CONCEPTION OF A HOLISTIC AND LONG-TERM PERFORMANCE MANAGEMENT: FIVE PART DISCIPLINES AS SYSTEMATIZING FRAMEWORK

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ABSTRACT

Many companies practice performance management in the framework of a heterogeneous, grown mix of numerous separate decisions, instruments, processes and systems and not in terms of a strategically and systematically planned management system.

Due to the inefficiency of the above-mentioned performance management style, a holistic and integrated approach is a key factor. Performance management must be able to meet central objectives and requirements and set the groundwork for long-term corporate success.

This article presents a central approach of the conception of holistic and long-term performance management. The five equal part disciplines are illustrated and demonstrate the issue and composition complexity of a performance management due to their characteristics and combination. The objective of this article is to display and communicate the performance management issue and its context through an easily comprehensible system without following a general recipe.

Keywords: holistic, corporate performance, management, project management

INTRODUCTION: THE STARTING SITUATION IN COMPANIES

Companies operate their individual performance management through a variety of management concepts, separate instruments, tools, processes and systems. Oftentimes, the mix of applied instruments is not strategically or systematically planned but have grown historically out of many separate decisions within the different departments.

For example, the company uses a balanced scorecard for its strategy implementation regarding production, “Continual Improvement Processes” (CIP) are developed and optimized. Administration and sales processes are documented via the method of event-oriented process chains (EPC). Another example would be that in the area of finance and controlling, the company uses different Business Intelligence (BI) systems for its planning and reporting purpose, however the sales department has established its own consolidation solution on another technology basis.

These examples clearly show that due to historic separate decisions, a professional, methodical, organizational and technological integration is difficult for companies. Interfaces, coordination and validation efforts are huge. In management reporting, if there is an integrated one at all, a hodgepodge of data and information from entirely different systems with different professional and methodical background appears to be without any objective or strategic relation. This leads to delayed management decisions because a variety of queries and clarifications are necessary until the required transparency for the decision is achieved. Alternatively, there is the risk of

making the wrong decisions or informing the management about critical circumstances and facts too late due to this information basis.

Jetter (2004) stated that in general, a consistent master plan, that unites the different methods and instruments as a harmonic and optimized whole, is missing. Oftentimes, separate and isolated operating components of performance management might be established but the objective is to connect these components in a way that each information can be used towards the management of diverse performance areas as well as for a useful overall corporate control throughout all company levels.

REQUIREMENTS OF A HOLISTIC PERFORMANCE MANAGEMENT

Much academic work, many essays and lectures of managers at conferences start with discussing the challenges arising from the increasing complexity, dynamics and volatility of economic events. As a result, the changes in the market and competitive environment are the focal point. Analyzing the facts and its deriving consequences is certainly interesting and worth further regard.

In this article, what consequences these challenges have on internal performance management will be discussed. In summary, internal performance management has to adapt to market changes. A separate conception, e.g. targeted towards separate company functionalities or processes, appears to be unreasonable due to the increase of interdependencies between other functionalities and business units and beyond. Using instruments separately holds the danger of everyone optimizing their sub-area or sub-process but doesn't automatically secure the success of the overall process. Roth and Behme (1997) stated that in extreme cases this can even lead to a suboptimum on the entire company level.

Just like integration and end-to-end process thinking predominates on process level, an integration as well as harmonization should also occur on management level. Oftentimes this is not the case in the existing corporate praxis. A department or silo thinking in isolated applications dominates. Often similar functionalities, such as finance and controlling, encounter difficulties to work on a consistent controlling concept or to utilize consistent controlling concepts and tools. This takes place despite the many advantages, such as that many interfaces and validation steps would become no longer necessary if a consistent master data management existed. Controlling processes could be organized more efficiently. While efficiency is top priority in product development processes, this clear prioritization in the conception of controlling processes is not always the case. Departments which are responsible for the management process build in media breaks in their own controlling process. This is where, as a last step, management reporting utilizes tools such as Excel or PowerPoint. Data is sometimes kept redundant in order to adapt numbers. Also, many management meetings are exclusively carried out via PowerPoint.

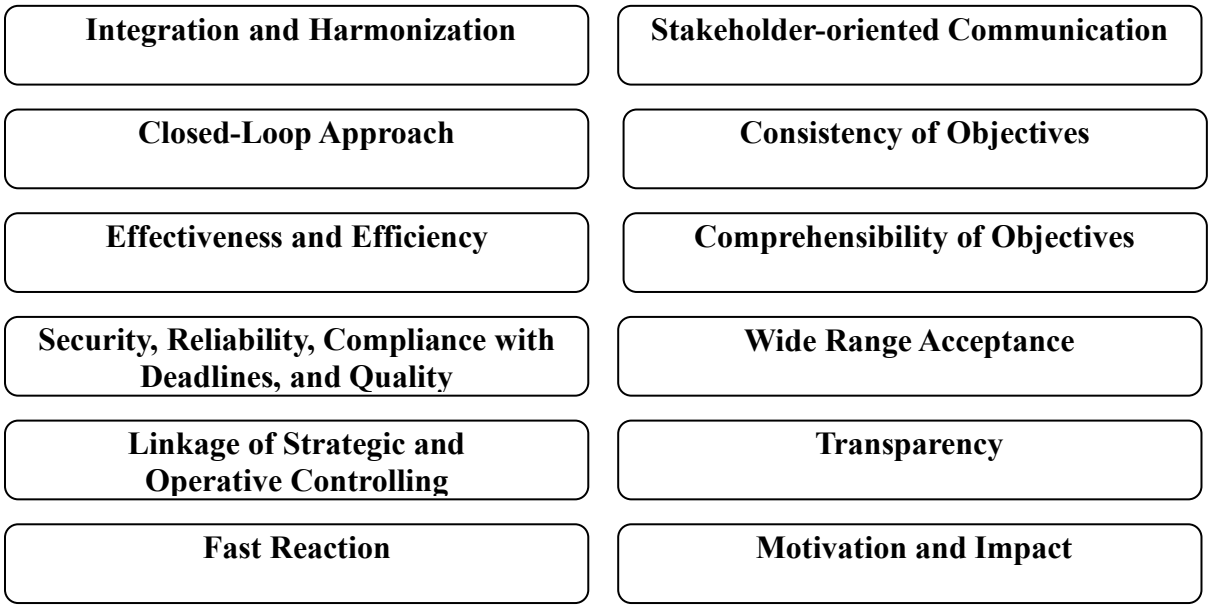
This results in consequences of the speed in which conclusions are made from operative processes and data. Unnecessary coordination and validation steps as well as manual adaptations of numbers require valuable reaction time, especially because the fast reaction to market changes is regarded as a critical success factor. Furthermore, interfaces, manual process steps and employ-

ees' room for interpretation imply risks for the security, reliability, compliance with deadlines and quality of information.

Until now, the controlling process has only been regarded bottom-up. However, a top-down view is crucial for target-oriented performance management. Orientation effectiveness regarding separate operative activities can only be ensured if a controlling process is established and oriented towards company objectives and strategies. Therefore, a linkage of strategic and target-oriented company management with an operative, process-driven controlling system is necessary. Concepts, objectives and strategies that have been generated through market observation or innovative ideas as part of the strategy development process for example, can only unfold their effect when the strategy implementation process runs successfully. Therefore, a consistent controlling concept is indispensable, making the performance requirements of all company levels transparent. However, transparency alone is insufficient. Via stakeholder-oriented communication, the comprehensibility of objectives for all employees needs to be ensured. For this, it is important to pay attention to the consistency of objectives. Oftentimes, inconsistencies between vertical and horizontal controlling (beyond different areas) are noticed. Conflicts of objectives between line, project and process management need to be avoided because they reduce or endanger the acceptancy of the objectives on operative management level and of the employees.

Only if the acceptance of performance requirements has been established in the wide range of the company, can one assume that performance management is established throughout the company. When all members of the organization provide their potential and energy for the overall objective, the company's success should be ensured long-term. The figure below displays the requirements of a holistic performance management.

Figure 1. Overview of the Requirements of a Holistic Performance Management



APPROACH TOWARDS A SYSTEMIZING FRAMEWORK

Meeting all requirements might be experienced as an unreachable ideal state or even magic. Certainly, both are not the case. After the long-term study by Joyce, Nohria, and Robertson (2003) the "4+2 Formula" has proven to be a successful approach in order to achieve sustainable company development. Strategy development, strategy implementation, culture optimization and structure optimization are called out to be compulsory relevant management processes. Talent, improvisation, and management optimization as well as fusions and cooperation are regarded as partially optional. Depending on the situation, two of the just mentioned areas need to be taken into account in the overall controlling concept. In order to be successful in the long run, companies should integrate a mix of these six different areas into holistic performance management.

By bringing these insights of the 4+2 Formula together with the objectives and requirements derived from the areas of issues mentioned before, an overall logic can be developed as a performance management approach. This logic tries to regard the complex issue of performance management from different perspectives, which will be covered as part disciplines.

In total, this approach differs in five central part disciplines, which are outlined and explained in the following.

First Part Discipline: Management of Companies and Business Units

Performance management regards managing the company as a whole (in its totality) as well as in its part areas (business units) to control its organizational units on different aggregation levels. This part discipline is called management of companies, respectively business units.

Second Part Discipline: Management of Processes

The value adding of a company from process perspective and controlling in terms of performance management is just as important and interesting. This part discipline breaks through and adds on the organizational view and affects the process level. It is called management of processes.

Third Part Discipline: Management of Projects

Projects have an increasing share on the value adding of companies. Most of the time, projects are drivers for innovation and advancement within and of companies. Additionally they follow an entirely different hierarchical logic, due to mostly bypassing established principles and responsibilities in the operational and organizational structure. This part discipline of performance management applies to project, program and portfolio management and is called management of projects.

Fourth Part Discipline: Management of Employees

Another, very important success factor for a performance management is the actual initiators of value adding - the employees. They are crucial for the company's success due to their willing-

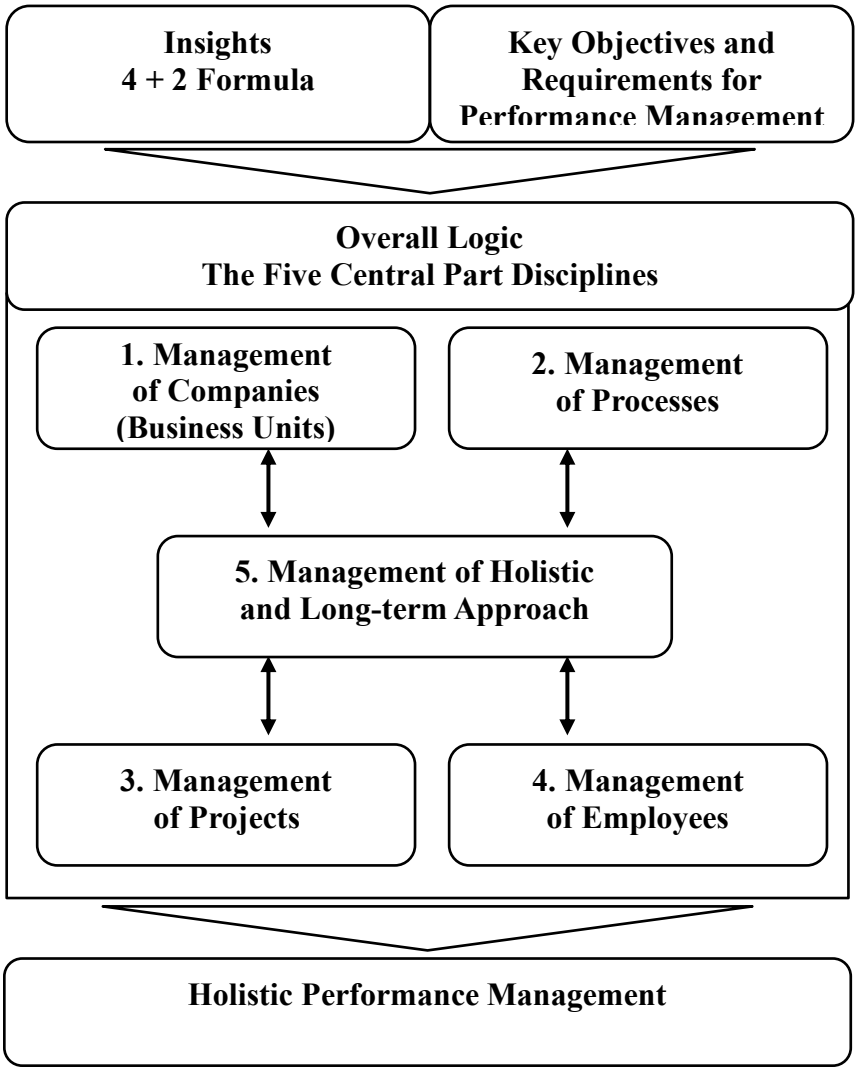
ness to introduce their experience and productivity. This part discipline involves the management of employees.

Fifth Part Discipline: Management of Holistic and Long-term Approach

Content wise the four above described part disciplines would cover all perspectives of performance management. However, one crucial aspect of performance management is missing: Integrating the perspectives into one holistic view. A performance management should be built long-term and be sustainable to unfold its effect. That is why the fifth part discipline is called management of holistic and long-term approach. This part discipline has a special status which will be covered next.

The overall logic in the figure below visualizes the approach towards a holistic and long-term performance management consisting of five-part disciplines.

Figure 2. Overall Logic for a Holistic and Long-term Performance Management



Demand and intention of this overall compilation is not to design a solely and generally valid concept for holistic performance management. Moreover, this approach displays how the complexity of issues and organization of performance management can be put together and can derive from different part disciplines. There is no preference of one or another discipline but an equal consideration of all part disciplines in terms of a holistic performance management explanation and design approach.

The objective is to easily communicate the overall issue in all its perspectives, connections and hierarchies within the company and beyond. A generally valid recipe doesn't exist in order to solve all issues within performance management. Roth (2013) stated that within this approach, groundwork for a company individual, company-wide set-up of a holistic performance management can be established. In the following, the single areas of activities and toolset of the separate part disciplines are presented, and the logical structure is explained overall.

PART DISCIPLINES OF A HOLISTIC AND LONG-TERM PERFORMANCE MANAGEMENT

First Part Discipline: Management of Companies and Business Units

Oftentimes, the steering of companies or business units is also called Corporate Performance Management (CPM). One may find many definitions for CPM in literature. In this article, it involves the provision of data, methods and tools to holistically support the management processes planning, steering and controlling. Business Intelligence (BI) supports these tasks. The term business intelligence also has a wide range of interpretations. Some authors like Chamoni and Gluchowski (2010) have a rather narrow understanding by focusing on analyses of BI only, others like Baars and Kemper (2008) also link the processes of data acquisition, data processing, and data management. Within this publication, BI implies the structured way of collecting and analyzing internal and external company data with the objective of generating crucial steering information to support the management and management decisions at best.

The main task of this part discipline is to significantly support the process of developing, implementing and steering strategies. The basis for the strategy development is to collect, interpret, and crucially prepare relevant market and competitor information in a target-oriented and reliable way to be able to make the strategic gap or direction of the management transparent and arguable. Crucial to a successful implementation of a strategy is mainly that the objectives appear motivating and that precise actions can be derived.

The linkage of operational and strategic management steering creates an entrepreneurial objective for performance management, which makes the contribution of business units (such as divisions, functions, departments, teams, and so on) as well as actions taken, transparent. In order to support the targeting orientation and operational measurements, key indicator systems are often used. They need to be designed in a way to meet the demands of different levels and addressees and they need to be reconciled within an overall picture, to consistently contribute to performance management. To foster the acceptance and the focus on performance of everybody involved, key figures need to be comprehensible and capable of being directly influenced.

Business intelligence solutions are supposed to provide a meaningful and efficient support of these management tasks. The BI market is a market that has strongly grown for many years, as Business Intelligence applies to more and more areas within companies. BI trends with buzzwords such as Big Data, Predictive Analysis, Software as a Service (SaaS), Self-service-BI etc., intensify the demand of companies. For many of them it is getting increasingly challenging to build an integrated architecture for corporate performance management out of the many decentral and historically grown BI island solutions. Only if the functional, methodical and technical linkage of these "data-silos" is successful, can a significant contribution to the holistic performance management approach be achieved.

With a BI strategy, conditions are set to effectively establish a useful BI within an organization. It is advisable to focus technologically on one reference architecture or platform, particularly to make the running effort cost-effective.

Having defined the strategic direction of Business Intelligence, it is time to functionally, methodically and technical-efficiently organize the implementation of BI within the company. One has to define, where which BI competence should be established from an organizational point of view and how the interaction of these BI competencies throughout the entire lifecycle (project, run, etc.) takes place. Its objective is to increase the efficiency with BI and to enlarge the benefit of using BI for business departments, controlling, research and development, operation, and management.

Oehler (2006) stated that for performance management, planning is of particular significance, because planning sets up the general objectives and the conditions for measuring the achievement of the objectives. Since planning had to adjust a lot to the dynamics and volatility of the markets during the past years, it is of importance that the planning processes and systems are on the one hand very flexible and on the other hand highly functionally and technically integrated. Through a consistent and integrated planning process, essential conditions for performance management become formed.

Second Part Discipline: Management of Processes

In addition to the perspective focus on organizational units, the second discipline centers on the management of processes.

BPM targets a process-oriented organization of a company and contains the design, documentation and improvement of processes with regard to effectiveness and efficiency. The value adding for the customer is to be optimized. With the increase of effectiveness and efficiency of the processes, the increase of quality of the products and services, the reduction of delivery times, and the lowering of costs, higher customer satisfaction can be achieved in the end as well as corporate performance enhancement.

Due to the dynamics of the markets, successful companies increasingly concentrate on consistent processes, since they are the basis for a higher agility. Consistent processes also support strategy implementation since they increase the transparency for all parties involved. Only if processes get clear and palpable are they comparable to each other. They can be discussed (everybody has

the same picture and speaks the same language) and they can be standardized. Preconditions are obviously a homogeneous notation, process modelling and process management rules.

The advantage of processes are that they give early indications of the achievement of the objectives. That is why they are of high interest for performance management. Through a process-oriented performance management the information gap between the strategic and operational level is compensated for and the time gap between a business transaction and possible required countermeasure is shortened. Especially in times of volatile markets, when time slots for reactions shorten, up-to-date and real-time information is essential to make business decisions. Companies which recognize process bottlenecks early and react very quickly to market changes do have competitive advantages.

Through an ongoing Business Activity Monitoring (BAM), it is not only possible to optimize business chances, but also to improve the business model itself continuously and in a target-oriented way. To increase the performance of the organization, a closed-loop-model should be built up by continuously monitoring and controlling the process activity. With a Key Performance Indicator (KPI) based continuous improvement process optimization potentials can be uncovered and realized (Hoffmann 2002). This transparency generates the informational basis to weigh whether outsourcing of a whole process or parts of the process may be of advantage.

Third Part Discipline: Management of Projects

Projects, in a simplified way the temporary collaboration of different experts to achieve a common objective, become more and more important. Back in the days projects were more or less an exception, however, today they are a standardized organizational instrument for adding value, company advancement (organizational development, IT development, method development, etc.) or innovation (process, product development, etc.). Companies want to use this special condition to increase their performance internally because people with different professional backgrounds can work together on one interdisciplinary task.

Unfortunately, many projects do not reach their targets. The Standish Group stated in the Chaos Study (2013), that almost 70% of IT projects aren't reaching their targets. Twenty percent of them fail or are cancelled whereas 50% miss the objectives (time, quality [result concerning content], costs).

With a structured project, program and portfolio management companies try to generate successful projects that can be reproduced in order to improve the potentials of increasing performance.

On project level, the application of suitable steering methods is meant to ensure operative excellence (projects reach the desired results in time and quality within the predefined means).

On program level the focus lies on the overview of the project landscape including interfaces and dependencies as well as the steering capability of the program besides considering operative excellence.

On portfolio level the circle towards strategic management is completed. The value added of projects and programs of the company strategy is made transparent. The project application process and project prioritization (cost/benefit inspection) is especially important because a relation to the company objectives is established and through resource allocation a course setting for the future company direction is undertaken.

Next to a variety of challenges in project, program, and portfolio management, the following critical success factors have been emphasized for an effective and efficient performance management: updating of the business case throughout the entire project period, dealing with changes in the passage of time, the human factor and its need for communication, creation of PM communities with the objective of sharing best practices and documentation of knowledge building (Lehner 2009).

Fourth Part Discipline: Management of Employees

An important, oftentimes neglected discipline in terms of performance management regards employee management. The significance of human capital is reflected in motivation, guidance, and development of the company's top performers. The productivity of the company depends substantially on the employees' willingness to perform. Bruch and Vogel (2009) stated that only because of the commitment of the employees does a company have the power and energy to move target-oriented and be successful long-term. This circumstance within performance management is oftentimes forgotten despite the fact that it is obvious that humans are not machines that can perform independently from their environment and situation.

Motivation and guidance of employees are key factors. A high willingness to perform is achievable when the personal interests of the employees are regarded and cherishing guidance is lived. Top performers expect on the one hand to have freedom in their task fulfillment and be supported in their individual performance and on the other hand to encounter secure and stable general conditions.

Especially in times of change this becomes evident when performance management is introduced that mixes up accustomed processes and structures. These changes can generate fear and frustration of employees and destroy valuable energy. This energy could be used in terms of performance management in an optimum case. At this point instinctive feeling in a form of change management is demanded.

The challenge of performance management is to steer change processes proactively.

Fifth Part Discipline: Management of Holistic and Long-term Approach

As mentioned before, the separate management methods are only part disciplines of a performance management. Only the interaction of these part disciplines in one integrated management system, which has to ensure a continuous operationalization of the strategy, can unfold its effect.

This is why the part discipline management of holistic and long-term approach offers the possibility to unite the different views. Now the task is to compose the part disciplines into one company-individual integrated management concept by establishing it sustainably.

For a holistic performance management, a professional, methodical, technical as well as procedural integration of methods and instruments is needed. Only in this way can the entire management process be supported by strategy development, planning, agreement to objectives, steering, decision finding and implementation.

It is important to link the entire steering and controlling process, from establishing objectives and strategies to breaking down operative entities, processes, programs or projects with bottom-up driven processes such as the continuous improvement and corresponding data collecting and data refinement. Ideally, a company collects market development data, competitor and client data continuously, for example by monitoring social media and other platforms. The data has to be analyzed and interpreted promptly regarding relevancy and objective relation as well as preparation for management on the right levels for the right addressees in order to matter for decision making processes. When the management decision has been made, the measurement implementation process needs to be supported by adequate monitoring (Gladen 2011).

Roth (2012) determined that a management cockpit helps to develop a holistic steering understanding on all levels by creating transparency and therefore makes a significant contribution as a centralized communication, collaboration and monitoring platform for holistic performance management. Next to integration, the continuous improvement process should be initiated sustainably in terms of long-term management.

In order to be successful long-term, it is important to document competitive knowledge about clients, products and processes that are crucial to success and make it available to the relevant employees. A structured knowledge management supports increasing the productivity of companies long-term (North 2011).

A long-term-oriented performance management requires active management of valuing employees and calls for responsible actions by companies overall. The principles of sustainability can be well transmitted to performance management in order to have a long-term performance management effect.

CONCLUSION

In this article it is clearly indicated that there is no single overall management method and no overall comprehension of performance management. Moreover, the interaction of all management disciplines that are crucial to success in terms of an integrative management system is important where all actors and parties involved pull the same strings even though they have a different focus and view. However, it is critical to success, that a company-individual adaptation including a holistic background of experience is planned, composed and interlinked.

This way, management cockpits make a significant contribution by generating a transparency and communication platform for a holistic performance management as integration level, even

when the general, professional, methodical, procedural and technical integration has not been completed or reached.

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