

From Performance Measurement to Performance Culture

Successful Change

We are constantly being told that organisations no longer exist in a stable environment, but in one that is rapidly and constantly changing. Change itself is not new, but the management approaches that coped successfully with steady, incremental change of the past are inadequate for the scale and frequency of discontinuous change of the present.

“It’s tough medicine. The manager, in today’s world, doesn’t get paid to be a ‘steward of resources’, a favoured term not so many years ago. He or she gets paid for one and one thing only - to make things better (incrementally and dramatically), to change things, to act - today.”

Tom Peters, Thriving on Chaos

“Management . . . is not about the preservation of the status quo, it is about maintaining the highest level of change that the organization and the people in it can stand.”

John Harvey Jones, Making it Happen

What is driving this change?

- spiralling customer expectations: the service and features that delight the customer today will barely satisfy tomorrow
- changing external pressures: world markets also mean global competition; new production and information technologies offer new opportunities, broadening the base of competition and forcing most organisations to innovate to survive.



- changing staff expectations: position in the organisational hierarchy is no longer sufficient to generate respect and compliance - respect (and increasingly financial reward) is earned by expertise and performance delivery.

Employees may no longer expect a job for life, what they do expect is employability for life, and that their employer will ensure that their skills and competencies are maintained and developed to support this.

- blurring of organisational boundaries: alliances and partnerships with suppliers, customers and other organisations and the use of cross functional teams are all breaking down the functional silos mentality.

Most organisations recognise the need to address these through:

- increasing the pace of decision making
- constant re-focusing
- continuous efficiency improvement - achieving more with less

Seemingly incompatible demands:

- “Get ‘lean and mean’ through restructuring - while being a great company to work for and offering employee-centered policies, such as job security
- Encourage creativity and innovation to take you in new directions - and ‘stick to your knitting’
- Communicate a sense of urgency and push for faster execution, faster results - but take time to deliberately plan for the future.
- Decentralize to delegate profit and planning responsibilities to small, autonomous business units. But centralize to capture efficiencies and combine resources in innovative ways.”

*Rosabeth Moss Kanter,
When Giants learn to dance*

From measurement to management

The bureaucratic command and control structures and management methods that were for decades considered the natural mature state of organisations no longer meet our needs. Increasingly managers are looking to different, ‘post-bureaucratic’ approaches to enable their organisations to survive and thrive.

Since 1991 INPHASE has worked with over 50 leading companies to define the true Critical Success Factors for their business and the measures that really matter in measuring the achievement of those objectives.

We have helped them to implement measurement systems that cascade and aggregate these measures, using Balanced Scorecards (R Kaplan and D Norton, Harvard Business Review, 1992) and other measurement frameworks such as the Business Excellence Model (previously European Quality Award, European Foundation for Quality Management) to ensure that all the key factors are addressed.

What has become clear to us is that the leading organisations are now looking beyond performance measurement to performance management, and some are seeking to go further and achieve a genuine Performance Culture.

Many organisations will have chosen specific approaches to help address what are currently perceived as the most critical issues.

These may include one, or typically more, of:

- Business Excellence Model
- Balanced Business Scorecard
- Operational Excellence
- Investors in People
- ISO 9000
- Process Re-engineering
- Performance Measurement and Review

as well as the standard business cycles and activities of strategic and operational planning, and setting of objectives and targets.

These approaches undoubtedly have significant impact on improving the performance of an organisation, but they also bring with them a number of difficulties which are often experienced when implementing them.

Two of those most frequently reported can completely undermine the anticipated benefits:

- Organisational fatigue and cynicism: it is easy for staff to get the impression that the organisation drifts (or jumps panic stricken!) from the implementation of one ‘fashionable’ management theory to the next.
- Even when each of the approaches is handled successfully in its own right there may be no cohesive interaction between them, undermining the expected cumulative effect of the investments.

For example:

- personal development information related to staff development initiatives such as Investors in People is not readily accessible when re-planning resources needed for objectives
- personal performance measures cannot be seen in the context of business plan performance
- when re-planning resource for one objective and revising the forecast of its performance the impact cannot be seen on all of the other objectives affected by the changes.

These, and other problems encountered, can largely be overcome by considering the range of best practice approaches as components of an holistic approach to performance management and to developing a *performance culture*, rather than tackling them as one-off, independent exercises.

What is a Performance Culture?

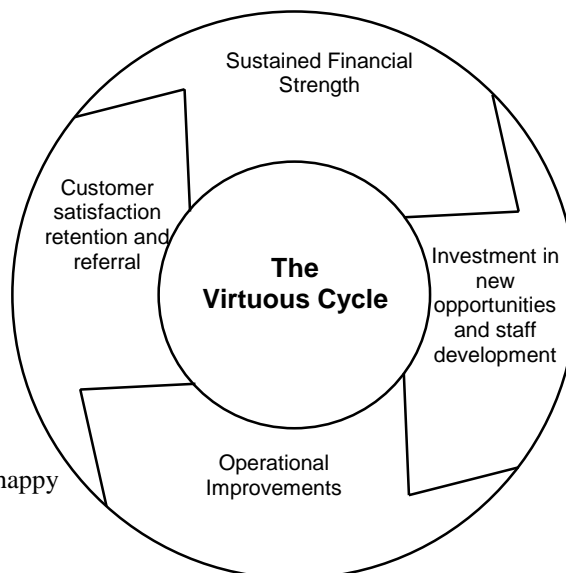
A Performance Culture is one in which management best practice is integral to the way in which the organisation is structured and managed. It is a culture in which every person in the organisation understands the organisational mission and priorities, and their own role in helping to achieve those priorities, and in which every person is empowered, encouraged and motivated to use this information to act to achieve the agreed goals within recognised limits of authority.

An organisation with a true performance culture is one in which

- staff improve organisational performance because every individual wants to deliver their best, and is enabled to do so
- individuals and teams take much of the responsibility for monitoring and managing their own performance, against agreed objectives, measures and targets
- and receive the coaching and support that they need to do this.

Happy customers mean repeat business and recommendations, which in turn lead to strong finances ...

Improved operational capability improves the delivery of customer priorities, and leads to happy customers ...



Strong finances ensure organisational continuation and investment, including investment in staff development...

Investment in staff development improves motivation and operational capability ...

The Virtuous Cycle of the Performance Managed Company

“The problem is that *organizations* are more effective only when mechanisms are in place that make it easier for all the *individual participants* to contribute to a larger set of goals. ... Keeping an organization vital is a matter of continuous action and review, and the endless tinkering of an enormously complex ecosystem: the collection of many human beings, each with his or her own unique set of preferences and ways of viewing the world, gathered together to pursue goals that can only be realised by collective action.”

*Eileen C Shapiro, Fad surfing
in the boardroom, 1996*

Organisations with a performance culture are still few and far between, although many organisations would aspire to some change in this direction, just as most managers aspire to utilise best practice approaches in their daily working style.

*PerformancePlus*TM has been designed to support the journey towards a performance culture. It enables managers to put into daily practice more of what they always want to do, but rarely have the time to do when constrained by manual systems.

Support for the Performance Culture

The *PerformancePlus*TM software provides a simple to use graphical performance management system which can show related information for all of the performance management approaches in use.

Within *PerformancePlus*TM users can view the strategy, tactical objectives, knowledge on performance interdependencies, and operational performance targets and results from the perspective of each approach, sharing information dynamically across tens, hundreds or thousands of staff.

Where targets are being missed when viewed from the perspective of any chosen approach, users can click on indicators and follow the drill-down or the other dependency paths to identify and understand the causes, even down to team or individual level. All users share a single on-line application: a dynamic business ‘model’ which can be as simple or as sophisticated in parts as desired.

This ‘unified’ model can support any number of different perspectives, now and in the future. As new programmes, initiatives or perspectives are introduced, they can be immediately integrated into the system on-line by the user without IT support or expertise.

Key perspectives on organisational objectives and activity may include:

- One or more performance measurement frameworks, such as Balanced Scorecard, Business Excellence, departmental budgets
- Organisational structure: divisional, departmental, team and individual plans
- Organisational development: skills, competencies, training, personal performance, personal and organisational development plans
- Process flows and impacts: Value chains, supply chain, internal customer, cause and effect performance drivers
- Initiatives: programmes, objectives and activities

This unified approach better supports the demands of new styles of management, and an increased focus upon individual, team and organisational performance.

Changed needs and change of structure

As layers of message passing management are flattened, so is the management role of gate keeper and filter for information, communicating policy and strategy to their staff, filtering, summarising and interpreting the information that they pass to their peers and superiors.

*PerformancePlus*TM shares information about objectives and their achievement throughout the organisation - it can be made available from every PC if required. It gives rapid access to summarised and alert based information, with drill down to further levels of detail where needed.

Communicate: strategies, priorities and a balance of key performance issues

If staff are to align their individual objectives and activities with strategic priorities, they must understand what these are, and how their own performance impacts upon corporate performance.

Frameworks such as the Balanced Scorecard and Business Excellence Model help to establish and refine which are the critical factors and measures for organisational success, and to communicate these throughout the organisation.

It can still be difficult in practice for staff to relate their own objectives and activities directly to these strategic objectives and measures.

PerformancePlus™ enables the rapid visual cascading and summing of measures and objectives and enables the knowledge of the impacts between objectives (the dependencies between the different elements in a process chain, for example, or between the provision of training and the delivery of a new project) to be immediately incorporated as well.

PerformancePlus™ presents the relationships and impacts between objectives in an accessible, graphical format, conveying each objective's performance against its measure targets and the contribution of each objective to overall organisational achievement.

The *PerformancePlus™* approach helps staff understand the difference between performance measures - the measures that track the achievement of a goal identified as important to the organisation - and diagnostic and activity measures. It helps them to avoid slipping into either one extreme of having no objective measures in place, or the opposite of attempting to measure everything.

The analysis of Critical Success Factors and Key Performance Indicators drives primary performance measures: one of the touchstones for whether a measure should be implemented is then 'What will you do differently if this measure goes out of tolerance, and what effect would that have?'

If no action can or will be taken, or no significant effect result, then it is unlikely that there is much point in planning, collecting and monitoring the information.

Align activity and resources with strategy

PerformancePlus™ supports and encourages taking ownership for objectives. The system communicates strategy and priorities and the effects and forecast effects of operational results throughout the organisation rapidly and effectively. This enables decisions to be made at the most appropriate level, improving responsiveness and overall performance.

It helps provide the answers to key management questions: Is the corporate goal being achieved through the initiatives and activities put in place? How is each contributing and could resources be reallocated to better effect?

Develop staff competencies and responsibility

Objectives are achieved by people, individually or more often working together in teams. They bring not only their time, but their skills, competencies and preferences for using them - the development of these skills and competencies, and recognition of an individuals preferences for use, are key both to the organisation's ability to innovate, and to its ability to improve existing processes and customer services.

PerformancePlus™ can include details of the skills and competencies possessed by staff and the development plans to expand these, along with the skills required to achieve key objectives. This supports both the analysis of gaps in skill availability now and in the future, and the monitoring of the impact of individual and organisational development upon the actual performance achieved.

Manage by teams as well as lines, by process as well as function

Complex issues require a range of skills and competencies, and it is inefficient to duplicate these in every function. The increasing focus upon process is also serving to break down the walls separating one function from another.

PerformancePlus™ can represent the many possible roles of an individual - functional responsibilities, involvement in one or more projects and programmes, membership of a transient task focused team - considering each as having objectives to be achieved.

A personal perspective can then pull together information from the various roles and support each individual in managing their overall contribution (and their time prioritisation) across a mixture of roles and responsibilities.

"What we need is to replace the externally imposed spur of fear with an internal self-motivation for performance. Responsibility - not satisfaction - is the only thing that will serve. ... To perform, one has to take responsibility for one's own actions and their impact. To perform, one has, in fact, to be dissatisfied, to want to do better."
Peter F Drucker, The practice of management

Implement open measurement and feedback eliminating “blame culture”

Innovation, change and personal responsibility cannot thrive in a “blame culture”. The greatest improvements in performance are supported by open and honest measurement systems, and regular feedback to enable strategy to be modified in the light of operational performance, and operational activity be adjusted in the light of current operational performance and strategic and tactical re-planning.

Measurement is a tool for communication and learning, for enabling potential problems to be recognised and addressed as early as possible (*Translating Strategy into Action -The Balanced Scorecard, Kaplan and Norton, 1996*). If it is used as a means to apportion blame, people will quickly find a way of undermining the integrity of any measurement system, or of avoiding responsibility for the outcome.

In a performance culture measurement and its reporting are open. It is not enough to know how I am performing, or even how my team or department is performing. Because the different parts of the organisation are mutually dependent, so is the work they do and the objectives that they seek to achieve. Information about performance is therefore openly shared - after all if accurate, honest information is not shared, then gossip, anecdote and rumour will take its place.

PerformancePlus™ provides consistent, fair and open communication and feedback, focusing on the achievement of objectives (and the factors that need to be in place to support that achievement), rather than passing judgmental opinion upon the ‘worth’ of the individual. Measurement and feedback are frequent, regular, and available to all those affected: there are no belated surprises. *PerformancePlus™* helps reduce the fear and anxiety often associated with performance monitoring and review.

“What gets measured gets done. What gets rewarded gets done repeatedly.” *Barcy C Fox, Saint Louis University*

Reward improved performance

Reward not just with money, but with recognition, opportunity and thanks.

Using *PerformancePlus™* makes performance visible. The system can include a ‘Congratulations!’ screen, recognising the achievement of teams and individuals throughout the organisation - for

exceptional performance against targets, achievement of personal development goals, or greatest degree of improvement over a given period, for example.

Seemingly incompatible pressures on managers

- “Think strategically and invest in the future - but keep the numbers up today
- Be entrepreneurial and take risks - but don’t cost the business anything by failing
- Continue to do everything you’re currently doing even better - and spend more time communicating with employees, serving on teams and launching new projects
- Know every detail of your business - but delegate more responsibility to others
- Become passionately dedicated to ‘visions’ and fanatically committed to carrying them out - but be flexible, responsive, and able to change direction quickly
- Speak up, be a leader, set the direction - but be participative, listen well, cooperate
- Throw yourself wholeheartedly into the entrepreneurial game and the long hours it takes - and stay fit
- Succeed, succeed, succeed - and raise terrific children”
condensed from Rosabeth Moss Kanter, When Giants learn to dance

Conclusion

Managers, like their organisations, face constant and increasing pressures, and often contradictory demands. Culture change is not achieved overnight, but every culture changes gradually, and corporate culture should be fashioned with a purpose.

Transforming the organisation

- Insist on clear mission, values, goals
- Set out to be a disciple, an architect of change - not a victim
- Take responsibility for creating your learning plans
- Create and agree meaningful, measurable goals
- Go where your skills and potential are needed
- Get your support network in place
- Be a role model - encourage others to do the same
- Go for goal every time!

*Penny Hughes,
INPHASE Performance Culture Seminar,
November 1997*

PerformancePlus™ enables organisations and managers to start the journey now, from wherever they are, with whatever performance measurement and management tools they are currently using. It can be implemented incrementally, starting with those areas where most benefit can be achieved most quickly: monitoring the impact of a programme of change initiatives, for example, or to focus upon a key set of processes. Because it enables the 'burden' of measurement and reporting to be shared widely, the time required by any individual can be very small, even when data is not already available within operational or data warehouse and MIS systems.

We would suggest, however, that for every manager, every team leader and even every member of staff to spend an hour or two a month focused upon reviewing their department's, team's or personal performance and considering how it might be improved is of such immense value and importance to the organisation that it should not be subjugated by the pressure of the urgent: the excuse paraphrased as "We haven't got time for all this - we are far too busy pedalling to look where we are going!"

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