

Measures you choose to evaluate your business performance has an impact on your Business. Here's how!



“Choose your KPIs wisely, and you'll not only steer your business towards success but also empower your team to perform at their best”

Choosing the measures to evaluate the performance of the business goes hand in hand with the business strategy. Having said that, business leaders struggle to match their strategy design with their performance measurement.

Yes, we are referring to the trap “when the strategic framework and measurement system don't align”.

This is important because it is difficult to track the success of your business strategy if you don't have reliable Key Performance Indicators. This can lead to misdirected strategic targets and also influence the selection of misaligned strategic initiatives leading to poor business outcomes. One of the symptoms is people are working harder but the business outcomes are not met at corporate level.

In this article, we will cover common traps that you may fall into and how to avoid as follows.

Incongruous Frameworks:

As business leaders we install (apply) in the current company, certain frameworks which had helped achieve results in earlier or other companies. For example the new Business leader of a speciality chemicals company installed his favorite strategy framework which emphasized programs around economical material sourcing, optimisation cost of operations, on time delivery etc.

The trouble that comes on table is that the new framework didn't match with existing performance measurement framework which was designed around programs like customer excellence, product applications, cost of quality etc.

This incongruity was highly dysfunctional with much executive time and energy expended trying to getting things to work. As one executive mentioned putting Maruti cars parts to Mercedes cars. They just wouldn't fit.

Now to resolve this disconnect, it may be relevant to first revisit the linkages between your long-term business objectives with your business strategy and your identified thrust areas. This will help you evaluate the selection criteria of strategic initiatives and programs better. Secondly refocus the business strategy and KPIs around the key stakeholders. For example in the speciality chemicals business above key stakeholders are customers, innovation partners, key suppliers, investors, regulatory bodies etc.

Measuring Activity:

As a consultant, "I propose to measure my performance for the day by the number of presentations I make. And if I am really tired, I feel I had a great day". Will you be happy with this measure of my performance.

Of course, you will say, no because these are measures of activity not of results that my firm needs. In most cases, we see KPI's are made around activities i.e. what you do, and yes it is easy to measure that. But that will not necessarily help you realize your business goals.

Now to resolve this, you may need to move from what you do to what you want to achieve i.e. outcomes or results. You can break this fixation by thinking about what are the outcomes your organization wants to produce for your stakeholders.

It's worth noting that selection of the performance measure impacts both the organization and the individual.

Lack of Focus:

To get a better view of the business performance, we resort to creating a business scorecard by collating the performance measures of the departments below the reporting head. You tend to get a long list and that may leave you dissatisfied as many of them may not be related to your organizational objectives. So how do you resolve it?

You can resolve this by following a different approach instead of consolidating from bottom to top, do in the reverse order i.e. from top to bottom. In this level of analysis, you will be in a position to observe gaps of KPI's fit. Certain measures at one level i.e. profits at corporate don't apply at another level i.e. internal department say HR. On the other hand certain measures at the department level may not be apt at Corporate level.

It's common for discrepancies to arise between your strategic plan and your KPIs if you don't consistently use a framework for both. You're not alone if this happens to you. As you address these discrepancies, remember that measuring performance is primarily about evaluating your relationships with your



organization's key stakeholders. So, your KPIs should reflect what these stakeholders expect from you, rather than what you believe you should be focusing on.

That brings a question that you may like to ponder- **What do you believe your customer is buying from you?** Let me give a hint, there is a difference between what you are selling and what your customer is buying. Can you explain the difference? We will talk more about this in a separate article.

Call us to know more about how Strategea can help you to discover the fit issues between your strategy and your measurement systems and how you can cascade your business goals with appropriate KPI's aligned to your business strategy.

About Strategea:

Strategea is your trusted partner on the journey of transforming your business into a thriving and scalable enterprise. Our mission is simple yet profound: to guide business leaders like you to realize your growth ambitions, embrace transformation, and accelerate your path to success. We work with our clients to provide holistic and customised solutions in the areas of Organization Strategy, Operations, People and Digital Transformation in order to enhance organizational performance and achieve their aspiration!

Business leaders in India face a favourable growth opportunity both in domestic market & globally. To be able to grow to the next level, business leaders need to find a way to replicate their success in new product categories which they need to enter to grow to next level, reduce their learning curve to develop profitable revenue streams in newer markets, achieve efficiencies while they scale their operations and rally their people around the growth vision & business initiatives.

Strategea brings in the required expertise to guide business leaders on solving the complexities that come their way while scaling and expanding their operations to realise their growth aspiration.

Playing the Business Game : Running a successful business is a high-stakes game. Your business journey has routes, detours, and all sorts of obstacles you have to work through. So you need a map. In this book "Playing the Business Game" we are addressing the construct & thinking i.e. what could be direction that you want to take, what model suits you etc. to put your business on a high growth trajectory.

Connect with Us:

We love to hear from you. If you are a business with a rapid growth ambition, don't hesitate to contact us. Let's begin a conversation about how we can help you achieve your goals and set your business on the path to success.

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