

"how you gather, manage and use information will determine whether you succeed or fail."

Becoming measurement-managed: strategic focus and business metrics at Monsanto's IFS

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The leadership team of Monsanto's Integrated Financial Services (IFS) unit realized in 1997 that it needed to make changes in order to manage effectively in a time of transition for its parent organization. Consequently, it set out to develop a clear vision and to support the vision with metrics. The unit's story is a lesson in the development and business value of a Measurement-Managed Organization™ (MMO) (Schiemann and Lingle, 1999). MMOs distinguish themselves by achieving sustained profitability and agility at lower levels of risk (Morgan and Schiemann, 1999; Lingle and Schiemann, 1996). They have four basic characteristics:

- (1) There is a clear, agreed-upon business model that captures the value proposition of the organization.
- (2) The business model is operationalized by a balanced set of strategic measures.
- (3) The strategic measures – and therefore the strategy – are linked to business units, teams, and individuals in a meaningful way.
- (4) The structures, processes, systems, capabilities, culture, and resources of the organization are aligned with the strategic performance measures.

Editor's Note: The IdeaFile page in this issue contains two survey instruments based on the work/life balance survey conducted at IFS. Readers may use these surveys to assess the balance in their own lives.

MMOs outperform competitors because they more clearly define and communicate strategy. They accelerate strategy implementation by riveting the entire organization on the critical few drivers for strategic success.

The process at IFS

IFS used metrics to help it stay focused during a period of dramatic change. The effort began in earnest in the mid-1990s, when the Monsanto finance team was looking for an improved way to organize around core business services that were being provided to its diverse pharmaceuticals, chemicals, and agricultural products businesses. At the same time, reflecting a widespread trend in the industry, a global initiative was begun to implement an enterprisewide, integrated business system (ERP) to replace internally designed legacy systems that in some cases had been in place for 20 years or more. As a result, change was rampant throughout the finance organization, especially that large part of the organization focused on transactional processes and services. The IFS team was in the middle of a transformation that involved everything from the core of

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how it was organized to the basic systems used to do the work.

During this time period, Monsanto was also redefining itself, separating and ultimately spinning off its chemicals businesses from the life sciences businesses.

While IFS had come together on the organization chart in 1997, it did not yet have a clear purpose or stated mission, nor was there clear alignment on the part of the people in the organization with the direction that the enterprise intended for this group.

IFS had been formed to provide basic financial services that included general ledger, payroll and benefits accounting, asset accounting, project accounting, consolidations, payables, and travel accounting. IFS, which employed over 150 people in North America, was leading the way for the company worldwide in the installation of the financial modules of SAP and the redesign of basic transactional processes. Because of the organization realignment due in large part to the spin-off of the chemicals business, most members of the staff were in new jobs just as the organization was implementing SAP, its new ERP system.

The group had no long-range plan, and while change-management work had been performed around the formation of the shared service organization, there was no clear organizational alignment with long-term objectives. The new leadership team decided that, with the amount of change it was confronting, it was important to develop a plan that the organization could embrace and to set specific performance metrics clearly articulated to the people on the team.

Developing the vision and goals

To begin the process, a small team representing a cross-section of the new organization came together for an intensive, three-day planning session to brainstorm and frame the visioning process. The efforts of this team led to the engagement of the entire organization over the next two months, devoting a significant amount of time to establishing the final vision statement, setting four-year goals, and defining the basic values that were important to them as a team. In effect, they combined Phases I and III of the MMO development process by immediately including the entire organization in dialogue regarding the vision (see sidebar, “Becoming a measurement-managed organization” and Exhibit 1). The organization developed the phrase “One company/one system/one time” to capture the essence of its vision.

Becoming a measurement-managed organization

Becoming an MMO is a four-phase process as shown in Exhibit 1.

Phase I: defining strategic constructs. First, the leadership team develops a strategic model that clearly articulates the relationships between business objectives and the factors that drive them. Typically, these factors include people, customer/market, operational, and financial issues, often accompanied by environmental issues having to do with suppliers, regulators, and the like.

Phase II: designing strategic measures. Once the leadership team has developed the business model, the organization develops measures to monitor performance on each element of the model. This process typically involves a cross section of the workforce beyond the leadership team.

Phase III: cascading the strategy and measures. Once the model and measures have been developed, they are communicated throughout the organization and tailored to the unique roles of individuals and their departments.

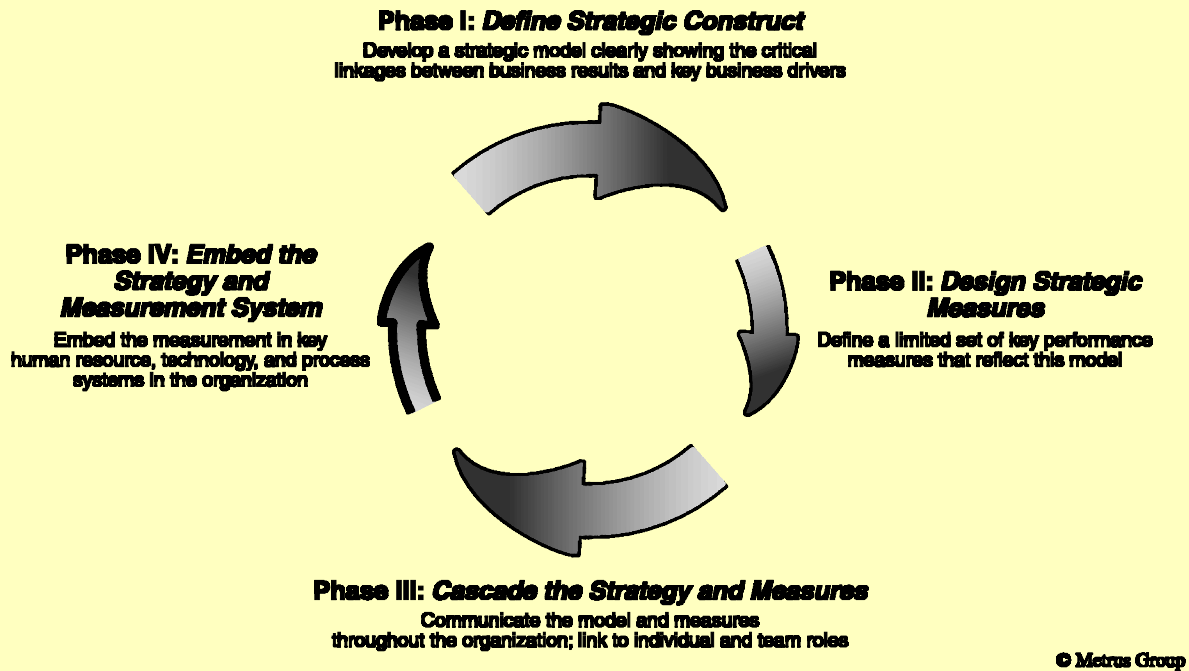
Phase IV: embed the strategy and measurement system. Finally, the measurement system is embedded into the key human resource, technology, and business process systems in the organization. It is used as a tool for evaluating the strategic value of ongoing business initiatives, setting priorities for action, tailoring the performance management system, and identifying emerging trends that are likely to affect business performance[1].

Before 1995, many of the organization’s transactional systems had evolved differently for each business unit. The leadership team recognized that a “One company” approach versus having many sub-unit systems made the most sense. They agreed that processes would be tailored to meet specific business needs, but that overall they would strive to create common approaches to generic transactional processes and avoid custom system modifications at all costs. Although the goal was to have most, if not all, transactional processes on SAP, the team realized that with the expected level of growth, there would never be one software package that met all of the organization’s needs. Thus, the “One system” mantra was primarily about elimination of redundancies and overlaps between systems and processes. If there were to be more than one software package, the connectivity needed to be such that it appeared seamless to the user.

“One time” was about the quality of work being done. The goal was to put data into a process once and extract it as information without having to constantly reconcile or manipulate it. “One time” was also about getting the information and output right the first time and about providing excellent customer service.

“Measure-managed organizations outperform competitors because they more clearly define and communicate strategy.”

Exhibit 1 — Four phases of developing a measurement-managed organization

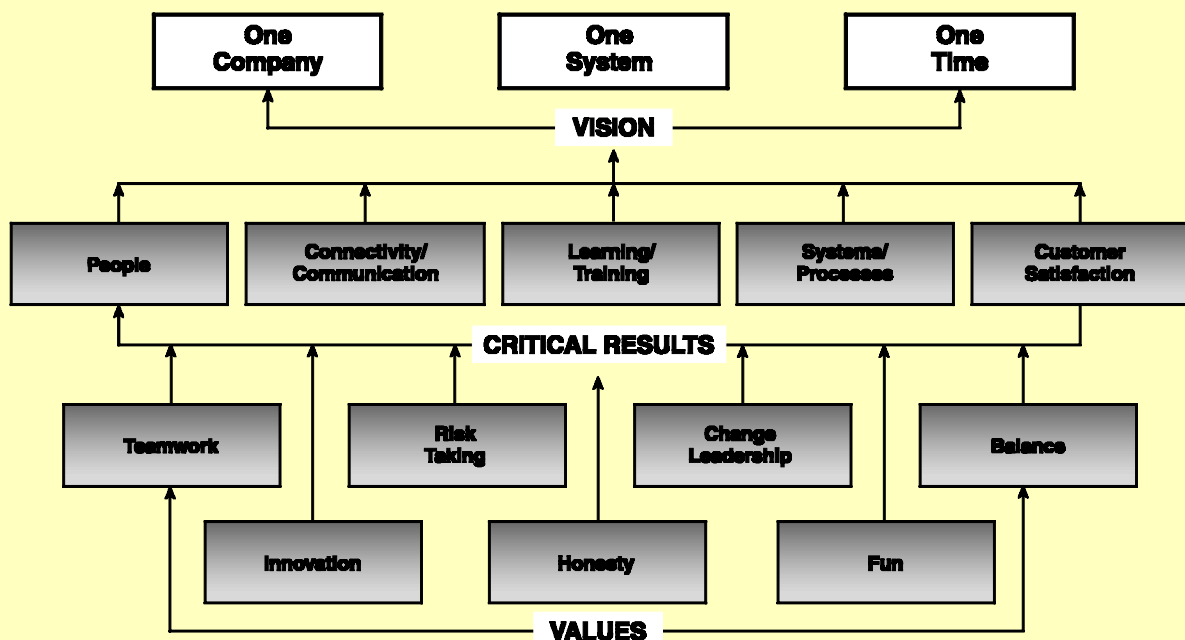


In order to achieve their vision of “One company, one system, one time,” the organization identified five critical areas of results or goals (see Exhibit 2). These basic goals were:

(1) Increase emphasis on development of people and the value they brought to the unit’s processes.

- (2) Drive connectivity of IFS teams with each other and with the businesses that they support.
- (3) Create a learning and training environment.
- (4) Continuously improve systems and processes.
- (5) Increase focus on customer service.

Exhibit 2 — IFS vision, critical results, and values



In addition to spending a great deal of time on articulating the goals, the organization devoted substantial effort to defining how they were going to work together. In effect, they created a basic set of values to serve as operating principles for the entire organization. The values identified by the workforce were:

- ◆ teamwork;
- ◆ innovation;
- ◆ risk taking;
- ◆ honesty;
- ◆ change leadership;
- ◆ having fun;
- ◆ work/life balance.

Developing metrics

With the involvement of the entire organization, very specific goals were formulated around the critical results and values, and then four-year performance targets were set. Many of the metrics were traditional measures such as financial contribution, training and skill improvement, system utilization, and cycle-time improvement. In addition, in order to get baseline information on the key elements of vision and values, three surveys were conducted in 1998. These included:

- ◆ A survey conducted among all employees.
- ◆ An internal customer survey sent to a defined list of customers of each IFS department. As there was some overlap among the lists, the questionnaires allowed internal customers to rate as many of the unit's seven teams as they could.
- ◆ A one-page family survey focusing only on work/personal life balance issues. The leadership team felt that asking families for their input signaled to both families and employees that the company was serious about addressing the balance issue.

Each survey included questions specifically focused on the components of the IFS vision and was designed to measure progress over the next few years (see the sidebar, "The IFS surveys and the issue of work/life balance").

After the initial benchmark surveys were completed, the organization found that while it was doing well in many of the areas related to vision and values, there were a number of performance gaps. These included:

- ◆ *Aligning the organization's teams and working toward a one-company perspective.* Because of the physical separation of offices and the very different work performed by various departments within IFS, people felt much more a part of their own units than a part of the whole.
- ◆ *Managing work/personal life.* While the organization said that balance was important, work demands made it difficult to achieve. This finding became even more salient when a link was demonstrated

The IFS surveys and the issue of work/life balance

The IFS surveys were custom-designed to assess performance on each of the organization's vision and values issues. Questions on the employee survey included the issue of work life/personal life balance – one of IFS's stated values. The same items were given as a stand-alone survey to families. Employees had the option of taking this set of questions home and asking a significant other to complete them.

In general, the results showed that balance was a potential area for improvement and that associates' ratings on the issue were more favorable than the ratings given by family members. The statements in the associate survey were:

- ◆ I often bring work home.
- ◆ My work schedule is predictable.
- ◆ The company actively encourages me to strike a balance between my personal and professional life.
- ◆ My supervisor shows genuine concern for the balance between my work and my family/personal life.
- ◆ It is not too difficult to balance my work and family or personal life.
- ◆ I can deal with urgent family or personal issues without hassles or reprisals.

Wording of the statements was altered slightly in the survey of family members.

The importance of balance was further underscored by a linkage analysis (see Exhibit 3). Findings from the employee survey and the internal customer survey were analyzed together to assess whether employee satisfaction had a direct impact on customer satisfaction. There were very direct linkages between work/personal life balance and other aspects of employee satisfaction/commitment on the one hand and internal customers' ratings of quality of service on the other. It became apparent, then, that action to improve satisfaction/commitment and balance would have an impact on perceived customer service. This was not a one-time fluke; the impact of these factors on customer service was replicated in a subsequent survey.

To improve balance, IFS launched a training initiative aimed directly at the issue. The fact that there was a clear business result facilitated the launch of these important training initiatives.

between employees' assessment of balance and internal customers' ratings of overall quality of service.

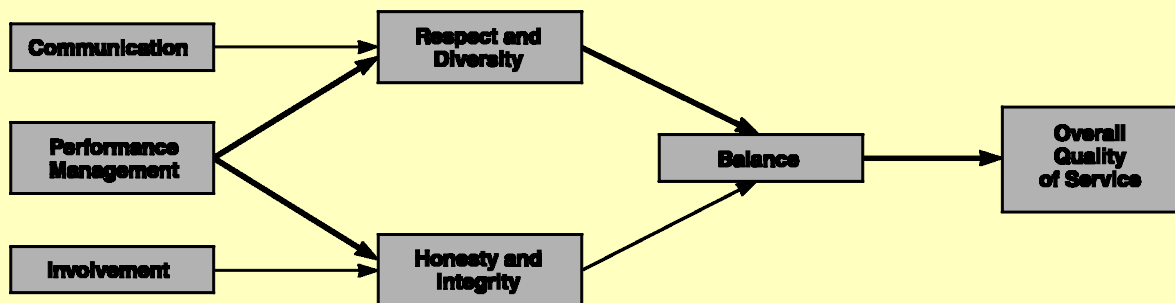
- ◆ *Simplification and integration of systems.* IFS employees were not comfortable with the unit's progress on this aspect of service.
- ◆ *Problem resolution and timeliness of information.* While internal customer satisfaction was generally good, both problem resolution and timeliness of information were identified as areas for improvement. The internal customer survey also revealed that ratings of IFS departments by their customers varied substantially.

Taking action

Guided by its performance against these measures, IFS took the following actions:

- ◆ Starting with the leadership team, the organization changed the way it thought, talked, and acted upon IFS values.

Exhibit 3 — Employee/internal customer linkage



Note: Overall quality of service is affected by balance, which in turn is affected by other issues examined in the employee survey.

- ◆ Specific efforts were mounted to enhance teamwork across IFS units in order to improve both connectivity and communication.
- ◆ Several team-specific employee satisfaction issues were identified. The organization aggressively and openly acted on these issues by focusing on the effectiveness of team management.
- ◆ A global, finance training program was initiated. Investments were made in training programs to enhance team building and system-specific technical skills.
- ◆ A customer service network was formed, and customer service became a focus of conversation every day.

Results

During the course of the next three years, results exceeded expectations in almost every area in which performance measures had been identified:

- ◆ The team contributed significantly more to the financial performance of the company than it thought it could. This was attributed to the fact that very specific goals allowed everyone to focus on financial drivers.
- ◆ Training program and system-user certification statistics were well above target levels as were individual development activities.
- ◆ Cycle time for the financial closing was improved.

- ◆ Redundant systems were eliminated per schedule, and the new ERP system was completely installed.
- ◆ Customer service ratings and employee satisfaction levels improved across the organization.

The focus that this planning approach provided and the discipline it instilled around performance-metric tracking served the organization well through the period of change. These improvements have also helped in subsequent periods of dramatic change, including a major merger, and enabled the organization to sustain productivity improvements and continually direct its efforts toward achievement of specific business results. **SH**

Note

1. See Schiemann and Lingle (1999), for a more detailed discussion of the four phases.

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