

Make Performance Improvement Strategic

By Howard Rohm

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Have you ever wondered if your performance improvement initiatives are aligned with corporate strategy? Would you like to better align performance improvements at "the shop floor" with corporate goals and vision? Would you like to have prioritized improvement initiatives that are easier to budget justify because they are based on strategic analysis, not "argument by vigorous assertion"?

Your answers are probably all "yes".

Most performance initiatives I've seen aren't very strategic, because they were developed with a "low altitude" view. To make performance improvement more strategic, you have to start at a higher strategic altitude, work down in altitude logically, and discuss necessary performance initiatives at the end of a strategic thinking process.

Let's look at a strategic approach to identifying and closing performance gaps that will help organizations execute their strategy more effectively. The approach starts by thinking critically about "what" and "why", before "how". Remember, performance improvement initiatives are "how's"; organization vision, goals, and strategy are "why's" and "what's".

To derive "how's" from "what's" and "why's", you need a strategic framework for building and connecting the strategic elements that make up strategic thinking process and plan. The framework is based on a balanced scorecard approach and starts with development of organizational strategic elements -- vision, mission, values, customer value proposition, and strategic themes and results (goals). Then strategic objectives and a strategy map are developed based on the strategic elements.



Finally, performance improvement initiatives are developed to close performance gaps in the objectives, along with strategic and project performance measures and targets.

Most organizations have some of the necessary elements defined and developed, usually as a result of a yearly strategic planning process. But many organizations have not developed all the necessary pieces and connected them in an aligned way to communicate clearly with employees and external stakeholders. The pieces that are usually missing -- the customer value proposition, strategic themes and results, and high-altitude strategic objectives and strategy maps -- are critical to becoming a more strategy focused and higher performance organization.

Strategy mapping is a powerful business tool. Strategy maps show graphically how organizations create value for customers and stakeholders. Good strategy maps communicate strategic intent internally and externally and are one of the most effective communication tools an organization can use to build alignment, accountability, and a focus on results. Strategy mapping starts with creation of about a dozen strategic objectives that are the building blocks of business strategy -- strategy DNA, so to speak. The objectives are then linked in cause-effect relationships to create a strategy "map". Once strategic objectives are developed and the map is created, performance measures and strategic initiatives can be identified for each objective.

Figure 1 is based on a construction company and shows how the pieces come together to “tell the strategic story”. The ovals in the figure are the Strategic Objectives, which are placed in strategic perspectives (the rows) that they support. The bottom two perspectives contain the driving objectives and the top two perspectives contain the results objectives. By following the “routes” of the map, the company’s value creation story can be seen and described clearly. The top objective -- Increase Earnings -- is the final desired outcome that the company is working towards. By linking objectives at this corporate level with objectives at the department and employee levels, line-of-site alignment among corporate vision, corporate and department strategy, and personal goals and accomplishments can be achieved. Likewise, strategic initiatives and performance measures and targets can be linked to each objective.

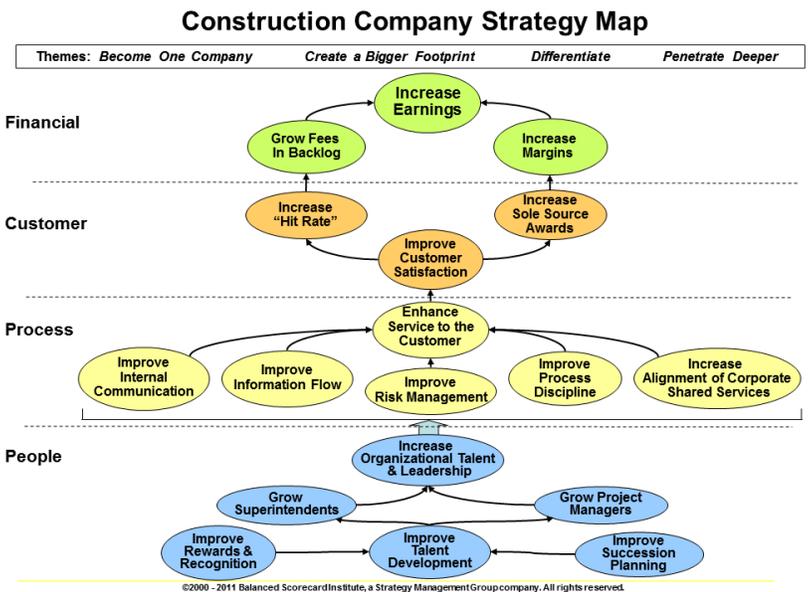


Figure 1: Construction Company Strategy Map

The generic example above is based on a business and the map ends with a strategic objective for increased earnings, a typical final outcome for a private sector firm. The strategy mapping approach works equally well for governments and not-for-profits. For these organizations, strategy map logic is changed to reflect different desired outcomes. In governments and not-for-profits, the end of the value chain is not profitability -- it's the cost-effectiveness and satisfaction associated with services and service delivery to customers (e.g., government's citizens) or, in the case of not-for-profits, the effectiveness of service delivery to members and other stakeholders. In governments and not-for-profits, the customer/stakeholder perspective is placed at the top of the strategy map, and the financial perspective becomes a cost-effective resourcing or stewardship perspective. For these organizations, performance measures and targets, and strategic initiatives reflect the unique desired results of these mission-driven organizations, such as member satisfaction and retention, advocacy, service effectiveness, and resource utilization.

By focusing on strategy first, organizations can make better performance improvement choices that are aligned with corporate goals. A completed scorecard system aligns the organization's picture of the future (shared vision), with business strategy, desired employee behaviors, and day-to-day operations. Other benefits include measuring what matters, identifying more efficient processes focused on customer needs, improving initiative prioritization, improving internal and external communications, improving alignment of strategy and day-to-day operations, and linking budgeting and cost control to strategy.

How strategic are your performance initiatives?

About the author

Howard Rohm is an author, international speaker, trainer, facilitator, and performance improvement consultant. He is the Founder and President of Strategy Management Group (SMG) whose companies include the Balanced Scorecard Institute. Howard has worked with over 100 private and public organizations and developed balanced scorecard and performance management systems to improve organization performance. His balanced scorecard framework, *Nine Steps to Success™*, is used by businesses, nonprofits, and governments in over 40 countries. Howard has taught and lectured at five universities, and at the Federal Executive Institute. He can be reached at SMG's website www.strategymanage.com.

About the Balanced Scorecard Institute (BSI)

BSI provides consulting, training, and professional certification services to organizations worldwide related to strategic planning, balanced scorecard, KPI/performance measurement, and strategic project management.

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