GLOSSARY OF TERMS

AN INTRAFOCUS GUIDE

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INTRODUCTION

Many terms we use when talking about Strategy Management are used interchangeably. The following list defines most of the terms used. These definitions have been derived from authoritative sources and in the most part can be considered as correct. There will always be a minority who would like to argue the case!

GLOSSARY OF STRATEGIC TERMS

Alert – Notifications by email or to a web page, updating users about changes to items that they have subscribed to. Examples might include notifications about performance changes or commentary.

Balanced Scorecard – An integrated framework for describing strategy using linked performance measures in four, balanced perspectives - Financial, Customer, Internal Process, and Organisational Capacity. The Balanced Scorecard acts as a measurement system, strategic management system, and communication tool.

Benchmarking – The comparison of similar processes across organisations and industries to measure progress, identify best practices, and set improvement targets. Results may serve as potential targets for key performance indicators.

Budget – A description of the funding of existing and/or proposed actions/initiatives/projects.

Business Plan – These comprise the Corporate, Directorate, Service and Team plans, which specify the key priorities and activities to be undertaken and how they will be measured.

Business Objective – (also known as Strategic Objective) A concise statement describing specific, critical, actionable and measurable things an organisation must do to effectively execute its strategy and achieve its mission and vision. They should begin with action verbs such as increase, reduce, improve, decrease, strengthen, maximise, minimise. Business Objectives should be descriptions of continuous improvement.

Business Objective Result – A single short statement describing exactly what the label given to a Business Objective means.

Business Performance Management – A type of performance management that includes finance, covering compliance issues, competition, risk and profitability and human resources. Performance management encompassing employee performance appraisals and incentive compensation. Other types of performance management include operational performance management and IT performance management.

Cascading – The process of developing aligned goals/objectives throughout an organisation; connecting strategy to operations to initiative; allowing each employee to demonstrate a contribution to overall organisational objectives. Methods of cascading include identical (objectives and measures are identical), contributory (translated, but congruent, objectives and measures), unique (unique objectives and measures; do not link directly to parent) and shared (jointly-shared unique objective or measure).

Cause and Effect – The way perspectives, objectives, and/or measures interact in a series of cause-and-effect relationships demonstrate the impact of achieving an outcome. For example, organisations may hypothesise that the right employee training (Organisational Capacity Perspective) will lead to increased innovation (Internal Process Perspective), which will in turn lead to greater customer satisfaction (Customer Perspective) and drive increased revenue (Financial Perspective).

Core Values – Representing an organisation’s deeply-held and enduring beliefs, an organisation’s Core Values openly declare how it expects everyone to behave and are often embedded in it’s vision.

Critical Success factor (CSF) – A CSF is a business event, dependency, product, or other factor that, if not attained, would seriously impair the likelihood of achieving a business objective.

Customer-Facing Operations – Encompasses those facets of the organisation that interface directly with customers; typically, an organisation's sales, service and marketing functions. Also, referred to as Demand Chain.

Customer Perspective – Objectives and measures are developed based on an organisation's value proposition in serving their target customers. In many organisations, especially public sector and non-profit, the Customer perspective is often elevated above the Financial perspective.

Dashboard – A dashboard is a reporting tool that consolidates, aggregates and arranges objectives and metrics (measurements compared to a goal) and sometimes scorecards on a single screen so information can be monitored at a glance. Dashboards differ from scorecards in being tailored to monitor a specific role or generate metrics reflecting a particular point of view; typically they do not conform to a specific management methodology.

Drill Down – A method of exploring detailed data used in creating a summary level data. Drill Down usually starts at a Dashboard and ends up with metric data. The level of Drill Down depends on the granularity of the data held in the system being used.

Economic Value Added (EVA) – A financial performance measure used to determine whether a company or activity has truly created shareholder value; in other words, EVA aims to distinguish real profit from paper profit. EVA is determined by calculating a business's after-tax cash flow minus the cost of the capital it deployed to generate that cash flow.

Financial Perspective – This is the perspective that looks at bottom line results. In public sector and non-profit organisations, the Financial Perspective is often viewed within the context of the constraints under which the organisation must operate.

Forecast – Forecast usually refers to a projected value for a metric. Organisations will often create a forecast that is different than their target for a given metric. There are multiple types of forecasting methods for creating forecasts based on past data and usage of them varies widely across organisations.

Goal – An observable and measurable result having one or more objectives to be achieved within a fixed timeframe. In a Balanced Scorecard framework, the term Goal is not used, it is replaced with Strategic Objective or Business Objective.

Goal Diagram – Generically used to describe the one-page visualisation that shows the different goals of the organisation and how they are related. Examples of goal diagrams include strategy plans, strategy maps and process diagrams.

Human Capital – A metaphor for the transition in organisational value creation from physical assets to the capabilities of employees. Knowledge, skills, and relationships, for example. Closely related to terms such as intellectual capital and intangible assets. Some experts suggest that as much as 75% of an organisation's value is attributable to human capital.

Initiatives – Initiatives organise people and resources and dictate which activities are required to accomplish a specific objective by a date; initiatives provide the how while objectives provide the what. As differentiated from projects, initiatives directly support an organisation's strategic/business objectives; projects may or may not have strategic impact.

Inputs – Commonly used within the Logic Model to describe the resources an organisation invests in a program, such as time, people (staff, volunteers), money, materials, equipment, partnerships, research base, and technology, among other things.

Internal Process Perspective – This perspective is used to monitor the effectiveness of key processes at which the organisation must excel to achieve its vision and mission.

IT Performance Management – A type of performance management that assists organisations with the increasing demands of maximising value creation from technology investments; reducing risk from IT; decreasing architectural complexity; and optimising overall technology expenditures. Other types of performance management include operational performance management and business performance management.

Key Outcome Indicator (KOI) – Often used in the public sector to describe key performance indicators, those metrics most critical to gauging progress toward objectives. KOIs are metrics that are: tied to an objective; have at least one defined time-sensitive target value; and have explicit thresholds which grade the gap between the actual value and the target.

Key Performance Indicator (KPI) – Distinguished from other metrics, key performance indicators (KPIs) are those metrics most critical to gauging progress toward strategic/business objectives. KPIs are metrics that are: tied to an objective; have at least one defined time-sensitive target value; and have explicit thresholds which grade the gap between the actual value and the target.

Lagging Indicator – Backward-looking performance indicators that represent the results of previous actions. Characterising historical performance, lagging indicators frequently focus on results at the end of a time period; e.g., third-quarter sales. A balanced scorecard should contain a mix of lagging and leading indicators.

Leading Indicator – Forward-looking in nature, leading indicators are the drivers of future performance. Improved performance in a leading indicator is assumed to drive better performance in a lagging indicator. For example, spending more time with valued customers (a leading indicator) is hypothesised to drive improvements in customer satisfaction (a lagging indicator).

Learning and Growth Perspective – This term has been replaced by Organisational Capacity and should no longer be used. It has been included as older Balanced Scorecard documentation may refer to it.

Logic Model – Having gained prominence in the '90s largely in response to the Government Performance and Results Act (GPRA), the Logic Model is now a widely-accepted management tool in the public and non-profit sectors as well as the international arena. The model is a roadmap or picture of a program that shows the logical relationships among resources or inputs (what an organisation invests); activities or outputs (what an organisation gets done); and outcome-impacts (what results or benefits happen as a consequence).

Malcolm Baldridge – Established by the U.S. Congress in 1987, the Malcolm Baldridge performance framework is a rating tool that assesses management systems and helps identify major areas for improvement in seven categories of performance criteria: Leadership; Strategic Planning; Customer and Market Focus; Measurement, Analysis, Knowledge Management; Human Resource Focus; Process Management; and Business Results.

Measure (also called metric) – Term to describe a standard used to communicate progress on an aspect of a program. Measures typically are quantitative in nature, conveyed in numbers, currency, percentages, etc. (e.g., actual revenue, headcount number, % increase, survey rating average, etc.) though they may be describing either quantitative (e.g., sales made) or qualitative (e.g., employee motivation) information.

Metric (also called Measure) – See Measure above.

Milestone – The set of specific deadlines or hurdles that signal progress in completing an Initiative or project. Milestones include progress/completion dates or % completion rates, key presentations/meetings, and key decision points.

Mission – A concise statement that describes what a company or organisation does. The Mission is a statement of fact and usually has longevity. Any company employee when asked “What does your company do?” should be able to answer clearly by using the Mission Statement.

Mission Statement – A mission statement defines the core purpose of the organisation - why it exists. The mission examines the "raison d'etre" for the organisation beyond simply increasing shareholder wealth, and reflects employees' motivations for engaging in the company's work. Effective missions are long-term in nature, and easily understood and communicated.

Objective – Not to be confused with Business Objective or Strategic Objective. The term Objective is usually used when referring to personal performance and not business performance. This is an important distinction when compiling a lexicon.

Operational Alignment – The means to and/or state of alignment of an organisation's day-to-day activities with its strategy or business objectives. Operational alignment helps ensure that an organisation's daily activities are advancing its longer-term vision and mission.

Operational Performance Management – A type of performance management that addresses the growing pressure to increase revenue while managing costs, while meeting ever-evolving and expanding customer demands. Other types of performance management include business performance management and IT performance management.

Operational Reviews – Usually used to describe the regularly scheduled internal status meetings of an organisation. Going by different names based on the organisation, manufacturing companies typically call them Operational Excellence (OPX) meetings, other organisations sometimes just refer to them as Performance Reviews.

Organisational Capacity Perspective – Capacity is an abstract term that describes a wide range of capabilities, knowledge, and resources that companies and organisations need to be effective. This perspective appears as the bottom layer of a Strategy Map and provides the underpinnings of the strategy.

Outcome – Commonly used within the Logic Model, outcomes (also called outcome-impacts) describe the benefits that result as a consequence of an organisation's investments and activities. A central concept within logic models, outcomes occur along a path from shorter-term achievements to medium-term and longer-term achievements. They may be positive, negative, neutral, intended, or unintended.

Output – Commonly applied within the Logic Model, outputs describe what an organisation gets done; e.g., "what we do" or "what we offer" and may include workshops, delivery of services, conferences, community surveys or facilitation.

Performance Driver – Measures that indicate progress against a process or behaviour. These measures are helpful in predicting the future outcome of a business objective.

Performance-Based Budgeting – A performance budget is an integrated annual performance plan and budget that shows the relationship between program funding levels and expected results. It indicates that a goal or a set of goals should be achieved at a given level of spending.

Performance Gap – The "difference" between actual and target, the trend of the performance or target gap shows an organisation's momentum.

Perspective – Each Perspective represents various stakeholders, internal and external, critical to achieving an organisation's vision and mission. Together, the perspectives provide a holistic, or balanced, framework for telling the "story of the strategy" in cause-and-effect terms. A Balanced Scorecard consists of four Perspectives: Financial, Customer, Internal Processes and Organisational Capacity.

Process Diagram – Process diagrams are used to represent specific processes that are undertaken in an organisation and the key steps involved in the process. An example might be a high-level diagram that highlights the customer experience.

Program Assessment Rating Tool – Developed by the Office of Management and Budget within the Office of the President of the United States, the Program Assessment Rating Tool (PART) was developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. The PART therefore looks at all factors that affect and reflect program performance including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results.

Qualitative – Subjective, as opposed to quantitative (measured). A common source of qualitative metrics are surveys of customers, stakeholders or employees.

Quantitative – Measured, as opposed to qualitative (subjective). Quantitative measures often come from transactional systems.

Readiness Scorecard – A specific application of a scorecard, a readiness scorecard can be used to evaluate an organisation's state of readiness/acceptance of a given strategy.

Reports – Typically show the details of business performance. Reports are often used to drill down to the root cause of performance issues.

Scorecard – A scorecard is a visual display of the most important information needed to achieve one or more objectives, consolidated and arranged on a single screen so the information can be monitored at a glance. Unlike dashboards that display actual values of metrics, scorecards typically display the gap between actual and target values for a smaller number of key performance indicators.

Six Sigma – A quality management and process improvement methodology particularly well suited to process intensive industries like manufacturing. Six Sigma measures a given process by its average performance and the standard deviation (or variation) of this performance, aiming to reduce the occurrence of defects in each process to a level of "Six Sigma" outside the norm; no more than 3.4 times per million.

Strategic Management System – Describes the use of the Balanced Scorecard in aligning an organisation's short-term actions with strategy. Often accomplished by cascading the Balanced Scorecard to all levels of the organisation, aligning budgets and business plans to strategy, and using the Scorecard as a feedback and learning mechanism.

Strategic Objective – (also known as Business Objective) A concise statement describing specific, critical, actionable and measurable things an organisation must do to effectively execute its strategy and achieve its mission and vision. They should begin with action verbs such as increase, reduce, improve, decrease, strengthen, maximise, minimise. Strategic Objectives should be descriptions of continuous improvement.

Strategy – Strategy is the way an organisation seeks to achieve its vision and mission. It is a forward-looking statement about an organisation's planned use of resources and deployment capabilities. Strategy becomes real when it is associated with: 1) a concrete set of business objectives; and 2) a method involving people, resources and processes.

Strategy Map – A specific version of a strategy plan that adheres to the Balanced Scorecard methodology. Strategy maps depict business objectives in multiple perspectives with corresponding cause and effect linkages.

Strategy Plan – A visual representation of an organisation's strategy and the business objectives that must be met to effectively reach its mission. A strategy plan can be used to communicate, motivate and align the organisation to ensure successful execution.

Strategic Priority – (also known as Theme) A short descriptive statement representing a major component of a strategy. Most strategies can be represented in three Strategic Priorities; they enable an organisation to break the strategy into areas of importance. There are Strategic Priorities that come up time and time again such as Business Growth or Customer Satisfaction or Operational Excellence or Innovative Thinking or Team Culture. These are labels that needs to be described by a Strategic Result.

Strategic Result – A description of a Strategic Priority (or Strategic Theme). Without the Strategic Result, a Strategic Priority is simply a label. The Strategic Result brings true meaning to a Strategic Priority.

Strategic Theme – (also known as Strategic Priority) A short descriptive statement representing a major component of a strategy. Most strategies can be represented in three Strategic Themes; they enable an organisation to break the strategy into areas of strategic priority. There are themes that come up time and time again such as Business Growth or Customer Satisfaction or Operational Excellence or Innovative Thinking or Team Culture. These are labels that needs to be described by a Strategic Result.

Target – A target is the defining standard of success, to be achieved over a specified time period, for the key performance indicators associated with a particular business objective.

Task – Represents details activities or tasks to be carried out to achieve each initiative. It captures information like resources, time, constraints, risk, budgets, milestone, duration to complete the tasks.

Theme – See Strategic Theme or Strategic Priority.

Threshold – A means of describing and/or depicting the performance gap in easily understandable terms. Examples of threshold methods include “letter-grade” (A/B/C/D/F) and “traffic-light” (green/yellow/red).

Values – See Core Values.

Value Chain – The process steps by which an organisation moves from the identification of its customer needs to customer fulfilment.

Value Proposition – Describes how an organisation intends to differentiate itself in the marketplace and what value it will deliver to customers. Many organisations choose one of three “value disciplines” operational excellence, product leadership, or customer intimacy.

Vision – A concise statement defining an organisation’s long-term direction, the vision is a summary statement of what the organisation ultimately intends to become three, five or even 10 years into the future. It is the organisation’s long-term “dream,” what it constantly strives to achieve. A powerful vision provides everyone in the organisation with a shared picture that helps give shape to its abstract future.

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