



**STRATEGIC SUCCESS
MEASURES**

In today's modern environment, organisational value is no longer primarily driven by physical or tangible assets, but is increasingly attributable to non-financial business drivers. Success and future strategic positioning depends on the effective measurement and management of these critical non-financial, or intangible resources, alongside financial metrics. When developing your strategic pathway for your business or organisation it is critically important that a clear and concise implementation plan with strategic measures is established. The development of an appropriate number of both financial and non-financial strategic indicators is therefore essential.

To understand the role and strategic importance of success measures requires a clear understanding of strategic direction and objectives. The first step in this process is understanding your organisation's value drivers.

This document has been developed to provide a list of suggested performance measures, but is by no means definitive. Your business or organisation is entirely unique and because of this Critical Success Factors and Key Performance Indicators ("KPIs") vary so much from business to business, with this in mind it is essential that you choose measures which make the most sense to your business strategy.

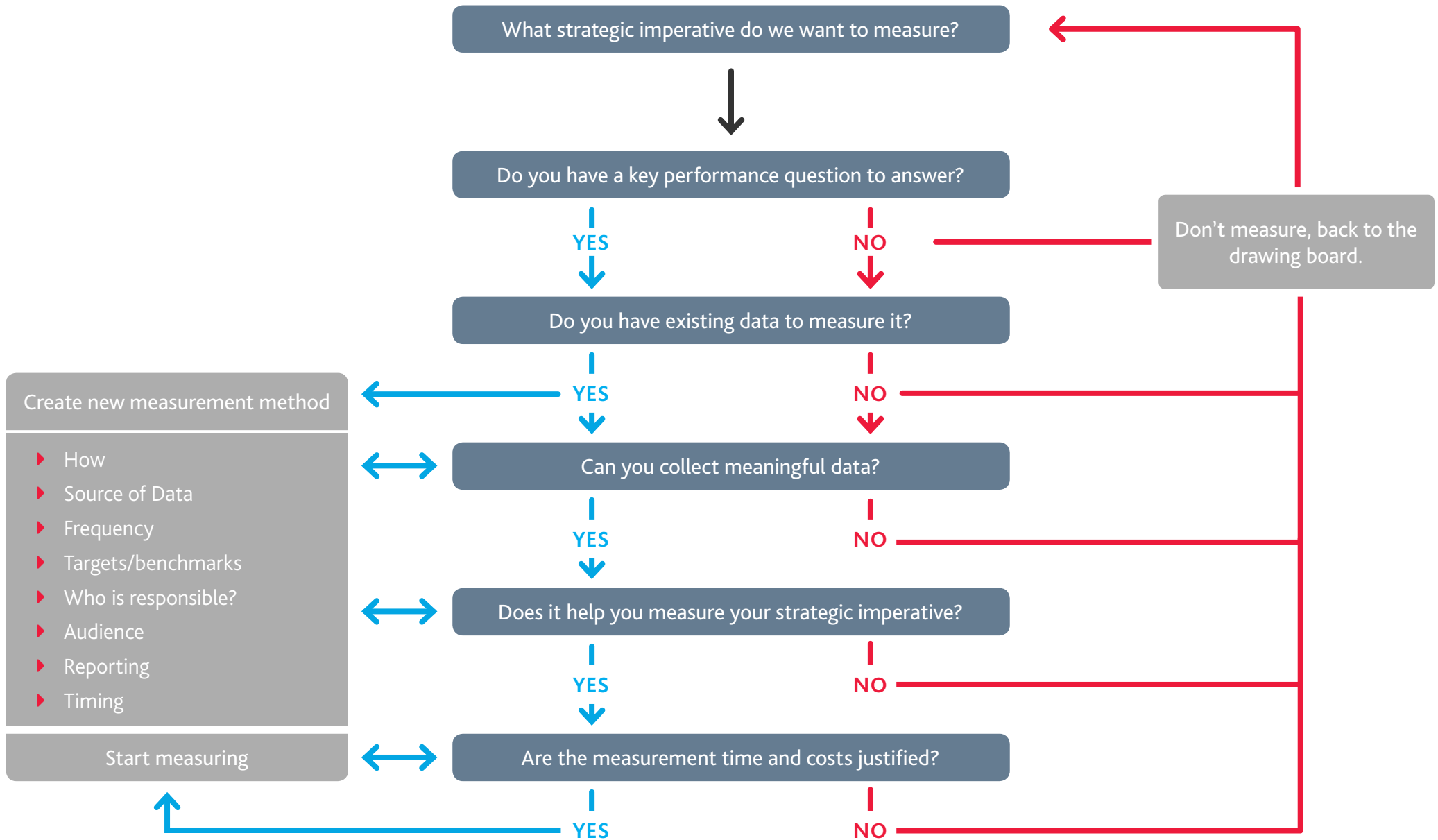
THE QUESTIONS TO ASK ARE:

- ▶ How important are our different resources to achieving our overall value proposition?
- ▶ How strong are our existing resources and how can we utilise them more effectively?
- ▶ Has consideration been made of our overall operating environment, competitive position, benchmarks and market analysis data?
- ▶ Have we considered key risks for our business both now and in the future?

After identifying and mapping the value drivers, organisations can start measuring performance. For each measure, it is important to decide whether it is worth measuring in the first place. If you start collecting data without knowing what you are looking for, you can often collect wrong or unnecessary data and fail to develop answers to the really important questions.

An excellent way to determine whether an indicator is worth measuring is to establish what key performance question(s) you need to answer to determine how your organisation is performing. Such questions are necessary to identify what leaders need to know about their strategic drivers, ensuring that indicators are useful and meaningful and that you are clear about what you need to know and why. Often it is beneficial to have a look online at relevant sector, industry and published information to determine best practice success measures in your industry. Remembering, if there isn't a strategic question to be answered, then there isn't a need for measurement.

▶ DEVELOPING YOUR STRATEGIC SUCCESS MEASURES





Once you've determined what your strategic success measures are, here are a few ideas of what may be applicable for your organisation;

FINANCIAL AND NON-FINANCIAL MEASURES

Financial Measures are those that can be directly measured during management data. For example; sales, profit, administration costs etc.

Non-Financial Measures are those that cannot be represented by a data point, but are more likely to be descriptive, or evident by their absence. For example, you may rely on qualitative feedback from clients to determine whether an employee has achieved their goal with respect to providing exceptional client service.

BALANCED SCORECARD FRAMEWORK

The balanced scorecard methodology, developed in the early 1990s and adapted since, suggests that we view an organisation from six key perspectives to create a balanced approach to strategy, action and measurement. The quadrants are;

- ▶ **Client**
Measures that relate to the successful service to clients
- ▶ **Financial**
Measures that relate to the financial health of the organisation
- ▶ **Process/Internal Operations**
Measures that relate to the operational aspects of the organisation
- ▶ **Innovation & Learning**
Measures that relate to the internal growth and development of the organisation
- ▶ **Environmental**
Measures that relate to all environmental focussed imperatives
- ▶ **Social/Cultural**
Measures/Impacts that social enterprises and businesses generally are reporting on

LAG AND LEAD MEASURES

Lead indicators are measures that provide information about expected future results based on current performance. Examples of lead indicators include marketing investment, research, product development and employee skill development.

Lag Indicators provide information about past performance. Examples of lag indicators include sales, profits, overheads and accounts receivable.

By combining lag and lead indicators you can not only determine whether you have achieved goals set in the past, but whether you are on track to achieving goals set for the future, also keeping an all-important eye out for potential sources of disruption along the way.

POSSIBLE ORGANISATIONAL SUCCESS MEASURES:

- ▶ **Customer Satisfaction**
Need to focus on number of referrals, repeat business and customer retention rates (including client exit interviews)
- ▶ **Product / Service Innovation**
Cross selling opportunities/skills utilisation
- ▶ **Marketing Activities**
Measure of effectiveness of all marketing initiatives against agreed milestones and activities
- ▶ **Customer Profitability Analysis**
Customer Segmentation/industry
- ▶ **Turnaround Time/DIFOTIS**
Tracking and reporting on start to finish times on assignments generally
- ▶ **Quality of Output**
ISO adherence and measurement
- ▶ **Information Technology**
"Anytime Anywhere" adherence and implementation
- ▶ **Risk Management**
Measure any high-risk areas, identification and management thereof, report accordingly
- ▶ **Staff Attraction**
Proportion of first choice candidates secured by the business
- ▶ **Expertise**
Proportion of staff recognised as experts in their field (famous for something) i.e industry segmentation
- ▶ **Growth in Profitability**
Measure of business wide improvement in profitability
- ▶ **Acquisitions/Consolidations**
Measure success rate of target list enquiries through to a confirmed outcome
- ▶ **Value Creation**
Measure of full service client engagements confirmed each quarter



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WHANGAREI

AUCKLAND

HAMILTON

TAURANGA

ROTORUA

GISBONE

NEW PLYMOUTH


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