Measuring, monitoring and rewarding

MODULE 6 | 6.5 | STUDENT COMPANION

Implementation must be **watched and adapted continuously**, so managers respond to emerging circumstances, keep learning and avoid clinging to plans that have gone out of date. Some organisations build a digital model of themselves (a 'virtual twin') to test choices: how well resources are coordinated, how far the culture supports the strategy, how well people are developed, and whether costs match priorities.

Performance measurement essentials

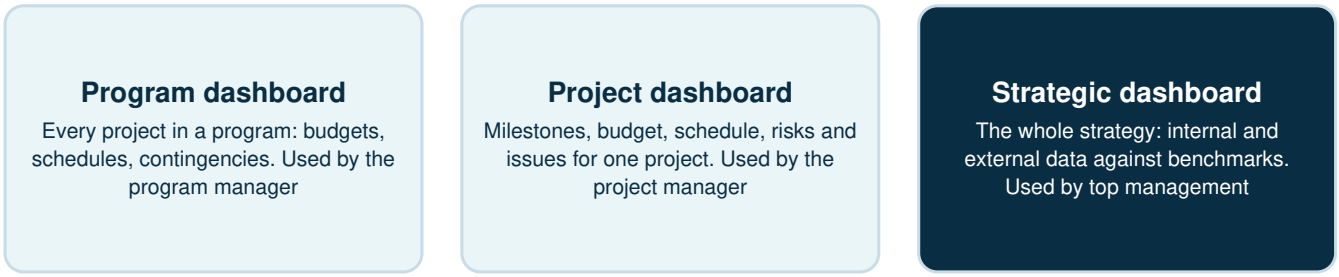
Requirement	Detail
Cause and effect	A clear link between each indicator and the strategic outcome it tracks
Careful choice	Indicators shape behaviour, so choose them deliberately
Managers must...	know the goals and chosen options; express goals in measurable terms; know where they stand today; understand the resources needed; communicate goals and plans, with key people accountable
Foundations	Planning and control, plus committed people, well-organised resources and quick reactions to competitors (Grant, 2010)

The balanced scorecard in implementation (imagined measures)

The scorecard (Module 3) helps people understand the strategy, maps it to actions and owners, breaks down information silos and reduces disputes over resources. Some add environmental and social measures.

Perspective	Corella Partners measure
Financial	Growth in advisory revenue
Customer	Client satisfaction after each engagement
Internal processes	Days to deliver each monthly client dashboard
Learning and growth	Staff qualified as advisers

Three kinds of dashboard

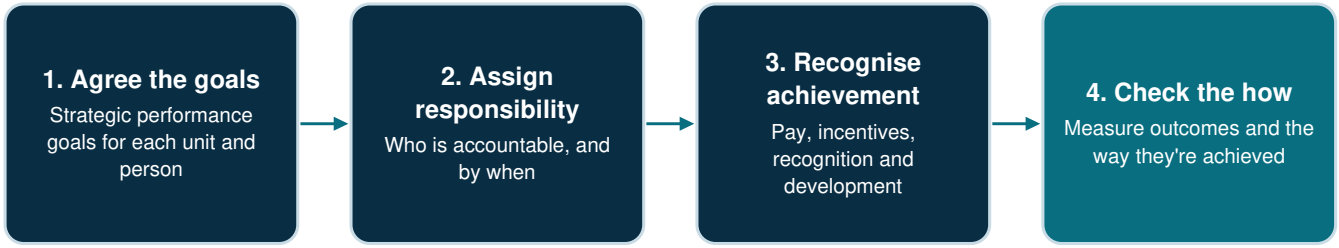


Traffic lights make problems stand out, and one data source gives everyone the same picture

Corella's strategic dashboard (imagined) shows advisory revenue as a share of fees, client satisfaction, the share of compliance work automated, staff turnover and each program's status. When advisory revenue lags in two offices, the managing partner drills down: too few proposals, or too few acceptances? Dashboards take effort to build and are only as good as their data; CPAs help make sure measures are reliable and measure what they claim.

Watching the environment. Digital disruption, global supply chains, internet-based rivals and economic turmoil make the environment hard to predict, and some issues are 'wicked problems' with no neat definition or solution. Usually the strategy stays and only its implementation adapts, unless there is a major shift such as legislation that blocks it. A new rule on real-time payroll reporting would change how Corella implements (bring forward payroll advice); free, reliable advisory software would challenge the strategy itself. Dynamic capabilities help managers adapt, combine and redeploy resources.

Linking rewards to the strategy



A strong, visible link between reward and performance builds support for the strategy

Rewards once focused on control (rewarding good behaviour, punishing bad), which often smothered useful behaviour. They are increasingly designed to encourage creativity, innovation and productive teamwork, and need not all be financial: recognition, development and the chance to lead an initiative can motivate strongly. **Measures linked to rewards drive behaviour**, and badly chosen ones push people towards questionable methods; good measures cover both outcomes and how they are achieved.

Redesigning the partners' scorecard (imagined)

Partner bonus measure	Before	After
Billable hours	70%	0%
New compliance clients	30%	0%
Growth in advisory revenue	0%	30%
Client outcomes and satisfaction	0%	25%
Quality and risk	0%	20%
Developing people	0%	15%
Teamwork across offices	0%	10%
Total	100%	100%

The quality and risk measure guards against chasing revenue the wrong way

Case note: Toshiba

In July 2015 an independent investigation found that the Japanese conglomerate Toshiba had overstated its profits by JPY151.8 billion (about US$1.2 billion) between April 2008 and December 2014. Senior executives had set aggressive profit targets, known internally as 'challenges', and pressed business units to meet them, and units responded with accounting that flattered the results. The chief executive and two former chief executives resigned; the restatement later reached JPY224.8 billion, and on 25 December 2015 regulators ordered a record fine of JPY7.37 billion. When targets matter more than how they are met, the numbers stop telling the truth.

Sources: Reuters via CFO.com, 20 July 2015; The Register, 21 July 2015; Japan Securities and Exchange Surveillance Commission recommendation, 7 December 2015.

Practice questions

MODULE 6 | 6.5 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Choose dashboard measures

Seabreeze Hospital (imagined) is running a 'digital wards' program: a new electronic patient record, nurse training and redesigned ward workflows, in support of a strategy of safer, faster care.

Dashboard	Three measures
Program (all projects)	
Project (electronic record)	
Strategic (the hospital)	

Question 2 - Strategy or implementation?

Change facing Ochre & Oak (an imagined furniture retailer)	Change the strategy, or only its implementation? Why?
(a) A port strike delays imports for three months	
(b) Customers are steadily switching to renting furniture by subscription	
(c) A competitor opens two stores near its largest showroom	

Question 3 - Fix the bonus

Summit Telecom (imagined) pays its store sales staff a bonus based entirely on the number of new phone plans sold. Complaints from customers sold plans they cannot afford have tripled. Redesign the bonus measures, with weights, and explain how each supports the strategy of long-term customer loyalty.

Worked answers

MODULE 6 | 6.5 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Seabreeze Hospital (sample)

Dashboard	Measures
Program	Budget used against plan for each project; milestones met; open risks and issues by project
Project	Wards live on the new record; data-migration errors; training completion before go-live
Strategic	Medication errors; time from admission to treatment; patient satisfaction compared with peer hospitals

Question 2 - Ochre & Oak

Change	Answer
(a) Port strike	Implementation only: temporary; adjust stock, delivery promises and marketing
(b) Subscription renting	Potentially the strategy: a lasting shift in how customers buy; revisit in the next planning cycle, sooner if it accelerates
(c) New competitor	Mainly implementation: sharpen pricing, service and marketing; reconsider the strategy only if it permanently changes the market

Question 3 - Summit Telecom (sample bonus)

Measure	Weight	Why it supports loyalty
Customers still active after 12 months	30%	Rewards sales that last
New plans sold	25%	Growth still matters
Customer satisfaction after the sale	25%	Rewards how the sale is made
Complaints and cancellations (fewer is better)	20%	Discourages pushy or unsuitable sales