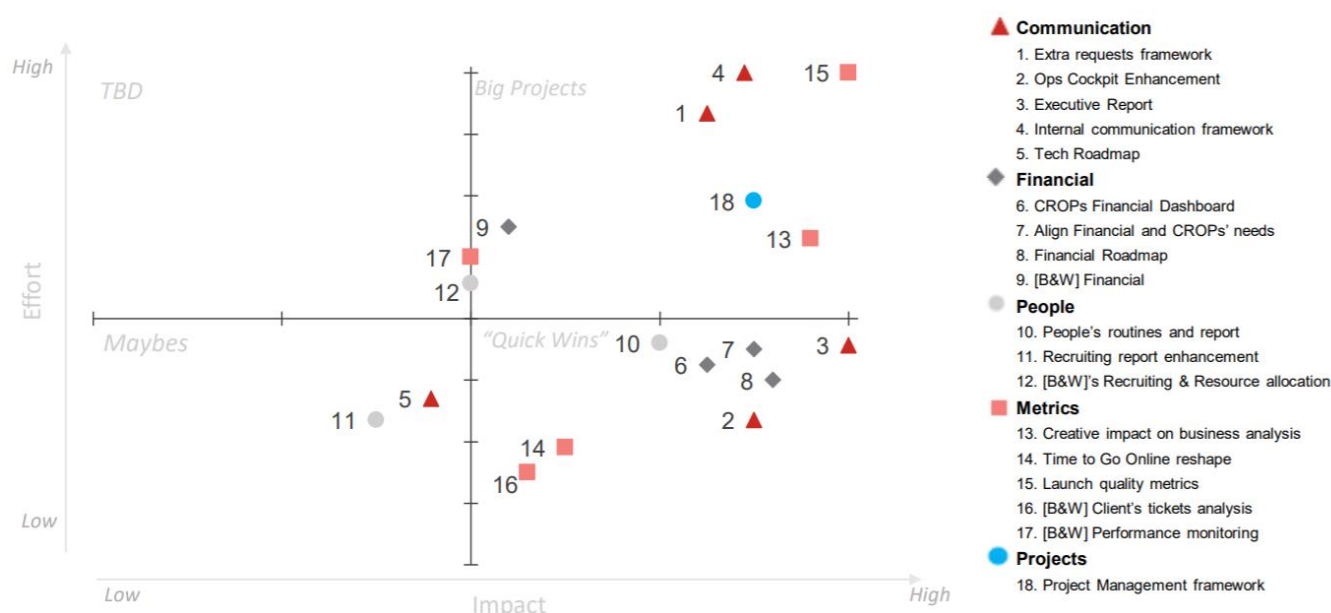


Figure 23 - Opportunities identified mapped in a prioritization matrix

Opportunities that result in a significant impact on the business will be firstly addressed. Quick Wins will be implemented in the first place since they require lower effort and deliver a good impact. Furthermore, they show results in the short term and, thus, reinforce stakeholders buy-in. Big Projects are generally more absorbing and time spending initiatives that require to dig in the organization. They often result in the identification of new improvement opportunities and the specification of new Quick Wins and Big Projects. Therefore, Maybes and To Be Done opportunities will only be contemplated if resources are still available after dealing with Quick Wins and Big Projects.

The plan for the implementation of the opportunities identified comprised the Quick Wins and the Big Projects. It was divided into two phases, contemplating first the implementation of Quick Wins, followed by Big Projects. Each phase is composed of the implementation of the initiatives listed in Figure 23.

Quick Wins

Quick Wins were the first opportunities to be considered and planned due to their simplicity and effectiveness delivering results.

During the interactions with stakeholders (especially with the managers) organizational problems were discussed. These discussions raised managers' awareness of the problems, but mostly, led them to be more proactive in their response. During the discussion of these problems, managers required a rapid action to address initiatives 14 ("Time to go Online reshape") and 3 ("Executive Report Launch"). Opportunities 2 ("Ops Cockpit Enhancement") and 14 ("Time to go Online Reshape") are addressed subsequently, and the discussions with Finance and People business partners prepares the implementation of the last Quick Wins. The discussion with these stakeholders was left to the end since these are the Quick Wins expected to be the lengthiest.

The timeline for this phase, with each initiatives' tasks discriminated, is presented in **Erro! A origem da referência não foi encontrada..**

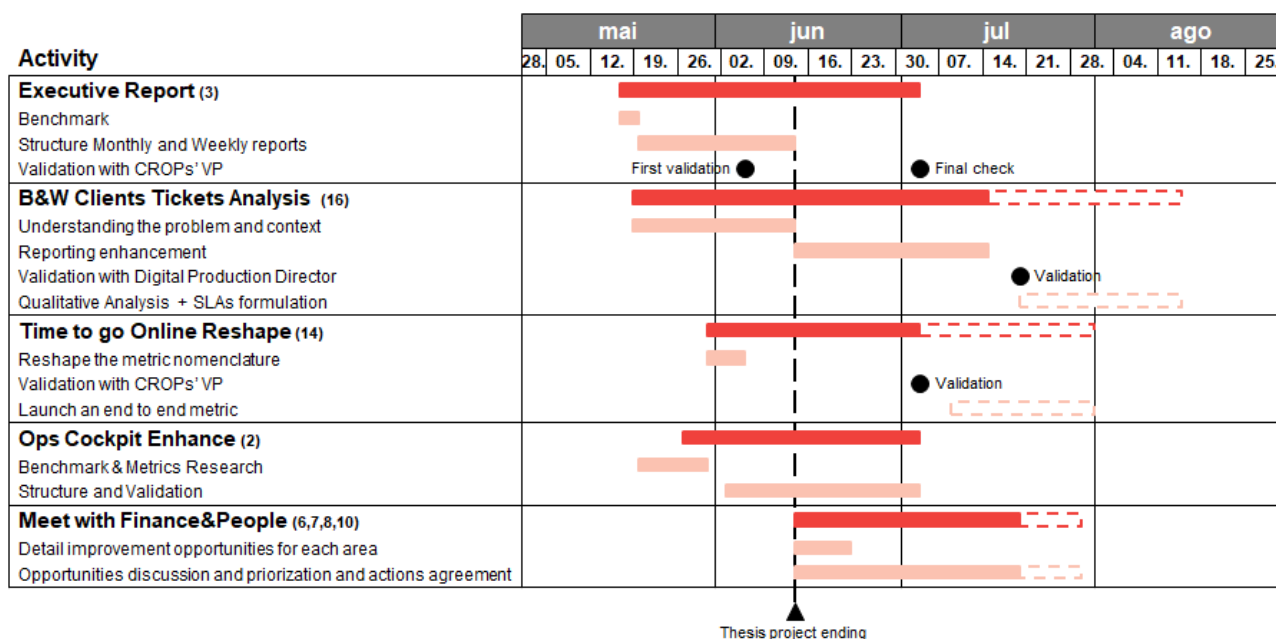


Figure 24 - Quick Wins addressing timeline

The implementation of Finance and People opportunities does not occur during the time frame of the masters' dissertation. However, this document contemplates a brief plan for the preparation of the implementation (**Erro! A origem da referência não foi encontrada.**) along with the business partners. First, the reports sent by Finance and People Teams need to be exhaustively examined. Then, it is intended to reevaluate the proposed actions for these teams' opportunities (presented previously in this chapter) and draft the tasks that need to be performed during the implementation. This proposal needs to be agreed with the stakeholders in order to define future actions jointly. Additionally, the parts (project's team and areas' responsible) need to define their roles; opportunities need to be divided into smaller tasks and attributed to one of the involved and deadlines must be defined.

Executive Report

The launch of the Executive Report (initiative 3) was the first opportunity addressed since CROPs Vice President (VP) emphasize its need. First, a benchmarking with other executive reports was performed to base this development in good examples. The format of the report was defined to be a monthly PDF divided into three sections: Operational, Financial, and People status. The elaboration of each section was based on the reports sent by each team to the CROPs VP and his feedback regarding what he considers essential and accessory. A proposal of each section was presented and discussed with the areas responsible, and CROPs Vice-President evaluated the first version of the report and proposed some changes. The version presented during this interaction (Operational and Financial sections, only) pictures in Figure 25. Appendix D presents the section for People.

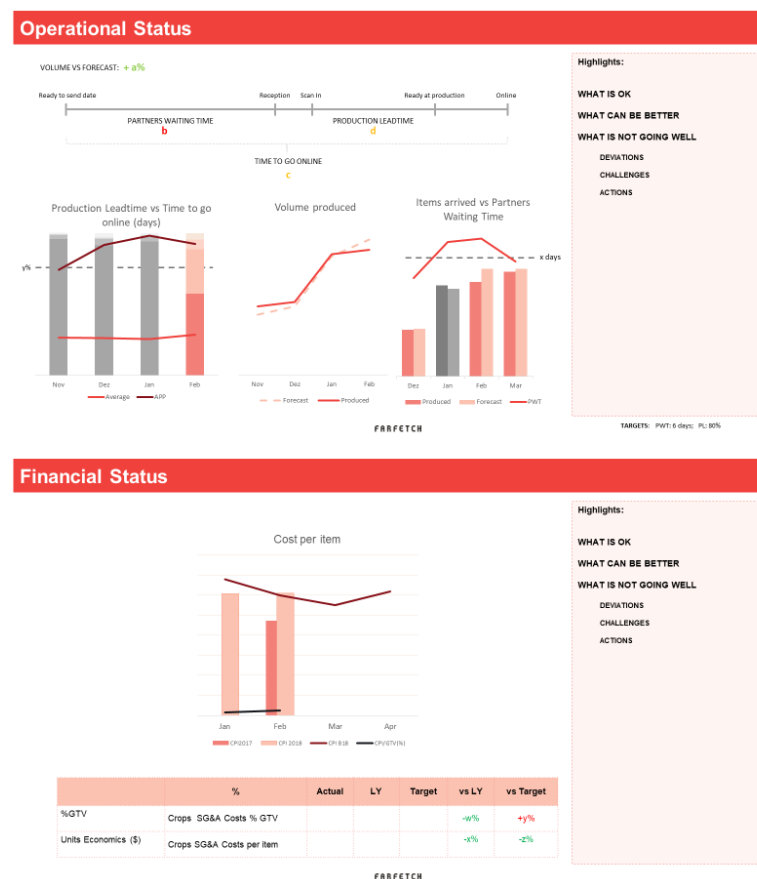


Figure 25 - Operational and Financial sections of the Executive Report (first version). In the Operational section, the rose bars denote the months when the targets for the metric presented were not achieved

The changes and next steps agreed to this version are:

- Check of the possibility for the launch of Time to Go Online metric (relates with initiative 14). Meanwhile, use the Available on Partner to Produce (APP) metric (without the time between Ready at Production and Online).
- Compare Time to Go Online or APP with Production Leadtime is misleading because the first is measured in calendar days and Production Leadtime is measured in working days. Evaluate the change of Production Leadtime accountment for calendar days.
- The cost per item is not useful for managers. A Cost per Order metric is more suitable for the business model. Evaluate this possibility.

The primary purpose of this report is to aggregate CROPs performance updates in a single visual and simplified document from where top managers could easily and quickly understand main performance issues. During the design of this report, one takes into account best practices for reporting management. Relevant information was chosen and adapted to the receiver by disposing of the operational details of the data, such as exact numbers of items produced or percentages of the Service Level Agreement (SLA). Information is shown visually (with timelines that inform what is measured, a color, rose, that indicate the non-compliance of a metrics, and stoplight colors to convey status (red indicates the need for the manager action, yellow represents risks being addressed, and green indicates that things on target). There is a space for comments and insights, and it a proposal of structure for analysis. For problematic situations, analysts should denote deviations and their causes, and propose mitigation actions.

B&W Clients' Tickets Analysis

Regarding initiative 16, the project's team and B&W delivery managers are already analyzing the main problems reported by the B&W tickets. This analysis intends to provide insights to the business unit about the situations and actions that are unsatisfying clients. Afterward, the existing report needs to be enhanced with new statistical analyses and visualization techniques. It also needs to convey insights that enable the team to better understand the problems that are affecting performance. After the presentation of this report, and if Digital Production Director agrees to, a second moment may start. A deeper analysis may be convenient to analyze how to improve the response to client and if more data needs to be collected. Also, the existing metrics have not defined targets. These need to be established and implemented during this second moment.

Time to Go Online Reshape

The initiative 14 comprises the alteration of the nomenclature of *Time to Go Online* to *Production Leadtime*. The change was communicated by email, and the responsible teams updated the reports and dashboards where the metric was pictured. Simultaneously, the possibility to create an end to end measure was studied.

After the discussion with CROPs managers, it was evident the necessity for a metric that measures the time between Ready to Send Date and Online (at Front Office). The time between Ready to Send Date and Ready at Production (after upload and descriptions) is already measured, but no analysis is made to the time between Ready at Production and Online. Though time can be measured, its results are not trustworthy. Thus, it is not being used to extract conclusions and drive actions. The next step in this initiative is to assess if CROPs senior managers prefer less accurate visibility of the whole process or if an additional investment should be made to evolve an accurate analysis.

Ops Cockpit

The improvement of Ops Cockpit (initiative 2) derives from the design of the Operational section of the Executive Report. Before the development of a proposal, the initiative was explained to the Planning team's Head, his expectations were understood, and his commitment ensured. By the end of this thesis a meeting is scheduled to discuss the proposal (available in the Appendix E).

Big Projects

Big Projects are addressed once the Quick Wins implementation is ended. Big projects are initiatives that require a significant amount of resources and time, hence, it is necessary to divide these initiatives into phases, to assure focus and gradual achievements.

The approach used to rank these opportunities is similar to the one performed in the Effort vs. Impact matrix, but this time, Effort criterion is replaced by Urgency.

First, Big Projects were grouped according to similar scores of Impact, (the opportunities addressed by each group are presented between squared brackets) that create blocks of projects to be addressed simultaneously. The opportunity grouping by Impact resulted in four blocks, presented by decrescent order of Impact:

1. Quality metrics launch & Creative Performance Loop [13 and 15]

This block comprises the implementation of metrics to evaluate product's quality and creative performance and the development of intensive data analyses to understand the impact of these variables on the business. The results of these

analysis should be used to evaluate the business and lead to continuous improvement actions.

2. Project Management Framework [18]

3. Internal & External Communication Framework [1 and 4]

The joint implementation of these projects enables synergies in the implementation of improvements in performance communication at CROPs. Firstly, it permits a global analysis of the information flows (internal and external). Secondly, it allows reducing the number of interactions with stakeholders (since it is possible to join the topics of discussion for both projects in a single endeavor). Finally, internal opportunities may arise during the addressing of external initiatives, and vice versa. The joint implementation of these projects allows the exchange of insights and the implementation of previously unidentified opportunities.

4. Black & White Performance Management Implementation [9, 12 and 17]

This endeavor aims to provide a multifunctional performance management system for Black&White production. It encompasses the launch of operational metrics; the revamp of financial analysis (to assure that costs are allocated to projects) and the report of recruitments information. Additionally, it requires the design and launch of the reports that convey this information.

Opportunities were ranked according to their Urgency. The fourth block is considered the most urgent since performance information for Black&White is barely existent, and the business unit is growing. Internal & External Communication framework is considered as urgent since the inefficient and ineffective communication at CROPs is creating obstacles to quick decision making. For circumstantial reasons, Project Management Framework need to be soon implemented: many strategic projects are currently being implemented in CROPs (as referred in 3.3 Background and Situation Review), which allows to take advantage of synergies and emergent learnings to build this framework. Finally, the Quality metrics launch and Creative Performance Loop, regardless of having a significant business impact, were not considered urgent. The results are plotted in Figure 26.

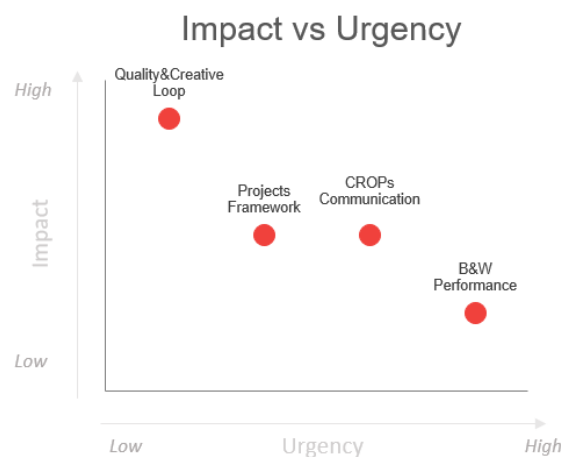


Figure 26 - Impact vs. Urgency Matrix

Implementation is defined from the most urgent to the least, meaning that B&W Performance Management Implementation will be implemented first, along with Internal & External Communication Framework, followed by Project Management Framework and Quality Metrics & Creative Loop. Figure 27 presents the resultant timeline.

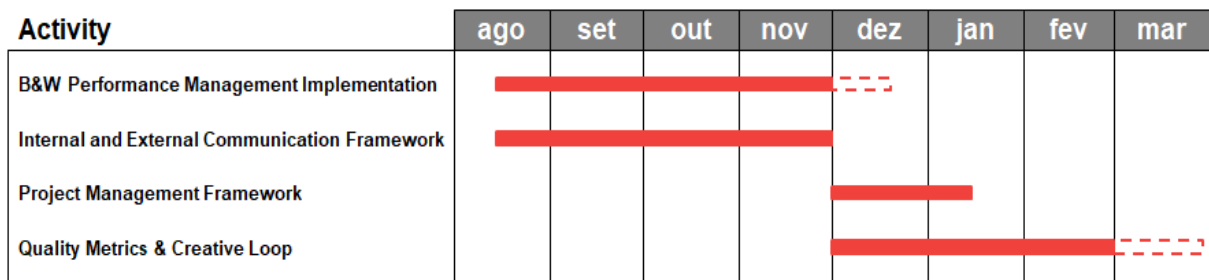


Figure 27 - Big Projects Implementation Timeline

Big projects will be addressed in groups of two. Regarding their period and what started to be made to tackle them, some considerations should be taken into account:

- B&W Performance Management Implementation was considered as a lengthy initiative since it evolves the mapping of activities, the implementation of control systems and the adaptation of the existing metrics to fit Creative Production necessities. The identification of this initiative raised the necessity for a person that supports Black&White performance management. The recruitment process to find a project manager to implement this initiative and support the performance management has already started.
- Internal and External Communication Framework is also a demanding project. The mapping of reports, metrics, and structure and the implementation of changes in the reporting *modus operandi* will be made with the support of CROPs senior managers and initiatives such as the “CROPs Routines” project, to document and structure routines, are already being addressed.
- The Project Management framework is a block deemed as shorter than the others since it only embraces one Big Project. This project aims to create a support for the projects’ managers, that collects the tools and knowledges needed to manage a project effectively. Some developments regarding the budgetary control are already being made by the ongoing projects’ managers and the financial business partner.
- Quality metrics & Creative Loop was considered the lengthiest project. It first will involve the creation of quality metrics to assess performance and secondly it will require data analysis that will continuously feed the project with new improvement opportunities and therefore creating an enhancement loop that can extend the project’s length forecast. An analysis regarding creative performance and, in particular, how models’ and stylists’ performance influence conversion rate has already started being developed and the knowledge extracted will be used to feed the Creative Loop initiative.

4.3 Summary

The work developed expects to deal progressively with the main improvement opportunities identified in performance management in Creative Operations at Farfetch. As clarified during this chapter, this project aims to focus not just on gradually revamping the tools that communicate performance but also instigating better and lasting habits in the organization’s performance management.

5 Conclusions

The objective of the Performance Management project was to build the foundations for a new performance management system for Creative Operations at Farfetch. This dissertation focuses fundamentally on the Starting of the Project and on Organizing and Preparing its initiatives.

Firstly, the causes that lead to CROPs' lagging performance management and communication were studied. It was clear that these causes mainly derive from the company's exponential growth and resource scarcity. These factors led the department to focus on satisfying business demand, leaving performance management to a second priority.

The impacts of this evolution were evident across the CROPs activity: top management did not cascade down the roles within the organization, the whole process and metrics were not documented nor unanimously agreed, and the manager's decision-making process became cumbersome.

Metrics, routines, and relations were mapped, and gaps in performance management system identified. These enable the formulation of improvement opportunities spread to five essential blocks: operational Communication and Metrics, Finance and People information and Project Management.

Once opportunities were clear, action plans for each of them were drawn. The assessment of these actions and the feedback of stakeholders allowed the scoring of the initiatives according to two criteria: Effort and Impact. After this rank, opportunities were plotted in a matrix Effort vs. Impact. The initiatives with higher Impact were the ones chosen to address.

From the initiatives chosen, the ones that imply a lower effort were privileged: Quick Wins. These are able to, with a low resource commitment, deliver significant results to stakeholders and guarantee their project's buy-in. For the opportunities executed during the thesis time frame, the process of implementation was explained, and their status at the end of this dissertation and the next steps planned for each of them were outlined.

With the initiatives with higher effort (Big Projects), there were formed four groups of opportunities with similar Impact that were ranked according to a new criterion: Urgency. The initiatives considered urgent were privileged during the definition of an implementation plan.

The realization of this project allowed, first of all, to aware managers for the performance management problem and guarantee their commitment with its resolution. Also, it provided the chance to list and structure all the metrics and relations of the CROPs department, identify the most prominent opportunities for improvement in performance management, and propose actions for each of them. Furthermore, this project delivered a plan for their implementation, and CROPs was able to start the implementation of four of the seven Quick Wins planned. The stakeholders' awareness for performance managers problem arose, the resources necessary for Big Projects are being hired, and managers are preparing some of these projects' initiatives.

During this project's progress, three skills were identified as crucial to the attainment of the expected results.

The first skill identified was the ability of filtering, structuring, and concretizing information. The development of this project required several interactions with CROPs' analysts and managers in order to gather the information needed to address the problem. These interactions provided a better understanding of the reality of the organization and how stakeholders perceive the business' needs. However, collecting data from individuals can be time consuming, and the results may be unstructured and subject to bias. During the development of this project, it was clear that, interactions needed to be previously prepared: it should be defined the objective of the meeting, whom to address to achieve this objective and the time necessary to attain it. It was noted that without this preparation, interactions turn vague and unfruitful. Posteriorly, the content gathered should be filtered, and it is necessary to evaluate which of the information collected is relevant and fits in the project's scope. This information should be structured to support the outline of the project's goals and the definition of its initiatives. The goals defined should be as concrete as possible in order to derive into initiatives (and improvement actions).

Secondly, the ability of concretizing and structuring a problem was essential. Addressing a problem as broad as "improving performance management", required a clear definition of the solution that is intended to pursue. This was one of the main challenges faced during this thesis. Without this definition, it becomes difficult to define the projects' direction, the expected deliveries and initiatives, and establish schedules and budgets. Additionally, it is essential to prioritize project's necessities, control the progress and convey the direction to stakeholders. Some tools were used to support the definition of the project's direction: as the use of criteria to prioritize opportunities and the division of projects into tasks to estimate timelines.

Lastly, manage stakeholder's engagement is crucial to guarantee commitment and reduce resistance to the project. Managing stakeholders implies understanding their needs, managing expectations, guarantee alignment, and managing their participation along the project lifecycle. The literature review pointed to a few difficulties regarding stakeholder management, and in fact, this activity was confirmed as one of this project's critical processes.

The challenges felt differ among the levels of the organization. At the operational level, resistance to implement changes in metrics or processes was commonly felt. Also, particular attention should be taken when approaching the areas concerned to the opportunities identified. It is important to guarantee that problems are clearly conveyed and that the involved are aware, comfortable and committed to the changes that need to be implemented. At the managerial level, improvements were well received but maintaining top management awareness and commitment was difficult. It is believed that the need to work actively with so many stakeholders, and mainly, with the department's top management, delayed the project's progress since getting their availability was challenging due to their busy agenda. To rectify this problem, the interactions and their expected outcomes could have been planned previously.

The identification of the project's critical skills and their impact on its development, intends to alert to their consideration during future projects' planning. Additionally, since there is no identified perfect way to define and plan projects, good practices should instead be considered and adapted to the context.

Considering this, it is relevant to expose this project's limitations. First, the development of this project was limited by the problems faced in the department regarding the information systems' structure and data collection. Since information systems restructuring is being undertaken, it was not possible to address the opportunities that depend on data quality, such

as metrics implementation or operational control and also performance measurement revamp. Also, existing performance information was sufficient to enable the development of other initiatives. The consideration of such opportunities was delayed and will be addressed posteriorly to the restructuring of these systems.

Simultaneously, the application of the criteria that defined implementation prioritization is dependent on the project manager's perception and business context. For example, budget limitations may constrain project initiatives; in those cases, other criteria (such as costs) can be more relevant to the analysis. Discuss the plan with the critical stakeholders of the project is essential to understand how to rank the project's initiatives.

The Performance Management project is, however, in its early steps and it is important to bear in mind that since projects are not static, refinements are natural. New initiatives to this project are expected to arise, but it is convenient to ensure that they are appropriately assessed and congruent with the project's scope. It is believed that the work done so far, as described in this document, provides the necessary framework to address new opportunities and to begin and plan future projects regarding performance management and improvement. Essentially, this project was able to settle the bases for efficient and effective business' management.

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Appendix A: Kaplan & Norton strategic map

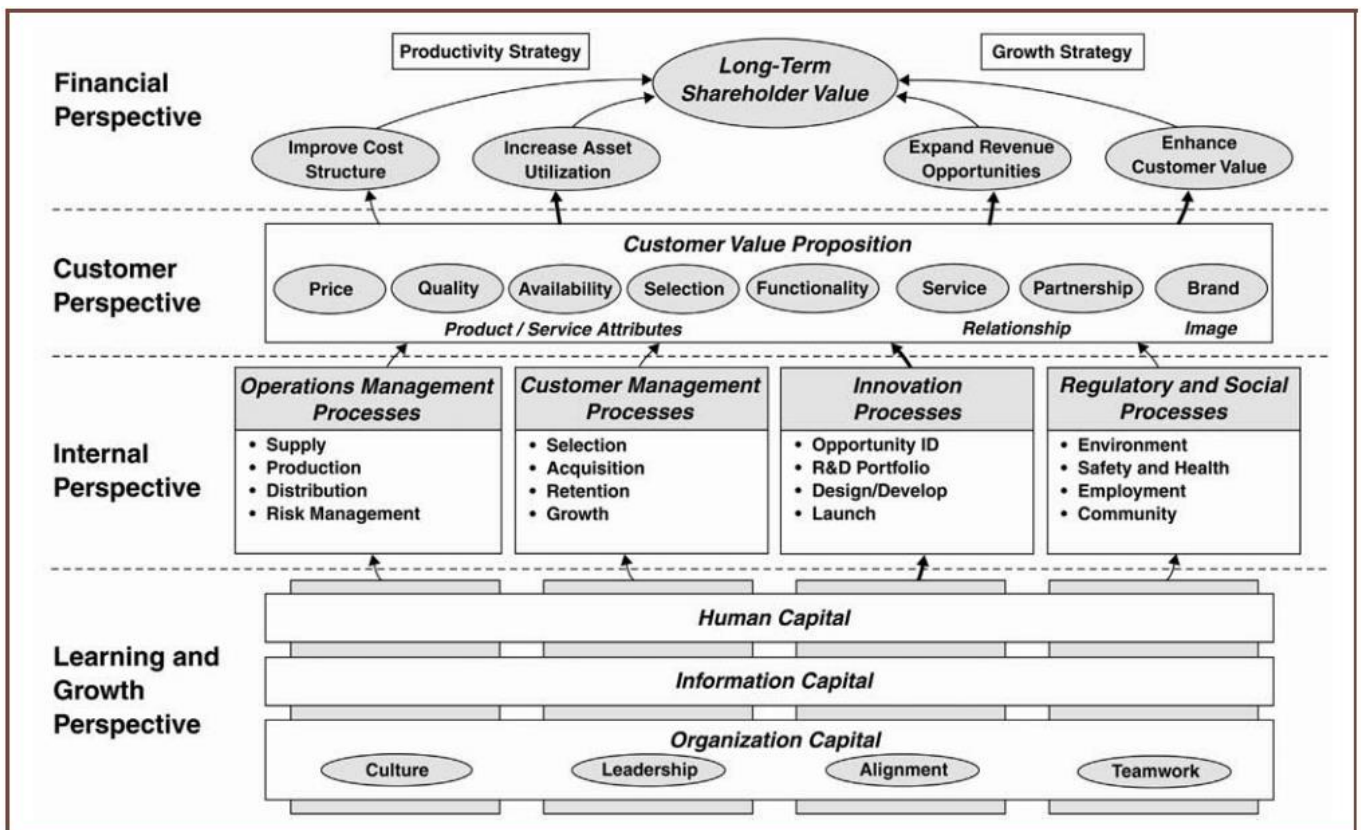


Figure A.1 – Strategy maps represent how the organization creates value. Source: (Kaplan & Norton, 2004)

Appendix B: CROPs Relations Mapping

Creative Services Relations Map

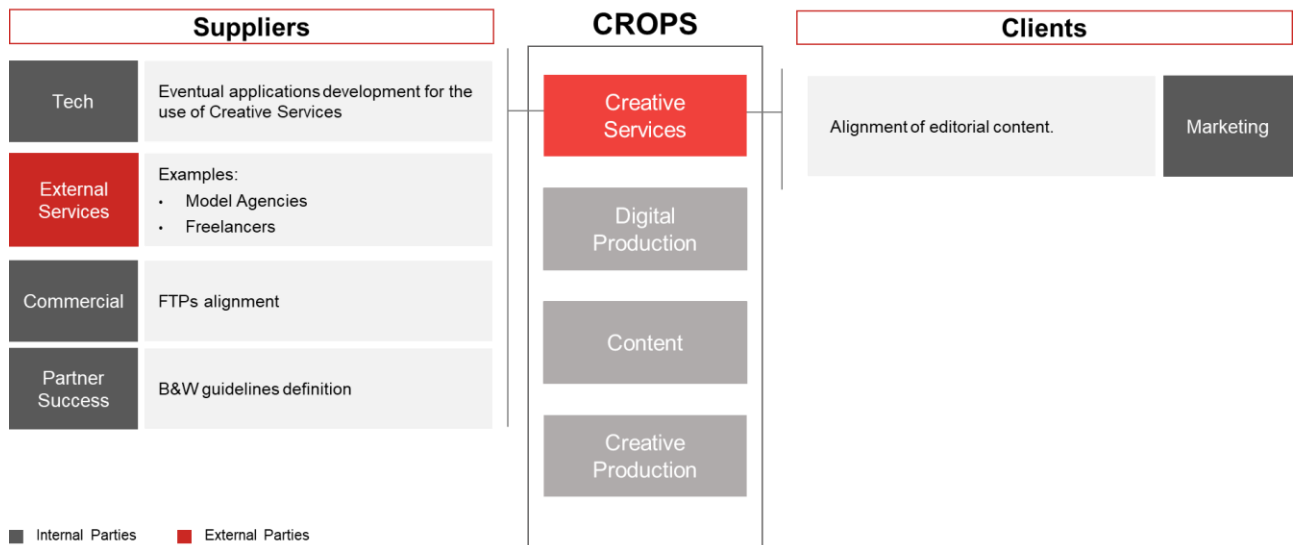


Figure B.1 - Creative Services External Relations

Digital Production Relations Map

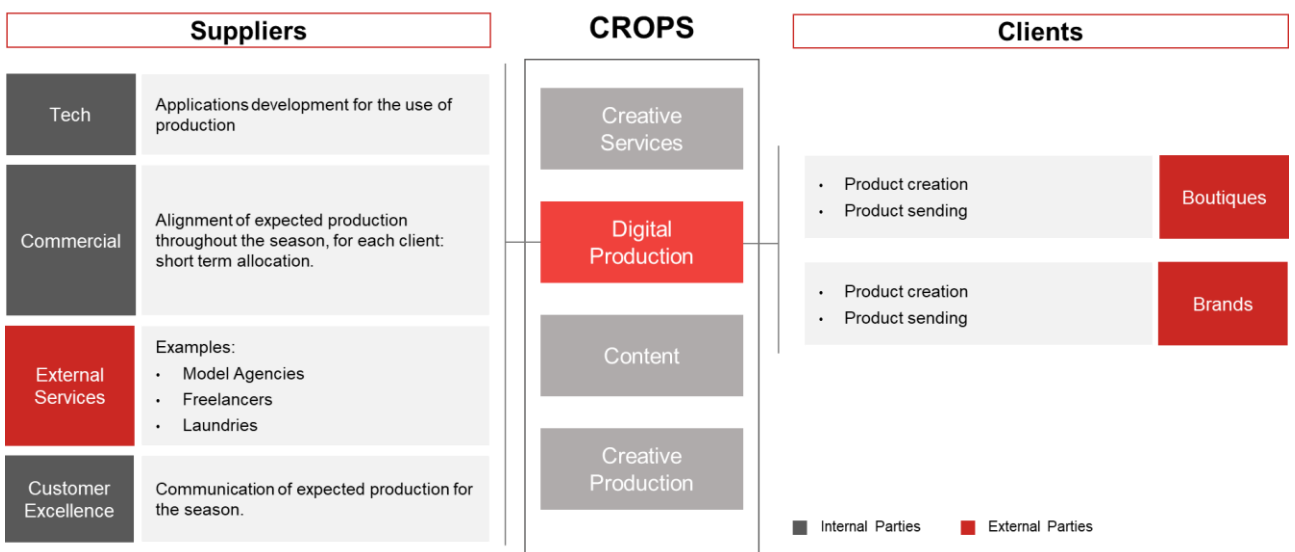


Figure B.2 – Digital Production External Relations

Content Relations Map

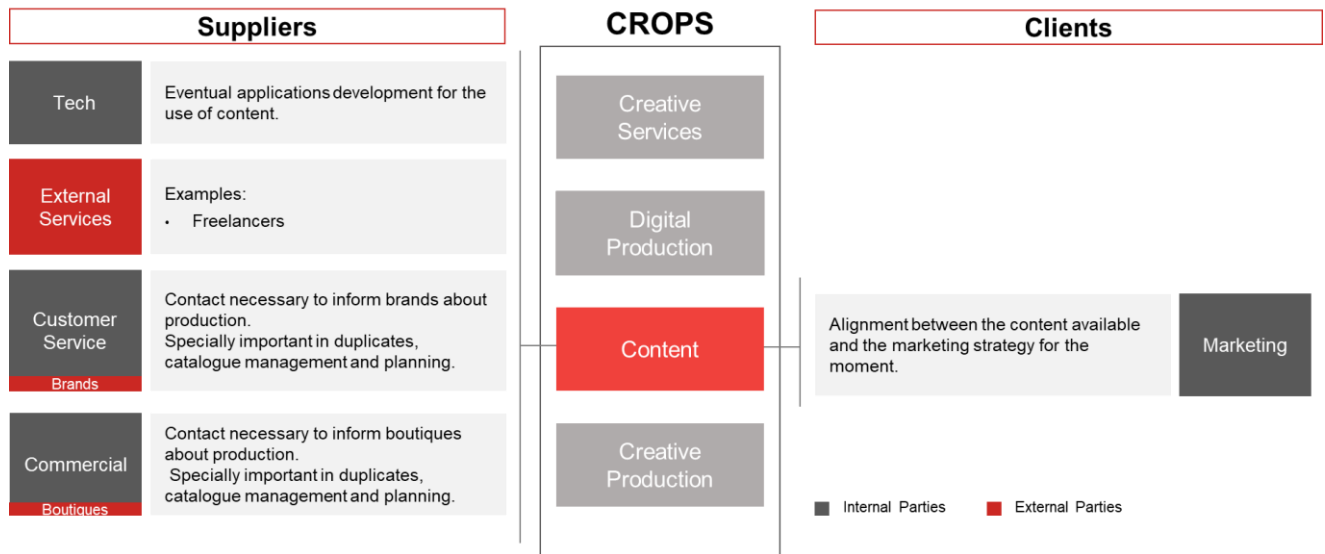


Figure B3 – Content External Relations

Creative Production Relations Map

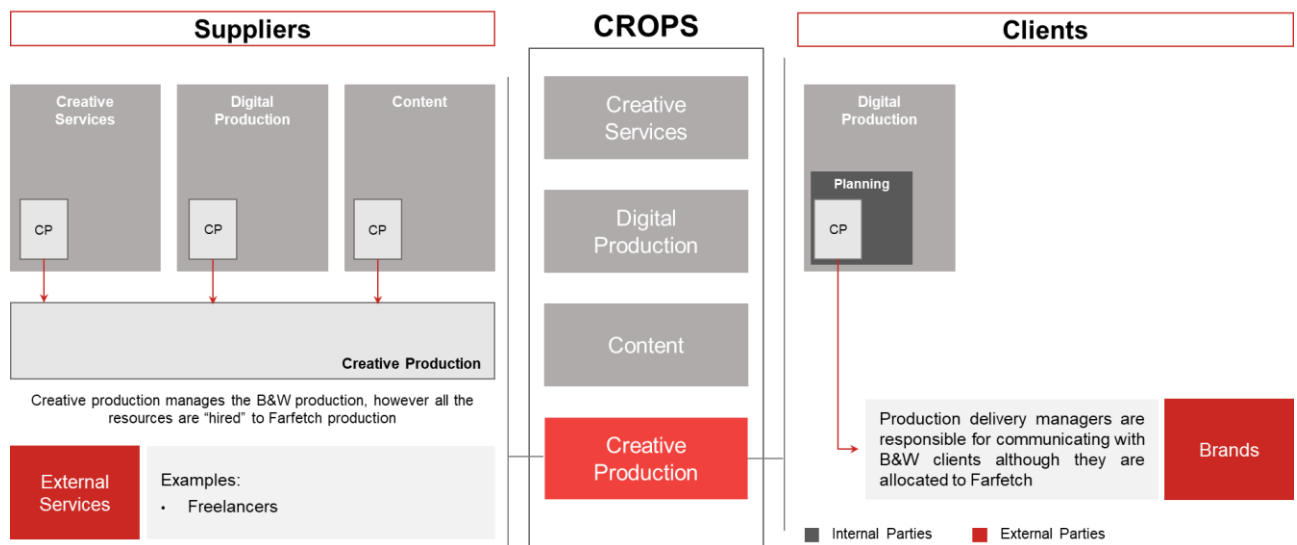


Figure B.4 – Creative Production Relations

Digital Production, Content and Creative Services communicate mostly with the same teams in organization but have specific external relations to manage. Contact with Technology and Product team (see 0 Farfetch was founded in 2007 in London, with the idea to allow anybody to buy from the world's finest boutiques from anywhere. When the marketplace (Farfetch.com) was launched, in October 2008, the economic environment was not the most favorable for investments (shortly before Lehman Brothers had announced bankruptcy). During the next years, the world economy suffered a severe crisis and even the luxury segment, known by resisting these fluctuations, shrunk. Contradicting the tendencies of the times, Farfetch was able to succeed, earning its first fundraising in 2010 (\$4,5 million). Between 2010 and 2015 Farfetch secured six investment rounds that enabled the company to achieve the \$1 billion valuation, earning the unicorn status. In September 2018, almost celebrating its 10th anniversary, Farfetch conducted its IPO in the New York Stock Exchange (NYSE) achieving a valuation of \$8,5 billion. (Pimentel, 2018).

Today the company's mission is *to be the global technology platform for luxury fashion, connecting creators, curators and consumers*. With that purpose, Farfetch provides five services:

- Farfetch.com, a luxury fashion marketplace;
- Black&White, a service that provides white-label platform solutions for luxury fashion brands and retailers;
- Store of the Future, that aims to disrupt the way consumers buy in physical stores;
- Browns, a high fashion boutique based in London;
- Fashion Concierge, a service that offers Farfetch's most exclusive clients the opportunity to find their desired items.

The main competitive advantage of Farfetch.com is the fact that, unlike its competitors, the company does not carry stock. It may increase the risk of stock out and both the complexity of the business model and the dependency of third parties. However, it allows the company to focus on the value stream, eliminating holding costs and enables an almost boundless variety of articles offered.

Partnerships play a fundamental role in the search for portfolio variety and exclusiveness. It is possible to identify three types of partners: boutiques, brands, and department stores. These partners should inform Farfetch about the products they want online in the marketplace. Then Farfetch assigns a time to photograph the articles and return them to the partners. When the product is online, the clients can buy it from any part of the world (unless particular restrictions are assigned to the item). When the client makes the purchase, the allocation algorithm assigns the boutique (or brand/department store warehouse) that must fulfill the order. Farfetch deals with third-party carriers and aligns its operations with the stores.

From the business' internal perspective, Farfetch is strongly committed to protecting its culture based on six values: Be Brilliant, Be Human, Think Globally, Amaze Customers, *Todos Juntos*, Be Revolutionary. The company is actively engaged in providing and encouraging a healthy and dynamic work environment for its employees.

Farfetch' Structure) and external services is common to all production teams. Technology and Product (Tech) is responsible for the development of eventual applications for the use of production; and external services vary in nature and relevance from team to team. For example, external services are often crucial for Content (translations and descriptions are often performed by freelancers) and Creative Services (work with model agencies to contract models). Finally, Customer Excellence, particularly the team of Partner Success, and Commercial assume a critical role connecting partners with production, as it was already expected by the assessment of global CROPs' relations map (Figure 17).

Creative Production team seems to be a particular case since it only directly contacts with Black&White brands. This allocation is due to the fact that the rest of the B&W's production team is allocated within Digital Production, Content and Creative Services and thus the relations mapping for Black&White business unit production should be seen as a smaller scale replica of Farfetch.com. Also, it is possible to notice that the only team that directly communicate with partners is Digital Production. This relation is characterized by the exchange of items and the schedule of production with the partner.

Appendix C: Metrics mapping

Area	Report / E-mail	ID	KPI	Team	Time span	Formula
DP	Ops cockpit, Roundtable, DPAM, PAM, DAM	1	Items produced	Planning	From <i>scan in</i> to <i>online backoffice</i>	Quant. Recepted + FTP - Duplicates Scan In
Global	PAM	2	Duplicates	Product Master	From <i>product creation</i> to <i>item</i>	
Global	Ops Cockpit, Roundtable, DPAM, PAM	3	Production Lead Time	Planning	From <i>scan in</i> to last date <i>between upload and description</i>	
Global	DPAM, PAM, DAM	4	Parts per person	Process Engineering	From <i>scan in</i> to <i>online backoffice</i>	Items produced/Workforce
DP	Roundtable, DPAM, PAM, TAM	5	Time to return slot	Planning	From <i>arrived date</i> to <i>scan out</i>	
DP	Roundtable, DPAM, PAM, DAM	6	Time to upload	Planning	From <i>scan in</i> to <i>upload date (BO)</i>	
Content	Roundtable, DPAM, DAM	7	Time to descriptions	Planning	From <i>scan in</i> to <i>descriptions available</i>	
Global	PAM, DAM, TAM, CAM	8	Idle time	Process Engineering	From <i>scan in</i> to <i>scan out</i>	
Global	DPAM, PAM, DAM, TAM, CAM	9	Availability	Process Engineering	From <i>scan in</i> to <i>scan out</i>	Running Time / Loading Time
Global	DPAM, PAM, DAM, TAM, CAM	10	Efficiency	Process Engineering	From <i>scan in</i> to <i>scan out</i>	Actual output / Ideal output
Global	DPAM, PAM, DAM, TAM, CAM	11	Productivity	Process Engineering	From <i>scan in</i> to <i>scan out</i>	Total production
DP	DPAM, PAM, DAM, TAM, CAM	12	Reshoots	Process Engineering	From <i>scan in</i> to <i>scan out</i>	
DP		13	Items arrived	Planning		Quant. Recepted + FTP
DP	Ops Cockpit, Roundtable, DPAM, PAM, DAM	14	Partners Waiting time	Planning	From <i>ready to send date</i> to <i>reception date</i>	
Global	Roundtable, Creative Ops Dashboard	15	Cost per item	Finance	From <i>reception date</i> to item <i>online</i>	Total cost / items produced
Global	Creative Ops Dashboard	16	Payroll	Finance	From <i>reception date</i> to item <i>online</i>	
Global	Creative Ops Dashboard	17	Total cost /GMV	Finance	From <i>reception date</i> to item <i>online</i>	
Global	People Dashboard	18	Turnover Rate	People		Leavers/average Headcount
Global	People Dashboard	19	Headcount	People		
DP	Roundtable	20	Time to packing	Planning		
Global	Ops Cockpit	21	Available on partner to produced	Planning	From <i>ready to send date</i> to <i>online</i>	
Global	Ops Cockpit	22	Returns			
DP	PAM, DAM, TAM, CAM	23	Quality Fails	Process Engineering	From <i>scan in</i> to <i>scan out</i>	
DP		24	Cycle time	Process Engineering		
DP	PAM	25	Requests allocated	Planning		
Global	Ops Cockpit, Roundtable, DPAM, PAM	26	Time to go online	Planning	From <i>ready to send</i> to <i>online frontoffice - IN DEVELOPMENT</i>	
Global	Roundtable, Creative Ops Dashboard	27	Total cost	Finance	From <i>reception date</i> to item <i>online</i>	
DP	Creative Ops Dashboard	28	Damaged Articles	Finance	From <i>reception date</i> to item <i>online</i>	
Global	People Dashboard	29	Joiners	People		
Global	People Dashboard	30	Leavers	People		
Global	People Dashboard	31	Net growth	People		
Global	People Dashboard	32	Recruitment needs	People		
Global	People Dashboard	33	Average headcount	People		
Global	Sales & Stock Analysis Dashboard	34	Stock Saturation	PAM		
Content	Content Management Meeting	35	% Translated Descriptions	Translations		
Content	Content Management Meeting	36	Automated product description	Descriptions		
Content	Content Management Meeting	37	Backlog	Descriptions		
Content	Content Management Meeting	38	Translation memory	Translations		
Content	Catalogue Weekly Touch-point	39	Distinctive products online	Product Master		
Content	Catalogue Weekly Touch-point	40	Not produced	Product Master	From <i>product creation</i> to <i>production</i>	
Content	Catalogue Weekly Touch-point	41	Produced	Product Master	From <i>product creation</i> to <i>online FO</i>	

Figure C.1 - Resume of the map of CROPs existing metrics

Appendix D: Executive Report Template: People

[illegible]

Figure D.1 - People section template of the Executive report

Appendix E: Ops Cockpit Templates

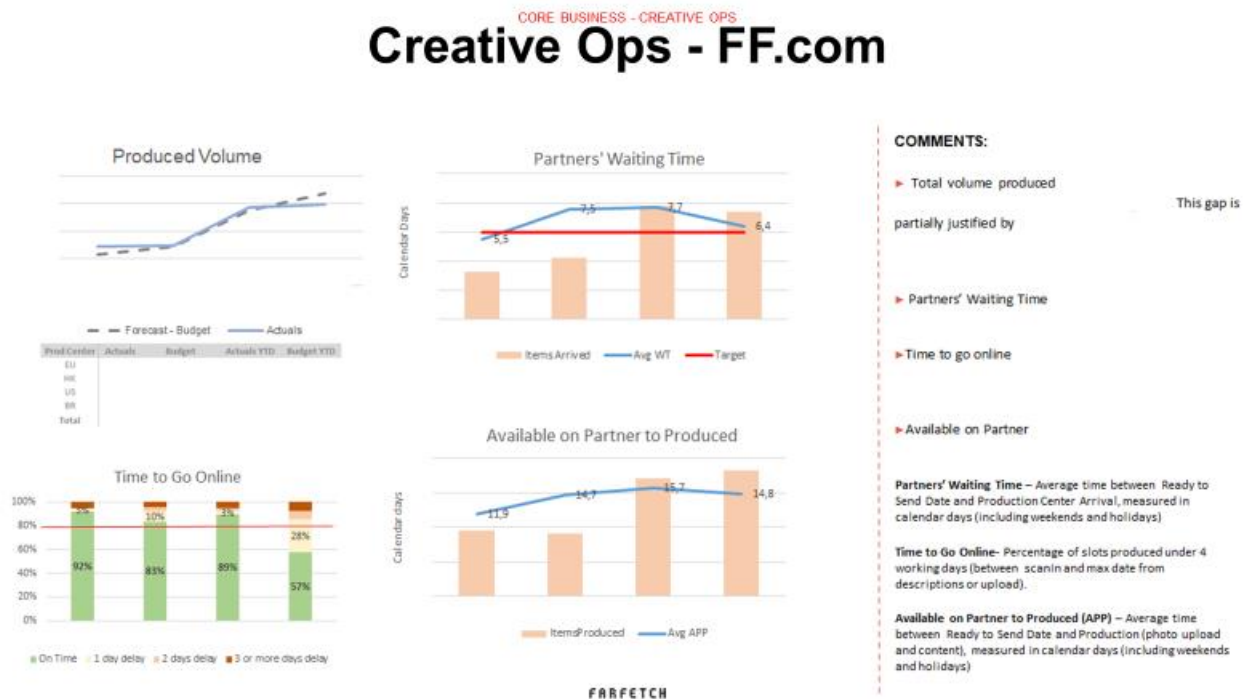


Figure E.1 – Version currently used at OpsCockpit.

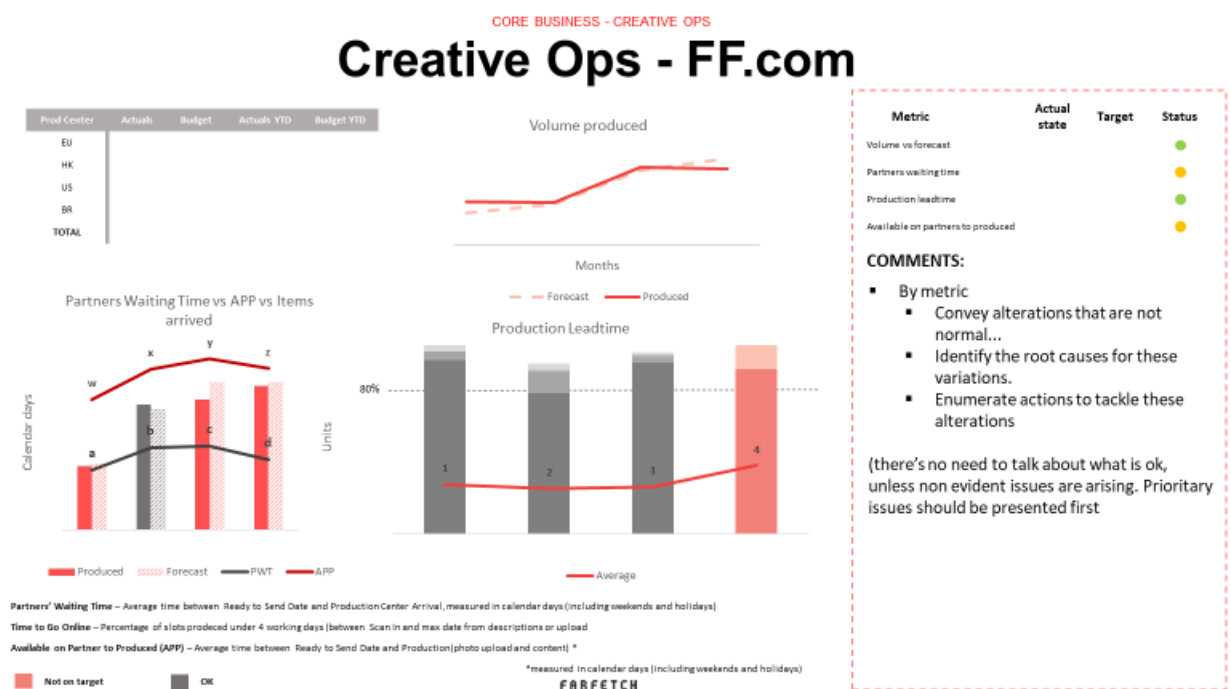


Figure E.2 – First proposal for the enhancement of OpsCockpit slide