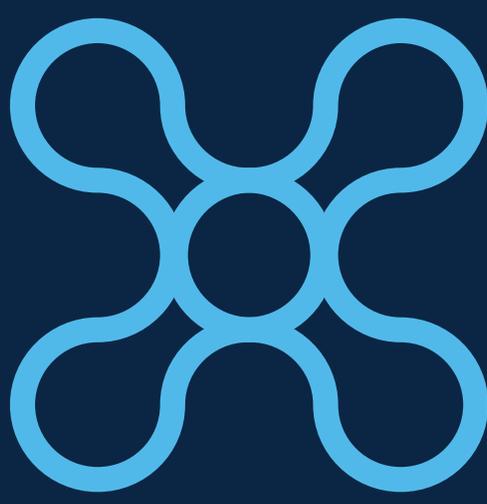




Vital Signs — Part I



Critical Numbers Series — Vital Signs
Part I of a Six Part Series



Critical Numbers Series: Part I — Vital Signs

Introduction

Vital Signs Indicate If Your Company Is Healthy And Fit

They are essential to success in running a business.

Welcome to the Business Performance USA Critical Numbers Series. The philosophies and practices advocated in this series offer a path for any company, regardless of size or budget, to drive a successful business. This white paper is part one of a six-part series, which is designed to help any company set their pathway to achieve and sustain long-term success.

What are “Vital Signs”?

- Key indicators of health and fitness
- Moving in the wrong direction could indicate the very survival is at stake
- Essential to success in running the business
- Drivers for organizational focus to concentrate the energy (strategic focus areas)
- Guides for your best long-term interest

We all know that vital signs are key indicators of our body's health and fitness. No matter if it is your dentist, your eye doctor, your physician or a hospital, a nurse will take your vital signs as the very first thing. If you have a history of seeing this doctor, they will check your current vital signs against prior ones.

Vital signs for companies are just as important to organizations as they are to the body. They indicate the fitness of the company. Just as for the body, when any vital sign heads in the wrong direction, it can indicate that the company's very survival is at stake.

For instance, high blood pressure is a serious condition that can cause death if not properly treated. Most of us know people on medicine to help reduce the effects of high blood pressure.

Similarly, for a restaurant or consumer retail store, if we see a spike in complaints on Twitter or Facebook, we know we have damage control we need to do.

Vital signs are typically referred to as operational goals that are measured by key performance indicators, key performance measures, the scorecard, or the incentive plan. You can easily use the term “goals or strategic focus areas” for vital signs.



Using the term “vital signs” is useful because it helps focus on the few indicators that immediately report a company’s fitness and whether or not it is on target for meeting their goals. They are key drivers for focusing the efforts of everyone in the organization. They are also key drivers to your best long-term interest in keeping your company sustainable.

We are familiar with the vital signs for the body:

- Weight
- Temperature
- Blood Pressure
- Pulse.

Let’s look at what vital signs we measure for an organization. They are:

- Employee Growth
- Customer Engagement
- Process Quality
- Financial Fitness

These are adapted from R.S. Kaplan and D.P. Norton in their landmark work *Balanced Scorecard: Translating Strategy Into Action*, (Boston, MA: Harvard Business School Press, 1996.)

You may or may not be familiar with their work, however, they significantly influenced businesses in understanding how to link measures directly from the strategic plan into the business plans, project plans and activities of the whole organization.

Until their work, most companies focused solely on the financial measures — things like margins, net income, debt/equity, returns, etc. Many companies included customer measures such as complaints, dissatisfaction, referrals, etc. Few companies had a measure that represented Employee Learning and Growth or Organizational Quality.

Kaplan and Norton had broad influence in guiding companies to take a balanced view of their scorecards and, by doing so, to link strategy to. The areas shown I refer to as “Dimensions” through out this paper. They are a company’s strategic focus areas that drive the execution.

Question: Are these four dimensions enough to run a company successfully for the long-term?

Answer: No. In fact, a big resounding No. In my experience, there is one more dimension that must be factored in.

Companies have successfully used these four dimensions for nearly twenty years.



However, no matter what poll you read on employee engagement, the statistics are staggering. Only 1 in 3 workers are engaged in their work. The rest are looking for another job, dealing with serious health issues or have checked out completely and do only enough to keep from getting fired. This is an enormous drain on productivity – it's like throwing gold into the river every day. So there is clearly something really missing in the equation to engage employees.

What do you think is missing?

The 5th Dimension

Constancy of Purpose

- The statement of why you exist
- The Core of Vision, Mission & Values
- Too many people and organizations miss this one

Only 1 in 3 workers are engaged in their work. The rest are looking for another job, dealing with serious health issues or have checked out completely...

What is missing is the fifth dimension termed Constancy of Purpose.

This is the statement of why you exist and precedes the development of the core ideology for your company in terms of vision, mission and values.

Too many organizations and people miss this one.

I introduced the Balanced Scorecard approach to measurement in a Fortune 500 company shortly after the book hit the market. Across my career, I have been very involved in defining and tracking measurements from personal, to process, to company-wide measures, to top-level corporate measures. I have watched companies struggle to have a lasting effect on the performance of the overall business, the business unit or the department, unless purpose was defined and communicated broadly.

So again, purpose answers the "why" question: "Why do we exist", "Why does it matter", or "Why do we care." Many companies today have mission and vision statements, but too few have purpose statements.

Why does purpose matter to a company?

Purpose is the only intrinsic motivator for people's lives and professions. Many people assume wrongly that the number one motivation for people is money. They also assume wrongly that it is important for employees to be happy or satisfied and go after ways to accomplish this.

Years ago I was asked to run an employee satisfaction survey for my company at the time. I read lots of studies on this topic and came to the conclusion that satisfaction comes from the opportunity to make a meaningful difference or contribution.



Extrinsic motivations such as performance-based bonuses have an influence in the short term, but do not sustain long-term performance gains.

“Without a purpose, the only motivation in life is reward and punishment,” says Jim Whitt, owner of Purpose Unlimited and author of *Riding for the Brand: The Power of Purposeful Leadership*, (Lariat Press, 2005.)

“Purpose sets direction and must center on something important to the people who must share that direction,” says John Kenagy, MD, owner of Kenagy & Associates, developer of a cutting edge quality approach he calls Adaptive Design™, and author of *Designed to Adapt: Leading Healthcare in Challenging Times*, (Bozeman, MT: Second River Healthcare Press, 2009.)

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Turns out that people’s motivations have been researched by various organizations such as MIT and University of Chicago. The results were not expected. They tested the performance of people doing tasks and gave them low, medium and high rewards based on their performance. If the task was very mechanical, there was a correlation with their performance and the reward. However, if the task involved thinking, there was no correlation in performance to the offered reward. Daniel H. Pink cites research studies in his book *Drive: The Surprising Truth About What Motivates Us*, (USA: Penguin Group, 2011.) In the book he talks about three motivations:

- **Autonomy** — the desire to direct our own lives
- **Mastery** — the urge to get better and better at something that matters
- **Purpose** — the yearning to do what we do in the service of something larger than ourselves

Now many of you may be asking the question I first asked when thinking about company purpose. Isn’t mission and purpose the same thing? We have a mission statement so why isn’t that our purpose statement?

There are many mission statements that have the purpose of the company embedded in them. The key is that there needs to be a statement that clearly and concisely explains why the business exists. It needs to be positive, clear and serving.



So let's see how purpose fits with vital signs.

Strategic Plan

Purpose	Why we exist
Vision	What we want to be
Mission	How we will serve
Values	How we will behave
Strategies	How we will become what we want to be
Objectives	What we want to achieve
Vital Signs	How we will measure our success
Line of Sight	How we will connect everyone together

The **purpose** of the company effectively describes why we exist, and everything else flows from that.

- It is from our purpose that we get our **vision** describing what we want to be
- It is from our purpose that we state our **mission** for how we serve
- It is from our purpose that we draw our **values** in terms of how we behave — how we will treat each other, our employees, our customers, our suppliers, and all our stakeholders
- Our **strategies** explain how we will become what we want to be as stated in our purpose, vision and mission and address our strategic focus areas
- Our **goals** tell what we want to achieve within our strategic focus areas
- **Vital signs** measure our progress across our goals or strategic focus areas
- The **line of sight** explains how we connect our employees to these goals and vital signs



Business Plan Linkages



Figure 1.

This picture [Figure 1] shows how our business plan links to our strategic plan. We start with our key stakeholder groups on the left: Employees, Customers, Shareholders, and Suppliers.

Through the lens of purpose we drive our core ideology — our vision, mission and values. In this example I placed Ideal Patient Care™ as the purpose. (Note: This is a trademarked term of Dr. John Kenagy, the developer of the Adaptive Design method for driving innovative cultures. We quoted him earlier.)

From there we see our strategic focus areas – purpose, employee, customer, operational, and financial and our objectives that correlate to our Vital Signs.

So, our strategic plans and our business plans are linked together around our vital signs. From there we drive our objectives and actions.

Benefits of This Approach

Using Vital Signs to measure your critical indicators aligned with your strategic plan and business plan provides a map to ensure success. The pathway to success must include



full engagement of the workforce. The means to that engagement is the topic of future webinars and white papers.

The benefits of this approach include, but are not limited to the following:

- Improves the probability of achieving the company purpose, goals and objectives
- Helps align the organization to focus energies where they are needed
- Keeps the strategic focus balanced to ensure they work synergistically in achieving the goals
- Makes the strategic plan and business plan a living document

4 Steps to Fitness, Today and Every Day

How do you put all of this in action? Here are four steps that you can start doing today to get the success you want in your company.

1. Translate vision into operational goals.
2. Develop the business plan.
3. Communicate the plan and link individual performance.
4. Learn from feedback and adjust forward.

Alive and Well or Dead in the Water?

Your vital signs tell you so.

In Part Two of this series, I will talk about how to truly balance the measures, show you more examples of measures for each dimension and discuss the process for setting the measures in more detail.

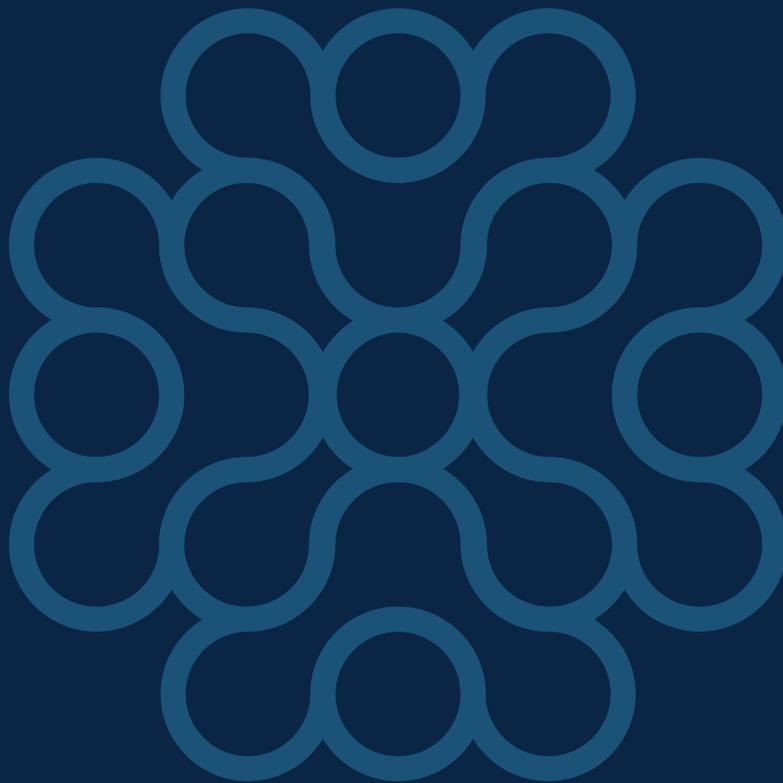
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If you are a BP-USA Member and interested in improving the Vital Signs for your company, please feel free to write me, talk with me, or brainstorm with me. This is not in any way a business offer. This is how we create 21st Century professional relationships.

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