



An Introduction to Corporate Performance Management

Many people recognise the weaknesses of strategic planning and budgeting but these tools are still among the most commonly used techniques in both commercial and 'not-for-profit' organisations. Despite their faults, these tools have withstood the test of time and Corporate Performance Management (CPM) attempts to take advantage of their best features and incorporate them into frameworks that can result in substantial benefits. They are becoming more important to allow companies to meet their legal obligations under the "Enhanced Business Review".

A formal description of CPM might be:

"A framework consisting of processes, measures, and targets that are used to communicate, monitor and manage performance as well as align resources to achieve the objectives of the organisation"

'A framework'

CPM is premised on the fact that it is not possible to adequately understand and manage an organisations by financial measures alone. It examines how the different drivers of the business work together by investigating the cause and effect relationships between financial performance and other dimensions such as stakeholders, management style, customers, internal processes, society, and the environment.

These different dimensions can be linked in several ways and there are several formal CPM frameworks - e.g the Balanced Scorecard, the EFQM Excellence Model, Six Sigma - that attempt to provide a template that can be adapted by the organisation to meet its own needs and markets. The principle frameworks in use today have been in existence for over a decade and are mature approaches that are both academically sound and proven in practice. They are used by organisations of all types, in all markets, and of all sizes from SMEs to Multi-nationals

'consisting of processes, measures, and targets'

CPM takes to heart the old adage 'What gets measured, gets managed'. It forces an examination of existing processes and measures to ensure that those areas that are fundamental to the future success of the organisation are properly inspected. It also identifies where there is a need for new processes / measures as required by the cause and effect relationships between the dimensions.

Each measure is examined for its integrity and is associated with targets that, over time, will demonstrate if the organisation is achieving its desired objectives.

'that are used to communicate, monitor and manage performance'

CPM requires communication between all parts of the organisation. It provides methods for ensuring that everyone is involved in the planning process and can understand why certain decisions are made. It also provides an approach that allows feedback from all levels on factors that may require changes to the organisation's plans.



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The Key Performance Indicators (KPIs) that are used for internal communication can also help organisations with their external reporting such as the requirement of the Enhanced Business Review.

One core components of any CPM approach is the inception of a new 'management process' that enables management of both short-term and long-term priorities. The standard, operationally focused, Board and management meetings are reorganised in such a way that additional emphasis is given to monitoring the longer-term strategic performance of the organisation.

An integral part of this monitoring is a inbuilt review of the management process and the CPM approach itself, to allow 'double-loop' learning so that these techniques, as well as the strategic plans, evolve to meet the imperatives of the organisation and its market.

'as well as align resources'

Resource allocation has always been a fundamental part of the budgeting process with each department or project being given a financial ceiling. CPM provides a contextual background for the allocation of people's time and effort, IT and other technological resources, as well as finance.

It encompasses an on-going review of all initiatives within the organisation to ensure that they address a current strategic need; unnecessary projects are culled and essential new projects raised. CPM therefore allows resource allocation to one-off projects as well as to 'business-as-usual'

'to achieve the objectives of the organisation'

The objectives of the organisation are often contained in the annual budget. They may also be explicitly mentioned in a formal strategic planning document or simply implicit in the way the budget is structured and financial resources allocated. Strategic planning is seen as an outmoded and unnecessary tool but paradoxically, research has shown that organisations that have a formal strategic plan do better than those that do not!

One thing that CPM does not attempt to do is direct how strategic plans are created but it does force people to look at their plan in a more critical way to justify the assumptions, objectives, and targets that underlie the way the organisations operates.

To see how MEC Services can help you, please read our "Implementing Corporate Performance Management" and / or email us at info@mecservices.co.uk and we will contact you to arrange a, no obligation, preliminary discussion.

