

Strategic Performance Management

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The first stage of every management methodology, be it process, change or risk, is for the senior management team to create a vision, set business objectives and communicate them. So, how do you go about setting that inspiring vision, expressing it as meaningful objectives and bringing the rest of the company with you? One way is to practice Strategic Performance Management.

Origins

Many of you will recognise the term 'Balanced Scorecard' and may even have used (or thought that you had used) one. Well, the Balanced Scorecard is a key component of a Strategic Performance Management Process, but it is important to note that it is a tool, and not the process itself.

As a tool, the Balanced Scorecard has its origins in Peter Drucker's seminal work on management¹ as far back as 1955. Drucker's concepts, along with those of W Edwards Deming and J. Juran, were used in Japan by Professor Kaoru Ishikawa to develop the Strategic Management methodology Hoshin Kanri² in around 1959; a technique considered so powerful that it was largely kept a secret from the West until the late 1990's.

The Balanced Scorecard that most people recognise was published as a book by Kaplan & Norton in 1996³. However there were a number of weaknesses with this 'first generation' scorecard, which were addressed in their third book on the subject⁴. The resulting 'second generation' Balanced Scorecard uses Strategy Mapping and is a very powerful tool indeed. Unfortunately, the majority of Balanced Scorecards in use today appear to be of the first generation, with all its inherent faults.

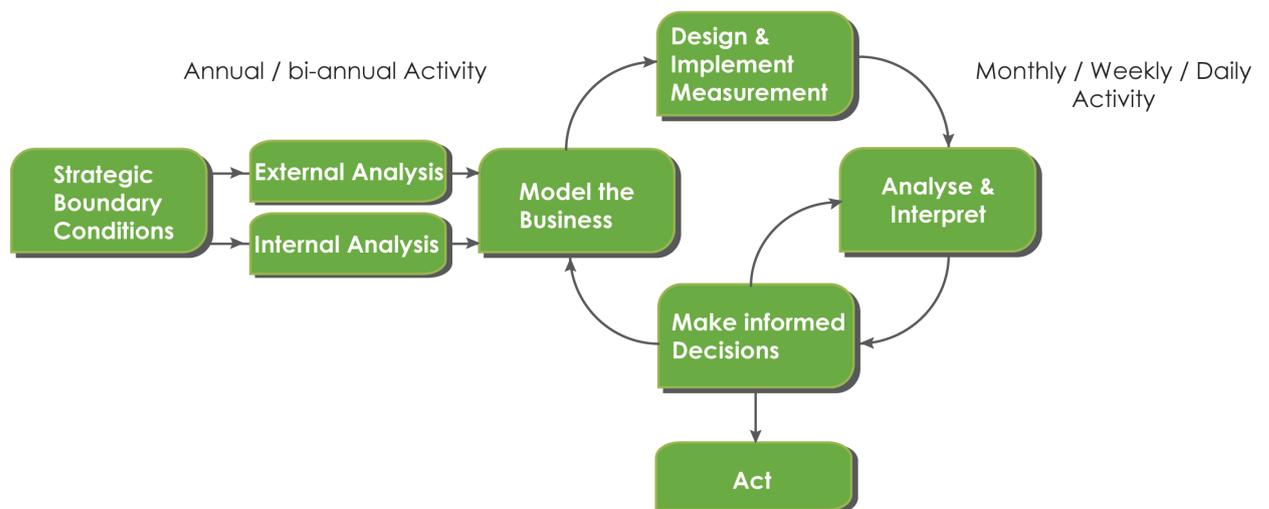
Development of the Balanced Scorecard has continued, with a number of 'third generation' scorecards emerging. The Strategic Performance Management process that I will describe here is taken from the work of Bernard Marr⁵, a former Research Fellow at the Cranfield School of Management, who developed a scorecard approach based on 'Value Propositions'.

Overview

The first part of the process (Understanding the Strategic Context) encapsulates defining the environment in which the company operates, developing an appropriate business model, and setting the vision and objectives. This is done on an annual basis (as a minimum) but the business model and strategy may be updated more frequently, depending on the management insights gained by its operation.

The second part of the process (Managing Performance in an Enabled Learning Environment) ensures the company creates a culture in which measurement is used to learn, challenge and improve future performance. This is an iterative cycle that occurs monthly as a minimum, although the measurement programme will only be adjusted as the business model changes.

Process



Understand the Strategic Context

Strategic Boundary Conditions

The company identifies its purpose, core values and visionary goals. Together, these create a 'visionary mission statement' which in turn sets the 'boundary conditions', defining the space within which the company operates.

- Purpose: The fundamental reason the company exists.
- Core Values: The deeply held values of the organisation irrespective of industry norms and management fads. These often differentiate a company from its competitors.
- Visionary Goals: These are the long-term goals and should point to how the company will look in the future, probably with a 3 to 10 year reach.

External Analysis

The company analyses the market and their competitors. The key outcome of this activity is the Stakeholder Value Proposition, which defines who the stakeholders are and what the company has to deliver to them. There are a number of well-established tools that can be employed here, such as Porter's Five Forces framework.

Internal Analysis

The company analyses its competencies and key resources, in order to understand what you can produce, what you are good at, how effective your infrastructure is, how skilled your employees are, and what other resources your company has that might impact your ability to deliver the Value Proposition.

Model the Business

This is the point at which the company pulls its strategy together and visualises it. If using Marr's methodology, then a Value Creation Map and Value Creation narrative will be the outcome. If you use a Kaplan and Norton approach, then it will be a Strategy Map. Whichever you use, both are an excellent way to explain and communicate the company's strategy, as well as to measure progress against it. Not only that, but both methods allow you to relate your strategic activities directly to the processes that support them.

Managing Performance in an Enabled Learning Environment

Design and Implement Measurement

Modelling the business will involve setting a number of measureable goals, both operational and strategic. These goals must then be measured and tracked through the use of Indicators (often called KPIs, or Key Performance Indicators). For data collection to be efficient, a centralised Measurement Programme should be created, with data integrity guaranteed through the use of 'automation' wherever practical. Equally important is the design of the data display that interfaces with management; commonly known as a 'Dashboard'.

Analyse and Interpret

Presenting 'raw' data to management is never a good idea, as each person will misinterpret according to their need. By automating data collection and display systems, reporting resource is freed up to do their proper job; analysing and interpreting the data so it can be presented unambiguously to the management team. Attention can also be paid to assuring the quality of the data submitted, as management need to trust the data they receive in order to make important decisions based upon that information.

Make Informed Decisions

The information presented to the management team will be at two levels, and as such the two management meetings are best kept separate.

Operational information as to the company's performance against today's goals can be gleaned from the same measurement system, and will allow the management team to initiate actions accordingly.

However, within the context of this paper, it is the same information placed within a strategic context that is of importance. The management team must look at today's performance in the light of where the company needs to be in the future.

Is your process performance good enough to meet future requirements? And if not, what are you going to do about it? This, of course, is the real starting point of your process performance programme, and once initiated, this is also the forum that monitors subsequent performance gains.

As the capability of the company is better understood, the strategy may be adjusted accordingly to take advantage of strengths or to cover for emerging weaknesses (see the paper on using a Risk Management Process).

Act

Using Value Creation or Strategy maps give you a head start because they have already tied objectives to indicators to processes. So choosing your starting point is much easier. But it can be made far easier than that by deploying another tool known as Benefits Realisation Management. This is a natural extension of your strategy or value creation maps, generating a Benefits Realisation Map⁶, which assists enormously in creating a coherent process performance improvement programme.

How an existing AgilityBMS 2.0 Management System supports Strategic Performance Management

AgilityBMS 2.0 is a process mapping tool, and is designed to support employees working at the coal face through the provision of easily understood and easily accessible procedures, guidelines and templates; it is a repository of knowledge which can be easily retrieved. It is not a designed to directly support Balanced Scorecards or Benefits Realisation Management.

Having said that, it can be used to give considerable support to the Strategic Performance Management process, particularly when coupled with a SharePoint front end:

Process Definition

AgilityBMS can be used to define the Strategic Performance Management Lifecycle the same way as any other process. The tools, guidelines and templates can be documented and held in an accessible and consistent format. Terms of Reference for the Management Meetings can be defined in agility and linked to the relevant Process Maps and Management roles.

Process Governance

Process outputs (vision statements, objectives, strategies, meeting minutes) can be stored in and accessed from agility's Internal Documentation Management System without recourse to any other software. Optionally they can be fed from here onto a SharePoint front end. Security of sensitive documents can be assured in both agility 2.0 and SharePoint.

Process Execution

Dedicated software can be purchased for the data collection and display of Balanced Scorecards. However this is rarely a cheap option and you may wish to avoid or delay such an investment. agility 2.0 can be used to create Strategy, Value Creation or Benefits Realisation maps, with the added advantage they can be linked directly to the processes involved. Data collection and display can be automated using SharePoint, minimising employee errors and increasing data integrity. Both the resultant dashboards and the corresponding maps can be made easily available through the SharePoint portal.

Process Implementation

The AgilityBMS and SharePoint allow for the piloting of solutions (by restricting access to only those roles or individuals that are trialling the new process) and the easy deployment of new or changed processes and dashboards.

Is the AgilityBMS for You?

Can any company deny that an understanding of their market and the capability to meet market demands are not of benefit to them?

Couple that with the ability to identify and monitor improvements that can take you ahead of your competitors, and it must be obvious how invaluable this Management process is.

And yet management have seen large companies pay lip service to such techniques, setting vague objectives which are reviewed once a year and, being incapable of measurement, are declared successful and rolled out, unchanged the next year. In other cases, companies have set objectives that are focused solely on the performance of the individual employee, whilst allowing the ship to float off into the distance with no direction set or compass to check it by.

If you wish to focus only on the here and now, looking at short-term financial gains rather than long term prosperity, then you can afford to ignore Strategic Performance Management. But I would draw your attention to two quotes from Deming:

"But he that would run his company on visible figures (finance) alone will in time have neither company nor figures"

"Certainly we want good results, but management by results is not the way to get good results... work on the causes of results"

But for those of you who want a future for your business, the answer to the above question has to be a resounding yes, regardless of the size and nature of your enterprise.

The Author is a member of BusinessPort's Process Improvement Team and deploys these principles into corporate clients on a global stage.



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