Interview: Professor Mike Bourne

Handbook of Corporate Performance Management

Steve Macaulay
Hello, I am Steve Macaulay and I am interviewing today Professor Mike Bourne; Mike is co-author of the book Handbook of Corporate Performance Management.

Now, Mike, corporate performance management; everybody seems concerned about performance these days, but tell me some more about what you believe corporate performance management is. I seem to get all sorts of different views, depending on who I speak to.

Mike Bourne
It is a big set of words; it is a big topic. The problem in the past is that people have been measuring things and they are not doing anything with the data, the information they gather. So corporate performance management is really about picking the key measures for your organisation, using the feedback for those measures to then manage it strategically. So it is a combination of things that we bring together in this book.

Steve Macaulay
There seems to be more and more focus on this idea of corporate performance management; is that something you have observed?

Mike Bourne
I think so; we are not in the best economic conditions at present, so organisations are really having to focus on where they can make money, reduce waste and so on. And they need to focus too on how they implement their strategy. That is what it is really about – it is how do we get things done in the organisation.

It is very easy too to focus on today and achieve the short term financial results, but are we doing that at the expense of the future? And that is the real issue. So if you are managing an organisation well for now and tomorrow, you have got to balance what we do today with what we deliver for the good of the company – the organisation – into the future.

Steve Macaulay
So let’s unpack this a bit more then, because I know in the book you have identified three key elements of performance management. Can you say a bit more about that?

Mike Bourne
The first real element is about performance measurement itself; it is how do we actually pick the right things to measure within the organisation and we have two aspects of the book that does that. First we have got a complete tool set which is around success mapping and defining measures themselves.

Success mapping then is an approach for actually delivering your
objectives from your strategy; it is understanding what you are trying to achieve and how you do that and setting that up in a way that really works in the organisation. So you get a team of managers, of directors together and you get them to translate their strategy into a success map which they can all buy into and communicates the strategy to the organisation. So there are a set of tools around success mapping and designing the measures to fit into those success maps.

What a success map does is it gives or it communicates to the organisation what the organisation is trying to achieve and that is a really important role of measurement.

On the other hand, we also need the feedback too, so another big part of the book is how do we measure the various different elements, how do we measure customers and customer satisfaction and their propensity to vie again? How do we measure our employees, their engagement, their satisfaction with the organisation? How do we measure the finances? How do we measure sustainability?

So those are really the two elements – the tools and how we measure.

Steve Macaulay

Let’s look at this measurement angle first; now, I always remember people saying to me what gets measured, gets done. Tell me some more about what this is all about.

Mike Bourne

One of the things that measurement does is it influences behaviour. So as soon as you measure something people suddenly realise that this is important for the organisation, so it is very important that you decide exactly what you want to measure because it communicates the direction of the company; and it is not just the objectives, it is exactly the way you measure it. So defining that measure is key to communicating to people the goals of the business really.

The problem is that then everybody gets focused on just delivering the measure and it is very easy to deliver and a measure and what you need to do is deliver the performance surrounding it – it is the whole thing. So what you have got to do in the early stages of designing and implementing a balanced score card or a performance measurement system, or whatever it is, is to design the measures in a way that really communicates. But then when you start to manage with those measures, you have got to flip it over and you have got to use the measures as indicators of performance and not as performance itself. So you talk about KPIs – the I in KPI stands for indicator, it is not real performance. And so you have got to realise that when you review performance, the indicators are actually an indication and that is all it is and there is
real performance going on behind that.  

So when you say what gets measured gets done, actually what get measured they deliver the measures, but you need is performance and you need to be very careful when you are measuring that you don’t just improve the performance measures and not performance itself.

Steve Macaulay

So, let’s say a bit more about performance management; if I am the chief executive of a company, if I am on the board, I want to get that improved performance, how would I go about that?

Mike Bourne

It is very easy just to talk about people working harder and focusing on operating efficiency and effectiveness. And that is, in the short term, a quick and easy way of getting a win. The issue is that for the longer term you have got to do something that is far more sustainable, that is far more in tune with your marketplace and what you are delivering. So it is really about how do you deliver to your customers or the people you serve with your organisation? And that is what it is about. It is about getting the capabilities and the resources in the organisation developed and in the right place at the right time so that they can deliver the performance and what happens is if you focus too much on today is you lose the future. A lot of organisations are very focused on delivering the results, but in practice it is the longer term that really matters.

If you talk to drug companies, for example, it is really quite interesting because yes the quarterly results do matter, but the analysts in the City are less worried about that than they are about the whole development and discovery end of creating new drugs going into the marketplace. And so if you talk to analysts about that, they talk about the results, but they also talk about the new products, new chemicals, the new things that are coming through and what the potential is. And that is true for every organisation; what are the things we are doing today that create money but what are the things that we are developing tomorrow – our new products, our new services – that are really going to take the market by storm?

Steve Macaulay

I am a bit concerned that these days everybody seems to want their finger in the pie; so, we have got sustainability issues, we have got output measures, we have got the financial return and so on. There seems to be almost too many things that are getting measured; too many things to worry about and you say well, what about the long term? Well, what about dealing with all these things and still managing for the long term?

Mike Bourne

Yes; performance measurement of management isn’t getting any easier. We have multiple perspectives, but in some ways it is the
balance and the trade-off that the organisation has got to do and I think what happens in a lot of organisations is they are not as clear as they need to be about what those balance and trade-offs are.

People have got to understand in organisations that financial performance comes at a price and if you are going to get your organisation to really perform into the future, you have got to build the capabilities behind it and the resources and you have got to manage both those things together. And that, for line management, puts them under a lot of pressure; they are pulled by the sustainability agenda, they are pulled by their customers, they are pulled by their bankers or their owners and that is hard to do. Getting a clear understanding of how those fit together and how each builds on the other to create a performance which is truly sustainable is really important.

Let me give you an example; we did some work with Shell a little while ago – and it was a little while ago – but they were really trying to improve their profitability and one of the things they wanted to understand was their oil products division, how could they do this? And so what we did was a piece of work around understanding what their sustainability agenda did for their brand? What was their brand doing for their customer satisfaction? What was it doing for their forecourt sales? What was employee satisfaction contributing to this whole thing? And what the organisation hadn’t done before we turned up was really pull these different elements together to understand how each contributed to the other and that is partly what we did, but it is partly the idea of the success map so you can build and communicate what the strategy in organisation is.

Steve Macaulay

Now these days there is a lot of interest in leadership, there is a lot of interest in high performance cultures. I know you cover that in the book; have you any thoughts on that?

Mike Bourne

Leadership is really important for the performance measurement of management because leadership is the key element to make the whole of this work. You can do very successful performance measurement and then manage with the measures, but the leadership element is absolutely key in getting that right and it is separating the role of leadership out from the role of performance as well.

A lot of leaders in organisations have got to the top because they have been very good at delivery; now leadership’s role should be less about delivery – it is more about setting direction, it is setting the tone for the organisation, it is setting the culture in which people are going to perform. And so, part of this book is how do we separate those two roles out, so the leadership do their job and
then people can performance measure and manage within that.

**Steve Macaulay**

Out of all the things that you have said in the book and the experience that you have got, what would you say are the key things in terms of problems, pitfalls, recipes for improvement; if you were to pick out some key things, there a lot of things I am conscious of, there are a myriad of tools, a myriad of measures, there is a myriad of priorities - if you were to cut through that and say above all else, there are some things here you need to pay attention to.

**Mike Bourne**

My favourite tool is success mapping; it is at the core of this book and it is at the core of what the organisations do. Why is it such a key tool? Firstly, it really gets the senior management team to clarify their strategy and if I go into organisations, quite often they have got the strategy written. The success mapping really tests that and sometimes destroys it or pulls it apart and we have to reassemble it because it starts to say, what are we going to achieve by when and how are we going to do that? And that is absolutely key. So success mapping creates a shared vision for the future, a shared set of objectives that the senior teams put together and then is a very important tool for communicating that to the organisation.

What we have in the book is an example of Faccenda, an organisation that actually did success mapping over several years because they had to do their original success map which captured the essence of the organisation. When they started to execute their strategy they had to improve it and do it again. And so over two to three years they have gone round this loop of developing strategy, creating success maps, refining them, passing them out into the organisation and doing that again and again. Each time they did it, they did it better, they learnt more, their people were more engaged and at the end of the day many more people in the organisation understood what they were trying to do.

**Steve Macaulay**

That is a good note to end on; thank you very much, Mike.

**Mike Bourne**

Thank you, Steve.