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A Strength-based Approach to Metrics, Scorecards and Performance Reviews

ABSTRACT

Over the last 20 years, organisations across the world have widely adopted the use of performance metrics, key performance indicators and scorecards as a management tool. In this article I show how these useful tools can be further transformed and significantly upgraded by applying an appreciative, strength-based approach.

The call for change

Over the last 20 years, organisations across the world have widely adopted the use of performance metrics, key performance indicators (KPIs) and scorecards as management tools. Applying a strength-based, appreciative approach to metrics can help maintain and sustain the spirit and energy created by the change initiatives we lead. Using them with an appreciative lens and strength-based questions can support growth and delivery of the outcomes especially as they are already used regularly to drive change and track progress.

But wait! Aren't performance metrics and targets yesterday's news when compared to Appreciative Inquiry? They are normally dropped by top management or the government, and the review of the metrics as well as the focus on corrective actions is not in line with the fresh spirit of AI.

What cannot be counted doesn't count

Management theory from the 1980s and 90s claimed that measuring organisational activities with regular frequency ensured that progress would be achieved. After all, it was claimed that 'what cannot be counted doesn't count'. Large corporations and businesses implemented complex sets of metrics and held review meetings regularly.

The public sector followed the trend with governments defining targets for various public services such as local government, education and health. Today, most organisations use metrics to measure and assess their progress towards strategic and tactical goals. Wider access to data processing and communication tools brings the metrics to everyone's attention.

The complete collection of key metrics in each organisation is typically called a 'performance dashboard' or 'scorecard'. In the early 90s a new term was coined – the balanced scorecard. The term refers to a scorecard with a mix of both

outcome and leading indicators.¹ It also blends financial, human and operational metrics. It aims to provide a wider view of the organisation's activities and its longer term viability. It also enables everyone in the organisation, regardless of their function, to understand how their work affects the organisation's progress by providing a more visible link between individual or departmental performance and the goals of the organisation.

A good dashboard translates strategy into drivers and the key measures that allow management to take early action. It answers the questions 'Are we successfully executing our strategy?' and 'Are there any performance gaps?' It aligns business processes and people to the strategy, keeps management focused on the critical issues and brings clarity to business management. A good scorecard also balances drivers for future performance with short term business results.

Many scorecards also use a traffic light colour-coding system to indicate, for each metric, whether performance is within the desired range (highlighted in green), close to it (amber) or that there is significant deviation from the desired level and immediate corrective action is needed (red). This system relies on pre-defined performance standards.²

What's good about scorecards?

I look back at my experience implementing scorecards and facilitating reviews across many different departments and business units including customers and suppliers and realise how powerful they can be when they are used appropriately. The learning process required to create a useful scorecard and the data that we collect and collate in charts help create meaning. The review conversations held around the scorecards generate insights and lead to better understanding of the organisation's daily activities and outcomes.

The 'ownership' of each metric leads to a greater sense of responsibility by members of the organisation and a drive to act in the right direction. This helps create commitment and energy towards the desired outcomes. However, this ownership needs to be seen in the context of the whole system, or else it can regress into disputed understanding of reality and required actions.

What gets measured gets noticed...

A common experience within organisations is the focus given to individual and departmental metrics. Once these metrics have been defined and agreed by the organisation's leadership, targets are typically being set for the next review period (monthly, quarterly or yearly).

Strong focus is given to activities and projects that support the chosen metrics. This focus on one or a few metrics is understandable as many people in the organisation wish to orientate themselves towards 'what's important to our organisation'. Knowing that certain activities and outcomes will get measured

1 Outcome metrics are metrics taken at the end of a period and measure how well targets were met. Leading indicators are linked to outcome metrics in a 'cause and effect' relationship. For example, an increase in customer complaints (leading indicator) over time, will presumably lead to a decrease in sales (outcome metric).

2 These performance standards are typically socially constructed by the organisation's leadership.

and reviewed by management drives people to invest their best efforts in that area. Often, this happens at the expense of other areas. People realise very quickly that areas that get measured and reviewed by the leadership (and sometimes by higher bodies of governance external to the organisation such as policymakers) are 'important' and as a result their actions, efforts and progress will get noticed.

Applying AI to scorecards and the power of asking different questions

AI has considerably influenced how I see the world and how I do my work now. I gained an increased awareness of the importance of stories in helping socially construct an organisation's reality and the value of focusing on the positive as a means of driving lasting, desired change. The application of AI principles on metrics and scorecards transforms the way we refer to them, the conversations we hold around them and the impact they can make.

How do the AI principles apply to scorecards?

1. Social construction – the value of data and measurements is not in the numbers or charts we produce but rather in the conversations we hold around them. I used to focus on the gaps, the weak performance points, the 'red-coloured' indicators and the data about customer complaints. This is not absolutely necessary! Being critical doesn't mean being objective. Most of these critical observations were a result of my own habits. There is a lot we can learn from any chart and spreadsheet if we seek the strong points and the cases of stellar performance.

Now, I choose to look at these data points and enquire about them not because I want to ignore the problems but rather because I am truly curious about the high points of success and believe they hold the most useful information. Weak performance data points are also very useful. However, their usefulness is not so much in understanding what caused the problem. It is more about focusing on what we wish to be different or what we want to change. This different focus generates different conversations within the organisation leading to different images of the future.

2. What we focus on grows – as mentioned earlier, what gets measured gets noticed and acted upon. This is not too dissimilar to the poetic and anticipatory principles that tell us that an organisation moves in the direction we enquire about, and that actions are driven by strong images of the desired future. Targets set for metrics are certainly one of the ways to create an image of the desired future (or can be part of a bigger, more creative image of the future). Questions asked about high points of the past and present performance also aid teams and organisations in moving ahead.

3. The positive principle – focus on the positive and what is wanted rather than the negative and what is not desired. Often organisations measure indicators of problem areas they wish to see diminishing over time. For example, hospitals measure infection levels, manufacturers measure defects and airlines measure the number of lost bags and minutes of delays. I used similar metrics before I knew about AI.

Chart adapted from McKergow and Clarke

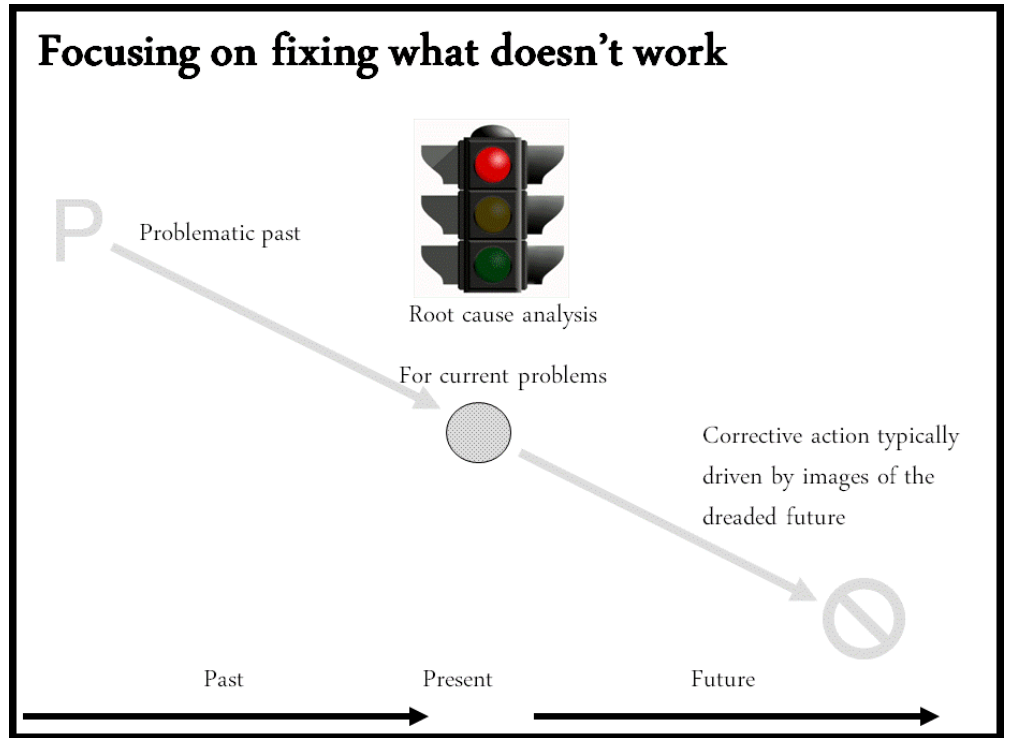
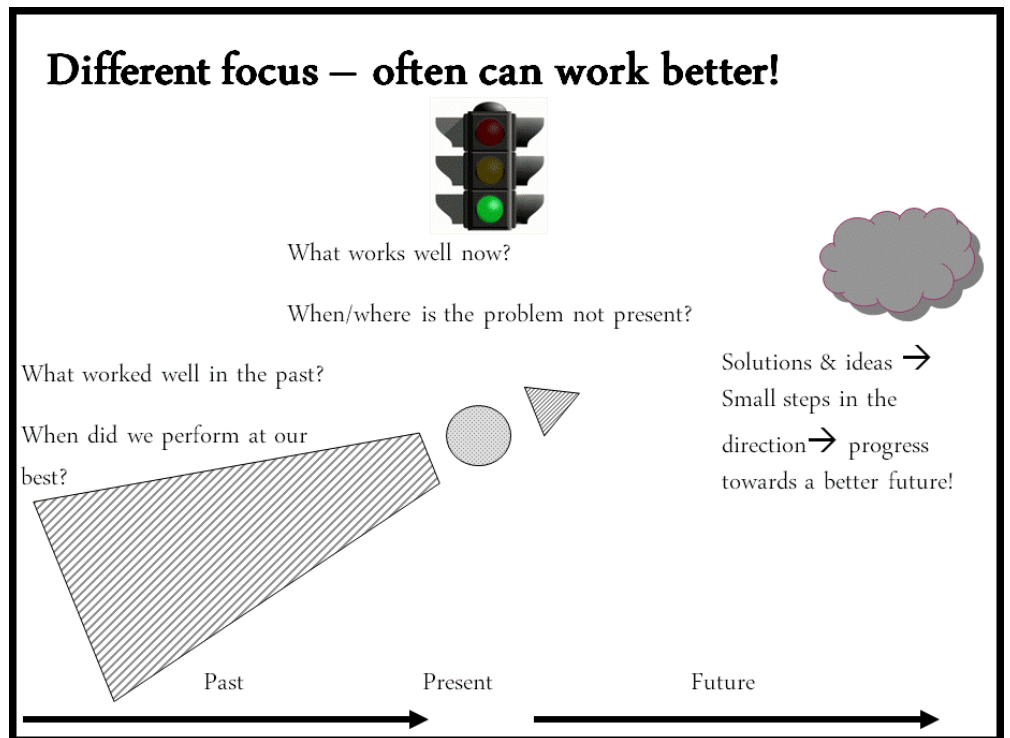


Chart adapted from McKergow and Clarke



However, we can make much more progress and gain more energy by measuring what we want to see more of, or what we want to increase over time. Members of the organisation invest their best effort in gaining improvements to our metrics. Questions are raised as well as answered and data are analysed to make meaning and find root causes. This is

Organisations are living systems: reality is always changing and multiple views co-exist. Metrics we defined last year may not suit our needs this year.

one way to learn from our current situation and improve it in the future. Imagine how different our conversations, actions and reality could look if hospitals measured cleanliness levels, manufacturers perfect production and airlines what helped deliver bags to their destination on time?

4. Simultaneity principle – Organisational change begins with our very first question. This is particularly important when we consider the review process of our scorecards, as often attention is paid to 'red' indicators while 'green' indicators are typically ignored or are mentioned casually. Instead of that, we can start our scorecard's review by asking questions about what has become better since the last review. We can follow this by asking how we can do more of it. This immediately transforms our attention and therefore actions towards an improved future.

5. Wholeness principle – Involving the whole system in defining and studying metrics as well as defining desired actions can promote true ownership and synchronised actions. In the past, I often facilitated small leadership teams (typically at the board level or the senior management of business units) through the definition stage and the review sessions. Other members of the organisation were then told what metrics would be tracked, what the organisations targets for the year ahead would be and what strategies would be pursued. Imagine how much more powerful your scorecard could be if everyone in the organisation truly understood what was being measured and why it was important?

6. Organisations are living systems – Reality is always changing within them and multiple views of the reality co-exist. Metrics we defined last year may not suit our needs this year. Often, by the time we obtain and analyse data, they are out of date anyway. We can take a step back, and remember that the main reason for having metrics in place is to encourage conversations leading to learning and continuous improvement. Rather than tying ourselves to set-in-stone targets, we can allow ourselves and our organisations to be less rigid about the scorecards. The key questions in defining meaningful metrics are: What do we need to measure now to achieve progress towards our current vision of the desired future? What would tell us, and others, that something is different? How would we and others know that we achieved our goals and desired change? Or how would we know that we have made progress towards our dreams – what would be different then?

The leadership opportunity – an invitation to think and act differently

You may now wonder where to start in this journey of introducing an appreciative scorecard. What could be the first small step to take in order to move in this direction? How do you develop an interest in what works well in your organisation and resist the temptation to focus on the negative?

If your organisation is familiar with scorecards and the review process, introducing different questions offers a great opportunity for fostering different conversations. It helps what is already working well for the organisations in terms of existing metrics and regular reviews while introducing a new angle. You have the options of:

1. Directing the attention towards the 'green' metrics, high points of performance and the periods when 'the problem is not present' and

understanding what 'gave life' to those situations. Being curious about strengths and high performance can result in a fresh look at the existing data and may introduce new and useful insights for the future.

2. If your organisation is drawn to analysing the lower points of performance, why not ask the following: 'Are there instances where this problem does not exist?' or 'Suppose we found a solution, how would it look? What would be different?'

If the organisation is undertaking an appreciative approach to a particular change initiative, plan to include conversations about the best, most generative, metrics in your AI process. When designing for its desired future, including generative metrics can lay the foundations for greater success as the organisation takes particular actions towards its vision.

This can also be useful when working with the SOAR³ approach for strategic planning. When you hold conversations about the desired results, you can envision the best and most useful measurements that need to be introduced. Some useful questions to include are: 'what do we want to see more of or to see increasing?', 'what would tell us that we are on track?' or 'what would be useful for us to measure in our desired future?' One of the benefits of this approach is the shared ownership by the whole system of the selected metrics.

It is important to keep in mind that some of these changes may take time to mature. Organisations familiar with deficit-oriented measurements may be surprised by the different focus proposed here. Other organisations may not be used to measurements and scorecards at all and will require training and time to adjust. Ultimately, the positive, strength-based focus for metrics and scorecards unleashes the natural curiosity, energy and desire to change and the capacity to learn that is always present (though sometimes well hidden) within the organisation.

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