



MeyerMonitor ViewPoint

Successful organizations look beyond their financial results

An important factor in the emergence of the current credit crisis and subsequent recession has been an excessive focus on short-term financial results. Sustainable success is based on the ability to discern and manage an organization's intrinsic qualities. Too often these qualities or core-capabilities are judged only on the basis of financial results, so that aspects such as the quality of the leadership, employee engagement and awareness of the company strategy barely manage to gain attention. Even though research has shown for years that precisely these "soft" elements are of fundamental importance for any organization's long-term success.

One of the reasons why financial results receive so much attention is that they are relatively easy to measure and fully-embedded within a firm's business processes. At any given moment the income statement, cash-flow statement, or profit-ratios are available to be consulted. This seemingly offers a sound basis for managing the execution of a strategy but also carries with it substantial risks, since financial results only reflect past performance and offer no guarantees for the future.

That factors such as a shared ambition, committed employees, open communication, and management that sets an example are of crucial importance is nothing new. CEOs and other members of the Management Board, who monthly review the financial, commercial, and operational numbers, are aware of this as well. But too often people believe that these intangible qualities are either very difficult to measure or even not measurable at all. But modern technology and research methodologies have completely changed this picture.

Shared Ambition

An internationally-operating technical firm investigated last year the degree to which the company's strategy was actually understood and supported worldwide by its managers. One of the notable results out of this research was that the entire management of one of the national subsidiaries did not sufficiently understand or support the strategy. Further discussion revealed that there had been extensive turnover in the preceding year among the management team and that all new top managers came from outside the organization. The responsible division president flew directly in to bring the team back into line through a strategy-workshop.



Ahold, Vopak pioneers in monitoring the essentials for future success

A company such as Ahold has for years polled its top 650 managers on subjects such as “Do you know and support the strategy?”, “Does the organization possess the right capabilities in-house to realize the strategy?”, “How engaged are people?” and “Does Ahold have the right culture to remain successful now and in the future?” This research is supported by on-line instruments, and the results are then discussed and converted into action, both at the top-manager level and within individual work-groups.

Vopak – the world’s leading storage provider for bulk liquids – also acknowledges that an inspiring mission, committed employees, and an open, transparent culture that supports personal growth and self-development are crucial for ensuring future success. CEO John Paul Broeders discusses on-line the results of the research into these elements with 100 to 150 of his senior managers in order to collectively look into how and where things could be further improved.

Management setting the standard

By means of an on-line survey, circa 3,000 senior managers of a financial firm received 360° feedback from their co-workers, direct reports, and their own manager. For a defined set of core-values and competencies respondents indicated the degree to which they felt the manager in question actually carried these out in practice. Each manager received an individual report in which this evaluation was contrasted with that person’s self-appraisal. The insights gained through this report formed the basis for an intensive training- and coaching-program aimed at improving that individual’s leadership qualities, in line with the organizational culture.

Four success factors mapped out

Ahold, Vopak, and ever more organizations align themselves to the four success factors that ultimately ensure that desired financial results will follow:

- Clear, shared ambition and core-values that serve as guiding principles for decision;
- Management that sets an example;
- Committed employees;
- An organization/culture that truly supports the execution of the strategy.

For each of these factors there are specific instruments that make it possible to gain within a short time frame a detailed and accurate picture of both current status and the improvement priorities. The Management Board can then use these outcomes to gauge at a glance the situation, by means of a concise set of performance-indicators:



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Sample "Corporate Scorecard"

Success factor	Performance indicator	Score	Target ¹
Ambition	Degree to which ambition and values are accepted as guiding principles	70%	90%
Employees	Level of engagement	68%	80%
Management	Degree to which individual behavior corresponds to desired behavior	72%	85%
Organization	Presence of desired organizational capabilities	50%	90%

¹ sample based on top-quartile scores out of the MeyerMonitor Benchmark Database

Each performance indicator is built up out of sub-indicators. For example the level of employee engagement is derived from the scores for "Pride," "Satisfaction," and "Retention." The measurement also establishes the underlying drivers of commitment, enabling targeted corrective action within the relevant part of the company. This is comparable to the analysis of financial results, but with one important difference: the careful and frequent measurement of human and organizational capital provides insight into the organization's future success.

Many organizations already address some components of this scorecard; for example, employee commitment or satisfaction is measured annually in most large firms. But this mostly occurs in a fragmented manner that is not 100% coordinated with the execution of the desired strategy. Gaining a coordinated, top-down insight into the four success factors of ambition, employees, management and organization makes clear their mutual dependencies and ensures priorities and improvement actions all contribute to the same, common goal.

Organizational support for strategy execution

Within one large Dutch manufacturing firm on-line dialogue revealed that the bonuses and the remuneration system generally encouraged the launching of new products with great frequency – something directly contrary to the company's strategy, which envisioned instead a limited product-line earning high margins.

Winners of the future

It is our conviction that the winners of the future will be firms that take their ambition and values seriously – to the point that they dare to part company with those unwilling to share them - and that invest in their organization, their management, and their employees, taking care to monitor these success factors just as carefully and as frequently as they do their financial results.

MeyerMonitor is a research and consulting firm with over ten years of experience in supporting top management to realise their strategic objectives better and faster through online research and dialogue. For more information please contact Marcel.Jacobs@meyermonitor.com or Michel.Janssen@meyermonitor.com. Or give us a call at +31 (0)20 3050133.

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