

Sustainable Factors for Performance Management Systems

성과관리시스템의 지속적 운영요인

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Surveys and Cases in Literature

❖ Journals 과 사례연구에 발표된 케이스와 설문

설문 및 사례수 - 154

- Performance management Systems: 75
- Balanced Scorecard: 76
- The performance prism: 3

- International: 138 (1993 – 2007)
- Domestic journal: 16 (2001 – 2006)

PMS

(Performance Management Systems)

❖ Performance management

- Process of quantifying the efficiency and effectiveness of action –
성과의 측정강조
- Process of managing the efficiency and effectiveness of strategic action
– 전략적성과의 관리강조

❖ PMS (Performance Management Systems)

- provide information that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives
[전략기회인식 및 기획 정보제공]
- align management processes, such as target setting, decision-making, and performance evaluation, with the achievement of the chosen strategic objectives [전략실행 프로세스관리]
(Ittner *et al.*, 2003)

Best-Known Approaches

- ❖ **Balanced Scorecard (BSC)**
- ❖ **The Performance Pyramid**
- ❖ **The Performance Prism**
- ❖ **Intellectual Capital Navigator**

The generation of PMS

Main Criteria	Test	1 st generation BSC	2 nd generation IC	3 rd generation HVA
Auditable and reliable 신뢰성	Data meets a standard	No	Partial	Yes
	Data addresses look at the right time frame	Yes	Yes	Yes
Overhead and ease of use 편의성	Low measurement overhead	Moderate	Moderate	Moderate
	Easy to initiate and use	Yes	Moderate	Moderate
Strategic management 전략관리성	Allows multi-level management	Does not allow trade-off decisions	Yes	Yes
	Measures stock, flow and influence	Stock	Stock and influence	Stock, flow and influence
Shareholder information 이해관계	Provides data at all levels in the firm	Yes	Yes	Yes
	Engages all the value attributes of all stakeholders	No	Partial	Yes

Source: Gupta et al. (2003)

The generation of PMS

❖ The first generation: Balanced Measurement Systems

- to supplement the traditional financial measures with non-financial measures
- To provide a framework for prompting people to think through which nonfinancial measures they should include in their organization's performance measurement system
- Models
 - Balanced Scorecard (*Kaplan/Norton, 1996*),
 - The Performance Prism (*Neely et al., 2002*), and
 - Skandia's Navigator (*Edvinsson/Marlone, 1997*)

The generation of PMS

❖ The second generation: Mapping the Flows and Transformations

- to address the dynamics of value creation by investigating transformations of resources as well as the stocks of these resources
- Models
 - Strategy maps developed by *Kaplan and Norton*(2000),
 - Success and risk maps developed by *Andy Neely and colleagues* (2002), and
 - The IC-Navigator model developed by *Göran Roos and colleagues* (*Roos et al., 1997; Chatzkel, 2002*)

The generation of PMS

❖ The third generation: Linking Financial to Non-Financial

- requires organizations to seek greater clarity about the linkages between the non-financial and intangible dimensions of organizational performance and the cash flow consequences of these.
- Three fundamental criteria
 - Appropriateness and adequacy - the model must reflect reality.
 - Information adequacy - the right information must be provided.
 - Practicality and organizational alignment - the outcomes must be practical insights that will enable action.

Difficulties in Implementation

❖ **Neely and Bourne (2000)**

- 70% of Balanced Scorecard implementations fail.
- Two main reasons for the failure of management systems
 - Poor design and
 - poor implementation

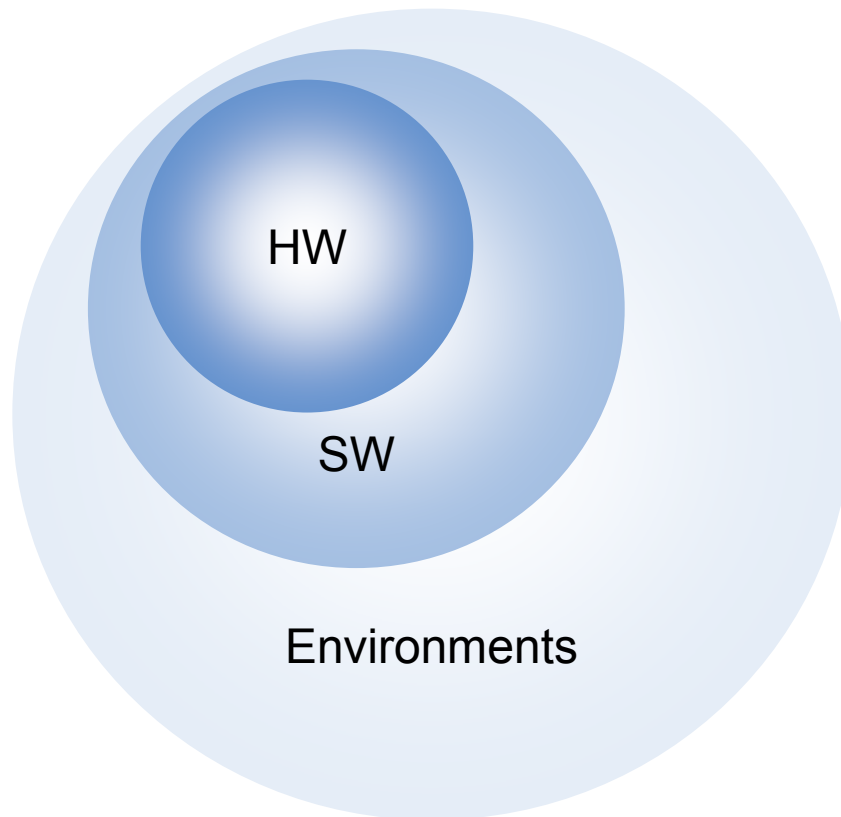
❖ **Fortune magazine (1999)**

- Less than 10% of organizations' strategies are effectively formulated and executed

❖ **Kaplan (2003)**

- Although there is the high risk of performance management implementations, BSC is the answer to aligning strategy with operational activities.

Sustainable factors



- ❖ **Strategy**
- ❖ **KPI**

- ❖ **Initiatives**
- ❖ **Monitor and Update**

- ❖ **Change**

Sustainable factors

Strategy – 전략연계 및 통합, 외부환경 및 이해관계자 정합

KPI – KPI 설계 및 절차

Initiative – 실행과제, 예산연계

Monitor and Update – 지속적 피드백, 성과관리 업데이트, 시스템연계

Change – Top 관심, 참여, 성과보상

Sustainable factors

		S	K	I	M	C
Aligned organizational resources (전략 자원과의 연계)	71	S				
Determining proper measures (적절한 평가 지표 설정)	52		K			
Setting the right performance targets (올바른 성과 목표 설정)	48			I		
Top management commitment (최고 경영진의 지원)	45					C
Acceptance and adopting within organizations (조직 내에서의 수용)	42					
Appropriate design of measurement system (평가 시스템의 설계)	38			I		
Linking strategy to PMS (비전 및 전략과의 연계)	37	S				
Communications (조직의 원활한 소통)	37					C
Cause-and-effect model (인과관계 모델)	37	S				
Identifying the clear strategy (명확한 전략 설계)	35	S				
Well-developed system (더 발전된 시스템)	32				M	
Impact of organizational culture (조직문화)	38					C
Leadership (최고경영진의 리더십)	38					C
Linking performance to compensation (보상체계 수립)	37					C
Uncontrollable environmental factors (불가항력의 여건 극복)	22	S				

Sustainable factors

Management credibility (신뢰할 수 있는 운영)	30					C
Defining good metrics	30		K			
Public policy (외부 정책)	17	S				
Training (교육)	27			I		
Feedback / Monitoring (피드백/모니터링)	26			I		
Compatibility of the new system (기존시스템과의 호환성)	23					C
Time and expense requirement (시간 및 비용)	19		K			
Updating PMS (업데이트)	19					M
Accessibilities to system (시스템의 접근성)	12					M
Customers' requirements (고객의 요구 반영)	12	S				
Budgeting driven by strategy (예산 연계)	11			I		
Middle managers' role (중간관리자의 역할)	9					C
Worthy effort (노력)	3					C
Stakeholders' requirements (주주의 요구 반영)	3	S				
		234	101	150	63	302

Case Study

❖ Case Studies in 6 Manufacturing Companies

■ Summary of cases

- Conducted by Bourne *et al.*, 2002
- Medium sized (50-500 employees) manufacturing businesses

	Company					
	A Controls Ltd	B Machine Shop	C Components Plc	D Instruments Ltd	E Pumps Ltd	F Seals
Ownership	Subsidiary of UK Plc	Subsidiary of large US Corp.	Subsidiary of large Japanese Corp.	Venture capital backed	Privately owned	Subsidiary of private group
Business	Control Instruments	Group central European machine shop	Components manufacturer and supplier	Manufacturers of leak detection equip.	Manufacturers of pumps and turbines	Manufacturer of seals and compression
Progress						
Part 1. Groups established	Yes	Yes	Yes	Yes	Yes	Yes
Part 2. Objectives agreed	Yes	Yes	Yes	Yes	Yes	Yes
Part 3. Measures designed	No	Yes	Yes	Yes	Yes	Yes
Part 4. Measures agreed	No	Yes	Yes	Yes	Yes	Yes
Part 5. Measures implemented	No	No	No	Yes	Yes	Yes

Case Study

❖ Case Studies in 6 Manufacturing Companies

■ Results of interviews

	Successful companies			Unsuccessful companies		
	D	E	F	A	B	C
<i>Reasons for continuing</i>						
Benefits	Yes	Yes	Yes	Lack of benefits	Lack of benefits	
Top management commitment	Yes	Yes	Yes	Lack of TMC		Lack of TMC
Worth effort			Yes			
Facilitator	Yes		Yes			
Other projects			Yes			
<i>Difficulties overcome</i>						
Effort	Yes	Yes	Yes	No	No	
IT	Yes	Yes				No
Measuring	Yes	Yes	Yes			
Consequences	Yes	Yes	Yes		No	
Process				No		
Parent company					No	No

Thank you for your attention