MI Standards

The MI Standard Model for Value Management Systems (incorporating a human Performance Management System)

Defining the problem

MI adopts a very simple and self-evident view that organizations cannot maximise their value potential without realising the full potential value of every single person who works in or with the organization. The standard model presented here is designed to provide a solution to this problem, that every organization faces.

One complication is that conventional performance management (sic) focuses on 'performance', which is often ill-defined, when it should be focusing on Total Stakeholder Value (TSV). Therefore, the performance management issue is more accurately and appropriately framed here as a Model for a Value Management System (VMS).

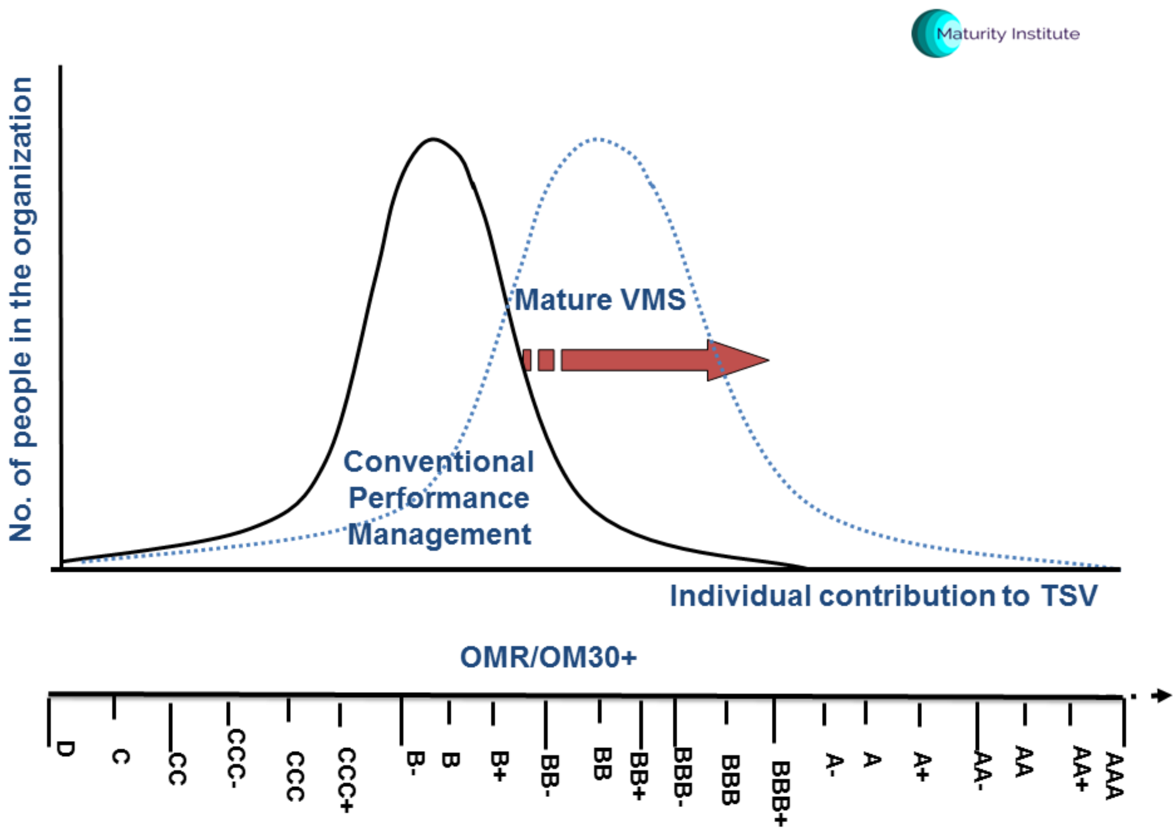

Figure 1. TSV improves as individual contributions rise in line with higher maturity ratings

Managing the value opportunity

The graphs in Figure 1. are based on probability theory, which teaches that measuring any variable for a large enough sample of people will produce a normal (bell shaped) distribution curve. However, very few organizations currently achieve high OMR ratings so the majority of organizations, and the people who work in them, are under-performing relative to the high benchmark set by MI's exemplars. This evidence should be viewed very positively by organizations considering embarking on their own journey of maturity. Every incremental improvement in their Baseline OMR is an increase in TSV relative to less mature competitors.

Objective

To produce a working model of a simple value management system that can be easily adopted and implemented as part of a conscious decision by any organization to achieve the highest levels of maturity and TSV through the performance of its people.

Rationale

- People have to be managed effectively if they are to perform at their best and contribute their full value potential
- Traditional 'performance management' is too fragmented, process driven and depends on the ability of the line manager rather than an organization wide approach that creates a culture of continuous improvement in performance
- Probability theory and the normal distribution (Gaussian) curve has to provide the basis for managing a range of performance metrics but a whole system approach is needed to manage TSV
- There is widespread dissatisfaction with conventional performance processes
- The MI standard of whole system management for maximum value creation demands an integrated performance management system (PMS)

Perspectives:

- The Model is designed for a mature, whole system management organization*
- The Model is better described as a value creation/risk reduction model
- There needs to be a clear distinction made between activity, performance, value and risk measures to avoid confusion and undermining the system
- It is extremely important for company reporting to report on TSV and all of the contributing factors
- Individual performance reviews must continue but should become more mature and part of a daily dialogue

*The Model anticipates the need for a maturity road map starting from a low, baseline OMR

Barriers to recognise and overcome

- Replacing existing performance models (e.g. balanced scorecard)

- 'Not invented here'
- 'Better the devil you know in performance review processes'
- Poor management information systems for using in performance
- Lack of integration of functions and reporting
- A belief in setting targets rather than a journey of continuous improvement
- Seeking to blame is the default reaction to mistakes and failures thereby stifling experimentation and innovation

Weaknesses in conventional performance management

- Often perceived as a stick rather than a carrot of personal development opportunity
- Inadequate reconciliation of company objectives and employee commitment
- At best a process - not a system
- Target setting as a principle
- Arbitrary and ad hoc performance measures
- Conflicting objectives
- Weak line management fails to hold difficult conversations
- Line management skills deficiencies in reviewing performance

Foundation principles

- Maximum motivation to create value starts with a clear societal purpose
- TSV (Total Stakeholder Value) comes from the whole system working together in harmony
- Measurement is crucial and everything related to performance can and should be measured, including anything regarded as intangible
- Performance management is a subset of value management so all performance measures must show a clear, causal connection to OCRQ
- All individual performance is dependent on the whole system working effectively
- All performance measures must cohere, not conflict
- Target setting should be used with caution and only as part of a never-ending improvement philosophy

Introducing the MI VMS Model into the organization

A mature organization manages prospective employee expectations from first contact by spelling out what is expected in terms of individual and organizational value. The baseline maturity level of an organization will significantly influence the steps that can be taken and over what period. Installing MI's VMS Model requires sign-up, at the most senior level, to long term maturity improvement in order to create the environment in which the VMS can flourish. The initial OMR will highlight particular areas requiring immediate attention (such as converting the training function to a learning function) while building longer term capabilities (becoming a learning organization).

As the focus of the Model is on value and performance the Board and C-Suite will have to be much clearer in defining common purpose and value and becoming much more transparent and integrated in its reporting. Value and performance data will have to become more readily available and evidence-based, performance discussions should be seen as a welcome opportunity to cooperate in creating greater value.

In broad terms there will have to be a set of analyses: -

- Business value analysis incorporating strategic objectives of the organisation (e.g. shareholder value, market share etc.)
- Consideration of the human impact of setting these goals in terms of individual effort, learning and capabilities.
- Human risk analysis
- Organizational flexibility and adaptability analysis stemming from the organization's structures and processes with an analysis of how these can determine the optimal value of individual roles
- Systems analysis, with a particular emphasis on human systems in terms of individual accountability, responsibilities in relation to the whole system (i.e. making sure everyone knows who is responsible for what)

MI VMS Model in practice

Some basic tools:

- Value = OCRQ
- Pareto - deal with the highest value items first
- Causal analysis (fishbones) - always look for the human causes
- PDCA - install the improvement/learning system
- 3 Box System - all personal activities can categorised as 'must have', 'added value' or 'nice to have'