

Leading Organizations Towards a Performance-Based Culture

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In the past three decades there has emerged a plethora of management methodologies, models, tools and standards to assist organizations to focus their energies and resources to lead in the rapidly changing and highly competitive business environment of 20th century.

Also, throughout our careers in university and industry, and during courses, conferences and seminars, we were introduced to many of these business management methodologies, models, tools and standard. Each of these management concepts purports to address and solve various organizational issues. Yet there are some organizations which have achieved business excellence, some which have adapted and survived and some which have gone bankrupt.

Given that these organizations were all aware of the management concepts available, begs the question as to why have they not all succeeded? Is it the approach the paradigm, etc.?

From our work experience we attribute this to one or more of the following:

- Leadership
- Communication
- Policy
- Strategy
- Knowledge and experience
- Customer satisfaction
- Process
- Vision
- Mission

Some consultants suggest that an organization, depending on its size and line of activity, requires 5 to 11 methodologies, models and tools to address all of their organizational issues. Furthermore, they claim that these concepts should be integrated. But they do not show how to integrate these models and tools.

Based on my experience and research, instead of jumping into a specific line of enquiry I started by analyzing 13 methodologies, models, tools and standards against 16 key organizational principles.

This was to identify which organizational principles these management concepts addressed, and how effectively these principles were addressed. This analysis led to some interesting findings. Each methodology, model, tool and standard offers unique benefits and is good at addressing only a few specific organizational issues.

I investigated and compared further the two highest ranked models - Business Excellence Model (BEM) and Viable System Model (VSM), and one methodology, Balanced Scorecard (BSC), which is also used widely as a tool.

Surprisingly I found out that each had a different origin. BEM originated from Total Quality Management (TQM), VSM from cybernetic principles, i.e. the science of communication and control in machines and animals and BSC from performance measurement and value creation.

To manage an organization of the 21st century effectively all the above three leadership and management concepts are required. It is also required to approach organizational analysis from a system perspective. That is both a bird's eye views and a worm's eye views.

My challenge was to integrate the various methodologies, models, tools and standards to provide an Integrated Corporate Leadership and Management Framework (ICLMF) that would address all organizational issues to facilitate leading organizations towards a performance-based culture. After establishing a methodology based on the learning cycle, I identified five critical success factors that the ICLMF should consider and address. These were:

1. Business Purpose,
2. Business Direction,
3. Business Processes,
4. Business Management, and
5. Business Results.

The constructed ICLMF is unique and has a far-reaching impact in academia and industry. The ICLMF uses the VSM and its developed Viable Scorecard as the foundation model enriched further by the latest developments in leadership and management theory and practices. VSM was chosen due to its unique advantage of being process based and recursive. These help the identification of process boundaries for better autonomy and management.

The ICLMF could be applied to a block of countries (such as EU), a country, an institution or an organization. Professor Stafford Beer of Manchester University, the developer of the VSM, applied his model to the British Steel Corporation and later to the whole Chilean economy in the 70's, during the presidency of President Salvador Allende with success.

Thus constructed Framework does not only identify the issues of concern and how to solve them, but also provides a guiding framework to lead and manage assets more effectively. It identifies and clearly articulates how to manage key organizational issues. It is used as a high-level business control document to develop, manage and improve performance.

The Framework was applied and empirically tested in a petroleum company in the Middle East to identify Business Processes, establish Critical Success Factors (CSFs) and design Key Performance Indicators (KPIs) to 5 recursion levels.

In practice, the concept was adopted to overcome the difficulty in calculating the measurement of the KPIs for Asset Integrity Assurance. By developing a top-down asset driver tree, based on the business processes which had been drilled down to the 8th level of recursion, and adding up the values from the lowest (8th) level to the highest (1st or

Corporate) level, an accurate account of the overall performance of Integrity Assurance was obtained.

The developed framework integrates the various available methodologies, models, tools and standards. The use of the framework together with careful and balanced emphasis on stewardship (environment, asset / performance management), community (values, ethics, integrity, etc.), productivity (efficiency, profits, etc.) and short-term benefits / gains leads organization towards performance-based management and finally towards performance-based culture.

The findings show that organizations use of models, tools, standards and frameworks were not systemic or systematic but ad-hoc, even though the corporate KPIs are based on the Shareholders' aspirations, which is in line with the BSC. Furthermore, the selection of the KPIs in all areas (corporate, functional, divisional, departmental, team levels, etc.) did not follow a process, were not systemic nor aligned.

To overcome the above it is recommended to use the ICLMF to understand and analyze an organization, investigate its business processes, establish appropriate CSFs and design KPIs which will track the CSs. It is also recommended to use the framework for self-assessment, benchmarking, planning, forecasting and performance management.

It is shown that using VSM and its Viable Scorecard based approach; the identification of business processes, CSFs and KPIs at various recursion levels enabled us to appreciate the various processes and their inter-relation in harmony with each other. The research highlighted that the CSFs at lower level of recursion are more tangible and transparent (than higher level) and hence their measurements (KPIs) are more easily designed and tracked. Furthermore, the identification of control measures enabled us identify the shared objectives and act upon them.

The advantage of the VSM Viable Scorecard is that it explicitly addresses intelligence gathering and interface management. Intelligence gathering will allow the organization to be more systematic in gathering information about competitors and future challenges. Interface management will also allow a more effective coordination among divisions and functions. Furthermore, the Viable Scorecard could be represented by a mathematical model as multi-input output system.

The research was informed by an opinion survey. Analysis indicates that understanding of and attention to soft issues is critical to drive and sustain improvements.

Current approaches do not offer a methodology and / or a coherent integrated framework for performance management and reliance on them may be preventing organization from achieving world-class performance.

In conclusion, it is proposed that the Integrated Corporate Management Framework developed in this research should be used to guide and gradually force attitudinal change, thus achieving the organizational purpose, goals and objectives of having an appropriate performance measurement system and a performance-based management system in place. This together with the understanding of and attention to soft issues will enable us to manage the organization more effectively and efficiently, thus paving the way towards business excellence and hence towards a performance-based culture.

Note:

The theory, development and application of the Framework was discussed with Hull University, Liverpool John Moore University, Institute of Management Consultancy (UK), Petroleum Development Oman (PDO), and a colleague with an interest in similar research, Mr. Leonid Ototsky, Chief Specialist of the Computer Centre, Magnitogorsk Iron & Steel Works, Russia. They all considered the framework to be unique with a wide range of application. The Integrated Framework was also discussed with Dr. Robert Kaplan, one of the developers of the BSC.

Key Organizational Principles

- 1 Understanding of Business Processes
- 2 Stakeholder Concept
- 3 Leadership
- 4 Clear and Deployed Concept
- 5 Measurable Objective and Targets
- 6 Customer Satisfaction
- 7 People Management and Development
- 8 People Satisfaction
- 9 Effective Partnership and alliances
- 10 Performance Auditing and Continuous Improvement
- 11 Effective Communication
- 12 Effective Measurement System
- 13 Business Results
- 14 Recursivity (Replication)
- 15 Understanding of Business Purpose
- 16 Interface Management

List of Models, Tools and Standards

- 1 Balanced Scorecard
- 2 Business Excellence Model
- 3 Performance Prism
- 4 Strategic Planning
- 5 Mission and Vision Statements
- 6 Total Quality Management
- 7 ISO 9000:2000
- 8 ISO 1400
- 9 OHSAS 18001
- 10 Benchmarking
- 11 Business Process Re-engineering
- 12 Six Sigma
- 13 Viable System Model

4. Organizational Management and Performance Improvement System (Continued ...)

