Building an Effective Strategic Measurement System: A Phased Approach
By Keith Lake, Strategic Measurement System Administrator

First of Omaha Merchant Processing™ is a premier payment processor specializing in providing services such as online financial management tools, web development technologies and integrated payment-processing solutions. These services are provided for over 75,000 large and small retailers, restaurants, lodging merchants, petroleum marketers, associations/franchise groups and banks in both the business to consumer and business-to-business marketplaces.

With new technologies, federal legislation and deepening competitive pressures, the financial services environment demands increasingly creative and intelligent players to deliver top-line solutions responsive to evolving consumer needs. It is in this environment that First of Omaha Merchant Processing has achieved record success in pursuit of its vision to be "the preferred provider of financial management related solutions in selected markets." Critical to this success was the establishment of a formalized strategic planning process and a resulting market-driven five-year strategic plan.

One component of this process is a Strategic Measurement System (SMS). The objective of the SMS is to sharpen focus on strategic performance by aligning current activities with long-term goals. Through identification of critical measures, effective reporting and facilitated meetings, the company can continually focus and address issues critical to continued strategic and operational success.

<u>Identification and Alignment of Performance Measures</u>
After establishing the system's objective and securing support of the President and CFO as the visible champions, the first step was for senior management to identify Key Success Factors and objectives supportive to the company's strategies. Next, managers defined measures to support the Key Success Factors. During Phase I, the company identified 365 measures, admittedly a lot of measures, but with a sharper focus than the 1,000+ operational measures comprising the former monthly performance report.

Before a division-wide launch of the Strategic Measurement System, the managers wrote definitions for their measures identifying 1) business value, 2) information source and 3) performance interpretation. Measure owners needed to communicate the importance of each measure and its link to strategy so everyone using the system would have a common understanding of its content. The software solution chosen for designing and reporting this Strategic Measurement System was pbviews, a user friendly, packaged approach to performance measurement and management.

Monthly Protocol
Measure Content Guidelines

Color	Description	Commentary – Monthly	Action Plan – Monthly
	What is this measuring? What is the business value?	Explain variance to target and decision making value of measure/target	Not Necessary
	What is this measuring? What is the business value?	Only if color changed from red or yellow to green in past month, please explain why?	Not Necessary
	What is this measuring? What is the business value?	Explain why variance to target	Detail actions to be taken to change color to green
	What is this measuring? What is the business value?	Explain why variance to target	Detail actions to be taken to change color to green
	What is this measuring? What is the business value?	Not Necessary	Detail actions to be taken to begin measurement; provide estimated population date and status

To manage the timing of data population and completion of commentary, a monthly calendar was instituted.

Monthly Input Schedule

Day	Action	Responsibility
10th Business Day	Finish input of all Data Measures, Commentary and Action Plans	Measure Owners, Key Data Entry and Commentary personnel
12th Business Day	Finish input of all Group Measure Commentary and Action Plans	Measure Owners, Key Data Entry and Commentary personnel
14th Business Day	Notify Users Audited Database is Available	System Admin

As the SMS was rolled out, protocols were established to clarify roles and responsibilities of managers to ensure timely and relevant system updates. Managers are responsible for reviewing the measures for which they are accountable. The overall performance of each measure in the system is quickly revealed according to a color scheme. Managers must then enter commentary and action plans based on the level of measure performance.

The system administrator developed a Monthly Strategic Measurement System Update to remind managers of these protocols as well as to announce measure changes and new document links. A follow-up e-mail announces when the system is fully populated and ready for viewing.

Feedback and Refinement of Performance Measures

Once the system had been up and running for three months, users were asked to assess system effectiveness and the relevance of each measure. Based on user input, updated objectives were established and approved by the executive team. The refinement process resulted in minor revisions, namely decreasing the number of measures from 365 to 180 and establishing a formal phased review process for future system changes.

Three months after the initial review, users once again assessed the measures and system results. They eliminated less actionable ones, reducing the number of measures to 110. By honing in on areas that were most valuable, First of Omaha could now interpret performance issues and trends much more easily.

Ensuring Communications and Timely Response

Development efforts resulted in a tool that allowed senior management to review and discuss strategic performance. These managers, unfortunately, remained less engaged in the discussions. Their focus was on the day-to-day aspects of business. In order to engage all levels of decision-makers in the performance reporting and planning discussions, First of Omaha moved into the next phase of the SMS development.

As a first step, the project team developed a performance update report; highlighting strategies, key indicators of success, associated measures and a written performance summary.

EXAMPLE

Customer Performance Update

Strategy: Total commitment to our customer

Key Success Factor: Consumer Contacts and Market Share
Timely and accurate customer service
Positive Customer Perception
Product Attrition

Strategic Measurement System Measures

	YTD	Budget/Target	Index	Previous Year	Index	Current Month	Previous Month	Index
Customer			106.4		104.6			107.9
Consumers			106.6		103.5			107.2
Customer Contacts			96.0		72.3			96.0
Market Share			111.2		116.9			109.3
Trade Customers			106.3		122.1			108.4
Customer Service			104.2		133.5			107.4
Product Returns	$6,668	$10,017	133.4	$7,119	106.3	$765	$703	136.8
Customer Survey	23.6	22	92.6	22.9	96.7			

Performance Assessment: XYZ Corporation is is doing a good job of maintaining market share, providing excellent customer servcies and minimizing product returns. However, total commitment to our customer is being jeopadized by staffing issues in product distribution as indicated
- Will staffing continue to be an issue in distribution and relationship management?
- Does XYZ need to focus on re-allowcation of resources from customer serice to distribution and account management?

This report provided a snapshot of performance for managers, highlighting the areas most pertinent to them.

The senior management team then met to review the report and approve the performance summaries for each Key Success Factor. They also identified issues requiring further commentary from managers.

Immediately following this first senior management meeting, managers received a copy of the executive-approved report with a memo asking them to prepare to discuss the issues. A follow-up manager meeting was then devoted to discussing performance and brainstorming implications for action.

This approach was an immediate success. The management team felt engaged and focused on strategy. Cross-functional communications and potential for collaboration generated a lot of excitement.

Ongoing Utilization

To date, the system has been a great success, providing actionable performance insight on strategic objectives. A great part of this success stems from the lessons learned in the phased review process that was established. As a result, the system will remain dynamic and will continually evolve in future phases. The next phase is already in the works with the objectives of optimizing the number of external benchmarks and 2) establish a consistent philosophy of performance targets. The system's continued evolution bodes well for the company's long-term success!

Keith Lake is a Strategic Planning Analyst in First of Omaha Merchant Processing's Strategic Planning department. His primary focus is system administration for the company's Strategic Measurement System. He also supports facilitation of division-wide Strategic Planning sessions and Employee Focus Groups.

For more information on First National Bank of Omaha, visit their website at www.fnbo.com.