StratNav

Programme Leader's Guide

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Contents

Introduction

Having read the 'Client User Guide', you may have concluded that implementing a StratNav is actually just a common sense process that any company ought to be able to do for it self. It Is…

This guide is dedicated to helping you do as much of the implementation work for yourselves as you possibly can, without the need to call in for specialist help.

The problem for most companies is that the top team often feels that all the raw material to build and use something similar to StratNav is probably already there, it's just how to assemble it in the right way that is the problem. What is needed is an easy to follow, logical, robust and complete process for building and operating StratNav. This is precisely what we have developed.

As a result, we now have a complete process, which is applicable and acceptable to most companies and we share our process with you in this document.

How the Implementation Plan is Set Out

A summary flowchart of our implementation process is set out on the following two pages. The flowchart is based on a normal method of implementation, which is to facilitate the senior management team (and later, the departmental teams) through a series of workshop sessions, to ensure the highest quality of output and the maximum buy in to the process.

Implementation Timeline

Naturally, the timescale for implementing StratNav must suit the business, but it is equally true that a certain momentum must be maintained if the project is to be a success and the changes implemented are to bed in effectively.

Stage1 – The Business Doctors Strategy Day

- Shareholder Aspirations
- Business Vision – Destination (Vision / Values / Purpose)
- Future Proofing (Step Analysis)
  - Social
  - Technological
  - Economic
  - Political
- Your Market Analysed
  - Customers
  - Competition
  - Products
  - Services
  - Suppliers
  - Strategic Partners
- Opportunities for Growth
- GIVES: Great, Improvable, Vulnerable, Edge, So what
- Strategy
- Implementation (People / Sales / Performance)
- Critical Success Factors & Action Points
-

Stage 2 – TOP LEVEL StratNav Day

- How StratNav improves long term performance
- Confirming the financial and other objectives of shareholders
- Key influences on financial performance
- How to choose performance measures
- Measures chosen for the financial perspective of StratNav
- StratNav target setting Measures chosen for the customer perspective
- Measures chosen for the internal business process perspective
- Accountabilities assigned
- Reporting systems agreed
- Prepare for first monthly results review

Continue with target setting and measure design. Set up excel reporting

Stage 3 – TOP LEVEL

- First review of monthly StratNav results (FP/IBPP/CP only)
- Measures chosen for the learning and growth perspective
- Accountabilities assigned
- Reporting systems agreed
- Further measure design work

Stage 4 – TOP LEVEL
- Second review of monthly StratNav results
- Performance map issued
- Actions agreed to finalize any outstanding incomplete measures
- Planning for communicating the scorecard throughout the business
- Cascade process agreed

TOP LEVEL
- Third monthly review
- Fourth monthly review
- Fifth monthly review

Cascade Step(s) – DEPT TEAMS
1. General briefings about the purpose of StratNav to junior managers
2. Departmental team meetings to develop suitable subsidiary StratNav(s)
3. Launch of departmental team StartNav
4. First monthly review of departmental team StratNav(s)

Cascade Step 5 – TOP LEVEL & DEPT TEAMS
Making Strategy an Every Day Job
- Top team training to help them lead cascade teams in the analytical methods necessary to track drivers of CSFs on a daily/weekly basis and thereby improve StratNav results

Sixth Monthly Review of Results - TOP LEVEL
- Top team managers feedback details of their daily/weekly trackers
- Consider further steps to establish the StratNav as the key system in the company's performance management

Cascade Step 6 – DEPT TEAMS
- Second monthly review of departmental team StratNav results
- Cascade teams agree daily/weekly trackers

Effectiveness Audit – DEPT TEAMS
- An audit of cascade team StratNav reviews is carried out to ensure that the StratNav is being used effectively and is delivering good results

BUSINESS DOCTORS© ACHIEVE YOUR VISION

A successful implementation will ensure that everyone in the organisation lives and breathes StratNav and continuous improvement. The success of this culture is demonstrated every month at the StratNav review meeting, where the agenda for the meeting will mainly be provided by the StratNav measures themselves. This will be supplemented with key issues relating to improvements that the team is carrying out on particular scorecard measures.

As each scorecard measure is introduced, the person(s) accountable for reporting will explain the reasons for the score and any trends that are emerging. They should also cover the details of any actions taken since the last meeting and expectations for the way that the score may move in the future.

A discussion by the whole team now follows for each of the measures, with suggestions for further actions to bring about improvement. Whatever is agreed will be recorded by the manager and by those responsible for taking action.

As a result of discussions during the meeting it may be decided to delegate work or further analysis, the results of which will be presented at the next StratNav meeting.

Continuous Improvement

Between meetings, project teams and individuals will be working to understand performance better and use basic problem solving tools to make permanent improvements. This why a company that has already done the work to establish these types of discipline (e.g. through world class manufacturing, TQM, six sigma, etc) tend to find that the benefits from a balanced scorecard flow more quickly for them than for others. However, it isn't necessary to have carried out initiatives of this type before introducing a balanced scorecard.

Business Doctors have specifically developed a simple 'visual aid' StratNav to help those responsible for reporting at front line level to break monthly scorecard measures down into easy to use day to day activity and outcome trackers. We have found that this helps junior staff considerably when they come to analyse and report on scorecard results.

Top Level StratNav

Perspective	Measure	Scorecard Dial Settings		Monthly Fiscal Period				
	# & Descriptor	Green Target	Red Target	1	2	3	4	5
Financial	1. Net Profitability	£25kpm	£20kpm	£20,714	£41,858	£1,000	£1,000	£1,000
	NP%			55.3%	76.9%	10.0%	10.0%	10.0%
	2. Overhaead Cost	£4kpm	£7kpm	£8,176	£4,142	£3,000	£3,000	£3,000
	3. Gross Profit	Stretch Target	Min Expected	£28,890	£46,000	£4,000	£4,000	£4,000
	4.Turnover Volume	Budget +20%	Budget	£37,443	£54,442	£10,000	£10,000	£10,000
Customer	5. Business Mix	50%	40%	50.00%	38.24%	25.58%	83.33%	0.00%
	6. Retained Clients	66%	45%		49%			54%
	7. Return on Investment	10:01	08:01	4.70	4.02	13.02	3.00	16.67
	8. Target Acquisition	30%	15%		40.00%			26.00%
Internal Business Process	9. Effective Sales Activity	04:01	05:01	4.50	3.75	3.75	3.75	3.75
	Ave Order Value			£454	£325	£1,000	£500	£500
	10. Revenue Lost	£320/order	£400/order	£315.60	£975.00	£50.00	£80.00	£50.00
	11. Order Volume	Stretch Target	Min Expected	10	4	4	4	4
	12. Inventory Levels	Budget+10%	Budget	72500	62500	20500	31500	32500
Learning & Growth	13. Net Promoter	100	120	111	122	42	18	10
	14. Positive Culture	15%-5%	>15% <5%	44.44%	40.91%	36.92%	27.91%	18.90%
	15. Forecast Accuracy	≥8	≤4	6	6	4	0	0
	16. Continious Improvement	1.06	0.85	1.07	1.00	1.07	0.93	0.93
	Total for M16			16	15	16	14	14

About StratNav

StratNav is a unique Business Doctors strategic planning and management system. It is derived from industry best practice measurement management tools that are used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organisation, improve internal and external communications, and monitor organisation performance against strategic goals.

StratNav is used as a means to evaluate performance from four different perspectives: the financial perspective, the internal business process perspective, the customer perspective, and the learning and growth perspective. StratNav recognises that you cannot drive a car by solely relying on the rear-view mirror.

Measurement Management has its recent history rooted in balanced scorecard, which operates as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. The roots of the this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950's and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century.

StratNav has evolved from these roots and transforms an organisation's strategic plan from an attractive but passive document into the "marching orders" for the organisation on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies. This new approach to strategic management was first detailed in a series of articles and books by Drs. Kaplan and Norton.

Recognising some of the weaknesses and vagueness of previous management approaches, the StratNav approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. StratNav is a management system (not only a measurement system) that enables organisations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, StratNav transforms strategic planning from an academic exercise into the nerve centre of an enterprise.

StratNav retains traditional financial measures, but financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.

The Four Perspectives

With StratNav we view the organisation from four perspectives, and to develop metrics, collect data and analyse it relative to each of these perspectives:

The Learning & Growth Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organisation, people—the only repository of knowledge—are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organisation. Learning is more than training; it also includes things like mentors and tutors within the organisation, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed.

The Internal Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants. In addition to the strategic management process, there are support processes. The support processes are more repetitive in nature and hence easier to measure and benchmark using generic metrics.

The Customer Perspective

Recent management philosophy has shown an increasing realisation of the importance of customer focus and customer satisfaction & advocacy in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction and advocacy, customers should be analysed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

The Financial Perspective

Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralised and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

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StratNav builds on some key concepts of previous management ideas such as Business Balanced Scorecard (BSC), Total Quality Management (TQM), including customer-defined quality, continuous improvement, employee empowerment, and(primarily) measurement-based management and feedback.

Double-Loop Feedback

In traditional industrial activity, "quality control" and "zero defects" were the watchwords. In order to shield the customer from receiving poor quality products, aggressive efforts were focused on inspection and testing at the end of the production line. The problem with this approach—as pointed out by Deming—is that the true causes of defects could never be identified, and there would always be inefficiencies due to the rejection of defects. What Deming saw was that variation is created at every step in a production process, and the causes of variation need to be identified and fixed. If this can be done, then there is a way to reduce the defects and improve product quality indefinitely. To establish such a process, Deming emphasised that all business processes should be part of a system with feedback loops. The feedback data should be examined by managers to determine the causes of variation, what are the processes with significant problems, and then they can focus attention on fixing that subset of processes.

StratNav incorporates feedback around internal business process outputs, as in TQM, but also adds a feedback loop around the outcomes of business strategies. This creates a "double-loop feedback" process in the balanced scorecard.

Outcome Metrics

You can't improve what you can't measure. So metrics must be developed based on the priorities of the strategic plan, which provides the key business drivers and criteria for metrics that managers most desire to watch. Processes are then designed to collect information relevant to these metrics and reduce it to numerical form for storage, display, and analysis. Decision makers examine the outcomes of various measured processes and strategies and track the results to guide the company and provide feedback.

Therefore the value of metrics is in their ability to provide a factual basis for defining:

- Strategic feedback to show the present status of the organisation from many perspectives for decision makers
- Diagnostic feedback into various processes to guide improvements on a continuous basis
- Trends in performance over time as the metrics are tracked
- Feedback around the measurement methods themselves, and which metrics should be tracked
- Quantitative inputs to forecasting methods and models for decision support systems

Management by Fact

The goal of making measurements is to permit managers to see their company more clearly—from many perspectives—and hence to make wiser long-term decisions.

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The Baldrige Criteria (1997) booklet reiterates this concept of fact-based management:

"Modern businesses depend upon measurement and analysis of performance. Measurements must derive from the company's strategy and provide critical data and information about key processes, outputs and results. Data and information needed for performance measurement and improvement are of many types, including: customer, product and service performance, operations, market, competitive comparisons, supplier, employee-related, and cost and financial. Analysis entails using data to determine trends, projections, and cause and effect -- that might not be evident without analysis. Data and analysis support a variety of company purposes, such as planning, reviewing company performance, improving operations, and comparing company performance with competitors' or with 'best practices' benchmarks.

A major consideration in performance improvement involves the creation and use of performance measures or indicators. Performance measures or indicators are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. The measures or indicators should be selected to best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements represents a clear basis for aligning all activities with the company's goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals."

Building & Implementing StratNav

StratNav is a strategic planning and management system that helps everyone in an organisation understand and work towards a shared vision. A completed StratNav system aligns the organisation's picture of the future (shared vision), with business strategy, desired employee behaviours, and day-to-day operations. Strategic performance measures are used to better inform decision-making and show progress toward desired results. The organisation can then focus on the most important things that are needed to achieve its Vision and satisfy customers, stakeholders, and employees. Other benefits include measuring what matters, identifying more efficient processes focused on customer needs, improving prioritisation of initiatives, improving internal and external communications, improving alignment of strategy and day-to-day operations, and linking budgeting and cost control processes to strategy.

Starting at "high altitude", Mission, Vision, and Values are translated into desired strategic results. The organisation's golden threads of strategic themes, are selected to focus effort on the strategies that matter the most to success. Strategic objectives are used to decompose strategy into actionable components that can be monitored using performance measures. Measures allow the organisation to track results against targets, and to celebrate success and identify potential problems early enough to fix them. Finally, strategic initiatives translate strategy into a set of high-priority projects that need to be implemented to ensure the success of strategy. Engaged leadership and interactive, two-way communication are the cornerstones of a successful management system. Once the strategic thinking and necessary actions are determined, annual program plans, projects and service level agreements can be developed and translated into budget requests.

The StratNav system is built by the organisation's leaders, managers, and other employees. Facilitated workshops, led by 'Business Doctors' consultants, keep employees at all levels of the organisation engaged, on track and on schedule.

Performance Measurement

Most of us have heard some version of the standard performance measurement clichés: "what gets measured gets done," "if you don't measure results, you can't tell success from failure and thus you can't claim or reward success or avoid unintentionally rewarding failure," "if you can't recognise success, you can't learn from it; if you can't recognize failure, you can't correct it," "if you can't measure it, you can neither manage it nor improve it," but what eludes many of us is the easy path to identifying truly strategic measurements without falling back on things that are easier to measure such as input, project or operational process measurements.

Performance Measures are developed for each of the Strategic Objectives. Leading and lagging measures are identified, expected targets and thresholds are established, and baseline and benchmarking data is developed. The focus on Strategic Objectives, which should articulate exactly what the organisation is trying to accomplish, is the key to identifying truly strategic measurements.

Strategic performance measures monitor the implementation and effectiveness of an organisation's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency.

Good Performance Measures:

- Provide a way to see if our strategy is working
- Focus employees' attention on what matters most to success
- Allow measurement of accomplishments, not just of the work that is performed
- Provide a common language for communication
- Are explicitly defined in terms of owner, unit of measure, collection frequency, data quality, expected value(targets), and thresholds
- Are valid, to ensure measurement of the right things
- Are verifiable, to ensure data collection accuracy

Cascading StratNav

Could an organisation improve its performance if it could somehow better communicate to its employees what its strategy is? Does it have employees whose hard work is actually running counter to the organisation's goals because they have a different understanding of what you are trying to accomplish? Do various departments in the organisation focus on activities within their own silo more than on how they support the organisation's mission and vision?

The problems addressed by these questions centre on the issue of organisational alignment. The actual success of the system as an alignment tool can vary depending on the strategic focus of StratNav (simple performance measurement dashboard tend to not be very helpful), the success of its implementation and whether or not the organisation successfully cascades StratNav down to business or support unit level and/ or individual levels.

Leaving the issues of proper strategic focus and successful implementation to be addressed on other pages, what is cascading and how does one do so effectively?

Cascading StratNav means to translate the corporate-wide StratNav (referred to as Tier 1) down to first business units, support units or departments (Tier 2) and then teams or individuals (Tier 3). The end result should be focus across all levels of the organisation that is consistent. The organisation alignment should be clearly visible through strategy, using the strategy map, performance measures and targets, and initiatives. Scorecards are used to improve accountability through objective and performance measure ownership, and desired employee behaviours are 'incentivised' with recognition and rewards.

Target Setting

Articulating strategy and identifying strategic objectives often get the spotlight as major StratNav building challenges. But defining measures and setting targets are no less challenging—for different reasons. And unlike the more stable StratNav elements, targets must, by definition, be continually revised. One of the most delicate tasks is setting effective stretch targets—those that are ambitious, yet achievable without being demoralising. The implications are great, not just for company performance but for individual performance and morale.

Target setting is central to the effective implementation of StratNav-based strategy management. Targets for financial metrics should ideally come from external benchmarks as companies strive for performance that will make them among the best in their industry in metrics such as return on capital, revenue growth, and productivity. They should strive to be number one or two in such measures, or at least to achieve top -quartile performance, especially if their current performance is below the industry median.

Some customer outcome metrics, such as improvements in market share or growth in account share, are by definition benchmarked against competitors. Companies can also ask key customers to rank their performance relative to competitive suppliers. The stretch target for that metric would be "to become (or remain) our customers' number-one ranked supplier."

Once a high-level stretch financial or customer target has been established, it can often be decomposed into more manageable sub targets for each strategic theme. Consider a financial institution whose MD sets a stretch target of doubling monthly operating income from £1 million to £2 million over the next three years. At first, this seems like an impossible target to achieve. But the company can decompose this stretch target into somewhat more modest and achievable performance targets for each of its strategic customer goals.

For example: The ambitious income-doubling target can be achieved if: the number of new customers increases by 25%, the average revenue per customer increases by 33% (perhaps by increasing the number of products used by the average customer from three to four), and the cost to serve is decreased by 20%. The targets for the goals combine to produce the desired doubling of net income.

Choose the Right Measures and Drive the Right Strategy

Metrics overload is a common problem that can have serious consequences: specifically, it can make it difficult for employees to see what actions they should take to execute strategic objectives. Having too many metrics dilutes the focus and invariably means many are irrelevant.

Could someone who has never heard of your company pick up your StratNav and articulate your strategy? How about someone within your company who is actually responsible for implementing your strategy at an operational level?

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Warning

StratNav can fail to achieve this objective if they include too many or potentially irrelevant metrics.

A hallmark of a good StratNav is that it translates strategy into understandable operational terms. Too many metrics can dilute the focus on your strategic objectives, making it difficult to communicate a coherent implementation plan to the employees responsible for achieving those objectives. Moreover, an abundance of metrics that do not have clear linkages to your overall strategic objectives may be symptomatic of a larger problem: the lack of strategic focus at the top of the organisation. Measures selected for inclusion in your StratNav should have clear and demonstrable links to your overall customer and financial performance objectives. Understanding the relative importance of different metrics in driving these objectives is a necessary condition for providing good, actionable information at the operational level, where strategy is actually implemented.

Add a Customer Profitability Metric to Your Clients StratNav

It's no news that increasing the customer base doesn't necessarily translate into higher profits. In fact, at too many companies, the quest to expand the number of customers—and find new ways to please them—translates into reduced profitability. What can companies do to prevent this self-defeating practice?

Simple. Incorporate customer profitability metrics into their StratNav. By applying the principles of time-driven activity-based costing, companies can more readily identify unprofitable customer relationships. StratNav can then help them take corrective action to better align internal and customer processes with the company's ultimate financial goals.

Balanced scorecard introduced customer metrics into performance management systems. Scorecards feature all manner of wonderful objectives relating to the customer value proposition and customer outcome metrics—for example, market share, account share, acquisition, satisfaction, and retention. Yet amid all these measures of customer success, some companies lose sight of the ultimate objective: to make a profit from selling products and services.

In their zeal to delight customers, these companies actually lose money with them. They become customer-obsessed rather than customer-focused. When the customer says "jump," they ask "how high?" They offer additional product features and services to their customers, but fail to receive prices that cover the costs for these additional features and services. How can companies avoid this situation? By adding a metric that summarises customer profitability...

The Payoff

The ability to measure profitability at the individual customer level allows companies to consider new customer profitability metrics such as "percentage of unprofitable customers," or "pounds lost in unprofitable customer relationships." Such customer profitability measures provide a valuable signal that satisfaction, retention, and growth in customer relationships are desirable only if these relationships contribute to higher, not lower, profits.

StratNav customer profitability metrics are also highly actionable. If a company finds that an important customer is unprofitable, it should first look internally to see how it can improve its internal processes to lower the cost-to-serve. After all, we can't expect customers to pay for our inefficiencies. For example, if important customers are migrating to smaller order sizes, the company can focus on reducing setup and order handling costs. The company can ask the customer to use electronic channels, such as Electronic Data Interchange (EDI) and the Internet, which greatly lower the cost of processing large quantities of small customer orders.

Finally, perhaps a customer is unprofitable because it is purchasing only a single service. As an alternative to raising the price for this single service, the company can encourage the customer to purchase a wider range of services, expecting that the margin from a comprehensive set of services will transform the customer into a profitable relationship.

Top 5 Most Innovative & Useful Performance Measures

It's rare that a singular metric like turnover or a customer survey score is by itself a good measure of an organization's performance. Most of the more meaningful measures that are on the StratNav dashboard of executives today are indices, made up of 3-5 sub-measures.

1. **Communication Effectiveness:** Communication is probably the number one problem employees identify when asked what is wrong with their employer. Many organisations really do try to openly and honestly communicate with employees, yet they often don't seem to get the message. An important metric for most organisations is one that measures how well they communicate to employees, suppliers, shareholders, and others. Some of the better communication metrics weigh the frequency and media used to communicate important messages as worth 30-40%, and the effectiveness of the communication as being worth 60-70% of the index. One client measures communication effectiveness by handing out brief anonymous short answer quiz after a meeting or presentation to see if the audience heard and understood the main points of the message. They often find many members of the audience did not hear or understand the main points of a presentation. The same client sends our email quiz regarding print communication (e.g., newsletters, annual reports, etc.) to see if the readers got the main points of the communication. Performance on the Communication Effectiveness Index helps these organisations improve the clarity of their communication.

2. **Customer Relationships:** Customer surveys are rarely effective in measuring the level of relationship an organisation has with its clients or customers. Further, customers often vary in their relative importance or

attractiveness to an organisation. Airlines, for example, make about 80% of their profit from frequent business travellers, so loyalty from these customers is much more important than from infrequent leisure travellers who shop around for the cheapest flights. A number of clients have developed a Customer Relationship Index that includes two major components: Customer Attractiveness on 1-10 scale and Customer Relationship on a 1-10 scale. Attractiveness scores are determined based on factors such as profit margin, volume of business, fast payment of invoices, history or partnering with suppliers, and ease of working with. The relationship level is determined based on number of years working together, # of products purchased, personal relationships between representatives of the two firms, exit barriers, and knowledge of the customer's business and needs. The purpose of this index is to encourage development of loyal relationships with the most important and attractive customers. Clients who have used the customer relationship index have found that it directly links to gross margin and other bottom line measures.

3. **Employee Satisfaction:** As with financial or customer results, it is unlikely that a single measure will provide meaningful data on overall employee satisfaction. Most clients in government and business have developed an Employee Satisfaction Index that is made up of a variety of sub-measures such as: casual absenteeism, complaints/grievances, voluntary turnover along with the level of employees leaving, employee focus groups, overtime, and employee survey data. One client measures the stress level of employees each day by counting the number of green, yellow, or red marbles in a jar at the end of each day. Employees are given a number of three colours of marbles, and drop one in the jar at the end of the day to indicate how stressful the day was. Periodic focus groups are used when there are many yellow or red marbles to see what is causing the stress. An annual morale survey by itself is unlikely to provide meaningful data on overall employee morale. One client paid a large research firm £125,000 to conduct an annual employee survey and got a 17% return rate, even though the survey was only 12 questions and very simple for employees to answer. Even if they had gotten back most of the surveys, it still only provides one data point per year on employee morale. Morale can change dramatically in a few months, and an annual measure is unlikely to be very useful.

4. **Distraction Index:** This one is everyone's favourite. A large financial services firm came up with this index, and many business and government clients have adopted it for their scorecards. The index measures how much time employees at all levels spend doing what they were hired to do. Employees record hours worked each week and sort their time into three categories:

   A. **Job:** tasks that are directly part of doing ones job or mission

B. Administration: activities that all employees need to spend time on. Examples include preparing budgets, attending staff meetings, learning about the new health insurance program, attending sexual harassment training, learning about a new software program, reading administrative emails, etc.

C. Programs: Various management programs that tend to come and go and eat up employees' time. Examples might include activity-based costing, six sigma, lean, strategic planning, enterprise resource planning, etc.

Employees in several firms found that they spent less than a third of their time doing their jobs, which was felt to be completely inappropriate. Data on the distraction index helped to provide senior management with hard data on why employees were stressed out and seemed to be having a hard time getting work done. Data on this measure is used to help eliminate administrative requirements, and minimize time spent on management programs.

5. Supplier/Partner Index: Many business and government organisations do much of their work using outside suppliers or contractors. In the USA, most Department of Energy facilities, for example, are run by contractors and supervised by DOE employees. A number of organisations have developed an index that tells them how their suppliers or partners are performing. Factors included in this index are criticality of supplier to the mission, ease of working with, supplier knowledge of your organisation and its products/services, responsiveness, timeliness, and quality of goods/services. This index is often similar to the customer relationship index discussed earlier in that it includes a rating of the importance of the supplier and their level of performance.

Laid out below is just some generic terminology that you may come across as you research and start to understand measurement management. This is a global phenomenon and there are numerous variants, but StratNav is right at the cutting edge of 'productive' measurement management along with other dashboard and scorecard based systems.

Customer Value Proposition

The Customer Value Proposition is the unique added value an organisation offers customers through its operations; the logical link between action and payoff that the organisation must create to be effective. Three aspects of the proposition include Product/Service Attributes (Performance/ Functionality considerations such as quality, timeliness or price), Image and Relationship.

Mission

A mission statement defines why an organisation exists; the organisation's purpose

Performance Measures

Performance Measures are metrics used to provide an analytical basis for decision making and to focus attention on what matters most. Performance Measures answer the question, 'How is the organisation doing at the job of meeting its Strategic Objectives?' Lagging indicators are those that show how successful the organisation was in achieving desired outcomes in the past. Leading indicators are those that are a precursor of future success; performance drivers.

Perspectives

A Perspective is a view of an organisation from a specific vantage point. Four basic perspectives are traditionally used to encompass an organisation's activities. The organisation's business model, which encompasses mission, vision, and strategy, determine the appropriate perspectives.

Strategic Initiatives

Strategic Initiatives are programs or projects that turn strategy into operational terms and actionable items, provide an analytical underpinning for decisions, and provide a structured way to prioritise projects according to strategic impact. Strategic Initiatives answer the question, 'What strategic projects must the organisation implement to meet its Strategic Objectives?'

Strategic Objectives

Objectives are strategy components; continuous improvement activities that must be done to be successful. Objectives are the building blocks of strategy and define the organisation's strategic intent. Good objectives are action-oriented statements, are easy to understand, represent continuous improvement potential and are usually not 'on-off' projects or activities.

Strategic Result

Strategic results are the desired outcome for the main focus areas of the business. Each Strategic Theme has a corresponding Strategic Result.

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Strategic Theme

Strategic Themes are key areas in which an organisation must excel in order to achieve its mission and vision, and deliver value to customers. Strategic Themes are the organization's "Pillars of Excellence."

Strategy Map

A Strategy Map displays the cause-effect relationships among the objectives that make up a strategy. A good Strategy Map tells a story of how value is created for the business.

Strategy

How an organisation intends to accomplish its vision; an approach, or “game plan”.

Targets

Desired levels of performance for performance measures.

Vision

A vision statement is an organisation's picture of future success; where it wants to be in the future