

# **HPI SOUP FOR THE LONG RUN**

*(A BALANCED SCORECARD PLUS MEGA & 360)*

by

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## **Abstract**

The article HPI Soup contains but does not use the most essential ingredient: how our activities as persons and organizations will decide the future for tomorrow's child. Roger Kaufman suggests we plan from an Ideal Vision of the future. We integrate his approach with an extended Balanced Scorecard and a form of facilitated feedback that drives implementation and change.

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The recent illuminating survey of the HPI Soup by Sanders and Ruggles (T&D June 2000), makes it quite clear that only one contributor to the broth aims directly at the biggest picture: the impact that an organization ultimately has upon the society and environment it exists within. If we agree that human beings can only perform and achieve within some kind of organizational framework, from the family to the corporation, we must also accept that organizations can only achieve within a society and an environment - now becoming global. Without this added ingredient, all we have is a thin consommé, not as organizationally nutritious as the times require.

This being so, it is no longer enough to plan our lives or our organizations merely on the basis of their individual success. We must take into account the Outcome - impact on society - of our lives and our organizations on the world we all inhabit.

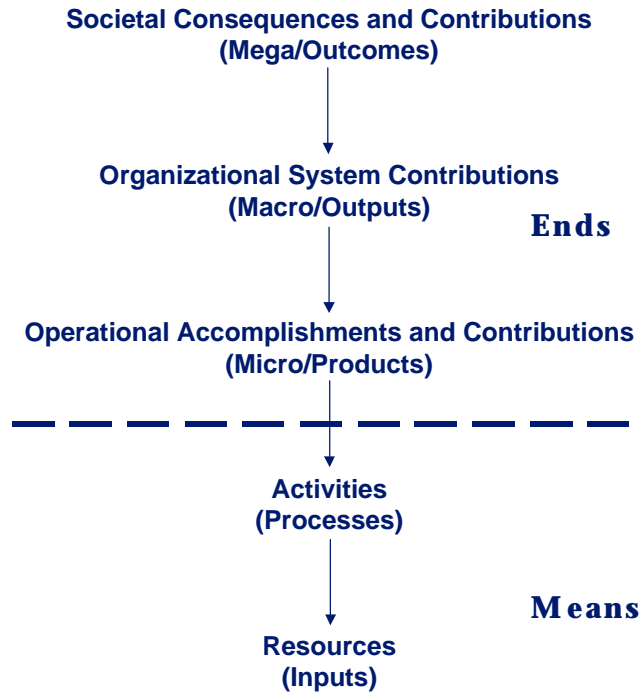
Traditionally, many of us do this via personal and organizational morals, thinking about how we can "do no harm" (to quote Hypocrites) or better still, do some positive good. In this way, sports clubs and charities are helped. However this tangential contribution, valuable as it is, gets pushed aside when balance sheets and share prices are at risk, or when politicians are cutting taxes to get reelected.

### **Starting with the Future**

The alternative, long proposed by Roger Kaufman in articles ranging from 1972 to his book number 34 "Mega Planning" is only just being considered in the quarters that should most take it seriously. In all our planning, we must start from "the world we want for tomorrow's child", Kaufman's Ideal Vision, and choose within it the part that we commit to create and continually move closer toward. In Kaufman's words, "if your organization is not contributing to that, then what is it doing?" In 1993, Humphries and Forbes linked these ideas with the impact of

corporate regulation, and in a more recent article, Forbes explored how we might go about measuring the societal impact of organizations.

Kaufman has defined as Mega the first and basic level of planning in which we select our contribution to society and the environment, including our clients' well-being (above and beyond the goods and services we supply to them). Only when this Outcome is agreed do we move to the Macro level at which the organization plans to be successful in producing its Output. Then on to the Micro level, successful departments or groups within the organization integrating to contribute the Products required for Macro success (Output), and Mega success (Outcome). Fig. 1 shows this chain of results.



Results chain which shows the relationships among the Organizational Elements.

© R. Kaufman, 7/97 chain.ppt

Fig 1. The chain of results.

Below this is the level of Process, the ways and means by which everything gets done, and the level of Inputs, the people and materials required to operate. The

five elements Mega, Macro, Micro, Process and Inputs make up the Kaufman's Organizational Elements Model fig 2.

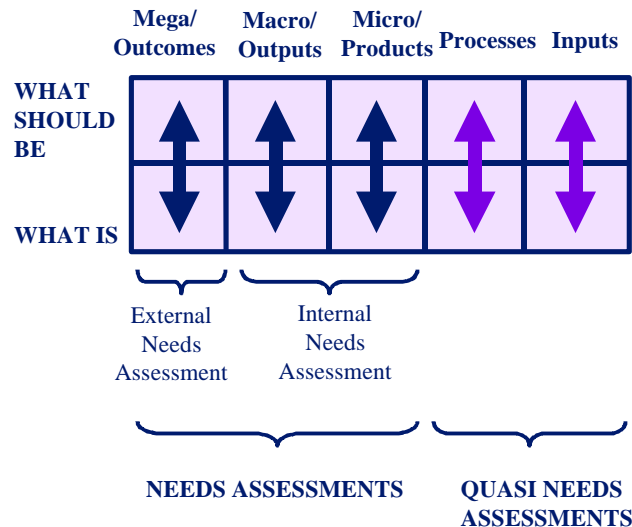


Fig 2. The Organizational Elements Model.

Quite obviously, nearly all organizations that attempt strategic planning start at the Macro level (success for themselves), or worse, start Micro (internal) and attempt to work up a Macro plan. Usually they produce the kind of wish list that ends up stored safely out of reach. Those that start Macro often do so as gods in the sky handing down directions to the poor mortals below - who must obey! This does nothing for organizational communication, employee buy-in, morale, or even simple understanding of "which way are we going?".

It's worth noting that many organizations only plan at the Process level. In the case of community operations we frequently hear: "We have a program to assist people, how can we be more efficient at it?" Would they not be more effective if they asked 1) What gap in results are we attempting to meet? and 2) How will we do that? Of course many private sector organizations work in just the same conventional and ultimately limiting way.

Kaufman, and others point out the growing evidence that organizations that make societal contributions are more likely to have long-term growth and profitability. They have a better image and receive greater customer loyalty. They plan for a future and expect profits to follow - which not surprisingly, they usually do. The

evidence from those that use the full Mega approach is just beginning to show - Doug Hinchliffe documented this in his 1995 PhD thesis. Public sector organizations are included in all of this, though not directly profit oriented. When they don't operate in this way they get abolished, or merged. In a day and age when so many public organizations are being cut back, Kaufman and Forbes have pointed out that their *only* justification for existence is performance at the Mega level.

Inside the organization there is also an impact. Staff are proud to be making a contribution to their family and society by the work they do. Morale is better, there is greater willingness to contribute, more trust, a better image to customers and, of course, the organization benefits from that (e.g. Volvo in Sweden was one of the first to experience this).

## **Extending the Model**

Overall, Kaufman's work provides a very complete and precise set of templates that carry both measurement and philosophy all the way from the Ideal Vision down to the production line or the warehouse or the admin section. And perhaps that reflects the fact (overlooked in the Soup article), that Kaufman is also a Founding and Life Member of ISPI.

Despite the breadth of the Organizational Elements Model, there are two areas that it does not address sufficiently: 1) A clear process that will get the people involved at every level, and 2) an adequate measure of overall organizational performance. The model only identifies that long-term success requires these.

To complete the process, we propose the linking of two other methodologies:

1. A structured process by which each manager/supervisor/professional learns to communicate and participate fully with their staff, peers and 'boss' - this is what we call **360 Facilitated™**. Definitely not a conventional 360 appraisal, this facilitated process brings people together to identify and close gaps in results in all areas of teamwork and involvement
2. A process to regularly measure progress, including Mega, that we term **Balanced Scorecard Plus<sup>1</sup>**, in line with Kaufman's "Strategic Planning *Plus*" and Kaufman and Zahn's "Total Quality Management *Plus*".

<sup>1</sup>Kaufman, June 2000, personal communication.

## The Balanced Scorecard *Plus* (BSC+)

The Balanced Scorecard described by Kaplan and Norton in 1992, urges organizations to go beyond revenues, sales and ROI to take account of three more categories: customer satisfaction, internal operations, and employee growth and learning. There are a variety of ways to measure customer satisfaction, or to measure internal operations - use of technology, development time, etc. The area of employee growth and learning is more difficult but suggested measures have focused on the extent to which the work force is prepared for and motivated to be creative and innovative. Training hours have been used as an indicator of this, although we could hardly applaud this as a measurement of results, rather just a measure of Process (training). Also suggested has been the number of external business and community organizations that employees belong to.

Missing is the use of indicators of value added internally to define the elements of the BSC, and indicators of external value added to form a BSC+. Nevertheless, much improvement of organizations has been credited to the BSC, now having its vogue in both US and Australian organizations.

The addition of measures at the Mega level ensure that the Balanced Scorecard *Plus* (BSC+) is grounded in the real world and not just in that buzz of an organization's ephemeral success regardless of social consequence. Our proposal is to operate from the BSC+, with its measures of client well-being and of societal and environmental impact (Mega) and include the conventional BSC. The BSC alone is not without its tangential Mega impacts even though Mega is not factored into its calculations. The four quadrants of the BSC map into the BSC+ as follows:

<b>Balanced Scorecard <i>Plus</i> (BSC+)</b>	<b>Inputs:</b> People, materials...	<b>Processes:</b> All internal	<b>Micro:</b> Internal success	<b>Macro:</b> Organizational success, financial, customers	<b>Mega:</b> Societal impact, Customer & Employees' survival & well-being
<b>Balanced Scorecard (BSC)</b>	<b>Internal Business</b> -Employees	<b>Internal Business</b> -processes	<b>Internal Business process measures.</b> <b>Employee Growth &amp; Learning</b>	<b>Financial. Customer Satisfaction. Organizational Growth</b>	[Tangential contributions]

Fig 3. The Balanced Scorecard *Plus*

We should add that the rigour of Kaufman's approach to Needs Assessment which he has championed for so many years will effectively remove such spongy measures of success as "training hours", by identifying and closing gaps in results at every level.

### **360 Facilitated™**

Originated by Peter Farey in the UK in 1974 and based on his well researched Leader/Manager Model (published in 1993), this approach includes the following characteristics:

- Questionnaires cover a wide range of issues distributed equally between Leadership (the future) and Management (the present), in the areas of both People and Task. Hence Mega, Macro and Micro levels - as well as any organization's set of selected competencies - map into the framework and link to the BSC+ concepts
- Questions do not assess the manager but only *suggest more or less* of each behaviour
- Interaction between manager and staff/peers is facilitated constructively to optimize how they work together
- The process is short and sharp, involves employees at every level and leads to openness, communication, learning - both individual and organizational - to close gaps in results within the organization. In a word: teamwork.
- Measures used include: value of action plans, achievement of learning objectives, improvement in performance, quality, productivity; reductions in absenteeism, turnover and suggested change. These link to Mega, Macro and Micro levels of results.

We find that this is an ideal mechanism to drive strategy through the organization, take it out of its "safe place", and make it a discussion point, living and changing.

Of course facilitating 360, just as strategy itself, must cascade from the top. It also fits with our long-held principle that leadership has to be present at all levels of the organization, and at one moment or another, in each person. In other words, the

Leader/Manager model is the framework for optimising every part of the organization from Mega to Inputs.

The outputs and outcomes of our 360 approach are precisely those encouraged by the Balanced Scorecard *Plus*. They include: customer focus, efficiency, and innovative performance. Like the BSC, they do not make up a "measurement stick" to beat people over the head, but rather a conductor's baton to lead staff to better ways. They involve everyone at every level in the dialogue about strategy, tactics and improvement, thus increasing alignment. The result, benefiting both the individual and the task is openness and enthusiasm - allowing the contribution that people want to make.

Using 360 Facilitated via Internet or intranet process allows electronic integration of the selected measures of the BSC+, and ongoing visibility of the five areas.

## **Driven by Teamwork**

The way in which this all fits together is shown in fig 4 (below). The depth axis is the critical one of how people work together - teamwork - and of course it drives the strategy from Mega down to Inputs.



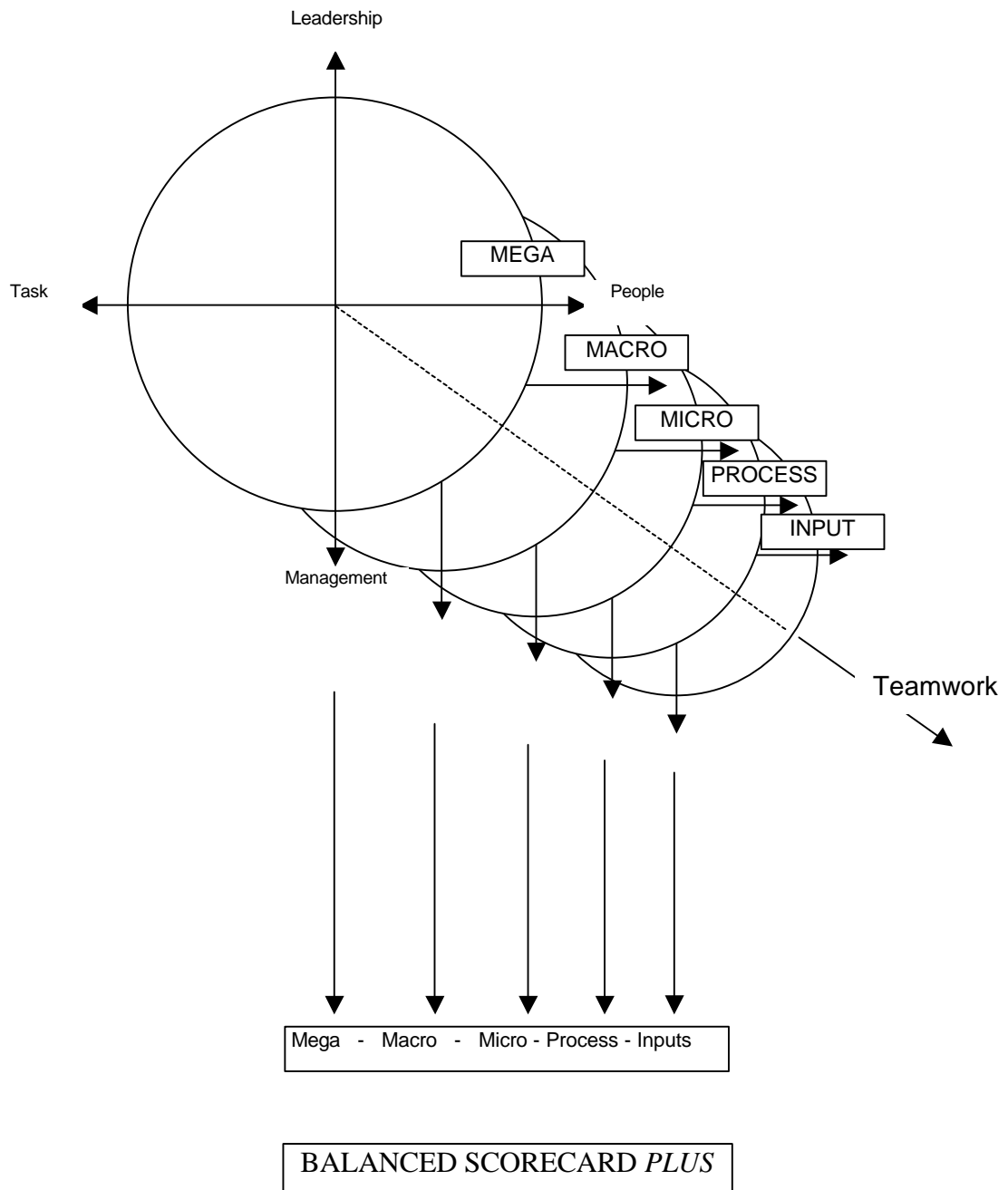


Fig. 4 The Balanced Scorecard *Plus* with 360 links

Next steps include performing the research on what has been achieved, blending all the ingredients in the HPI soup with Mega planning, and facilitating 360 feedback to continuously improve how we add value to all stakeholders, both in the organization and in the larger society.

***Related reading:***

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