



**Succeeding in the New Economy:
Automating your Strategic
Performance Management
System**

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Executive Summary

This document is intended to introduce senior-level decision makers in your organization to the benefits of using our Strategic Performance Management System (SPMS), the QPR Scorecard, to improve the tracking, evaluation and implementation of strategic measurements that will help ensure your continued success in the fast-paced ever-changing economy that we all face.

In summary, the state of the new economy is forcing most organizations to evaluate, and often rebuild and restructure, their ability to execute strategy. The execution of organizational strategy is most often facilitated through the use of a system we label the Strategic Performance Management System. At least one Strategic Performance Management System (SPMS) exists in every organization. These SPMS have typically evolved from some sort of required reporting (Annual Reports / 10-Q) and are used to communicate and document strategy at weekly, monthly or quarterly meetings. Although there are formal terms for these types of systems, such as Balanced Scorecard, Malcolm Baldrige Criteria, and Six Sigma systems, most likely your organization has created it's own SPMS that reflects your unique strategy.

Your SPMS communicates three essential and unique characteristics: Rules (the business rules associated with measurable elements), Rollups (the structure of model elements), and Strategic Text (goal statements, vision/mission/strategy, etc.). These three characteristics cannot be effectively communicated through standard software reporting products, so decision makers are often forced to create their organizations' SPMS with tools they easily understand and can build with – spreadsheets, power point presentations, and word processing documents. These personal computer tools, while very effective in initially building the SPMS, also have their limitations.

An SPMS-specific software tool can be cost-justified by comparing software costs to financial benefits and cost savings the tool will provide. These benefits can be classified as either tangible or intangible. Tangible benefits include the time and effort saved in building and maintaining the SPMS model, and the time and effort saved in distributing the SPMS model to all interested parties. Intangible benefits include the more effective utilization of senior decision-makers time, alignment of organizational strategy to specific measurable results, and in general the building of a more strategy-focused organization.

The bottom line – effective strategy execution, enabled through the use of an automated SPMS, will help your organization succeed in the new economy.

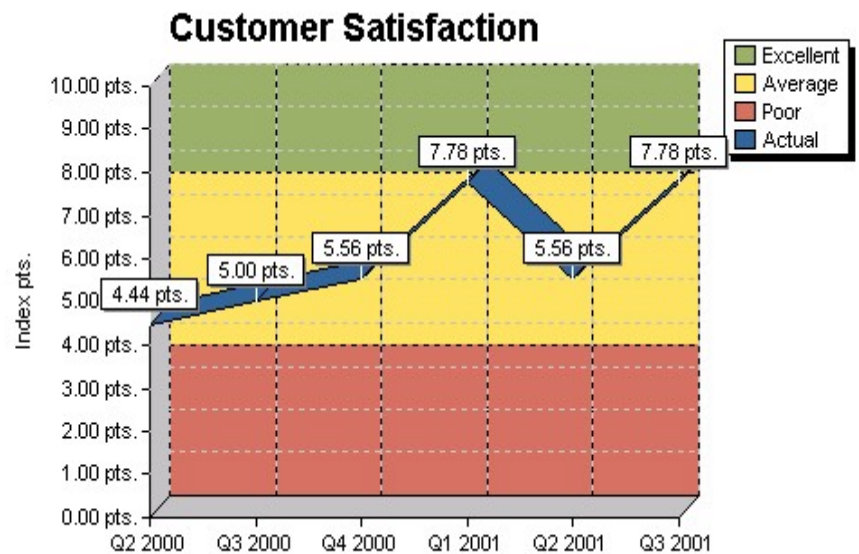
Does My Organization Currently Use A Strategic Performance Management System?

All organizations have some type of SPMS in place to track and report how current performance is faring against established targeted measurements. The most common and simple SPMS in use today is the Annual Report – documenting organizational strategic performance to shareholders and/or stakeholders. When the senior-level decision makers in your organization meet to discuss strategy (typically quarterly or monthly), the document(s) that gets distributed is also an example of an SPMS.

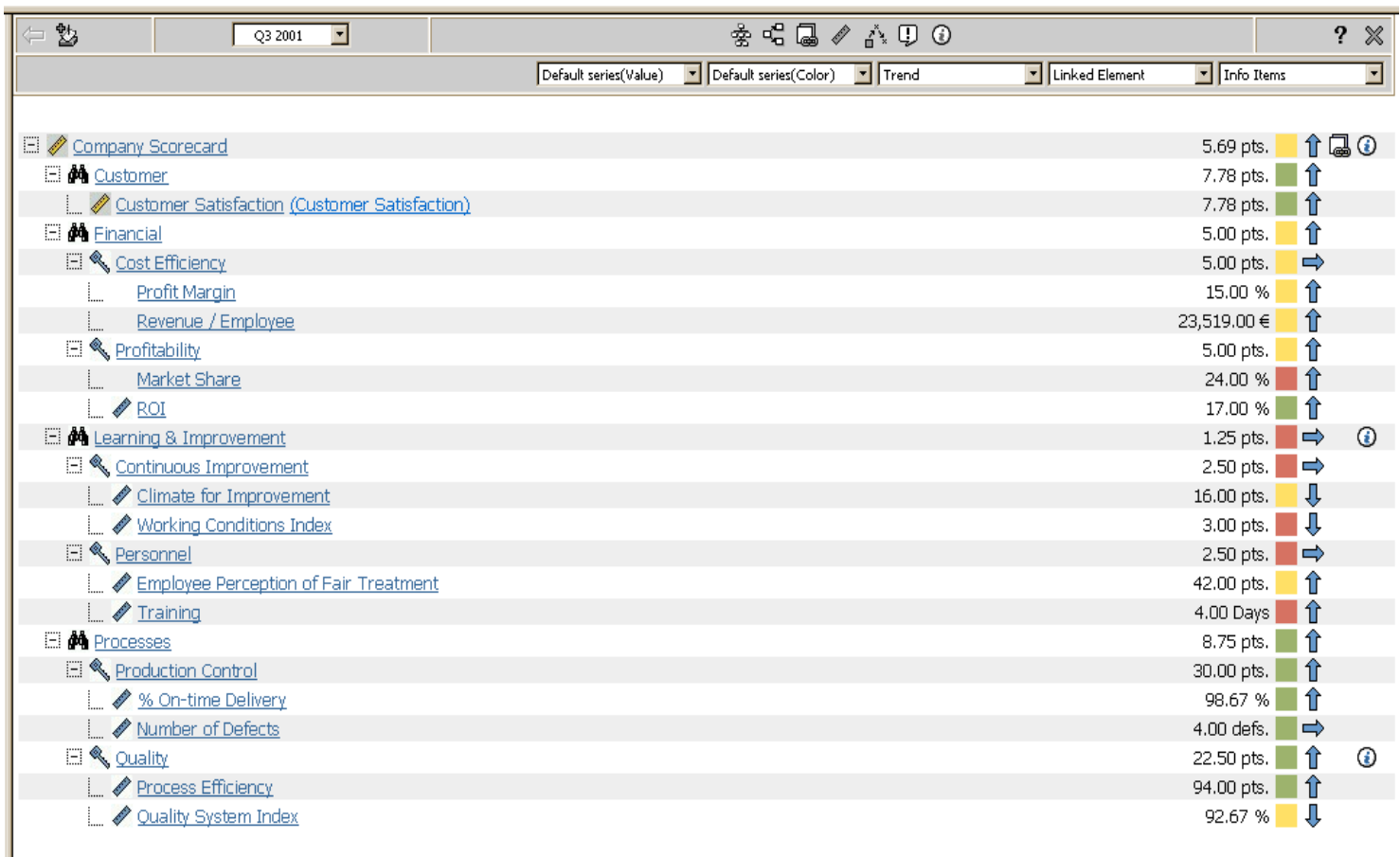
An SPMS has the following three characteristics or elements:

1. It defines the business rules that are associated with specific data elements. These business rules add context and meaning to massive amounts of data that the organization's decision makers review on a regular basis. *Rules* are created by business users, and are typically expressed in terms like "benchmarks" or "targets", allowing decision makers to quickly evaluate which business processes are successful, and which need their attention. For purposes of discussion we will call elements that have rules combined with data Performance Measurements. (See example on next page).
2. *Rollups* allow decision makers to evaluate Performance Measurements in groups such as business categories (finance, customer service, internal processes), product line, or geographic location (or perhaps by some other structure specific to their organization). Some examples of questions that are answered by reviewing an SPMS *Rollup* include: How is my workgroup doing overall on their financial Performance Measurements? As an organization, are we effectively executing our quality program? Which locations are handling inventory most effectively / least effectively? (See example on next page).
3. *Strategic Text*, the third characteristic of an SPMS, gives meaning to the SPMS, includes text elements such as the organization's Vision and Mission Statements, the strategic objective and initiative statements, and goal documents. These statements give deeper meaning to the SPMS, by linking organizational strategy to specific, measurable results.

To summarize, an effective SPMS is built and maintained by business users, to display *Rules* and *Rollups* (structured Performance Measurements), combined with *Strategic Text*, to support the strategic decision-making process.



An example display of a Performance Measurement – notice how the actual value for Customer Satisfaction – 7.78 points - is in the green range



An example display of a Rollup – notice how each of the measurements summarize up to another aggregate level, and ultimately to an overall score

Why Not Use Tools I Already Have?

To address this issue, let us first categorize software tools you may be using for your SPMS as either personal computer tools or as reporting/graphing tools.

The vast majority of decision makers we have spoken with start out using personal computer solutions to build and maintain their SPMS. Typically they use spreadsheets, power point presentations, and word processing documents. These types of tools are easy to use, inexpensive, and at least initially easy to utilize to build the initial SPMS. Furthermore, these types of tools are ready to initially support an extremely rapid building of the prototype of the SPMS.

However, there are also significant technical limitations to personal computer tools. The most significant of these limitations are discussed in the following paragraphs.

First, it is extremely difficult for multiple decision makers to maintain an exact model of the current SPMS using personal computer tools. We all know the phenomena of multiple “versions” of the same strategy – where different decision makers participating in the same meeting each have their own versions of the SPMS. This challenge is most easily overcome by giving multiple users access to a shared SPMS, but this approach is virtually impossible utilizing today’s personal computer tools.

The second common challenge to using personal computer tools to support an SPMS is the difficulty of instantaneous distribution of new information to all users. Once the SPMS becomes established in an organization, it becomes imperative that the system is shared with all decision makers, more often than just at the monthly/quarterly strategy meetings. This requirement is best supported by some sort of web-based intuitive display tool, easily available to any decision maker in the organization.

At this point, many organizations attempt to use current reporting/graphing tools they may already have in-house. Although these types of systems typically do a good job of centralized model building and distribution, and may also easily connect to existing transactional data stores to make the population of Performance Measurement information easier, they almost never support the three fundamental characteristics of an SPMS for the following reasons.

Reporting/graphing tools were developed for analysis only. In the hands of a good analyst these types of data programs provide the wide expanse of data that is needed to spot and evaluate trends.

An SPMS, on the other hand, is used to show how this information is valued within the strategic context of an organization. It is vital that our organization's business rules be integrated into the interface of the SPMS, for the SPMS to be useful. As stated previously, an SPMS is only as effective as it's ability to communicate the three fundamental characteristics: *Rules*, *Rollups*, and *Strategic Text*.

Visum Solutions has chosen to market the QPR Scorecard, a dedicated integrated software solution that is simple for businesses to use to meet their SPMS requirements. The end-user interface is intuitive and web-based, and the development and maintenance of the SPMS model(s) is achieved via a user-friendly interface. In summary, the QPR Scorecard totally supports the three fundamental characteristics inherent in any well-developed and maintained SPMS.

How Do I Cost Justify The Purchase Of An SPMS Software Tool?

Cost justification is always an interesting issue when it comes to software tools. Basically, your organization needs to weigh the cost of the software tool against the financial benefit and cost savings the tool will provide.

As we all know, different software tools differ radically in pricing, typically based on elements like market positioning of the tool itself (some vendors actually price their solutions based on the market segment they are selling their products to), how the tool will be implemented (web-based or client/server-based) and also on how much consulting will be required to get the tool implemented. We believe the QPR Scorecard costs are quite reasonable. For the approximate salary cost of one full-time analyst, \$85,000, you will receive all software, required training, and implementation assistance services for a dedicated SPMS system that is capable of supporting up to 20 full time users.

Now let's compare this cost to the financial benefits and cost savings of that an SPMS can provide, categorized as either intangible or tangible benefits.

Intangible benefits are typically the reasons your organization has an SPMS in the first place, including the effective alignment of organizational strategy to specific measurable results, and the building of a strategy-focused organization in general. Intangible benefits are typically not

used to cost justify the purchase of an SPMS-specific tool, since these benefits were already used to motivate your organization to build their SPMS in the first place.

More success at cost justification can be attained through the evaluation of tangible benefits. Tangible benefits, such as cost-savings, are usually directly related to your organizations current SPMS efforts, and include issues like the cost required to build/maintain the SPMS in its current state, and the cost of distributing the SPMS information to all decision makers in the organization. Just adding the personnel costs of these two elements alone (building/maintenance and distribution) usually justifies the cost of an SPMS-specific software tool.

To summarize, cost justification is most easily attained through the comparison of the total cost of the software tool to the cost savings involved in expanding the use of personal computer tools for your organization's SPMS. It certainly is easier to make this justification after you have been using personal computer tools for some period of time – the pain of expanding the personal-computer-tools approach easily justifies the price of an SPMS-specific software tool.

Conclusion

Your organization's Strategic Performance Management System is a critical component of the information system that is needed to ensure your success. Particularly now in this uncertain economy, all of the organization's decision makers must have instantaneous access to all required information to effectively execute the chosen strategies. The QPR Scorecard software system will allow you to meet these needs today, and will help you position your firm for continued success in the future.