

# How to Integrate Multiple Performance Management Approaches

by Robert Hobbs and Frances Murphy

## ***No single golden-bullet management theory***

Major organisations face an increasing degree of pressure from a number of directions:

- increased demands for short and long term financial success
- ever rising product feature, quality and cost competition
- spiralling customer service expectations
- operational requirements to 'achieve more with the same, or less'
- demands to improve the work experience for staff - or lose the best.

With so many contributing pressures, no single golden-bullet performance management approach has emerged.

Instead the aspiring world class companies of tomorrow are addressing these issues through a number of management approaches simultaneously.

From work with over 50 of the most successful, blue chip, organisations we have found that the number of

approaches being deployed simultaneously typically ranges from 5-11 including:

Annual departmental budgets,  
Economic Value Added analysis,  
Activity Based Costing,  
Balanced Business Scorecard,  
Business Excellence Model, EFQM  
Management By Objectives,  
staff competency development (such as  
Investor In People accreditation),  
Supply Chain Engineering,  
Process re-engineering,  
Internal customer value chain,  
Quality circles,  
Kaizen,  
continuous improvement.

## ***Common themes from the leading practitioners and gurus***

Many of the leading practitioners and gurus have similar views about the main direction of change that will be needed within large organisations, and common themes and strong areas of overlap appear in many of the best practice approaches being deployed.



Common themes include:

- shortening the time to respond successfully to change
- aligning effort throughout the company to maximise customer satisfaction within the resource available
- utilising and developing more thoroughly the skills embodied within the company.

The combining of multiple performance management approaches is adopted to achieve a balance of improvement in a number of areas simultaneously, each supporting the other, and producing a more significant improvement than any one or two approaches on their own.

However, managers also note that:

1. many people report that they are “overloaded with different initiatives” and
2. cynics spread the view that the management does not know what they are doing, with comments such as “the company keeps changing what we are supposed to focus on. Right now it’s budgets, last quarter it was Quality, and next it’s going to be a Scorecard.”

## ***Bringing Cohesion***

In many companies it seems as if the plethora of approaches has appeared without co-ordination and overall coherent strategy, and each programme has its particular enthusiasts and detractors.

Even where this is the case, there is an opportunity to bring together the programmes and integrate them within a unifying framework.

Each approach has its benefits in achieving improved company performance. Each approach is intended to improve, through direct or indirect means sustainable financial success.

## ***Measurement as a Key Tool***

The success of each approach and its contributing drivers can be measured in some way, using financial, non-financial, ‘hard’ or ‘soft’ numbers such as relative indexes.

Soft numbers can be used to capture subjective information. For example, on a scale of 1-10 how satisfied are you with your job? On the same scale, how satisfied were you last month? From this form of measure we can see whether there has been any change, for better or worse in personal job satisfaction.

The numbers themselves have no specific meaning. One person’s ‘8’ has no clear relationship to another person’s ‘8’.

Another aspect of ‘soft’ information needed would be an opinion of the probable relationship between the component objectives.

For example, “if we increase effort in improving quality of order entry, who will it affect in what way?” Perhaps:

1. the order entry area will have less re-work as credit control will return fewer orders,
2. the packaging team will have less re-work in unpacking returns and re-packing replacements,
3. the customer will be happier, with improved right first time delivery, and earlier delivery as the reduced workload in packing eases the delivery backlog.

Within this scenario each of the key performance measures can then be tracked, and the impact of increased resource in one area justified through its reduction in wasted resource in others.

## ***Unifying Building Block Approach***

From work with hundreds of managers, using the leading performance measurement and management approaches, INPHASE created a unifying concept and language and the software to embody it. This is now commercially available as *PerformancePlus*<sup>TM</sup>.

After much refinement the basic building blocks of the *PerformancePlus*<sup>TM</sup> approach can now be summarised in one paragraph, with words of specific definition highlighted:

“An organisation comprises **teams** of people contributing **skills** and **competencies** towards shared **objectives**, each of which can be allocated an **owner** and has its **measures** of success, and its owner’s view of its **relationships** with other objectives.”

## ***Prioritising and evolving***

Using this concept of a common building block language, INPHASE developed a single performance management application which can be used to support combinations of performance management approaches.

This enables each individual objective and measure to be entered only once and yet seen within the context of each of the different approaches being used: approaches which themselves are all visibly part of a consistent strategy to improve the overall team performance.

**How does it do that?**

Each model can be considered to have any combination of any number of perspectives in use, which for convenience can be grouped into the primary perspective types of:

- 1. Performance measurement framework**  
such as Balanced Scorecard, Business Excellence, departmental management accounting, EVA, Activity Based Costing
- 2. Organisational structure**  
divisional, departmental, team and individual plans, hierarchical and matrix management
- 3. Organisational development**  
skills, competencies, training, personal performance, preferences

**4. Process flows and impacts**

Value chains, supply chain, internal customer, cause and effect performance drivers

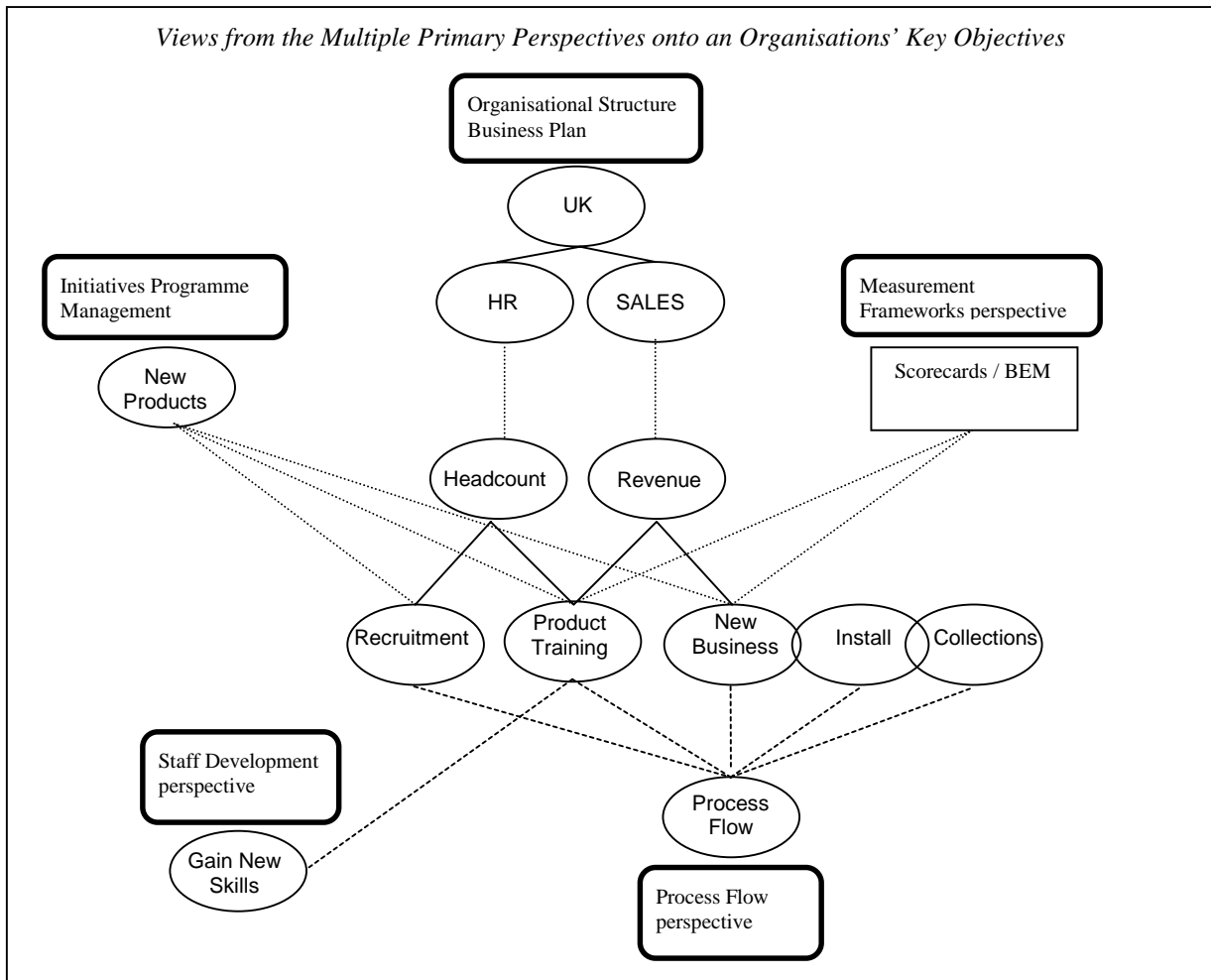
**5. Initiatives**

major change programmes, projects, objectives and activities

Each of these primary perspectives is designed to give a simplification of the general mish-mash of real-life objectives and activity, in order to make the real-life complexity easier to manage.

Each perspective is a summary of the performance measures and interactions of those objectives which are the key influencers of performance in that perspective.

An individual objective may be at any size of complexity, and be broken down into any number of component parts where this will assist in managing the key performance drivers. Each objective can be linked to other related objectives. The relationships can be refined within the model with specific weighting of specific measures for each relationship for tracking the likely impact.





## **Be a prophet at least as much as you are a historian**

Using this approach more rigour is now possible using *PerformancePlus*<sup>™</sup> in aligning the measures of performance of the strategic perspectives with the measures of achieving the milestones and targets of the key contributing objectives.

As new objectives, tactics, strategies or management approaches are decided upon, *PerformancePlus*<sup>™</sup> users can modify the business 'model' on-line and communicate the change rapidly and effectively to those staff that will be affected.

By improved communication of the inter-dependency and cause-and-effect drivers of combined performance, more and more managers can make decisions on the basis of information about the combined effect their actions will have.

It is worth remembering that improving performance is about making different decisions and changing the future, not just about recording what has already happened.

Forecast and re-forecast information, consolidated and viewed from the perspectives of the various management approaches in use, helps make this happen.

### **Multiple Approaches in Practice**

Within NatWest bank, one of the earliest adopters and most experienced users today of the Balanced Scorecard, Divisions have now also introduced simultaneous use of the Business Excellence Model from EFQM, in parallel have achieved Investor in People

accreditation, also employ divisional and departmental budgeting and personal performance appraisal and bonus schemes, and are increasingly involved in process change programmes.

For leading high street health and beauty retailer Superdrug, the management choice has included combining its own enhanced derivative of the Balanced Scorecard, with a programme of major change initiatives, and Living The Mission and personal Bonusable objectives.

The *PerformancePlus*<sup>™</sup> approach and software package has been used to create single models which integrate the chosen approaches and puts each of them into context with the other.

Within these models, the key impacts can be seen, not only for each approach in its own right, but also one upon the other, improving the ability to see the relative importance and success of each, in its total effect.

The closing words should come from some of the people using *PerformancePlus*<sup>™</sup>:

"PerformancePlus provides a focus to reinforce the fact that regular measurement and management of processes and performance is an essential business activity. It enables identification of process dependencies and measures between departments to provide greater internal and external customer awareness and focus" *Graham Gyford*, Training and Development, Lombard, NatWest.

"Doing this without software for an organisation of over 12,000 staff and 700 stores is almost unthinkable!" *Peter Raine*, Head of Total Quality, Superdrug

For *PerformancePlus*<sup>™</sup> Information Tel: +44 (0)1895 829111  
website: <http://www.inphase.com> email [info@inphase.com](mailto:info@inphase.com)

INPHASE Software (UK) Limited, Salamander Quay South, Park Lane, Harefield  
Middlesex, UB9 6NY, United Kingdom, Fax: +44 (0)1895 829112

