

Roundtable Take-A-Ways

From the January 1999 Session: **Beyond Financial Measures: Defining Organizational Success**

Why do some companies, doing well financially, suddenly decline? Are there better ways to measure the health of a business, in addition to current financial indicators, which can predict continuing success?

- Many firms currently use either Balanced Scorecard or Success Dimensions approaches, both of which take a measures perspective (vs. values perspective after Michael Porter).
- Dr. Shenhar and his team, at Stevens, are proposing use of a Dynamic Multidimensional Performance (DMP) model. This was described in a research paper that was distributed (available upon request.)

Future (very long-term) measures (subjective) of both articulated and unarticulated needs are rarely tracked. Examples are number new ideas, number of people qualified for a new technology, etc.

- Important to recognize that financial and non-financial measures are not independent, they are linked.
- The acquisition of such subjective data is oft-times onerous – task is to find a simple way
- Also, a framework should be flexible and allow for dynamically changing times.
- It was noted that time frames for different industries vary, but companies should adjust their measures to accommodate these differences.
- Little data exist on value of any of these models as predictive indicators of corporate health.

Sponsors use bits and pieces of these models, e.g.

- AT&T uses elements of DMP at both Corporate and Divisional levels.
- ARDEC also touches on all the measures of the proposed DMP (Note: ARDEC's process was summarized in a 1998 Roundtable dealing with trend prediction).
- Alliance sponsor organizations appear reluctant to use measures such as per cent of revenue from new products.
- Assessment may require outside (independent) auditors especially to evaluate very long-term measures.
- Bestfoods reported on their use of the Balanced Scorecard (BSC) approach. Has been in use since 1993 as primary Corporate planning tool. Initially, BSC was explained as financial performance resulting from: a) Consumer and customer satisfaction; b) Innovation; and c) Best business practices. Latest version of BSC includes: d) People development and e) Core strategies.