

THE PERFORMANCE PRISM IN PRACTICE

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Abstract This article describes and illustrates the practical application of a new measurement framework – The Performance Prism – which addresses the shortcomings of many of the traditional measurement frameworks being used by organisations today. The Performance Prism, with its comprehensive stakeholder orientation, encourages executives to consider the wants and needs of all the organisation's stakeholders, rather than a subset, as well as the associated strategies, processes and capabilities. DHL's board for the UK have used this framework to re-engineer their corporate measurement and reporting system and the article explains DHL and other firms' experiences with the Performance Prism.

Keywords Business excellence, Performance measurement, Stakeholders

The Performance Prism is a second generation measurement framework designed to assist performance measurement selection – the vital process of picking the right measures. It is a comprehensive measurement framework that addresses the key business issues to which a wide variety of organisations, profit and not-for-profit, will be able to relate. It explicitly asks critical questions and encourages managers to think through the links between measures in a way that other frameworks do not intuitively suggest.

Over the years, several other frameworks have been created or adapted to help deal with the problem of deciding what performance measures to select for use within organisations. The most popular of these is undoubtedly the balanced scorecard. It has been used – and often abused – across the world, whereas many other frameworks have tended only to have regional appeal. Although the balanced scorecard was undeniably pioneering when it first appeared nearly a decade ago, particularly because it addressed the need for a balance between financial and non-financial measures, the world has moved on and priorities are changing in the so-called

"New Economy". There is a need for a second generation of performance measurement framework which addresses today's business issues so that long-established corporations can update their scorecards and newly-formed organisations can develop scorecards that are appropriate to their business needs in today's business environment.

The Performance Prism framework

The Performance Prism consists of five interrelated facets (see Appendix) The first facet – Stakeholder Satisfaction – asks: "Who are the stakeholders and what do they want and need?". This facet is deliberately broader than the balanced scorecard view of stakeholders, which encompasses only shareholders and customers. No mention is made in the balanced scorecard of employees. No mention is made of suppliers, alliance partners or intermediaries. And no mention is made of regulators, the local community or pressure groups. Yet all of these parties can have a substantial impact on the performance and success of an organisation. In contrast, the first facet of the Performance Prism, the stakeholder perspective, explicitly asks: "Who are the important stakeholders in your organisation and what do they want and need?".

The second facet concentrates on Strategies. Traditionally it has been argued that measures should be derived from strategy. In fact this is wrong. The only reason an organisation has a strategy is to deliver value to some set of stakeholders. The starting point has to be: "Who are the stakeholders and what do they want and need?". Only when these questions have been answered is it possible to start to explore the issue of what strategies should be put in place to ensure the wants and

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needs of the stakeholders are satisfied. Therefore, the second facet of the Prism asks: “What are the strategies we require to ensure the wants and needs of our stakeholders are satisfied?”.

The third facet of the Performance Prism – the Processes facet – asks the question: “What are the processes we have to put in place in order to allow our strategies to be delivered?”. Here we are talking about processes in the sense of the common generic business processes, which underpin the vast majority of organisations. These are: develop new products and services, generate demand, fulfil demand, plan and manage the enterprise. For each of these (normally cross-functional) processes, it should be possible to identify specific measures that allow management to address particular questions associated with each one. For example, it might be necessary for an operations executive to ask: “Are the organisation’s fulfil demand processes working efficiently and effectively?” and “If not, how will I know which sub-components of it are the cause of its inefficiency or ineffectiveness?”, and so on through the other processes and their sub-sets.

The fourth facet of the Performance Prism, the Capabilities facet, is perhaps the least widely understood. As we have seen, capabilities are a relatively new but important management concept. Capabilities are the *combination* of people, practices, technology and infrastructure that together enable execution of the organisation’s business processes (both now and in the future). They are the fundamental building blocks of the organisation’s ability to compete. Without the right people, practices, technology and infrastructure in place, it is impossible to execute or improve the processes. The key question associated with this facet becomes: “What are the capabilities we require to operate our processes?”. As soon as this question has been answered, then it becomes possible to identify measures that allow the organisation to assess whether it has the required capabilities in place now, or has plans to implement them, and whether they are being sufficiently nurtured and protected.

The fifth and final facet of the Performance Prism is the Stakeholder Contribution facet. This facet has been included as a separate component since it recognises the fact that not only do organisations have to deliver value to their stakeholders, but also that organisations enter into a relationship with their stakeholders which should involve the stakeholders contributing to the organisation. Take employees, for example. Employees want from an organisation a safe, secure place to work. They want a decent salary. They want recognition. They might also want an opportunity to influence the organisation. In return, the organisation itself wants its employees to contribute to the business. It wants them to offer ideas and suggestions, to develop expertise, to turn up for work and to remain loyal to the business – training up replacement staff costs money. This symbiotic relationship between the organisation and the stakeholder is true for all classes of stakeholder –

whether we are talking about suppliers, customers, employees, alliances, investors, or the local community. All other measurement frameworks we have researched fail to recognise the reciprocal relationship between the stakeholder and the organisation. It is a critical and unique feature of the Performance Prism.

It should be noted that the Performance Prism is not a prescriptive measurement framework. Instead, the Performance Prism is a framework – a tool – which can be used by management teams to influence their thinking about what the key questions are that they want to address when seeking to manage their business.

The Performance Prism experience

So far, we have explored the Performance Prism from a theoretical perspective and explained its rationale, highlighting some of the issues it was designed to overcome. The question that remains, however, is how does the Performance Prism work in practice and it is this question that the case examples that follow set out to address.

The DHL case

One of the first applications of the Performance Prism took place at DHL International in the UK (DHL UK). DHL is one of the world’s most successful international express courier companies. Sales in the UK for 1999 were in excess of £300 million, during which time the business employed almost 4,000 people, across 50 locations. The board of DHL UK comprises a managing director, a finance director, a commercial director, an operations director, a business process director, an HR director, an IT director and three area directors. The team meet on a quarterly basis to review DHL’s performance and have recently used the Performance Prism to establish what should be discussed at their quarterly performance reviews.

Previously, DHL’s UK board used to meet on a monthly basis and review company performance data at a detailed level. They would look at the UK’s operation in terms of its ability to achieve “notional result”, DHL’s internal measure of profitability. They would also review operations performance. The number of definitions of operations performance is vast. Operations performance can be reviewed in terms of packages shipped (volume of packages), packages delivered on time, packages on time to particular destinations, DHL’s service quality indicators, etc. There was growing frustration among members of the board that on a monthly basis the group would meet and review very detailed performance data, yet rarely did the outcome of these reviews have a significant impact across the entire business. A symptom of this process was the fact that the same issues arose at each monthly performance review.

The board began to explore the reasons for this and decided that one of the most fundamental issues was that the meetings structure and review process in DHL was not right for a twenty-first century business.

Members of the board were unable, with the data they were presented, to identify the root causes of shortfalls in terms of business performance. The board decided, therefore, to take a fundamental look at the role of the performance review and clarify what its purpose was and hence what data should be examined at it. This resulted in the board recognising that they were holding their review meetings too frequently. Instead of meeting for one day on a monthly basis the board decided that they should meet for two days on a quarterly basis, but take a more fundamental look at the strategic challenges facing the company. It was at this stage that the business process director introduced the Performance Prism and suggested that the board might be able to use it as a framework to help guide their thinking.

A series of workshops were held in January through to March 2000, at which the board began to examine the Performance Prism and construct a success map for DHL. The success map encapsulated those things that the business had to deliver if it was to achieve its overall financial goals. The success map reflected the strategic thrusts of the business and the specific initiatives and activities being undertaken within the business. In DHL UK's case, the success map had three broad strands. The first was concerned with growing revenue volumes. The second was concerned with revenue quality. The third strand of the success map was concerned with cost efficiency and ensuring that the business utilised its assets as efficiently as possible.

At this level, these three broad strategic strands are no different to any other organisation. Almost every organisation will want to increase sales, to improve the quality of these sales and to control their costs. It is at the next level of detail that the success map becomes organisation specific, for it is here that the success map starts to expose the specific wants and needs of DHL's stakeholders and the strategies that are being put in place to ensure that these wants and needs are satisfied. Take, for example, revenue volume. It has been decided in DHL that one of the ways of driving revenue volume is to segment the market by customer wants and needs. One such segment, the so-called "advantage customers", will encompass those customers who want to build a strategic partnership with DHL. To service these customers, DHL UK will have to put in place specific business processes, e.g. consignment stock management processes. In turn, these processes will have to be underpinned by specific organisational capabilities that exist within DHL UK.

The start of the process of populating the Prism therefore was to hold a series of externally facilitated brainstorming sessions with DHL UK's board, during which the success map for the organisation was constructed (see Figure 1 for an extract of the DHL UK success map).

Once the success map had been constructed then the board began to ask themselves – "What questions should we be asking at the quarterly performance review, which

will enable us to assess whether or not our plans for the business, as outlined in the success map, are being realised?". It was through this discussion that the DHL board began to identify the critical questions that they wished to answer at their quarterly performance reviews (see Table I).

In turn, these questions were used to identify what measures might be appropriate for the organisation. In facilitating this discussion the theme was: "What data do you need access to in order to answer the questions you have identified as crucial for the business?".

In parallel to this, DHL analysts were trained in new measurement methodologies and techniques. These analysts, each of whom reported directly to a board member, were tasked with the job of developing answers to the key questions that the board felt they wished to discuss at their quarterly performance review. The agenda for the June 2000 quarterly performance review was structured around the key questions and the board members were invited to present the analysis completed by their analysts in answers to the questions. By September 2000 the board had decided to invite the analysts themselves to make the presentations, partly to provide these key individuals with personal development opportunities. In the long run the aspiration is to develop a structure which involves the analysts in DHL developing a case that answers the key questions outlined in Table I, in much the same way that a detective would develop a case to present to a judge and jury.

Suddenly, DHL's performance reviews had moved from being a rather staid discussion of detailed operational and financial performance into a true debate about the fundamental challenges and issues facing the business. The HR director, for example, commented that "the June QPR was the best board meeting I have ever attended, in this or any other company". The Business Process director said that "We have moved from scrutinising lots of numbers that told us very little to asking pertinent questions about how we are doing and where we are going". While the MD felt that this approach "encourages us to work together on the key business issues rather than emphasising individual functional responsibilities".

The London Youth case

Charities of course are very different organisations. They neither have shareholders nor do they seek to make a profit. Nevertheless, they do have benefactors who donate funds and provide them with the financial income that enables them to do their good works. These benefactors expect to see their funding spent on projects that have tangible benefits, and they are unlikely to part with more cash unless they can see some evidence of money well spent. So, from a conceptual business model point of view, the not-for-profit sector is not so immensely different after all.

We worked with UK-based charity, London Youth, to help its senior management build a set of performance

Figure 1 — DHL UK success map

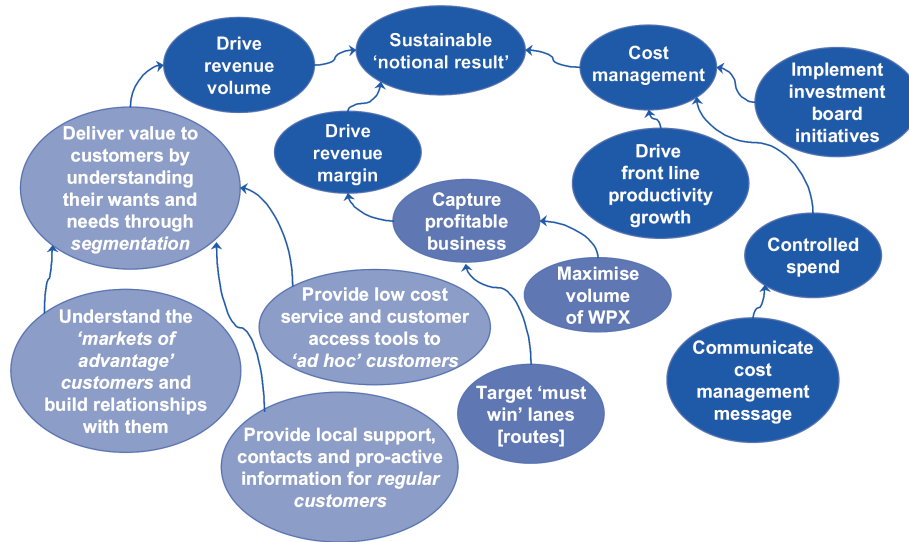


Table I — DHL key questions and measures – stakeholder satisfaction facet

Stakeholders	GCC	Customers	Employees	Authorities
Stakeholder satisfaction	Are we going to deliver against our NR target for the year?	How are our customers feeling?	How are our people feeling?	Are we able to meet all current external requirements?
Strategies	Are all of our strategies working to enable us to achieve NR?	Are our revenue volume and quality strategies working?	Are our people management strategies working?	Are our compliance strategies working?
Processes	Are the processes in place to support our cost management strategy?	Are processes in place to support our revenue volume and quality strategies?	Do we have the processes in place to support our people strategy?	Do we have the processes in place to ensure current and future compliance?
Capabilities	Do we have the capabilities in place to exploit efficiencies through technology?	Do we have the right product offering and the capability to sustain growth?	Do we have the capabilities in place to support our people strategy in both the short and long term?	Do we have the capability to influence future legislation?

measures appropriate to their needs. London Youth was formed by the recent merger of the London Federation of Clubs for Young People and the London Union of Youth Clubs. Its membership includes 460 youth clubs, groups and projects made up of 75,000 young people plus 5,000 adult leaders and committee members. Its mission is to assist the development of children and young people – in their physical, mental and spiritual capacities – so that they grow to full maturity as individuals and as members of society. Its purpose (and the means by which it achieves its mission) is to provide, support and improve the range and quality of informal educational and social activities available to children and young people in the Greater London area.

The principal components of London Youth's strategy are to:

- ◆ grow membership;
- ◆ improve range of products and services offered;
- ◆ provide affordable residential experiences;

- ◆ raise profile – advocate for youth work provision;
- ◆ raise funds (reducing its dependency on grants);
- ◆ ensure efficient and effective governance.

Having developed the strategy, management were now seeking an appropriate set, and a manageable level, of performance measures. The Performance Prism framework was applied in order to facilitate this objective. The work was conducted in a series of four workshops with London Youth's group director for strategic development.

The first session addressed who the charity's key stakeholders were and what their respective wants and needs were, plus simultaneously how they contributed to the wants and needs of the organisation. The organisation's highest priority stakeholders were identified as: young people (its "beneficiaries"), youth workers and youth club management committees, London Youth staff, and funders. Funders though fell

into two separate categories – statutory/trusts and individual/corporate – because they had distinctly different wants and needs.

The next session then built on this context, identifying potential stakeholder satisfaction and contribution measures while noting how the business strategies interfaced with these reciprocal stakeholder relationships. In the third session, the organisation’s principal business processes and capabilities were defined and relevant measures identified. During these two sessions we began to build a simplified “success map” for London Youth, which was incrementally refined as we proceeded (see Figure 2).

The final workshop was dedicated to refining the measures selection and the process of converging on the “vital few” measures that the organisation felt were critically important and would be practically implementable, especially given its staffing and information technology constraints. In order to ensure that the right measures had been selected, a “measures tree” was developed which identified the essential linkages between the measures selected for each facet of the Performance Prism framework.

There is not sufficient space here to describe the complete list of measures selected for each Performance Prism facet. For illustrative purposes only though,

Table II shows a single example measure selected for each of the five facets.

The final step, prior to implementation, for London Youth will be to create a performance measure record sheet for each measure selected. This document details the purpose, metrics, targets, frequency of measurement, source of data and ownership of each measure. We find that this is an important discipline to undertake when completing the measures selection process. It will help to flush out some of the key implementation issues and will engage both management and staff in a constructive discussion about the purpose and use of the measure that would not otherwise surface until much further downstream – when there might, for instance, be the opportunity for employees to be derisive of the measures selected by management without consideration of their real practicalities. Clearly, this would not be conducive to a successful deployment.

The House of Fraser case

One of the authors has helped to define measures for a division of House of Fraser, the UK department store retail chain, with the aid of the Performance Prism framework and its associated catalogue of measures. In this case, for practical purposes, a more catalogue-based

Figure 2 — London Youth outline success map

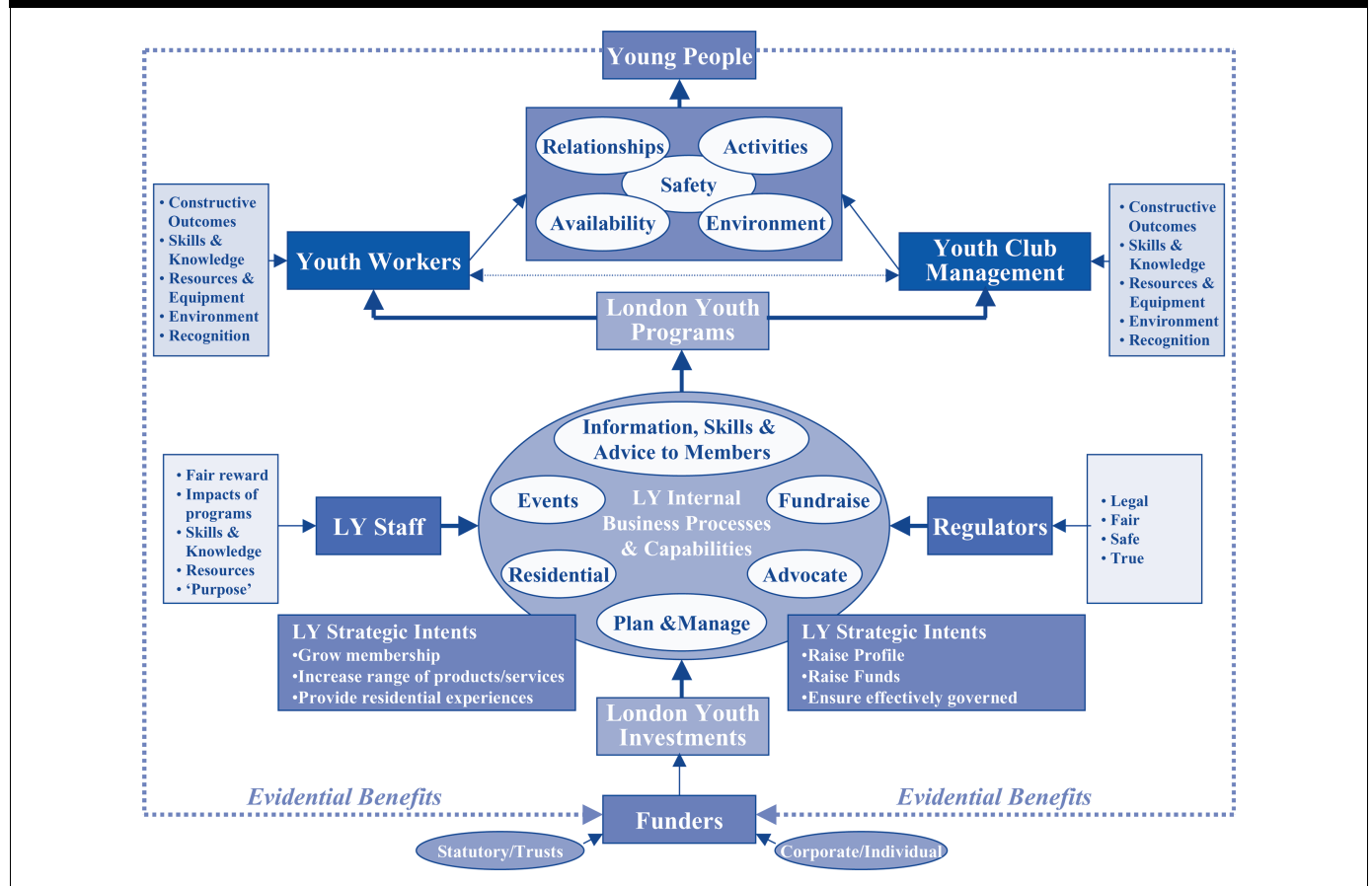


Table II —Single example measure				
St. satisfaction	Strategies	Processes	Capabilities	St. Contribution
Youth workers	Improve range	Organise events	People	Funders
Youth worker satisfaction + needs survey trends	Number of new products and services offered	Number of participants per event trend	"Investors In People" accreditation levels	Level and per cent of cash inflow from each income source

method of selection was adopted as the starting point, but each generic measure selected was then adapted to the context of a retail environment generally and a store development department specifically. This department was undergoing radical change with the introduction of a new store development director while pursuing aggressive multi-store development and refurbishment programmes to tight deadlines. New and experienced staff faced a number of new challenges and working practices, but the department employed very few relevant performance measures to quantify the success of any of the changes.

In this case, the key stakeholders were identified as: the store's customers, its trading board, external contractors – who build and/or fit-out new or refurbished stores – and the store development team itself. A comprehensive set of measures was developed for both stakeholder satisfaction and stakeholder contribution. For example, among the measures identified for customer satisfaction were their perceptions of store quality, signage quality and the level of comfort within the store. On the reciprocal customer contribution front, measures of their willingness to return to the store (potential repeat business) and to recommend it to family and friends were identified. This data could all be collected and collated via customer surveys.

Appropriate measures were also identified relating to the retailer's strategy, particularly in terms of its ambitions to improve quality, to achieve growth and to be both cost efficient and effective. Process measures were also identified which would address key outcomes – these were satisfied, loyal customers; higher return on investment; higher quality stores at lower cost; and adoption of best practice store development processes.

Potential measures were then developed with a particular emphasis on the specific Capabilities of the department's store development activities using the following six criteria:

- (1) putting the customer first;
- (2) best designs;
- (3) cost control excellence;
- (4) programme management excellence;
- (5) best store development methods;
- (6) best people.

Finally, six key measures and their associated metrics were selected from the lists of potential measures drawn up and were recommended to form the core measures for House of Fraser's stores development operation (see Table III). It is anticipated that once these have been

Table III — House of Fraser – short-listed store development measures	
Project delivery to time	Milestone achievement (target vs actual) Number of schedule changes per project
Project delivery to budget	Construction cost per square foot Target cost vs actual cost
Team commitment	Team satisfaction index Workload (overtime hours)
Project delivery to quality	Number and severity of outstanding snags at store opening Fixture and fitting running costs (new vs last new store or pre vs post refurbishment) Infrastructure running costs (new vs last new store or pre vs post refurbishment)
Customer satisfaction	Customer satisfaction surveys
Contractor satisfaction	Contractor satisfaction surveys

adopted and established, it will be possible to spread the concepts to other parts of the organisation and link the departmental measures to the objectives of the company as a whole.

Conclusion

The Performance Prism has now been applied in a number of real-life situations, including at the above case example organisations. It has also been used as the guiding framework for a White Paper seeking to suggest ways to improve the success rate of mergers and acquisitions through improved measurement systems. The authors have also successfully applied it as the basis of a survey on the uses of measures in e-businesses. It has proved itself to be malleable to the various needs of a wide variety of different organisations and measures development conditions.

Its principal appeal – so we are told – lies in the intrinsically logical juxtaposition of the five components of the three-dimensional framework (which implies that there are interrelationships between them); its comprehensiveness and adaptability, allowing different entry points; the inherent ability to drill below the surface to greater levels of detail when additional prompts are needed; plus, finally, the fact that stakeholders are addressed in a wholly original and radical way. The feedback has been overwhelmingly positive.

All organisations wishing either to implement a new set of measures or to upgrade their existing scorecard should consider applying the Performance Prism to the measures selection process. ■

