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TRANSFORMERS

Frameworks in Performance Planning

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To apply some of principles of effective performance management systems, it is important to understand some of the frameworks and tools that are used by strategy/planning professionals to develop organizational strategies that eventually become part of the performance management system.

There are several frameworks and tools used by professionals in various geographies and industries, but the ones I will be exploring here, are the ones my colleagues and I at Learning Impact NG use with our clients and within our own businesses. This is therefore not an exhaustive list, as practices will differ from one organization to another.

The Balanced Score Card

The Balanced Score Card (BSC) is a tool for strategy development, implementation and performance management development by Robert Kaplan and David Norton in the United States. The idea behind the BSC is the notion that organizational strategy and performance needs to focus on all the perspectives that ensure that the organization succeeds.

Prior to the BSC (even till today), most organizations drive their strategy and performance in an UNBALANCED manner, focusing mostly on only one perspective – financial success. When such organizations discuss strategy and performance, they are only interested in setting goals for how to grow their sales, profit, market share and other finance related metrics. Their strategy initiatives are skewed towards the activities that will create financial results and their performance management system emphasizes mostly financial goals.

As organizations focused so much on the financial perspective, they paid almost no attention to other areas of the organization, they created a mercenary culture where employees and managers were incentivized only to make more money for the business most times at the expense of everything else. This mercenary culture created a lot of sharp practices, cutting of corners and ethical breaches that led to financial market crashes, corporate failures, and even global recessions.

A new school of thought started to emerge around sustainable business practices, and rather than just focusing on the profit motive, businesses started to pay attention to broader goals like adding value to society, survival, and sustainability. The BSC then arose as a framework which seeks to create a more BALANCED approach to strategy and performance, by focusing on four, rather than one perspective. The four perspectives of the BSC are FINANCIAL, CUSTOMER, PROCESS and PEOPLE, and they support and reinforce each other to create a more holistic and sustainable success for the organization.

The FINANCIAL perspective focuses on strategies and goals that relate to how the company makes and manages its financial resources – the perspective that most organizations are already quite accustomed to focusing on. The CUSTOMER perspective recognizes that the most sustainable source of finances for any organization are its customers, so it focuses on strategies and goals to drive customer retention and loyalty.

As we all know, once organizations start to interact with their customers, opportunities arise for what we call operational losses – wastage, pilfering and even fraud. The PROCESS perspective pays attention to strategies and goals to minimize risks and ensure that operational losses are reduced.

The strategies and goals based on these three perspectives can only create success when there is an enabling culture, driving by the right quality of people. The final, PEOPLE perspective of the BSC focuses on strategies and goals to ensure that the right quality of people and culture exists to enable the entire strategy of the organization.

Often you hear some people comment that the Balanced Score Card does NOT work. I wonder – how can it not work? Clearly such people are thinking of the BSC as a software – but it is much more than that, it is an entire system for transforming your organization. If you have a performance management software that doesn't work, don't blame it on the BSC – the BSC is much more than a software, and the BSC works everywhere that it is well understood and applied by leaders and employees.

Strategic Themes

When developing your organizational strategy, our best recommendation is to use a bottom-up, top-down approach that involves engaging employees and leaders and carrying out some macro, industry and organization-specific analysis and diagnostics. All of these should culminate in two things – several strategic sweet spots or several strategic pain points. Sweet spots refer to areas where you think gaps exist in your industry that your organization can take advantage of, while pain points refer to weaknesses in your organization which you must overcome to remain competitive.

The combination of these two issues should help you create strategic themes – the most important priorities that you should focus on as an organization that are unique, will align the organization, is a result of trade-offs and should one day become the culture of the organization.

A clear example of strategic themes that I usually give come from the political arena. Nigeria's current President, Major General Buhari has a three-pronged change strategy – 1) Security; 2) Economy and 3) Corruption (saying them with his accent is always a crowd pleaser). Late President Umaru Yar'Adua had a seven-point agenda and the Lagos State Governor, Mr Sanwo-Olu aptly dubbed his with the acronym – T.H.E.M.E.S.

Organizations usually have their strategy organized around thematic areas or themes like these and these themes then drive the rest of the strategy and performance focus of the organization.

Strategy Maps

Your Strategic themes are not enough to create the performance and results that you want in your organization. You must create specific goals that relate to your strategic themes and if you use the BSC (which you should), the goals that you create will focus on the four perspectives of financial, customer, process and people that are critical to your success as an organization.

We have a fictional bank case study and their thematic areas that include – Grow via Acquisition; Deepen Customer Focus; Grow in Niche Markets; NPL at less than or equal to 7.5%; and Creativity & Innovation. Can you imagine some of the sweet spots and pain points in the macro, industry and organizational context that led to these five thematic areas?

In the picture below you can see how the bank has created a strategy map that captures these five themes against the four perspectives of the BSC and the specific goals as they intersect. For example, to Grow via Acquisition, the bank has set a Customer Goal of 85% customer retention in acquired entities. To achieve its strategy of NPL at less than 7.5%, they will drive processes to ensure KYC compliance at 100%.

This is how you create a strategy map – making the connection between the strategic themes of your organization and the four pillars of the BSC.

The Strategy Map is a powerful tool for communicating your strategic focus as an organization and our best recommendation is that it should fit into one page so that the communication is really engaging and impactful.

Corporate Strategy Map - 2015

	Grow via Acquisition	Deepen Customer Focus	Grow in Niche Markets	NPL at <7.5%	Creativity & Innovation
Financial	PBT up 50% YOY ROI on Acquisitions by T+2	Deepen share of wallet	No.1 in SME and Agric by 2016	NPL at <7.5%	Innovation practices to drive business growth by more than 40%
Customer	85% customer retention in acquired entities	Unique Personal Financial Planning Proposition No 1 in Mystery Shoppers industry rankings	Best Value-Added Proposition in Niche Markets	Increased cross-sell ratio	Increase Cross-sell ratio
Process	Seamless transition to Core Banking application	No 1 in mobile banking capabilities No 1 or 2 in ATM and On-Line Banking	Seamless credit approval processes	KYC at 100%	Implement a Business and market research Plan
People	One bank, One Culture across locations by T+2	Highest Industry PAT per capita	Provide Thought Leadership in SME and Agric	Enhanced Relationship Manager Model	Innovation as Culture

Organizational Score Card/Workplan

We usually think of the Strategy Map as the scorecard of the Organization's CEO, since it represents the highest-level goals of the organization, and many organizations use it as such. But having those high-level goals or what some people call Big Hairy Audacious Goals (BHAGs) does not translate to performance and results. We need to develop the initiatives to support each goal and create a more detailed organizational workplan.

Having goals is important, but you need to pay attention to translating the goals to actions through specific initiatives. Your strategy and performance management at all levels in your organization will not work if you do not have initiatives to support your goals, even at an individual level.

The Organizational Score Card or Workplan breaks down each of the themes and goals into specific initiatives. For example, lets break down the BHAG for our bank – "No 1 in SME and Agric by 2016" into initiatives.

Goal	Initiatives	By Whom	When
No 1 in SME and Agric by 2016	Host Agric & SME Fair	Head Corp Comms Head ASME	Jan 2016

	Partner with EDB on Credit Line	ED, International Banking \ Head, ASME	March 2016
	Launch Agric & SME Mentoring Program	HR, Head ASME	Aug 2016

As you can see from this example, the goal has been broken down into three initiatives with different people responsible for them with different timelines. Now, the strategy has come to life and some performance goals have now been cascaded to lower levels of the organization.

Departmental/Unit Scorecard/Workplan

You will notice from the extract of the organizational scorecard for our fictional bank that the ED International Banking, Head, ASME and Head HR now have some of the strategic goals cascaded to them.

They too will take each of these goals and break them down further into initiatives for their departments and units. It will follow the same process of taking each item, for example “Host SME & Agric Fair by January 2016” and breaking it into other sub-goals or initiatives that will be handled by other managers and employees that report to them.

Each department/unit will then have its own scorecard that is derived directly from the organizational scorecard, ensuring that the principle of strategy alignment is preserved.

It is noteworthy to mention that usually in the public sector and development world, some organizations substitute the term “score card” with workplan, so please feel free to use them interchangeably.

Individual Score Cards

The final piece of the chain of frameworks and tools for your performance planning is the Individual Score Card. This is where we take all the initiatives and goals from the strategy map, organizational scorecard/workplan and departmental scorecard/workplan and translate them to individual scorecards.

In some organizations, the call it the Mission Plan for each individual and if done properly, everyone’s Mission Plan should align all the way to the overarching strategic themes of the organization.

The individual score cards will then be used to create the performance contracts at an individual level which then forms the basis of the performance management process for the organization.

Usually, organizations have different processes for creating performance contracts and sometimes different organizations call them different things. Sometimes they are simply referred to as your Key Performance Indicators (KPIs) or Annual targets or Annual Goals or sometimes Objectives & Key Results (OKRs).

Objectives & Key Results

The former CEO of Intel, the microprocessor Company, Andrew Grove came up with a system in the 1980s called Objectives and Key Results (OKRs). It is a system of performance planning that is different from the traditional approach to performance contracting that is used in most organizations.

The main difference lies in the fact that it is employee-driven – so rather than the management-driven cascades and alignment that I have described so far, it is individual employees who reflect on the overall strategic objectives and bring out the key results that they would like to pursue to ensure these objectives are achieved.

Apart from being employee-driven, they are also over shorter periods of three months compared to the annual goals that most organizations use – this is important because of the volatile and complex nature of the workplace and society, and the need to stay flexible and agile. In some organizations, OKRs run parallel to the existing annual goal setting as a voluntary program to encourage ownership thinking from employees.

OKRs are catching on quite strongly as organizations seek to transition to a culture of personal accountability and ownership driven by highly competent employees who require very little supervision and are well aligned with the mission of the organization.

Overall, the various frameworks and tools for performance planning that we have explored are critical in ensuring that you have an effective performance management process. Organizations differ in terms of the frameworks and tools that they use, so these are certainly not exhaustive, but constitute the most used approaches by most strategy/planning and HR professionals in organizations.