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Delivering Clarity

Summary

Frameworks help us to deal with uncertainty and insufficient information when making choices. This document introduces Business Performance Management (BPM), a framework for thinking about the aspects that you may need to consider when managing an organisation.

Frameworks

Organisations consist of a large number of parts that must work smoothly together for the entire system to be effective, i.e. they are complicated. Watches are also complicated, but you can take a part out of a watch, put in a replacement part and the watch will work exactly as intended. You can't do that with organisations because they behave in ways that are inherently impossible to predict. Organisations are also part of an environment that they can influence and that influences them. So what happens depends not only on the organisation, but its environment. Finally, organisations are human systems. Each person has a unique way of seeing the world and also a unique set of goals, some of which may not be known even to that person.

In short, organisations are complex, embedded, human systems. This is important because it makes it very difficult (impossible, actually!) to predict what might happen when you try to change something. It is also important because everything in an organisation is connected to everything else and it is impossible for anyone to know what these connections are.

One way to deal with this problem is to use knowledge about organisations and situations that already exists, and that's where frameworks for thinking come in. As a short-hand representation of knowledge and insight, frameworks point to the interconnections and things you may have missed.

The Business Performance Management (BPM) framework enables an overview of the management processes in an organisation. Another similarly named framework, Business Process Management, also unfortunately abbreviated as BPM, covers operational processes like marketing and production.

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The Business Performance Management (BPM) Framework

The BPM framework is a set of five management processes shown in Figure 1.

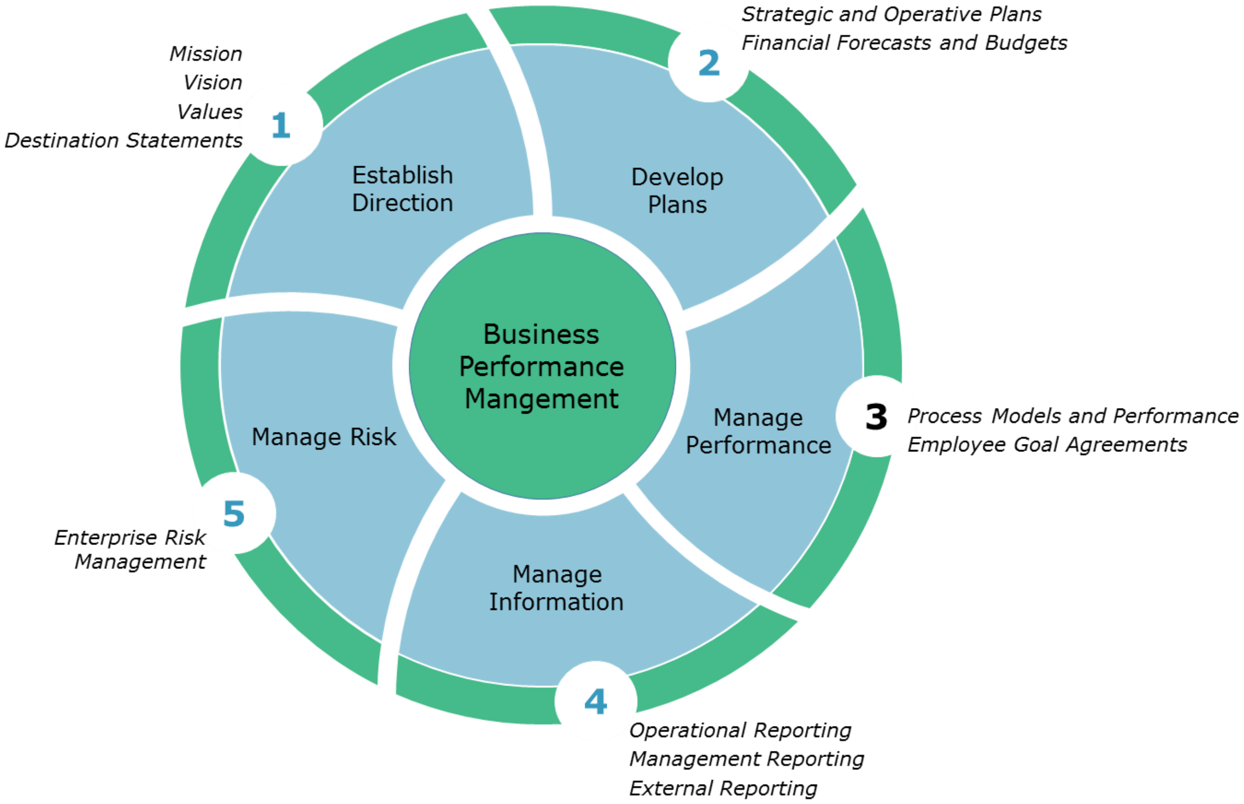

Figure 1: Business Performance Management Framework

The five processes are:

- **Establish Direction**: Results in the development and articulation of the statement of company direction. This consists of:
  - Mission: purpose of the organisation or its raison d'être;
  - Vision: a view of the world at some point in the future;
  - Core values: the principles that underpin everything employees do; and, crucially,
  - Destination statements: the vision, as seen from the eyes of each key stakeholder.

- **Develop Plans**: Results in the development and articulation of how the organisation intends to realise its vision, consisting of:
  - Strategic plan: strategic objectives (translated from destination statements), metrics and targets and strategic initiatives intended to achieve these targets;
  - Financial forecast: projected annual financial statements at a highly aggregated level;
  - Operative plan: goals, metrics and targets for the year ahead and the projects intended to achieve the goals; and
  - Budget: detailed periodic financial statements to the end of the planning year.
- **Manage Performance of People and Processes**: Involves the processes of setting targets and supporting employees in achieving them. Has at least two, sometimes more, parts:
  - Strategic initiatives and projects: aligning planned outcomes with business objectives and goals and implementing organisational accountability for the outcomes; and
  - People: aligning employee goals with business objectives and empowering them to achieve their goals.
- **Manage Information**: Involves the development and dissemination of data, information and knowledge needed to run the organisation. Consists of:
  - Operational: needed for ensuring operational processes are performing as needed;
  - Management information: needed for tactical or strategic analysis and corrective action; and
  - Financial information: needed for legal and statutory reporting.
- **Manage Risk**: Involves developing an organisation-wide picture of risk and how it is managed.

This outline of the BPM framework is clearly at a very high level, and that's for two reasons. First, since organisations are complicated, it is impossible to know everything needed to successfully manage them. Even if we did, that still wouldn't be enough because organisations are complex and embedded and therefore unpredictable by definition (eh?). Second, every individual, and therefore even more so every organisation, is unique with its own requirements for managing performance. This means that as we increase the level of detail in our articulation of frameworks, it becomes less likely that it will suit the specific needs of the organisation.

The best approach to this problem is to pick a generic framework that best matches the known requirements of the organisation and implement it, fully knowing it will not meet all the organisation's needs.

What you can do with the BPM Framework

The framework provides a structure for thinking about what you need to put in place to manage an organisation. Rather than as a set of individual processes, it is useful to think about the framework as a set of interconnected pieces of a jigsaw that fit together to form a larger picture. One area where many organisations struggle is aligning the performance management piece with the strategy piece. This can happen because employees don't have a clear view of the strategy or because they can't draw a line of sight between their goals and those of the organisation. Another area organisations find difficult is linking the reporting process with the planning process in such a way that important information is made available, but information that's not relevant is not included in reports. Finally, risk management is often included as an afterthought rather than fully integrated with the planning process. Applying the framework can help focus attention on these areas of misalignment.

The framework can also serve to compare or integrate other frameworks. For example, when you compare the Balanced Scorecard (BSc) against BPM it becomes clear that the BSc covers only some of the areas needed to manage an organisation. The BPM framework also suggests the need to develop metrics and targets for meeting expectations of key stakeholders using the destination statement as a means to do this. This allows the integration of frameworks such as Economic Value Added (EVA) and Customer Value Added (CVA) into the BPM framework to address expectations of investors and customers respectively.

For more information or assistance with implementing Business Performance Management, please contact ARTiM Consulting at info@artim.consulting.