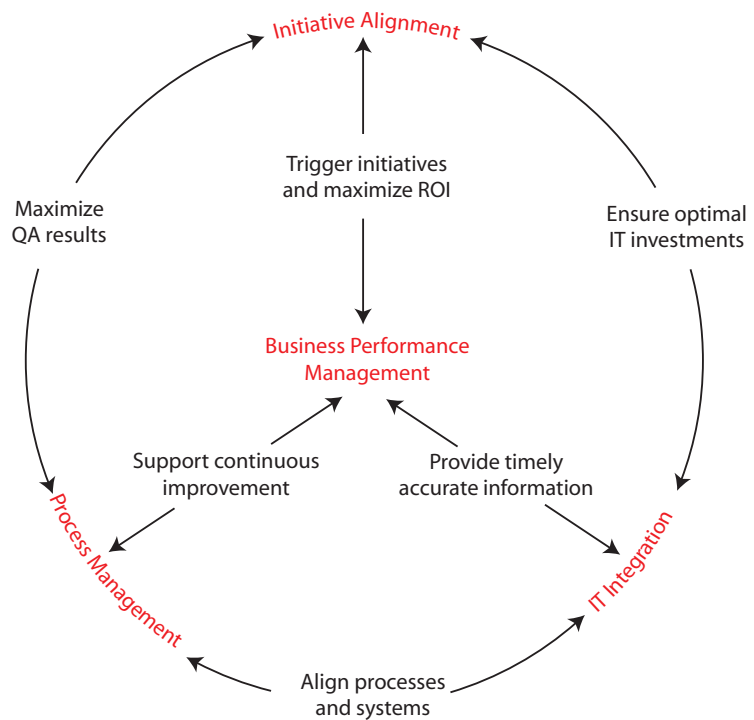


Establishing the performing organization

A performing organization delivers healthy profits over a continuous growth path, while maintaining the necessary stability and agility to absorb, react to and anticipate changes in its business environment.

Specifically, the balance between stability and agility represents a serious challenge for today's organization, since at first glance they might appear to contradict each other.



This article illustrates how to achieve this balance by using the concepts of Business Performance Management, Initiative Alignment, Process Management and IT Integration.

Business Performance Management

Establishing a high performing organization starts with knowing where you are and where you want to go.

A bit too simple for your taste? Maybe, but in the end that's what it boils down to.

Once you know where you are, through having a clear insight into your organizations strengths, weaknesses, opportunities and threats, you then need to establish where you want to go, through the definition of future snapshots of your organization translated in qualified and quantified strategic objectives. Having established where you are and where you want to go, you can decide how to get there. The conscious choices you make in defining your future goals, combined with the latter component, 'the how to get there', is called your strategy.

Literally thousands of publications have been written about strategy, many of them from an academic perspective. They are often focused on the 'why', with only a few of them taking a common sense approach to define the 'how'. In simple terms, your strategy should describe the future image(s) of your organization and the things you want (and don't want) to do in order to get there.

Even today, many companies suffer from a lack of strategic awareness, often resulting in poor strategic alignment of activities and the scattering of resources. Getting stuck in 'fire fighting' efforts to, for instance, meet the end of week billings target, react to increased levels of customer complaints or reconcile the quarterly review figures, immerses the organization, and it's people, in a constant struggle for life. To break through this closed loop situation and achieve excellence, every organization needs to invest heavily and continuously in strategy.

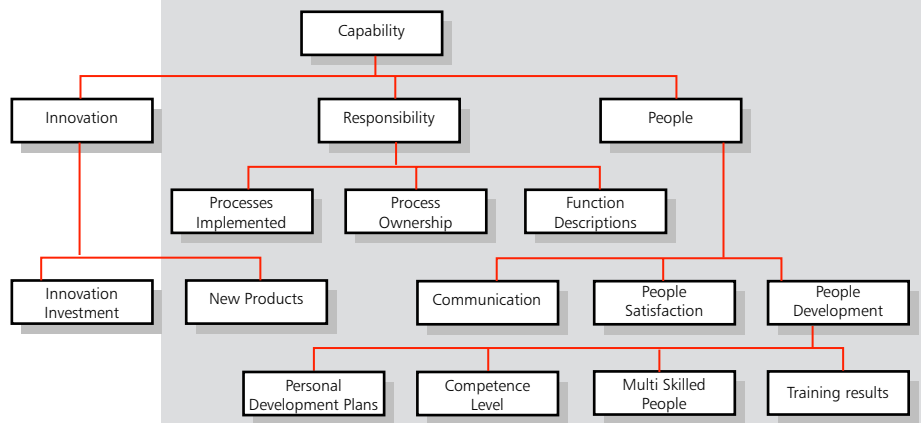
Designing and deploying a proper strategy for the organization is the most important assignment of top management, one that should never be delegated to external resources or staff functions. Firstly you need to define a suitable strategy for your organization by extrapolating your present strengths, weaknesses, opportunities and threats with your future objectives.

If you don't know where you want to go and how you think you will get there, chances are you never will!

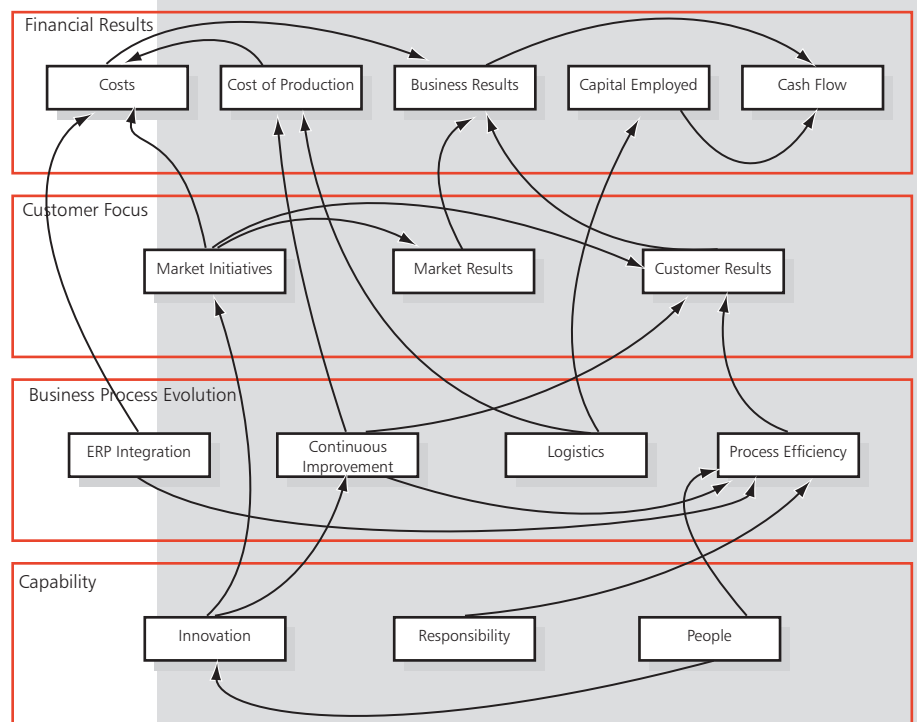
For those companies that have defined their strategy, a lack of strategy deployment is often responsible for the majority of failures. Often, companies go through a yearly exercise on strategy, producing impressive reports that end up on a shelf gathering dust....To benefit from your strategic thinking, all stakeholders should have a thorough understanding of the company's strategy in order to guarantee that efforts, initiatives and their related investments are aimed at and contributing to the fulfillment of your strategic objectives.

So, how does agility apply to a strategy oriented organization? Should we stubbornly stick to our strategic goals and objectives, while the world around us is changing continuously? First of all, the focus areas of your strategy will always be highly time dependent. Constraints in available resources and their capabilities, influences from your business environment, technology, market awareness, competition and many other factors will vary over time, hence, your strategy needs to be reviewed and revised on a regular basis.

Next, while your vision and strategy will provide the organization with mid and long term stability, it should be able to be deployed quickly, and if necessary redirected, in a very short time frame. Our present business environment, with its frequent and rapid changes, does not allow for months of design and planning before any real action is initiated. Agility of the organization, in simple terms its ability to react to and anticipate changes in the business environment, is a critical component for success.



Key factors in strategy deployment are information, contemplation and decisiveness. Effective strategy deployment can only be achieved through a highly visual translation of your strategic objectives into cascaded tactical and operational targets, combined with active management of performance against these targets, regular communication and a relentless chasing of decisions, actions and results.



Guiding your organization to accomplish these future objectives requires continuous measurement and management of your strategy deployment. Your business performance management scorecard, populated with your strategy specific key performance areas and indicators, will serve as a centralized management information platform that drives the majority of decisions in your organization.

Using the strategy map and a series of cause-and-effect relational diagrams for your most critical performance indicators will allow you to manage the driving forces in your organization in a pro-active way.

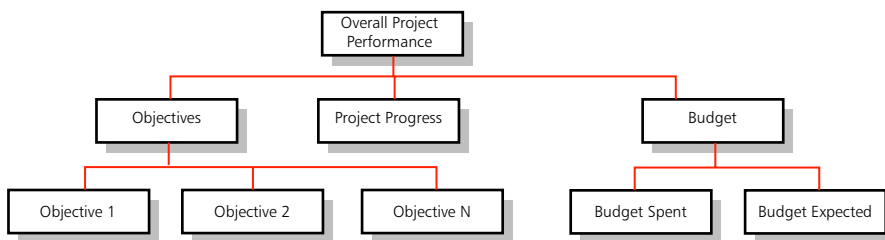
Making the shift from reactive to pro-active management of your performance components will allow for continuous and stable future growth.

Initiative alignment

All initiatives or projects in your organization should aim at improving the organization and its abilities, hence, they need to be validated by aligning them to one or more key performance areas in your scorecard. In other words, if an initiative or project does not contribute to performance improvement in one or more of your strategic focus areas, it's probably not worthwhile doing it.

When thinking about initiatives, one might be facing the need for process improvement, product development, technology innovation, market research, customer evaluation or even building managerial and operational skills. In short, any initiative that requires time, attention and/or investment should first of all be strategically validated and subsequently followed up on its deliverables, progress and budget compliance in your scorecard environment.

Management of your initiative portfolio is a key activity. Too often, initiatives 'live' for months or even years beyond their true useful life (based upon initial objectives and timeframes). Too many companies refrain from questioning their existing initiatives when the organization's strategy is redirected. In some cases we encounter situations where companies do not even have a clear view on the number, nature and purpose of their 'active' initiatives!



Through integrating your initiatives into your business performance management framework, you will create organizational stability in terms of providing a structure and process for initiating and managing them properly, yet at the same time ensuring agility in terms of strategy related, timely evaluation, redirection and kick off.

Process management

Improvement is endless! This is a basic truth, already recognized by some leading companies in the Far East during the early seventies. At that time, companies such as Toyota astonished western managers with their dramatic process improvements, far exceeding quality and efficiency levels commonly perceived as being achievable.

Rather than being a one time initiative, process management and its resulting improvements should be treated as a continuous cycle. Using quality assurance frameworks, such as ISO or Malcolm Baldrige, organizations can capture their continuous efforts in process management and their resulting improvements in a structured environment.

Using methods such as Total Quality Management, Business Process Re-engineering or Six Sigma, the people in the organization can be armed with the necessary tools and knowledge to achieve process improvement results far exceeding usual expectations. However, this is not enough!

The inherent dangers of these conventional process management systems are three fold. First of all they often lead to sub optimization; secondly they may lack a clear connection with your overall strategy; thirdly they tend to become 'paper' systems, which can be counter productive to the need for agility.

So, again, as for any other improvement initiative, to ensure its contribution to future performance, continuous process management should be embedded in your business performance management setup.

Rather than taking a massive company wide approach, connecting your process improvement initiatives to your scorecard will allow you to focus your efforts on only those areas that will yield the greatest results (following the 80:20 rule).

By doing this, the economy and speed of deployment of your process improvement initiatives will be maximized.

Integrating your process management system into your business performance management framework will provide a clear structure and promote focus on the things that matter most.

In fact, establishing a clear connection between your quality assurance system and your scorecard will develop into a bilateral relationship. Since your scorecard will focus on your most timely critical challenges, your quality assurance system, with its overall process monitoring through internal and external audits will provide you with clear input for changing your scorecard framework as the business environment evolves.

Employment of an active management and communication approach, promoting the need for business and process change and avoiding the drive for a 'perfect plan', will provide the necessary agility, safeguarding the connection between quality assurance and business performance management while avoiding sub optimal activity.

IT integration

A major issue in many companies is the lack of horizontal IT integration. Far too often, companies invest heavily in transactional and tactical IT systems, without properly aligning them with their processes. While IT systems such as ERP and BI are intended to support process owners in a smooth, controlled and repeatable execution of tasks, in many cases they turn out to be counter productive.

Whenever the introduction of new IT systems is not adequately complemented with a comprehensive implementation process (addressing business and process change), the result is nearly always disaster. Over the years we have encountered numerous examples of companies investing significant funds in new IT systems, only to find their people continue their original daily activities with the support of parallel tools and processes.

Horizontal IT integration aims at bringing the processes and their supporting IT systems closer together, in the process establishing a balance in the trade off between process limitation and IT system customization. While for obvious reasons, IT customization is generally undesirable, it should be accepted and implemented if it supports critical process efficiency.

Vertical IT integration considers the level of integration of your strategic, tactical and transactional systems. Considering the central role of your business performance management process, it should be clear that timely, relevant and accurate information on a strategic management level is paramount to establishing a sound performance management environment. Hence, the data available on transactional and tactical levels needs to be transformed into strategic management information, without the need for recurring manual intervention.

Rather than allowing your people to get tangled up in data collection and number crunching, they should use their valuable time to evaluate performance and initiate and manage improvement efforts. Hence, a seamless vertical integration of your strategic, tactical and transactional systems, even when those systems change and evolve over time, is a major component on your journey towards future sustainable growth.

Using the latest available state-of-the-art technologies, vertical IT integration establishes a technology platform that allows your people, with little or no external help, to maintain the connection between different data and information levels at all times, thereby providing the necessary management information to accomplish your strategic objectives.