

Ten steps to performance success

When the faculty identified ten factors for good performance management, they were tested in a global study by the Advanced Performance Institute. **Bernard Marr** examines the details

The study of over 1,100 respondents from the UK, the US, Canada and Australia revealed that just having a set of performance measures in place does not lead to better performance. In fact, it often leads to a decrease in performance with perverse and dysfunctional behaviours such as sub-optimisation, target fixation, cheating and lying.

However, doing performance management properly and following the principles outlined here can lead to better performance and more success. The study found that organisations with the most successful BPM approaches are those that:

- Create clarity and agreement about their strategic aims;
- Collect meaningful and relevant performance indicators;
- Use these indicators to extract relevant insights;
- Create a positive culture of learning from performance information;

- Gain cross-organisational buy-in;
- Align other organisational activities with the strategic aims outlined in the performance management system;
- Keep the strategic objectives and performance indicators fresh and up-to-date;
- Report and communicate performance information well;
- Use the appropriate IT infrastructure to support their performance management activities; and
- Give people enough time and resources to manage performance strategically.

The research, which in our view is equally relevant to government organisations and commercial companies, confirmed that each of these 10 principles helps organisations perform better. However, when they are all in place together we can see the most significant impact on better decision-making and improved performance.

Therefore, addressing all these principles together far



outweighs the impact of getting them right individually. Let's look at each of the principles in turn.

1 ACHIEVING STRATEGIC CLARITY

As an individual principle, achieving strategic clarity had the biggest impact on improved performance. Organisations should aim to articulate outcome objectives

as well as the drivers they believe will help them achieve them. Tools such as strategy maps can be used to map the strategy onto a single page. Such maps will help enormously to achieve strategic clarity. Research evidence shows that only a minority (about 15%) of companies and government organisations use strategy maps but those who do clearly outperform their competitors.



2 COLLECTING MEANINGFUL INDICATORS

Performance indicators should help measure the things that matter the most and not those that don't matter. For that reason, performance indicators need to be linked to the strategic objectives of an organisation. Only 15% of the respondents to our survey feel that all their indicators were linked to the strategy of their

organisation. Even fewer (6%) believe that all their performance indicators are relevant and meaningful whereas 92% feel that many of their indicators are not relevant and meaningful. In addition to the fact that the majority of organisations believe their indicators are not linked to their strategy and are not very meaningful and relevant, 68% also feel they have too many indicators. Only

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23% of organisations feel they have the right number of performance indicators and 8% feel they have too few. Well-designed indicators should help organisations extract meaningful insights and management information, which helps them to improve performance.

3 APPLYING PERFORMANCE MANAGEMENT ANALYTICS

Once organisations have collected meaningful data they can analyse it and gain insights into their performance. Business Intelligence (BI) and analytics tools and techniques allow organisations to convert their performance data into relevant information and knowledge. Without it, the entire performance management exercise is of little or no value to the organisation. Many organisations seem to spend the majority of their time and effort on collecting and reporting data and not enough

time on extracting valuable and actionable insights from their performance data. An important finding of this research is that many respondents (59%) feel that their organisations do not have sufficient capabilities to comprehensively analyse performance data and 87% feel that their analysis capabilities need to be improved.

4 CREATING A POSITIVE LEARNING CULTURE

The right culture is important to the success of any BPM approach. Performance information can be used for different purposes. It can be used to blame or punish people or it can be used to empower people and enable self-management and learning. If performance data is used to control people rather than empower them with information to make better decisions, then as a consequence people might be inclined to 'cheat' the

system or ‘juggle’ the numbers. Alarming, the research found that over half of organisations admitted that people occasionally ‘fiddle’ their performance data, indicating that the culture is not right. In a positive learning culture performance information and contextualised feedback are provided to everyone in the organisation, with a special emphasis on middle management and front-line staff.

5 GAINING CROSS-ORGANISATIONAL BUY-IN

In order to make business performance management work, buy-in is required across the organisation. Top-level

buy-in is essential in order to get the system designed and implemented. Buy-in from middle managers and front line staff is essential in order to make performance management an integral part of the organisation’s daily routines and ensure on-going use and value. But ensuring this commitment filters down the organisation is not as simple as it may seem. Our research finds that the buy-in across senior leaders is the greatest, with 55% being clear advocates and 36% buying in. After that the percentage of advocates for the system decreases the further down the organisational hierarchy you go, with only 26% of senior managers, and a mere 2% of front-line staff.

6 ENSURING ORGANISATIONAL ALIGNMENT

It makes sense to align the different BPM processes. Many organisations still treat budgeting, performance reporting, scorecards and measurement, the management of projects and programs and the management of risks in isolation, instead of integrating them into an aligned BPM approach. Consecutive research studies find that alignment is getting better, but still is a major problem. Our research finds that while scorecards and performance reporting are generally aligned, budgeting, project management and

risk management are still treated separately. Only 14% of organisations align performance scorecards and risk management.

7 KEEPING THE PERFORMANCE MANAGEMENT SYSTEM FRESH

An organisation’s strategy has a shelf life and has to be revised and amended to ensure it stays relevant. In the same way, the performance management system has to be revised and kept fresh. If the strategic objectives change, the performance indicators should change. However, organisations often build up huge legacy systems of performance indicators by adding new ones but never deleting the obsolete ones. In order to stay relevant the strategic objectives have to be reviewed regularly and the performance indicators have to be revised accordingly. Our research shows that while most organisations regularly review their strategic objectives, over a quarter of companies don’t regularly review and renew their measurement systems. This indicates a clear disconnection between what matters and what is measured.

8 REPORTING AND COMMUNICATING PERFORMANCE INFORMATION APPROPRIATELY

Reporting and communicating performance information appropriately provides people with the insights they require to inform their decision making and



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learning. Research finds most performance reports are dominated by numbers and tables, and increasingly complemented by graphs and charts. In order to be effective, organisations need to focus more on headlines and narratives, supported by great visuals. Large sets of numbers and tables don't belong in performance reports. Our research finds that the majority of organisations (74%) don't believe their performance reporting is really appropriate and meaningful.

9 IMPLEMENT APPROPRIATE SOFTWARE

Most organisations still rely on spreadsheets when it comes to managing and reporting performance, while about a quarter use specialised BPM software applications and another quarter use Business Intelligence or Dashboard software. There is a lot of research evidence indicating that users of specialised BPM software applications are significantly happier with the way their software supports performance management in their organisation, and with the way their software helps to engage people in performance management activities. Least satisfied are those who still rely on spreadsheets. Among users of specialised BPM solutions 85% say their software helps them to better manage performance. This

goes to 58% for Dashboard and BI software users, and just 28% for spreadsheet users.

10 DEDICATING RESOURCES AND TIME TO PERFORMANCE MANAGEMENT

To make performance management work, organisations have to dedicate resources and time to the process. Good performance management will not just happen. Processes need to be embedded into the organisation, measures need to be collected, analysed and reported, people have to be trained, meetings have to take place to discuss performance, the IT system has to be maintained and the system has to be kept fresh and updated. All of this requires time and resources, which both tend to be in short supply in any organisation. For any organisation of 75 people or above, current best practice is to create a dedicated team with resources and time to perform the role of facilitating performance management activities. This team then performs the tasks, such as facilitating the strategy design and mapping process, designing and reviewing performance indicators, collecting and analysing performance data, reporting performance, facilitating the cascade and the performance review processes, and maintaining the performance management software system,



as well as training people in the performance management process. This is a broad remit and requires a cross-functional team to make it work. This team should also not just be a project team that only exists for a few months or so but should be established for good. While the focus of the activities might change over the life of the performance management system, there will always be the need for dedicated people to make performance management work.

Research confirms that performance management, as long as it is done well, has a significant impact on performance. Organisations that apply the principles of good performance management practices outperform their peers.

The study identified 10 principles of good performance management. Achieving strategic clarity

and creating a positive learning culture are the single most important success factors. However, all 10 together make the biggest impact.

The advice, tools and templates in this online forum have been designed to close the gaps identified in practice and should enable organisations to measure and manage what matters. ■



Bernard Marr is the founder and CEO of the Advanced Performance Institute. bernard.marr@ap-institute.com