

A Brief Overview of Popular Strategy Management Methodologies

Applies to:

SAP Strategy Management

Summary

This provides a brief description of the widely-used approaches or methodologies organizations use when implementing a program to improve performance.

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Table of Contents

A Brief Overview of Popular Strategy Management Methodologies	3
The Balanced Scorecard (BSC).....	3
The Logic Model.....	3
Six Sigma, Lean Manufacturing, and Kaizen.....	4
Malcolm Baldrige.....	4
European Foundation for Quality Management (EFQM)	5
Custom or Proprietary Methodologies	5
Related Content.....	6
Copyright.....	7

A Brief Overview of Popular Strategy Management Methodologies

There are a variety of approaches and methodologies that organizations can use as a framework to guide their programs to improve performance. This is a short overview of the most widely-used approaches. There are numerous variations on how these methodologies are applied, as well as any number of other similar approaches offered or devised.

The Balanced Scorecard (BSC)

Heralding the need in the modern competitive environment to go beyond financial measures in taking the pulse of an organization, the **Balanced Scorecard** (BSC) is now one of the most prevalent methodologies in use today. Central to the BSC methodology is formulating strategy and managing execution based on the different points-of-view of the key constituents or stakeholders of the organization's strategy. This creates a more holistic view of organization performance. The traditional, or classic, view of the Balanced Scorecard includes four perspectives: **Financial**, **Customer**, **Internal Processes**, and **Learning & Growth/Employees**.

Financial perspective has its focus on revenue, profitability, return on capital, and productivity

Customer perspective articulates the organization's value proposition for their customers.

Internal Process perspective is concerned with the operational, regulatory, production, promotion, and management processes. Supply chain, innovation through research and development, how the company selects, acquires, & retains customers, as examples.

Learning & Growth/Employees perspective takes a broader approach than merely training; it is about planning paths for growth of both the individual and the organization. It is also about how to best communicate and monitor the scorecard. Technology tools to assist communications are usually connected with this perspective.

SAP is a Balanced Scorecard Collaborated Certified™ vendor.

The Logic Model

Dating back to the 1970's, the **Logic Model** gained prominence in the 1990's, largely in response to the United States Government Performance and Results Act (GPRA). The Logic Model is now a widely accepted management tool in public and non-profit sectors, with implementations internationally as well.

The Logic Model provides organizations with a framework for understanding the relations between resources or *inputs*, activities or *outputs*, and *outcome - impact*. Think of inputs as what the organization invests; outputs as what the organization accomplishes through activities and tasks; and outcome-impact as what results or benefits happen as a consequence.

Inputs or resources are what the organization invests in a program. This includes time, people (staff or volunteers), money, materials, equipment, partnerships, research base, and technology, to name a few.

Outputs are the activities conducted or the products created that reached the targeted participants/populations. Outputs are "what we do" or "what we offer" and may include workshops, delivery of services, conferences, community surveys, facilitations, in-home counseling, as examples.

Outcomes are a central concept with the Logic Model and are the benefits that result. The goal is to make an impact through these efforts. Examples would include changes in behavior, skill development, changes in knowledge, and policy development. Outcomes are measured along a path that tracks short-, medium-, and long-term achievements. Outcomes may be positive, negative, neutral, intended or unintended.

Many variations and types of the Logic Model are used; the essential elements within the Logic Model are the importance of understanding and communicating outcomes to demonstrate how an organization is achieving those outcomes.

SAP Strategy Management can effectively support whatever Logic Model variation an organization may adopt. Implementing technology can assist in the shift of focus from reporting output to reporting outcome.

Six Sigma, Lean Manufacturing, and Kaizen

These are more *process* methodologies rather than *strategy management* methodologies. Since these are commonly used in many industries and often used in areas beyond manufacturing, it is important how they fit with Strategy Management.

Six Sigma was originally developed by Motorola engineer Bill Smith and is a quality management and process improvement methodology particularly well-suited to process intensive industries like manufacturing.

The basic tenet of Six Sigma is that the higher the variation of a process, the higher the frequency of defects. Six Sigma measures a given process by its average performance and the standard deviation (or variation) of this performance. The aim is to reduce the occurrence of defects in a given process to level “six sigma” outside of the norm, or no more than 3.4 times per million. The goal is accomplished by reducing the variations in the process and progressively improving its performance. While Six Sigma sets an extraordinary high standard for quality, Bill Smith maintained that performance could only be improved with this measurement and “stretch” goals.

Lean Manufacturing is a similar process management framework derived mostly from the Toyota Production System, though it also has other sources. Also coming from the Toyota Production System is **Kaizen**, which is applying these principles continuously.

Lean Manufacturing is based on the flow of the work and wants to introduce improving speed and consistency. Some claim that Lean Manufacturing takes a more system-wide approach than Six Sigma. Therefore, you often see the combination of quality and speed or process improvement system-wide referred to as **Lean Six Sigma**.

This is a very simplified description of these concepts. For the purposes of this paper, the importance is to understand that these methodologies increase efficiencies through *process* improvement. Process improvements can be made without consideration of whether the changes made, or even the process itself, furthers the strategic goals of the organization.

In order to better tie these operational tactics with Strategy Management, there is a move to combine Six Sigma with the Balanced Scorecard. This takes the strength of process improvement and ties it with the organization's overall goals.

Malcolm Baldrige

The **Malcolm Baldrige** performance framework was established by the United States Congress in 1987 as a rating tool that assesses management systems to identify major areas for improvement. Malcolm Baldrige was the Secretary of Commerce for the United States during President Ronald Reagan's administration. Baldrige designed this system as a way to help improve American companies' competitiveness. There is a national, annual Malcolm Baldrige award given by the US Commerce Department through the National Institute of Standards and Technology.

This methodology aims to promote quality awareness and continuous improvement via a weighted score in seven categories of performance criteria:

Leadership – organizational leadership and social responsibility

Strategic Planning – strategy development and deployment

Customer and Market Focus – customer and market knowledge, as well as customer relationships and customer satisfaction

Measurement, Analysis, Knowledge Management – measuring and analyzing organization performance, as well as how information and knowledge are leveraged

Human Resource Focus – employee learning, motivation, well-being and satisfaction, and the supporting work systems

Process Management – value-creation and support processes

Business Results – organizational effectiveness, improved customer-focused products and services, financial results, and governance & social responsibility results.

Other countries, like Canada, Mexico, Brazil and Sweden, have patterned their national quality awards programs after Baldrige. Most European countries use the European Foundation of Quality Management (EFQM) methodology for their national quality awards program.

European Foundation for Quality Management (EFQM)

Similar to the Malcolm Baldrige framework, this methodology was designed to help organizations become more competitive. There is an EFQM Excellence Award which recognizes the most successful European organizations that have implemented this framework.

This is a model based on nine criteria. Five of these are 'enablers' – leadership, strategy, people, processes, and resources. The other four criteria are 'results' covering the effects on people, customers, society, and key performance results.

EFQM recognizes that there are many approaches to realizing excellence, so provides a set of guiding concepts to assist organizations. These **Fundamental Concepts** are:

Results Orientation – achieving results that delight all of the stakeholders

Customer Focus - creating sustainable customer value

Leadership and Constancy of Purpose – visionary and inspirational leadership, coupled with constancy of purpose

Management by Processes and Facts – managing through a set of interdependent and interrelated systems, processes, and facts

People Development and Involvement – maximizing the contributions of employees through development and involvement

Partnership Development – developing and maintaining value-adding partnerships

Corporate Social Responsibility – strive to understand and respond to the expectations of their stakeholders in society as well as exceed the minimum regulatory requirements

Custom or Proprietary Methodologies

Beyond the methodologies mentioned above, there are many, many other methods and approaches available like Total Quality Management (TQM), Economic Value Add (EVA) or Pay for Performance. Many consulting agencies, and individual consultants, will develop their own approaches which are often proprietary. Some organizations design and implement their own frameworks, internally or with outside consultants.

There are many other groups and agencies that promote performance improvement in general, as well as organizations that specifically advocate a particular methodology.

When looking to design or deploy a Strategy Management program, there will be no shortage of frameworks and models for guidance. SAP Strategy Management solution can provide the best foundation to motivate, manage, monitor, and measure, no matter which methodology is adapted to meet the customer's needs.

Related Content

Please include at least three references to SDN documents or web pages.

Seven Answers for Understanding Strategy Management Methodology

[SAP Solutions for performance management discussion forum](#)

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